

DIAGONAL

ACCOUNTS
DIAGONAL PLC

Company No : 2153353

30 November 1994



REPORT AND FINANCIAL STATEMENTS 1994
CONTENTS

DIAGONAL

| | Page |
|--|-------|
| Chairman's statement | 2 |
| Report of the directors | 3 |
| Statement of directors' responsibilities | 4 |
| Auditors' report | 5 |
| Consolidated profit and loss account | 6 |
| Consolidated balance sheet | 7 |
| Company balance sheet | 8 |
| Consolidated cash flow statement | 9 |
| Notes to the cash flow statement | 10 |
| Notes to the accounts | 11-20 |

1994 was an extremely busy year for the DIAGONAL GROUP producing a record revenue total of £14.72 million, an increase of 48% over the previous year. Operating profit exceeded £1 million for the first time.

The new Northern division completed an excellent first year with revenue of just under £1.5 million. A shortage of appropriately skilled staff in the North meant that an additional £1 million of business was transacted but carried out by contract staff belonging to the Group's Aylesbury based contract agency, MAPP LIMITED who increased revenue by a very healthy 40% to £6.9 million.

The Group's specialist division which provides consulting support for the SAP software product has had a very successful year. During the second half we have opened a customised SAP Skill Centre in Farnham equipped with appropriate hardware and the latest version of SAP's software. This has enabled us to perform client demonstrations and training but more importantly to train our own consultants. We have attracted a considerable number of high quality new consultants during the year.

Marshall-Wilkins, our specialist campaign recruitment company moved into new offices in Colchester at the end of the year. This follows a significant increase in demand for recruitment services.

The new year has begun well and further growth is expected.

Mark Samuels
Chairman

30 June 1995

The directors present their report and the audited accounts for the year ended 30 November 1994.

PRINCIPAL ACTIVITY

The principal activity of the company and its subsidiaries is the provision of the services of information technology consulting, computer staff and computer staff recruitment to commerce, industry, government and public bodies.

REVIEW OF THE BUSINESS

A review of the group's trading position is given in the Chairman's statement on page 2.

RESULTS

The results for the year are set out on page 6 and the movements in reserves are shown in note 18 on page 18.

SHARE CAPITAL

As explained in more detail in note 17 on page 17, the capital structure of the company was reorganised at an Extraordinary General Meeting held on 24 May 1994. The principal changes consisted of a rationalisation of the authorised ordinary share capital and the creation of a new class of ordinary shares as 'B' ordinary shares, resulting in a small overall reduction in the total Authorised Share Capital from £3,100,000 to £3,050,000. In addition, 480,000 of the newly-created 'B' ordinary shares were issued to 3i Group plc in exchange for the redemption of 240,000 preference shares of £1 each. Subsequently, a further 40,000 preference shares of £1 each were redeemed for cash in accordance with the revised redemption schedule adopted at the Meeting. In order that the company's non-distributable shareholders' funds remain the same, a transfer has been made in the amount of £40,000 from profit and loss account to a Capital redemption reserve - see note 18.

DIVIDENDS

The fixed dividends due to the holders of the preference shares and 'A' ordinary shares at 31 March 1994 were paid during the year. The revised dividends due, following the capital reorganisation, in respect of those shares and the dividends in respect of the 'B' ordinary shares are now payable at 30 November and have consequently been provided but not paid in the year - see note 8.

DIRECTORS

The directors who served during the year and their beneficial interests in the share capital of the company were as follows

| | 10p Ordinary shares | |
|----------------|---------------------|------------------|
| | 30 November 1994 | 30 November 1993 |
| M. T. Samuels | 1,803,406 | 1,803,406 |
| C. D. Burnside | 1,717,333 | 1,717,333 |
| B. D. Churcher | 1,650,000 | 1,650,000 |
| E. C. Drummond | 800,000 | 800,000 |
| P. B. Moore | 1,406,000 | 1,406,000 |
| V. J. Tuffield | 900,000 | 900,000 |

AUDITORS

A resolution to re-appoint Touche Ross & Co. as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the board

R. E. L. Cocks



Secretary

30 June 1995

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements on pages 6 to 20 which have been prepared under the accounting policies set out on page 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 November 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



TOUCHE ROSS & CO.

Chartered Accountants and Registered Auditors

Hill House
1 Little New Street
London EC4A 3TR

30 June 1995

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 30 November 1994

DIAGONAL

| | Note | 1994 | 1993 |
|--|-------|------------------------|------------------------|
| TURNOVER | 1 (c) | 14,719,215 | 9,977,138 |
| COST OF SALES | | <u>(11,486,230)</u> | <u>(7,696,195)</u> |
| GROSS PROFIT | | 3,232,985 | 2,280,943 |
| ADMINISTRATIVE EXPENSES | | <u>(2,114,402)</u> | <u>(1,628,841)</u> |
| | | 1,118,583 | 652,102 |
| AMOUNT WRITTEN OFF GOODWILL | | <u>(97,703)</u> | <u>(97,703)</u> |
| OPERATING PROFIT | | 1,020,880 | 554,399 |
| Interest receivable | 5 | 2,725 | 1,241 |
| Interest payable and similar charges | 6 | <u>(119,648)</u> | <u>(146,198)</u> |
| | | <u>(116,923)</u> | <u>(144,957)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | 903,957 | 409,442 |
| TAX ON PROFIT ON ORDINARY ACTIVITIES | 7 | <u>(307,865)</u> | <u>(139,521)</u> |
| PROFIT FOR THE YEAR | | 596,092 | 269,921 |
| DIVIDENDS | 8 | <u>(207,210)</u> | <u>(164,829)</u> |
| RETAINED PROFIT FOR THE YEAR | 18 | <u><u>£388,882</u></u> | <u><u>£105,092</u></u> |

All activities derive from continuing operations.

There are no recognised gains or losses other than the profit for the financial period. Accordingly, no statement of total recognised gains and losses is given.

CONSOLIDATED BALANCE SHEET
30 November 1994

DIAGONAL

| | Note | 1994 | 1993 (as restated) |
|---|------|--------------------------|--------------------------|
| FIXED ASSETS | | | |
| Intangible assets | 9 | 1,369,718 | 1,467,421 |
| Tangible assets | 10 | 875,709 | 509,385 |
| | | <u>2,245,427</u> | <u>1,976,806</u> |
| CURRENT ASSETS | | | |
| Debtors | 12 | 3,051,415 | 2,075,165 |
| Cash at bank and in hand | | 1,065 | 691 |
| | | <u>3,052,480</u> | <u>2,075,856</u> |
| CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR | 14 | <u>(2,771,481)</u> | <u>(2,068,597)</u> |
| NET CURRENT ASSETS | | <u>280,999</u> | <u>7,259</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>2,526,426</u> | <u>1,984,065</u> |
| CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 15 | <u>(279,172)</u> | <u>(163,610)</u> |
| PROVISIONS FOR LIABILITIES AND CHARGES | 16 | <u>(23,376)</u> | <u>(21,249)</u> |
| | | <u><u>£2,223,878</u></u> | <u><u>£1,799,206</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | 2,253,201 | 2,452,080 |
| Share premium account | 18 | 333,288 | 65,619 |
| Other reserves | 18 | 502,456 | 495,456 |
| Profit and loss account | 18 | <u>(865,067)</u> | <u>(1,213,949)</u> |
| SHAREHOLDERS' FUNDS | | <u><u>£2,223,878</u></u> | <u><u>£1,799,206</u></u> |
| Shareholders' funds are attributable to: | | | |
| Equity shareholders' funds | | 539,806 | 31,467 |
| Non equity shareholders' funds | | <u>1,684,072</u> | <u>1,767,739</u> |
| | | <u><u>£2,223,878</u></u> | <u><u>£1,799,206</u></u> |

APPROVED BY THE BOARD OF DIRECTORS

M. T. Samuels



V. J. Tuffield



30 June 1995

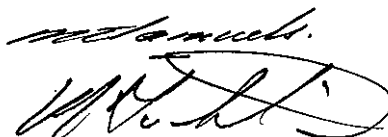
COMPANY BALANCE SHEET
30 November 1994

DIAGONAL

| | Note | 1994 | 1993 (as restated) |
|---|-------|--------------------|-----------------------|
| FIXED ASSETS | | | |
| Tangible assets | 10(b) | 63,926 | 70,021 |
| Investments | 11 | 2,778,432 | 2,778,432 |
| | | <u>2,842,358</u> | <u>2,848,453</u> |
| CURRENT ASSETS | | | |
| Debtors | 12 | 1,276,726 | 572,817 |
| Debtors-recoverable after more than one year | 13 | 1,730,000 | 1,880,000 |
| Cash at bank and in hand | | 360 | 355 |
| | | <u>3,007,086</u> | <u>2,453,172</u> |
| CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR | 14 | <u>(1,095,742)</u> | <u>(999,276)</u> |
| NET CURRENT ASSETS | | <u>1,911,344</u> | <u>1,453,896</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 4,753,702 | 4,302,349 |
| CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 15 | (6,855) | (14,346) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 16 | <u>(15,216)</u> | <u>(21,249)</u> |
| | | <u>£4,731,631</u> | <u>£4,266,754</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | 2,253,201 | 2,452,080 |
| Share premium account | 18 | 333,288 | 65,619 |
| Other reserves | 18 | 2,008,536 | 2,001,536 |
| Profit and loss account | 18 | <u>136,606</u> | <u>(252,481)</u> |
| SHAREHOLDERS' FUNDS | | <u>£4,731,631</u> | <u>£4,266,754</u> |
| Shareholders' funds are attributable to : | | | |
| Equity shareholders' funds | | 3,047,559 | 2,499,015 |
| Non equity shareholders' funds | | <u>1,684,072</u> | <u>1,767,739</u> |
| | | <u>£4,731,631</u> | <u>£4,266,754</u> |

APPROVED BY THE BOARD OF DIRECTORS

M. T. Samuels



V. J. Tuffield

30 June 1995

**CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 November 1994**

DIAGONAL

| | <i>Note</i> | <i>1994</i> | <i>1993</i> |
|--|------------------|-----------------------|------------------------|
| Net cash inflow from operating activities | <i>A</i> | 738,088 | 750,711 |
| Returns on investments and servicing of finance | | | |
| Interest received | 3,476 | 552 | |
| Interest paid | (115,701) | (107,200) | |
| Interest element of finance lease payments | (29,068) | (19,745) | |
| Dividends paid | <u>(82,415)</u> | <u>(164,829)</u> | |
| Net cash outflow from returns on investments and servicing of finance | | (223,708) | (291,222) |
| Taxation | | | |
| UK corporation tax paid | | (104,505) | (27,500) |
| Investing activities | | | |
| Purchases of tangible fixed assets | (232,101) | (86,785) | |
| Sale of shares in listed company | - | 14,071 | |
| Proceeds of disposals of tangible assets | <u>44,521</u> | <u>51,807</u> | |
| Net cash outflow from investing activities | | <u>(187,580)</u> | <u>(20,907)</u> |
| Net cash inflow before financing | | 222,295 | 411,082 |
| Financing | | | |
| Issue of ordinary share capital | 359,457 | - | |
| Expenses of issue | (10,667) | - | |
| Redemption of preference share capital | (313,000) | - | |
| Capital element of finance lease payments | <u>(193,965)</u> | <u>(134,119)</u> | |
| Net cash outflow from financing | <i>B</i> | <u>(158,175)</u> | <u>(134,119)</u> |
| Increase in cash and cash equivalents | <i>C</i> | <u><u>£64,120</u></u> | <u><u>£276,963</u></u> |

1994

1993

A. Reconciliation of operating profit to net cash inflow from operating activities

| | | |
|--|-----------------|-----------------|
| Operating profit | 1,020,880 | 554,399 |
| Amortisation of goodwill | 97,703 | 97,703 |
| Depreciation | 228,053 | 159,011 |
| Loss on sales of tangible assets | 3,032 | 706 |
| Loss on sale of shares in listed company | - | 5,175 |
| Decreases in provisions | (9,858) | (27,551) |
| Increase in debtors | (1,008,256) | (293,678) |
| Increase in creditors | 406,534 | 254,946 |
| | <u>£738,088</u> | <u>£750,711</u> |

B. Analysis of changes in financing

| | <i>Other reserves</i> | <i>Share capital and premium</i> | <i>Finance lease obligations</i> |
|--|---------------------------|--------------------------------------|--|
| At 1 December 1993 (as restated) | 495,456 | 2,517,699 | 291,747 |
| Net cash inflow/(outflow) from financing | - | 35,790 | (193,965) |
| Premium on redemption of preference shares | (33,000) | 33,000 | - |
| Nominal value of preference shares redeemed for cash | 40,000 | - | - |
| Inception of finance leases | - | - | 409,829 |
| | <u>£502,456</u> | <u>£2,586,489</u> | <u>£507,611</u> |
| At 30 November 1994 | | | |

C. Analysis of changes in cash and cash equivalents during the year

| | |
|---------------------|-------------------|
| At 1 December 1993 | (742,175) |
| Net cash inflow | 64,120 |
| | <u>£(678,055)</u> |
| At 30 November 1994 | |

Analysis of balances of cash and cash equivalents as shown in the balance sheets

| | 1994 | 1993 | 1992 |
|--------------------------|-------------------|-------------------|---------------------|
| Cash at bank and in hand | 1,065 | 691 | 50,142 |
| Bank overdraft | (679,120) | (742,866) | (1,069,280) |
| | <u>£(678,055)</u> | <u>£(742,175)</u> | <u>£(1,019,138)</u> |

| | <i>Change in 1994</i> | <i>Change in 1993</i> |
|--------------------------|---------------------------|---------------------------|
| Cash at bank and in hand | 374 | (49,451) |
| Bank overdraft | 63,746 | 326,414 |
| | <u>£64,120</u> | <u>£276,963</u> |

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with applicable Accounting Standards, using the historical cost convention. The particular accounting policies which the directors have adopted within that convention are set out below.

a) Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiary undertakings. The results of companies acquired during the year are consolidated from the date of acquisition. All companies within the group make up their accounts to the same date.

b) Goodwill on consolidation

Goodwill is the amount by which the purchase consideration for shares in subsidiary undertakings exceeded the fair value to the group of the net assets acquired. Goodwill is amortised through the profit and loss account over the estimated useful economic life of twenty years.

c) Turnover

Turnover is the amount derived from the provision of goods and services falling within the group's ordinary activities after deduction of value added tax.

d) Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost of fixed assets to their estimated residual values over the period of their estimated useful economic lives. The following rates have been used

| | |
|----------------------------------|---|
| Short leasehold property | - equal annual instalments over period of lease |
| Motor vehicles | - 30% p.a. reducing balance |
| Furniture, fixtures and fittings | - 15% p.a. straight line |
| Office equipment | - 20% p.a. straight line |
| Computer equipment | - 25% p.a. straight line |

e) Leased assets

Fixed assets held under finance leases, including hire purchase, are capitalised and depreciated over their expected useful economic lives. The finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding. The costs of operating leases are charged to the profit and loss account as they accrue.

f) Deferred taxation

Deferred tax is provided at anticipated tax rates in respect of significant timing differences to the extent that it is probable that such tax will become payable.

g) Pensions

The group operates a Contracted Out Money Purchase pension scheme on behalf of some members of staff. This involves the diversion of a portion of National Insurance Contributions into the fund. In addition contributions are made towards personal pension plans of certain senior officials. The pension cost represents the group's contributions made in respect of the accounting period.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is arrived at after charging

| | 1994 | 1993 |
|---------------------------------------|---------|---------|
| | £ | £ |
| Amounts written off intangible assets | 97,703 | 97,703 |
| Depreciation | | |
| - owned assets | 55,132 | 57,049 |
| - leased assets | 172,921 | 101,962 |
| Auditors' remuneration | | |
| - audit fees | 26,000 | 21,025 |
| - other services | 11,433 | 14,020 |
| Operating lease charges | 70,012 | 63,764 |

3. EMPLOYEES

The average number, including directors, employed by the group during the year, was as follows

| | 1994 | 1993 |
|----------------|-------------------------|-----------|
| | <i>No. of employees</i> | |
| Operating | 42 | 20 |
| Sales | 18 | 18 |
| Administration | 20 | 16 |
| | <u>80</u> | <u>54</u> |

The costs incurred in respect of these employees were as follows

| | | |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 2,998,408 | 1,685,375 |
| Social security costs | 311,526 | 176,840 |
| Other pension costs | 59,897 | 28,037 |
| | <u>£3,369,831</u> | <u>£1,890,252</u> |

4. DIRECTORS

The emoluments of the directors of the parent company were as follows

| | 1994 | 1993 |
|-------------------------|-----------------|-----------------|
| Management remuneration | <u>£510,869</u> | <u>£327,443</u> |

The management remuneration excluding pension contributions of directors was as follows

| | | |
|-----------------------|----------------|----------------|
| Chairman | <u>£80,687</u> | <u>£50,057</u> |
| Highest paid director | <u>£87,955</u> | <u>£59,250</u> |

Other directors

| | <i>No. of directors</i> | |
|--------------------|-------------------------|-------------|
| £35,001 to £40,000 | none | one |
| £50,001 to £55,000 | none | two |
| £55,001 to £60,000 | none | one |
| £60,001 to £65,000 | one | none |
| £80,001 to £85,000 | <u>three</u> | <u>none</u> |

5. INTEREST RECEIVABLE

| | 1994 | 1993 |
|----------------|---------------|---------------|
| Bank interest | 2,275 | 1,241 |
| Other interest | 450 | - |
| | <u>£2,725</u> | <u>£1,241</u> |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 1994 | 1993 |
|--|-----------------|-----------------|
| Interest on bank overdraft repayable within five years | 65,644 | 96,432 |
| Finance lease charges | 30,326 | 19,735 |
| Interest in unpaid dividends | 23,678 | 30,031 |
| | <u>£119,648</u> | <u>£146,198</u> |

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Taxation is based on the results for the year and comprises

| | 1994 | 1993 |
|---|-----------------|-----------------|
| Corporation tax at 33% (effective rate - 32.1%; 1993 - 31.1%) | 296,068 | 139,521 |
| Overprovision in prior years | (7,342) | - |
| Provision for deferred taxation | 19,139 | - |
| | <u>£307,865</u> | <u>£139,521</u> |

The tax charge is disproportionate due to the amortisation of goodwill.

8. DIVIDENDS

Dividends paid

| | | |
|------------------------------------|----------------|-----------------|
| Preference shares at 10% p.a. | 40,882 | 81,763 |
| 'A' ordinary shares at 1.743p p.a. | 41,533 | 83,066 |
| | <u>£82,415</u> | <u>£164,829</u> |

Dividends accrued

| | | |
|------------------------------------|-----------------|-----------|
| Preference shares at 10% p.a. | 13,139 | - |
| Preference shares at 16% p.a. | 45,758 | - |
| 'A' ordinary shares at 1.743p p.a. | 55,537 | - |
| 'B' ordinary shares at 4.125p p.a. | 10,361 | - |
| | <u>£124,795</u> | <u>£-</u> |

Total dividends paid and provided

| | |
|-----------------|-----------------|
| <u>£207,210</u> | <u>£164,829</u> |
|-----------------|-----------------|

9. INTANGIBLE FIXED ASSETS

Group

Cost of goodwill arising on consolidation

| | |
|--|--------------------|
| Previously transferred to merger reserve | 3,460,137 |
| | <u>(1,506,080)</u> |

1,954,057

Amortisation previously provided

(486,636)

Net book value at 30 November 1993

1,467,421

Amortisation provided in year

(97,703)

Net book value at 30 November 1994

£1,369,718

The cumulative amount of goodwill written off at 30 November 1994 was £2,090,419.

10. TANGIBLE FIXED ASSETS

| | <i>Short leasehold property</i> | <i>Motor vehicles</i> | <i>Furniture, fixtures and fittings</i> | <i>Office equipment</i> | <i>Computer equipment</i> | <i>Total</i> |
|-----------------------|---|---------------------------|---|-----------------------------|-------------------------------|--------------|
| a) Group | | | | | | |
| Cost | | | | | | |
| At 1 December 1993 | 32,894 | 672,350 | 106,532 | 54,826 | 194,361 | 1,060,963 |
| Additions | - | 479,799 | 40,966 | 15,364 | 105,801 | 641,930 |
| Disposals | - | (195,284) | - | - | (83,762) | (279,046) |
| At 30 November 1994 | 32,894 | 956,865 | 147,498 | 70,190 | 216,400 | 1,423,847 |
| Depreciation | | | | | | |
| At 1 December 1993 | 6,069 | 260,487 | 76,164 | 48,091 | 160,767 | 551,578 |
| Charge for the year | 1,525 | 179,962 | 17,482 | 5,390 | 23,694 | 228,053 |
| Disposals | - | (147,745) | - | - | (83,748) | (231,493) |
| At 30 November 1994 | 7,594 | 292,704 | 93,646 | 53,481 | 100,713 | 548,138 |
| Net book value | | | | | | |
| At 30 November 1994 | £25,300 | 664,161 | 53,852 | 16,709 | 115,687 | £875,709 |
| At 30 November 1993 | £26,825 | 411,863 | 30,368 | 6,735 | 33,594 | £509,385 |
| b) Company | | | | | | |
| Cost | | | | | | |
| At 1 December 1993 | 32,894 | 69,508 | 24,686 | 6,982 | 10,213 | 144,283 |
| Additions | - | - | 2,792 | 100 | 10,762 | 13,654 |
| Disposals | - | (14,413) | - | - | - | (14,413) |
| At 30 November 1994 | 32,894 | 55,095 | 27,478 | 7,082 | 20,975 | 143,524 |
| Depreciation | | | | | | |
| At 1 December 1993 | 6,069 | 34,557 | 17,261 | 6,928 | 9,447 | 74,262 |
| Charge for the year | 1,525 | 9,645 | 3,944 | 49 | 1,786 | 16,949 |
| Disposals | - | (11,613) | - | - | - | (11,613) |
| At 30 November 1994 | 7,594 | 32,589 | 21,205 | 6,977 | 11,233 | 79,598 |
| Net book value | | | | | | |
| At 30 November 1994 | £25,300 | 22,506 | 6,273 | 105 | 9,742 | £63,926 |
| At 30 November 1993 | £26,825 | 34,951 | 7,425 | 54 | 766 | £70,021 |

10. TANGIBLE FIXED ASSETS (cont.)

c) **Leased assets**

The net book values of assets held under finance leases were as follows

| | <i>Group</i> | | <i>Company</i> | |
|--------------------|-----------------|-----------------|----------------|----------------|
| | 1994 | 1993 | 1994 | 1993 |
| Motor vehicles | 642,415 | 359,480 | 17,360 | 24,800 |
| Computer equipment | 25,587 | 1,834 | - | - |
| | <u>£668,002</u> | <u>£361,314</u> | <u>£17,360</u> | <u>£24,800</u> |

11. FIXED ASSET INVESTMENTS

Company

| | |
|--|-------------------|
| Cost of investment in subsidiaries at 1 December 1993 and 30 November 1994 | 3,528,997 |
| Amounts provided at 1 December 1993 and 30 November 1994 | <u>(750,565)</u> |
| Net book value at 30 November 1993 and 30 November 1994 | <u>£2,778,432</u> |

- a) The investment in all subsidiaries, with the exception of MAPP Limited, Marshall-Wilkins Limited (see note (b) below) and Strand Computer Systems Limited (see note (c) below) has been fully provided.
- b) The investment in Marshall-Wilkins Limited was written down in 1991 to £750,000, since, in the opinion of the directors, that company had suffered a diminution in value due to the losses suffered since acquisition. The company is now trading profitably and, consequently, no further provision is considered necessary.
- c) The investment in Strand Computer Systems Limited is carried at its net asset value.

In addition to the above, the company has made cumulative provisions in respect of inter-company indebtedness amounting to £109,559 (1993 - £303,138).

Principal subsidiary companies

The principal subsidiaries of the company are set out below. The company owns 100% of the issued share capital. All companies are registered in England and Wales.

| | <i>Nature of business</i> |
|------------------------------------|--|
| Diagonal Computer Services Limited | Information technology consultancy and contract computer personnel |
| Marshall-Wilkins Limited | Campaign recruitment and information technology and management consultancy |
| MAPP Limited | Contract computer personnel |

12. DEBTORS

| | <i>Group</i> | | <i>Company</i> | |
|--------------------------------|-------------------|-------------------|-------------------|-----------------|
| | <i>1994</i> | <i>1993</i> | <i>1994</i> | <i>1993</i> |
| Trade debtors | 2,993,984 | 2,012,010 | - | - |
| Amounts owed by subsidiaries | - | - | 1,246,674 | 565,325 |
| Other debtors | 26,324 | 12,364 | 17,498 | 3,445 |
| Corporation tax recoverable | 544 | 1,452 | - | - |
| Group relief receivable | - | - | 9,284 | - |
| ACT recoverable | - | 30,347 | - | 347 |
| Prepayments and accrued income | 30,563 | 18,992 | 3,270 | 3,700 |
| | <u>£3,051,415</u> | <u>£2,075,165</u> | <u>£1,276,726</u> | <u>£572,817</u> |

**13. DEBTORS - AMOUNTS RECOVERABLE
AFTER MORE THAN ONE YEAR**

| | <i>1994</i> | <i>1993</i> |
|------------------------------|-------------------|-------------------|
| Company | | |
| Amounts owed by subsidiaries | <u>£1,730,000</u> | <u>£1,880,000</u> |

**14. CREDITORS - AMOUNTS FALLING DUE
WITHIN ONE YEAR**

| | <i>Group</i> | | <i>Company</i> | |
|--|-------------------|-------------------|-------------------|-----------------|
| | <i>1994</i> | <i>1993</i> | <i>1994</i> | <i>1993</i> |
| Bank overdrafts | 679,120 | 742,866 | 768,422 | 800,218 |
| Trade creditors | 775,896 | 651,861 | - | - |
| Amount owed to subsidiary | - | - | 3,000 | 3,000 |
| Other creditors | 18,333 | 3,809 | 32 | - |
| Corporation tax | 267,214 | 112,021 | - | 32,033 |
| ACT payable | 4,927 | - | 4,927 | - |
| Other taxation and social security | 421,455 | 256,838 | 117,955 | 75,873 |
| Obligations under finance leases (see note 15) | 228,439 | 128,137 | 6,939 | 20,544 |
| Dividends payable | 124,795 | - | 124,795 | - |
| Accruals and deferred income | 251,302 | 173,065 | 69,672 | 67,608 |
| | <u>£2,771,481</u> | <u>£2,068,597</u> | <u>£1,095,742</u> | <u>£999,276</u> |

The bank overdraft is secured by a fixed and floating charge over the assets of the group.

**15. CREDITORS - AMOUNTS FALLING DUE
AFTER MORE THAN ONE YEAR**

| | <i>Group</i> | | <i>Company</i> | |
|----------------------------------|-----------------|-----------------|----------------|----------------|
| | <i>1994</i> | <i>1993</i> | <i>1994</i> | <i>1993</i> |
| Obligations under finance leases | <u>£279,172</u> | <u>£163,610</u> | <u>£6,855</u> | <u>£14,346</u> |

Obligations under finance leases fall due between two and five years.

16. PROVISIONS FOR LIABILITIES AND CHARGES

a) Provision for property liabilities

Group and Company

| | |
|--|----------------|
| Amount originally provided | 48,000 |
| Payments made less receipts in prior years | (26,751) |
| Balance at 1 December 1993 | 21,249 |
| Payments less receipts in year | (9,858) |
| Balance at 30 November 1994 | <u>£11,391</u> |

b) Provision for deferred taxation

| | <i>Group</i> | | <i>Company</i> | |
|--------------------------------------|----------------|-----------|----------------|-----------|
| | 1994 | 1993 | 1994 | 1993 |
| Balance at 1 December | - | - | - | - |
| Current year charge | 19,139 | - | 7,461 | - |
| Adjustment in respect of prior years | (7,154) | - | (3,636) | - |
| | <u>£11,985</u> | <u>£-</u> | <u>£3,825</u> | <u>£-</u> |

The amounts of deferred tax provided in the financial statements arose as a result of Capital allowances exceeding depreciation. The prior year adjustments relate to deferred tax assets not recognised in the previous year and are included in the prior-year overprovision in Note 7.

17. SHARE CAPITAL

1994 1993

Authorised

Equity

| | | |
|--|------------------|------------------|
| 16,000,000 (1993 - 16,425,192) ordinary shares of 10p each | <u>1,600,000</u> | <u>1,642,519</u> |
|--|------------------|------------------|

Non Equity

| | | |
|---|-------------------|-------------------|
| 900,000 cumulative redeemable 16% (1993 - 10%) £1 preference shares | 900,000 | 900,000 |
| 5,000,000 (1993 - 5,574,808) 'A' ordinary shares of 10p each | 500,000 | 557,481 |
| 500,000 (1993 - Nil) 'B' ordinary shares of 10p each | 50,000 | - |
| | <u>£1,450,000</u> | <u>£1,457,481</u> |

| | | |
|------------------|-------------------|-------------------|
| Total authorised | <u>£3,050,000</u> | <u>£3,100,000</u> |
|------------------|-------------------|-------------------|

Allotted and fully paid

Equity

| | | |
|--|------------------|------------------|
| 11,909,318 (1993 - 11,578,108) ordinary shares of 10p each | <u>1,190,932</u> | <u>1,157,811</u> |
|--|------------------|------------------|

Non equity

| | | |
|--|-------------------|-------------------|
| 537,628 (1993 - 817,628) cumulative redeemable 16% (1993 - 10%) £1 preference shares | 537,628 | 817,628 |
| 4,766,408 'A' ordinary shares of 10p each | 476,641 | 476,641 |
| 480,000 (1993 - Nil) 'B' ordinary shares of 10p each | 48,000 | - |
| | <u>£1,062,269</u> | <u>£1,294,269</u> |

| | | |
|-------------------------------|-------------------|-------------------|
| Total allotted and fully paid | <u>£2,253,201</u> | <u>£2,452,080</u> |
|-------------------------------|-------------------|-------------------|

At an Extraordinary General Meeting held on 24 May 1994 the authorised share capital of the company was reorganised to include a new class of non-voting 'B' ordinary shares and rationalised with the effect that the total authorised capital was reduced from £3,100,000 to £3,050,000.

Subsequent to the meeting, 480,000 'B' ordinary shares were issued to the preference shareholders at a price of 50p per share and 240,000 £1 cumulative preference shares were redeemed at par. Also, new Articles of Association were adopted at the meeting which provided inter alia

- that a Special Redemption Dividend would be payable on future redemptions of the cumulative preference shares amounting to 82.5p per £1 share; and
- that the previous schedule of redemption dates for the preference shares be revised to encompass the period from 30 September 1994 to 30 September 1998 with varying numbers of shares due to be redeemed at yearly intervals, the first such redemption due on 30 September 1994 comprising 40,000 £1 shares, being duly made. The redemption due on 30 September 1995 comprises 100,000 £1 shares.

In consideration of the above, and other changes to the preference share coupon and dividend rights pertaining to the 'A' ordinary shares contained within the new Articles of Association, the holders of the 'A' ordinary shares have waived their rights to accumulated dividend arrears amounting to £238,500, and the holders of the preference shares have waived their rights to accumulated arrears amounting to £238,090 - see note 18.

Both the 'A' and 'B' ordinary shares carry preferential rights to fixed cumulative dividends and participating dividends which are activated once the group's operating profit before the provision for the amortisation of goodwill reaches a certain level.

During the course of the year a total of 331,210 ordinary shares of 10p each were allotted to members of staff at varying prices aggregating to a total consideration of £119,457.

18. RESERVES

| Group | <i>Share premium account</i> | <i>Merger reserve</i> | <i>Capital redemption reserve</i> | <i>Other reserves</i> | <i>Profit and loss account</i> |
|---|--------------------------------------|---------------------------|---|---------------------------|--|
| Balances at 1 December 1993 | | | | | |
| as previously stated | 65,619 | 18,866 | - | - | (737,359) |
| Prior year adjustment | - | - | - | 476,590 | (476,590) |
| Restated balances at 1 December 1993 | 65,619 | 18,866 | - | 476,590 | (1,213,949) |
| Premiums on issues of shares | 278,336 | - | - | - | - |
| Expenses of share issue | (10,667) | - | - | - | - |
| Transfer in respect of redemption of preference shares | - | - | 40,000 | - | (40,000) |
| Premium paid in respect of shares redeemed in year | - | - | - | (33,000) | - |
| Profit for the year | - | - | - | - | 388,882 |
| Balances at 30 November 1994 | <u>£333,288</u> | <u>£18,866</u> | <u>£40,000</u> | <u>£443,590</u> | <u>£(865,067)</u> |

- a) Following implementation of FRS4 'Capital Instruments', the arrears of dividends at 1 December 1993 totalling £476,590 ('A' ordinary shares - £238,500 and cumulative redeemable preference shares - £238,090) have been accounted for as a prior year appropriation from the Profit and loss account to the credit of Other reserves.

Subsequent to the reorganisation of share capital detailed in Note 17, Other reserves now represent the premiums of 82.5p per share payable on redemption of the preference shares.

- b) The Profit and loss account balance is stated after making cumulative provisions for the amortisation of goodwill arising on consolidation. At 30 November 1994 the total amount provided was £584,339 (1993 - £486,636) - see Note 9.

| | <u>Share premium account</u> | <u>Merger reserve</u> | <u>Capital redemption reserve</u> | <u>Other reserves</u> | <u>Profit and loss account</u> |
|---|--------------------------------------|---------------------------|---|---------------------------|--|
| Company | | | | | |
| Balances at 1 December 1993 | | | | | |
| as previously stated | 65,619 | 1,524,946 | - | - | 224,109 |
| Prior year adjustment | - | - | - | 476,590 | (476,590) |
| Restated balances at 1 December 1993 | 65,619 | 1,524,946 | - | 476,590 | (252,481) |
| Premiums on issues of shares | 278,336 | - | - | - | - |
| Expenses of share issue | (10,667) | - | - | - | - |
| Transfer in respect of redemption of preference shares | - | - | 40,000 | - | (40,000) |
| Premium paid in respect of shares redeemed in year | - | - | - | (33,000) | - |
| Profit for the year | - | - | - | - | 429,087 |
| Balances at 30 November 1994 | <u>£333,288</u> | <u>£1,524,946</u> | <u>£40,000</u> | <u>£443,590</u> | <u>£136,606</u> |

- a) The company has taken advantage of the merger relief provisions of Section 131 of the Companies Act 1985 and has therefore not created a share premium account on share issues made in connection with the acquisition of subsidiary companies. Instead the company has credited the amount by which the fair value exceeds the nominal value to a separate merger reserve.
- b) No profit and loss account is presented for the parent company as permitted by section 230 of the Companies Act 1985. The company's profit for the financial year was £429,087 (1993 - £113,900).

19. FINANCIAL COMMITMENTS

a) Capital

At 30 November 1993 the group had contracted to purchase tangible assets costing £51,512 (1993 - £14,625) which are not included in these accounts.

b) Operating leases

Group

At 30 November, the group had annual commitments under non-cancellable operating leases as set out below.

| | <u>1994</u> | | <u>1993</u> | |
|--|-------------------------------|---------------|-------------------------------|---------------|
| | <u>Land and buildings</u> | <u>Other</u> | <u>Land and buildings</u> | <u>Other</u> |
| Operating leases which expire in the second to fifth year | 14,300 | 5,102 | - | 6,573 |
| over five years | 56,052 | - | 56,052 | - |
| | <u>£70,352</u> | <u>£5,102</u> | <u>£56,052</u> | <u>£6,573</u> |

Note that the financial commitment in respect of land and buildings does not include the annual commitment in respect of No 7 Borelli Yard originally provided in 1992 (see note 16).

20. CONTINGENT LIABILITIES

Cross-guarantee

The company has issued a guarantee in favour of National Westminster Bank PLC in respect of the indebtedness of certain subsidiaries to the bank. At 30 November 1994 the contingent liability amounted to £nil (1993 - £nil).