

# ***CHC International Limited***

Directors' Report and Financial Statements

Year ended 31 December 2000

Registered number 2337791

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London  
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# ***CHC International Limited***

## ***Directors' Report and Financial Statements***

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# ***CHC International Limited***

## **Report of the Directors**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2000.

### **Principal activity**

The principal activity of the company is the supply of computer software consultancy services.

### **Business review**

CHC International Limited was part of the USA based Computer Horizons Corp. group. During a difficult year in which the technology market experienced significant slow-down, Computer Horizons Corp. decided to sell its IT services UK arm to enable it to concentrate on its e-business and resource management activity. On 9<sup>th</sup> February 2001 the company, CHC International Ltd, was sold to Spargonet Consulting plc, a company established in the supply of computer consultancy services.

### **Results**

Turnover for the year was £7.4 million compared with £11.3 million for the previous year representing a decrease of 34.5 per cent.

As a result of some restructuring there were exceptional operational costs derived from severance costs amounting to £84,000. The full cost has been charged against earnings for 2000.

After charging restructuring related-expenses of £84,000 and parent company royalty fees of £74,000 for the use of the name, 'Computer Horizons', the company turned in a net loss of £496,000 (1999 : net profit £541,000).

The company is extremely well supported by the dedication and hard work of its consultants and support staff and we would like to convey our appreciation and thanks to everyone.

### Directors and Directors' interests

The names of the Directors currently in office after the sale of the company to Spargonet Consulting Plc, are as follows:

W A R Spargo, I C Chandler and Ms P Adams.

Ms P Adams is also Company Secretary.

The following persons have resigned as directors of the company as a result of the sale of the company on 9<sup>th</sup> February 2001:

J J Cassese, D Di Venuta, W J Murphy, G Brucia, P Walsh, D Harris and C P Gouveia.

C P Gouveia also resigned as Company Secretary at the time of the sale.

The interests of the directors who were also the directors of the parent undertaking prior to the sale are shown in the financial statements of that company.

The directors' interests in the shares of the company and its parent prior to the sale, as at 31 December 2000 and 31 December 1999 are included below.

	31 December 2000	31 December 1999
W.A.R Spargo		
Computer Horizons Corp.		
Common Stock of US \$0.10 each	300,000	300,000

### Auditors

Grant Thornton have expressed their willingness to continue in office and a resolution, under Section 385 of the Companies Act 1985, for their re-appointment as auditors, will be proposed at the Annual General Meeting.



By Order of the Board  
Ms P Adams  
Secretary

29/0/2002

# ***CHC International Limited***

## **Statement of Directors' responsibilities**

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 of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied fully with these requirements in preparing the financial statements on pages 5 to 15.

## **Report of the auditors to the members of CHC International Limited**

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 8.

### **Respective responsibilities of Directors and Auditors**

As described on page 3 the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

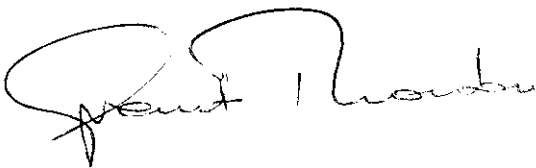
### **Basis of opinion**

We conducted our audit in accordance with United Kingdom 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 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 as at 31 December 2000 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Grant Thornton**  
Chartered Accountants  
Registered Auditors  
London

31 January 2001

# CHC International Limited

## Profit and Loss Account

for the year ended 31 December 2000

	Note	2000		1999	
		£'000	£'000	£'000	£'000
<b>Turnover</b>	-continuing operations	2	7,442		11,291
Cost of sales			(5,798)		(7,053)
<b>Gross profit</b>			<u>1,644</u>		<u>4,238</u>
Selling and distribution costs			(476)		(378)
Administrative expenses		(1,832)		(2,711)	
Exceptional costs arising on reconstruction of the business		<u>(84)</u>	<u>(1,916)</u>	<u>(419)</u>	<u>(3,130)</u>
<b>Operating (loss)/profit</b>	- continuing operations		<u>(748)</u>		<u>730</u>
Interest receivable and similar income	6		39		103
Interest payable and similar charges	7		(5)		(7)
<b>(Loss)/Profit on ordinary activities before taxation</b>	3		<u>(714)</u>		<u>826</u>
Taxation on (loss)/profit on ordinary activities	8		218		(285)
<b>(Loss)/Profit for the financial year</b>			<u>(496)</u>		<u>541</u>
No dividends were paid or proposed in the year			-		-
<b>Retained (loss)/profit for the financial year</b>			<u>(496)</u>		<u>541</u>
<b>Statement of movement on reserves</b>					
Retained profit brought forward			3,510		2,969
Retained (losses)/profit for the year			(496)		541
<b>Retained profit carried forward</b>			<u>3,014</u>		<u>3,510</u>

The Company had no recognised gains or losses other than those reported in the profit and loss account.

The notes on pages 8 to 15 form part of these financial statements

# CHC International Limited

## Balance Sheet

at 31 December 2000

		2000		1999	
		£'000	£'000	£'000	£'000
	<b>Note</b>				
<b>Fixed assets</b>					
Tangible assets	9		141		280
Fixed asset investment	10		32		32
<b>Current assets</b>					
Debtors	11	3,402		2,906	
Cash at bank and in hand	12	667		1,698	
		<u>4,069</u>		<u>4,604</u>	
<b>Creditors:</b>					
amounts falling due within one year	13	(1,086)		(1,236)	
Net current assets			<u>2,983</u>		<u>3,368</u>
Total assets less current liabilities			<u>3,156</u>		<u>3,680</u>
<b>Creditors:</b>					
amounts falling due after more than one year	14		(0)		(28)
Net assets			<u>3,156</u>		<u>3,652</u>
<b>Capital and Reserves</b>					
Called up share capital	15		125		125
Share premium			17		17
Profit and loss account			3,014		3,510
Shareholders' Funds	16		<u>3,156</u>		<u>3,652</u>

These financial statements were approved by the board of directors on 29 January 2001 and signed on its behalf by

W A R Spargo

I C Chandler

Directors

The notes on pages 8 to 15 form part of these financial statements



# CHC International Limited

## Cash Flow Statement

For the year ended 31 December 2000

	Note	2000 £'000	£'000	1999 £'000	£'000
Net cash (outflow)/inflow from operating activities	17		(1,095)		484
<b>Returns on investments and servicing of finance</b>					
Interest received		39		103	
Interest element of finance lease rental payments		(5)		(7)	
Net cash inflow from returns on investments and servicing of finance			34		96
<b>Taxation</b>			73		(1,149)
<b>Investing activities</b>					
Proceeds from disposal of tangible fixed assets		78		38	
Purchase of tangible fixed assets		(61)	17	(99)	(61)
<b>Acquisitions &amp; Disposals</b>					
Purchase of investments			0		0
<b>Equity dividends paid</b>			0		0
<b>Net cash inflow before use of liquid resources and financing</b>			(971)		(630)
<b>Management of Liquid Resources</b>					
Decrease/(Increase) in Term Deposits			7		1,493
<b>Financing</b>					
Receipts from new allotments of shares			0		0
Capital element of finance lease rental payments			(60)		(79)
<b>Increase in cash</b>	18		(1,024)		784
<b>Reconciliation of net cash flow to movement in net funds (Note 18)</b>					
		2000 £'000		1999 £'000	
(Decrease)/Increase in cash in the period		(1024)		784	
Cash outflow from change in liquid resources		(7)		(1,493)	
Cash outflow from investment in finance leases		60		79	
<b>Change in net funds resulting from cash flows</b>		(971)		(630)	
New finance leases		(0)		(124)	
<b>Change in net funds in the period</b>		(971)		(754)	
Net Funds 1 January		1,617		2,371	
<b>Net Funds 31 December</b>		646		1,617	

# CHC International Limited

## Notes on the Accounts

(forming part of the financial statements)

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Fixed assets and depreciation*

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	between 20% and 33% per annum.
Office equipment	between 20% and 50% per annum.
Motor vehicles	25% per annum.
Leasehold improvements	10% per annum.

#### *Leases*

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments. All other leases are accounted for as 'operating leases' and the rental payments are charged to the profit and loss account on a straight line basis over the life of each lease.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers during the year.

#### *Contributions to pension funds*

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

#### *Taxation*

There is no liability for Corporation Tax on the results for the year.

# CHC International Limited

## Notes (continued)

### 2 Turnover

The turnover of the company for the year has been derived from its principal activity wholly undertaken in the EC.

### 3 (Loss)/Profit on ordinary activities before taxation

	2000	1999
	£'000	£'000
(Loss)/Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	8	11
Non-audit fees paid to the auditors and its associates	21	8
Depreciation	110	120
Operating lease rentals paid:		
- Other	259	246

The exceptional restructuring costs were associated with severance commitments and investment in engaging new skills and senior management.

# CHC International Limited

## Notes (continued)

### 4 Staff numbers and costs

Average number of persons employed by the Company (including directors) during the year were as follows:

	2000	1999
Consultants	84	116
Management, sales and administration	17	16
	<u>101</u>	<u>132</u>

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£'000	£'000
Wages and salaries	4,036	5,455
Social security costs	524	592
Pension costs	163	132
	<u>4,723</u>	<u>6,179</u>

### 5 Remuneration of Directors

	2000	1999
	£'000	£'000
Directors' remuneration	210	362
Compensation for loss of office	0	0
Personal pension scheme	15	5
	<u>225</u>	<u>367</u>

### 6 Interest receivable and similar income

	2000	1999
	£'000	£'000
Bank interest receivable	<u>39</u>	<u>103</u>

### 7 Interest payable and similar charges

	2000	1999
	£'000	£'000
Finance lease interest	<u>5</u>	<u>7</u>

### 8 Taxation

	2000	1999
	£'000	£'000
UK Corporation Tax nil (1999 : 34.5%)	(202)	285
Adjustment relating to prior year Corporation Tax	(16)	-
	<u>(218)</u>	<u>285</u>

# CHC International Limited

## Notes (continued)

### 9 Tangible fixed assets

£'000	Leasehold Improvements	Office Equipment Furniture Fittings	Computer Equipment	Motor Vehicles	Total
<b>Cost</b>					
At 31 December 1999	28	246	138	156	568
Additions	-	19	41	0	60
Disposals	-	-	(3)	(156)	(159)
At 31 December 2000	28	265	176	0	469
<b>Depreciation</b>					
At 31 December 1999	28	115	92	53	288
Charge for the year	0	50	43	17	110
Disposals	-	-	-	(70)	(70)
At 31 December 2000	28	165	135	-0	328
<b>Net book value</b>					
At 31 December 2000	0	100	41	0	141
At 31 December 1999	0	131	46	103	280

### 10 Fixed asset investment

The fixed asset investment of £31,500 (1999 : £31,500) is held at cost and represents an unlisted trade investment. The directors are of the opinion that market value is equivalent to cost.

# CHC International Limited

## Notes (continued)

11 Debtors	2000	1999
	£'000	£'000
Trade debtors	1,456	1,006
Amounts owed by group undertakings	1,642	1,351
Prepayments and accrued income	304	549
	<u>3,402</u>	<u>2,906</u>

12 Cash at bank and in hand	2000	1999
	£'000	£'000
Cash	667	1,691
Short term deposits	0	7
	<u>667</u>	<u>1,698</u>

13 Creditors: amounts falling due within one year	2000	1999
	£'000	£'000
Obligations under finance leases and hire purchase contracts	20	53
Trade creditors	91	104
Other creditors including taxation and social security:		
Corporation Tax	(230)	(85)
Other taxes and social security	349	391
Amounts owed to group undertakings	193	181
Accruals and deferred income	663	592
	<u>1,086</u>	<u>1,236</u>

# CHC International Limited

## Notes (continued)

### 14 Obligations under finance leases and hire purchase contracts

The maturity of obligations under finance leases and hire purchase contracts net of finance charges, is as follows:

	2000	1999
	£'000	£'000
Within one year	20	53
In the second to fifth years	0	28
	<u>20</u>	<u>81</u>

### 15 Called up share capital and share premium account

	2000	1999
	£'000	£'000
Share capital:		
Authorised	<u>167</u>	<u>167</u>
Allotted, called up and fully paid :		
Ordinary shares of 1p each	<u>125</u>	<u>125</u>

### 16 Reconciliation of Movement in Shareholders' Funds

	2000	1999
	£'000	£'000
At 1 January	3,652	3,111
(Loss)/Profit for the financial year	(496)	541
Share premium	-	-
Dividends paid and proposed	-	-
At 31 December	<u>3,156</u>	<u>3,652</u>

# CHC International Limited

## Notes (continued)

### 17 Reconciliation of operating profit to net cash inflow from operating activities

	2000	1999
	£'000	£'000
Operating (loss)/profit	(748)	730
Depreciation charge	110	120
Increase in debtors	(496)	(77)
Increase/(Decrease) in creditors	28	(274)
Loss(Profit) on sale of fixed assets	11	(15)
Net cash (outflow)/inflow from operating activities	<u>(1,095)</u>	<u>484</u>

### 18 Analysis of changes in net funds

	Balance at 1.1.00	Cash Flow	Other Non Cash Changes	Balance at 31.12.00
	£'000	£'000	£'000	£'000
Cash at bank and in hand :	1,691	(1,024)	-	667
Term Deposits	7	(7)	-	0
Finance leases	(81)	60	(0)	(21)
Net funds	<u>1,617</u>	<u>(971)</u>	<u>0</u>	<u>646</u>



# CHC International Limited

## Notes (continued)

### 19 Financial commitments

Contracted capital expenditure at the year end amounted to £2,043 ( 1999 : £29,230 )

Annual commitments under operating leases were as follows:

	2000		1999	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
In the second to fifth years	<u>304</u>	<u>1</u>	<u>290</u>	<u>1</u>

### 20 Controlling related party

The ultimate parent undertaking and controlling related party of this company was Computer Horizons Corp., incorporated in the United States of America, until the company was sold on 9th February 2001.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Computer Horizons Corp. incorporated in the United States of America.