

# ***Spargo Consulting PLC***

Directors' Report and Group Financial Statements

Year ended 31 December 1996

Registered number 2337791

31 Beaufort Court  
Admirals Way  
Waterside  
South Quay  
London  
E14 9XL



# ***Spargo Consulting PLC***

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

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# ***Spargo Consulting PLC***

## **Directors**

**A L R Morton F.C.A.**  
Chairman

**W A R Spargo**  
Chief Executive

**C P Gouveia F.C.C.A.**  
Finance Director

**D Bircham**  
Operations Director

**M E W Jackson F.C.A.**  
Non-Executive

**N Whitmey**  
Non-Executive

**R M Lewis**  
Non-Executive

## **Secretary**

**C P Gouveia F.C.C.A.**

## **Registered office**

31 Beaufort Court  
Admirals Way  
Waterside  
South Quay  
London, E14 9XL

## **Auditor**

KPMG Audit Plc  
1 Waterloo Way  
Leicester  
LE1 6LP

## **Lawyers**

Theodore Goddard  
150 Aldersgate Street  
London  
EC1A 4EJ

## **Bankers**

Bank of Scotland  
38 Threadneedle Street  
London  
EC2P 2EH

## **Registrars**

Lloyds Bank Registrars  
The Causeway  
Worthing  
West Sussex, BN99 6DA

## **Stockbrokers**

Peel, Hunt & Company Limited  
62 Threadneedle Street  
London  
EC2R 8HP

# ***Spargo Consulting PLC***

## **Chairman's Statement**

### **Financial Review**

I am pleased to report that we have continued to make progress during the year ended 31 December 1996 whilst carrying out management changes during the middle of the year. Turnover increased by 6.4% to £7,853,000 ( 1995: £7,379,000 ) and the profit before taxation increased by 33.5% to £1,204,000 (1995: £902,000).

Earnings per share have increased by 39.3% to 6.17p (1995:4.43p).

Cash at bank at the year end amounted to £1,246,000 ( 1995 : £802,000 ).

The Directors are recommending an 11.% increase in the final dividend to 2.50p (1995 : 2.25p ) which together with the interim dividend paid of 2.00p (1995 : 1.75p ) makes a total of 4.50p for the year (1995 : 4.0p ). The final dividend will be paid on 1 May 1997 to shareholders on the register at 18 March 1997.

### **Operational Review**

During the year the Company underwent changes in its sales force and business development team which resulted in Mr Robert Kinloch resigning as Business Development Director and Managing Director of Spargo Computer Services Ltd on 14 May 1996, and Mr Dean Bircham, who was formally with CSC Computer Sciences Ltd, being appointed Operations Director on 28 October 1996.

The Company continued to gain new "blue chip" clients during the second half of the year which compensated for the completion of a major contract during the first half, and the year ended on a very positive note. The gross profit before exceptional items declined during the year due to an increased usage of temporary contract staff, but the margin should be restored during 1997 as more permanent staff are recruited.

### **Current Trading and Prospects**

The Company continues to gain new clients and current trading and prospects are buoyant with significant opportunities in the implementation of the Year 2000 Compliance Programme.

During the year the Company expanded its range of services to cope with the Year 2000 issues and entered into partnering agreements with many of the Year 2000 software vendors in order to provide a full range of toolsets which can be matched to our clients' specific needs.

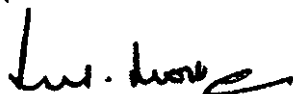
We are already working on the Year 2000 compliance issues at several of our major clients and making proposals to others.

In order to cope with the increased level of activity being generated in our market place we have recruited additional sales personnel, who commenced at the beginning of January 1997, and strengthened our recruitment process.

### **General**

I would like to express my appreciation and thanks to all our Directors and staff for their continued commitment and support to the growth and development of the Company.

**A L R MORTON**  
**Chairman**



# ***Spargo Consulting PLC***

## **Report of the Directors**

The Directors present their annual report and the audited financial statements for the year ended 31 December 1996.

### **Principal activity and business review**

The principal activity of both the Company and the Group continues to be the supply of computer software consultancy services.

The results for the year show a 6.4% growth in sales on previous year and substantial growth in profit before tax.

Since completing a major contract in the first half of the year the Group's customer base has broadened considerably. The Group has gained more new "blue chip" clients in the latter part of the year and its current portfolio displays a wider spread of customers with no single client representing more than circa 10% of our annualised sales.

During the year the Group has invested time and manpower into restructuring its internal support teams with particular reference to recruitment and account management. This strategy has been designed to strengthen the Group's infrastructure prior to expanding the sales team. Since the beginning of January 1997 sales personnel have now more than doubled.

Further information concerning the operations of the Company and its progress during the year together with planned developments and strategy in the business, is given in the Chairman's Statement.

### **Results and dividends**

The profit for the financial year after taxation was £771,000 ( 1995 : £554,000 ). The Directors recommend that a final dividend of 2.50p per ordinary share ( 1995 : 2.25p ) be paid. This, together with the interim dividend of 2.0p per ordinary share ( 1995 : 1.75p ) paid on 16 September 1996, makes a total dividend, subject to members' approval, for the year of 4.50p per share ( 1995 : 4.0p ). The proposed final dividend will be paid on 1 May 1997 to ordinary shareholders on the register at close of business on 18 March 1997.

After deducting the total ordinary dividends of £563,000, the profit for the financial year retained in the Company and transferred to reserves is £208,000.

### **Directors and Directors' interests**

The names of the Directors currently in office are shown on page 1. All of these directors held office during the year. In addition Robert Kinloch served as Business Development Director until his resignation on 14 May 1996.

Bob Morton, aged 55, has been a Director and Chairman of the Company since 1989. He is a Chartered Accountant and a Director and Non-Executive Chairman of Incepta Group PLC, Silvermines Group PLC and Jordec Group Plc, and a Director of several unquoted private companies. He has a consultancy agreement with the Company which continued for an initial period until 31 May 1996 and shall continue thereafter until terminated by notice given by either party of not less than one year expiring not earlier than 31 May 1997.

Tony Spargo, aged 51, has been Chief Executive Director since establishing the Company with Bob Morton. He has been associated with the computer software industry for over 26 years. He has a service agreement with the Company which continued for an initial period until 31 May 1996 and shall continue thereafter until terminated by notice given by either party of not less than one year expiring not earlier than 31 May 1997.

Carl Gouveia, aged 48, is a Certified Accountant and was appointed on 14 December 1994 as Finance Director and Company Secretary. He retires from the Board of Directors by rotation and, being eligible, offers himself for re-election. He has a service agreement with the Company which will continue until terminated by notice given by either party of not less than three months.

Dean Bircham, aged 38, was appointed Operations Director on 28 October 1996. He has over 16 years experience in the IT business and was formally with Tesco Stores as Retail Systems Development Controller before joining CSC Computer Sciences Corporation as a senior Program Manager. He has a service agreement with the Company which will continue until terminated by notice given by either party of not less than three months. In accordance with the Articles of Association, Dean Bircham, who was appointed by the Board in the year, shall retire at the Annual General Meeting and shall be eligible for election as a Director at that meeting.

Michael Jackson, aged 46, was appointed as a Non-Executive Director on 27 May 1994. He is a Chartered Accountant and is Managing Director of, and controlling shareholder in, Elderstreet Investments Limited, whose activities include acting as an adviser to the Kleinwort Development Fund PLC. He is also deputy chairman of the Sage Group PLC, a Director of Brightstone Properties PLC, Hatpin Plc and Select Software Tools Plc, and a director of several unquoted companies.

Nicholas Whitney, aged 47, was appointed as a Non-Executive Director on 27 May 1994. He retires from the Board of Directors by rotation and, being eligible, offers himself for re-election. He is a solicitor and former partner from 1980 to 1993 of Theodore Goddard when he retired from practice.

Richard Lewis, aged 46, was appointed as a Non-Executive Director on 27 May 1994. He is a member of the Securities Institute.

The Directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of the Company as recorded in the register of directors' share and debenture interests.

Director	At 31 December 1996		At 31 December 1995	
	No. of ordinary shares of 1p each	Percentage of issued share capital	No. of ordinary shares of 1p each	Percentage of issued share capital
W.A.R Spargo	5,000,000	40.0	5,000,000	40.0
A.L.R. Morton	* 4,349,000	34.8	* 4,349,000	34.8
D. Bircham	3,250	-	nil	-
M.E.W. Jackson	17,500	-	25,000	-
N. Whitney	2,600	-	1,000	-
R.M. Lewis	nil	-	nil	-
C.P. Gouveia	nil	-	nil	-

\* 4,324,000 of the shares attributable to Mr. A.L.R. Morton are held in trust on behalf of his children.

Details of the Directors' share options are given in Note 17.

There has been no change in the Directors' interests in the shares of the Company or their share options between the end of the financial year and the date of this report.

No Director had any interest in any contract, transaction or arrangement with the Company during the year.

### Creditors Payment Policy

Payment to creditors is normally between 15 and 60 days from the end of the month in which the supply of goods and services are received.

### Substantial Shareholdings

The only substantial shareholdings, apart from the Directors' interests set out above, are as follows :

	At 31 December 1996	
	No. of ordinary shares of 1p each	Percentage of issued share capital
Pershing Keen Nominees Limited	951,201	7.6
Citifriends Nominee Limited	724,500	5.8

The Company, as at the date of this report, has not been notified of any other shareholdings of 3% or more of the issued share capital.

### Share Capital

At the Annual General Meeting to be held on 29 April 1997 an ordinary resolution will be proposed which will authorise the Directors to allot relevant securities of the Company, within the meaning of Section 80 of the Companies Act 1985, up to a maximum amount of £41,666 which represents approximately one third of the issued share capital of the Company as at 1 March 1997. This authority will expire at the earlier of the conclusion of the next Annual General Meeting or fifteen months after the passing of this resolution. The Directors consider that the Company should maintain an adequate margin of unissued shares for use, for example, in connection with any future acquisition, although the Directors have no present intention of issuing any shares.

The Company is seeking to obtain the authority of shareholders under Section 95 of the Companies Act 1985 to disapply the provisions of Section 89 of the Act, in certain limited circumstances. Accordingly a special resolution will be proposed at the Annual General Meeting to allow the Directors in certain limited circumstances to allot shares up to an amount equal to £6250 representing 5% of the present ordinary share capital as at 1 March 1997 for cash other than on a strictly pro-rata basis. This authority will expire at the earlier of the conclusion of the next Annual General Meeting or fifteen months after the passing of this resolution.

### Employment Policy

It is the policy of the Company that there shall be no unfair discrimination in considering applications for employment, including those from disabled persons. All employees are given equal opportunities so that their developing experience and expertise can be encouraged, and where appropriate, they shall be considered for promotion thereby enhancing the furtherance of their careers.

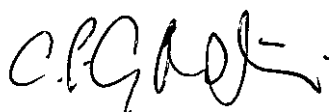
### Political and charitable contributions

The Company made no political or charitable contributions during the year.

### Auditor

A resolution to re-appoint KPMG Audit Plc as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board  
C P Gouveia  
Secretary 28 February 1997



# ***Spargo Consulting PLC***

*For the year ended 31 December 1996*

## **Corporate Governance**

The Company has complied throughout the whole financial year with the provisions of the Cadbury Code of Best Practice.

### **Board of Directors**

The Board of Directors of Spargo Consulting PLC, comprising four Executive Directors and three Non-Executive Directors, meet regularly throughout the year and retain full and effective control over the Company. All of the major decisions affecting the Group are made by the Board including corporate strategy, operating policy, Board appointments and the investment of funds surplus to current operating requirements.

Any director who is appointed during the year is required to stand for election at the first Annual General Meeting after his appointment. In addition, one third of all directors are required to retire by rotation at each Annual General Meeting of the Company.

### **Board Committees**

Certain of the Board's duties are delegated to committees of the Board, whose responsibilities and composition are as follows :

The Audit Committee is formally constituted with written terms of reference to ensure that an objective and professional relationship is maintained with the external auditors. It comprises wholly the three Non-Executive Directors under the chairmanship of Mr. M.E.W. Jackson. The Finance Director is not a member but is invited to attend committee meetings. The external auditor also attends for part or the whole of each meeting and has direct access to the chairman of the committee without the presence of any Executive Director. The role of this committee also includes the monitoring and evaluation of the Group's system of internal financial control, examination of the annual financial statements and announcements, accounting policies and any such other matter as the Board may require.

The Remuneration Committee is also formally constituted with written terms of reference consisting of the three Non-Executive Directors under the chairmanship of Mr. M.E.W. Jackson. The duties of the committee are to determine, on behalf of the Board and the shareholders, the Group's policy on Executive remuneration and specific remuneration packages for each of the Executive Directors. The Chairman of the Board, although not being a member of the committee, is invited to attend meetings and is consulted about remuneration proposals. A report by the Remuneration Committee is given on page 7.

### **Internal Financial Control**

The Board of Directors has overall responsibility for the Group's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance regarding :

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of financial information used within the business.

The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. The Group has also put in place formal lines of reporting which includes but is not limited to :

- detailed budgets and plans including detailed reviews at all levels of the operation and formal reviews and approvals of the annual budget by the directors.
- monitoring of actual results compared with budgets.

The Board, with the assistance of the Audit Committee, have reviewed the effectiveness of the Group's internal financial control framework for the period covered by these financial statements.

### **Going Concern**

After making enquiries the Board has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

# ***Spargo Consulting PLC***

*For the year ended 31 December 1996*

## **The Remuneration Committee Report**

The Greenbury Report on Directors' Remuneration contains recommendations and a Code of Best Practice on the setting, monitoring and disclosure of the remuneration of Directors of listed companies (the Greenbury Code). In addition, the constitution and operation of the Committee comply with the provisions set out in Section A of the Best Practice Provisions annexed to the London Stock Exchange Listing Rules. The Committee has also given full consideration to Section B of such Best Practice Provisions in framing its remuneration policy.

### **Directors' Emoluments**

The remuneration and emoluments of Executive Directors are determined by the Remuneration Committee which is composed solely of the Non-Executive Directors of the Company. The remuneration of Non-Executive Directors is determined by the full board within the limits set in the Company's Articles of Association. The Non-Executive Directors do not participate in the share option scheme.

The salaries and bonuses of the Executive Directors are determined after a review of the performance of the individuals. In the case of the Directors other than the Chairman the Committee is assisted by the Chairman in this review.

There is no long term incentive scheme in place for the benefit of the Directors and there are no pensions payable on behalf of Directors. All Executive Directors have service agreements which do not expire beyond a period of one year.


A detailed summary of the Directors' emoluments in accordance with the Greenbury Code of Best Practice is set down in the table under Note 5 in the Notes on the Accounts.

### **Share Options**

The Company operates a share option scheme for its employees (including Executive Directors of the Group (as defined in the Share Option Scheme)) which was established by a resolution of the Board of Directors of the Company dated 16 May 1994. Options issued under this Executive Share Option Scheme 1994 may be exercised between three and ten years after the date granted.

The policy to grant share options is discretionary and it is the duty of the Remuneration Committee to consider the granting of options from recommendations tabled by the Chairman.

The table set down under Note 17 in the Notes on the Accounts indicates the potential dilution of equity arising from grants of share options to directors and employees.

  
**M E W JACKSON**  
Chairman of the Remuneration Committee

# ***Spargo Consulting PLC***

## **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 the Group 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;

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Group 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 11 to 22.

## **Report of the auditor KPMG Audit Plc to the members of Spargo Consulting PLC**

We have audited the financial statements on pages 11 to 22.

### **Respective responsibilities of Directors and Auditor**

As described on page 8 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 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 31 December 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### **Corporate governance matters**

In addition to our audit of the financial statements, we have reviewed the Directors' statement on page 6 on the Company's compliance with paragraphs of the Cadbury Code of Best Practice specified for our review by the Listing Rules and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with the disclosure requirements of the Listing Rules 12.43 (j) and 12.43 (v).

### **Basis of opinion**

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform any additional work necessary, and we do not, express a separate opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures, or on the ability of the Group to continue in operational existence.

### **Opinion**

With respect to the Directors' statements on internal financial control and going concern on page 6, in our opinion the Directors have provided the disclosures required by the Listing Rules and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 6 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review by the Listing Rules.

A handwritten signature in black ink that reads "KPMG Audit Plc". The signature is written in a cursive, flowing style and is positioned above a horizontal line.

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
Leicester

28 February 1997

# Spargo Consulting PLC

## Group Profit and Loss Account for the year ended 31 December 1996

	Note	1996	1995
		£'000	£'000
<b>Turnover</b> - continuing operations	2	7,853	7,379
<b>Cost of sales</b> - normal	4	(4,917)	(4,490)
- exceptional		-	(323)
<b>Gross profit</b>		<u>2,936</u>	<u>2,566</u>
Selling and distribution costs		(370)	(433)
Administrative expenses		(1,407)	(1,266)
<b>Operating profit</b> - continuing operations		<u>1,159</u>	<u>867</u>
Interest receivable and similar income	7	62	51
Interest payable and similar charges	8	(17)	(16)
<b>Profit on ordinary activities before taxation</b>	3	<u>1,204</u>	<u>902</u>
Taxation on profit on ordinary activities	9	(433)	(348)
<b>Profit for the financial year</b>		<u>771</u>	<u>554</u>
Interim dividend paid 2.0 p per ordinary share (1995 : 1.75 p)	10	(250)	(56)
Proposed final dividend 2.50 p per ordinary share (1995 : 2.25 p)		(313)	(281)
<b>Retained profit for the financial year</b>		<u>208</u>	<u>217</u>
<b>Statement of movement on reserves</b>			
Retained profit brought forward		942	725
Retained profit for the year		208	217
<b>Retained profit carried forward</b>		<u>1,150</u>	<u>942</u>
<b>Earnings per ordinary share</b>	11	6.17p	4.43p

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

# Spargo Consulting PLC

## Group and Company Balance Sheet at 31 December 1996

		1996	1995
		£'000	£'000
	Note		
<b>Fixed assets</b>			
Tangible assets	12	198	180
<b>Current assets</b>			
Debtors	13	1,368	1,698
Cash at bank and in hand		1,246	802
		<u>2,614</u>	<u>2,500</u>
<b>Creditors:</b>			
amounts falling due within one year	14	(1,531)	(1,597)
Net current assets		<u>1,083</u>	<u>903</u>
Total assets less current liabilities		<u>1,281</u>	<u>1,083</u>
<b>Creditors:</b>			
amounts falling due after more than one year	15	(6)	(16)
Net assets		<u><u>1,275</u></u>	<u><u>1,067</u></u>
<b>Capital and Reserves</b>			
Called up share capital	16	125	125
Profit and loss account		1,150	942
Shareholders' Funds	18	<u><u>1,275</u></u>	<u><u>1,067</u></u>

These financial statements were approved by the board of directors on 28 February 1997 and signed on its behalf by

W A R Spargo

A L R Morton

Directors

The notes on pages 14 to 22 form part of these financial statements

# Spargo Consulting PLC

## Group Cash Flow Statement

For the year ended 31 December 1996

		1996 £'000	1995 £'000
	Note		
Net cash inflow from operating activities	19	1,451	858
<b>Returns on investments and servicing of finance</b>			
Interest received	62	51	
Interest element of finance lease rental payments	(17)	(16)	
Dividends paid - Final	(281)	(250)	
- Interim	(250)	(56)	
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(486)</b>	<b>(271)</b>
<b>Taxation</b>			
Corporation Tax paid (including advance corporation tax)		<b>(400)</b>	<b>(447)</b>
<b>Investing activities</b>			
Purchase of tangible fixed assets	(21)	(23)	
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(21)</b>	<b>(23)</b>
<b>Net cash inflow before financing</b>		<b>544</b>	<b>117</b>
<b>Financing</b>			
Capital element of finance lease rental payments	100	81	
<b>Net cash outflow from financing</b>	21	100	81
<b>Increase in cash and cash equivalents</b>	20	<b>444</b>	<b>36</b>
		<b>544</b>	<b>117</b>

# Spargo Consulting PLC

## 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 Group's financial statements.

#### *Basis of preparation*

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

#### *Consolidation*

The Group accounts consolidate the financial statements of the Company and its subsidiary undertaking (Note 23). The financial statements of the subsidiary undertaking are coterminous with that of the Company. The acquisition method of accounting has been adopted.

In accordance with Section 230 of the Companies Act 1985 a separate profit and loss account of Spargo Consulting PLC is not presented.

#### *Fixed assets and depreciation*

Depreciation is provided by the Group 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 Group 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.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

# Spargo Consulting PLC

## Notes (continued)

### 2 Turnover

Analysis of turnover by geographical market of destination:

	1996	1995
	£'000	£'000
United Kingdom	7,711	7,301
Rest of Europe	142	78
	<u>7,853</u>	<u>7,379</u>

The Group has one class of business, being supply of computer software consultancy services. Analysis of the Group's turnover, operating profit and net assets by geographical origin are not produced as all operations emanate from the United Kingdom.

### 3 Profit on ordinary activities before taxation

	1996	1995
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration	9	9
Non-audit fees paid to the auditor and its associates	2	4
Depreciation	97	83
Operating lease rentals paid:		
- Other	61	62
	<u>        </u>	<u>        </u>

Profit after tax for the financial year dealt with in the financial statements of the Company was £771,000 ( 1995 : £554,000).

### 4 Exceptional Items

There were no exceptional items in the year. The exceptional item in 1995 relates to the cost of settlement of a dispute with the Inland Revenue.

# Spargo Consulting PLC

## Notes (continued)

### 5 Remuneration of Directors

	Salary & Fees	Benefits	Performance Related Pay & Bonuses	1996 Total	1995 Total
	£	£	£	£	£
<b>Executive</b>					
W.A.R. Spargo	150,000	12,650	7,585	170,235	162,134
R. Kinloch (resigned 14/5/96)	110,256	4,684	-	114,940	110,191
C.P. Gouveia	43,871	5,787	7,500	57,158	51,024
D. Bircham (appointed 28/10/96)	10,833	1,452	10,000	22,285	-
A.L.R. Morton	30,000	-	-	30,000	30,000
Remuneration as Executives				394,618	353,349
<b>Non-Executive</b>					
M.E.W. Jackson	7,500	-	-	7,500	7,500
R. Lewis	7,500	-	-	7,500	7,500
N. Whitmey	7,500	-	-	7,500	7,500
Remuneration as Directors				22,500	22,500
Total emoluments:				417,118	375,849

The emoluments of the Chairman were £30,000 (1995: £30,000) and those of the highest paid director were £170,235 (1995: £162,134). No pension contributions were paid during the year in respect of the Directors (1995 : nil). Details of directors' share options are given in Note 17.

The emoluments of the Directors (including the Chairman and highest paid directors) were within the following ranges:

		Number of Directors	
		1996	1995
£5,001 -	£10,000	3	3
£20,001 -	£25,000	1	-
£25,001 -	£30,000	1	1
£50,001 -	£55,000	-	1
£55,001 -	£60,000	1	-
£110,001 -	£115,000	1	1
£160,001 -	£165,000	-	1
£170,001 -	£175,000	1	-

# Spargo Consulting PLC

## Notes (continued)

### 6 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year was 112 (1995 : 114)

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£'000	£'000
Wages and salaries	3,750	3,464
Social security costs	391	363
	<u>4,141</u>	<u>3,827</u>

### 7 Interest receivable and similar income

	1996	1995
	£'000	£'000
Bank interest receivable	<u>62</u>	<u>51</u>

### 8 Interest payable and similar charges

	1996	1995
	£'000	£'000
On lease purchase contracts wholly repayable within five years	<u>17</u>	<u>16</u>

### 9 Taxation

	1996	1995
	£'000	£'000
UK Corporation Tax at 36.5% (1995 : 38.7%)	439	349
Adjustment relating to prior year Corporation Tax	(6)	(1)
	<u>433</u>	<u>348</u>

### 10 Dividends

Interim dividends of £163,170 were waived by the major shareholders in 1995.

# Spargo Consulting PLC

## Notes (continued)

### 11 Earnings per ordinary share

Earnings per share have been calculated on the profit for the financial year of £771,000 (1995 : £554,000 ) and the average number of ordinary shares in issue during the year of 12,500,000 1 pence shares (1995 : 12,500,000 ). Earnings per share on a fully diluted basis are not materially different.

### 12 Tangible fixed assets

Group and Company :

£'000	Leasehold Improvements	Office Equipment Furniture Fittings	Computer Equipment	Motor Vehicles	Total
<b>Cost</b>					
At 31 December 1995	28	88	28	240	384
Additions	-	7	14	116	137
Disposals	-	(24)	-	(66)	(90)
At 31 December 1996	28	71	42	290	431
<b>Depreciation</b>					
At 31 December 1995	17	67	19	101	204
Charge for the year	3	14	8	72	97
Disposals	-	(24)	-	(44)	(68)
At 31 December 1996	20	57	27	129	233
<b>Net book value</b>					
At 31 December 1996	8	14	15	161	198
At 31 December 1995	11	21	9	139	180

The total net book value of motor vehicles of £161,000 (1995 : £139,000) is in respect of assets acquired under finance lease purchase contracts. Depreciation for the year on these assets was £72,000 (1995: £56,000) .

# Spargo Consulting PLC

## Notes (continued)

<b>13 Debtors</b>	<b>1996</b>	<b>1995</b>
Group and Company :		
	<b>£'000</b>	<b>£'000</b>
Trade debtors	<b>1,217</b>	<b>1,567</b>
Prepayments and accrued income	<b>73</b>	<b>61</b>
ACT recoverable after more than one year	<b>78</b>	<b>70</b>
	<b>1,368</b>	<b>1,698</b>

<b>14 Creditors: amounts falling due within one year</b>	<b>1996</b>	<b>1995</b>
Group and Company :		
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases and hire purchase contracts	<b>59</b>	<b>71</b>
Trade creditors	<b>258</b>	<b>382</b>
Other creditors including taxation and social security:		
Corporation Tax	<b>384</b>	<b>343</b>
Other taxes and social security	<b>346</b>	<b>359</b>
Proposed Dividend	<b>313</b>	<b>281</b>
Accruals and deferred income	<b>171</b>	<b>161</b>
	<b>1,531</b>	<b>1,597</b>

## **15 Obligations under finance leases and hire purchase contracts**

Group and Company :

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

	<b>1996</b>	<b>1995</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	<b>59</b>	<b>71</b>
In the second to fifth years	<b>6</b>	<b>16</b>
	<b>65</b>	<b>87</b>

# Spargo Consulting PLC

## Notes (continued)

### 16 Called up share capital

	1996	1995
	£'000	£'000
Authorised	<u>167</u>	<u>167</u>
Allotted, called up and fully paid :		
Ordinary shares of 1p each	<u>125</u>	<u>125</u>

### 17 Share Options

	As at 1 January 1996	Number of options Granted/ (cancelled) during the year	Exercised during the year	As at 31 December 1996	Exercise Price	Dates exercisable
<b>Directors</b>						
R Kinloch	100,000	(100,000)	-	-	-	-
CP Gouveia	40,000	-	-	40,000	81p	21 April 1998 to 20 April 2005
<b>Employees</b>	110,000	-	-	110,000	111p	21 June 1997 to 20 June 2004
	50,000	-	-	50,000	81p	21 April 1998 to 20 April 2005

The above options are held under an executive share option scheme. The market price of the shares at 31 December 1996 was 145.5 pence. During the year the market price moved within a range from 145.5 pence to a high of 201 pence.

### 18 Reconciliation of Movement in Shareholders' Funds

Group and Company :

	1996	1995
	£'000	£'000
At 1 January	1067	850
Profit for the financial year	771	554
Dividends paid and proposed	(563)	(337)
At 31 December	<u>1275</u>	<u>1067</u>

# Spargo Consulting PLC

## Notes (continued)

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

	1996	1995
	£'000	£'000
Operating profit	1,159	867
Depreciation charge	97	83
Decrease/(Increase) in debtors	338	(403)
(Decrease)/Increase in creditors	(127)	311
(Profit) on sale of fixed assets	(16)	-
Net cash inflow from operating activities	<u>1,451</u>	<u>858</u>

### 20 Analysis of changes in cash and cash equivalents

	1996	1995
	£'000	£'000
Cash at bank and in hand :		
Balance at 31 December	802	766
Net cash inflow	444	36
Balance at 31 December	<u>1,246</u>	<u>802</u>

### 21 Analysis of changes in finance during the year

	1996	1995
	£'000	£'000
Balance at 31 December	87	80
Inception of financial leases	78	88
Finance lease repayments	(100)	(81)
Balance at 31 December	<u>65</u>	<u>87</u>

# Spargo Consulting PLC

## Notes (continued)

### 22 Financial commitments

Group and Company :

Contracted capital expenditure at the year end amounted to £15,000 ( 1995 : nil )

Annual commitments under operating leases as follows:

	<b>1996</b>		<b>1995</b>	
	<b>Land and</b>	<b>Other</b>	<b>Land and</b>	<b>Other</b>
	<b>Buildings</b>		<b>Buildings</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating leases which expire:				
In the second to fifth years	<b>66</b>	<b>1</b>	<b>62</b>	<b>2</b>
	<b>66</b>	<b>1</b>	<b>62</b>	<b>2</b>

### 23 Subsidiary undertaking

On 1 May 1996 Spargo Consulting PLC purchased, from Mr R Kinloch, at a cost of £20, his former 20% interest in the share capital of Spargo Computer Services Limited, a company incorporated in Great Britain. The Company now holds 100% of the issued 100 ordinary shares of £1 each in Spargo Computer Services Limited. This subsidiary undertaking did not trade during the financial year.

At 31 December the net assets of Spargo Computer Services Limited were :

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Amount owed by parent company	<b>100</b>	<b>80</b>
Minority Interest	<b>-</b>	<b>20</b>
Net Assets	<b>100</b>	<b>100</b>
Share Capital	<b>100</b>	<b>100</b>

The assets and liabilities of Spargo Computer Services Limited have been included in the Group accounts. Due to the immateriality of the amount involved there is no significant difference between the Group and Company Balance Sheets.

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Spargo Consulting PLC will be held at 31 Beaufort Court, Admirals Way, Waterside, South Quay, London, E14 9XL, on Tuesday 29 April 1997 at 12.00 noon to consider and, if thought fit, pass the following resolutions:

### Ordinary Resolutions

1. That the Directors' Report and Group Financial Statements for the year ended 31 December 1996 be and are hereby received;
2. That a final dividend of 2.50 pence per share be declared in respect of the year ended 31 December 1996, payable on 1 May 1997 to members on the register on 18 March 1997;
3. That Mr CP Gouveia, who retires by rotation in accordance with Article 101, being eligible, be re-appointed a Director of the Company;
4. That Mr N Whitney, who retires by rotation in accordance with Article 101, being eligible, be re-appointed a Director of the Company;
5. That Mr D Bircham, who retires in accordance with Article 99, being eligible, be re-appointed a Director of the Company;
6. That KPMG Audit Plc be and are hereby re-appointed as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which the accounts are laid before the Company at a remuneration to be fixed by the Directors;
7. That the Directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £41,666 provided that this authority shall expire, unless previously renewed, revoked or varied by the Company in general meeting, fifteen months after the passing of this Resolution, or, if earlier, at the conclusion of the annual general meeting next following the passing of this Resolution save that, before such expiry, the Company may make any offer or agreement which would or might require relevant securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot relevant securities in pursuance of any such offer or agreement, and so that all unexercised authorities previously granted to the Directors to allot relevant securities be and are hereby revoked.

### Special Resolution

8. That, subject to the passing of Resolution 7, the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 ("the Act") to allot equity securities (as defined at section 94(2) of the Act) for cash pursuant to the general authority conferred on them by Resolution 7 as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with an offer of securities, open for acceptance for a period fixed by the Directors, to holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory; and

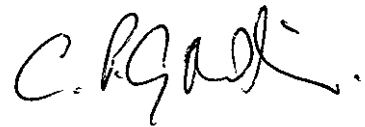
- (b) the allotment (otherwise than pursuant to paragraph (a) above) of securities up to an aggregate nominal amount of £6250,

and shall expire, unless previously renewed, revoked or varied by the Company in general meeting, at such time as the general authority conferred on the Directors by Resolution 7 expires save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot equity securities in pursuance of any such offer or agreement.

4 April 1997

Registered Office  
31 Beaufort Court  
Admirals Way  
Waterside  
South Quay  
London E14 9XL

By Order of the Board  
Carl P Gouveia  
Secretary



**Notes:**

1. *A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company. The completion and return of a form of proxy will not prevent a member from attending and voting at the meeting in person. A form of proxy is enclosed.*
2. *To be valid, any form of proxy and the power of attorney or other authority (if any) under which it is executed or a notarially certified office copy of such power or authority must be delivered to or received by the Company's registrars, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex, BN99 6DA, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the form of proxy proposes to vote.*
3. *Copies of the Directors' service contracts, where applicable, will be available for inspection during normal business hours on any weekday (Saturday and public holidays excepted) at the registered office until the date of the meeting and for at least 15 minutes prior to and until the conclusion of the meeting.*