

**PROFESSIONAL STAFF PLC**

**Report and Financial Statements**

**31 March 2000**





Professional *staff*

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**REPORT AND FINANCIAL STATEMENTS 2000**

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**REPORT AND FINANCIAL STATEMENTS 2000**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

B P Blackden (Chairman)  
B R Culver \* (Deputy Chairman)  
J C Benjamin \*  
J C Maynard \*  
R S Reynolds \*  
K A Worrall

\* non-executive

**SECRETARY**

K A Worrall

**REGISTERED OFFICE**

Buckland House  
Waterside Drive  
Langley Business Park  
Slough  
Berkshire  
SL3 6EZ

**BANKERS**

Barclays Bank PLC

**INVESTMENT BANKERS**

First Union Capital Markets

**SOLICITORS**

Osborne Clarke

**AUDITORS**

Deloitte & Touche  
Chartered Accountants

## DIRECTORS' REPORT

The directors present their report and the consolidated financial statements for the year ended 31 March 2000.

### PRINCIPAL ACTIVITY

The principal activity of the group is the provision of professional temporary and permanent recruitment services in the technology (telecomms, datacomms and specialist IT), science and management sectors.

### RESULTS AND DIVIDENDS

The group made a profit after taxation of £2,776,000 (1999 - £4,049,000). The directors do not recommend the payment of a dividend (1999 - £nil).

### REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Turnover grew by £25.0m to £120.4m, a 26% increase on the prior year. In Technology, turnover was up 23% to £78.9m with our operations in the US leading the way with a fourfold increase to £14.8m. Our Science division increased turnover by 34% to £32.8m. This growth was derived from The Woolf Group, Inc. and the Euromedica group of companies acquired on 31 March 1999. Whilst these acquisitions posted record annual revenues, demand for our remaining Science services was weaker with turnover falling by 15%. In Management, turnover was £8.7m with an internal annual growth rate of 12% and the division finished the year particularly strongly with record fourth quarter revenues 40% ahead of prior year.

Operating profit, before goodwill amortisation and other operating expenses, grew 20% to £6.1m from £5.1m, but fell from 5.4% of revenues to 5.1% due to the different respective divisional growth rates. Profit before taxation fell £1.7m to £4.5m as goodwill amortisation increased to £1.0m from £0.4m, exchange losses of £0.6m were incurred from the sharply devaluing Euro and interest income fell away as the proceeds of our secondary offering were fully invested.

Operating cash flows improved strongly to an inflow of £7.4m against an outflow of £1.5m in 1999 as we strengthened cash collection in the Technology division. These operating cash flows enabled the group to finance its capital expenditure investment of £2.2m and contingent consideration commitments of £3.5m out of cash. Our balance sheet therefore remained strong with significant debt capacity.

The directors expect continued demand for the group's temporary staffing and recruitment services in the coming year and anticipate further growth from existing businesses.

### DIRECTORS AND THEIR INTERESTS

The current directors are shown on page 1 all of whom served throughout the year. The interests of the directors in the share capital of the company at 31 March 2000 and 31 March 1999 were as follows:

	31 March 2000		31 March 1999	
	Ordinary	Ordinary 2p	Ordinary	Ordinary 2p
	2p Shares	Share Options	2p Shares	Share Options
B P Blackden	801,500	75,000	801,500	50,000
B R Culver	1,103,900	-	1,055,900	-
J C Benjamin	-	30,000	-	20,000
J C Maynard	2,000	30,000	2,000	30,000
R S Reynolds	-	50,000	-	50,000
K A Worrall	5,500	155,000	5,500	155,000

Further details of share options held by directors are given in note 4 to the accounts.

### EMPLOYEE INVOLVEMENT

Regular meetings are held between the management and administration staff through which sales and financial performance are communicated. Informal communication is also maintained with temporary personnel.

## DIRECTORS' REPORT

### EMPLOYMENT AND DISABLED PERSONS

The group has continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. The group is an equal opportunities employer.

### YEAR 2000

The directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report the directors are not aware of any significant year 2000 factors which have arisen, or might arise, which will affect the activities of the business but will continue to monitor the situation. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

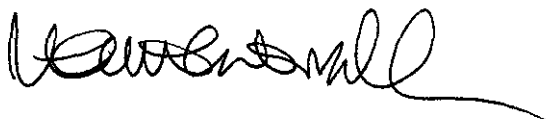
### POLICY ON PAYMENT OF CREDITORS

It is the company's policy in the forthcoming financial year to pay all its creditors within payment terms agreed with each supplier. Creditor days outstanding at 31 March 2000 were approximately nil (1999 – 35).

### AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



K A Worrall  
Director

5 June 2000

## 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 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 which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **PROFESSIONAL STAFF PLC**

### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the financial statements on pages 6 to 27 which have been prepared under the accounting policies set out on pages 13 and 14.

#### **Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements which are required to be prepared 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.

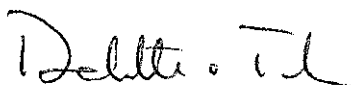
#### **Basis of opinion**

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 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 31 March 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE

Chartered Accountants and  
Registered Auditors  
Columbia Centre  
Market Street  
Bracknell  
Berkshire  
RG12 1PA

5 June 2000

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2000**

	Note	2000 £'000	1999 £'000
Turnover	3	120,410	95,359
Cost of sales		(91,766)	(74,210)
Gross profit		28,644	21,149
Administrative expenses	5	(22,533)	(16,076)
Amortisation of goodwill		(1,008)	(375)
Other operating (expenses) / income	5	(570)	181
<b>Operating profit</b>	5	4,533	4,879
Interest receivable and similar income	6	35	1,340
Interest payable and similar charges	7	(114)	(86)
<b>Profit on ordinary activities before taxation</b>		4,454	6,133
Tax on profit on ordinary activities	8	(1,678)	(2,084)
<b>Profit on ordinary activities after taxation</b>		2,776	4,049
<b>Earnings per share</b>	9		
- basic		£0.32	£0.45
- diluted		£0.31	£0.43

All amounts derive from continuing operations (see note 3).

**STATEMENT OF MOVEMENTS ON RESERVES**  
**Year ended 31 March 2000**

	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000
<b>Group</b>				
Balance at 1 April 1999	37,706	16	-	8,161
Issue of ordinary shares under share option scheme	93	-	-	-
Repurchase of ordinary shares	-	-	-	(23)
Foreign exchange translation differences	-	-	(16)	-
Profit retained for the year	-	-	-	2,776
Balance at 31 March 2000	<u>37,799</u>	<u>16</u>	<u>(16)</u>	<u>10,914</u>
<b>Company</b>				
Balance at 1 April 1999	37,706	16	-	5,031
Issue of ordinary shares under share option scheme	93	-	-	-
Repurchase of ordinary shares	-	-	-	(23)
Loss retained for the year	-	-	-	(34)
Balance at 31 March 2000	<u>37,799</u>	<u>16</u>	<u>-</u>	<u>4,974</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 March 2000**

	2000 £'000	1999 £'000
<b>Group</b>		
Profit for the financial year	2,776	4,049
Translation differences on foreign currency net investments	(16)	-
Total recognised gains and losses for the year	<u>2,760</u>	<u>4,049</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**Year ended 31 March 2000**

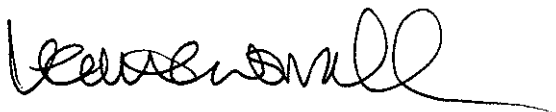
	2000 £'000	1999 £'000
<b>Group</b>		
Profit for the financial year	2,776	4,049
Other recognised gains and losses	(16)	-
Issue of ordinary shares under share option scheme	95	213
Issue of ordinary shares, net of expenses	-	28,778
Repurchase of ordinary shares	(23)	(3,987)
Net addition to shareholders' funds	<u>2,832</u>	<u>29,053</u>
Opening shareholders' funds	<u>46,053</u>	<u>17,000</u>
Closing shareholders' funds	<u>48,885</u>	<u>46,053</u>

**CONSOLIDATED BALANCE SHEET**  
**31 March 2000**

	Note	2000 £'000	1999 £'000
<b>FIXED ASSETS</b>			
Intangible assets	11	30,664	28,552
Tangible assets	12	4,106	3,326
Investments	13	3	2
		<u>34,773</u>	<u>31,880</u>
<b>CURRENT ASSETS</b>			
Debtors	14	26,614	28,855
Cash at bank and in hand		1,038	2,032
		<u>27,652</u>	<u>30,887</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(13,355)</u>	<u>(14,261)</u>
<b>NET CURRENT ASSETS</b>		<u>14,297</u>	<u>16,626</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		49,070	48,506
<b>CREDITORS: amounts falling due after more than one year</b>	16	(68)	(2,453)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	8	(117)	-
<b>NET ASSETS</b>		<u>48,885</u>	<u>46,053</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	172	170
Share premium		37,799	37,706
Capital redemption reserve		16	16
Other reserves		(16)	-
Profit and loss account		10,914	8,161
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>48,885</u>	<u>46,053</u>

These financial statements were approved by the Board of Directors on 5 June 2000.

Signed on behalf of the Board of Directors



K A Worrall  
 Director

**COMPANY BALANCE SHEET**  
**31 March 2000**

	Note	2000 £'000	1999 £'000
<b>FIXED ASSETS</b>			
Tangible assets	12	1,267	1,275
Investments	13	29,985	28,452
		<u>31,252</u>	<u>29,727</u>
<b>CURRENT ASSETS</b>			
Debtors	14	17,102	14,339
Cash at bank and in hand		-	3,764
		<u>17,102</u>	<u>18,103</u>
<b>CREDITORS: amounts falling due</b>			
Within one year	15	(5,393)	(2,523)
<b>NET CURRENT ASSETS</b>		<u>11,709</u>	<u>15,580</u>
<b>TOTAL ASSETS LESS CURRENT</b>			
<b>    LIABILITIES</b>		<u>42,961</u>	<u>45,307</u>
<b>CREDITORS: amounts falling due</b>			
after more than one year	16	-	(2,384)
<b>NET ASSETS</b>		<u><u>42,961</u></u>	<u><u>42,923</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	172	170
Share premium		37,799	37,706
Capital redemption reserve		16	16
Profit and loss account		4,974	5,031
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u><u>42,961</u></u>	<u><u>42,923</u></u>

These financial statements were approved by the Board of Directors on 5 June 2000.

Signed on behalf of the Board of Directors



K A Worrall  
Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 March 2000**

	<b>Cash flow note</b>	<b>2000 £'000</b>	<b>1999 £'000</b>
Cash inflow / (outflow) from operating activities	1	7,420	(1,461)
Returns on investment and servicing of finance	2	(79)	1,254
Taxation		(2,921)	(1,624)
Capital expenditure and financial investment	2	(1,970)	(1,249)
Acquisitions and disposals	4	(3,781)	(20,789)
<b>Cash outflow before use of liquid resources and financing</b>		<b>(1,331)</b>	<b>(23,869)</b>
Financing	2	17	24,861
<b>(Decrease) / increase in cash in the year</b>		<b>(1,314)</b>	<b>992</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**  
**Year ended 31 March 2000**

	<b>2000 £'000</b>	<b>1999 £'000</b>
(Decrease) / increase in cash in the year	(1,314)	992
Cash outflow from decrease in debt and lease financing	53	143
Change in net funds resulting from cash flows	(1,261)	1,135
Other non-cash changes	6	(142)
Movement in net funds in the year	(1,255)	993
Net funds brought forward	1,870	877
Net funds carried forward	615	1,870

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 March 2000**

**1. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit	4,533	4,879
Depreciation and amortisation charges	2,281	1,476
Decrease/(increase) in debtors	2,378	(7,906)
(Decrease)/increase in creditors	(1,732)	130
Profit on disposal of fixed assets	(40)	(40)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>7,420</b>	<b>(1,461)</b>

**2. GROSS CASH FLOWS**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
<b>Returns on investment and servicing of finance</b>		
Interest received	35	1,340
Interest paid	(114)	(86)
	<b>(79)</b>	<b>1,254</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(2,203)	(1,419)
Sale of tangible fixed assets	233	170
	<b>(1,970)</b>	<b>(1,249)</b>
<b>Acquisitions and disposals</b>		
Purchase of subsidiaries net of cash acquired (see note 4)	(3,781)	(20,789)
<b>Financing</b>		
Issue of shares under share option scheme	95	213
Issue of shares net of expenses	-	28,778
Repurchase of ordinary shares	(23)	(3,987)
Capital element of finance lease repayments	(55)	(143)
	<b>17</b>	<b>24,861</b>

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 March 2000**

**3. ANALYSIS OF NET FUNDS**

	At 31 March 1999 £'000	Cash flow £'000	Exchange movement £'000	At 31 March 2000 £'000
Cash at bank and in hand	2,032	(1,000)	6	1,038
Overdrafts	-	(314)	-	(314)
	<u>2,032</u>	<u>(1,314)</u>	<u>6</u>	<u>724</u>
Finance leases	(162)	53	-	(109)
Total	<u>1,870</u>	<u>(1,261)</u>	<u>6</u>	<u>615</u>

**4. ACQUISITIONS**

	2000 £'000	1999 £'000
Cash consideration (including costs of acquisition)	(3,770)	(20,036)
Cash at bank and in hand of acquired businesses	(11)	(753)
Net cash (outflow) in respect of acquisitions	<u>(3,781)</u>	<u>(20,789)</u>

Included in cash consideration are payments of contingent consideration totalling £3,496,000 in respect of acquisitions completed in prior years.

The subsidiary undertaking acquired during the year made no significant contribution to the group's cash flows. The subsidiaries acquired on 31 March 1999 contributed approximately £724,000 of cash inflow to the group's net operating cash flows, £282,000 of capital expenditure and £291,000 of taxation payments.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries from the date of acquisition.

**Investments**

Investments held as fixed assets are stated at cost less provision for any impairment in value.

**Goodwill**

On the acquisition of a business, fair values are attributed to the group's share of net tangible assets acquired. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is capitalised and amortised over its estimated useful life. The directors have estimated the useful lives of acquired operations at 30 years on the basis of the specialist nature of the businesses acquired and long-term industry prospects. The directors test goodwill for potential impairment at least on an annual basis by analysing operating results, trends and prospects and considering any other events or circumstances that might indicate potential impairment. Based upon these evaluations, the directors have determined that no impairment of goodwill has occurred.

**Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rates of exchange ruling at that date. Any differences are dealt with in the profit and loss account.

The balance sheets of foreign subsidiaries are translated into sterling at the closing rates of exchange and the profit and loss account at an average rate. The differences arising on translation are taken directly to reserves.

**Turnover**

Turnover comprises gross amounts billed to customers in respect of the group's principal activity, excluding VAT.

**Depreciation**

Depreciation is provided on cost in equal instalments over the estimated useful life of the assets. The following annual rates are used:

Freehold land	nil
Freehold buildings	2.5%
Fixtures, fittings and equipment	10% - 33%
Motor vehicles	25%

**Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000**

**1. ACCOUNTING POLICIES (Continued)**

**Leases**

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals under operating leases are charged to profit and loss in equal annual amounts over the lease term.

**Pensions**

The group contributes to certain employees personal money purchase pension plans. These contributions are charged to the profit and loss account as they are payable.

**Financial instruments**

The group's financial instruments comprise cash and items such as trade debtors and trade creditors that arise from its operations. The risks to the group associated with these instruments are credit risk entered into in the normal course of business and foreign exchange exposure on current assets denominated in currencies other than sterling. The group partially hedges this translation exposure by the passive use of foreign currency borrowings. The carrying value of these financial instruments approximate to fair value due to their short maturities. It is, and has been throughout the year ended 31 March 2000, the group's policy not to trade in financial instruments.

**2. ACQUISITIONS**

In January 2000, the company acquired the entire issued share capital of Euromedica SARL, a company incorporated in France. This acquisition has been accounted for under the acquisition method.

The following tables summarise the acquisitions and explain the adjustments made to the book values of the major categories of assets and liabilities acquired to arrive at their provisional fair values included in the consolidated financial statements at the date of acquisition.

	Book value £'000	Revaluation £'000	Alignment of accounting policies £'000	Fair value to the group £'000
Tangible fixed assets	43	-	-	43
Current assets	157	(20)	-	137
Creditors	(174)	-	-	(174)
Net assets acquired	26	(20)	-	6
Total cash consideration inclusive of associated acquisition costs				274
Goodwill				268

**Results prior to acquisition**

The unaudited results of the acquired business in the periods prior to acquisition are set out below. There were no recognised gains or losses other than those recognised in the profit and loss accounts for the periods presented.

## NOTES TO THE ACCOUNTS

Year ended 31 March 2000

## 2. ACQUISITIONS (Continued)

**Euromedica SARL**

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Profit after taxation	-	29

**Contingent Consideration**

The group has contingent commitments to pay additional consideration in respect of acquisitions completed in 2000 and prior years. These commitments are summarised below.

***Euromedica SARL***

Further cash consideration may become payable in January 2001 dependent upon operating income for the year ended 31 December 2000.

***EPL Overseas Limited***

Further cash consideration may become payable dependent upon the gross profit of the group's technology businesses, into which the acquired business was merged, for the period from April 1999 to July 2000. Such payments are due in May 2000 and August 2000.

***Praxis Executive Taskforce Limited***

Further cash consideration may become payable in December 2000 dependent upon improvements to operating income for the year ended 30 September 2000 including the results of any operations merged with the company during that period.

***The Woolf Group, Inc.***

Further cash consideration may become payable in May 2001 and May 2002 dependent upon improvements to operating income for the years ended 31 March 2001 and 2002.

***S.Com Computer Systems Engineers Limited***

Further cash consideration may become payable in August 2000 dependent upon the gross profit of the group's technology businesses for the period from August 1999 to July 2000.

***Recognition of contingent consideration***

The directors have made reasonable provisional estimates of contingent consideration payable under the above arrangements and have accordingly recognised a liability of £2,979,000 as at 31 March 2000 (1999 - £3,950,000). Where such estimates have not been possible, due to the complexity of the earnout formulae or uncertainty as to future performance, no liability has been recognised.

## NOTES TO THE ACCOUNTS

Year ended 31 March 2000

## 3. ANALYSIS OF TURNOVER AND OPERATING PROFIT

The post acquisitions results of operations acquired during the financial year, as outlined in note 2 above, were not significant to the group and have therefore been included in continuing operations in the Profit and Loss account on page 6.

The company acquired The Woolf Group, Inc., Euromedica plc and Euromedica International Limited on 31 March 1999 and consequently they made no contribution to operating profit in 1999 as they were only part of the group for the last day of that accounting period. The impact of these operations on the Profit and Loss account for the year to 31 March 2000 was as follows.

Continuing and acquired operations	Continuing operations 2000 £'000	Prior year acquisitions 2000 £'000	Total 2000 £'000	Continuing operations 1999 £'000
Turnover	107,740	12,670	120,410	95,359
Cost of sales	(84,206)	(7,560)	(91,766)	(74,210)
Gross profit	23,534	5,110	28,644	21,149
Administrative expenses	(18,564)	(3,969)	(22,533)	(16,076)
Amortisation of goodwill	(636)	(372)	(1,008)	(375)
Other operating income	(570)	-	(570)	181
Operating profit	3,764	769	4,533	4,879

## Class of business

The directors believe that the company has only one class of business, the recruitment of temporary and permanent staff and other recruitment related services.

## Geographical analysis by location of operations

	Turnover 2000 £'000	Operating profit 2000 £'000	Net assets 2000 £'000
United Kingdom	93,665	3,455	38,698
Continental Europe	2,089	(262)	877
United States	24,656	1,340	9,310
	120,410	4,533	48,885

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000**

**3. ANALYSIS OF TURNOVER AND OPERATING PROFIT (Continued)**

Geographical analysis by location of operations	Turnover	Operating profit	Net assets
	1999	1999	1999
	£'000	£'000	£'000
United Kingdom	91,685	5,392	37,763
Continental Europe	-	(261)	134
United States	3,674	(252)	8,156
	<u>95,359</u>	<u>4,879</u>	<u>46,053</u>

Geographical market analysis of turnover by destination of sale	2000	1999
	£'000	£'000
United Kingdom	63,101	61,571
Continental Europe	29,384	28,045
United States	25,062	3,674
Rest of World	2,863	2,069
	<u>120,410</u>	<u>95,359</u>

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2000	1999
	£	£
<b>Directors' emoluments</b>		
Emoluments (excluding pension contributions and awards under share option plans)	274,000	244,000
Contributions to money purchase pension plans	4,750	12,000
<b>Number of directors who:</b>	<b>No.</b>	<b>No.</b>
exercised share options	-	2
are members of money purchase pension plans	2	2
<b>Highest paid director's remuneration:</b>	<b>£</b>	<b>£</b>
emoluments	157,000	137,000
contributions to money purchase pension plans	-	8,000
Excluded from the above figures are management fees paid to third parties for the services of the following directors:	<b>£</b>	<b>£</b>
J C Benjamin	15,000	15,000
B R Culver	20,000	20,000
R S Reynolds	15,000	15,000
J C Maynard	15,000	15,000

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000**

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)**

Details of directors' share options are as follows:

Share Options	At 1 April 1999	Granted	Exercised	At 31 March 2000	Exercise Price	Date from which exercisable	Date of expiry
B R Culver	-	-	-	-	-	-	-
B P Blackden	25,000	-	-	25,000	US\$9.375	May 2000	May 2004
	25,000	-	-	25,000	US\$16.875	May 2001	May 2005
	-	25,000	-	25,000	US\$6.625	May 2002	May 2006
J C Benjamin	20,000	-	-	20,000	US\$16.875	May 2001	May 2005
	-	10,000	-	10,000	US\$6.625	May 2002	May 2006
K A Worrall	75,000	-	-	75,000	£1.25	October 1998	October 2005
	10,000	-	-	10,000	US\$9.375	May 2000	May 2004
	20,000	-	-	20,000	US\$16.875	May 2001	May 2005
	50,000	-	-	50,000	US\$7.25	October 2001	October 2005
J C Maynard	30,000	-	-	30,000	£1.40	February 1999	February 2003
R S Reynolds	50,000	-	-	50,000	£1.40	April 1999	April 2003

The market price of shares at 31 March 2000 was US\$4.875. During the year the market price ranged between US\$7.00 and US\$4.25.

Employee costs during the year	2000 £'000	1999 £'000
Wages and salaries	11,436	7,625
Social security costs	1,198	619
	<u>12,634</u>	<u>8,244</u>
<b>Average number of persons employed:</b>	<b>No.</b>	<b>No.</b>
Management, operations & support	<u>291</u>	<u>214</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000**

**5. OPERATING PROFIT**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit is after charging / (crediting):		
Administrative expenses:		
Depreciation - owned assets	1,246	1,069
- leased assets	27	32
Amortisation of goodwill	1,008	375
Rentals under operating leases	714	473
Auditors' remuneration - group audit fees	120	85
- non audit fees	72	40
	<u>          </u>	<u>          </u>
Other operating expenses / (income):		
Foreign exchange losses / (gains)	610	(124)
Other	40	57
	<u>          </u>	<u>          </u>

The auditors were also paid £85,000 (1999 - £155,000) for advisory services on acquisitions and financing which have been capitalised or charged to share premium as appropriate.

Group audit fees include £2,500 (1999 - £2,000) in respect of the audit of the company.

The group incurred the following exceptional items in the year ended 31 March 1999 all recognised within Administrative expenses; £403,000 relating to restructuring costs at its Salisbury Consulting Group subsidiary and costs of integrating its S.Com and EPL subsidiaries subsequent to acquisition; £256,000 relating to costs expected to be incurred at S.Com EPL in collecting certain international debtors and establishing doubtful debt provisions; and £150,000 of costs associated with an aborted acquisition.

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	35	1,340
	<u>          </u>	<u>          </u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Finance lease and hire purchase charges	12	25
Bank overdrafts	102	61
	<u>          </u>	<u>          </u>
	114	86
	<u>          </u>	<u>          </u>

## NOTES TO THE ACCOUNTS

Year ended 31 March 2000

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30% (1999- 31%)	1,507	2,084
Overseas taxation	54	-
Deferred taxation	117	-
	<u>1,678</u>	<u>2,084</u>
<b>Deferred taxation</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	-	-
Capital allowances in excess of amortisation and depreciation	117	-
Balance at 31 March	<u>117</u>	<u>-</u>

There were no unprovided deferred taxation liabilities at either year end.

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated on profit on ordinary activities after taxation of £2,776,000 (1999 - £4,049,000) and weighted average number of shares issued of 8,577,000 (1999 - 8,929,000).

Diluted earnings per share is calculated on the same basis as basic earnings per share except that the weighted average number of shares includes all dilutive options granted by the balance sheet date as if those options had been exercised on the first day of the accounting period or the date of grant if later. Options are dilutive when they would result in the issue of ordinary shares for less than fair value. The number of shares used in calculating diluted earnings per share reconciles to that used in the basic calculation as follows:

	2000 No.	1999 No.
Basic	8,577,000	8,929,000
Dilutive effect of options	265,000	452,000
	<u>8,842,000</u>	<u>9,381,000</u>

## 10. PROFIT OR LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the year after taxation amounted to £34,000 (1999 - profit of £7,871,000).

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000**

**11. FIXED ASSETS**

<b>Intangible Assets Group</b>	<b>Goodwill £'000</b>
Cost	
At 1 April 1999	29,120
Acquisitions	268
Contingent goodwill	2,852
	<hr/>
At 31 March 2000	32,240
	<hr/>
Accumulated amortisation	
At 1 April 1999	568
Charge for the year	1,008
	<hr/>
At 31 March 2000	1,576
	<hr/>
Net book value	
At 31 March 2000	30,664
	<hr/>
At 31 March 1999	28,552
	<hr/>

The addition to cost in respect of contingent goodwill represents contingent consideration payments of £3,496,000 net of £644,000 adjustment to estimates made in previous years.

**12. FIXED ASSETS**

<b>Tangible assets Group</b>	<b>Freehold land and buildings £'000</b>	<b>Motor Vehicles £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Total £'000</b>
Cost				
At 1 April 1999	1,018	1,359	3,093	5,470
Acquisitions	-	-	43	43
Additions	-	997	1,206	2,203
Disposals	-	(370)	(16)	(386)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	1,018	1,986	4,326	7,330
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 1999	49	489	1,606	2,144
Disposals	-	(185)	(8)	(193)
Charge for the year	16	480	777	1,273
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	65	784	2,375	3,224
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2000	953	1,202	1,951	4,106
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1999	969	870	1,487	3,326
	<hr/>	<hr/>	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000**

**12. FIXED ASSETS (Continued)**

	Freehold land and buildings	Motor Vehicles	Fixtures, fittings and equipment	Total
Company	£'000	£'000	£'000	£'000
Cost				
At 1 April 1999	1,018	119	312	1,449
Additions	-	82	40	122
Disposals	-	(54)	-	(54)
At 31 March 2000	1,018	147	352	1,517
Depreciation				
At 1 April 1999	49	56	69	174
Charge for the year	16	33	76	125
Disposals	-	(49)	-	(49)
At 31 March 2000	65	40	145	250
Net book value				
At 31 March 2000	953	107	207	1,267
At 31 March 1999	969	63	243	1,275

The net book value of motor vehicles held under finance leases for the group amounted to £98,000 (1999 - £125,000). The company has no assets under finance leases.

Freehold land at a cost of £365,000 has not been depreciated.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000**

**13. INVESTMENTS**

<b>Held as Fixed Assets</b>	<b>£'000</b>
<b>Group</b>	
Investments other than loans	
Cost and net book value at 1 April 1999	2
Additions	3
Disposals	(2)
	<hr/>
Cost and net book value at 31 March 2000	3
	<hr/>
<b>Company</b>	
Shares in subsidiary undertakings	<b>£'000</b>
Cost at 1 April 1999	28,822
Additions	1,533
	<hr/>
Cost at 31 March 2000	30,355
	<hr/>
Provisions	
At 1 April 1999 and 31 March 2000	370
	<hr/>
Net book value	
At 31 March 2000	29,985
	<hr/>
At 31 March 1999	28,452
	<hr/>

**Information on significant subsidiary undertakings**

Subsidiary company	Country of incorporation	Principal activity	Proportion of ordinary shares held
Professional Staff Holdings LLC	United States of America	Investment holding company	100%
The Woolf Group, Inc.	United States of America	Recruitment of temporary scientific staff	100%
Science Recruitment Group Limited	Great Britain	Recruitment of temporary and permanent scientific staff	100%
SRG Labstaff Limited	Great Britain	Recruitment of temporary scientific staff	100%
SRG Executive Limited	Great Britain	Recruitment of permanent scientific staff	100%
SRG Sciencetech Limited	Great Britain	Recruitment of permanent scientific staff	100%
Euromedica PLC	Great Britain	Recruitment of permanent executive scientific staff	100%

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000**

**13. INVESTMENTS (Continued)**

Subsidiary company	Country of incorporation	Principal activity	Proportion of ordinary shares held
Euromedica International Limited	Great Britain	Recruitment of permanent executive scientific staff	94%
Euromedica Executive Search GmbH	Germany	Recruitment of permanent executive scientific staff	100%
Euromedica SARL	France	Recruitment of permanent executive scientific staff	100%
Executives on Assignment Limited	Great Britain	Recruitment of interim managers	100%
Praxis Executive Taskforce Limited	Great Britain	Recruitment of interim managers	100%
Executive Selection Associates Limited	Great Britain	Recruitment of permanent engineering staff	100%
S.Com Group Plc	Great Britain	Recruitment of temporary and permanent telecomms, datacomms and IT staff	100%
S.Com Computer Systems Engineers, Inc.	United States of America	Recruitment of temporary and permanent telecomms, datacomms and IT staff	100%
S.Com Computer Systems Engineers GmbH	Germany	Recruitment of temporary and permanent telecomms, datacomms and IT staff	100%
Salisbury Drewry Limited	Great Britain	Recruitment advertising business	100%
Salisbury Consulting Group Limited	Great Britain	Investment holding company	100%

All subsidiaries operate primarily in their country of incorporation except for Euromedica International Limited which has operations in Belgium.

**14. DEBTORS**

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Trade debtors	22,501	25,010	-	-
Amounts owed by subsidiary undertakings	-	-	16,917	14,181
Other debtors	2,446	1,182	89	73
Prepayments and accrued income	1,667	2,663	96	85
	<u>26,614</u>	<u>28,855</u>	<u>17,102</u>	<u>14,339</u>

Included in Amounts owed by subsidiary undertakings is £4,349,000 (1999 - £2,967,000) due more than one year from the balance sheet date.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000**

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	314	-	1,345	-
Trade creditors	3,920	2,154	-	72
Obligations under finance leases and hire purchase agreements	41	93	-	-
Amounts owed to subsidiary undertakings	-	-	806	442
Corporation tax	897	2,266	9	319
Other taxes and social security	1,842	2,098	23	-
Other creditors	900	1,026	-	31
Contingent consideration	2,979	1,566	2,979	1,566
Accruals and deferred income	2,462	5,058	231	93
	<u>13,355</u>	<u>14,261</u>	<u>5,393</u>	<u>2,523</u>

**16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase agreements (all due within five years)	68	69	-	-
Contingent consideration	-	2,384	-	2,384
	<u>68</u>	<u>2,453</u>	<u>-</u>	<u>2,384</u>

**17. CALLED UP SHARE CAPITAL**

	Group and Company	
	2000	1999
	£'000	£'000
<b>Authorised</b>		
24,000,000 (1999 - 24,000,000)		
ordinary shares of 2 pence each	<u>480</u>	<u>480</u>
	<b>2 pence ordinary shares</b>	
	<b>No.</b>	<b>£'000</b>
<b>Allotted and fully paid</b>		
At 1 April 1999	8,496,353	170
Shares issued under share option plans	<u>126,484</u>	<u>2</u>
At 31 March 2000	<u>8,622,837</u>	<u>172</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2000**

**17. CALLED UP SHARE CAPITAL (Continued)**

The Company operates two share option plans for the benefit of directors and employees, an approved plan and an unapproved plan. Share options granted allow for the purchase of ordinary shares at prices not less than the fair market value of the ordinary shares at the date of grant. The options vest over 3 years and are exercisable 7 to 10 years from the date of grant. The following table summarises the option activity under the share option plans.

	2000 No.	1999 No.
Options outstanding at 1 April	1,426,855	1,308,541
Options granted	629,000	632,000
Options exercised	(126,484)	(281,732)
Options cancelled	(421,262)	(231,954)
	<hr/>	<hr/>
Options outstanding at 31 March	1,508,109	1,426,855
	<hr/>	<hr/>
Weighted-average exercise price per share:		
Options granted	\$6.73	\$12.88
Options exercised	\$1.33	\$1.30
Options cancelled	\$10.45	\$11.27
	<hr/>	<hr/>
Weighted-average exercise price per share of options outstanding at end of the year	\$7.54	\$8.21
	<hr/>	<hr/>

Details of share options granted but not exercised at 31 March 2000 are as follows:

Date of grant	Number of options	Exercise price	Exercise period
April 1994	85,000	£0.25	April 1997 – April 2004
April 1995	45,000	£0.80	April 1998 – April 2005
October 1995	105,000	£1.25	October 1998 – October 2005
February 1996	30,000	£1.40	February 1999 – February 2003
March 1996	45,000	£1.40	March 1999 – March 2006
April 1996	75,000	£1.40	April 1999 – April 2006
April 1997	17,676	US\$8.750	April 2000 – April 2007
May 1997	83,250	US\$9.375	May 2000 – May 2007
June 1997	3,000	US\$10.000	June 2000 – June 2007
July 1997	47,166	US\$11.500	July 2000 – July 2007
January 1998	28,000	US\$15.375	January 2001 – January 2005
May 1998	174,048	US\$16.875	May 2001 – May 2008
June 1998	15,000	US\$13.500	June 2001 – June 2008
July 1998	37,500	US\$13.125	July 2001 – July 2008
July 1998	12,500	US\$15.125	July 2001 – July 2008
October 1998	57,079	US\$9.750	October 2001 – October 2008
October 1998	120,000	US\$7.250	October 2001 – October 2008
April 1999	108,390	US\$7.370	April 2002 – April 2009
May 1999	256,500	US\$6.625	May 2002 – May 2009
June 1999	10,000	US\$6.313	June 2002 – June 2009
July 1999	133,000	US\$6.500	July 2002 – July 2009
August 1999	15,000	US\$6.125	August 2002 – August 2009
October 1999	5,000	US\$6.500	October 2002 – October 2009

**NOTES TO THE ACCOUNTS****Year ended 31 March 2000****17. CALLED UP SHARE CAPITAL (CONTINUED)**

The option price for each grant of options was the market value of shares at that date or, pre-flotation, a reasonable estimate thereof which the Inland Revenue Shares Valuation Division approved. Consequently, no compensation expense has been recorded in the profit and loss account in respect of these share options.

**18. COMMITMENTS AND CONTINGENCIES**

The company's bankers hold a fixed and floating charge over the assets of the company as security over any overdraft. As at 31 March 2000 the company had an overdraft of £1.3m (1999 - £nil). In addition, the company is subject to a cross guarantee covering overdrafts of certain group companies. At 31 March 2000 the company had no net contingent liability under this facility (1999- £nil) and a gross contingent liability of £6.4m (1999 - £8.2m).

The company has pledged the assets and ordinary shares of the The Woolf Group, Inc. as security up to a maximum of \$15m to the selling shareholders of The Woolf Group, Inc. in respect of the aggregate contingent consideration that may become payable in each of May 2001 and May 2002.

The company has guaranteed a \$500,000 overdraft facility of The Woolf Group, Inc. At 31 March 2000 there was no contingent liability under this guarantee.

The company has guaranteed the trade liabilities of Salisbury Drewry Limited in order for Salisbury Drewry to be a member of the Newspaper Publishers Association. Salisbury Drewry's trade liabilities at 31 March 2000 were £48,000.

At the 31 March 2000 the group was committed to making the following payments during the next year in respect of operating leases.

	2000	1999
	Land and Buildings £'000	Land and Buildings £'000
<b>Leases which expire:</b>		
Within two to five years	371	196
After more than 5 years	223	270
	<hr/> 594	<hr/> 466
	<hr/> <hr/>	<hr/> <hr/>

**19. RELATED PARTY TRANSACTIONS AND DISCLOSURES**

The company's ordinary shares are traded on the NASDAQ National Market. The directors are not aware of any ultimate controlling party requiring disclosure under Financial Reporting Standard No.8 "Related Party Disclosures".