

**PROFESSIONAL STAFF PLC**

**Report and Financial Statements**

**31 March 2001**



**REPORT AND FINANCIAL STATEMENTS 2001**

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**REPORT AND FINANCIAL STATEMENTS 2001**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

B P Blackden\* (Chairman)  
B R Culver \*  
J C Benjamin \*  
A R Dixey (Group Chief Executive)  
J C Maynard \*  
T I Unterberg \*  
K A Worrall (Group Finance Director)

\* non-executive

**SECRETARY**

A L Thorpe

**REGISTERED OFFICE**

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

**BANKERS**

Barclays Bank PLC

**INVESTMENT BANKERS**

C. E. Unterberg, Towbin

**SOLICITORS**

Osborne Clarke  
Shearman & Sterling

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Columbia Centre  
Market Street  
Bracknell  
Berkshire  
RG12 1PA

## DIRECTORS' REPORT

The directors present their report and the consolidated financial statements for the year ended 31 March 2001.

### PRINCIPAL ACTIVITY

The principal activity of the group is the provision of specialist recruitment services for temporary and permanent professionals in communications technology, science and interim management.

### RESULTS AND DIVIDENDS

The group made a profit after taxation of £0.8m (2000 - £2.8m). The directors do not recommend the payment of a dividend (2000 - £nil).

### REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Turnover grew by £26.3m to £146.7m, a 22% increase on the prior year. In our Communications Technology Division, turnover from our S.Com companies was up 27% to £100.0m with significant growth in each of our major operations in the UK, the US and Germany. In contrast, our Science Division increased turnover by only 1% to £33.1m. Within this division, growth was strongest in our executive search business, Euromedica, which reported record fees for the second year in succession. Our US based clinical trials staffing business, The Woolf Group, also grew well at 12% despite much lower demand from its largest client pending completion of a merger. Demand in the UK for our remaining Science services was weaker with turnover falling by 12%. However, UK Science turnover in the fourth quarter showed encouraging signs of recovery suggesting that a return to growth is likely in the forthcoming financial year. In the Interim Management Division, turnover from interim management staffing was £13.0m, an impressive 55% increase over the prior year.

Operating profit, before goodwill amortisation and other operating expenses fell from £6.1m to £3.7m after a charge of £1.0m in the fourth quarter for doubtful debts in the Communications Technology Division. The strong growth in our lower margin business, communications technology, and the weak performance of our traditionally highest margin business, UK science staffing, were the main factors behind this performance. We also made significant investments in building sales and support functions in our S.Com companies, as well as announcing a £1.2m capital investment in web-based technology.

Goodwill amortisation increased from £1.0m to £1.1m as we made final earn out payments on a number of acquisitions made in previous years. We also made a small communications technology acquisition, the Resource Management Division of Marconi Software Solutions Limited, a business with annual turnover of just over £5m.

Other operating expenses were £0.3m which included the company's costs associated with the unsuccessful tender offer made for the company by First Saddle Limited in July 2000. Foreign currency exchange gains were £0.3m compared to losses of £0.6m in 2000.

Operating cashflows generated £1.3m despite the strong growth in turnover. Cash was used to pay taxation of £2.0m, capital expenditure of £1.9m and acquisitions and earn out payments of £6.4m, resulting in a net cash outflow of £9.4m and a closing net debt position of £8.7m. Immediately after the year end the company secured and implemented a three year confidential invoice discounting agreement with GE Capital which will provide up to £30m of working capital and our main overdraft facility was reduced to £3.5m. These facilities provide the company with a strong platform for financing our growth plans in the short to mid term.

The recent downturn in the global telecommunications industry combined with the prospect of recession in the US have caused the directors to lower their forecast for the forthcoming financial year.

### DIRECTORS AND THEIR INTERESTS

The current directors are shown on page 1. A R Dixey was appointed on 1 November 2000 and T I Unterberg was appointed after the year end on 10 May 2001. All other directors served throughout the year. The interests of the directors in the share capital of the company at 31 March 2001 and 31 March 2000 were as follows:

**DIRECTORS' REPORT****DIRECTORS AND THEIR INTERESTS (continued)**

	31 March 2001		31 March 2000	
	Ordinary 2p Shares	Ordinary 2p Share Options	Ordinary 2p Shares	Ordinary 2p Share Options
B P Blackden	876,500	75,000	876,500	75,000
J C Benjamin	-	30,000	-	30,000
B R Culver	1,029,800	-	1,103,900	-
A R Dixey	39,000	250,000	-	-
J C Maynard	2,000	30,000	2,000	30,000
R S Reynolds	-	50,000	-	50,000
K A Worrall	10,500	255,000	5,500	155,000

Further details of share options held by directors are given in note 4 to the accounts. R S Reynolds resigned on 2 April 2001.

**EMPLOYEE INVOLVEMENT**

Management at each subsidiary communicate sales and financial performance with staff through appropriate means. The company encourages the involvement of employees in the performance of the group through its share option plans.

**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.

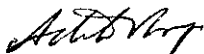
**POLICY ON PAYMENT OF CREDITORS**

It is the company's policy in the forthcoming financial year to pay all its creditors within payment terms agreed with each supplier. Trade creditor days outstanding at 31 March 2001 for the company, as calculated in accordance with the Companies Act 1985, were 41 days (2000 – nil).

**AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors.

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



A L Thorpe  
Secretary

11 July 2001

**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.

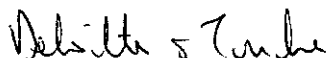
#### **Basis of opinion**

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 2001 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

11 July 2001

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2001**

	Note	2001 £'000	2000 £'000
<b>Turnover</b>	3		
Continuing operations		143,754	119,851
Acquisitions		2,257	-
		<hr/>	<hr/>
		146,011	119,851
Discontinued operations		645	559
		<hr/>	<hr/>
<b>Total Turnover</b>		<b>146,656</b>	<b>120,410</b>
Cost of sales		(111,686)	(91,766)
		<hr/>	<hr/>
Gross profit		34,970	28,644
Administrative expenses	5	(31,285)	(22,533)
Amortisation of goodwill		(1,145)	(1,008)
Other net operating expenses	5	(288)	(570)
		<hr/>	<hr/>
<b>Operating profit (loss)</b>	3		
Continuing operations		2,052	4,637
Acquisitions		139	-
		<hr/>	<hr/>
		2,191	4,637
Discontinued operations		61	(104)
		<hr/>	<hr/>
<b>Total Operating Profit</b>		<b>2,252</b>	<b>4,533</b>
Interest receivable and similar income	6	131	35
Interest payable and similar charges	7	(519)	(114)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>1,864</b>	<b>4,454</b>
Tax on profit on ordinary activities	8	(1,115)	(1,678)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>749</b>	<b>2,776</b>
		<hr/>	<hr/>
<b>Earnings per share</b>	9		
- basic		£0.09	£0.32
- diluted		£0.08	£0.31
		<hr/>	<hr/>



**STATEMENT OF MOVEMENTS ON RESERVES****Year ended 31 March 2001**

	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000
<b>Group</b>				
Balance at 1 April 2000	37,799	16	(16)	10,914
Issue of ordinary shares under share option scheme	61	-	-	-
Translation differences on foreign currency net investments	-	-	374	-
Profit for the financial year	-	-	-	749
	<u>37,860</u>	<u>16</u>	<u>358</u>	<u>11,663</u>
Balance at 31 March 2001	<u>37,860</u>	<u>16</u>	<u>358</u>	<u>11,663</u>
<b>Company</b>				
Balance at 1 April 2000	37,799	16	-	4,974
Issue of ordinary shares under share option scheme	61	-	-	-
Profit for the financial year	-	-	-	5,441
	<u>37,860</u>	<u>16</u>	<u>-</u>	<u>10,415</u>
Balance at 31 March 2001	<u>37,860</u>	<u>16</u>	<u>-</u>	<u>10,415</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****Year ended 31 March 2001**

	2001 £'000	2000 £'000
<b>Group</b>		
Profit for the financial year	749	2,776
Translation differences on foreign currency net investments	374	(16)
Total recognised gains and losses for the year	<u>1,123</u>	<u>2,760</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****Year ended 31 March 2001**

	2001 £'000	2000 £'000
<b>Group</b>		
Profit for the financial year	749	2,776
Other recognised gains and losses	374	(16)
Issue of ordinary shares under share option scheme	62	95
Repurchase of ordinary shares	-	(23)
Net addition to shareholders' funds	<u>1,185</u>	<u>2,832</u>
Opening shareholders' funds	48,885	46,053
Closing shareholders' funds	<u>50,070</u>	<u>48,885</u>

**CONSOLIDATED BALANCE SHEET**  
**31 March 2001**

	Note	2001 £'000	2000 £'000
<b>FIXED ASSETS</b>			
Intangible assets	11	33,461	30,664
Tangible assets	12	4,543	4,106
Investments	13	3	3
		<u>38,007</u>	<u>34,773</u>
<b>CURRENT ASSETS</b>			
Debtors	14	35,050	26,614
Cash at bank and in hand		1,670	1,038
		<u>36,720</u>	<u>27,652</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(24,630)</u>	<u>(13,355)</u>
<b>NET CURRENT ASSETS</b>		<u>12,090</u>	<u>14,297</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		50,097	49,070
<b>CREDITORS: amounts falling due after more than one year</b>	16	-	(68)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	8	(27)	(117)
<b>NET ASSETS</b>		<u>50,070</u>	<u>48,885</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	173	172
Share premium		37,860	37,799
Capital redemption reserve		16	16
Other reserves		358	(16)
Profit and loss account		11,663	10,914
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>50,070</u>	<u>48,885</u>

These financial statements were approved by the Board of Directors on 11 July 2001.

Signed on behalf of the Board of Directors



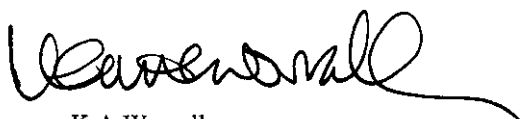
K A Worrall  
 Director

**COMPANY BALANCE SHEET**  
**31 March 2001**

	Note	2001 £'000	2000 £'000
<b>FIXED ASSETS</b>			
Tangible assets	12	1,141	1,267
Investments	13	31,881	29,985
		<u>33,022</u>	<u>31,252</u>
<b>CURRENT ASSETS</b>			
Debtors : amounts due within one year	14	13,817	12,753
Debtors : amounts due after more than one year	14	5,429	4,349
		<u>19,246</u>	<u>17,102</u>
<b>CREDITORS: amounts falling due within one year</b>	15	(3,804)	(5,393)
<b>NET CURRENT ASSETS</b>		<u>15,442</u>	<u>11,709</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>48,464</u>	<u>42,961</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	173	172
Share premium		37,860	37,799
Capital redemption reserve		16	16
Profit and loss account		10,415	4,974
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>48,464</u>	<u>42,961</u>

These financial statements were approved by the Board of Directors on 11 July 2001.

Signed on behalf of the Board of Directors



K A Worrall  
 Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 March 2001**

	<b>Cash flow note</b>	<b>2001 £'000</b>	<b>2000 £'000</b>
Cash inflow from operating activities	1	1,312	7,420
Returns on investment and servicing of finance	2	(388)	(79)
Taxation		(1,998)	(2,921)
Capital expenditure and financial investment	2	(1,951)	(1,970)
Acquisitions and disposals	4	(6,382)	(3,781)
<b>Cash outflow before use of liquid resources and financing</b>		<b>(9,407)</b>	<b>(1,331)</b>
Financing	2	(47)	17
<b>Decrease in cash in the year</b>		<b>(9,454)</b>	<b>(1,314)</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**  
**Year ended 31 March 2001**

	<b>2001 £'000</b>	<b>2000 £'000</b>
Decrease in cash in the year	(9,454)	(1,314)
Cash outflow from decrease in debt and lease financing	109	53
Change in net funds resulting from cash flows	(9,345)	(1,261)
Other non-cash changes	50	6
Movement in net funds in the year	(9,295)	(1,255)
Net funds brought forward	615	1,870
Net funds carried forward	(8,680)	615

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 March 2001**

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

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit	2,252	4,533
Depreciation and amortisation charges	2,685	2,281
Loss / (profit) on disposal of fixed assets	13	(40)
(Increase) / decrease in debtors	(8,437)	2,378
Increase / (decrease) in creditors	4,799	(1,732)
<b>Net cash inflow from operating activities</b>	<b>1,312</b>	<b>7,420</b>

**2. GROSS CASH FLOWS**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Returns on investment and servicing of finance</b>		
Interest received	131	35
Interest paid	(513)	(102)
Interest element of finance lease repayments	(6)	(12)
	<b>(388)</b>	<b>(79)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(2,397)	(2,203)
Sale of tangible fixed assets	446	233
	<b>(1,951)</b>	<b>(1,970)</b>
<b>Acquisitions and disposals</b>		
Purchase of subsidiaries net of cash acquired (see note 4)	(6,382)	(3,781)
<b>Financing</b>		
Issue of shares under share option scheme	62	95
Repurchase of ordinary shares	-	(23)
Capital element of finance lease repayments	(109)	(55)
	<b>(47)</b>	<b>17</b>

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 March 2001**

**3. ANALYSIS OF NET FUNDS**

	At 31 March 2000 £'000	Cash flow £'000	Exchange movement £'000	At 31 March 2001 £'000
Cash at bank and in hand	1,038	582	50	1,670
Overdrafts	(314)	(10,036)	-	(10,350)
	<u>724</u>	<u>(9,454)</u>	<u>50</u>	<u>(8,680)</u>
Finance leases	(109)	109	-	-
Total	<u>615</u>	<u>(9,345)</u>	<u>50</u>	<u>(8,680)</u>

**4. ACQUISITIONS**

	2001 £'000	2000 £'000
Cash consideration (including costs of acquisition)	(6,382)	(3,770)
Cash at bank and in hand of acquired businesses	-	(11)
Net cash (outflow) in respect of acquisitions	<u>(6,382)</u>	<u>(3,781)</u>

Included in cash consideration are payments totalling £6,093,000 (2000 – £3,496,000) made in respect of acquisitions completed in prior years.

The subsidiaries acquired during the year made no significant contribution to the group's cash flows.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

**1. ACCOUNTING POLICIES**

**Basis of preparation of the financial statements**

The financial statements are prepared under the historic cost convention and in accordance with applicable accounting standards and the provisions of the Companies Act 1985. The group financial statements consolidate those of the company and all of its subsidiary undertakings from their respective dates of acquisition. The principal subsidiary undertakings' financial years are coterminous with those of the company. References to the "company" are to Professional Staff plc and references to the "group" are to the company and its subsidiaries, or any of them as the context may require.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates. Estimates are used principally when accounting for accrued income, provision for doubtful debts and taxes.

**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**

The company's reporting currency is Sterling. The group's principal functional currencies are Sterling, the United States Dollar and the Euro.

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.

On consolidation, assets and liabilities of foreign undertakings are translated into Sterling at the closing rates of exchange. The results of foreign undertakings are translated into Sterling at average exchange rates for the year. Exchange differences arising from the retranslation at closing exchange rates are taken directly to reserves and reported in the statement of total recognised gains and losses.

**Turnover**

Turnover comprises the value of services provided to customers in respect of the group's principal activity, excluding value added tax or any other sales tax.

**Depreciation**

Depreciation is provided on tangible fixed assets on a straight line basis from the time they are available for use so as to write off their cost over their estimated useful lives. No residual values are assumed. Lives assumed are 40 years for freehold buildings, 4 years for motor vehicles and between 3 and 10 years for office equipment.

**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 2001

#### 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 employee 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 hedges this translation exposure by the passive use of foreign currency borrowings. The carrying values of these financial instruments approximate to fair value due to their short maturities. It is, and has been throughout the year ended 31 March 2001, the group's policy not to trade in financial instruments.

#### 2. ACQUISITIONS AND DISPOSALS

##### Acquisitions

In September 2001, the company acquired the Resource Management Division of Marconi Software Solutions Limited. This acquisition has been accounted for under the acquisition method. Total cash consideration inclusive of acquisition costs was £289,000. No assets or liabilities were acquired and no adjustments were made to arrive at provisional fair values included in the consolidated financial statements at the date of acquisition. Accordingly, purchased goodwill was recorded at £289,000.

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.

	Year ended 31 March 2000 £'000
Revenue	5,300
Cost of Sales	(4,712)
Gross Profit	588
Administrative Expenses	(289)
Operating Profit	299

Results for the period 1 April 2000 to the date of acquisition were not separately identifiable.

##### Contingent Consideration

The group has contingent commitments to pay additional consideration in respect of acquisitions completed in 2001 and prior years. These commitments are summarised below.

##### Resource Management

Further cash consideration may become payable in the the year ended 31 March 2002 based on the gross profit earned by Resource Management for the twelve months from the date of acquisition.



## NOTES TO THE ACCOUNTS

### Year ended 31 March 2001

#### 2. ACQUISITIONS AND DISPOSALS (Continued)

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

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

##### *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 £100,000 as at 31 March 2001 (2000 - £nil).

##### **Disposals**

With effect from 1 June 2000, the company disposed of its Executives on Assignment interim management operations in the Republic of Ireland and Northern Ireland. The loss on disposal was £6,000 and there was no attributable goodwill. The disposal had no cash effect.

After the year end, on 4 April 2001, the company disposed of its Executive Selection Associates subsidiary, a company involved in recruitment in the construction and civil engineering sectors.

The results of these operations have been shown under discontinued operations in the profit and loss account.

#### 3. ANALYSIS OF TURNOVER AND OPERATING PROFIT

	Continuing operations 2001 £'000	Discontinued operations 2001 £'000	Total 2001 £'000	Continuing operations 2000 £'000	Discontinued operations 2000 £'000	Total 2000 £'000
Turnover	146,011	645	146,656	119,851	559	120,410
Cost of sales	(111,489)	(197)	(111,686)	(91,438)	(328)	(91,766)
Gross profit	34,522	448	34,970	28,413	231	28,644
Administration	(30,898)	(387)	(31,285)	(22,198)	(335)	(22,533)
Amortisation	(1,145)	-	(1,145)	(1,008)	-	(1,008)
Other expense	(288)	-	(288)	(570)	-	(570)
Operating profit	2,191	61	2,252	4,637	(104)	4,533

Included in continuing operations in 2001 are the following amounts relating to acquisitions: turnover £2,257,000, cost of sales £2,040,000, gross profit £217,000, administrative expenses £78,000 and operating profit £139,000.

##### **Class of business**

The directors believe that the company has only one class of business, the provision of specialist recruitment services for temporary and permanent professionals in communications technology, science and interim management.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

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

<b>Geographical analysis by location of operations</b>	<b>Turnover</b>	<b>Operating profit</b>	<b>Net assets</b>
	<b>2001 £'000</b>	<b>2001 £'000</b>	<b>2001 £'000</b>
United Kingdom	108,534	1,406	38,727
Continental Europe	4,379	(342)	879
United States	33,743	1,188	10,464
	<u>146,656</u>	<u>2,252</u>	<u>50,070</u>
	<b>2000 £'000</b>	<b>2000 £'000</b>	<b>2000 £'000</b>
United Kingdom	93,665	3,455	38,698
Continental Europe	2,089	(262)	877
United States	24,656	1,340	9,310
	<u>120,410</u>	<u>4,533</u>	<u>48,885</u>
<b>Geographical market analysis of turnover by destination of sale</b>		<b>2001 £'000</b>	<b>2000 £'000</b>
United Kingdom		74,138	63,101
Continental Europe		33,692	29,384
North America		31,175	24,252
South America		2,512	810
Australasia		998	-
Rest of World		4,141	2,863
		<u>146,656</u>	<u>120,410</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
<b>Directors' emoluments</b>		
Emoluments (excluding pension contributions and awards under share option plans)	417,307	274,000
Contributions to money purchase pension plans	121,750	4,750
<b>Number of directors who:</b>	<b>No.</b>	<b>No.</b>
exercised share options	-	-
are members of money purchase pension plans	3	2
<b>Highest paid director's remuneration:</b>	<b>£</b>	<b>£</b>
emoluments	145,000	157,000
contributions to money purchase pension plans	104,000	-
Excluded from the above figures are consultancy fees paid 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

<b>Share Options</b>	<b>At 1 April 2000</b>	<b>Granted</b>	<b>Exercised</b>	<b>At 31 March 2001</b>	<b>Exercise Price</b>	<b>Date from which exercisable</b>	<b>Date of expiry</b>
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
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
B R Culver	-	-	-	-	-	-	-
A R Dixey	-	9,000	-	9,000	US\$5.03	Nov. 2003	Nov. 2010
	-	241,000	-	241,000	US\$4.875	Oct. 2003	Oct. 2007
K A Worrall	75,000	-	-	75,000	£1.25	Oct. 1998	Oct. 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	Oct. 2001	Oct. 2005
	-	100,000	-	100,000	US\$4.875	Oct. 2003	Oct. 2007
J C Maynard	30,000	-	-	30,000	£1.40	Feb. 1999	Feb. 2003
R S Reynolds	50,000	-	-	50,000	£1.40	April 1999	April 2002

The market price of shares at 31 March 2001 was \$4.75. During the year the market price ranged between US\$8.25 and US\$4.00.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

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

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Employee costs during the year</b>		
Wages and salaries	16,177	11,436
Social security costs	1,637	1,198
	<u>17,814</u>	<u>12,634</u>
<b>Average number of persons employed:</b>	<b>No.</b>	<b>No.</b>
Management, operations & support	<u>364</u>	<u>291</u>

**5. OPERATING PROFIT**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit is after charging / (crediting):		
Administrative expenses:		
Depreciation - owned assets	1,525	1,246
- leased assets	15	27
Amortisation of goodwill	1,145	1,008
Rentals under operating leases	1,039	714
Auditors' remuneration - group audit fees	137	120
- non audit fees	118	72
	<u></u>	<u></u>
Other operating expenses (net):		
Foreign exchange (gains) / losses	(315)	610
Other expense / (income)	603	(40)
	<u></u>	<u></u>

Group audit fees include £2,625 (2000 - £2,500) in respect of the audit of the company.

**Exceptional items**

Included in Administrative expenses in the year ended 31 March 2001 is an increase in provision for doubtful debts of an aggregate £818,000 principally against customers in the telecommunications industry in response to market and cash flow weaknesses in that industry in the first half of the calendar year 2001.

Included in Other operating expenses in the year ended 31 March 2001 were £438,000 of costs associated with corporate finance consultancy and other costs borne by the company in connection with the tender offer for the company by First Saddle Limited in July 2000.

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	<u>131</u>	<u>35</u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Finance lease and hire purchase charges	6	12
Bank overdrafts	513	102
	<u>519</u>	<u>114</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom corporation tax at 30%	911	1,507
Overseas taxation	345	54
Deferred taxation	(91)	117
Adjustments in respect of prior years	(50)	-
	<u>1,115</u>	<u>1,678</u>

The tax charge is disproportionate as a result of goodwill amortisation and other expenses which are not allowable for taxation purposes.

	<b>£'000</b>	<b>£'000</b>
<b>Deferred taxation provision</b>		
Balance at 1 April	117	-
Profit and loss account charge	(91)	117
Exchange differences	1	-
	<u>27</u>	<u>117</u>
<b>Balance at 31 March</b>	<b>27</b>	<b>117</b>
	<b>£'000</b>	<b>£'000</b>
Capital allowances in excess of depreciation & amortisation	277	117
Other timing differences	(250)	-
	<u>27</u>	<u>117</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 £749,000 (2000 - £2,776,000) and weighted average number of shares issued of 8,672,000 (2000 - 8,577,000).

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:

	<b>2001</b>	<b>2000</b>
	<b>No.</b>	<b>No.</b>
Basic	8,672,000	8,577,000
Dilutive effect of options	239,000	265,000
	<u>8,911,000</u>	<u>8,842,000</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 profit for the year after taxation amounted to £5,441,000 (2000 - £34,000).

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

**11. INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Goodwill £'000</b>
Cost	
At 1 April 2000	32,240
Acquisitions	289
Contingent goodwill	3,653
	<hr/>
At 31 March 2001	36,182
	<hr/>
Accumulated amortisation	
At 1 April 2000	1,576
Charge for the year	1,145
	<hr/>
At 31 March 2001	2,721
	<hr/>
Net book value	
At 31 March 2001	33,461
	<hr/>
At 31 March 2000	30,664
	<hr/>

The addition to cost in respect of contingent goodwill represents contingent consideration payments of £6,093,000 net of £2,440,000 provided in previous years.

**12. TANGIBLE FIXED ASSETS**

<b>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 2000	1,018	1,986	4,326	7,330
Exchange differences	-	4	49	53
Additions	-	470	1,927	2,397
Disposals	-	(1,091)	(507)	(1,598)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	1,018	1,369	5,795	8,182
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2000	65	784	2,375	3,224
Exchange differences	-	1	13	14
Charge for the year	16	427	1,097	1,540
Disposals	-	(632)	(507)	(1,139)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	81	580	2,978	3,639
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2001	937	789	2,817	4,543
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	953	1,202	1,951	4,106
	<hr/>	<hr/>	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

**12. TANGIBLE FIXED ASSETS (Continued)**

	<b>Freehold land and buildings</b>	<b>Motor vehicles</b>	<b>Fixtures, fittings and equipment</b>	<b>Total</b>
<b>Company</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>				
At 1 April 2000	1,018	147	352	1,517
Additions	-	-	21	21
Disposals	-	(47)	-	(47)
At 31 March 2001	1,018	100	373	1,491
<b>Depreciation</b>				
At 1 April 2000	65	40	145	250
Charge for the year	16	33	66	115
Disposals	-	(15)	-	(15)
At 31 March 2001	81	58	211	350
<b>Net book value</b>				
At 31 March 2001	937	42	162	1,141
At 31 March 2000	953	107	207	1,267

The net book value of motor vehicles held under finance leases for the group amounted to £nil (2000 - £98,000). The company has no assets under finance leases.

Freehold land at a cost of £365,000 (2000 : £365,000) has not been depreciated.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

**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 2000 and 31 March 2001			3
<b>Company</b>	<b>Loans to subsidiary undertakings £'000</b>	<b>Shares in subsidiary undertakings £'000</b>	<b>Total £'000</b>
Cost at 1 April 2000	7,391	22,964	30,355
Additions	-	2,439	2,439
Repayments	(543)	-	(543)
Cost at 31 March 2001	6,848	25,403	32,251
Provisions			
At 1 April 2000 and 31 March 2001	-	370	370
Net book value			
At 31 March 2001	6,848	25,033	31,881
At 31 March 2000	7,391	22,594	29,985

**Information on significant subsidiary undertakings**

<b>Subsidiary company</b>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Proportion of ordinary shares held</b>
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%
Euromedica PLC	Great Britain	Recruitment of permanent executive scientific staff	100%
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%



**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

**13. INVESTMENTS - Information on significant subsidiary undertakings (continued)**

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, 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.

Science Recruitment Group Limited trades under the brand names SRG Lab Staff, SRG Sciencetech and SRG Executive.

**14. DEBTORS**

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	23,492	22,501	8	-
Amounts owed by subsidiary undertakings	-	-	18,414	16,917
Other debtors	1,991	2,446	34	89
Prepayments and accrued income	9,567	1,667	790	96
	<u>35,050</u>	<u>26,614</u>	<u>19,246</u>	<u>17,102</u>

Included in amounts owed by subsidiary undertakings for the Company is £5,429,000 (2000 - £4,349,000) due more than one year from the balance sheet date.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

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

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see note 18)	10,350	314	3,020	1,345
Obligations under finance leases and hire purchase agreements	-	41	-	-
Trade creditors	2,807	3,920	104	-
Amounts owed to subsidiary undertakings	-	-	82	806
Corporation tax	105	897	-	9
Other taxes and social security	2,457	1,842	-	23
Other creditors	539	900	430	-
Accruals and deferred income	8,272	2,462	168	231
Contingent consideration	100	2,979	-	2,979
	<u>24,630</u>	<u>13,355</u>	<u>3,804</u>	<u>5,393</u>

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

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase agreements	-	68	-	-

**17. CALLED UP SHARE CAPITAL**

	Group and Company	
	2001	2000
	£'000	£'000
<b>Authorised</b>		
24,000,000 (2000 - 24,000,000)		
ordinary shares of 2 pence each	<u>480</u>	<u>480</u>
	<b>No.</b>	<b>£'000</b>
<b>Allotted and fully paid</b>		
At 1 April 2000	8,622,837	172
Shares issued under share option plans	<u>55,294</u>	<u>1</u>
At 31 March 2001	<u>8,678,131</u>	<u>173</u>

## NOTES TO THE ACCOUNTS

Year ended 31 March 2001

## 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 generally exercisable for 4 to 7 years after vesting.

The following table summarizes the option activity under the share option plans.

	2001 No.	2000 No.	1999 No.
Options outstanding at 1 April	1,508,109	1,426,855	1,308,541
Options granted	720,000	629,000	632,000
Options exercised	(55,924)	(126,484)	(281,732)
Options cancelled	(201,004)	(421,262)	(231,954)
Options outstanding at 31 March	1,971,811	1,508,109	1,426,855
Weighted-average exercise price per share:			
Options granted	\$4.99	\$6.73	\$12.88
Options exercised	\$1.68	\$1.33	\$1.30
Options cancelled	\$10.35	\$10.45	\$11.27
Weighted-average exercise price per share of options outstanding at end of the year	\$6.45	\$7.54	\$8.21

Details of share options granted but not exercised at 31 March 2001 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 2003
October 1995	75,000	£1.25	October 1998 – October 2005
February 1996	30,000	£1.40	February 1999 – February 2003
March 1996	42,500	£1.40	March 1999 – March 2006
April 1996	65,000	£1.40	April 1999 – April 2006
April 1997	17,097	US\$8.750	April 2000 – April 2007
May 1997	81,250	US\$9.375	May 2000 – May 2007
July 1997	35,833	US\$11.500	July 2000 – July 2007
May 1998	146,907	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	49,112	US\$9.750	October 2001 – October 2008
October 1998	90,000	US\$7.250	October 2001 – October 2008
April 1999	103,921	US\$7.370	April 2002 – April 2009
May 1999	214,422	US\$6.625	May 2002 – May 2009
June 1999	6,269	US\$6.313	June 2002 – June 2009
July 1999	97,000	US\$6.500	July 2002 – July 2009
August 1999	15,000	US\$6.125	August 2002 – August 2009
October 1999	2,500	US\$6.500	October 2002 – October 2009
January 2000	10,000	US\$6.063	January 2003 – January 2010
May 2000	5,000	US\$4.625	May 2003 – May 2010
October 2000	626,000	US\$4.875	October 2003 – October 2010
November 2000	9,000	US\$5.030	November 2003 – November 2010
November 2000	55,000	US\$5.937	November 2003 – November 2010

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

**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 principal bankers hold a fixed and floating charge over the assets of the company as security over any overdraft. As at 31 March 2001 the group had an overdraft of £10.4m (2000 - £0.3m). In addition, the company is subject to a cross guarantee covering overdrafts of certain group companies. At 31 March 2001 the gross contingent liability under these cross guarantees before offset of cash balances was £12.5m (2000 - £6.4m).

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 contingent consideration that may become payable in May 2002.

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 2001 were £48,000.

At the 31 March 2001 the group was committed to making the following payments during the next year in respect of operating leases.

	2001 Land and Buildings £'000	2001 Other Leases £'000	2000 Land and Buildings £'000	2000 Other Leases £'000
<b>Leases which expire:</b>				
Within one year	113	-	-	-
Within two to five years	436	131	371	-
After more than five years	62	-	223	-
	<u>611</u>	<u>131</u>	<u>594</u>	<u>-</u>

**19. FINANCIAL INSTRUMENTS**

The group's policy on financial instruments and derivatives are set out in the accounting policies on page 14. The group does not trade in financial instruments.

(a) Maturity profile of group financial liabilities

	2001 £'000	2000 £'000
Within one year or less or on demand	<u>10,350</u>	<u>314</u>
The group had the following undrawn borrowing facilities at 31 March:		
Expiry date:		
Within one year or less or on demand	<u>2,007</u>	<u>5,043</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2001**

**19. FINANCIAL INSTRUMENTS (continued)**

(b) Interest rate and currency profile of group financial liabilities and assets

	<b>31 March 2001 £'000</b>	<b>31 March 2000 £'000</b>
Floating rate financial liabilities		
Currency		
Sterling	1,092	-
US\$	5,257	1,249
Euro	4,001	1,608
	<u>10,350</u>	<u>2,857</u>
less offsetable Sterling financial assets	-	(2,543)
Gross financial liabilities	<u>10,350</u>	<u>314</u>

Interest on floating rate liabilities is based on the relevant national bank base rate. Interest rate risks on these liabilities are not hedged.

	<b>31 March 2001 £'000</b>	<b>31 March 2000 £'000</b>
Non-interest bearing financial assets		
Currency		
Sterling	-	3,181
US\$	1,227	372
Euro	443	28
	<u>1,670</u>	<u>3,581</u>
less offsetable US\$ and Euro financial liabilities	-	(2,543)
Gross financial assets	<u>1,670</u>	<u>1,038</u>

Financial assets comprise cash at bank and in hand. Non-interest bearing assets are fully liquid and have no maturity period.

(c) Fair values of group financial liabilities and assets

The fair value of the group's financial liabilities and assets were not materially different from their carrying values at 31 March 2001 and 31 March 2000.

**20. 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".