

Company Registration No. 2777292 (England and Wales)

ELLIS FAIRBANK PLC
DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 5 JUNE 1998



ELLIS FAIRBANK PLC

COMPANY INFORMATION

Directors

T P Ellis
S Fairbank

Secretary

T P Ellis

Company number

2777292

Registered office

12-14 Kestrel House
Lower Brunswick Street
Leeds
LS2 7PU

Auditors

John Gordon Walton & Co
Yorkshire House
Greek Street
Leeds
LS1 5ST

Business address

12-14 Kestrel House
Lower Brunswick Street
Leeds
LS2 7PU

Bankers

Barclays Bank plc
P O Box 100
Leeds
LS1 1PA

ELLIS FAIRBANK PLC

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ELLIS FAIRBANK PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 5 JUNE 1998

The directors present their report and financial statements for the year ended 5 June 1998.

Principal activities and review of the business

The principal activity of the company continued to be the provision of recruitment consultancy services.

On 19 September 1997 the company issued 49,998 shares via a bonus issue and re-registered as a public company with the name Ellis Fairbank Plc.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 7 June 1997:

T P Ellis
S Fairbank

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	5 June 1998	7 June 1997
T P Ellis	25,000	1
S Fairbank	25,000	1

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

The number of days represented in year end creditors is 64.

Year 2000

Until September 1998, our business used a manual internal accounting system. In September 1998, a computerised accounting system was purchased, and we have guarantees from the supplier that this system is Year 2000 compliant. Our business also utilises a database for client management. We have investigated this system and are satisfied that it is Year 2000 compliant. We do not envisage any costs in modifying existing computer systems as a result of Year 2000.

We have also assessed the possibility of Year 2000 related failure in our suppliers, and are satisfied that there will be no significant impact on our business. Although it is impossible to guarantee that no Year 2000 problems will remain, the directors feel that the company will be able to deal promptly with any failures that may occur.

ELLIS FAIRBANK PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 5 JUNE 1998

Directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that John Gordon Walton & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 7 September 1998.



T P Ellis

Director

ELLIS FAIRBANK PLC

AUDITORS' REPORT TO THE SHAREHOLDERS OF ELLIS FAIRBANK PLC

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's 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 the company's affairs as at 5 June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

John Gordon Walton & Co.

John Gordon Walton & Co

7 September 1998

Chartered Accountants and
Registered Auditors

Yorkshire House
Greek Street
Leeds
LS1 5ST

ELLIS FAIRBANK PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 5 JUNE 1998

	Notes	1998 £	1997 £
Turnover	2	3,175,974	2,089,711
Cost of sales		(1,291,104)	(732,713)
Gross profit		1,884,870	1,356,998
Administrative expenses		(1,453,796)	(820,976)
Other operating income		133,597	2,576
Operating profit	3	564,671	538,598
Other interest receivable and similar income	4	38,361	5,425
Interest payable and similar charges	5	(15,085)	(9,973)
Profit on ordinary activities before taxation		587,947	534,050
Tax on profit on ordinary activities	6	(163,887)	(170,000)
Profit on ordinary activities after taxation	13	424,060	364,050

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Statement of total recognised gains and losses


There are no recognised gains and losses other than those passing through the profit and loss account.

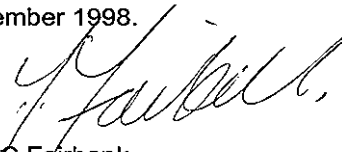
ELLIS FAIRBANK PLC

BALANCE SHEET AS AT 5 JUNE 1998

	Notes	1998 £	£	1997 £	£
Fixed assets					
Tangible assets	7		312,393		289,500
Current assets					
Debtors	8	730,890		341,604	
Cash at bank and in hand		1,028,679		416,308	
		<u>1,759,569</u>		<u>757,912</u>	
Creditors: amounts falling due within one year	9	<u>(1,210,988)</u>		<u>(566,942)</u>	
Net current assets			548,581		190,970
Total assets less current liabilities			<u>860,974</u>		<u>480,470</u>
Creditors: amounts falling due after more than one year	10		(69,362)		(116,418)
Provisions for liabilities and charges	11		<u>(3,500)</u>		<u>-</u>
			<u>788,112</u>		<u>364,052</u>
Capital and reserves					
Called up share capital	12	50,000		2	
Profit and loss account	13	738,112		364,050	
Shareholders' funds - equity interests	14	<u>788,112</u>		<u>364,052</u>	

The financial statements were approved by the Board on 7 September 1998.


T P Ellis
Director


S Fairbank
Director

ELLIS FAIRBANK PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 5 JUNE 1998

	1998 £	1997 £
Net cash inflow from operating activities	888,954	603,954
Returns on investments and servicing of finance		
Interest received	38,361	5,425
Interest paid	(7,564)	(4,999)
Interest element of finance lease rentals	(7,521)	(4,974)
	<hr/>	<hr/>
Net cash inflow/(outflow) for returns on investments and servicing of finance	23,276	(4,548)
Taxation	(160,387)	-
Capital expenditure		
Payments to acquire tangible assets	(56,386)	(113,548)
Receipts from sales of tangible assets	33,573	26,785
	<hr/>	<hr/>
Net cash outflow for capital expenditure	(22,813)	(86,763)
	<hr/>	<hr/>
Net cash inflow before management of liquid resources and financing	729,030	512,643
Financing		
Capital element of finance lease contracts	(116,658)	(96,336)
	<hr/>	<hr/>
Net cash outflow from financing	(116,658)	(96,336)
	<hr/>	<hr/>
Increase in cash in the year	612,372	416,307
	<hr/>	<hr/>

ELLIS FAIRBANK PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 5 JUNE 1998

1	Reconciliation of operating profit to net cash inflow from operating activities			1998	1997
				£	£
				564,671	538,598
				105,278	88,741
				(17,342)	(11,586)
				(389,286)	(341,602)
				625,633	329,803
				888,954	603,954
2	Analysis of net funds	7 June 1997	Cash flow	Other non-cash changes	5 June 1998
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	416,307	612,372		1,028,679
	Debt:				
	Finance leases	(183,557)	116,658	(88,015)	(154,914)
	Net funds	232,750	729,030	(88,015)	873,765
3	Reconciliation of net cash flow to movement in net debt			1998	1997
				£	£
				612,372	416,307
				116,658	96,336
				729,030	512,643
				(88,015)	(279,893)
	Movement in net funds in the year			641,015	232,750
	Opening net funds			232,750	-
	Closing net funds			873,765	232,750

ELLIS FAIRBANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 JUNE 1998

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	20% Reducing balance
Motor vehicles	25% Straight line

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Turnover

Analysis by geographical market

	Turnover	
	1998	1997
	£	£
United Kingdom	3,052,987	2,072,511
Europe	12,584	7,200
Rest of the world	110,403	10,000
	<u>3,175,974</u>	<u>2,089,711</u>

ELLIS FAIRBANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 JUNE 1998

3	Operating profit	1998	1997
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	105,278	88,741
	Operating lease rentals		
	- Land and buildings	42,460	42,460
	Auditors' remuneration	5,500	4,000
	Remuneration of auditors for non-audit work	10,175	17,400
		<u> </u>	<u> </u>
4	Other interest receivable and similar income	1998	1997
		£	£
	Bank interest	38,361	5,425
		<u> </u>	<u> </u>
5	Interest payable	1998	1997
		£	£
	Bank interest	3,728	1,068
	Lease finance charges and hire purchase interest	10,437	8,905
	Other interest	920	-
		<u> </u>	<u> </u>
		15,085	9,973
		<u> </u>	<u> </u>
6	Taxation	1998	1997
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 27% (1997 - 30%)	170,000	170,000
	Deferred taxation	3,500	-
		<u> </u>	<u> </u>
		173,500	170,000
	Prior years		
	U.K. Corporation tax	(9,613)	-
		<u> </u>	<u> </u>
		163,887	170,000
		<u> </u>	<u> </u>

ELLIS FAIRBANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 JUNE 1998

7 Tangible fixed assets

	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost			
At 7 June 1997	114,897	346,522	461,419
Additions	23,885	141,447	165,332
Disposals	-	(79,955)	(79,955)
At 5 June 1998	138,782	408,014	546,796
Depreciation			
At 7 June 1997	45,717	126,202	171,919
On disposals	-	(42,794)	(42,794)
Charge for the year	18,613	86,665	105,278
At 5 June 1998	64,330	170,073	234,403
Net book value			
At 5 June 1998	74,452	237,941	312,393
At 5 June 1997	69,180	220,320	289,500

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
Net book values	
At 5 June 1998	211,469
At 5 June 1997	220,320
Depreciation charge for the year	
5 June 1998	77,034
5 June 1997	79,316

ELLIS FAIRBANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 JUNE 1998

8 Debtors	1998 £	1997 £
Trade debtors	437,418	324,965
Other debtors	263,428	400
Prepayments and accrued income	30,044	16,239
	<u>730,890</u>	<u>341,604</u>
9 Creditors: amounts falling due within one year	1998 £	1997 £
Net obligations under finance lease and hire purchase contracts	85,552	67,139
Trade creditors	97,152	85,243
Corporation tax	170,000	170,000
Other taxes and social security costs	262,741	167,034
Directors' current accounts	-	34,446
Accruals and deferred income	595,543	43,080
	<u>1,210,988</u>	<u>566,942</u>
10 Creditors: amounts falling due after more than one year	1998 £	1997 £
Net obligations under finance leases and hire purchase agreements	<u>69,362</u>	<u>116,418</u>
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	93,413	75,325
Repayable between one and five years	<u>75,643</u>	<u>121,688</u>
	169,056	197,013
Finance charges and interest allocated to future accounting periods	<u>(14,142)</u>	<u>(13,456)</u>
	154,914	183,557
Included in liabilities falling due within one year	<u>(85,552)</u>	<u>(67,139)</u>
	<u>69,362</u>	<u>116,418</u>

ELLIS FAIRBANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 JUNE 1998

11 Provisions for liabilities and charges

	Deferred taxation £
Profit and loss account	3,500
Balance at 5 June 1998	<u>3,500</u>

Deferred tax is provided at 31% (1997 - 31%) analysed over the following timing differences:

	Fully provided 1998 £	1997 £
Accelerated capital allowances	<u>3,500</u>	<u>-</u>

12 Share capital

	1998 £	1997 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>2</u>

On 19 September 1997 the company made a bonus issue of 49,998 £1 ordinary shares to the existing shareholders. This was made at par and out of retained reserves.

13 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 7 June 1997	364,050
Retained profit for the period	424,060
Bonus issue of shares	(49,998)
	<u>738,112</u>

ELLIS FAIRBANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 JUNE 1998

14 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the financial year	424,060	364,050
Opening shareholders' funds	364,052	2
Closing shareholders' funds	788,112	364,052

15 Financial commitments

At 5 June 1998 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1998 £	1997 £
Expiry date:		
Within one year	42,460	-
Between two and five years	-	42,460
	42,460	42,460

16 Directors' emoluments

	1998 £	1997 £
Emoluments for qualifying services	723,985	247,298
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Emoluments for qualifying services	370,296	129,939

17 Transactions with directors

During the year the directors had interest free loans. The movement on these loans are as follows:

	Amount outstanding		Maximum in period
	1998 £	1997 £	£
T P Ellis	141,769	(17,223)	147,369
S Fairbank	116,680	(17,223)	124,203

ELLIS FAIRBANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 JUNE 1998

18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1998 Number	1997 Number
Consultants and administration	50	38
Employment costs		
	£	£
Wages and salaries	1,852,376	896,085
Social security costs	195,528	79,031
	2,047,904	975,116

19 Control

The company is controlled by its directors.