

Druid Systems Limited
(Registered Number 2115949)

Directors' Report And Financial Statements

For The Year Ended 30 June 1998



Druid Systems Limited

Directors' Report And Financial Statements For The Year Ended 30 June 1998

Directors

RC Kimber FCA
SNA Leefe (resigned 1 December 1997)
C McGuire
JDW Pocock
C St JD Sanders
EDB Tebbs
DRT Thompson (resigned 5 January 1998)
KJ Trueman (appointed 20 October 1997)
AL Wood (appointed 1 October 1997)

Secretary

RC Kimber FCA

Registered Office

Druid House
Pine Trees
Staines
Chertsey Lane
Middlesex TW18 3HR

Auditors

PricewaterhouseCoopers
Thames Court
1 Victoria Street
Windsor
Berkshire SL4 1HB

Bankers

Lloyds Bank plc
83 Clarence Street
Kingston Upon Thames
Surrey KT1 1RE

Solicitors

Dibb Lupton Alsop
125 London Wall
London EC2Y 5AE

Druid Systems Limited

Directors' Report For The Year Ended 30 June 1998

The directors present their report and the company's audited financial statements for the year ended 30 June 1998.

Results and dividends

The results for the year are shown in full in the profit and loss account and the related notes. The retained profit of £3,148,000 (1997: £2,355,000) has been transferred to reserves. The directors do not recommend the payment of a dividend (1997: Nil).

Review of business and future developments

During the year the company continued to provide management consultancy services to a range of clients. Turnover in the opening months of the current financial year and the present level of orders indicate that the prospects for growth are encouraging.

Directors and their interests

The directors throughout the year are as listed on page 1.

At 30 June the directors had the following beneficial and family interests in the shares of the holding company, Druid Group PLC:

	1998		1997	
	Percentage of share capital	10p ordinary shares	Percentage of share capital	10p ordinary shares
RC Kimber	1.66%	379,600	1.88%	429,600
C McGuire	3.19%	730,798	3.42%	780,798
JDW Pocock	3.40%	779,665	3.63%	829,665
C St JD Sanders	3.01%	688,912	3.23%	738,912
EDB Tebbs	0.56%	128,000	0.61%	140,000
KJ Trueman	Nil	Nil	Nil	Nil
AL Wood	3.01%	688,912	3.23%	738,912

KJ Trueman has an option awarded under the 1997 Long Term Incentive Plan of Druid Group PLC to acquire 18,045 10p ordinary shares in the holding company subject to the group achieving certain performance criteria. The cost of this option amounted to £12,000 and was paid in December 1997. It is exercisable between 19 December 2002 and 19 December 2004.

Tangible assets

Details of changes during the year in the tangible assets of the company are shown in note 8 to the financial statements.

Close company status

The company is a close company within the provisions of section 414 of the Income and Corporation Taxes Act 1988.

Druid Systems Limited

Directors' Report For The Year Ended 30 June 1998 (Continued)

Employees

The company has a policy of keeping all employees fully informed about its plans and progress. It uses regular meetings, formal presentations and staff publications to ensure this policy is reflected wherever possible.

It operates recruitment and selection procedures and further employment opportunities such as training and development based on an objective assessment of an individual's need and ability regardless of factors such as gender, race, ethnic origin and disability.

Environment

The company does not handle environmentally hazardous materials. It believes that support for the legitimate aims of the communities in which it works and due care of the environment are proper parts of its planning processes.

Policy On Payment Of Creditors

The company does not follow any specified code or standard on payment practice, but endeavours to ensure that payments to suppliers are made in accordance with mutually agreed terms of trade. It then adheres to the terms providing it is satisfied that the supplier has provided the goods or service in compliance with the agreed terms and conditions.

Trade creditor days of the company for the year ended 30 June 1998 were 34 days, (30 June 1997 – 35 days) based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

Druid Systems Limited

Directors' Report For The Year Ended 30 June 1998 (Continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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; and
- 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

A resolution to appoint PricewaterhouseCoopers as auditors will be put to the forthcoming annual general meeting.

By order of the Board:



RC Kimber FCA
Secretary
8 September 1998

PricewaterhouseCoopers
Thames Court
1 Victoria Street
Windsor
Berkshire SL4 1HB
Telephone +44 (0) 1753 752000
Facsimile +44 (0) 1753 864826
DX 123110 Windsor 2

Auditors' Report To The Shareholders Of Druid Systems Limited

We have audited the financial statements on pages 6 to 15 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 4 the company's directors are responsible for the preparation of the 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 have 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 30 June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Thames Court
1 Victoria Street
Windsor
Berkshire
SL4 1HB

8 September 1998

Druid Systems Limited

Profit And Loss Account For The Year Ended 30 June 1998

	Note	1998 £'000	1997 £'000
Turnover	2	40,604	22,066
Cost of sales		(20,033)	(11,191)
Gross Profit		20,571	10,875
Administrative expenses		(15,448)	(7,262)
Operating profit	3	5,123	3,613
Interest receivable and similar income	4	206	133
Interest payable and similar charges	5	-	(15)
Profit on ordinary activities before taxation		5,329	3,731
Tax on profit on ordinary activities	7	(2,181)	(1,376)
Retained profit for the year	16	3,148	2,355

Turnover and profit on ordinary activities before taxation for the year, and the corresponding year, relate wholly to continuing activities.

There are no other recognised gains or losses arising during the year or the corresponding year.

The results above are presented on an unmodified historical cost basis.

A reconciliation of movements in shareholders' funds is given in Note 16.

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

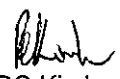
Druid Systems Limited

Balance Sheet As At 30 June 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	8	2,449	2,079
Investments	9	-	-
		<u>2,449</u>	<u>2,079</u>
Current assets			
Debtors	10	13,619	6,998
Cash at bank		6,688	3,520
		<u>20,307</u>	<u>10,518</u>
Creditors : amounts falling due within one year	11	<u>(10,335)</u>	<u>(4,378)</u>
Net current assets		<u>9,972</u>	<u>6,140</u>
Total assets less current liabilities		<u>12,421</u>	<u>8,219</u>
Creditors: amounts falling due after one year	12	<u>(4,800)</u>	<u>(3,746)</u>
Net assets		<u>7,621</u>	<u>4,473</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	7,620	4,472
Shareholders' funds		<u>7,621</u>	<u>4,473</u>

Approved By The Board On
8 September 1998


JDW Pocock
Director


RC Kimber FCA
Director

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

Druid Systems Limited

Notes To The Financial Statements For The Year Ended 30 June 1998

1 Accounting Policies

A summary of the principal accounting policies is set out below, all of which have been applied on a basis consistent with the previous year.

(1) Accounting convention

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

(2) Depreciation of tangible fixed assets

Tangible fixed assets are shown at original historic cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Computer and office equipment	3 - 4 years
Motor vehicles	4 years
Leasehold improvements	Over the length of the lease

(3) Deferred taxation

Deferred taxation is provided only where there is a reasonable probability that a liability or asset will arise in the foreseeable future.

(4) Leased assets

Assets acquired under hire purchase agreements are capitalised as fixed assets and depreciated in accordance with the normal accounting policy of the company. The liabilities relating to future capital repayments are shown in the balance sheet and the interest element of the repayments are charged to the profit and loss account.

Rentals paid under operating leases and contract hire agreements are charged to the profit and loss account as they are incurred.

(5) Pension costs

Pension costs are charged to the profit and loss account in the period in which they are incurred.

(6) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Any gains or losses arising from changes in exchange rates are recognised in the profit and loss account. Monetary amounts denominated in a foreign currency at the balance sheet date are translated at the rate ruling on that date.

Druid Systems Limited

Notes To The Financial Statements For The Year Ended 30 June 1998

2 Turnover

Turnover represents the billable value of services provided by the company during the year including rechargeable expenses but excluding VAT.

The company is involved in the provision of management consultancy services. The significant majority of the group's turnover arises from services undertaken within the United Kingdom.

3 Operating Profit

	1998 £'000	1997 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
Vacated premises	-	112
Other owned assets	925	664
Assets held under hire purchase contracts	-	16
Auditors' remuneration:		
Audit services	23	17
Non-audit services	45	31
Profit on sale of tangible fixed assets	(38)	(45)
Exchange losses	53	2

4 Interest Receivable And Similar Income

	1998 £'000	1997 £'000
Bank interest	206	133

5 Interest Payable And Similar Charges

	1998 £'000	1997 £'000
Hire purchase interest	-	15

Druid Systems Limited

Notes To The Financial Statements For The Year Ended 30 June 1998

6 Directors And Employee Costs

The average number of employees (including executive directors) during the year was 411 (1997: 260).

Employee costs during the year amounted to:

	1998 £'000	1997 £'000
Wages and salaries	15,156	8,415
Social security costs	1,422	874
Other pension costs	717	441
	<hr/> 17,295	<hr/> 9,730

Directors' remuneration in 1997 and 1998 was borne by the parent company. A management fee is charged to the company which includes £1,000,000 (1997: £826,000) principally in respect of their services to the company as directors.

7 Tax On Profit On Ordinary Activities

The taxation charge comprises:

	1998 £'000	1997 £'000
Corporation tax at 31% (1997 : 32.5%)	2,262	1,376
Release of prior year provisions	(81)	-
	<hr/> 2,181	<hr/> 1,376

Druid Systems Limited

Notes To The Financial Statements For The Year Ended 30 June 1998

8 Tangible Assets

	Short leasehold premises £'000	Office furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
Brought forward at 1 July 1997	643	2,195	101	2,939
Additions	110	1,197	-	1,307
Disposals	-	-	(101)	(101)
At 30 June 1998	753	3,392	-	4,145
Accumulated depreciation				
Brought forward at 1 July 1997	38	742	80	860
Charge for the year	86	830	9	925
Disposals	-	-	(89)	(89)
At 30 June 1998	124	1,572	-	1,696
Net book amount				
At 30 June 1998	629	1,820	-	2,449
At 30 June 1997	605	1,453	21	2,079

9 Investment In Subsidiary Undertaking

	1998 £	1997 £
Cost	100	100

Name	Country of incorporation	Share class held	% Held	Principal activity
Druid Financial Limited	England	Ordinary	100%	Dormant

The financial information presented in these accounts relates to the company as an individual undertaking and not the group as the company is exempt from preparing group accounts under section 228 of the Companies Act.

Druid Systems Limited

Notes To The Financial Statements For The Year Ended 30 June 1998

10 Debtors

	1998 £'000	1997 £'000
Trade debtors	12,185	6,368
ACT recoverable	-	71
Prepayments and accrued income	1,434	559
	13,619	6,998

11 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Trade creditors	1,886	833
Other taxes and social security	1,989	1,188
Corporation tax	2,310	1,413
Accruals and deferred income	4,150	944
	10,335	4,378

Trade creditors at 30 June 1998 includes £63,000 in respect of staff pension contributions (30 June 1997: £44,000).

12 Creditors : amounts falling due after one year

	1998 £'000	1997 £'000
Accrued lease commitment	95	95
Amounts owed to group undertakings	4,705	3,651
	4,800	3,746

13 Deferred Taxation

In accordance with the company's accounting policy no provision has been made for deferred taxation at the balance sheet date. The potential, but unprovided, deferred taxation asset, in respect of accelerated capital allowances amounts to £205,000 (30 June 1997: £38,000).

Druid Systems Limited

Notes To The Financial Statements For The Year Ended 30 June 1998

14 Called Up Share Capital

	1998 £	1997 £
Authorised:		
1,200 £1 ordinary shares	1,200	1,200
Allotted, called up, issued and fully paid:		
1,140 £1 ordinary shares	1,140	1,140

The issued capital is comprised wholly of equity shares.

15 Reserves

	1998 £'000	1997 £'000
Profit and loss reserve brought forward	4,472	2,117
Retained profit for the year	3,148	2,355
Profit and loss carried forward	7,620	4,472

16 Reconciliation Of Movements In Shareholders' Funds

	1998 £'000	1997 £'000
Profit for the year	3,148	2,355
Opening shareholders' funds	4,473	2,118
Closing shareholders' funds	7,621	4,473

17 Commitments Under Operating Leases

At 30 June there were the following annual commitments under non-cancellable operating leases:

	1998 £'000	1997 £'000
Operating leases which expire:		
Within one year	62	-
Within one to two years	72	-
Within two to five years	176	176
After five years	586	586
	896	762

Druid Systems Limited

Notes To The Financial Statements For The Year Ended 30 June 1998

17 Commitments Under Operating Leases (Continued)

Total charges in the year under operating leases were £842,000 (1997: £383,000) and relate solely to property leases.

18 Commitments Under Contract Hire Agreements

At 30 June there were the following annual commitments under non-cancellable contract hire agreements:

	1998 £'000	1997 £'000
Contract hire agreements which expire:		
Within one year	1,329	65
Within two to five years	1,275	1,629

Total charges in the year arising from contract hire agreements were £1,053,000 (1997: £684,000) and relate to car hire.

19 Pensions

The company operates a number of defined contribution pension schemes for its employees. The costs of these schemes are charged to the profit and loss account in the period in which they are incurred.

20 Contingent Liabilities And Capital Commitments

By a debenture dated 26 January 1989 the company granted a fixed and floating charge over all of its assets.

At 30 June 1998 the company had no contingent liabilities (30 June 1997: Nil), and had authorised but not yet contracted for capital expenditure of £Nil (30 June 1997: Nil).

21 Cash Flow Statement

The company is a wholly owned subsidiary of Druid Group PLC whose financial statements include a consolidated cash flow statement. As permitted by Financial Reporting Standard 1 the company has taken advantage of the exemption from the requirement to present a separate cash flow statement.

Druid Systems Limited

Notes To The Financial Statements For The Year Ended 30 June 1998

22 Ultimate Holding Company

Druid Systems Limited is a wholly owned subsidiary of Druid Group PLC a company incorporated in England. Copies of the group accounts may be obtained from The Secretary, Druid House, Pine Trees, Chertsey Lane, Staines, Middlesex TW18 3HR.