

DRUID SYSTEMS LIMITED
(Registered Number 2115949)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1997



DRUID SYSTEMS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997

DIRECTORS

RC Kimber FCA
SNA Leefe
C McGuire
JDW Pocock
C St JD Sanders
EDB Tebbs
DRT Thompson

SECRETARY

RC Kimber FCA

REGISTERED OFFICE

Druid House
Pine Trees
Staines
Chertsey Lane
Middlesex TW18 3HR

AUDITORS

Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY

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

Robert Kimber, Finance Director

Rob was appointed finance director in 1994. Previously he spent five years with Price Waterhouse and five years with the recruitment consultancy Computer People Group Plc where he was finance director of UK operations.

Simon Leefe, Non-Executive Director

Simon is an investment manager with Candover Investments plc and was appointed a non-executive director in 1993. Prior to his current position, Simon worked for Arthur Andersen where he was involved in both the audit and corporate recovery practices.

Colin McGuire, Operations Director

Colin joined in 1990 as an experienced manufacturing and logistics systems consultant to work on large pan-European projects and became a director in 1992. In addition to his management activities, he is also a senior consultant, specialising chiefly in project management of major integrated system implementations.

John Pocock, Commercial Director

John joined in 1989 from a technical and business consultancy background having previously spent seven years working for IBM and Andersen Consulting. He became a director in 1992 and now has responsibility for all commercial activities including the development of strategic clients and partnerships as well as retaining high-level consultancy involvement primarily on major logistics projects.

Charles Sanders, Director

Since joining Druid in 1990 from Andersen Consulting, Charles has contributed in a number of roles to many of Druid's key accounts. His engagements have focused on enterprise-wide integration and transformation often on an European scale. Charles has contributed to leading management roles within Druid before becoming a director in 1996.

David Tebbs, Chairman

David was appointed chairman in 1993, having over 30 years experience in IT and professional service companies. Currently he contributes as chairman and non-executive director of a number of private and public companies and through strategic consultancy assignments. Previously he was a director of the BIS Group, where he was chief executive of BIS Applied Systems for twelve years and chairman and CEO of BIS Banking Systems for eight years.

David Thompson, Managing Director

David founded Druid in 1987, having spent over 20 years in the application of IT within logistics, manufacturing and finance for multi-national companies. He spent eight years working for General Electric of America, latterly as European Vice President, Logistics for GE-Fanuc. As managing director, David has overseen the company's growth from a handful of people to its present size and still maintains close contact with the client base through his strategic business and IT consultancy activities.

DRUID SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1997

The directors present their report and the company's audited financial statements for the year ended 30 June 1997.

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 £2,355,000 (1996: £1,349,000) has been transferred to reserves. The directors do not recommend the payment of a dividend (1996: Nil).

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

During the year the company continues 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 1 July 1996 the directors had the following interests in the shares of the holding company:

	10p A ordinary shares	10p B ordinary shares	10p Preference shares	10p Preferred ordinary shares
RC Kimber	-	750	-	-
C McGuire	-	1,720	-	-
JDW Pocock	-	1,720	-	-
C St JD Sanders	-	1,720	-	-
EDB Tebbs	-	300	17,334	500
DRT Thompson	10,000	-	700,000	-

At 1 July 1996 RC Kimber held options to purchase 250 B ordinary shares in Druid Group PLC, all of which were exercised during the year to 30 June 1997.

In addition, Candover (Trustees) Limited was, at 1 July 1996, the registered holder of 274 preferred ordinary shares of 10p each, in 19 of which SNA Leefe had a beneficial interest.

As a result of a bonus issue of shares and a capital reorganisation which occurred immediately before the listing of the holding company, Druid Group PLC on the London Stock Exchange in November 1996, all shareholdings in the holding company were converted into 10p ordinary shares.

At 30 June 1997 the directors had the following beneficial and family interests in the shares of the holding company, Druid Group PLC:

	Percentage of share capital	10p ordinary share
RC Kimber	1.88%	429,600
SNA Leefe	Nil	466
C McGuire	3.42%	780,798
JDW Pocock	3.63%	829,665
C St JD Sanders	3.23%	738,912
EDB Tebbs	0.61%	140,000
DRT Thompson	7.22%	1,651,383

DRUID SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

TANGIBLE ASSETS

Details of changes during the period 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.

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 1997 were 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.

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.

DRUID SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)


STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

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 re-appoint Price Waterhouse as auditors will be put to the forthcoming annual general meeting.

By order of the Board:

A handwritten signature in black ink, appearing to read 'RC Kimber', written over a horizontal line.

RC Kimber FCA

Secretary

29 September 1997

Price Waterhouse



AUDITORS' REPORT TO THE SHAREHOLDERS OF DRUID SYSTEMS LIMITED

We have audited the financial statements on pages 7 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on pages 4 to 5 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

29 September 1997

DRUID SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1997

	<u>1997</u> £'000	<u>1996</u> £'000
TURNOVER (Note 2)	22,066	12,013
Cost of sales	<u>(11,191)</u>	<u>(5,918)</u>
GROSS PROFIT	10,875	6,095
Administrative expenses	<u>(7,262)</u>	<u>(3,978)</u>
OPERATING PROFIT (Note 3)	3,613	2,117
Interest receivable and similar income (Note 4)	133	66
Interest payable and similar charges (Note 5)	<u>(15)</u>	<u>(22)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,731	2,161
Tax on profit on ordinary activities (Note 7)	<u>(1,376)</u>	<u>(812)</u>
RETAINED PROFIT FOR THE YEAR (Note 16)	<u>2,355</u>	<u>1,349</u>

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 9 to 14 form part of these financial statements.

DRUID SYSTEMS LIMITED

BALANCE SHEET AS AT 30 JUNE 1997

	<u>1997</u> £'000	<u>1996</u> £'000
FIXED ASSETS		
Tangible assets (Note 8)	2,079	1,016
Investments (Note 9)	—	—
	2,079	1,016
CURRENT ASSETS		
Debtors (Note 10)	6,998	2,757
Cash at bank	<u>3,520</u>	<u>3,032</u>
	10,518	5,789
CREDITORS: Amounts falling due within one year (Note 11)	<u>(4,378)</u>	<u>(3,130)</u>
NET CURRENT ASSETS	<u>6,140</u>	<u>2,659</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	8,219	3,675
CREDITORS: Amounts falling due after one year (Note 12)	<u>(3,746)</u>	<u>(1,557)</u>
NET ASSETS	<u>4,473</u>	<u>2,118</u>
CAPITAL AND RESERVES		
Called up share capital (Note 14)	1	1
Profit and loss account (Note 15)	<u>4,472</u>	<u>2,117</u>
SHAREHOLDERS' FUNDS	<u>4,473</u>	<u>2,118</u>

APPROVED BY THE BOARD ON
29 September 1997



RC Kimber FCA
Director

The notes on pages 9 to 14 form part of these financial statements.

DRUID SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997

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 1997 (CONTINUED)

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

	<u>1997</u> £'000	<u>1996</u> £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
Vacated premises	112	-
Other owned assets	664	240
Assets held under hire purchase contracts	16	104
Auditors' remuneration:		
Audit services	17	9
Non-audit services	31	33
Profit on sale of tangible fixed assets	(45)	(25)
Exchange losses	2	-

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1997</u> £'000	<u>1996</u> £'000
Bank interest	133	66
	==	==

5 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1997</u> £'000	<u>1996</u> £'000
Hire purchase interest	15	22
	==	==

6 DIRECTORS AND EMPLOYEE COSTS

The average number of employees (including executive directors) during the year was 260 (1996:133).

Employee costs during the year amounted to:	<u>1997</u> £'000	<u>1996</u> £'000
Wages and salaries	8,415	3,919
Social security costs	874	425
Other pension costs	441	192
	—	—
	9,730	4,536

Directors' remuneration in 1996 and 1997 was borne by the parent company. A management fee is charged to the company which includes £826,000 (1996: £563,000) principally in respect of their services to the company as directors.

DRUID SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge comprises:

	<u>1997</u> £'000	<u>1996</u> £'000
Corporation tax at 32.5% (1996 : 33%)	1,376	790
Prior year adjustment	—	<u>22</u>
	<u>1,376</u>	<u>812</u>

8 TANGIBLE ASSETS

	<u>Short leasehold premises</u> £'000	<u>Office furniture and equipment</u> £'000	<u>Motor vehicles</u> £'000	<u>Total</u> £'000
Cost				
Brought forward at 1 July 1996	155	1,130	382	1,667
Additions	643	1,291	-	1,934
Disposals	<u>(155)</u>	<u>(226)</u>	<u>(281)</u>	<u>(662)</u>
At 30 June 1997	643	2,195	101	2,939
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated depreciation				
Brought forward at 1 July 1996	42	404	205	651
Charge for the period	151	564	77	792
Disposals	<u>(155)</u>	<u>(226)</u>	<u>(202)</u>	<u>(583)</u>
At 30 June 1997	38	742	80	860
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book amount				
At 30 June 1997	605	1,453	21	2,079
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 1996	113	726	177	1,016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The company no longer has any assets under hire purchase contract. As at 30 June 1996 assets under hire purchase contract with a cost of £287,000 and a net book value of £126,000 were included in tangible assets.

DRUID SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

9 INVESTMENT IN SUBSIDIARY UNDERTAKING

	<u>1997</u>	<u>1996</u>
	£	£
Cost	100	100
	==	==

<u>Name</u>	<u>Country of incorporation</u>	<u>Share class held</u>	<u>% Held</u>	<u>Principal activity</u>
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.

10 DEBTORS

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Trade debtors	6,368	2,338
ACT recoverable	71	71
Prepayments and accrued income	<u>559</u>	<u>348</u>
	6,998	2,757
	==	==

11 CREDITORS: Amounts falling due within one year

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Trade creditors	833	655
Other taxes and social security	1,188	586
Corporation tax	1,413	778
Accruals and deferred income	944	1,031
Hire purchase and lease liabilities	<u>—</u>	<u>80</u>
	4,378	3,130
	==	==

Trade creditors at 30 June 1997 includes £44,000 in respect of staff pension contributions (30 June 1996: Nil).

12 CREDITORS : Amounts falling due after one year

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Accrued lease commitment	95	95
Amounts owed to group undertakings	<u>3,651</u>	<u>1,462</u>
	3,746	1,557
	==	==

DRUID SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

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 £38,000 (30 June 1996: £78,000).

14 CALLED UP SHARE CAPITAL	<u>1997</u> £	<u>1996</u> £
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	<u>1997</u> £'000	<u>1996</u> £'000
Profit and loss reserve brought forward	2,117	768
Retained profit for the year	<u>2,355</u>	<u>1,349</u>
Profit and loss carried forward	4,472	2,117
	=====	=====

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> £'000	<u>1996</u> £'000
Profit for the year	2,355	1,349
Opening shareholders' funds	<u>2,118</u>	<u>769</u>
Closing shareholders' funds	4,473	2,118
	=====	=====

17 COMMITMENTS UNDER OPERATING LEASES

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

	<u>1997</u> £'000	<u>1996</u> £'000
Operating leases which expire:		
Within two to five years	176	-
After five years	<u>586</u>	<u>203</u>
	762	203
	=====	=====

DRUID SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997 (CONTINUED)

17 COMMITMENTS UNDER OPERATING LEASES (CONTINUED)

Total charges in the year under operating leases were £383,000 (1996: £203,000) 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:

	<u>1997</u> £'000	<u>1996</u> £'000
Contract hire agreements which expire:		
Within one year	65	-
Within two to five years	1,629	387
	<u> </u>	<u> </u>

Total charges in the year arising from contract hire agreements were £684,000 (1996: £201,000) 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 1997 the company had no contingent liabilities (30 June 1996: Nil), and had authorised but not yet contracted for capital expenditure of £Nil (30 June 1996: £500,000).

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.

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.