

CHORUS APPLICATION SOFTWARE LIMITED

Report and Accounts

Year ended 31 December 2001

ERNST & YOUNG



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Chorus Application Software Limited

Registered No. 3838526

DIRECTORS

N E Cross

J S Gray

D W Williams

N A Morris

R S Downey

SECRETARY

N A Morris

AUDITORS

Ernst & Young LLP

Broadwalk House

Southernhay West

Exeter

EX1 1LF

BANKERS

Royal Bank of Scotland plc

62/63 Threadneedle Street

London

EC2R 8LA

SOLICITORS

Michelmores

18 Cathedral Yard

Exeter

EX1 1HE

REGISTERED OFFICE

Devonshire House

Riverside Road

Pottington Business Park

Barnstaple

Devon

EX31 1SW

Chorus Application Software Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2001.

PRINCIPAL ACTIVITY

The principal activity of the company is the design, development, implementation and support of financial and business computer software systems.

RESULTS AND DIVIDENDS

The profit for the year, attributable to shareholders amounts to £101,476 (2000 - 13 months loss - £1,956,553). The directors do not recommend the payment of a dividend.

FIXED ASSETS

During the year £29,288 was spent on additions to fixed assets. Details of the company's fixed assets are disclosed in note 9 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 2001 and their interests in the share capital of the company were as follows:

	<i>At 31 December 2001</i>	<i>At 31 December 2000</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
N E Cross	58,243	58,243
J S Gray	19,170	19,170
D W Williams	19,170	19,170
N A Morris	14,912	14,912
R S Downey	14,912	14,912

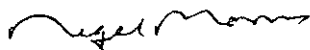
In addition, R N Greenslade was a director until his resignation on 15 May 2001.

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



N A Morris
Secretary

13.03.02

Chorus Application Software Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts 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 accounts 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHORUS APPLICATION SOFTWARE LIMITED

We have audited the company's financial statements for the year ended 31 December 2001 which comprise Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

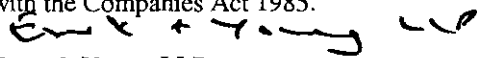
Basis of audit opinion

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 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 as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Exeter

Date 14.3.2002

Chorus Application Software Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

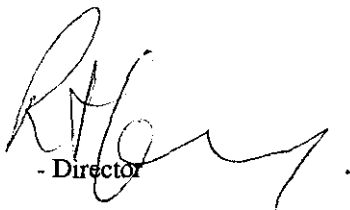
		2001 (12 months) £	2000 (13 months) £
	Notes		
TURNOVER	2	2,908,446	2,349,072
Cost of sales		(535,846)	(298,361)
GROSS PROFIT		2,372,600	2,050,711
Administration expenses		(2,131,881)	(3,895,921)
Other operating income	3	23,845	65,254
OPERATING PROFIT/(LOSS)	4	264,564	(1,779,956)
Interest payable	7	(169,539)	(182,919)
Interest receivable		7,359	6,322
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		102,384	(1,956,553)
Taxation on loss on ordinary activities	8	908	-
PROFIT/(LOSS) FOR THE YEAR/PERIOD		101,476	(1,956,553)

There were no recognised gains or losses other than the retained profit for the year of £101,476 (2000 : loss £1,956,553).

Chorus Application Software Limited

BALANCE SHEET at 31 December 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	9	451,803	485,466
Investment	10	-	-
		<u>451,803</u>	<u>485,466</u>
CURRENT ASSETS			
Debtors	11	1,329,665	1,090,917
Cash at bank and in hand		206,049	287,758
		<u>1,535,714</u>	<u>1,378,675</u>
CREDITORS: amounts falling due within one year	12	(1,771,303)	(1,522,788)
NET CURRENT LIABILITIES		<u>(235,589)</u>	<u>(144,113)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		216,214	341,353
CREDITORS: amounts falling due after more than one year	13	(1,737,253)	(1,963,868)
		<u>(1,521,039)</u>	<u>(1,622,515)</u>
CAPITAL AND RESERVES - EQUITY INTERESTS			
Called up share capital	16	29,824	29,824
Share premium account	17	304,214	304,214
Profit and loss account	17	(1,855,077)	(1,956,553)
TOTAL SHAREHOLDERS' FUNDS		<u>(1,521,039)</u>	<u>(1,622,515)</u>


- Director

13 March 2002

Chorus Application Software Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 2001

		2001 (12 months) £	2000 (13 months) £
	Notes		
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	21(a)	310,104	(32,816)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	21(b)	(176,165)	(176,597)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	21(b)	(15,305)	(463,618)
ACQUISITIONS AND DISPOSALS	21(b)	-	(1,483,202)
FINANCING	21(b)	(200,343)	2,443,991
(DECREASE)/INCREASE IN CASH		<u>(81,709)</u>	<u>287,758</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		2001 (12 months) £	2000 (13 months) £
(Decrease)/increase in cash		(81,709)	287,758
Cash outflow/(inflow) from (decrease)/increase in loans and lease financing		200,343	(2,109,953)
Change in net debt resulting from cash flows	21(c)	118,634	(1,822,195)
Loans and finance leases acquired upon transfer of assets		-	(90,259)
liabilities of subsidiary undertaking		-	(90,259)
New finance leases and hire purchase contracts		(13,983)	(3,573)
		<u>104,651</u>	<u>(1,916,027)</u>
MOVEMENT IN NET DEBT			
NET DEBT AT BEGINNING OF PERIOD	21(c)	(1,916,027)	-
NET DEBT AT 31 DECEMBER		<u>(1,811,376)</u>	<u>(1,916,027)</u>

NOTES TO THE ACCOUNTS

at 31 December 2001

1 ACCOUNTING POLICIES

Fundamental accounting concept

The accounts have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. This is dependent on the continued support of its bankers and venture capital providers and the ability of the company to operate within the agreed banking facilities. The accounts do not reflect any adjustments which would have to be made should continuing finance not be available.

Accounting convention

These accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Group accounts

The accounts present information about the company as an individual undertaking and not about its group. The company is not required to prepare group accounts by virtue of Section 248 of the Companies Act 1985.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation. Depreciation is calculated to write off the cost less estimated residual value, of each asset on a straight line basis over the period of their estimated useful lives, which are:

Freehold buildings	25 years
Freehold property improvements	25 years
Computer equipment	2-3 years
Furniture and fittings	5 years
Motor vehicles	4 years

Where operating software is acquired as an integral part of the acquired asset then it is capitalised and written off over the same period as the appropriate asset. The costs of other software whether developed by the company or purchased from third parties, is written off as incurred.

Finance and operating leases

Assets obtained under finance leases are shown as leased assets in the balance sheet and are depreciated over the shorter of the lease term and the useful lives of the equivalent owned assets. Assets obtained under operating leases are not shown in the balance sheet and the rental payments are included as costs in the profit and loss account on a straight line basis over the term of the leases.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme.

Deferred taxation

Deferred taxation is provided in respect of significant timing differences to the extent that it is probable that such tax will become payable/receivable.

Chorus Application Software Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

2 TURNOVER

Turnover which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, the sale and implementation of business and accounting software packages.

	2001 (12 months) £	2000 (13 months) £
United Kingdom & Channel Islands	2,892,946	2,349,072
Other European countries	6,500	-
Other	9,000	-
	<u>2,908,446</u>	<u>2,349,072</u>

3 OTHER OPERATING INCOME

	2001 (12 months) £	2000 (13 months) £
Rental income	22,000	18,000
Other sundry income	1,845	47,254
	<u>23,845</u>	<u>65,254</u>

4 OPERATING PROFIT/(LOSS)

This is stated after charging:

	2001 (12 months) £	2000 (13 months) £
Depreciation of owned assets	56,174	104,357
Depreciation of assets held under finance leases	6,777	61,544
Auditors' remuneration:		
Audit fee	12,000	12,000
Non audit services	13,800	93,139
Operating lease rental – vehicles and equipment	34,871	37,642
	<u></u>	<u></u>

Chorus Application Software Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

5 DIRECTORS' EMOLUMENTS

	2001 (12 months) £	2000 (13 months) £
Emoluments	343,114	332,959
Company contributions paid to money purchase pension scheme	22,380	25,536

	2001 No.	2000 No.
Members of money purchase pension scheme	5	6

The amounts in respect of the highest paid director are as follows:

	2001 (12 months) £	2000 (13 months) £
Emoluments	75,965	77,215
Company contributions paid to money purchase pension scheme	6,548	7,006

6 STAFF COSTS (including directors)

	2001 (12 months) £	2000 (13 months) £
Wages and salaries	1,309,241	1,434,153
Social security costs	131,574	147,939
Other pension costs	104,691	121,550
	1,545,506	1,703,642

The average weekly number of people (including directors) employed by the company during the year:

	2001 (12 months) No.	2000 (13 months) No.
Development	25	22
Office and administration	21	27
	46	49

Chorus Application Software Limited

NOTES TO THE ACCOUNTS at 31 December 2001

7 INTEREST PAYABLE

	2001 (12 months) £	2000 (13 months) £
Finance lease and hire purchase interest	-	7,548
Bank loans	46,587	57,751
Other	122,952	117,620
	<u>169,539</u>	<u>182,919</u>

8 TAX ON LOSS ON ORDINARY ACTIVITIES

	2001 (12 months) £	2000 (13 months) £
UK corporation tax	908	-
	<u>908</u>	<u>-</u>

9 TANGIBLE FIXED ASSETS

	Freehold Property £	Freehold property improvements £	Computer equipment £	Furniture and fittings £	Total £
Cost:					
At 1 January 2000	420,100	15,618	597,193	90,175	1,123,086
Additions	-	-	23,938	5,350	29,288
Disposals	-	-	(4,643)	-	(4,643)
At 31 December 2001	<u>420,100</u>	<u>15,618</u>	<u>616,488</u>	<u>95,525</u>	<u>1,147,731</u>
Depreciation:					
At 1 January 2000	7,933	6,051	551,665	71,971	637,620
Charge for the year	11,408	1,116	40,497	9,930	62,951
On disposals	-	-	(4,643)	-	(4,643)
At 31 December 2001	<u>19,341</u>	<u>7,167</u>	<u>587,519</u>	<u>81,901</u>	<u>695,928</u>
Net book value:					
At 31 December 2001	<u>400,759</u>	<u>8,451</u>	<u>28,969</u>	<u>13,624</u>	<u>451,803</u>
At 31 December 2000	<u>412,167</u>	<u>9,567</u>	<u>45,528</u>	<u>18,204</u>	<u>485,466</u>

Chorus Application Software Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

10 INVESTMENT

	<i>Subsidiary undertaking</i>	
	2001	2000
	£	£
Cost	1,250,000	1,250,000
Provision against investment	(1,250,000)	(1,250,000)
	<u>-</u>	<u>-</u>

As a result of the transfer of the trade and assets and liabilities of Chorus (Devon) Limited to Chorus Application Software Limited, the value of the company's investment in the subsidiary undertaking fell below the amount at which it was stated in the company's accounting records. Schedule 4 to the Companies Act 1985 requires that the investment be written down accordingly and the amount was charged as a loss in the company's profit and loss account in the 13 month period ended 31 December 2000.

<i>Subsidiary undertakings</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion of voting rights, and shares held</i>	<i>Nature of business</i>
Chorus (Devon) Limited	England	Ordinary shares	100%	Dormant

11 DEBTORS

	<i>Company</i> 2001	<i>Company</i> 2000
	£	£
Trade debtors	1,296,694	1,044,160
Prepayments and accrued income	32,971	46,757
	<u>1,329,665</u>	<u>1,090,917</u>

12 CREDITORS: amounts falling due within one year

	<i>Note</i>	2001 £	2000 £
Bank loans	14	261,222	220,596
Trade creditors		223,797	132,735
Other taxes and social security		177,779	174,521
Accruals and deferred income		829,149	814,789
Obligations under finance leases	15	18,950	19,321
Other creditors		259,498	160,826
Corporation tax		908	-
		<u>1,771,303</u>	<u>1,522,788</u>

Chorus Application Software Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

13 CREDITORS: amounts falling due after more than one year

	2001 £	2000 £
Loans (note 14)	1,723,480	1,941,988
Obligations under finance leases (note 15)	13,773	21,880
	<u>1,737,253</u>	<u>1,963,868</u>

14 LOANS

	2001 £	2000 £
Not wholly repayable within five years:		
£500,000 property loan at 2.5% above base repayable in monthly instalments of £4,407	276,364	329,248
Wholly repayable within five years:		
Bank loan	208,338	333,336
Unsecured loan stock	1,500,000	1,500,000
	<u>1,708,338</u>	<u>1,833,336</u>
Total	<u>1,984,702</u>	<u>2,162,584</u>
Less: included in creditors : amounts falling due within one year (note 12)	(261,222)	(220,596)
	<u>1,723,480</u>	<u>1,941,988</u>

	2001 £	2000 £
Amounts repayable:		
In one year or less, or on demand	261,222	220,596
In more than one year but not more than two years	52,884	220,596
In more than two years but not more than 5 years	1,658,652	1,479,175
	<u>1,972,758</u>	<u>1,920,367</u>
In more than 5 years	11,944	242,217
	<u>1,984,702</u>	<u>2,162,584</u>

The bank loans are secured on the freehold property.

Chorus Application Software Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

15 OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2001 £	2000 £
Amounts payable:		
Within one year	18,950	19,321
In two to five years	13,773	21,880
	<u>32,723</u>	<u>41,201</u>
Less: finance charges allocated to future periods	-	-
	<u>32,723</u>	<u>41,201</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 12)	18,950	19,321
Non-current obligations	13,773	21,880
	<u>32,723</u>	<u>41,201</u>

16 SHARE CAPITAL

	2001 No.	2000 No.	2001 £	2000 £
Ordinary shares of 10p each	690,790	690,790	69,079	69,079
	<u>690,790</u>	<u>690,790</u>	<u>69,079</u>	<u>69,079</u>
			<i>Allotted, called up and fully repaid</i>	
	2001 No.	2000 No.	2001 £	2000 £
Ordinary shares of 10p each	298,240	298,240	29,824	29,824
	<u>298,240</u>	<u>298,240</u>	<u>29,824</u>	<u>29,824</u>

NOTES TO THE ACCOUNTS
at 31 December 2001

17 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Profit & loss account</i>	<i>Total</i>
	£	£	£	£
On incorporation	19,907	243,714	-	263,621
Retained loss for the period	-	-	(1,956,553)	(1,956,553)
Shares issued in the period	9,917	140,475	-	150,392
Share issue costs	-	(79,975)	-	(79,975)
At 31 December 2000	29,824	304,214	(1,956,553)	(1,622,515)
Retained profit for the year	-	-	101,476	101,476
At 31 December 2001	29,824	304,214	(1,855,077)	(1,521,039)

18 PENSION COMMITMENTS

The company operates a voluntary defined contribution pension scheme for its employees, and contributions are charged to the profit and loss account when due for payment. The amount owed by the company to the scheme at the year end was £ Nil (2000: £7,714).

19 OTHER FINANCIAL COMMITMENTS

At 31 December, the company had annual commitments under non-cancellable operating leases as set out below:

	2001	2000
	£	£
Operating leases which expire:		
within one year	-	14,634
within two to five years	5,667	12,929
after more than five years	-	-
	5,667	27,563

20 RELATED PARTIES

During the year the company made sales, in the normal course business, to Xtraserve, for £5,827 plus VAT (2000 : £14,600 plus VAT). Rob Downey, a director of the company, is also a director of Xtraserve. The contract was for the provision of training and consultancy implementation services. At the balance sheet date the amount due to the company from Xtraserve was £4,241 plus VAT (2000 : £14,600 plus VAT).

In February 2002 Chorus commenced renting an office in Xtraserve's premises. The set up costs were £1,500 with rental costs for February 2002 being £1,000. Subsequent rentals are set at £1,300 per month and the notice period for termination is one month.

NOTES TO THE ACCOUNTS
at 31 December 2001

21 NOTES TO THE STATEMENT OF CASHFLOWS

(a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2001 (12 months) £	2000 (13 months) £
Operating profit/(loss)	264,564	(1,779,956)
Depreciation	62,951	165,901
Provision against fixed asset investment	-	1,250,000
Profit on sale of tangible fixed assets	-	(6,059)
(Increase)/decrease in debtors	(238,748)	148,427
Increase in creditors	221,337	188,871
Net cash inflow/(outflow) from operating activities	310,104	(32,816)

(b) Analysis of cashflows for headings netted in the statement of cashflows

	2001 (12 months) £	2000 (13 months) £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	7,359	6,322
Interest paid	(183,524)	(175,371)
Interest element of finance lease rentals payments	-	(7,548)
	(176,165)	(176,597)

	2001 (12 months) £	2000 (13 months) £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payment to acquire tangible fixed assets	(15,305)	(471,976)
Receipts from sales of tangible fixed assets	-	8,358
	(15,305)	(463,618)

ACQUISITIONS AND DISPOSALS

Purchase of subsidiary undertaking	-	(1,250,000)
Net cash acquired upon transfer of assets and liabilities of subsidiary undertaking	-	(233,202)
	-	(1,483,202)

Chorus Application Software Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

21 NOTES TO THE STATEMENT OF CASHFLOWS (continued)

	2001 (12 months)	2000 (13 months)
	£	£
FINANCING		
Issue of ordinary shares	-	414,013
Share issue expenses	-	(79,975)
Movements on short term borrowings	(177,882)	220,596
Movements on long term borrowings	-	1,941,988
Repayments of capital element of finance leases and hire purchase contracts	(22,461)	(52,631)
	<u>(200,343)</u>	<u>2,443,991</u>

(c) Analysis of changes in net debt

	At 31 December 2000	Cash flow	At 31 December 2001
	£	£	£
Cash at bank	287,758	(81,709)	206,049
Debt due within one year	(220,596)	177,882	(261,222)
Debt due after one year	(1,941,988)	-	218,508
Finance leases and hire purchase contracts	(41,201)	22,461	(13,983)
	<u>(1,916,027)</u>	<u>118,634</u>	<u>(1,811,376)</u>