



**COMINO plc**  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2004

Company no 1327534

**COMINO plc**

**FINANCIAL STATEMENTS**

**For the year ended 31 MARCH 2004**

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Company Registration Number: 1327534

Registered Office: Comino House  
Furlong Road  
Bourne End  
Buckinghamshire  
SL8 5AQ

Directors: R Newby (chairman)  
C Burden  
P L Clifford  
M Jennings  
B Johnson  
L King  
N H Knight  
D P Roots  
G R Selvey  
N R Ward

Secretary: P L Clifford

Auditors: Grant Thornton  
Registered Auditors  
Chartered Accountants  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

**COMINO plc**

**FINANCIAL STATEMENTS**

For the year ended 31 MARCH 2004

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# COMINO plc

## REPORT OF THE DIRECTORS

For the year ended 31 MARCH 2004

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The directors present their report together with the audited financial statements for the year ended 31 March 2004.

### Principal activity

The principal activity of the company is the development and supply of application software together with ancillary services for the Social Housing, Occupational Pensions and Local Government sectors. The company provides solutions utilising modern business workflow techniques to service large groups of the public including tenants, pension holders, council taxpayers and benefit recipients. These activities are described as "business to public" rather than "business to customers" as the emphasis is on service as opposed to the sale of goods.

### Results for the year

The profit for the year after taxation is set out on page 7. In March 2004 the company paid an interim dividend to Comino Group plc, the ultimate holding company amounting to £1,300,000 (2003: £1,500,000). The retained profit for the year will be added to reserves.

### Directors and their interests

The directors who served during the year are set out below.

P L Clifford  
C Burden  
M Jennings  
B Johnson  
L Dransfield (nee King)  
N H Knight  
R Newby  
D P Roots  
G R Selvey  
N R Ward

The interests of the directors who are directors of the parent undertaking are disclosed in that company's financial statements.

The interests of the other directors (including beneficial and family interests) in the shares of the parent undertaking as at 1 April 2003 and 31 March 2004 were as follows:

	Ordinary shares of 5p each in Comino Group plc	
	31 March 2004	1 April 2003
M Jennings	8,750	8,750
B Johnson	3,000	3,000
L Dransfield (nee King)	-	760
R Newby	329,886	329,886
N R Ward	23,659	23,659

**REPORT OF THE DIRECTORS**

For the year ended 31 MARCH 2004

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**Charitable donations**

Donations to charitable organisations amounted to £14,349 (2003: £12,656).

**Directors' responsibilities for the financial statements**

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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



P L Clifford  
Secretary  
26 May 2004

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**

### **COMINO plc**

We have audited the financial statements of Comino plc for the year ended 31 March 2004 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. 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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **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 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**

**COMINO plc (CONTINUED)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Grant Thornton*

**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS**

**LONDON  
26 MAY 2004**

## PRINCIPAL ACCOUNTING POLICIES

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### **BASIS OF PREPARATION**

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

The company is exempt from the requirement to prepare group accounts on the basis that it is itself a wholly owned subsidiary of Comino Group plc. These financial statements therefore disclose information about the individual company and not about its group.

In accordance with exceptions available under Financial Reporting Standard No 1 (Revised 1996) the company has not produced a cash flow statement on the basis that its cash flows are incorporated in its parent undertaking.

### **TURNOVER**

Turnover continues to represent amounts derived from the development and supply of application software together with related services. Income from the sale of software licences is recognised on delivery of the software for standard products. Income from services including the modification of standard product is recognised as those services and/or modifications are delivered. Turnover is net of trade discounts and VAT.

Income in respect of support contracts, which is invoiced in advance, is recognised evenly over the life of the contracts.

Deferred income represents amounts invoiced to customers in advance in respect of support contracts and other services.

Accrued income represents goods and services delivered to customers that have not been invoiced at the date of the financial statements.

### **DEPRECIATION**

Depreciation is provided on tangible fixed assets at the following rates in order to write off each asset over its estimated useful life on a straight line basis as follows:

Freehold property	10%
Fixtures and fittings	10% - 25% per annum
Computer equipment and software	25% - 33% per annum
Motor vehicles	25% per annum

### **LEASED ASSETS**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.



**INVESTMENTS**

Investments are included at cost less amounts written off.

**STOCKS**

Stocks and work in progress are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

**DEFERRED TAXATION**

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

**SOFTWARE DEVELOPMENT EXPENDITURE**

Software development expenditure is written off in the period in which it is incurred.

**CONTRIBUTIONS TO PENSION SCHEMES**

*Defined Contribution Scheme*

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

**COMINO plc****PROFIT AND LOSS ACCOUNT**

For the year ended 31 MARCH 2004

	Note	2004 £	2003 £
Turnover	1	22,172,383	23,500,909
Cost of sales		<u>(4,478,547)</u>	<u>(4,881,731)</u>
Gross profit		17,693,836	18,619,178
Administration costs		<u>(15,625,142)</u>	<u>(16,288,208)</u>
<b>Operating profit</b>		<b>2,068,694</b>	<b>2,330,970</b>
Interest payable	3	-	(1,016)
Interest receivable	4	<u>15,789</u>	<u>11,908</u>
<b>Profit on ordinary activities before taxation</b>	2	<b>2,084,483</b>	<b>2,341,862</b>
Taxation	6	<u>(670,265)</u>	<u>(9,473)</u>
<b>Profit on ordinary activities after taxation</b>		<b>1,414,218</b>	<b>2,332,389</b>
Dividends paid	7	<u>(1,300,000)</u>	<u>(1,500,000)</u>
<b>Profit retained for the year</b>	15	<u><b>114,218</b></u>	<u><b>832,389</b></u>

The company has no recognised gains or losses other than the result for the year.

All the above amounts relate to continuing activities.

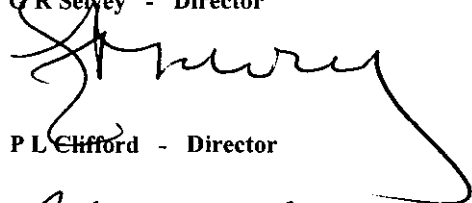
The accompanying accounting policies and notes form an integral part of these financial statements.

## BALANCE SHEET AT 31 MARCH 2004


	Note	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	8	1,156,444	1,490,671
Investments	9	242	242
		<u>1,156,686</u>	<u>1,490,913</u>
<b>Current assets</b>			
Stocks	10	818,799	451,969
Debtors	11	13,743,227	11,310,570
Cash at bank and in hand		2,645,080	4,275,817
		<u>17,207,106</u>	<u>16,038,356</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(5,265,354)</u>	<u>(5,558,451)</u>
<b>Net current assets</b>		<u>11,941,752</u>	<u>10,479,905</u>
<b>Total assets less current liabilities</b>		<u>13,098,438</u>	<u>11,970,818</u>
Deferred income	13	<u>(8,270,036)</u>	<u>(7,256,634)</u>
		<u>4,828,402</u>	<u>4,714,184</u>
<b>Capital and reserves</b>			
Called up share capital	14	50,000	50,000
Share premium account	15	110,240	110,240
Other reserves	15	200,000	200,000
Profit and loss account	15	4,468,162	4,353,944
<b>Shareholders' funds</b>		<u>4,828,402</u>	<u>4,714,184</u>

The financial statements were approved by the Board of Directors on 26 May 2004

G R Selvey - Director



P L Clifford - Director



The accompanying accounting policies and notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2004

**1 TURNOVER**

Turnover is attributable to the principal activity of the company, which is principally undertaken in the United Kingdom.

**2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The profit on ordinary activities before taxation is stated after:

	2004 £	2003 £
Depreciation	548,340	649,481
Exceptional item - legal costs relating to a customer claim	149,000	-
Software development expenditure	2,867,000	2,688,000
Operating lease costs:		
- land and buildings	534,685	534,535
- other	410,028	414,148

The auditors' remuneration was paid through other group companies.

The exceptional item relates to litigation on a contract in Social Housing which is explained further in note 18.

**3 INTEREST PAYABLE AND SIMILAR CHARGES**

	2004 £	2003 £
Other interest payable	-	1,016

**4 INTEREST RECEIVABLE**

	2004 £	2003 £
Bank interest receivable	15,789	11,908

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2004

**5 DIRECTORS AND EMPLOYEES**

Staff costs during the year were as follows:

	2004 £	2003 £
Wages and salaries	8,673,487	9,169,330
Social security costs	943,611	981,643
Pension costs	314,893	289,353
	<u>9,931,991</u>	<u>10,440,326</u>

The average number of employees including directors, during the year was:

	2004 Number	2003 Number
Technical	197	207
Sales and marketing	34	37
Administration	13	13
	<u>244</u>	<u>257</u>

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments	744,076	914,691
Contributions to defined contribution pension schemes	56,192	52,915
	<u>800,268</u>	<u>967,606</u>

During the year 7 directors (2003: 8) participated in defined contribution pension schemes.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2004

**6 TAX ON PROFIT ON ORDINARY ACTIVITIES**

The taxation charge is based on the profit for the year and represents:

	2004 £	2003 £
Corporation tax at 30% (2003: 30%)	522,643	389,142
Under provision in respect of prior years	18,383	397
Total current tax	541,026	389,539
Deferred taxation	129,239	(380,066)
	<u>670,265</u>	<u>9,473</u>
	2004 £	2003 £
Profit on ordinary activities at the standard rate of corporation tax of 30% (2003: 30%)	625,345	702,559
Expenses not deductible for tax purposes	45,626	41,125
Depreciation in excess of capital allowances for the period	10,412	14,805
Other timing differences	(518)	1,369
Enhanced expenditure qualifying for research and development deduction	-	(38,992)
Utilisation of tax losses	-	(88,034)
Group relief from fellow group undertakings	(158,222)	(243,690)
	<u>522,643</u>	<u>389,142</u>

**7 DIVIDENDS**

	2004 £	2003 £
Ordinary shares – interim dividend of £26 per share paid March 2004 (2003: £30)	<u>1,300,000</u>	<u>1,500,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2004

**8 TANGIBLE FIXED ASSETS**

	Freehold property £	Motor vehicles £	Fixtures, fittings, computers and software £	Total £
Cost				
At 1 April 2003	234,000	41,865	4,052,060	4,327,925
Additions	20,380	-	198,496	218,876
Transfers to group companies	-	-	(3,384)	(3,384)
Disposals	-	(41,865)	(1,305,245)	(1,347,110)
At 31 March 2004	<u>254,380</u>	<u>-</u>	<u>2,941,927</u>	<u>3,196,307</u>
Depreciation				
At 1 April 2003	31,200	41,865	2,764,189	2,837,254
Provided in the year	23,570	-	524,770	548,340
Transfers to group companies	-	-	(2,836)	(2,836)
Disposals	-	(41,865)	(1,301,030)	(1,342,895)
At 31 March 2004	<u>54,770</u>	<u>-</u>	<u>1,985,093</u>	<u>2,039,863</u>
Net book amount at 31 March 2004	<u>199,610</u>	<u>-</u>	<u>956,834</u>	<u>1,156,444</u>
Net book amount at 31 March 2003	<u>202,800</u>	<u>-</u>	<u>1,287,871</u>	<u>1,490,671</u>

**9 INVESTMENTS**

	Shares in group undertakings £
Cost	
At 1 April 2003 and at 31 March 2004	<u>242</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2004

**INVESTMENTS (CONTINUED)**

The shares in group undertakings represent the following subsidiary undertakings registered in England and Wales.

	<b>Class of share capital held</b>	<b>Proportion held</b>	<b>Nature of business</b>
Systems Authority Limited	Ordinary	100%	Computer systems house
Modspring Limited	Ordinary	100%	Software company

At 31 March 2004 the aggregate of the share capital and reserves of Systems Authority Limited amounted to £16,700 (2003: £16,700).

At 31 March 2004 the aggregate of the share capital and reserves of Modspring Limited amounted to £(2,900,000) (2003: £(2,900,000)).

**10 STOCK**

	<b>2004 £</b>	<b>2003 £</b>
Goods for resale	<b>168,176</b>	252,749
Work in progress	<b>650,623</b>	199,220
	<b>818,799</b>	<b>451,969</b>

Work in progress is in respect of a major contract with Norwich City Council. The development work on this contract is now substantially complete and the initial phases of the systems are ready to go live. Total revenues in respect of the contract amount to £5m payable over 14 years from March 2003. Work in progress represents internal personnel costs and third party costs incurred up to March 2004 less transfers to cost of sales.

**11 DEBTORS**

	<b>2004 £</b>	<b>2003 £</b>
Trade debtors	<b>5,323,524</b>	5,820,139
Amounts owed by other group undertakings	<b>6,682,881</b>	3,573,435
Other debtors	-	7,627
Prepayments	<b>436,475</b>	350,982
Accrued income	<b>1,049,520</b>	1,178,321
Deferred tax asset	<b>250,827</b>	380,066
	<b>13,743,227</b>	<b>11,310,570</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2004

**12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2004 £	2003 £
Trade creditors	1,766,018	1,605,228
Amounts due to group undertakings	517,116	926,422
Corporation tax	242,643	180,805
Other taxation and social security	1,685,663	1,867,062
Other creditors and accruals	49,117	65,264
Accruals	1,004,797	913,670
	<u>5,265,354</u>	<u>5,558,451</u>

**13 DEFERRED INCOME**

	2004 £	2003 £
Amounts relating to support contracts	7,241,600	6,649,394
Amounts relating to product and other services	1,028,436	607,240
	<u>8,270,036</u>	<u>7,256,634</u>

Deferred income represents amounts invoiced in advance for support and maintenance contracts and other services. All deferred income will be recognised within one year.

**14 CALLED UP SHARE CAPITAL**

	2004 £	2003 £
Authorised 220,000 ordinary shares of £1 each	<u>220,000</u>	<u>220,000</u>
Allotted, called up and fully paid 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

**15 SHARE PREMIUM ACCOUNT AND RESERVES**

	Share premium account £	Other reserves £	Profit and loss account £
At 1 April 2003	110,240	200,000	4,353,944
Retained profit for the year	-	-	114,218
At 31 March 2004	<u>110,240</u>	<u>200,000</u>	<u>4,468,162</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2004

**16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2004 £	2003 £
Profit for the financial year	1,414,218	2,332,389
Dividends	(1,300,000)	(1,500,000)
Net increase in shareholders' funds	114,218	832,389
Opening shareholders' funds	4,714,184	3,881,795
Closing shareholders' funds	4,828,402	4,714,184

**17 CAPITAL COMMITMENTS**

The company had no capital commitments at 31 March 2004 and 31 March 2003.

**18 CONTINGENT LIABILITIES**

A customer of Comino plc has made a claim for breach of contract against the company. The claim relates to an £850,000 contract in Social Housing which commenced in May 2001. Comino plc has entered a robust defence and counter claim and is in discussions with its professional indemnity insurers. At this stage, the eventual outcome of this matter cannot be predicted with any certainty.

**19 PENSIONS**

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

**20 LEASING COMMITMENTS**

Operating lease payments amounting to £783,229 (31 March 2003: £907,415) are due within one year. The leases to which these amounts relate expire as follows:

	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	5,050	84,344	-	42,056
Between one year and five years	93,610	164,200	8,900	330,674
After five years	436,025	-	525,785	-
	534,685	248,544	534,685	372,730

**21 RELATED PARTY TRANSACTIONS**

As a wholly owned subsidiary of Comino Group plc, the company is exempt from the requirements of Financial Reporting Standard No 8 to disclose transactions with other members of the group headed by Comino Group plc.

**22 ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking and controlling related party of this company is Comino Group plc, a company registered in England and Wales.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Comino Group plc.