

COMINO PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2002

COMINO PLC

FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

Company Registration Number: 1327534

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

Directors: R Newby (chairman)
C Burden
P L Clifford
R Francis
P M Hunt
M Jennings
B Johnson
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 2002

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REPORT OF THE DIRECTORS

For the year ended 31 MARCH 2002

The directors present their report together with the audited financial statements for the year ended 31 March 2002.

Principal activity

The principal activity of the company is the development and supply of application software together with ancillary services for the Social Housing and Occupational Pensions 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 amounted to £619,112 (2001: £3,307,939). In March 2002 the company paid an interest dividend to Comino Group plc, the ultimate holding company amounting to £nil (2001: £2,000,000). The retained profit for the year will be added to reserves.

On 1 July 2001, the company acquired the business and assets of Saffron Computer Services Limited, a fellow subsidiary of Comino Group plc at a net book value of £81,040.

Directors and their interests

The directors who served during the year are set out below. All served on the Board throughout the year.

P L Clifford
P M Hunt
C Burden (appointed 1 April 2001)
R Francis (appointed 11 May 2001)
M Jennings
B Johnson
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.

REPORT OF THE DIRECTORSFor the year ended 31 MARCH 2002

Directors and their interests (continued)

The interests of the other directors (including beneficial and family interests) in the shares of the parent undertaking as at 1 April 2001 and 31 March 2002 were as follows:

	Ordinary shares of 5p each in Comino Group plc	
	31 March 2002	1 April 2001
C Burden	-	-
R Francis	60,000	-
P M Hunt	-	-
M Jennings	8,750	8,750
B Johnson	3,000	3,000
H Knight	-	-
R Newby	329,886	329,886
N R Ward	23,659	25,909

Charitable donations

Donations to charitable organisations amounted to £12,000 (2001: £15,824).

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
28 May 2002

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 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LONDON
28 MAY 2002

PRINCIPAL ACCOUNTING POLICIES

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.

Managed Services contracts generally include the licencing of standard product but with increased levels of services over a pre-determined period, typically 4 years, and for an indexed fixed price. Income on the licensing of standard product is recognised on delivery and income from services is recognised evenly over the period of the contract.

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.

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 buildings	10%
Leasehold improvements	lesser of 10% per annum or remaining leasehold period
Fixtures and fittings	10% - 25% per annum
Computer equipment and software	25% - 33% per annum
Motor vehicles	25% per annum

PRINCIPAL ACCOUNTING POLICIES

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. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

The charge for taxation is based on the year and takes into account taxation deferred because of the timing differences between the treatment of certain items for accounting and taxation purposes. Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

RESEARCH AND DEVELOPMENT

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

FOREIGN CURRENCY

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

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 2002

	Note	2002 £	2001 £
Turnover	1		
Continuing		19,598,368	9,811,392
Acquisitions		-	8,173,028
		<u>19,598,368</u>	<u>17,984,420</u>
Cost of sales		<u>(4,788,584)</u>	<u>(4,171,986)</u>
Gross profit		14,809,784	13,812,434
Administration costs		<u>(14,502,448)</u>	<u>(10,099,552)</u>
Operating profit			
Continuing		307,336	1,587,158
Acquisitions		-	2,125,724
		<u>307,336</u>	<u>3,712,882</u>
Income from fixed asset investment	3	300,000	210,000
Interest payable	4	-	(17,708)
Interest receivable		<u>11,776</u>	<u>29,647</u>
Profit on ordinary activities before taxation	1	619,112	3,934,821
Taxation	7	<u>-</u>	<u>(626,882)</u>
Profit on ordinary activities after taxation		619,112	3,307,939
Dividends paid	8	-	(2,000,000)
Profit retained for the year	16	<u>619,112</u>	<u>1,307,939</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.

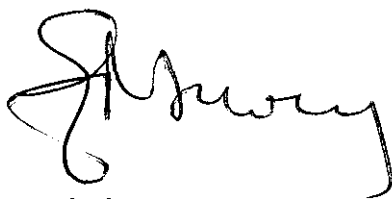
COMINO PLC

BALANCE SHEET AT 31 MARCH 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	9	1,895,890	687,775
Investments	10	242	242
		<u>1,896,132</u>	<u>688,017</u>
Current assets			
Stocks	11	130,215	67,159
Debtors	12	10,290,996	10,438,167
Cash at bank and in hand		2,657,055	3,144,612
		<u>13,078,266</u>	<u>13,649,938</u>
Creditors: amounts falling due within one year	13	<u>(4,645,952)</u>	<u>(5,249,963)</u>
Net current assets		<u>8,432,314</u>	<u>8,399,975</u>
Total assets less current liabilities		<u>10,328,446</u>	<u>9,087,992</u>
Creditors: amounts falling due after more than one year		-	-
Deferred income		<u>(6,446,651)</u>	<u>(5,825,309)</u>
		<u>3,881,795</u>	<u>3,262,683</u>
Capital and reserves			
Called up share capital	15	50,000	50,000
Share premium account	16	110,240	110,240
Other reserves	16	200,000	200,000
Profit and loss account	16	3,521,555	2,902,443
Shareholders' funds		<u>3,881,795</u>	<u>3,262,683</u>

The financial statements were approved by the Board of Directors on 28 May 2002

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 STATEMENTSFor the year ended 31 MARCH 2002

1 TURNOVER

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

2 OPERATING PROFIT

The profit on ordinary activities before taxation is stated after:

	2002 £	2001 £
Depreciation	579,549	314,302
Operating lease costs:		
- land and buildings	535,035	314,737
- other	412,742	382,616
Auditors' remuneration:		
Audit Services	-	20,150
Non-audit services	-	937

Software development expenditure is charged to the profit and loss account in the period in which it is incurred but due to the nature of the business cannot be separately identified.

3 INCOME FROM OTHER FIXED ASSET INVESTMENTS

	2002 £	2001 £
From shares in group undertakings	300,000	210,000

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Finance charges in respect of hire purchase contracts	300	14,874
Other interest payable	-	2,834
	300	17,708

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

5 INTEREST RECEIVABLE

	2002 £	2001 £
Bank interest receivable	<u>11,776</u>	<u>29,647</u>

6 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2002 £	2001 £
Wages and salaries	7,794,623	5,955,081
Social security costs	891,641	674,242
Pension costs	<u>287,624</u>	<u>120,764</u>
	<u>8,973,888</u>	<u>6,750,087</u>

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

	2002 Number	2001 Number
Technical	183	125
Sales and marketing	34	25
Administration	<u>17</u>	<u>23</u>
	<u>234</u>	<u>173</u>

Remuneration in respect of directors was as follows:

	2002 £	2001 £
Emoluments	655,093	720,358
Contributions to defined contribution pension schemes	<u>72,776</u>	<u>34,546</u>
	<u>727,869</u>	<u>754,904</u>

During the year 8 directors (2001: five) participated in defined benefit pension schemes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

DIRECTORS AND EMPLOYEES (CONTINUED)

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2002 £	2001 £
Emoluments	115,000	148,428
Pension contributions to defined contribution pension schemes	14,175	9,000
	<u>129,175</u>	<u>157,428</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2002 £	2001 £
Corporation tax at 30% (2001: 30%)	250,000	626,882
Losses surrendered by other group companies	(250,000)	-
	<u>-</u>	<u>626,882</u>

8 DIVIDENDS

	2002 £	2001 £
Ordinary shares – interim dividend of £0.00 per share paid March 2002 (2001: £4.00)	-	2,000,000
	<u>-</u>	<u>2,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

9 TANGIBLE FIXED ASSETS

	Freehold property £	Motor vehicles £	Fixtures, fittings, computers and software £	Total £
Cost				
At 1 April 2001	-	25,790	2,072,451	2,098,241
Additions	234,000	-	894,295	1,128,295
Transfers from group companies	-	74,050	1,030,883	1,104,933
Disposals	-	(57,975)	(20,876)	(78,851)
At 31 March 2002	<u>234,000</u>	<u>41,865</u>	<u>3,976,753</u>	<u>4,252,618</u>
Depreciation				
At 1 April 2001	-	22,620	1,387,846	1,410,466
Provided in the year	7,800	3,169	568,580	579,549
Transfers from group companies	-	74,050	369,029	443,079
Disposals	-	(57,974)	(18,392)	(76,366)
At 31 March 2002	<u>7,800</u>	<u>41,865</u>	<u>2,307,063</u>	<u>2,356,728</u>
Net book amount at 31 March 2002	<u>226,200</u>	<u>-</u>	<u>1,669,690</u>	<u>1,895,890</u>
Net book amount at 31 March 2001	<u>-</u>	<u>3,170</u>	<u>684,605</u>	<u>687,775</u>

The figures stated above include motor vehicles held under finance leases with net book value of £nil (2001: £3,170). Depreciation provided in the year in respect of these assets was £3,170 (2001: £8,950).

10 INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 April 2001 and at 31 March 2002	<u>242</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

INVESTMENTS (CONTINUED)

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

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

At 31 March 2002 the aggregate of the share capital and reserves of Systems Authority Limited amounted to £16,700 (2001: £16,700) and the profit for the year to that date was £nil (2001: £nil).

At 31 March 2002 the aggregate of the share capital and reserves of Modspring Limited amounted to £(2,900,000) (2001: £(2,900,000)).

11 STOCK

	2002 £	2001 £
Goods for resale	82,215	67,159
Work in progress	48,000	-
	<u>130,215</u>	<u>67,159</u>

12 DEBTORS

	2002 £	2001 £
Trade debtors	6,300,266	6,092,338
Amounts owed by other group undertakings	2,511,629	2,970,318
Amounts owed by associated undertakings	254	8,384
Other debtors	26,411	25,050
Prepayments and accrued income	1,452,436	1,342,077
	<u>10,290,996</u>	<u>10,438,167</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	1,645,952	1,846,181
Amounts owed to group undertakings	517,106	475,535
Amounts owed to associates undertakings	99,875	23,253
Corporation tax	-	747,226
Other taxation and social security	1,619,489	1,480,872
Other creditors and accruals	763,530	666,319
Amounts due under finance leases	-	10,577
	<u>4,645,952</u>	<u>5,249,963</u>

14 DEFERRED INCOME

	2002 £	2001 £
To be recognised within one year	<u>6,446,651</u>	<u>5,825,309</u>

Deferred income represents amounts invoiced in advance for support and maintenance contracts and other services.

15 CALLED UP SHARE CAPITAL

	2002 £	2001 £
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>

16 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Other reserves £	Profit and loss account £
At 1 April 2001	110,240	200,000	2,902,443
Retained profit for the year	-	-	619,112
At 31 March 2002	<u>110,240</u>	<u>200,000</u>	<u>3,521,555</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	619,112	3,307,939
Dividends	-	(2,000,000)
Net increase in shareholders' funds	619,112	1,307,939
Opening shareholders' funds	3,262,683	1,954,744
Closing shareholders' funds	<u>3,881,795</u>	<u>3,262,683</u>

18 CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 2002 and 31 March 2001.

19 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2002 and 31 March 2001.

20 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.

21 LEASING COMMITMENTS

Operating lease payments amounting to £914,878 (31 March 2001: £705,925) are due within one year. The leases to which these amounts relate expire as follows:

	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	4,200	63,628	-	53,089
Between one year and five years	8,750	312,515	4,700	218,361
After five years	525,785	-	429,775	-
	538,735	376,143	434,475	271,450

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

22 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.

23 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.