

Ramesys (e-Business Services) Limited

**Directors' report and financial
statements**

Registered number 1855936

31 May 2002



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditor to the members of Ramesys (e-Business Services) Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2002.

Principal activities

The company was principally engaged in addressing the IT needs of the education, public sector and general commercial markets through the provision of class leading solutions and services based upon Microsoft, HP/Compaq, Citrix and Cisco partnerships. Its core skills base is drawn across the areas of outsourcing, customer service, maintenance, project definition and management, and applied to a customer base of 800 plus.

Business review

It is pleasing to report that the business had a very successful year against an industry backdrop of unprecedented severity for Software and IT services companies in the UK. Ramesys e-Business services was able to work with its existing customers in order to provide them with increased value added services and attract new customers into long term relationships leveraging our steadily increasing accreditations with Microsoft, HP/Compaq, Cisco and Citrix.

Through the year a certain amount of fine tuning of our serviced markets in terms of offerings and approach lead to exceptional costs of exit including redundancy costs, and these totalled £271,506. A profit before tax of £591,267 for last year as transformed into an equivalent profit before tax this year of £1,141,041, a year on year growth of 93% and a net margin of 5%.

As well as the focus on profitability, cash flow was a key criteria of success in 2001/02. The industry as mentioned earlier started to undergo its own internal changes with the largest being the merger of HP and Compaq. As a consequence the supply chain became nervous and the amount of trade credit available reduced. Ramesys e-Business services division was particularly affected by this, and it is a testament to the customer base and the management cash flow of £1.4m. We are confident that conditions for trade credit will return within the near future, especially since the restructuring of the Ramesys Group's indebtedness prior to the year end in May.

The financial year 2002/03 has started well in terms of our ability to offer clearly differentiated propositions to exploit the UK Government's information technology initiatives both in education and local government. In addition we are able to invest in supporting our existing customers, an example being the recent award of our fifth Microsoft Gold Partner accreditation.

Proposed dividend

The results and dividends of the company for the year are set out in detail on page 5. The directors recommend the payment of a dividend for the year of £800,000 (2001: £450,000). Losses of £16,752 (2001: Profits £29,644) have been transferred to reserves.

Directors and directors' interests

The directors who served during the year and the interests of those serving at the end of the year in the shares of the ultimate parent company, Ramesys Holdings Limited, were as follows:

		Ordinary shares of 0.1p each	
		2002	2001
		(or date of appointment)	
M Bradley	(resigned 13 December 2001)	-	-
A E Butcher	(resigned 31 October 2001)	-	-
J Walker		-	-
A Harrod	(resigned 31 December 2001)	-	-
R A Wingfield		*	*
G Matthew		*	*
W Donoghue	(appointed 25 June 2002)	-	-

- * R A Wingfield and G Matthew are directors of the ultimate holding Company, Ramesys Holdings Limited, and their interests in shares of Ramesys Holdings Limited are shown in the financial statements of that company.

Directors' report *(continued)*

The options held by the directors of shares in the ultimate parent company, Ramesys Holdings Limited, were as follows:

	2001	Vested in the year	Exercised in the year	2002
J Walker	-	33,334	-	33,334

The share options are exercisable in the event of a listing, sale or liquidation of Ramsey Holdings Limited, at an exercise price of 1 pence per share.

In addition, the directors have share options which may be vested in the future, in the shares of the ultimate parent company, Ramesys Holdings Limited, as follows:

	1 June 2002	1 June 2003	1 June 2004
J Walker	33,333	33,333	-

All share options vested, will be at an exercise price of 1 pence per share and will only be vested if certain performance criteria are satisfied.

No director had any interest in shares of the company or any other group undertaking, except as disclosed above.

Auditors

During the year Deloitte & Touche resigned as auditors and KPMG LLP were subsequently appointed in their place.

As accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



R A Wingfield
 Director

Mentor House
 Ainsworth Street
 Blackburn
 BB1 6AY

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 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Theale
Reading RG7 4SD
United Kingdom

Report of the independent auditor to the members of Ramesys (e-Business Services) Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 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 31 May 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

22 October 2002

Profit and loss account
for the year ended 31 May 2002

	Notes	Before exceptional items 2002 £	Exceptional items 2002 £	Total 2002 £	Before exceptional items 2001 £	Exceptional items 2001 £	Total 2001 £
Turnover		21,760,465	-	21,760,465	22,542,628	-	22,542,628
Cost of sales		(11,574,950)	-	(11,574,950)	(12,602,204)	-	(12,602,204)
Gross profit		10,185,515	-	10,185,515	9,940,424	-	9,940,424
Administrative expenses		(8,762,437)	(271,506)	(9,033,943)	(9,135,443)	(445,173)	(9,580,616)
Operating profit before exceptional costs		1,423,078	-	1,423,078	804,981	-	804,981
Exceptional costs		-	(271,506)	(271,506)	-	(445,173)	(445,173)
Operating profit	3	1,423,078	(271,506)	1,151,572	804,981	(445,173)	359,808
Interest payable and similar charges	4	(20,891)	-	(20,891)	(40,385)	-	(40,385)
Interest receivable and similar income	4	10,360	-	10,360	21,718	-	21,718
Profit on disposal of fixed assets		-	-	-	-	250,126	250,126
Profit on ordinary activities before taxation		1,412,547	(271,506)	1,141,041	786,314	(195,047)	591,267
Tax on profit on ordinary activities	5	(439,244)	81,451	(357,793)	(170,137)	58,514	(111,623)
Profit on ordinary activities after taxation		973,303	(190,055)	783,248	616,177	(136,533)	479,644
Dividends on equity shares	6	(800,000)	-	(800,000)	(450,000)	-	(450,000)
Retained profit/(loss) for the year		173,303	(190,055)	(16,752)	166,177	(136,533)	29,644

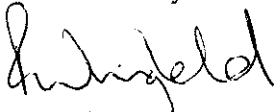
The results above are derived from continuing operations.

There are no recognised gains or losses other than the results for the current year or prior period.

Balance sheet
 at 31 May 2002

	Notes	2002		2001	
		£	£	£	£
Fixed assets					
Tangible assets	7		515,482		788,006
Investments	8		3,002		3,002
			<hr/>		<hr/>
			518,484		791,008
Current assets					
Stocks	9	200,712		473,732	
Debtors	10	7,590,635		5,603,000	
Cash at bank and in hand		835,028		193,232	
		<hr/>		<hr/>	
		8,626,375		6,269,964	
Creditors: amounts falling due within one year	11	(5,571,037)		(3,176,900)	
		<hr/>		<hr/>	
Net current assets			3,055,338		3,093,064
			<hr/>		<hr/>
Total assets less current liabilities			3,573,822		3,884,072
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	12		-		(164,031)
Provisions for liabilities and charges	13		-		(24,000)
Deferred Income	14		(2,030,374)		(2,135,841)
			<hr/>		<hr/>
Net assets			1,543,448		1,560,200
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	15		10,000		10,000
Profit and loss account	16		1,533,448		1,550,200
			<hr/>		<hr/>
Equity shareholders' funds	16		1,543,448		1,560,200
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 18 October 2002 and were signed on its behalf by:


R Wingfield
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

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

The company is a subsidiary of Ramesys Holdings Limited, a management buyout vehicle for a portfolio of companies. At 31 May 2002, the group has both net current liabilities and net liabilities of £240,000 and £5,264,000 respectively. The deficit on shareholders' funds has arisen largely through a goodwill impairment charge in prior years.

During the year ended 31 May 2002 the group achieved operating profits before goodwill amortisation of £4,005,000 and generated cash from operating activities of £3,966,000. During the year the group balance sheet was restructured by converting loan stock into equity and rescheduling the senior debt payment terms.

There is a contingent liability in respect of a claim against a group company that the directors of Ramesys Holdings Limited believe will be covered by a counter claim against other parties. The directors of Ramesys Holdings Limited have been given support from the managers of the company's major shareholders in that they will use all reasonable endeavours to procure the funding to cover any settlement whilst the recovery process is underway.

The Directors of Ramesys Holdings Limited have prepared profit and cash flow projections for the group for the next financial year and on the basis of these believe that the Group can operate within the available facilities and terms set by the bankers and accordingly the directors have prepared the group's and subsidiaries' financial statements on a going concern basis.

The company has taken advantage of the exemption under FRS 8 Related Party Disclosures not to disclose transactions with group undertakings since Ramesys Holdings Limited is the beneficial owner of all of the equity share capital of the company.

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the company in its own published consolidated financial statements.

Tangible fixed assets

Depreciation is provided at rates calculated to write off the costs, less estimated residual value of each asset, on a straight line basis over its expected useful life. The rates applied from the date of purchase are:

Motor vehicles	25% per annum
Fixtures and fittings	25% per annum

Research and development

Development expenditure including the cost of software products developed in house is expenses in the year in which it is incurred.

Stocks

Stocks are valued at the lower cost and net realisable value.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which has arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Leases

Fixed assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the lease obligations are charged to the profit and loss account over the period of the leases.

Rentals are paid under operating leased are charged to the profit and loss account on a straight line basis over the lease term.

Turnover and revenue recognition

Turnover represents amounts invoiced to customers (net of value added tax) for the provision of goods and services.

Licence revenue is recognised upon despatch when there are no significant vendor obligations remaining and the collection of the resulting receivable is considered probable.

In circumstances where a considerable vendor obligation exists, revenue is accounted for using contract accounting principles.

Maintenance and support contracts are invoiced in advance with revenue recognised rateably over the period of the contract.

Services revenue, which is provided on a 'time and expense' basis, is recognised as the service is performed.

Hardware products revenue is recognised as units are delivered.

All turnover is derived from the United Kingdom.

2 Information regarding directors and employees

The remuneration of the directors who are also directors of Ramesys Holdings Limited is borne by Ramesys Holdings Limited. The remuneration of other directors comprises:

	2002 £	2001 £
Directors' emoluments		
Management remuneration	90,600	268,367
Pension costs for 1 director (2001: 1 director)	6,600	11,174
Compensation for loss of office	-	20,661
	<hr/> 97,200	<hr/> 300,202
	<hr/>	<hr/>
	2002 £	2001 £
Emoluments of the highest paid director		
Management remuneration	90,600	86,263
Pension costs	6,600	-
	<hr/> 97,200	<hr/> 86,263
	<hr/>	<hr/>

Notes (continued)

2 Information regarding directors and employees (continued)

	Number	Number
Average number of persons employed		
Programming and engineering staff	90	118
Sales and marketing	38	42
Administrative and management staff	27	30
	<hr/>	<hr/>
	155	190
	<hr/>	<hr/>
	£	£
Staff costs during the year		
Wages and salaries	5,279,223	5,320,752
Social security Costs	541,792	739,000
Other pension costs	81,717	81,199
Compensation for loss of office	-	100,657
	<hr/>	<hr/>
	5,902,732	6,241,608
	<hr/>	<hr/>

3 Operating profit

	2002 £	2001 £
<i>Operating profit is stated after charging:</i>		
Exceptional items	271,506	195,047
Depreciation and amortisation:		
- Owned assets	240,684	209,966
- Leased assets	135,903	140,076
Rentals under operating leases:		
- Hire of plant and machinery	298,532	337,989
- Other operating leases	497,341	-
Auditors' remuneration:		
- Audit services	48,794	34,000
- Non audit services	-	-
	<hr/>	<hr/>

Exceptional items comprise the costs of redundancy and reorganisation.

4 Interest

	2002 £	2001 £
Bank loans and overdrafts	-	2,010
Finance charges in respect of finance leases	20,891	34,961
Other interest payable and similar charges	-	3,414
	<hr/>	<hr/>
	20,891	40,385
	<hr/>	<hr/>
Other interest receivable and similar income	(10,360)	(21,718)
	<hr/>	<hr/>

Notes (continued)

5 Tax on profit on ordinary activities

Taxation is based on the profit for the year and comprises the following amounts charged:

	2002 £	2001 £
<i>Corporation tax</i>		
Current tax on income for the period	375,119	111,623
Adjustments in respect of prior periods	(17,326)	-
Total current tax	357,793	111,623

The current tax charge for the period is higher (2001: lower) than the standard rate of corporate tax in the UK (30% 2001@ 30%). The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before taxation	1,141,041	591,267
Current tax at 30% (2001@ 30%)	342,312	177,380
Effects of:		
Expenses not deductible for tax purposes	3,998	6,150
Capital allowances for the period below depreciation/(in excess of depreciation)	28,809	(71,907)
Adjustment to tax charge in respect of previous periods	(17,326)	-
Total current tax charge	357,793	111,623

6 Dividends

The directors propose a final dividend of £80 per share (2001: £45 per share).

Notes (continued)

7 Tangible fixed assets

	Motor vehicles £	Furniture, fittings and equipment £	Total £
Cost			
At 1 June 2001	379,104	1,925,261	2,304,365
Additions	-	115,636	115,636
Disposals	(86,324)	(104,642)	(190,966)
Transfers from group company	-	7,907	7,907
	<hr/>	<hr/>	<hr/>
At 31 May 2002	292,780	1,944,162	2,236,942
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 June 2001	186,185	1,330,174	1,516,359
Provided in the year	85,320	291,267	376,587
Disposals	(69,880)	(104,642)	(174,522)
Transfer from group company	-	3,036	3,036
	<hr/>	<hr/>	<hr/>
At 31 May 2002	201,625	1,519,835	1,721,460
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 May 2002	91,155	424,327	515,482
	<hr/>	<hr/>	<hr/>
At 31 May 2001	192,919	595,087	788,006
	<hr/>	<hr/>	<hr/>

Included in the above analysis are motor vehicles with a net book value of £91,155 (2001: £192,919), depreciation £135,903 (2001: £140,076).

8 Fixed asset investments

	Shares in group undertakings £
Cost and net book value	
At 1 June 2001 and 31 May 2002	3,002
	<hr/>

The company's investments comprise the entire ordinary share capital of Dema (UK) Limited, The Data Base (Manchester) Limited and Cable Base Limited.

All companies are registered in England and are dormant. In the opinion of the directors, the value of the companies investments are not less than the book value of the investments.

The company is a wholly owned subsidiary of Ramesys Holdings Limited and has consequently taken advantage of S228 Companies Act 1985 not to prepare group financial statements.

Notes (continued)

9 Stocks

	2002 £	2001 £
Goods for resale	200,712	473,732

10 Debtors

	2002 £	2001 £
Trade debtors	4,524,792	2,858,454
Amounts owed by group undertakings	2,706,895	2,343,281
Prepayments and accrued income	297,000	201,265
Other debtors	61,948	200,000
Corporation tax	-	-
	7,590,635	5,603,000

11 Creditors: Amounts falling due within one year

	2002 £	2001 £
Obligations under finance leases	227,851	213,285
Trade creditors	2,203,011	1,449,855
Corporation tax	486,742	128,949
Other taxes and social security	971,690	409,718
Other creditors	-	-
Accruals	881,743	525,093
Dividends payable	800,000	450,000
	5,571,037	3,176,900

12 Creditors: Amounts falling due after more than one year

	2002 £	2001 £
Obligations under finance leases	-	164,031

Notes (continued)

13 Provision for liabilities and charges

	Provision for dilapidations £
At beginning of year	24,000
Utilised during the year	(24,000)
	<u> </u>

A provision of £24,000 had been recognised for expected dilapidation costs under the terms of the company's property lease agreement. This expenditure was incurred on the termination of the lease in 2002.

Deferred taxation

As explained in note 1, provision is only made for deferred taxation where, in the opinion of the directors, a liability could arise in the foreseeable future as a result of the reversal of timing differences.

The unprovided deferred tax assets are:

	Unprovided 2002 £	Unprovided 2001 £
Depreciation in excess of capital allowances	90,497	63,797
Other timing differences	10,200	10,200
	<u>100,697</u>	<u>73,997</u>
	<u> </u>	<u> </u>

14 Deferred income

	2002 £	2001 £
To be recognised within one year	1,754,035	2,135,841
To be recognised after more than one year	276,339	-
	<u>2,030,374</u>	<u>2,135,841</u>
	<u> </u>	<u> </u>

Deferred income represents amounts invoiced in advance in respect of contracts for the provision of software and hardware maintenance and support services.

Notes (continued)

15 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
10,000 ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>
<i>Called up, allotted and fully paid:</i>		
10,000 ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>

16 Reconciliation of movements in shareholder's funds

	Share capital £	Profit and loss account £	Shareholders' funds £
At 1 June 2001	10,000	1,550,200	1,560,200
Profit for the financial year	-	783,248	783,248
Dividends payable	-	(800,000)	(800,000)
	<hr/>	<hr/>	<hr/>
At 31 May 2002	10,000	1,533,448	1,543,448
	<hr/>	<hr/>	<hr/>

17 Financial commitments

	Land and buildings		Other	
	2002 £	2001 £	2002 £	2001 £
Leases which expire:				
Within one year	-	24,381	147,998	163,889
Within two to five years	-	-	79,853	202,696
After five years	177,000	177,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	177,000	201,381	227,851	366,585
	<hr/>	<hr/>	<hr/>	<hr/>

18 Capital commitments

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

19 Contingent liability

The company has given guarantees covering bank borrowings of the ultimate parent company, Ramesys Holdings Limited, and fellow subsidiaries. At 31 May 2002, the total amount guaranteed amounted to £32,146,311 (2001: £31,585,858).

20 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the schemes and amounted to £81,717 (2001: £81,199). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

21 Ultimate parent company and group transactions

The company's ultimate parent company is Ramesys Holdings Limited, a company registered in England. Copies of the group financial statements of Ramesys Holdings Limited may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.