

**Ramesys (e-Business Services) Limited**

Directors' report and financial  
statements

Registered number 1855936

31 May 2004



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2004.

### 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

The company experienced another strong year of both revenue and profit growth.

The company continues to experience strong growth in an increasingly competitive market. The addition of the South West Grid for Learning, Kent County Council and Durham LEA as customers, of the Assimilate Managed Learning Environment and a number of hosted and professional services were major strategic wins in the year.

The Microsoft licencing business had another successful year which saw increases in sales of the Microsoft product set and also the products of Macromedia and Symantec. Post year end a number of reseller agreements have been signed to allow Ramesys to expand its operations in this area though the sale of e-learning content to schools in the UK. In a number of these contracts Ramesys will take on the role of master reseller for the UK market. The company was also appointed an official education reseller for Adobe post year end.

The financial year 2004/05 has started well with an order book for services and managed services at a record level.

### 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 £2,000,000 (2003: £1,200,000). Profits of £137,000 (2003: £425,000) have been transferred to reserves.

### Directors and directors' interests

The directors who held office 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:

	'C' ordinary shares of 0.1p each	
	2004	2003
J Walker	-	-
R A Wingfield	*	*
G Matthew	*	*
W Donoghue	197,000	-
C Fox (resigned 31 January 2004)	-	-

\* R A Wingfield and G Matthew are directors of the ultimate parent 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 ordinary shares in the ultimate parent company, Ramesys Holdings Limited, were as follows:

	2003 or date of appointment	Vested in the year	Exchanged in the year	Exercised in the year	2004
W Donoghue	500,000	8,590,000	(9,090,000)	-	-
J Walker	33,334	1,454,333	-	-	1,487,667

The share options are exercisable in the event of a listing, sale or liquidation of Ramesys Holdings Limited, at an exercise price of one penny per share.

During the year W Donoghue exchanged his share options in return for 'C' ordinary shares in Ramesys Holdings Limited.

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 2004	1 June 2005
W Donoghue	-	-
J Walker	679,500	679,500

All share options vested, will be at an exercise price of one penny 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

In 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



**P Cottrell**  
 Secretary

2 November 2004

11 Glaisdale Drive East  
 Bilborough  
 Nottingham  
 NG8 4GU

## **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.



**KPMG LLP**

Arlington Business Park  
Theale  
Reading RG7 4SD  
United Kingdom

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

We have audited the financial statements on pages 5 to 14.

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 auditor's 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 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 2004 and of its profit 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*

4 November 2004

**Profit and loss account**  
*for the year ended 31 May 2004*

	Notes	Before exceptional items 2004 £000	Exceptional items 2004 £000	Total 2004 £000	Before exceptional items 2003 £000	Exceptional items 2003 £000	Total 2003 £000
Turnover	2	24,581	-	24,581	23,343	-	23,343
Cost of sales		(15,288)	-	(15,288)	(12,021)	-	(12,021)
<b>Gross profit</b>		<b>9,293</b>	<b>-</b>	<b>9,293</b>	<b>11,322</b>	<b>-</b>	<b>11,322</b>
Administrative expenses		(6,303)	96	(6,207)	(8,678)	(506)	(9,184)
<b>Operating profit before exceptional costs</b>		<b>2,990</b>	<b>-</b>	<b>2,990</b>	<b>2,644</b>	<b>-</b>	<b>2,644</b>
<b>Exceptional costs</b>		<b>-</b>	<b>96</b>	<b>96</b>	<b>-</b>	<b>(506)</b>	<b>(506)</b>
<b>Operating profit</b>		<b>2,990</b>	<b>96</b>	<b>3,086</b>	<b>2,644</b>	<b>(506)</b>	<b>2,138</b>
Interest payable and similar charges	5	(32)	-	(32)	(15)	-	(15)
Interest receivable and similar income	5	-	-	-	8	-	8
<b>Profit on ordinary activities before taxation</b>	4	<b>2,958</b>	<b>96</b>	<b>3,054</b>	<b>2,637</b>	<b>(506)</b>	<b>2,131</b>
Tax on profit on ordinary activities	6	(888)	(29)	(917)	(658)	152	(506)
<b>Profit on ordinary activities after taxation</b>		<b>2,070</b>	<b>67</b>	<b>2,137</b>	<b>1,979</b>	<b>(354)</b>	<b>1,625</b>
Dividends on equity shares	7	(2,000)	-	(2,000)	(1,200)	-	(1,200)
<b>Retained profit for the year</b>		<b>70</b>	<b>67</b>	<b>137</b>	<b>779</b>	<b>(354)</b>	<b>425</b>

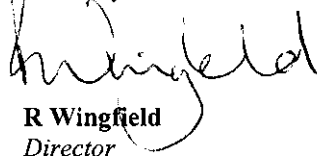
The results shown above all relate to continuing operations.

There are no recognised gains or losses other than as shown above. Accordingly, no statement of total recognised gains or losses is given.

**Balance sheet**  
*at 31 May 2004*

	Notes	2004 £000	2003 £000
<b>Fixed assets</b>			
Tangible assets	8	1,255	352
Investments	9	3	3
		<u>1,258</u>	<u>355</u>
<b>Current assets</b>			
Stocks	10	502	173
Debtors	11	8,205	9,771
Cash at bank and in hand		1,162	450
		<u>9,869</u>	<u>10,394</u>
<b>Creditors:</b> amounts falling due within one year	12	<u>(6,948)</u>	<u>(6,912)</u>
<b>Net current assets</b>		<u>2,921</u>	<u>3,482</u>
<b>Total assets less current liabilities</b>		<u>4,179</u>	<u>3,837</u>
<b>Creditors:</b> amounts falling due after more than one year	13	(262)	(18)
<b>Deferred Income</b>	15	(1,811)	(1,850)
<b>Net assets</b>		<u>2,106</u>	<u>1,969</u>
<b>Capital and reserves</b>			
Called up share capital	16	10	10
Profit and loss account	17	2,096	1,959
<b>Equity shareholders' funds</b>	17	<u>2,106</u>	<u>1,969</u>

These financial statements were approved by the board of directors on 2 November 2004 and were signed on its behalf by:

  
**R Wingfield**  
Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

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

As the company is a wholly owned subsidiary of Ramesys Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Ramesys Holdings Limited, within which this company is included, can be obtained from the address given in note 21.

#### *Fixed assets and depreciation*

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
Furniture, fittings and equipment	25% per annum

#### *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.

Where existing customers re-licence software, the renewal licence revenue is recognised upon customer acceptance of the new licence terms when there are no significant vendor obligations remaining and any subsequent maintenance and support contract is priced on a fair value basis. The fair value of any subsequent maintenance and support contract is tested and is determined to operate independently of the renewal licence fee.

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

For certain managed services, set up fees are recognised at the start of the contract where they are charged to the customer, payable, non-returnable and can be shown to operate independently of further charges for goods and services.

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.

#### *Research and development*

Research and development expenditure, including the cost of software products developed in house, is expensed in the year in which it is incurred.

## Notes (continued)

### 1 Accounting policies (continued)

#### Stocks

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

#### 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.

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

#### Investments

Investments held as fixed assets are stated at cost less provision for impairment.

#### Post retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group 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.

### 2 Turnover by destination

	2004 £000	2003 £000
United Kingdom	24,581	23,343

### 3 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:

	2004 £000	2003 £000
<b>Remuneration of directors</b>		
Director's emoluments	441	354
Company contributions to money purchase pension schemes (two directors (2003: two directors))	9	9
Compensation for loss of office	8	-
	458	363

## Notes (continued)

### 3 Information regarding directors and employees (continued)

	2004 £000	2003 £000
<b>Remuneration of the highest paid director</b>		
Director's emoluments	242	178

### Staff numbers

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2004 Number of employees	2003
Programming and engineering staff	93	89
Sales and marketing	41	37
Administrative and management staff	32	29
	<b>166</b>	<b>155</b>
	£000	£000
<b>Staff costs during the year</b>		
Wages and salaries	5,802	5,087
Social security costs	690	523
Other pension costs	143	105
Compensation for loss of office	29	-
	<b>6,664</b>	<b>5,715</b>

### 4 Profit on ordinary activities before taxation

	2004 £000	2003 £000
<b>Profit on ordinary activities before taxation is stated after charging/(crediting):</b>		
Exceptional items	(96)	506
Depreciation:		
- Owned assets	207	210
- Leased assets	106	97
Development expenditure	716	-
Rentals under operating leases:		
- Hire of plant and machinery	10	198
- Other operating leases	427	177
Auditors' remuneration:		
- Audit services	33	27
- Non-audit services	1	-

Exceptional administrative costs include £nil (2003: £440,000) in respect of a settlement of a supplier claim, insurance claims proceeds of £198,000 (2003: £nil) and £102,000 (2003: £66,000) of redundancy and reorganisation costs.

## Notes (continued)

### 5 Interest

	2004 £000	2003 £000
Finance charges in respect of finance leases	32	15
Other interest receivable and similar income	-	(8)

### 6 Tax on profit on ordinary activities

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

	2004 £000	2003 £000
<i>UK corporation tax</i>		
Current tax on income for the period	804	629
Adjustments in respect of prior periods	48	73
Total current tax	852	702
<i>Deferred tax (see note 14)</i>		
Reversal of timing differences	65	(196)
Tax on profit on ordinary activities	917	506

The current tax charge for the period is lower (2003: higher) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	3,054	2,131
Current tax at 30% (2003: 30%)	916	639
Effects of:		
Expenses not deductible for tax purposes	(47)	20
Capital allowances for the period in excess of depreciation	(65)	(30)
Adjustment to tax charge in respect of previous periods	48	73
Total current tax charge	852	702

### 7 Dividends

	2004 £000	2003 £000
Final dividend proposed - £200 per ordinary share (2003: £120)	2,000	1,200

**Notes (continued)**

**8 Tangible fixed assets**

	<b>Motor vehicles £000</b>	<b>Furniture, fittings and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>			
At beginning of year	136	2,092	2,228
Additions	-	1,234	1,234
Disposals	(136)	(264)	(400)
Transfer from fellow subsidiaries	25	-	25
	<hr/>	<hr/>	<hr/>
At end of year	25	3,062	3,087
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	97	1,779	1,876
Charge for year	2	311	313
On disposals	(99)	(264)	(363)
Transfer from fellow subsidiaries	6	-	6
	<hr/>	<hr/>	<hr/>
At end of year	6	1,826	1,832
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 May 2004	<b>19</b>	<b>1,236</b>	<b>1,255</b>
	<hr/>	<hr/>	<hr/>
At 31 May 2003	39	313	352
	<hr/>	<hr/>	<hr/>

Include in the above analysis are motor vehicles held under finance leases, with a net book value of £18,000 (2003: £38,000), and equipment with a net book value of £404,000 (2003: £67,000). Depreciation for the year on these assets was £106,000 (2003: £97,000).

**9 Fixed asset investments**

	<b>Shares in subsidiary undertakings £000</b>
<b>Cost and net book value</b>	
At beginning and end of year	3
	<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)**

**10 Stocks**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Goods for resale	517	173
Work in progress	19	-
Provisions	(34)	-
	<u>502</u>	<u>173</u>

**11 Debtors**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	4,207	5,613
Amounts owed by group undertakings	2,963	3,370
Deferred tax asset (note 14)	131	196
Prepayments and accrued income	904	591
Other debtors	-	1
	<u>8,205</u>	<u>9,771</u>

All debtors are due within one year.

**12 Creditors: amounts falling due within one year**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Obligations under finance leases	163	84
Trade creditors	2,170	2,514
Corporation tax	804	1,189
Other taxes and social security	1,074	965
Accruals	725	960
Dividends payable	2,000	1,200
Other creditors	12	-
	<u>6,948</u>	<u>6,912</u>

**13 Creditors: amounts falling due after more than one year**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Obligations under finance leases	262	18

## Notes (continued)

### 14 Deferred taxation asset

The elements of deferred taxation are as follows:

	2004		2003	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Depreciation in excess of capital allowances	(131)	-	(196)	-

### 15 Deferred income

	2004 £000	2003 £000
To be recognised within one year	1,609	1,639
To be recognised after more than one year	202	211
	<u>1,811</u>	<u>1,850</u>

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

### 16 Called up share capital

	2004 £000	2003 £000
<i>Authorised</i>		
10,000 ordinary shares of £1 each	10	10
<i>Called up, allotted and fully paid:</i>		
10,000 ordinary shares of £1 each	10	10

### 17 Reconciliation of movements in shareholders' funds

	Share capital £000	Profit and loss account £000	Shareholders' funds £000
At beginning of year	10	1,959	1,969
Profit for the financial year	-	2,137	2,137
Dividends payable	-	(2,000)	(2,000)
At end of year	<u>10</u>	<u>2,096</u>	<u>2,106</u>

## Notes (continued)

### 18 Operating lease commitments

The annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2004 £000	2003 £000	2004 £000	2003 £000
Leases which expire:				
Within one year	17	-	11	-
Within two to five years	222	177	330	65
After five years	-	-	-	63
	<u>239</u>	<u>177</u>	<u>341</u>	<u>128</u>

### 19 Contingent liability

The company has given guarantees covering bank borrowings of the ultimate parent company, Ramesys Holdings Limited, and fellow subsidiary undertakings. At 31 May 2004, the total amount guaranteed amounted to £31,429,000 (2003: £31,658,000).

### 20 Pension scheme

The group 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 £143,000 (2003: £105,000). 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 and controlling party is Ramesys Holdings Limited, a company registered in England and Wales. Ramesys Holdings Limited produces consolidated accounts for itself and all its subsidiaries representing the smallest and largest group for which financial statements are produced, which include the company. 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.