

PREMISYS TECHNOLOGIES PLC
(formerly Premisys Group plc)

Report and Financial Statements

31 December 2000

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR



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OFFICERS AND PROFESSIONAL ADVISERS

Directors

Walter Goldsmith, *Chairman*

Charles Woods

Barry Shaw

Mike Ensing, *Non-Executive*

George Kynoch, *Non-Executive*

Sir Stuart Lipton, *Non-Executive*

Robert Tchenguiz, *Non-Executive*

Secretary

Charles Woods

Registered Office

Maple House, 149 Tottenham Court Road, London W1P 9LL

Nominated Adviser

Deloitte & Touche Corporate Finance

Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR

Nominated Broker

Insinger Townsley

44 Worship Street, London EC2A 2JT

Bankers

HSBC Bank plc, 70 Pall Mall, London SW1Y 5EZ

Registrars

IRG plc

Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Solicitors

Ashurst Morris Crisp

Broadwalk House, 5 Appold Street, London EC2A 2HA

Auditors

Deloitte & Touche

Chartered Accountants

Hill House, 1 Little New Street, London EC4A 3TR

CHAIRMAN'S STATEMENT

Results and Dividends

Reflecting a year when a major change was made in the strategic direction of the Group, pre-tax losses before exceptional write down of goodwill for the year to 31 December 2000 were £2.3 million on a turnover of £11.2 million. Loss per share of 6.3p was before the exceptional write down of goodwill, details of which are given below.

The operating losses for the Group principally resulted from writing off the costs involved with the investment in developing an online exchange for the construction industry, Asite.com, with the intention that it becomes the principal European business-to-business construction portal.

Within the service businesses, operating profits rose in our property management businesses. However, these increased profits were offset, as reported in our interim statement, by the under-performance of our architectural and mechanical and electrical businesses.

In line with current policy, the Board is not recommending a dividend this year.

Development of the Group

The substantial new opportunities offered by our subsidiary, Asite Limited, and other similar technology enablement projects, together with the continued under-performance of two of the Group's service businesses has led to a strategic re-focusing on these new opportunities.

In March 2001 the architectural subsidiary, Whinney Mackay-Lewis Limited, was sold, 75% to Woods Bagot, an Australian based international architectural practice and 25% to five of Whinney Mackay-Lewis' existing directors.

In June 2001 the mechanical and electrical engineering management subsidiary, Foremans Limited was sold subject to contract to Barry Shaw and Richard Kennedy. Following an impairment review of the goodwill associated with this subsidiary a provision for impairment of £1.2 million has been made.

There are no plans to dispose of the property management business, Prime Estates, whose profits and strong positive cash flows contribute significantly toward the central overhead costs of the Group.

The Group intends to continue the development of Asite.com through its subsidiary Asite Limited, which has attracted significant support within the construction sector. Further information is given in the Operational Review below.

The Group is currently developing a number of business opportunities in conjunction with Dynamis Solutions with a view to providing technology solutions to enhance the efficiency of traditional industries. In doing so we will build on the expertise and technology developed for the Asite project.

The Group recently became the sole UK commercial distributor for Lytec, an innovative electroluminescent lighting cable through its subsidiary Lyteline Technology Limited.

Operational Review

In March 2001 Asite Limited announced that a number of major construction industry groups were the first to sign up to become shareholders in Asite Limited whereby equity can be earned by utilising the portal which in turn enhances Asite's revenues. These customers include AXA, British Land, Legal & General, Mace, Morley Fund Management, Prudential, St. Modwen and Tishman Speyer, in addition to PremiSys shareholders Stanhope and Rotch. In April 2001 this group was joined by BAA plc, one of the UK's principal infrastructure developers. Further announcements are expected in due course.

CHAIRMAN'S STATEMENT

In October 2000 the site was launched with the participation of a number of high profile technology partners, including Microsoft and Commerce One. The portal is now operational on a number of pilot projects with public launch expected in June 2001. It is anticipated that the project will begin to generate revenues shortly and reach profitability as early as next year.

The Company is intending to raise £5 million by way of a placing and open offer and these funds will be available to continue the development of Asite.

The Company announced in April 2001 the appointment of Sir John Egan as chairman of Asite. This is the first such position that he has accepted within the construction industry since he chaired the government's Construction Taskforce and published his challenging recommendations for industry change in 1998. He has recently been appointed chairman of the government's strategic forum for the construction industry.

Property management activities through Prime Estates have continued to expand profitability and the number of major commercial properties under management for the Rotch Property Group and other clients has increased in the period to over 200.

Whinney Mackay-Lewis Limited, the architectural subsidiary, achieved an increase in fee income over the previous year but struggled to break even against a background of increasing costs. The group's exposure to any potential downturn ceased at 31 December 2000 as a result of the disposal of the company subsequent to the year end.

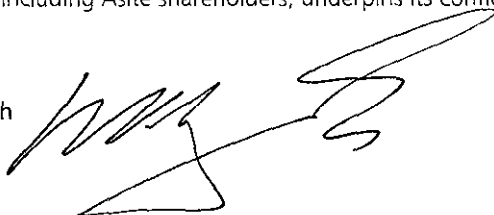
Foremans Limited, the mechanical and electrical engineering subsidiary, also turned in a disappointing performance as costs increased ahead of the increase in fee income. The Group's exposure to any further deterioration will be minimised in June 2001 with the disposal of the company.

Prospects

Your Board believes that the Group's future profitability and growth rests with the fulfilment of Asite's potential and the utilisation of similar technology and management skills to develop or acquire other technology enabling ventures. The development and implementation of the Asite toolkit, as outlined above, has established the base from which Asite intends to establish itself as a market leader in the UK and Europe. By offering a comprehensive set of internet based management tools to the European construction sector and by delivering value to the whole of the supply chain, the Board believes that Asite is well positioned to consolidate and expand its already substantial customer base.

Your Board believes that the steps already taken in developing systems and winning nominations from a variety of industry sources, including Asite shareholders, underpins its confidence that a substantial and profitable business can be developed.

Walter Goldsmith
Chairman



5 June 2001

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

PremiSys Technologies plc is the parent company of a group of companies with two activities, property services and an e-commerce portal.

Change of name

PremiSys Group plc changed its name to PremiSys Technologies plc on 31 October 2000

Business review

The principal activities of the Group are: firstly, property services, including mechanical and electrical engineering, consulting services and property management; and secondly, the development of a business-to-business internet portal for the European construction industry. The Group's change in emphasis towards technology enablement businesses is described in greater detail in the Chairman's Statement together with a review of the results for the year and future prospects.

Results and dividends

The loss for the year after taxation amounted to £3,607,000 (1999 – £356,000 profit).

The directors do not recommend the payment of a final dividend.

Directors and directors' interests

The directors, all of whom held office during the year, were as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>	<i>Date of resignation</i>
W K Goldsmith	Chairman		
B T Shaw	Director		
C H Woods	Director	4 September 2000	
I A Gardiner	Director		4 September 2000
C J P Cotton	Director		12 June 2000
J D Brew	Director		12 June 2000
M R Harris	Director		12 June 2000
G A B Kynoch	Non-executive		
Sir S Lipton	Non-executive		
R Tchenguiz	Non-executive		
S Russell	Non-executive		12 June 2000

M Ensing was appointed a director on 12 February 2001.

DIRECTORS' REPORT

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company, including shareholdings held by connected persons and in options under the company's share option scheme at 31 December 2000:

	At 31 December 2000		At 31 December 1999	
	Beneficial interest	Share options	Beneficial interest	Share options
W K Goldsmith	100,000	—	100,000	—
B T Shaw	3,968,300	—	3,968,300	—
C H Woods	—	100,000	—	—

Share options were granted to Charles Woods on 26 July 2000.

Directors' interests in contracts

There were no significant contracts in existence during or at the end of the period in which any director had a material interest.

Significant shareholdings

The following companies and individuals hold a significant number of shares in PremiSys Technologies plc:

	Shares	%
B&C Plaza Limited	11,825,361	29.9%
Stanhope PLC	4,700,429	11.9%
Barry Shaw	3,968,300	10.0%
Aurora Investments LLC	2,598,333	6.6%
Richard Kennedy	2,410,533	6.1%

Contract of significance

Under the terms of an agreement dated 12 March 1998, the Company's subsidiary Prime Estates Property Management Limited provides management services in respect of properties owned by Rotch Property Group Limited which, through its association with B&C Plaza Limited, is deemed to be a substantial shareholder of PremiSys Technologies plc. During the year under review, turnover arising under the terms of this contract amounted to £1,073,000 (1999 – £1,013,000).

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the Company during the year.

Political and charitable contributions

No political contributions were made during the year (1999 – £nil). Charitable donations amounted to £2,500 (1999 – £3,237).

Policy on payment of suppliers

The Company does not have a policy to follow any code or standard on payment practice. However, with respect to the financial year to 31 December 2001, the Company will continue to settle the terms of payment with its suppliers when agreeing the terms of each transaction, will ensure that those suppliers are aware of the terms of payment and will abide by those terms of payment. Trade creditors outstanding at 31 December 2000 represented 21 days (1999 – 64 days) trade purchases.

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

Charles Woods
Secretary

5 June 2001

A handwritten signature in black ink, appearing to be 'C Woods', written over a large, stylized, abstract shape that resembles a large 'X' or a checkmark.

CORPORATE GOVERNANCE

Introduction

In January 1998, the Hampel Committee published its report on Corporate Governance, which was implemented by the London Stock Exchange as a Combined Code on 25 June 1998. The Combined Code requires that disclosures be made on how the fourteen principles of the Code have been applied (known as 'the appliance statement') and whether or not the company has complied with these principles (known as 'the compliance statement'). The Combined Code is intended to promote the principles of openness, integrity and accountability.

The Company is committed to high standards of corporate governance throughout the Group. As an AIM company, it is not obliged to report its compliance with the Principles of Good Governance and Code of Best Practice published by the Committee on Corporate Governance ('The Combined Code'). Nonetheless, the company is committed to meeting these principles as far as it reasonably can and the commentary below reflects the extent to which the Company has complied with The Combined Code during the period under review.

Board of directors

The Board which is set up to control the company and Group meets formally at least six times a year and currently comprises three executive and four non-executive directors. One of the four non-executive directors, namely Mr. George Kynoch, is considered by the Board to be independent.

Each Board meeting receives the latest financial information available which consists of detailed management accounts with the relevant comparisons to budget. A current trading appraisal is given by the executive directors.

The Board reserves to itself a range of key decisions to ensure it retains proper direction and control of the Group, whilst delegating authority to individual directors who are responsible for the day to day management of the business. In addition, all directors have access to the advice and services of the Company Secretary, and they can also seek independent professional advice if necessary at the Company's expense.

In the event of a proposal to appoint a new director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken. As permitted by the Combined Code, due to the small size of the board, it is considered inappropriate to establish a Nomination Committee.

The directors have delegated certain of their responsibilities to various committees, which operate within specific terms of reference and authority limits. The executive directors meet on a regular basis of at least every four weeks and deal with decisions that do not require full Board approval. The directors believe that this process for making business decisions provides sufficient division of responsibility to meet the requirements of the Combined Code.

Towards the end of the year the roles of Chairman and Chief Executive were merged. While this is in breach of the code, the company believes that its small size and its nature as an investment company do not justify the expense of separating these roles at present.

The Audit and Remuneration Committees, which consist of the Chairman and the independent non-executive director, meets at least twice a year.

Directors retire by rotation in accordance with the company's Articles of Association, which prescribe that at every Annual General Meeting one third of the directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one third, shall retire from office. Non-executive directors are not appointed for specified terms, but in the case of Mr. Robert Tchenguiz, Sir Stuart Lipton and Mr. Michael Ensing their appointment is terminable with no specific notice period, and in the case of Mr. George Kynoch his appointment is terminable on six months notice.

Shareholder relations

The directors meet and discuss the performance of the Group with shareholders during the year. Queries raised by a shareholder, either verbally or in writing, are promptly answered by whoever is best placed on the Board to so do. All directors are individually introduced to shareholders at the Annual General Meeting.

Accountability and audit

The Board believes that the Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects. This is achieved by the Chairman's Statement, which contains a detailed consideration of the Group's position and prospects.

Remuneration Committee

This report should be read in conjunction with Note 4 to the accounts. The Remuneration Committee comprises the Chairman and the independent non-executive director. The Committee meets at least twice a year and is responsible for reviewing the level and make-up of the remuneration of executive directors. The Committee seeks to encourage the enhancement of the Company's performance and to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate executive directors of the right calibre and to reward them for enhancing value to shareholders. The grant of options under the Company's Executive Share Option Schemes is regularly considered as part of this policy. The service contracts of executive directors provide for a performance related element of remuneration but as yet there is no agreed scheme of performance by reference to which such remuneration should be calculated, and bonuses are paid at the discretion of the Remuneration Committee.

In framing remuneration policy, the Remuneration Committee has given full consideration to the requirements of the Combined Code appended to the Listing Rules of the London Stock Exchange.

Components of Remuneration

The components of remuneration are:

- a) Basic salary and benefits determined by the Remuneration Committee and reviewed annually; and
- b) Performance related bonuses based upon improvements in earnings per share, profitability and market capitalisation of the group.

Service contracts

With the approval of the Remuneration Committee, certain directors are entitled, under their service agreements, to perform duties outside the group and to receive fees for those duties. The service contracts of three executive directors, Walter Goldsmith, Barry Shaw and Charles Woods, are terminable by either party giving to the other not less than twelve months notice in writing.

Non-executive directors

The remuneration of the non-executive directors is determined by the Board within the limits set out in the Articles of Association.

Audit Committee

The Audit Committee comprises the Company's senior independent non-executive director and the Chairman, who for most of the year was non-executive. The company believes the Audit Committee continues to act independently and that its composition is suitable given the size and nature of the business. The Committee meets at least twice a year and its duties include keeping under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the auditors.

CORPORATE GOVERNANCE

Internal financial control

The Board is responsible for ensuring that the Group has in place a system of internal control. In this context control is defined as those policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value are safeguarded, and laws, regulations and policies are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, losses and fraud or breaches of laws and regulations.

The Group operates a strict system of internal financial control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum.

There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board. The Board has responsibility for the system of internal financial control and an annual review of the same is undertaken.

The Combined Code extended the internal financial control provisions to require the directors to review the effectiveness of the Group's entire system of internal control, including financial, operational, compliance and risk management. The ICAEW published "Internal Controls: Guidance for Directors on the Combined Code", known as "The Turnbull Guidance", in September 1999, on how to apply the Code principles D2 and provisions D2.1 and D2.2.

The Board of Directors has overall responsibility for the Group's system of internal financial control and for monitoring its effectiveness. The Group has a well-established budgeting and management reporting process. Annual budgets are usually prepared in the last quarter of each financial year following discussions with all levels of management to forecast business in the forthcoming year. Group management accounts are prepared on a monthly basis for submission to directors, comparing financial performance with budget. The contents of management accounts are discussed at regular management meetings and at formal board meetings. Accounting policies, capital expenditure and treasury management are subject to control by the directors.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group was put in place up to the approval date of the annual report and accounts. That process is regularly reviewed by the Board and accords with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull working party. During the preceding part of the financial year procedures were being considered so as to meet requirements for the system of internal control that would be acceptable to the Board.

The majority of the board are closely involved in the day-to-day management of the businesses and as such are able to identify and rectify internal control weaknesses on an ongoing basis, thus alleviating the need for additional reviews at formal board meetings. The size and nature of the business do not justify the cost of a separate internal audit function, this role being undertaken by the Finance Director.

Going concern

In compliance with the Listing Rules of the UK Listing Authority, after making appropriate enquiries, the directors have reasonable expectations that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 the group as at the end of the financial year and of the profit or loss of the group 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; and
- 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 are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 13 to 29 which have been prepared under the accounting policies set out on pages 17 and 18.

Respective responsibilities of directors and auditors

As described on page 11, the Company's directors are responsible for the preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

We read the other information contained in the annual report, including the corporate governance statement, 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.

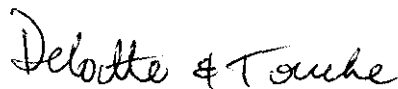
Basis of opinion

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 circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985



Deloitte & Touche
Chartered Accountants and
Registered Auditors
Hill House, 1 Little New Street, London EC4A 3TR

7 June 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 2000

	Note	2000 £'000	1999 £'000
Turnover	2	11,242	7,438
Change in work in progress		(71)	148
		<u>11,171</u>	<u>7,586</u>
Staff costs	3	7,953	4,738
Depreciation and amortisation (including exceptional impairment of goodwill amounting to £1,235,000)	5,12	1,441	114
Other operating charges	6	5,217	2,103
		<u>14,611</u>	<u>6,955</u>
OPERATING (LOSS)/PROFIT		(3,440)	631
Net interest payable	7	(74)	(22)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	(3,514)	609
Tax on (loss)/profit on ordinary activities	9	(93)	(253)
(Loss)/profit for the financial year	22	<u>(3,607)</u>	<u>356</u>
(Loss)/earnings per share – basic and diluted before exceptional items	10	(6.3p)	2.4p
– basic and diluted after exceptional items	10	<u>(9.6p)</u>	<u>1.2p</u>

There are no recognised gains and losses in either the current or previous financial years other than the (loss)/profit for the year. Accordingly, no statement of total recognised gains and losses is provided.

All transactions arise from continuing operations.

CONSOLIDATED BALANCE SHEET

at 31st December 2000

	Note	2000 £'000	1999 £'000
FIXED ASSETS			
Intangible fixed assets	11	1,000	2,187
Tangible fixed assets	12	1,603	851
		<u>2,603</u>	<u>3,038</u>
CURRENT ASSETS			
Stock	15	570	318
Debtors	16	4,952	4,450
Cash at bank		563	84
		<u>6,085</u>	<u>4,852</u>
CREDITORS: amounts falling due within one year	17	<u>(6,011)</u>	<u>(3,780)</u>
NET CURRENT ASSETS		<u>74</u>	<u>1,072</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,677</u>	<u>4,110</u>
CREDITORS: amounts falling due after more than one year	18	<u>(768)</u>	<u>(1,032)</u>
NET ASSETS		<u>1,909</u>	<u>3,078</u>
CAPITAL AND RESERVES			
Called up share capital	20	3,955	3,146
Share premium account	21	2,825	1,196
Merger reserve	21	(1,871)	(1,871)
Profit and loss account	21	(3,000)	607
EQUITY SHAREHOLDERS' FUNDS	22	<u>1,909</u>	<u>3,078</u>

These financial statements were approved by the Board of Directors on 5 June 2001.

Signed on behalf of the Board of Directors
Walter Goldsmith
Chairman



COMPANY BALANCE SHEET

at 31st December 2000

	Note	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible fixed assets	12	53	–
Investments	13	1,913	1,874
		<u>1,966</u>	<u>1,874</u>
CURRENT ASSETS			
Debtors	16	3,002	3,142
		<u>3,002</u>	<u>3,142</u>
CREDITORS: amounts falling due within one year	17	(2,144)	(622)
NET CURRENT ASSETS		<u>858</u>	<u>2,520</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,824</u>	<u>4,394</u>
CREDITORS: amounts falling due after more than one year	18	(22)	–
NET ASSETS		<u>2,802</u>	<u>4,394</u>
CAPITAL AND RESERVES			
Called up share capital	20	3,955	3,146
Share premium account	21	2,825	1,196
Profit and loss account	21	(3,978)	52
EQUITY SHAREHOLDERS' FUNDS		<u>2,802</u>	<u>4,394</u>

The financial statements were approved by the Board of Directors on 5 June 2001.

Signed on behalf of the Board of Directors

Walter Goldsmith

Chairman



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2000

	Note	2000 £'000	1999 £'000
Net cash (outflow)/inflow from operating activities	23	(1,030)	15
Returns on investment and servicing of finance			
Interest received		102	19
Interest paid		(174)	(24)
Interest element of finance lease rental payments		(2)	(5)
		(74)	(10)
Taxation			
UK Corporation tax paid		(178)	(204)
Capital expenditure			
Payments to acquire fixed assets		(438)	(22)
Receipts from sale of fixed assets		28	-
		(410)	(22)
Acquisitions and disposals			
Payments to acquire investments in subsidiary undertakings		-	(1,050)
Acquired overdrafts		-	(470)
		-	(1,520)
Net cash outflow before financing		(1,692)	(1,741)
Financing			
Issues of ordinary share capital		2,410	-
Repayment of borrowings		(233)	(18)
Capital elements of finance lease rental payments		(33)	-
Exercise of share options		27	-
		2,171	(18)
Increase/(decrease) in cash in the year	24	479	(1,759)

NOTES TO THE ACCOUNTS

for the year ended 31st December 2000

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Where a new business combination satisfies the relevant criteria set out in FRS6, merger accounting is applied in accordance with the Standard, and comparative figures are restated accordingly. Subsidiaries acquired or disposed of are included in the financial statements from the date of acquisition or to the date of disposal as appropriate.

Turnover

Turnover is the total amount receivable for services provided in the ordinary course of business excluding value added tax.

Deferred taxation

Deferred taxation is provided in the financial statements except to the extent that it is anticipated that the liability will not be payable in the foreseeable future.

Depreciation

Depreciation is calculated to write down the cost of tangible fixed assets by equal annual instalments or, in the case of motor vehicles, on the reducing balance basis over their expected useful lives.

The periods and rates applicable are:

Long term lease	106 years, impairment review performed annually
Short term leases	Over the term of the lease
Leasehold improvements	Unexpired period of the lease
Fixtures, equipment and vehicles	3 to 10 years
Website costs	2 to 5 years

Goodwill

Goodwill arising on acquisitions is capitalised in the balance sheet and amortised on a straight-line basis over its estimated useful economic life, up to a maximum of 20 years. The directors estimate, for each individual acquisition, the length of time over which the goodwill acquired is expected to generate future benefits in the business acquired.

Negative goodwill, up to the value of monetary assets acquired, is recognised in the profit and loss account within the charge for depreciation and amortisation, in the period in which the monetary assets are acquired.

Investments

Investments are stated at cost less provision for any impairment.

Work in progress

Short-term work in progress is stated at the lower of cost and net realisable value. Cost comprises direct labour and attributable overheads. The amount of work in progress has been reduced by progress payments received and receivable. Net realisable value means estimated contract value less all further costs to completion.

Long-term contracts are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. The amount by which recorded turnover is in excess of payments on account is classified as "Amounts recoverable on contracts" and separately disclosed within debtors. Where payments on account exceed recorded turnover, the excess is classified as "fees in advance", and separately disclosed within creditors. Provision is made for foreseeable losses and, to the extent that such provision exceeds relevant contract balances included in debtors or stock and work in progress, it is included within either provisions for liabilities and charges or creditors as appropriate.

NOTES TO THE ACCOUNTS

for the year ended 31st December 2000

1 ACCOUNTING POLICIES *continued*

Finance leases

Assets held under finance lease agreements are included in tangible fixed assets and are depreciated using the appropriate rates. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. Finance charges are taken to the profit and loss account so that the annual rate of charge on the outstanding obligation at the end of each accounting period is approximately constant.

Operating leases

Operating lease rentals are charged to the profit and loss account as the annual charges are incurred.

Financial Instruments

All borrowings are stated at the fair value of considerations received.

Pension costs

The company contributes to individual personal pension schemes. Contributions payable for the year are charged in the profit and loss account.

2 TURNOVER

The turnover of the Group arises in the United Kingdom.

The analysis of turnover and operating profit before tax by class of business are:

	Turnover		Operating (loss)/profit	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Class of business:				
Property services	11,242	7,438	(1,354)	631
e-commerce portal	—	—	(2,086)	—
	<u>11,242</u>	<u>7,438</u>	<u>(3,440)</u>	<u>631</u>

The analysis of net assets employed by class of business is:

Class of business:		
Property services	3,959	3,078
e-commerce portal	(2,050)	—
	<u>1,909</u>	<u>3,078</u>

3 STAFF COSTS

	2000 £'000	1999 £'000
Staff costs during the year (including directors)		
Fees	1,401	895
Wages and salaries	5,660	3,371
Social security costs	535	339
Other pension costs	357	133
	<u>7,953</u>	<u>4,738</u>
Average number of persons employed	Number	Number
Technical	141	76
Administrative	26	16
	<u>167</u>	<u>92</u>
Average number of personnel engaged by the Group who do not have contracts of service with the Group:		
Technical	48	19
Administrative	5	1
	<u>220</u>	<u>112</u>

4 DIRECTORS' EMOLUMENTS

	2000 £'000	1999 £'000
Fees	60	60
Salary payments (including benefits in kind)	388	570
Pension contributions	16	25
	<u>464</u>	<u>655</u>

	Salary £'000	Benefits £'000	Fees £'000	Total emoluments excluding pensions 2000 £'000	1999 £'000	Pension contributions 2000 £'000	1999 £'000
Remuneration by director was:							
W G Goldsmith	—	—	37,500	37,500	30,000		
Executive directors:							
B T Shaw	161,666	10,961	—	172,627	208,892	8,083	9,650
C H Woods	28,995	1,511	—	30,506	—	2,900	—
I A Gardner	67,475	3,236	—	70,711	92,167	3,150	4,150
C J P Cotton	49,035	3,788	—	52,823	121,146	2,205	5,650
J D Brew	51,750	748	—	52,498	33,210	—	1,531
R M Kennedy	—	—	—	—	95,674	—	4,250
M R Harris	—	—	6,750	6,750	15,000	—	—
Non-executive directors:							
G Kynoch	—	—	15,000	15,000	15,000	—	—
S Russell	9,000	—	—	9,000	18,833	—	—
Total emoluments	<u>367,921</u>	<u>20,244</u>	<u>59,250</u>	<u>447,415</u>	<u>629,922</u>	<u>16,338</u>	<u>25,231</u>

During the year fees totalling £59,250 (1999 – £60,000) were paid to third parties for making available the services of certain of the directors.

All pension contributions in respect of directors were to money purchase schemes.

Share options held by directors were as follows:

	1 January	Granted	Exercised	31 December 2000	Exercise price	Date from which exercisable	Expiry date
C H Woods	—	100,000	—	100,000	64.5p	July 2003	July 2007

The market price of the ordinary shares at 31st December 2000 was 26.5p and the range during the period was 25.5p to 194p.

All shares options were granted at market value, therefore no expense has been accrued with respect to the options outstanding.

NOTES TO THE ACCOUNTS

for the year ended 31st December 2000

5 DEPRECIATION AND AMORTISATION

	2000 £'000	1999 £'000
<i>The charge for depreciation and amortisation comprises:</i>		
Depreciation of tangible assets – owned assets	73	78
Depreciation of tangible assets – leased assets	23	15
Amortisation of goodwill arising on acquisition of F C Foreman & Partners	110	32
Negative goodwill arising on acquisition of CHKM Architects Limited	–	(11)
Write down of goodwill (see Note 11)	1,235	–
	<u>1,441</u>	<u>114</u>

6 OTHER OPERATING CHARGES

	2000 £'000	1999 £'000
<i>Other operating charges include exceptional items:</i>		
Abortive acquisition costs	–	276
Provision for lease costs on vacant property	–	50
	<u>–</u>	<u>326</u>

7 INTEREST PAYABLE LESS RECEIVABLE

	2000 £'000	1999 £'000
Interest receivable	102	19
Interest payable	(174)	(36)
Interest on finance leases and hire purchase	(2)	(5)
	<u>(74)</u>	<u>(22)</u>

8 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £'000	1999 £'000
<i>(Loss)/profit on ordinary activities is stated after charging:</i>		
Auditors' remuneration as auditors	97	49
Auditors' remuneration for non-audit work	20	10
Operating lease rentals	576	316
	<u>576</u>	<u>316</u>

9 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
UK Corporation tax has been charged on profits at 30% (1999 – 31%)	56	253
Adjustment in respect of prior years	37	–
	<u>93</u>	<u>253</u>

The tax charge in 2000 arises primarily as a result of the non-deductible pre-trading expenses in Asite Limited for which a deferred tax asset has not been recognised and a non-deductible write down of goodwill.

10 EARNINGS PER SHARE

	<u>2000</u>	<u>1999</u>
Basic		
Net (loss)/profit for the year:		
Before exceptional items	£(2,372,000)	£722,000
After exceptional items	£(3,607,000)	£356,000
Weighted average number of ordinary shares outstanding	37,690,565	29,525,445
(Loss)/earnings per share:		
Before exceptional items	(6.3p)	2.4p
After exceptional items	(9.6p)	1.2p
Diluted		
Net (loss)/profit for the year as for basic:		
Adjusted weighted average number of ordinary shares outstanding	37,689,351	29,543,330
(Loss)/earnings per share:		
Before exceptional items	(6.3p)	2.4p
After exceptional items	(9.6p)	1.2p
Reconciliation of number of ordinary shares		
Basic earnings per share: weighted average number of shares	37,690,565	29,525,445
Adjustment in respect of potentially dilutive share options	(1,214)	17,885
Diluted earnings per share: weighted average number of shares	<u>37,689,351</u>	<u>29,543,330</u>

11 INTANGIBLE FIXED ASSETS

Group	<u>2000</u> <u>£'000</u>
Goodwill	
Cost	
At 1 January 2000	2,219
Additions	158
At 31 December 2000	<u>2,377</u>
Accumulated amortisation	
At 1 January 2000	32
Charge for year	110
Impairment provision in year	1,235
At 31 December 2000	<u>1,377</u>
Net book value	
At 31 December 2000	1,000
At 31 December 1999	<u>2,187</u>

The addition to goodwill in the year reflects a fair value adjustment to the goodwill arising in 1999 on the purchase of the business and assets of FC Foreman & Partners by Foremans Limited, a subsidiary of the Group. Following an impairment review by the directors of Foremans Limited a further provision of £1,235,000 has been charged to the profit and loss account in the year.

NOTES TO THE ACCOUNTS

for the year ended 31st December 2000

12 TANGIBLE FIXED ASSETS

Group	Long leasehold property £'000	Short leasehold property £'000	Leasehold improvements £'000	Fixtures equipment and vehicles £'000	Website costs £'000	Total £'000
Cost						
At 1st January 2000	662	87	121	1,433	–	2,303
Additions	–	–	7	85	840	932
Disposals	–	(13)	–	(257)	–	(270)
At 31st December 2000	662	74	128	1,261	840	2,965
Accumulated depreciation						
At 1st January 2000	62	73	62	1,255	–	1,452
Charge for the year	6	5	19	66	–	96
Disposals	–	(13)	–	(173)	–	(186)
At 31st December 2000	68	65	81	1,148	–	1,362
Net book value						
At 31st December 2000	594	9	47	113	840	1,603
At 1st January 2000	600	14	59	178	–	851
Company					Fixtures equipment and vehicles £'000	
Cost						
At 1st January 2000						–
Additions						81
Disposals						(19)
At 31st December 2000						62
Depreciation						
At 1st January 2000						–
Charge for year						14
Disposals						(5)
At 31st December 2000						9
Net book value						
At 31st December 2000						53
At 31st December 1999						–

Group fixtures, equipment and vehicles include assets under finance leases with a net book value of £53,000 (1999 – £59,000). The depreciation charge in these financial statements on those assets was £23,000 (1999 – £18,000).

13 INVESTMENTS

Company	2000 £'000
Cost and Net book value	
At 1 January 2000	1,874
Additions in respect of CHKM	39
At 31 December 2000	1,913

14 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings of the Company during the year were:

<i>Subsidiaries owned throughout the year</i>	<i>Principal activities</i>
Whinney Mackay-Lewis Limited*	Architecture and Interior Design
PremiSys Services Limited (formerly Whinney Mackay-Lewis Services Limited*)	Service Company
M&E Project Services Limited*	Holding Company
Prime Estates Holdings Limited*	Holding Company
Prime Estates Property Management Limited	Property Management
Prime Estates Management Limited	Property Management
CHKM Architects Limited*	Dormant
Foremans Limited	Engineering Services Consultancy
<i>Subsidiaries incorporated during the year</i>	
Asite Limited (Incorporated 20 July 2000)	e-commerce portal development
Lyteline Technology Limited (Incorporated 20 July 2000)	Distribution

All companies are wholly owned subsidiaries of PremiSys Technologies plc, and those directly owned by PremiSys Technologies plc are marked with an asterisk.

The investment in shares in subsidiary undertakings is stated at cost less provision for any impairment in value.

15 STOCK

Work in progress comprises short-term contract balances only. Long-term contract balances are included in debtors or creditors as appropriate.

16 DEBTORS

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade debtors	3,542	3,182	1	–
Amounts owed by subsidiary undertakings	–	–	2,717	3,132
Other debtors	172	30	16	5
Prepayments and accrued income	175	95	3	5
Amounts recoverable on contracts	868	1,122	–	–
Corporation tax recoverable	–	21	265	–
VAT recoverable	195	–	–	–
	<u>4,952</u>	<u>4,450</u>	<u>3,002</u>	<u>3,142</u>

NOTES TO THE ACCOUNTS

for the year ended 31st December 2000

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans and overdrafts	1,143	1,095	309	303
Other loans	280	280	–	–
Fees in advance	835	424	–	–
Trade creditors	996	614	32	94
Amounts owed to subsidiary undertakings	–	–	1,184	97
Social security and other taxes	810	603	–	1
Accruals and deferred income	1,450	412	349	10
Finance leases	13	27	13	–
Corporation tax payable	360	309	144	117
Other creditors	124	16	113	–
	<u>6,011</u>	<u>3,780</u>	<u>2,144</u>	<u>622</u>

Bank overdrafts are arranged within a Group facility under which interest is charged at 2.25% over the bank's base rate current from time to time.

Bank loans included in the above heading are subject to interest calculated on a basis which may be varied from time to time in accordance with the terms of the loan agreement at the option of the subsidiary concerned. The bank's margin under this arrangement is 2% over the relevant reference rate, which may be the bank's base rate or LIBOR and may be constrained within minimum and maximum limits or fixed for certain periods of time.

Other loans included in the above heading are subject to interest at 5% per annum.

Amounts owing by subsidiary undertakings in respect of finance leases are secured on the assets being financed.

Bank borrowings are secured by a fixed and floating charge over the assets of the Group.

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans	466	466	—	—
Finance leases	22	6	—	—
Other loans	280	560	—	—
	<u>768</u>	<u>1,032</u>	<u>—</u>	<u>—</u>
Wholly repayable:				
Bank loans:				
Within 1-2 years	33	33	—	—
Within 2-5 years	100	100	—	—
More than 5 years	333	333	—	—
	<u>466</u>	<u>466</u>	<u>—</u>	<u>—</u>
Other financial liabilities:				
Within 1-2 years	302	286	22	—
Within 2-5 years	—	280	—	—
More than 5 years	—	—	—	—
	<u>302</u>	<u>566</u>	<u>22</u>	<u>—</u>
Total	<u>768</u>	<u>1,032</u>	<u>22</u>	<u>—</u>

Bank loans included in the above heading are subject to interest calculated on a basis which may be varied from time to time in accordance with the terms of the loans agreement at the option of the subsidiary concerned. The bank's margin under this arrangement is 2% over the relevant reference rate.

Other loans included in the above heading are subject to interest at 5% per annum.

Amounts owing by subsidiary undertakings in respect of finance leases are secured on the assets being financed.

Bank borrowings are secured by a fixed and floating charge over the assets of the Group.

The fair value of loans and other financial liabilities are not materially different from their book value. Fair values have been determined by reference to an appropriate corporate bond rate.

The Group's principal financial instruments at 31 December 2000 were bank loans, finance leases, overdrafts and cash. The main purpose of these financial instruments is to provide working capital and enable the settlement of ongoing liabilities. Short term debtors and creditors have been excluded.

NOTES TO THE ACCOUNTS

for the year ended 31st December 2000

19 OBLIGATIONS UNDER OPERATING LEASES

	Land and buildings 2000 £'000	Other 2000 £'000	Land and buildings 1999 £'000	Other 1999 £'000
The following amounts are payable within the next year on operating leases expiring:				
Within 1 year	5	10	–	10
Within 2 to 5 years	404	3	419	105
After more than 5 years	–	2	100	–
	<u>409</u>	<u>15</u>	<u>519</u>	<u>115</u>

The above lease obligations are analysed between Group companies as follows:

Company	130	–	130	–
Subsidiaries	279	15	389	115
	<u>409</u>	<u>15</u>	<u>519</u>	<u>115</u>

20 CALLED UP SHARE CAPITAL

	Number	2000 £'000	Number	1999 £'000
Authorised:				
Ordinary shares of 10p each at 31st December 2000	<u>60,000,000</u>	<u>6,000</u>	<u>40,000,000</u>	<u>4,000</u>
Allotted, issued and fully paid:				
Ordinary shares of 10p each at 1st January 2000	31,456,717	3,146	28,713,860	2,871
Issued as consideration for subsidiary	–	–	2,742,857	275
Issued for cash pursuant to subscription agreements entered into by Stanhope plc and Aurora Investments LLC	8,033,762	803	–	–
Stock options exercised	63,000	6	–	–
At 31st December 2000	<u>39,553,479</u>	<u>3,955</u>	<u>31,456,717</u>	<u>3,146</u>

At 31 December 2000 options granted under the Company's share option schemes were outstanding on a total of 963,500 ordinary shares as follows:

81,500	granted on 2 February 1996	at	34p
42,000	granted on 17 September 1997	at	20p
335,000	granted on 8 July 1998	at	72p
145,000	granted on 17 June 1999	at	33p
235,000	granted on 6 June 2000	at	60p
100,000	granted on 26 July 2000	at	64.5p
25,000	granted on 28 November 2000	at	33p

The options can be exercised between three and ten years from the date granted.

21 RESERVES

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
Group			
At 1st January 2000	1,196	(1,871)	607
Share premium arising on issue of shares	1,629	—	—
Loss for the year	—	—	(3,607)
At 31st December 2000	<u>2,825</u>	<u>(1,871)</u>	<u>(3,000)</u>
Company			
At 1st January 2000	1,196	—	52
Share premium arising on issue of shares	1,629	—	—
Loss for the year	—	—	(4,030)
At 31st December 2000	<u>2,825</u>	<u>—</u>	<u>(3,978)</u>

As permitted by Section 230 of the Companies Act 1985 a separate profit and loss account is not presented for PremiSys Technologies plc. The loss for the year of the parent undertaking was £4,030,000 (1999 – profit £491,000).

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
(Loss)/profit for the period	(3,607)	356
Net proceeds of issues of new share capital	2,438	1,029
	<u>(1,169)</u>	<u>1,385</u>
Opening shareholders' funds	3,078	1,693
Closing shareholders' funds	<u>1,909</u>	<u>3,078</u>

23 NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2000 £'000	1999 £'000
Operating (loss)/profit	(3,440)	631
Depreciation and amortisation charge	1,441	114
Loss on disposal of fixed assets	56	—
Movement in working capital:		
Stock	(252)	(148)
Debtors	(524)	(173)
Creditors	1,689	(409)
	<u>(1,030)</u>	<u>15</u>

NOTES TO THE ACCOUNTS

for the year ended 31st December 2000

24 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBTS

	2000 £'000	1999 £'000
Increase/(decrease) in cash in the period	479	(1,759)
Cash used to repay loans	233	—
Cash used to repay finance leases	33	18
Net debt included in acquisitions	—	(1,340)
Changes in net debt from cash flow	745	(3,081)
Other movements/non-cash items:		
New finance lease	(35)	—
Movement in net funds in the year	710	(3,081)
Net (debts)/funds at 31st December 1999	(2,351)	730
Net debt at 31st December 2000	(1,641)	(2,351)

	At 31st December 1999 £'000	Cash flows £'000	Other £'000	At 31st December 2000 £'000
Cash	84	479	—	563
Bank overdrafts	(1,062)	(81)	—	(1,143)
Debt, less than 1 year	(314)	34	—	(280)
Debt, more than 1 year	(1,026)	280	—	(746)
Finance Leases	(33)	33	(35)	(35)
	(2,351)	745	(35)	(1,641)

25 PENSION SCHEMES

Contributions are made in respect of certain members of staff to personal pension schemes. The total pension cost charged in the period in respect of these schemes was £359,000 (1999 – £133,000).

26 RELATED PARTY TRANSACTIONS

Under the terms of an agreement dated 12 March 1998, the Company's subsidiary Prime Estates Property Management Limited provides management services in respect of properties owned by Rotch Property Group Limited which, through its association with B & C Plaza Limited, is a substantial shareholder of PremiSys Technologies plc. During the year under review, turnover arising under the terms of this contract amounted to £1,073,000 (1999 – £1,013,000), and the net amount due to the Group from Rotch Property Group Limited in respect of this turnover at 31 December 2000 was £191,000 (1999 – £412,000).

During the year under review, the Company's subsidiary Whinney Mackay-Lewis Limited has provided services for Rotch Investments (Milton Keynes) Limited, a company which is associated with Rotch Property Group Limited, in respect of which fees were charged totalling £255,000. The net amount due to the Group in respect of this turnover at 31 December 1999 was £173,000.

The terms of the agreement for the merger with Prime Estates Holdings Limited included a guarantee from the vendors that the pre-tax profits of its subsidiary Prime Estates Property Management Limited would be not less than £55,000 for each of the five years ending 31 December 2002.

Payments are made to certain of the non-executive directors' personal companies or partnerships for their services as directors. Such payments totalled £52,500 in 2000 (1999 – £45,000) and are included in the amounts referred to in Note 4.

Stanhope Plc provide consultancy services to Asite Limited in development and management of their website.

27 CONTINGENT LIABILITY

The company has entered an unlimited guarantee to HSBC Bank plc. At 1 June 2001 the net amount so guaranteed was £2 million.

28 SUBSEQUENT EVENTS

On 20 March 2001 the Group disposed of Whinney Mackay-Lewis Limited to Woods Bagot UK Limited and five of the directors. £125,000 was paid in cash and there is deferred consideration, expected to be £375,000.

In June 2001 the Group exchanged contracts to dispose of Foremans Limited to Barry Shaw and Richard Kennedy. £1,200,000 will be paid in cash. In addition the subsidiary will assume approximately £500,000 of overdraft and £300,000 of loan note liabilities.