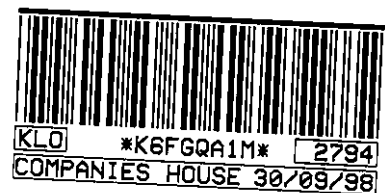


ACCOUNTS

DIAGONAL COMPUTER SERVICES LIMITED

Company No : 2304655

30 November 1997



The directors present their report and the audited accounts for the 53 weeks ended 30 November 1997.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of professional services in Information Technology to computer users.

REVIEW OF THE BUSINESS

Excellent growth in the SAP Division accounted for a healthy increase in profitability. Comparisons with the previous year are distorted by the decision to transfer the contractor element of Information Systems Division to our sister company, Marshall-Wilkins. The Projects Division had a disappointing first half-year due to the postponement of new contracts by a major client pending an outsourcing contract with a third party. The second half improved rapidly once the contract had been signed.

Prospects for next year are very good and we expect another period of strong growth.

RESULTS AND DIVIDENDS

Details of the results are set out on page 4 and the movements in reserves are shown in note 14 on page 11. The directors recommend the payment of a dividend of £1,350,000 (1996 - £750,000).

DIRECTORS

The directors who served during the period and the beneficial interests of those serving at the end of the period in the shares of the parent company, DIAGONAL PLC, were as follows:

		10p Ordinary shares	
		30 November 1997	24 November 1996
D. M. Beresford		13,750	13,750
Ms. C. Chittock		8,000	8,000
R. E. L. Cocks		70,000	70,000
D. P. Fidgeon		163,833	163,833
D. N. Ingram	(appointed 20 July 1998)		
I. Mainprize		40,000	50,000
W. J. Thornborough	(appointed 1 December 1996)	10,833	
R. F. Wilkins	(appointed 1 December 1996)	167,542	

Messrs. C. D. Burnside, B. D. Churcher and M. T. Samuels, who also served throughout the period, are directors of the parent company and their interests in the shares of that company are disclosed in the accounts of DIAGONAL PLC.

No director has any interest in the shares of the company or any other subsidiary.

CREDITOR PAYMENT POLICY

It is the company's policy to pay contract staff three working days following receipt of valid invoices supported by authorised timesheets. All other creditors for goods and services are normally paid within 30 days of receipt of invoice. Since the company's trade creditors include a number of intra-group transaction balances and an increasing proportion of the company's purchases are handled by the company's holding company, it is considered by the directors that a calculation of creditor days would be misleading and is therefore omitted.

By order of the board

R. E. L. Cocks

Secretary



30 September 1998

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- 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 company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

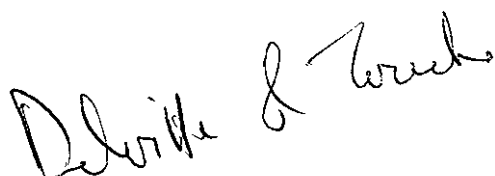
BASIS OF OPINION

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 30 November 1997 and its profit for the 53 weeks 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

30 September 1998

PROFIT AND LOSS ACCOUNT
53 weeks ended 30 November 1997

DIAGONAL

	<i>Note</i>	<i>53 weeks ended 30 November 1997</i>	<i>52 weeks ended 24 November 1996</i>
TURNOVER	1(a)	17,790,873	14,125,494
COST OF SALES		<u>(11,760,376)</u>	<u>(9,957,311)</u>
GROSS PROFIT		6,030,497	4,168,183
ADMINISTRATIVE EXPENSES		<u>(3,415,289)</u>	<u>(2,692,692)</u>
		2,615,208	1,475,491
AMOUNT WRITTEN OFF GOODWILL	8	<u>(71,500)</u>	<u>(71,500)</u>
OPERATING PROFIT	2	2,543,708	1,403,991
Interest receivable	5	-	1,698
Interest payable and similar charges	6	<u>(112,335)</u>	<u>(153,640)</u>
		<u>(112,335)</u>	<u>(151,942)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,431,373	1,252,049
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	<u>(816,396)</u>	<u>(442,305)</u>
PROFIT FOR THE PERIOD		1,614,977	809,744
EQUITY DIVIDENDS PAYABLE		<u>(1,350,000)</u>	<u>(750,000)</u>
RETAINED PROFIT FOR THE FINANCIAL PERIOD	14	<u><u>£264,977</u></u>	<u><u>£59,744</u></u>

All activities derive from continuing operations.

There are no recognised gains or losses other than the profit for the current and preceding financial periods. Accordingly, no statement of total recognised gains and losses is given.

There are no movements in shareholders' funds other than the profit for the current and preceding financial periods. Accordingly, no reconciliation of movement in shareholders' funds is given.

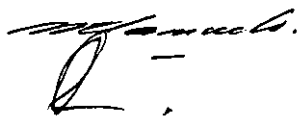
BALANCE SHEET
30 November 1997

DIAGONAL

	Note	30 November 1997	24 November 1996
FIXED ASSETS			
Intangible assets	8	929,500	1,001,000
Tangible assets	9	<u>1,878,392</u>	<u>1,237,779</u>
		2,807,892	2,238,779
CURRENT ASSETS			
Debtors	10	5,512,731	3,998,405
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
	11	<u>(5,181,285)</u>	<u>(4,008,484)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>331,446</u>	<u>(10,079)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		3,139,338	2,228,700
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	12	<u>(2,783,776)</u>	<u>(2,138,115)</u>
		<u><u>£355,562</u></u>	<u><u>£90,585</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Profit and loss account	14	<u>355,560</u>	<u>90,583</u>
EQUITY SHAREHOLDERS' FUNDS		<u><u>£355,562</u></u>	<u><u>£90,585</u></u>

APPROVED BY THE BOARD OF DIRECTORS

M. T. Samuels



R. E. L. Cocks

30 September 1998

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with applicable Accounting Standards, using the historical cost convention. The particular accounting policies which the directors have adopted within that convention are set out below.

a) Turnover

Turnover is the amount derived from the provision of services falling within the company's ordinary activities after deduction of value added tax.

b) Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost of fixed assets to their estimated residual values over the period of their estimated useful economic lives. The following rates have been used:

Motor vehicles	- 30% per annum reducing balance
Furniture, fixtures & fittings	- 15% per annum straight line
Office equipment	- 20% per annum straight line
Computer equipment	- 25% per annum straight line.

c) Goodwill

Goodwill arising on the acquisition of other group companies' businesses is being amortised over the estimated useful economic life through the profit and loss account. Useful economic life is determined by the directors as twenty years.

d) Leased assets

Fixed assets held under finance leases, including hire purchase, are capitalised and depreciated over their expected useful economic lives. The finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding. The costs of operating leases are charged to the profit and loss account as they accrue.

e) Deferred taxation

Deferred tax is provided at anticipated tax rates in respect of significant timing differences to the extent that it is probable that such tax will become payable.

f) Pension costs

Contributions are made towards personal pension plans of certain senior officials. The pension cost represents the company's contributions made in respect of the accounting period.

g) Cash flow

The company is exempt from preparing a cash flow statement under FRS1 because a consolidated cash flow statement is prepared in the parent company's accounts.

2. OPERATING PROFIT

53 weeks ended 30 November 1997 52 weeks ended 24 November 1996

The operating profit is arrived at after charging

		£
Amounts written off intangible assets	71,500	71,500
Depreciation		
- owned assets	144,559	78,405
- leased assets	391,222	294,290
Profit on sales of fixed assets	(20,165)	(16,161)
Auditors' remuneration	12,000	11,000
Operating lease charges		
- property	54,606	116,308
- hire of machinery	8,032	7,489

3. EMPLOYEES

53 weeks ended 30 November 1997 52 weeks ended 24 November 1996

The average number employed by the company during the period, including those directors whose employment costs were borne by the company, was as follows

	<i>No. of employees</i>	
Operating	133	96
Sales	7	11
Administration	17	15
	<u>157</u>	<u>122</u>

The costs incurred in respect of these employees were as follows

Wages and salaries	9,149,496	6,102,106
Social security costs	980,476	640,890
Other pension costs	39,333	32,439
Compensation payments & other redundancy costs	6,580	13,842
	<u>£10,175,885</u>	<u>£6,789,277</u>

4. DIRECTORS

	<i>53 weeks ended 30 November 1997</i>	<i>52 weeks ended 24 November 1996</i>
Aggregate remuneration, excluding pension contributions, of those directors whose emoluments were borne by the company	<u>£807,945</u>	<u>£607,341</u>
Contributions paid in respect of money purchase pension schemes	<u>£24,600</u>	<u>£16,800</u>
Numbers of directors who were members of a money purchase scheme	<u>two</u>	<u>two</u>
Highest paid director		
Emoluments excluding pension contributions	<u>£155,595</u>	<u>£140,414</u>
Contribution paid in respect of a money purchase pension scheme	<u>£9,600</u>	<u>£8,400</u>

5. INTEREST RECEIVABLE

	<i>53 weeks ended 30 November 1997</i>	<i>52 weeks ended 24 November 1996</i>
Bank interest	<u>£-</u>	<u>£1,698</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>53 weeks ended 30 November 1997</i>	<i>52 weeks ended 24 November 1996</i>
Group interest in respect of bank overdraft repayable within five years	78,000	115,811
Finance lease charges	34,202	37,829
Other interest	133	-
	<u>£112,335</u>	<u>£153,640</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>53 weeks ended 30 November 1997</i>	<i>52 weeks ended 24 November 1996</i>
Corporation tax at 31.67% (1996 - 33%)	751,669	463,576
Group relief	58,641	-
Under/(over) provision in prior years	<u>6,086</u>	<u>(21,271)</u>
	<u>£816,396</u>	<u>£442,305</u>

The tax charge is disproportionate due to the amortisation of goodwill.

8. INTANGIBLE FIXED ASSETS

Goodwill arising on acquisition of trades

	<i>Diagonal Plc</i>	<i>Strand Computer Systems</i>	<i>Total</i>
Cost			
At 24 November 1996 and 30 November 1997	1,200,000	230,000	1,430,000
Amortisation			
At 24 November 1996	360,000	69,000	429,000
Provided in the period	60,000	11,500	71,500
At 30 November 1997	420,000	80,500	500,500
Net book value			
At 30 November 1997	£780,000	149,500	£929,500
At 24 November 1996	£840,000	161,000	£1,001,000

9. TANGIBLE FIXED ASSETS

	<i>Motor vehicles</i>	<i>Furniture, fixtures and fittings</i>	<i>Office equipment</i>	<i>Computer equipment</i>	<i>Total</i>
Cost					
At 24 November 1996	1,463,069	85,829	66,720	365,708	1,981,326
Additions	977,180	533	3,903	301,291	1,282,907
Disposals	(274,910)	-	(263)	-	(275,173)
Transfers in	-	-	-	13,960	13,960
At 30 November 1997	2,165,339	86,362	70,360	680,959	3,003,020
Depreciation					
At 24 November 1996	509,749	61,458	35,738	136,602	743,547
Charge for the period	395,669	5,552	8,232	126,328	535,781
Disposals	(165,247)	-	(105)	-	(165,352)
Transfers in	-	-	-	10,652	10,652
At 30 November 1997	740,171	67,010	43,865	273,582	1,124,628
Net book value					
At 30 November 1997	£1,425,168	19,352	26,495	407,377	£1,878,392
At 24 November 1996	£953,320	24,371	30,982	229,106	£1,237,779
Net book value of assets held under finance leases					
At 30 November 1997	£1,379,680	-	-	2,558	£1,382,238
At 24 November 1996	£920,253	-	-	10,235	£930,488

10. DEBTORS

	30 November 1997	24 November 1996
Amounts owed by group companies	208,213	87,324
Trade debtors	5,139,765	3,853,210
Other debtors	6,479	9,035
Prepayments and accrued income	158,274	48,836
	<u>£5,512,731</u>	<u>£3,998,405</u>

11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 November 1997	24 November 1996
Bank overdraft	4,949	49,962
Trade creditors	784,612	779,918
Amounts owed to group companies	393,578	77,346
Other creditors	100,706	582,451
Corporation tax payable	666,819	377,855
Group relief payable	149,648	85,722
Other taxation and social security	686,957	612,095
Obligations under finance leases	490,137	341,006
Dividends payable	1,350,000	750,000
Accruals and deferred income	553,879	352,129
	<u>£5,181,285</u>	<u>£4,008,484</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

**12. CREDITORS - AMOUNTS FALLING DUE AFTER
MORE THAN ONE YEAR**

	30 November 1997	24 November 1996
Amount owed to parent company	2,250,000	1,800,000
Obligations under finance leases	533,776	338,115
	<u>£2,783,776</u>	<u>£2,138,115</u>

Obligations under finance leases fall due as follows:

Between one and two years	368,138	241,068
Between two and five years	165,638	97,047
	<u>£533,776</u>	<u>£338,115</u>

13. SHARE CAPITAL

	30 November 1997	24 November 1996
Authorised		
1,000 ordinary shares of £1 each	<u>£1,000</u>	<u>£1,000</u>
Allotted and fully paid		
2 ordinary shares of £1 each	<u>£2</u>	<u>£2</u>

14. PROFIT AND LOSS ACCOUNT

Balance at 24 November 1996	90,583
Retained profit for the financial period	<u>264,977</u>
Balance at 30 November 1997	<u><u>£355,560</u></u>

Since the company commenced trading on 1 December 1991, cumulative dividends have been paid to the parent company amounting to £2,765,000 and cumulative provisions have been made for the amortisation of goodwill arising on the acquisition of trades amounting to £500,500 (1996 - £429,000) - see note 8.

15. RELATED PARTY TRANSACTIONS

The company is taking advantage of the exemption granted by paragraph 3.(b) of Financial Reporting Standard No.8, 'Related Party Transactions', not to disclose transactions with group companies which are related parties.

16. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of DIAGONAL PLC, a company registered in England and Wales, the accounts of which can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, Wales, CF4 3UZ.

17. FINANCIAL COMMITMENTS

a) Capital

At 30 November 1997 the company had contracted to purchase tangible assets costing £217,370 (24 November 1996 - £158,614) which are not included in these accounts.

b) Operating leases

At the period end the company had annual commitments under non-cancellable operating leases as set out below.

	<u>30 November 1997</u>		<u>24 November 1996</u>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
Operating leases which expire				
- within one year	16,637	-	18,941	6,237
- in the second to fifth year	-	276	-	685
- over five years	-	-	41,552	-
	<u>£16,637</u>	<u>£276</u>	<u>£60,493</u>	<u>£6,922</u>

18. CONTINGENT LIABILITIES

Cross-guarantee

The company has issued a guarantee in favour of National Westminster Bank PLC in respect of the indebtedness of the parent company and other subsidiaries to the bank. At 30 November 1997 the contingent liability amounted to £nil (24 November 1996 - £240,554).