

## **ACCOUNTS**

# **DIAGONAL COMPUTER SERVICES LIMITED**

Company No: 2304655

1 December 2000



## REPORT OF THE DIRECTORS

The Directors present their report and the audited accounts for the 53 weeks ended 1 December 2000.

### PRINCIPAL ACTIVITY

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

### REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

On 26 August 2000 the activities of the Projects Division were transferred out of the company to Diagonal Consulting Services Limited. The Directors look forward to growth of the business which is now focussed on SAP consultancy and related services.

### RESULTS AND DIVIDENDS

Details of the results are set out on page 5 and the movements in reserves are shown in note 14 on page 11. The Directors do not recommend the payment of a dividend (1999 – £nil)

### 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.

		<i>10p Ordinary Shares</i>	
		<i>1 December</i>	<i>28 November</i>
		<i>2000</i>	<i>1999</i>
R E L Cocks		247,000	264,000
D N Ingram		594,736	582,756
I Mainprize	(resigned 2 January 2001)	74,000	74,000
M C Slade		-	-
W J Thornborough	(resigned 10 July 2000)	14,180	-

C Burnside (resigned 13 April 2000), B D Churcher (resigned 8 December 2000), D M Beresford (resigned 25 August 2000), C Chittock, M T Samuels, G M Creswick (appointed 9 October 2000) and A T F Hunter (appointed 9 October 2000) who also served during 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.

The share options held at 1 December 2000 and at the date of this Report, were as follows

	<i>1997 options</i>	<i>1998 options</i>	<i>1999 options</i>	<i>Exercise</i>	<i>Expiry</i>
	<i>at 68.75p</i>	<i>held at 191p</i>	<i>held at 241.25p</i>	<i>date</i>	<i>date</i>
	<i>per share</i>	<i>per share</i>	<i>per share</i>		
R E L Cocks	25,088	-	-	April 2002	October 2002
M C Slade	-	3,612	-	April 2003	October 2003
M C Slade	-	-	1,396	April 2004	October 2004

During the year D N Ingram and W J Thornborough exercised 14,180 options each at 68.75p.

The mid-market price of the shares at 1 December 2000 was £2.15 and the range during the year was £2.03 to £11.25.

No Director has any interest in the shares of the Company or any other subsidiary of Diagonal PLC.

### 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 parent company, it is considered by the Directors that a calculation of creditor days would be misleading and it is therefore omitted.

## EMPLOYEE INVOLVEMENT

Shared commitment by all employees to the success of the business is of fundamental importance to the Group. Information is disseminated both informally and formally by means of internal memoranda and the regular in-house news magazine.

Employees are encouraged to participate in the progress of the Group by means of a variety of tailored bonus schemes and through the savings-related share option scheme.

## AUDITORS

A resolution for the re-appointment of Deloitte & Touche as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the board

I Farrelly  
Secretary

10 May 2001

## AUDITORS' REPORT TO THE MEMBERS OF DIAGONAL COMPUTER SERVICES LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 the Company's Directors are responsible for the preparation of 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.

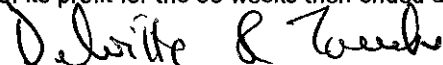
### BASIS OF OPINION

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, 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 as at 1 December 2000 and of 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

11 May 2001

## 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 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# PROFIT AND LOSS ACCOUNT

53 weeks ended 1 December 2000

	Note	53 weeks ended 1 December 2000 £	52 weeks ended 28 November 1999 £
<b>TURNOVER</b>			
Continuing operations		27,985,489	30,592,486
Discontinued operations		3,817,477	6,475,926
<b>Total turnover</b>	1(a)	31,802,966	37,068,412
<b>COST OF SALES</b>			
Continuing operations		19,507,750	20,016,991
Discontinued operations		3,040,333	5,047,165
<b>Total cost of sales</b>		(22,548,083)	(25,064,156)
<b>GROSS PROFIT</b>			
Continuing operations		8,477,739	10,575,495
Discontinued operations		777,144	1,428,761
<b>Total gross profit</b>		9,254,883	12,004,256
<b>ADMINISTRATIVE EXPENSES</b>			
Other administrative expenses		(5,628,946)	(5,898,141)
Amortisation of goodwill		(171,500)	(71,500)
Continuing operations		5,134,760	5,183,165
Discontinued operations		665,686	786,476
<b>Total administrative expenses</b>		(5,800,446)	(5,969,641)
<b>OPERATING PROFIT</b>			
Continuing operations		3,342,979	5,392,330
Discontinued operations		111,458	642,285
<b>Total operating profit</b>	2	3,454,437	6,034,615
Interest receivable	5	-	3,097
Interest payable and similar charges	6	(214,502)	(254,287)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3,239,935	5,783,425
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	7	(1,009,031)	(1,845,156)
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>	14	2,230,904	3,938,269

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 of shareholders' funds is given.

# BALANCE SHEET

1 December 2000

	Note	1 December 2000 £	28 November 1999 £
<b>FIXED ASSETS</b>			
Intangible assets	8	915,000	786,500
Tangible assets	9	810,551	2,462,209
		<u>1,725,551</u>	<u>3,248,709</u>
<b>CURRENT ASSETS</b>			
Debtors	10	11,524,004	13,240,444
Cash at bank and in hand		831,972	57,820
		<u>12,355,976</u>	<u>13,298,264</u>
<b>CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	<u>(7,113,252)</u>	<u>(11,182,255)</u>
<b>NET CURRENT ASSETS</b>		<u>5,242,724</u>	<u>2,116,009</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>6,968,275</u>	<u>5,364,718</u>
<b>CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12	<u>-</u>	<u>(627,347)</u>
<b>NET ASSETS</b>		<u>6,968,275</u>	<u>4,737,371</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	2	2
Profit and loss account	14	6,968,273	4,737,369
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>6,968,275</u>	<u>4,737,371</u>

APPROVED BY THE BOARD OF DIRECTORS

  
A F T Hunter

10 May 2001

# NOTES TO THE ACCOUNTS

1 December 2000

## 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. All turnover originates in the United Kingdom.

### b) Foreign currency transactions

Transactions in foreign currencies are translated at the rate of exchange on the date of the transaction. Assets and liabilities in foreign currencies are translated at the balance sheet date. Exchange differences are taken to the profit and loss account.

### c) 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 and fittings	- 15% per annum straight line
Office equipment	- 20% per annum straight line
Computer equipment	- 25% per annum straight line.

### d) 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.

### e) Leased assets

Fixed assets held under finance leases, including hire purchase contracts, 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.

### f) 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.

### g) Pensions 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.

## 2. OPERATING PROFIT

		53 weeks ended 1 December 2000 £	52 weeks ended 28 November 1999 £
The operating profit is arrived at after charging			
Amortisation of intangible assets		171,500	71,500
Depreciation	- owned assets	273,653	237,338
	- leased assets	327,175	703,289
Loss on sale of fixed assets		60,548	8,957
Auditors' remuneration	- audit	20,000	18,500
Operating lease charges	- hire of machinery	9,485	14,673
Losses on foreign exchange		9,178	1,361



## NOTES TO THE ACCOUNTS

1 December 2000

### 3. EMPLOYEES

53 weeks ended  
1 December  
2000

52 weeks ended  
28 November  
1999

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

	No. of employees	
Operating	225	236
Sales and administration	45	30
	<u>270</u>	<u>266</u>
	£	£

The costs incurred in respect of these employees were as follows

Wages and salaries	16,956,835	17,311,154
Social security costs	2,075,232	2,086,707
Other pension costs	64,792	20,800
Compensation payments and other redundancy costs	136,656	58,536
	<u>19,233,515</u>	<u>19,477,197</u>

### 4. DIRECTORS

53 weeks ended  
1 December  
2000

52 weeks ended  
28 November  
1999

£

£

Aggregate remuneration, excluding pension contributions of those Directors whose emoluments were borne by the Company

599,841

738,935

Contributions paid in respect of money purchase pension schemes

32,250

5,000

Numbers of Directors who were members of a money purchase scheme

three

one

Highest paid Director  
Emoluments excluding pension contributions

169,157

116,958

Contribution paid in respect of a money purchase pension scheme

19,167

-

### 5. INTEREST RECEIVABLE

53 weeks ended  
1 December  
2000

52 weeks ended  
28 November  
1999

£

£

Sundry interest receivable

-

3,097

# NOTES TO THE ACCOUNTS

1 December 2000

## 6. INTEREST PAYABLE AND SIMILAR CHARGES

	53 weeks ended 1 December 2000 £	52 weeks ended 28 November 1999 £
Group interest in respect of bank overdraft	180,000	192,000
Finance lease charges	34,205	61,779
Other interest	297	508
	<u>214,502</u>	<u>254,287</u>

## 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	53 weeks ended 1 December 2000 £	52 weeks ended 28 November 1999 £
UK corporation tax at 30% (1999 – 30% and 31%)	1,063,339	1,848,470
Group relief	-	95,147
(Over) provision in prior years	(54,308)	(98,461)
	<u>1,009,031</u>	<u>1,845,156</u>

## 8. INTANGIBLE FIXED ASSETS

Goodwill arising on acquisition of trades

	Datel £	Diagonal PLC £	Strand Computer Systems £	Total £
<b>Cost</b>				
At 29 November 1999	-	1,200,000	230,000	1,430,000
Acquisitions	300,000	-	-	300,000
	<u>300,000</u>	<u>1,200,000</u>	<u>230,000</u>	<u>1,730,000</u>
At 1 December 2000	300,000	1,200,000	230,000	1,730,000
<b>Amortisation</b>				
At 29 November 1999	-	540,000	103,500	643,500
Provided in the period	100,000	60,000	11,500	171,500
	<u>100,000</u>	<u>600,000</u>	<u>115,000</u>	<u>815,000</u>
At 1 December 2000	100,000	600,000	115,000	815,000
<b>Net book value</b>				
At 1 December 2000	<u>200,000</u>	<u>600,000</u>	<u>115,000</u>	<u>915,000</u>
At 28 November 1999	-	660,000	126,500	786,500

On 1 June 2000 part of the Datel SAP business was acquired for £300,000. The nature of this business is substantially the same as the existing activities of Diagonal Computer Services Limited.

# NOTES TO THE ACCOUNTS

1 December 2000

## 9. TANGIBLE FIXED ASSETS

	Motor vehicles £	Furniture, fixtures and fittings £	Office equipment £	Computer equipment £	Total £
<b>Cost</b>					
At 28 November 1999	3,202,274	34,274	56,047	1,073,986	4,366,581
Additions	557,730	-	-	623,023	1,180,753
Disposals	(3,509,040)	-	-	-	(3,509,040)
Intercompany transfers	(250,964)	-	(15,344)	(172,420)	(438,728)
At 1 December 2000	-	34,274	40,703	1,524,589	1,599,566
<b>Depreciation</b>					
At 28 November 1999	1,235,624	25,331	37,383	606,034	1,904,372
Charge for the period	327,175	5,141	7,956	260,556	600,828
Disposals	(1,421,943)	-	-	-	(1,421,943)
Intercompany transfers	(140,856)	-	(12,512)	(140,874)	(294,242)
At 1 December 2000	-	30,472	32,827	725,716	789,015
<b>Net book value</b>					
At 1 December 2000	-	3,802	7,876	798,873	810,551
At 28 November 1999	1,966,650	8,943	18,664	467,952	2,462,209
<b>Net book value of assets held under finance leases</b>					
At 1 December 2000	-	-	-	-	-
At 28 November 1999	1,966,650	-	-	-	1,966,650

## 10. DEBTORS

	1 December 2000 £	28 November 1999 £
Trade debtors	9,673,803	11,172,127
Amounts owed by Group companies	1,767,926	2,025,591
Other debtors	45,442	20,500
Prepayments and accrued income	36,833	22,226
	<u>11,524,004</u>	<u>13,240,444</u>

# NOTES TO THE ACCOUNTS

1 December 2000

11. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	1 December 2000	28 November 1999
	£	£
Obligations under finance leases	-	777,005
Trade creditors	273,192	462,121
Amounts owed to Group companies	2,349,481	6,056,456
Corporation tax payable	1,027,752	1,345,260
Group relief payable	-	95,147
Other taxation and social security	1,395,215	1,387,038
Payments on account	535,388	-
Other creditors	227,080	138,710
Accruals and deferred income	1,305,144	920,518
	<u>7,113,252</u>	<u>11,182,255</u>
12. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1 December 2000	28 November 1999
	£	£
Obligations under finance leases	-	627,347
	<u>-</u>	<u>627,347</u>
Obligations under finance leases fall due as follows		
Between one and two years	-	473,475
Between two and five years	-	153,872
	<u>-</u>	<u>627,347</u>
13. CALLED UP SHARE CAPITAL	1 December 2000	28 November 1999
	£	£
Authorised		
1,000 Ordinary shares at £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
2 Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>
14. PROFIT AND LOSS ACCOUNT		£
Balance at 28 November 1999		4,737,369
Retained profit for the financial period		2,230,904
		<u>6,968,273</u>
Balance at 1 December 2000		

Since the Company commenced trading on 1 December 1991, cumulative dividends have been paid to the parent company amounting to £5,765,000 and cumulative provisions have been made for the amortisation of goodwill arising on the acquisition of trades amounting to £815,000 (1999 - £643,500) – see note 8.

## NOTES TO THE ACCOUNTS

1 December 2000

### 15. RELATED PARTY TRANSACTIONS

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

### 16. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent company and controlling party is 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, CF14 3UZ.

### 17. FINANCIAL COMMITMENTS

#### a) Capital

At 1 December 2000 the Company had contracted to purchase tangible fixed assets costing £186,829 (28 November 1999 - £245,354) 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

	<i>Other</i> <i>1 December</i> <i>2000</i> £	<i>Other</i> <i>28 November</i> <i>1999</i> £
Operating leases which expire in the second to fifth year	12,577	29,735
	<u>12,577</u>	<u>29,735</u>