

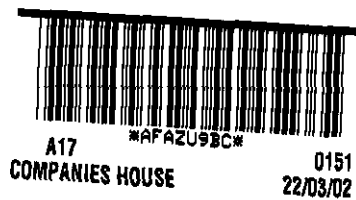
SNOWDROP SYSTEMS LIMITED

FINANCIAL STATEMENTS

FOR

31 DECEMBER 2001

Company Registration Number 2649780



SNOWDROP SYSTEMS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr ML Richards
Mr TJ Tobin

Company secretary

ML Richards

Registered office

Dunraven House
Meadow Court
High Street
Witney
Oxfordshire
OX8 6LP

Auditors

Hurst Morrison Thomson
Chartered Accountants
& Registered Auditors
5 Fairmile
Henley-on-Thames
Oxfordshire
RG9 2JR

SNOWDROP SYSTEMS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2001

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was computer consultancy, software development and training. The whole of turnover is attributable to this continuing activity.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		At	
	Class of share	31 December 2001	At 1 January 2001
Mr ML Richards	Ordinary	18,500	18,750
	Preference	60,000	60,000
Mr TJ Tobin	Ordinary	<u>2,000</u>	<u>1,750</u>

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 7 to 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to re-appoint Hurst Morrison Thomson as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

SNOWDROP SYSTEMS LIMITED

THE DIRECTORS' REPORT *(continued)*

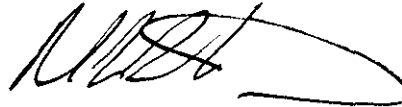
YEAR ENDED 31 DECEMBER 2001

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office:
Dunraven House
Meadow Court
High Street
Witney
Oxfordshire
OX8 6LP

Signed by order of the directors



ML Richards
Company Secretary

Approved by the directors on 15th March 2002

Hurst Morrison Thomson

Chartered Accountants

5 Fairmile
Henley-on-Thames
Oxfordshire
RG9 2JR

SNOWDROP SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2001

Tel: 01491 579866

Fax: 01491 573397

Email: hmt@hmtgroup.co.uk

Direct Line:

We have audited the financial statements on pages 5 to 12 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and the accounting policies set out on pages 7 to 8.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT 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 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 December 2001 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

5 Fairmile
Henley-on-Thames
Oxfordshire
RG9 2JR

15 March 2002


HURST MORRISON THOMSON
Chartered Accountants
& Registered Auditors

Partners: A list of partners' names is available for inspection at the above address, the partnership's principal place of business.

Registered Auditors

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment & insolvency business.

Associated Firms: HMT Consultants Ltd • The Employee Benefits Corporation Ltd

SNOWDROP SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2001

	Note	2001 £	2000 £
TURNOVER		2,780,235	2,204,622
Cost of sales		<u>154,973</u>	-
GROSS PROFIT		2,625,262	2,204,622
Administrative expenses		<u>2,330,308</u>	2,042,485
OPERATING PROFIT	2	294,954	162,137
Interest payable		<u>15,523</u>	12,729
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		279,431	149,408
Tax on profit on ordinary activities	4	<u>(58,734)</u>	(22,200)
RETAINED PROFIT FOR THE FINANCIAL YEAR		£220,697	£127,208
Balance brought forward		<u>129,616</u>	2,408
Balance carried forward		<u>£350,313</u>	<u>£129,616</u>

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 8 to 13 form part of these financial statements.

SNOWDROP SYSTEMS LIMITED

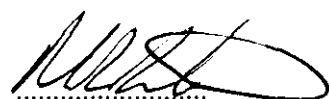
BALANCE SHEET

31 DECEMBER 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Intangible assets	5	13,345	36,220
Tangible assets	6	130,752	131,435
		<u>144,097</u>	<u>167,655</u>
CURRENT ASSETS			
Stocks	7	83,685	217,259
Debtors	8	763,987	537,793
Cash at bank and in hand		115,319	100
		<u>962,991</u>	<u>755,152</u>
CREDITORS: Amounts falling due within one year	9	(664,530)	(690,282)
NET CURRENT ASSETS		<u>298,461</u>	<u>64,870</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>442,558</u>	<u>232,525</u>
CREDITORS: Amounts falling due after more than one year	10	-	(10,664)
		<u>442,558</u>	<u>221,861</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	12	(7,245)	(7,245)
		<u>£435,313</u>	<u>£214,616</u>
CAPITAL AND RESERVES			
Called-up share capital	14	85,000	85,000
Profit and Loss Account		350,313	129,616
		<u>£435,313</u>	<u>£214,616</u>
SHAREHOLDERS' FUNDS (including non-equity interests)		<u>£435,313</u>	<u>£214,616</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective March 2000).

These financial statements were approved by the directors on the 15th March 2002 and are signed on their behalf by:


Mr ML Richards


Mr N Tobin

The notes on pages 8 to 13 form part of these financial statements.

SNOWDROP SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Software development - in line with expected sales

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	-	15% reducing balance
Motor Vehicles	-	25% reducing balance
Computer Equipment	-	30% reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

SNOWDROP SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

1. ACCOUNTING POLICIES *(continued)*

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the Profit and Loss Account.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Software development

Development costs incurred on specific new software programmes are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with expected sales. All other development costs are written off during the year of expenditure

2. OPERATING PROFIT

Operating profit is stated after charging:

	2001	2000
	£	£
Amortisation	22,875	22,875
Depreciation	31,085	22,943
Loss on disposal of fixed assets	-	2,903
Auditors' fees	3,000	3,000

SNOWDROP SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

3. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2001 £	2000 £
Aggregate emoluments	<u>153,999</u>	<u>106,192</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	2001 No.	2000 No.
Money purchase schemes	<u>2</u>	<u>2</u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
In respect of the year:		
Corporation Tax based on the results for the year at 20% (2000 - 20%)	59,000	22,200
Adjustment in respect of previous years:		
Corporation Tax	(266)	-
	<u>£58,734</u>	<u>£22,200</u>

5. INTANGIBLE FIXED ASSETS

	Software development expenditure £
COST	
At 1 January 2001 and 31 December 2001	<u>122,000</u>
AMORTISATION	
At 1 January 2001	85,780
Charge for the year	22,875
At 31 December 2001	<u>108,655</u>
NET BOOK VALUE	
At 31 December 2001	<u>13,345</u>
At 31 December 2000	<u>36,220</u>

SNOWDROP SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

6. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Motor Vehicles £	Computer equipment £	Total £
COST				
At 1 January 2001	93,257	18,120	143,241	254,618
Additions	852	-	29,550	30,402
At 31 December 2001	94,109	18,120	172,791	285,020
DEPRECIATION				
At 1 January 2001	33,428	7,307	82,448	123,183
Charge for the year	6,540	2,460	22,085	31,085
At 31 December 2001	39,968	9,767	104,533	154,268
NET BOOK VALUE				
At 31 December 2001	54,141	8,353	68,258	130,752
At 31 December 2000	59,829	10,813	60,793	131,435

7. STOCKS

	2001 £	2000 £
Work in progress	78,807	212,381
Finished goods	4,878	4,878
	£83,685	£217,259

8. DEBTORS

	2001 £	2000 £
Trade debtors	717,979	463,706
Other debtors	10,823	16,329
Prepayments and accrued income	35,185	57,758
	£763,987	£537,793

9. CREDITORS: Amounts falling due within one year

	2001 £	2000 £
Bank loans and overdrafts	-	188,225
Trade creditors	107,990	63,763
Other creditors	246,239	188,047
Accruals and deferred income	310,301	250,247
	£664,530	£690,282

SNOWDROP SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

9. CREDITORS: Amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2001	2000
	£	£
Bank loans and overdrafts	-	188,225

10. CREDITORS: Amounts falling due after more than one year

	2001	2000
	£	£
Bank loans and overdrafts	-	10,664

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2001	2000
	£	£
Bank loans and overdrafts	-	10,664

11. PENSIONS

The company has operated a defined contribution scheme during the year. There were no prepaid or accrued contributions as at 31 December 2000 (1999- £Nil).

12. DEFERRED TAXATION

The balance of the deferred taxation provision throughout the year was £7,245.

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2001	2000
	£	£
Excess of taxation allowances over depreciation on fixed assets	7,245	7,245

13. RELATED PARTY TRANSACTIONS

The company was under the control of Mr ML Richards throughout the current and previous year. Mr ML Richards is the managing director and majority shareholder.

Management fees of £69,250 (2000- £89,850) were paid in the period to Snowdrop Systems Partnership, a company in which Mr ML Richards is a partner. Consultancy fees of £6,000 (2000- £Nil) were paid in the period to Explore HR, a consultancy of which Mr ML Richards is a proprietor.

SNOWDROP SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

14. SHARE CAPITAL

Authorised share capital:

	2001 £	2000 £
100,000 Ordinary shares of £1.00 each	100,000	100,000
60,000 Preference shares of £1.00 each	60,000	60,000
	<u>£160,000</u>	<u>£160,000</u>

Allotted, called up and fully paid:

	2001		2000	
	No.	£	No.	£
Ordinary shares	25,000	25,000	25,000	25,000
Preference shares	60,000	60,000	60,000	60,000
	<u>£85,000</u>	<u>£85,000</u>	<u>£85,000</u>	<u>£85,000</u>

15. CONTINGENCIES

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 December 2001.

16. CAPITAL COMMITMENTS

The directors have confirmed that there were no capital commitments at 31 December 2001.