

Report and Financial Statements

MFT Computer Holdings Limited

Company No: 2908585

30th June 2005



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Directors' Report

The Directors present their report and the audited financial statements for the 1 month ended 30 June 2005.

Principal Activity and Review of the Business

The principal activity of the Company, which is a wholly owned subsidiary of Diagonal Limited (formerly Diagonal Plc), is that of a holding company, holding investments in an IT consultancy company. Diagonal Limited is a wholly owned subsidiary of Morse plc. The Company's only trade during the period was to hold an investment in its wholly owned subsidiary. The Directors expect this to continue for the foreseeable future.

Results and Dividends

Details of the results are set out on page 3. The Directors do not recommend the payment of a dividend (May 2005: £nil).

Directors

The Directors who served during the period were as follows:

D Beresford
L Cameron
S Cruickshank (appointed 14 July 2005)
C Burnside
G Hodges

The beneficial interests of those serving at the end of the period in the shares and share options of the ultimate parent company are shown below. No director had any interest in the share capital of any other group company.

Shares

	As at 30 June 2005	As at 31 May 2005
D Beresford	15,831	15,831
L Cameron	-	-
C Burnside	285,382	285,382
G Hodges	2,586	2,586

Save-As-You-Earn Option Scheme

	Date of Grant	Exercise Price	As at 31 May 2005	Granted During Period	Lapsed during Period	As at 30 June 2005	Exercise Period	Stock
G Hodges	Feb 2005	88p	10,412	-	-	10,412	Apr 2006 – Oct 2006	Morse plc

Long Term Incentive Plan

	Date of Grant	Exercise Price	As at 31 May 2005	Granted During Period	Lapsed during Period	As at 30 June 2005	Exercise Period	Stock
D Beresford	Dec 2004	0p	150,000	-	-	150,000	Dec 2007 – Dec 2014	Morse plc
L Cameron	Dec 2004	0p	50,000	-	-	50,000	Dec 2007 – Dec 2014	Morse plc
C Burnside	Oct 2001	0p	94,960	-	-	94,960	Mar 2007 – Mar 2014	Morse plc
G Hodges	Oct 2004	0p	26,378	-	-	26,378	Mar 2007 – Mar 2014	Morse plc

MFT Computer Holdings Limited
Period ended 30 June 2005

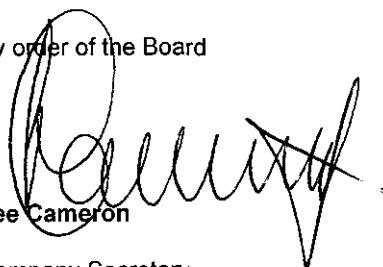
Executive Share Option Scheme

	Date of Grant	Exercise Price	As at 31 May 2005	Granted During Period	Lapsed during Period	As at 30 June 2005	Exercise Period	Stock
L Cameron	Mar 1999	250.0p	3,016	-	-	3,016	Apr 2000 – Mar 2009	Morse plc
L Cameron	Apr 2004	137.5p	50,000	-	-	50,000	Jul 2007 – Apr 2014	Morse plc
D Beresford	Apr 2003	104.0p	243,000	-	-	243,000	Jul 2006 – Jul 2013	Morse plc
C Burnside	Oct 2004	126.0p	47,479	-	-	47,479	Mar 2007 – Mar 2014	Morse plc
G Hodges	Oct 2004	126.0p	26,378	-	-	26,378	Mar 2007 – Mar 2014	Morse plc

Auditors

The Company is dormant within the meaning of S249AA Companies Act 1985 and therefore is exempt under S388A Companies Act 1985 from the obligation to appoint auditors.

By order of the Board



Lee Cameron

Company Secretary

Date: 15/3/06

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

MFT Computer Holdings Limited
Period ended 30 June 2005

Profit and Loss Account

1 month ended 30 June 2005

	Note	1 month ended 30 June 2005 £	18 months ended 31 May 2005 £
Turnover		-	-
Cost of Sales		-	-
Gross Profit		-	-
Administrative expenses		-	-
Operating Profit		-	-
Income from shares in group undertakings	4	-	-
Profit on Ordinary Activities Before Taxation		-	-
Tax charge on profit on ordinary activities		-	-
Retained Profit on Ordinary Activities After Taxation		-	-

All activities derive from continuing operations.

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

There is no difference between the result on ordinary activities before taxation and the retained result for the years stated above and their historical cost equivalents.

MFT Computer Holdings Limited
Period ended 30 June 2005

Balance Sheet

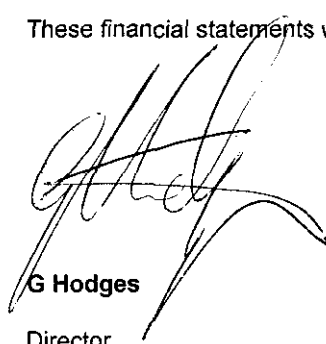
30 June 2005

	Note	As at 30 June 2005	As at 31 May 2005
		£	£
Fixed Assets			
Investments	5	1,212,530	1,212,530
Current Assets			
Debtors	6	1,936,085	1,936,085
Current Liabilities			
Creditors due within one year	7	(3,000,045)	(3,000,045)
Net Current Liabilities		(1,063,960)	(1,063,960)
Total Net Assets		<u>148,570</u>	<u>148,570</u>
Capital and Reserves			
Called up share capital	8	54,563	54,563
Share Premium		48,699	48,699
Capital Redemption Reserve		56,001	56,001
Profit and loss account		(10,693)	(10,693)
Total Equity Shareholders' Funds		<u>148,570</u>	<u>148,570</u>

The accounts have not been audited because the Company is entitled to the exemption provided by section 249AA(1) of the Companies Act 1985 relating to dormant companies and its members have not required the company to obtain an audit of these financial statements in accordance with section 249B (2) of the Companies Act 1985.

The directors acknowledge their responsibilities for ensuring that the Company keeps accounting records that comply with section 221 of the Companies Act 1985. The Directors also acknowledge their responsibilities for preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial period and its profit or loss for the financial period in accordance with the requirements of section 226 of the Companies Act 1985 and which otherwise comply with the requirements of that Act relating to accounts so far as applicable to the Company.

These financial statements were approved by the Board of Directors on 15th March 2006 and were signed on their behalf by:



G Hodges
 Director

Notes to the Accounts

1. Accounting Policies

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards, using the following principal accounting policies, which have been consistently applied. The accounting policies below cover items which are considered material in relation to the Company's financial statements:

Basis of Consolidation

These accounts represent the results of the Company. Consolidated accounts for the company and its subsidiaries have not been prepared because of the exemption provided by section 228 of the Companies Act 1985. The Company is a wholly owned subsidiary of Diagonal Limited (formerly Diagonal Plc), for which group accounts are prepared. The cash flows of the Company are included in the consolidated cash flow statement of Morse Plc. Consequently the Company is exempt from the requirement under FRS 1 (revised) to prepare a cash flow statement

Turnover

Turnover represents the value of services provided within the Company's ordinary activities net of value added tax. Turnover includes sales of services that are delivered over extended periods of time and recognised on a percentage completion basis over the period that the service is delivered.

Foreign Currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future, or a right to pay less tax in future have occurred at the balance sheet date except as otherwise required by FRS 19. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of available evidence it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. Employees

There were no employees during the current and previous accounting period.

3. Directors

The emoluments of the Directors for services to the Company for the periods ended in June 2005 and May 2005 were borne by other group companies. No Director received contributions paid in respect of money purchase pension schemes (May 2005: £nil).

4. Dividends received

	1 month ended 30 June 2005 £	18 months ended 31 May 2005 £
Ordinary Shares		
Dividend of £nil per share (May 2005 £nil per share)	-	-

Notes to the Accounts

5. Fixed Asset Investments

	30 June 2005 £	31 May 2005 £
Cost		
As at 30 June 2005 and 31 May 2005	<u>1,212,530</u>	<u>1,212,530</u>

The Company owns 100% of the ordinary issued share capital of:

Subsidiary	Country of incorporation	Nature of business
Diagonal Solutions Limited	Great Britain	Provision and support of IT systems

6. Debtors

	30 June 2005 £	31 May 2005 £
Amounts owed by Subsidiary	<u>1,936,085</u>	<u>1,936,085</u>

7. Creditors – Amounts falling due within one year

	30 June 2005 £	31 May 2005 £
Amounts owed to Parent Company	<u>3,000,045</u>	<u>3,000,045</u>

8. Share Capital

	30 June 2005 £	31 May 2005 £
Authorised		
100,000 Ordinary Shares of £1 each	100,000	100,000
40,000 Cumulative convertible participating preference shares of £1 each	40,000	40,000
30,000 Cumulative convertible redeemable preference shares of £1 each	30,000	30,000
	<u>170,000</u>	<u>170,000</u>
Called up, Allotted and Fully Paid		
54,563 Ordinary shares of £1 each	<u>54,563</u>	<u>54,563</u>

Notes to the Accounts

9. Related Party Transactions

As the company is a wholly owned subsidiary of Diagonal Limited (formerly Diagonal Plc) 100% of the company's voting rights are controlled within the group headed by Diagonal Limited (formerly Diagonal Plc), the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Diagonal Limited (formerly Diagonal Plc), within which this company is included, can be obtained from the address given in note 11.

10. Ultimate Parent Company and Controlling Party

MFT Computer Holdings Limited is a wholly owned subsidiary of Diagonal Limited (formerly Diagonal plc). The immediate parent company and controlling party, and the smallest and largest group for which group accounts are prepared is Diagonal Limited (formerly Diagonal Plc), a company incorporated in Great Britain, the accounts of which can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, Wales, CF14 3UZ.

11. Registered Office

MFT Computer Holdings Limited
Profile West
950 Great West Road
Brentford
Middlesex
TW8 9EE