

LEARNING TECHNOLOGY PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2002

Company No: 3337575



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LEARNING TECHNOLOGY PLC

OFFICERS AND PROFESSIONAL ADVISERS

FOR THE YEAR ENDED 30 SEPTEMBER 2002

Company registration number: 3337575

Registered office: Viglen House
Alperton Lane
Alperton
Middlesex
HA0 1DX

Directors: Sir Alan Sugar DSc
Bordan Tkachuk
Michael Ray BSc ACA
Razmik Babaian MSc

Secretary: Michael Ray BSc ACA

Bankers: Lloyds TSB Bank Plc
72 Lombard Street
London EC3P 3BT

Auditors: Deloitte & Touche
London

Directors' Report

The directors present their report and the audited financial statements for the year ended 30 September 2002.

Principal activities

The supply of IT solutions to the educational markets, the public sector and corporate markets. The solutions supplied incorporate the latest PC Technology, networking, software and services.

Business Review and future prospects

The company continues to hold several investments that trade within the Education sector. The company's has recently held an EGM to approve the extension of its loan notes by 50 years, at the option of the holder. Learning Technology plc will continue to derive an income from the loan notes and is currently reviewing its other investments.

Results

The turnover for the year was £77.5m (2001:£105.2m). The profit for the period on ordinary activities before tax was £3.4m (2001: £2.6m). Full details are set out in the consolidated profit and loss account on page 6 of these financial statements. All comparatives are for the fifteen months to 30 September 2001.

Dividends

The directors do not recommend the payment of a final dividend (2001: 1.35p per share).

Share capital

Details of issued share capital are given in note 21 to the financial statements.

Amshold bid

On 2 August 2002 Amshold Limited made a formal offer of 40 pence per ordinary share for the shares it does not own. On 17 October 2002 Amshold Limited posted notices of the compulsory purchase of the shares held by shareholders who had not accepted the offer. These share were purchased by Amshold Limited on 29 November 2002.

Directors and directors' interests

The current membership of the Board is set out on page 1. Jeoff Samson resigned as a director on 31 August 2002.

There are no service agreements, existing or proposed, between any of the executive directors and the company or any of its subsidiaries (excluding contracts expiring or determinable by the employing company within one year).

Directors' interests in Learning Technology plc shares

The directors as at 30 September 2002 had the following interests in Learning Technology plc shares.

	Number of shares Beneficially held at 30 September 2002	Number of shares Beneficially held at 30 September 2001
Sir Alan Sugar	86,524,595	61,661,957
Razmik Babaian	-	352,727
Michael Ray	-	45,275
Bordan Tkachuk	-	362,566

Since the year end Amshold Limited have acquired the rest of the ordinary shares not already owned by Amshold Limited under its offer of 40 pence per ordinary share. As at 29 November 2002 Learning Technology was 100% owned by Amshold Limited. Sir Alan Sugar's interest is largely held by Amshold Limited, a company which is wholly owned by Sir Alan Sugar.

Directors' interests in Learning Technology plc share options

Full details of the options held by the executive directors who served during the year and any movements over the year are as follows:

	1 October 2001	Options exercised during period	30 September 2002	Exercise Price	Exercise period	
					From	To
R. Babaian	400,000	(400,000)	-	£0.175	25 Sep 2001	25 Sep 2008
M.E. Ray	399,996	(399,996)	-	£0.175	25 Sep 2001	25 Sep 2008
B. Tkachuk	750,000	(750,000)	-	£0.175	25 Sep 2001	25 Sep 2008

Messer's Babaian, Ray and Tkachuk exercised 200,000, 300,000 and 600,000 options respectively on 27 March 2002 and immediately sold them at a price of 49 pence per share.

As part of the offer by Amshold Limited for the entire share capital of Learning Technology plc Messer's Babaian, Ray and Tkachuk exercised 200,000, 99,996 and 150,000 options respectively and sold them to Amshold at 40 pence per share. The total gains of Messer's Babaian, Ray and Tkachuk during the year on the exercise of share options were £108,000, £116,999 and £222,750 respectively.

By reason of Sir Alan Sugar's indirect ownership of 13% of the ordinary shares of Tottenham Hotspur plc ("Tottenham"), 76% of the ordinary shares of Amsprop Limited, 29% of the ordinary shares of Amstrad plc and direct ownership of 100% of the ordinary shares of Amshold Limited, and Amsail Limited, Sir Alan Sugar has an interest in the following contracts between Learning Technology plc and its subsidiaries and those companies:

1. The purchase from Tottenham of advertising services worth £34,600 plus VAT (2001: £31,725 + VAT).
2. A contract for the provision by Amshold Limited of Sir Alan Sugar's services dated 8 September 1998 at a consideration of £100,000 (2001: £100,000) per annum. This amount has been included in directors' emoluments.
3. During the year Learning Technology provided £16,594 (2001: £715) worth of services to Amstrad plc, £207 (2001: £4,577) worth of services to Tottenham, and £4,616 (2001:£nil) worth of services to Amsprop Limited. The company also received £3,274 (2001:£nil) worth of services from Amsail Limited.

Creditors include loan notes (see note 16) due to Amshold Limited of £84.7m (2001:£84.7m). These loan notes were issued as part of the Scheme of Arrangement when Learning Technology plc acquired the entire share capital of Amstrad plc and as part of the distribution under the Letters of Entitlement (see note 2).

Apart from the above, no director has, or had, during the period or at the period end, any beneficial interests in any material contract with the company or its subsidiaries, which was or is significant in relation to the group's business.

Directors' Responsibilities for the Financial Statements

United Kingdom 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 group and the company 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, 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 group will continue in business.

The directors are responsible for the group's system of internal control, for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report (continued)

Research and development

The company carries out research and development as part of its day-to-day activities in relation to its products according to the market in which it operates.

Payment Policy

It is the Company's normal practise to pay its suppliers within agreed terms provided that the suppliers meet their obligations. Trade creditors at the year end amounted to 78 days (2001:54 days) of average suppliers for the year.

Employee involvement

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company. This is achieved through the notice boards and announcement of daily sales performance against targets.

Employment of disabled persons

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

Political and charitable donations

Charitable donations of £100,000 (2001:£50,000) were made during the year. No political donations were made during the year.

Auditors

Deloitte & Touche have indicated that they are willing to continue in office and a resolution proposing their reappointment, as auditors will be put to the Annual General Meeting.

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


Michael Ray
Secretary

4 December 2002

Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEARNING TECHNOLOGY plc

We have audited the financial statements of Learning Technology Plc for the year ended 30 September 2002, which comprise the profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses, the statement of principal accounting policies, and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above period as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

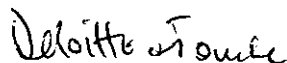
Basis of audit opinion

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 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 30 September 2002 and of the profit 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
London

4 December 2002

Learning Technology plc
Consolidated Profit and Loss Account
for the year ended 30 September 2002

	Note	Year ended 30 September 2002		15 months ended 30 September (restated) 2001	
		£000	£000	£000	£000
Turnover	3		77,522		105,189
Operating costs	4		(73,888)		(102,764)
Operating profit before exceptional items		3,634		2,630	
Exceptional items	5	-		(205)	
Operating profit			3,634		2,425
Share of losses in associated undertakings	12		(871)		(558)
Profit on ordinary activities before interest			2,763		1,867
Net interest	7		666		728
Profit on ordinary activities before taxation	8		3,429		2,595
Tax on profit on ordinary activities	9		(1,081)		(454)
Profit on ordinary activities after taxation			2,348		2,141
Dividends	10		(8)		(1,211)
Retained profit for the financial period	23		2,340		930

All activities relate to continuing operations.

Statement of total recognised gains and losses

	Year ended 30 September 2002	15 months ended 30 September 2001 As restated (see note 1)
	£000	£000
Profit for the financial year and total recognised gains and losses in the period	2,348	2,141
Prior period adjustment (see note 1)	390	-
Total recognised gains since last annual report	2,738	2,141

Consolidated Balance Sheet at 30 September 2002

	Note	At 30 September 2002		At 30 September 2001 As restated (see note 1)	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		15,681		3,962
Investments	12		<u>260</u>		<u>1,131</u>
			15,941		5,093
Current assets					
Stocks	13	6,971		4,322	
Debtors	14	19,007		19,095	
Investments	16	108,958		111,183	
Cash at bank and in hand	17	<u>28,544</u>		<u>13,302</u>	
		163,480		147,902	
Creditors: amounts falling due within one year	18	<u>(140,240)</u>		<u>(128,071)</u>	
Net current assets			<u>23,240</u>		<u>19,831</u>
Total assets less current liabilities			39,181		24,924
Creditors: amounts falling due after more than one year	19		(11,675)		-
Provisions for liabilities and charges	20		<u>(5,806)</u>		<u>(6,127)</u>
			<u>21,700</u>		<u>18,797</u>
Capital and reserves					
Called up share capital	21		12,878		12,460
Share premium account	22		8,051		7,128
Profit and loss account	23		<u>771</u>		<u>(791)</u>
Equity shareholders' funds			<u>21,700</u>		<u>18,797</u>

The financial statements were approved by the Board of Directors on 4 December 2002.

Signed on behalf of the Board of Directors.


Michael Ray
 Director

Company Balance Sheet at 30 September 2002

	Note	At 30 September 2002		At 30 September 2001 As restated (see note 1)	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		1,621		1,643
Investments	12		20,546		20,780
			<u>22,167</u>		<u>22,423</u>
Current assets					
Debtors	14	12,529		12,595	
Investments	16	101,017		103,051	
Cash at bank and in hand		<u>41</u>		<u>12</u>	
		<u>113,587</u>		<u>115,658</u>	
Creditors: amounts falling due within one year	18	<u>(105,292)</u>		<u>(109,015)</u>	
Net current assets			<u>8,295</u>		<u>6,643</u>
Total assets less current liabilities			<u>30,462</u>		<u>29,066</u>
Capital and reserves					
Called up share capital	21		12,878		12,460
Share premium	22		8,051		7,128
Profit and loss account	23		<u>9,533</u>		<u>9,478</u>
Equity shareholders' funds			<u>30,462</u>		<u>29,066</u>

The financial statements were approved by the Board of Directors on 4 December 2002.

Signed on behalf of the Board of Directors.


Michael Ray
 Director

**Consolidated Cash Flow Statement
for the year ended 30 September 2002**

	Note	Year ended 30 September 2002 £000 £000		15 months ended 30 September 2001 £000 £000	
Net cash inflow from operating activities	26		29,942		5,211
Returns on investments and servicing of finance					
Interest received		4,971		8,319	
Interest paid		<u>(4,305)</u>		<u>(7,591)</u>	
			666		728
Taxation					
Taxation (paid)/received			(862)		174
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(13,938)		(1,667)	
Sale of tangible fixed assets		<u>57</u>		<u>87</u>	
			(13,881)		(1,580)
Acquisitions and disposals					
Investment in associate company			-		(249)
Equity dividends paid			<u>(1,186)</u>		<u>(2,605)</u>
Cash inflow before management of liquid resources and financing			14,679		1,679
Management of liquid resources					
Deposits released to repay loan notes			2,225		2,640
Financing					
Repayment of loan notes		(2,225)		(2,640)	
Issue of shares		<u>563</u>		<u>890</u>	
			(1,662)		(1,750)
Increase in cash in the period	28 & 29		<u>15,242</u>		<u>2,569</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

Principal Accounting Policies

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

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Turnover

Turnover comprises the invoiced value of goods sold and services supplied by the group, excluding value added tax and trade discounts.

c) Consolidation

The group financial statements consolidate those of the company and all subsidiaries. On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition and amortised over its estimated useful life. Prior to the implementation of FRS 10 (in the year ended 30 June 1999), purchased goodwill was written off directly to reserves and has not been reinstated.

d) Depreciation

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Freehold property	- 2% on cost
Leasehold improvements	- over life of lease
Fixtures, fittings and equipment	- 10% - 20% on cost
Motor vehicles	- 25% on cost

Equipment held at third parties as part of a managed service contracts is depreciated over the life of the contract.

e) Managed Services

Assets used in providing managed services are capitalised at cost. These assets are then depreciated over the life of the contract. Revenue from these contracts are recognised over the life of the contract in line with the services provided.

f) Investments

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the group's share of the pre-tax results and attributable taxation of the associated undertakings based on audited financial statements for the financial year. In the consolidated balance sheet, the investment in associated undertakings is shown at the group's share of the net assets of the associated undertakings. Goodwill arising on the acquisition of an associate is capitalised as part of the carrying amount in the consolidated balance sheet and amortised over its estimated useful life.

g) Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

h) Research and development

Expenditure on research and development is charged against profits in the year in which it is incurred.

i) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

j) Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

k) Warranty

Warranty revenues are released to profit in the year of sale. Provision is made in the same period for the expected future cost of providing the warranty.

l) Contributions to pension funds

The company operates a defined contribution pension scheme in respect of certain employees and pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

m) Leased assets

All current leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

1. RESTATEMENT OF COMPARATIVES

The adoption of FRS 19 – 'Deferred Tax' has required a change to the accounting treatment of deferred tax and the prior year results have been restated accordingly as follows:

Balance sheet	Group		Company	
	Deferred tax asset £	Profit and loss account £	Deferred tax asset £	Profit and loss account £
As previously reported at 30 September 2001	-	(1,181)	-	9,609
Adoption of FRS 19 at 1 July 2000	282	282	(114)	(114)
Application of FRS 19 during the period ended 30 September 2001	108	108	(17)	(17)
30 September 2001 restated	<u>390</u>	<u>(791)</u>	<u>(131)</u>	<u>9,478</u>

Under FRS 19 the Company is required to make full provision for deferred tax in respect of timing differences recognising in total the potential future tax impact of past transactions. Under SSAP 15 provision for deferred tax was only required if it was expected that timing differences would reverse in the foreseeable future.

Group	Profit and loss account		Profit on ordinary activities after taxation
	Profit before taxation £	Taxation £	£
15 months ended 30 September 2001 as previously reported	2,595	(562)	2,033
Adoption of FRS 19	-	108	108
15 months ended 30 September 2001 restated	<u>2,595</u>	<u>(454)</u>	<u>2,141</u>

The adoption of FRS 19 has resulted in decreasing the profit and loss account tax charge and increasing profit after taxation by £108,000 in the period ended 30 September 2001.

2. LETTERS OF ENTITLEMENT

As part of the Scheme of Arrangement under which Learning Technology plc acquired the entire share capital of Amstrad plc, Amstrad shareholders received a letter of entitlement to Litigation Notes to be issued as and when the net proceeds of the litigation (see below) have been established. A trust deed was entered into by the company, Amstrad and Sir Alan Sugar, Geoff Samson and Mr. P.L.O. Leaver QC as trustees to constitute these Letters of Entitlement. The trust deed provides that the conduct of the litigation is controlled by the independent trustees. As part of the Scheme of Arrangement £2.3 million was paid into the litigation fund by Amstrad plc to conduct the litigation. Neither the trustees nor Amstrad will have any further call on Learning Technology or any of its subsidiaries for further funding in relation to the litigation, but the trustees will have the power to raise further funds if required to carry on the litigation. Litigation with Seagate Technology Inc has now been settled resulting in the distribution of £52.4m of Litigation Notes in November 1997. Litigation with Western Digital Corporation has now been settled resulting in the distribution of £2.2m in October 2002. The Letter of Entitlement has no further value.

3. TURNOVER AND SEGMENTAL REPORTING

Turnover, net assets and profit on ordinary activities before taxation are attributable to the manufacturing and marketing of computers, peripherals and software. The group operates in one class of business activity. Turnover and operations arise predominantly in the UK.

4 OPERATING COSTS

	Year ended 30 September 2002 £000	15 months ended 30 September 2001 £000
Other operating income	523	543
Changes in work in progress and finished goods	2,071	(25)
Raw material and consumables	(55,828)	(78,553)
Other external charges	(6,258)	(9,043)
Staff costs	(11,214)	(13,865)
Depreciation	(2,182)	(1,180)
Profit on sale of fixed assets	20	32
Other operating charges	(1,020)	(673)
	<u>(73,888)</u>	<u>(102,764)</u>

5 EXCEPTIONAL ITEMS

The exceptional item of £205,000 in 2001 relates to restructuring costs resulting from the closure of the cash sales operation.

6 STAFF COSTS

Staff costs during the year were as follows:

	Year ended 30 September 2002 £000	15 month ended 30 September 2001 £000
Wages and salaries including directors' emoluments	10,180	12,508
Social security costs	998	1,308
Pension costs	36	49
	<u>11,214</u>	<u>13,865</u>
	No.	No.
These costs were in respect of the average number of employees during the period	<u>367</u>	<u>423</u>

	Year ended 30 September 2002 £000	15 month ended 30 September 2001 £000
Management remuneration	<u>896</u>	<u>825</u>

The amount set out above includes remunerations in respect of the highest paid director as follows

	Year ended 30 September 2002 £000	15 month ended 30 September 2001 £000
Highest Paid Director	<u>370</u>	<u>306</u>

The highest paid director exercised 750,000 share options during the year (see director's report)

7 NET INTEREST

	Year ended 30 September 2002 £000	15 month ended 30 September 2001 £000
Interest receivable	668	733
Interest payable	(2)	(5)
Interest receivable on investments backing loan notes (see note 17)	4,377	7,586
Interest payable on loan notes and related finance charges (see note 17)	<u>(4,377)</u>	<u>(7,586)</u>
	<u>666</u>	<u>728</u>

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging:

	Year ended 30 September 2002 £000	15 month ended 30 September 2001 £000
Depreciation of fixed assets	2,182	1,180
Amortisation of goodwill	724	225
Auditors' remuneration:		
- Audit services - company	10	8
- other	46	54
- Non audit services	66	67
Hire of plant and machinery	228	323
Hire of other assets	121	174

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 September 2002 £	15 months ended 30 September 2001 £ As restated (see note 1)
Group		
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 30% (2001 - 30%)	(435)	(1,033)
Adjustment in respect of prior years' tax provisions	211	471
Total current taxation	(224)	(562)
Deferred taxation		
Movement in short term timing differences	(667)	108
Prior year adjustment	(190)	-
Tax on profit on ordinary activities.	(1,081)	(454)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge of the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 30 September 2002 £	15 months ended 30 September 2001 £
Profit on ordinary activities before tax	3,429	2,595
Tax on profit on ordinary activities before tax at standard rate	(1,029)	(779)
Factors affecting charge for the year:		
Permanent differences	(709)	(115)
Capital allowances in excess of depreciation	639	-
Utilisation of brought forward losses	304	-
Other timing differences	360	(139)
Current tax charge for the year	(435)	(1,033)

A deferred tax asset has not been recognised in respect of £0.1m (2001:£1.2m). This asset would be removable if in the future it reverses in the same period and entity in which suitable taxable profits arise.

10 DIVIDENDS

The directors do not propose a final dividend (2001:1.35p per share).

11 TANGIBLE FIXED ASSETS

GROUP

	Freehold property £000	Leasehold improvements £000	Managed Service Assets £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost						
At 1 October 2001	1,906	770	712	6,333	789	10,510
Additions	-	26	13,552	226	134	13,938
Disposals	-	-	-	(11)	(197)	(208)
At 30 September 2002	<u>1,906</u>	<u>796</u>	<u>14,264</u>	<u>6,548</u>	<u>726</u>	<u>24,240</u>
Depreciation						
At 1 October 2001	239	717	-	5,150	442	6,548
Charged in the year	23	30	1,379	581	169	2,182
Disposals	-	-	-	(10)	(161)	(171)
At 30 September 2002	<u>262</u>	<u>747</u>	<u>1,379</u>	<u>5,721</u>	<u>450</u>	<u>8,559</u>
Net book amount at 30 September 2002	<u>1,644</u>	<u>49</u>	<u>12,885</u>	<u>827</u>	<u>276</u>	<u>15,681</u>
Net book amount at 30 September 2001	<u>1,667</u>	<u>53</u>	<u>712</u>	<u>1,183</u>	<u>347</u>	<u>3,962</u>

During the year £3,200,000 (2001:£nil) of revenue was recognised in respect of managed services.

COMPANY

	Freehold property £000
Cost	
At 1 October 2001	1,879
Additions	-
At 30 September 2002	<u>1,879</u>
Depreciation	
At 1 October 2001	236
Charged in the period	22
At 30 September 2002	<u>258</u>
Net book amount at 30 September 2002	<u>1,621</u>
Net book amount at 30 September 2001	<u>1,643</u>

12 FIXED ASSET INVESTMENTS

	Goodwill	Share of Net Assets	Total
Group	£000	£000	£000
At 1 October 2001	1,202	(71)	1,131
Written off in period	(724)	-	(724)
Share of losses	-	(147)	(147)
At 30 September 2001	<u>478</u>	<u>(218)</u>	<u>260</u>

The Group's associated undertakings at 30 September 2001 were a 26% shareholding in Intelligent Network Technology Limited (intY) and a 49% shareholding in Pedegog Limited (trading as AtSchool), both companies are incorporated in Great Britain. Pedegog Limited was acquired on 4 October 2000 for a cost of £234,000. The goodwill in Intelligent Network Technology Limited is being amortised over 20 years, the goodwill in Pedegog Limited has been fully written off in the current period.

Company	£000
Investment in subsidiary companies and associated companies	
At 1 October 2001	20,780
Written off in year	<u>(234)</u>
At 30 September 2002	<u>20,546</u>

The company's principal subsidiary undertakings are Viglen Limited, Xenon Network Services Limited and VigEcom Limited which all operate in the United Kingdom, are wholly owned and are engaged in the group's principal activity. Amstrad Computers Limited is a wholly owned subsidiary which operates in the United Kingdom and which is engaged in investments and litigation.

13 STOCKS

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Raw materials, consumables and bought in products	3,445	2,867	-	-
Work in progress and finished goods	<u>3,526</u>	<u>1,455</u>	<u>-</u>	<u>-</u>
	<u>6,971</u>	<u>4,322</u>	<u>-</u>	<u>-</u>

14 DEBTORS

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Trade debtors	17,966	18,167	-	-
Other debtors	475	16	2	3
Corporation tax recoverable	180	-	-	-
Prepayments and accrued income	386	522	-	-
Deferred tax	-	390	-	-
Amounts owed by group undertakings	-	-	12,527	12,592
	<u>19,007</u>	<u>19,095</u>	<u>12,529</u>	<u>12,595</u>

15 DEFERRED TAXATION

	30 September 2002 £	30 September 2001 £
Movement on Deferred Tax balance in the period		
At 1 October 2001	(390)	(282)
Charge/(Credit) to profit and loss account	857	(108)
At 30 September 2002	467	(390)
Analysis of Deferred tax balance		
Capital allowances in excess of depreciation	491	(225)
Short term timing differences	(24)	(165)
Deferred tax liability/(asset)	467	(390)

16 INVESTMENTS

The investments are all cash deposits on fixed (six month) terms at Lloyds TSB Bank plc that secure the loan notes issued. The deposits and loan notes are as follows:

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Cash deposits at Lloyds Bank Plc	108,958	111,183	101,017	103,051
Loan Notes secured by deposits:				
Floating Rate Loan Notes 2009	79,936	81,544	79,936	81,544
Floating Rate Loan Notes 2010	21,081	21,507	21,081	21,507
Viglen Vendor Loan Notes	7,941	8,132	-	-
	108,958	111,183	101,017	103,051

17 CASH AT BANK AND IN HAND

Cash of £28.5m includes £2.2m (see notes 1 and 27) held in a trust. An equal and opposite balance of £2.2 m is included in provisions. The net assets of the trust in the group balance sheet are £nil. Group cash excluding this balance was £26.3m.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Loan Notes (see note 16)	108,958	111,183	101,017	103,051
Payments received on account	158	160	-	-
Trade creditors	11,996	9,262	-	-
Corporation tax	175	632	112	127
Deferred tax	467	-	144	131
Other taxes and social security costs	2,121	1,953	59	409
Dividends	-	1,178	-	1,178
Accruals	2,243	3,172	236	395
Deferred Income	14,123	531	3,724	3,724
	140,240	128,071	105,292	109,015

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Deferred Income				
Between 1 and 2 years	9,772	-	-	-
Between 2 and 3 years	1,903	-	-	-
	11,675	-	-	-

20 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions, in respect of the expected future costs of providing warranty support, closure cost of Amstrad Computers Limited and litigation costs for the group are as follows:

	Warranty £000	Restructuring £000	Other £000	Total £000
At 1 October 2001	3,015	525	2,587	6,127
Utilised during the period	(1,338)	(109)	(397)	(1,844)
Provided during the period	1,449	-	74	1,523
At 30 September 2002	<u>3,126</u>	<u>416</u>	<u>2,264</u>	<u>5,806</u>

The majority of the current warranty provision will be utilised within two years. The restructuring provision and the other provision both relate to Amstrad Computers Limited, the other provisions relating to the Western Digital Litigation (see note 2), which was resolved on 22 October 2002.

21 SHARE CAPITAL

	Number	£000
Authorised:		
Ordinary shares of 14 ² / ₇ p each		
At 30 September 2001 and 30 June 2000	<u>123,200,000</u>	<u>17,600</u>
Allotted issued, called up and fully paid		
Ordinary shares of 14 ² / ₇ p each		
At 1 October 2001	87,217,137	12,460
Issue of Shares	<u>2,930,213</u>	<u>418</u>
At 30 September 2002	<u>90,147,350</u>	<u>12,878</u>

During the year share options were exercised under the following schemes:

Number of shares	Option Price
2,789,996	17.5 pence
50,000	27.5 pence
15,000	61.0 pence

In addition 75,217 shares were issued under the employee profit share scheme at 69.0 pence per share

22 SHARE PREMIUM ACCOUNT

	£000
At 1 October 2001	7,128
Arising on issue of shares	<u>923</u>
At 30 September 2002	<u>8,051</u>

23 PROFIT AND LOSS ACCOUNT

	Group £000	Company £000
At 1 October 2001	(791)	9,478
Retained profit for period	2,340	55
On issue of Shares under share save scheme	<u>(778)</u>	<u>-</u>
At 30 September 2002	<u>771</u>	<u>9,533</u>

Goodwill written off in respect of current subsidiaries amounts to £55.1m.

24 PROFIT FOR THE FINANCIAL YEAR

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit after taxation for the financial year amounted to £ 0.0m (2001: £0.7m profit).

25 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £000	2001 £000
Shareholders' funds at 1 October 2001	18,797	16,977
Shares issued in period	563	890
Profit for the financial period	2,340	2,141
Dividends	-	<u>(1,211)</u>
Shareholders' funds at 30 September 2002	<u>21,700</u>	<u>18,797</u>

26 RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 30 September 2002 £000	15 months ended 30 September 2001 £000
Operating profit	3,634	2,425
Depreciation	2,182	1,180
Profit on sale of fixed assets	(20)	(32)
(Increase)/Decrease in stocks	(2,649)	2,958
(Increase) in debtors	(112)	(4,924)
Increase in creditors	15,896	2,895
(Decrease)/Increase in provisions	(321)	604
Increase in Deferred Income	11,675	-
Net cash inflow/ (outflow) from litigation proceedings (see note 27)	(343)	105
Net cash inflow from continuing operating activities	<u>29,942</u>	<u>5,211</u>

27 CASH FLOW EFFECT OF LITIGATION PROCEEDINGS

	£000
Increase in debtors	(10)
Decrease in creditors	(333)
Net cash outflow from litigation proceedings	(343)
Litigation cash at 1 October 2001	2,597
Litigation cash at 30 September 2002 (see note 17)	<u>2,254</u>

28 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended 30 September 2001 £000	15 months ended 30 September 2001 £000
At 1 October 2001	13,302	10,733
Change in net funds resulting from cash flows	15,242	2,569
At 30 September 2002	<u>28,544</u>	<u>13,302</u>

29 ANALYSIS OF CHANGES IN NET FUNDS

	30 September 2002 £000	30 September 2001 £000	Change in year £000
Cash in bank and in hand	28,544	13,302	15,242
Current asset investment	108,958	111,183	(2,225)
Loan notes	(108,958)	(111,183)	2,225
	<u>28,544</u>	<u>13,302</u>	<u>15,242</u>

30 CONTINGENT LIABILITIES

Learning Technology plc has given guarantees to banks in respect of liabilities of subsidiary companies to the value of £43,000 (2001:£0.3m). In addition Learning Technology plc has given Intelligent Network Technology Limited, an associate company, a bank overdraft guarantee of £1.0m (2001: £1.0m).

The group is subject to various litigation, the financial implications of which are uncertain. On the basis of the information available the Board of Directors is satisfied that the eventual outcome of this litigation will not have any material adverse effect on the group.

31 LEASING COMMITMENTS

At 30 September 2002 the group had annual operating lease commitments, which expire:

	2002		2001	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
In one year or less	3	20	31	85
Between one and five years	468	36	465	77
Over five years	66	-	69	-
	<u>921</u>	<u>56</u>	<u>565</u>	<u>162</u>

32 CAPITAL COMMITMENTS

	2002 £000	2001 £000
Contracted for but not provided in the financial statements	<u>-</u>	<u>-</u>

33 ULTIMATE PARENT COMPANY AND RELATED COMPANY TRANSACTIONS

As at 30 September 2002 the parent company was Amshold Limited, a company registered in Jersey. The ultimate parent company and controlling party was Amshold Group Limited, a company incorporated in Great Britain. Copies of the accounts for both of these companies can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

The company has taken advantage of the exception conferred by FRS 8, 'Related Party Transactions' not to disclose transactions with companies 90% or more of whose voting rights are controlled by the group. Details of the transactions with other related parties are included in the Directors' Report on page 3.