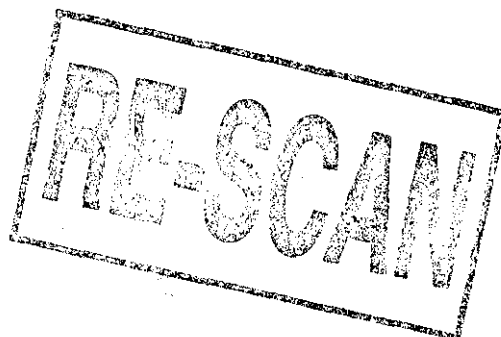


**GRASSNET SYSTEMS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2000**

**Company Registration Number 3528648**



**HEXTALL MEAKIN**

Chartered Accountants & Registered Auditors

Argon House  
Argon Mews  
Fulham Broadway  
London  
SW6 1BJ



12/12/00  
432

# **GRASSNET SYSTEMS LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2000**

---

| <b>CONTENTS</b>   | <b>PAGE</b> |
|---|-------------|
| The directors' report   | 1           |
| Auditors' report to the shareholders                                    | 3           |
| Profit and loss account   | 4           |
| Balance sheet   | 5           |
| Notes to the financial statements                                       | 6           |
| <b>The following pages do not form part of the financial statements</b> |             |
| Detailed profit and loss account  | 11          |
| Notes to the detailed profit and loss account                           | 12          |

# **GRASSNET SYSTEMS LIMITED**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 30 JUNE 2000**

---

The directors present their report and the financial statements of the company for the year ended 30 June 2000.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year was to run conference facilities.

The directors consider the loss achieved on ordinary activities before taxation to be particularly disappointing.

The company is committed to increasing turnover next year by seeking new opportunities and the directors are confident that they have the resources to take advantage of such opportunities as they arise.

### **RESULTS AND DIVIDENDS**

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

### **THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY**

The directors who served the company during the year were as follows:

M P L Burgin

H J A Roche

G S Allen

(Resigned 17 March 2000)

The company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company.

### **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 page 6, 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.

# GRASSNET SYSTEMS LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2000

---

### AUDITORS

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

Registered office:  
Chatham Court  
Lesbourne Road  
Reigate  
Surrey  
RH2 7LD

Signed on behalf of the directors



Moira Toben  
Company Secretary

14<sup>th</sup> November 2000

Approved by the directors on 9<sup>th</sup> November, 2000

# **Hextall Meakin**

## **Chartered Accountants**

Argon House, Argon Mews, Fulham Broadway, London SW6 1BJ  
Telephone: 020 7381 2022 Fax: 020 7385 1087  
E-mail: admin@hextallmeakin.co.uk

### **GRASSNET SYSTEMS LIMITED**

### **AUDITORS' REPORT TO THE SHAREHOLDERS**

**YEAR ENDED 30 JUNE 2000**

---

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

#### **RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS**

As described on page 1, the company's directors are responsible for the preparation of the 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 June 2000 and of the loss of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Argon House  
Argon Mews  
Fulham Broadway  
London  
SW6 1BJ

  
HEXTALL MEAKIN  
Chartered Accountants  
& Registered Auditors

Dated 17th November, 2000

**GRASSNET SYSTEMS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 JUNE 2000**

|   | Note     | Year to<br>30 Jun 00<br>£ | Period from<br>17 Mar 98 to<br>30 Jun 99<br>£ |
|---|----------|---------------------------|---|
| <b>TURNOVER</b>   | <b>2</b> | 847,340                   | 987,374                                       |
| Cost of sales   |          | 673,755                   | 652,259                                       |
| <b>GROSS PROFIT</b>   |          | 173,585                   | 335,115                                       |
| Administrative expenses   |          | 309,804                   | 306,275                                       |
| <b>OPERATING (LOSS)/PROFIT</b>                                  | <b>3</b> | (136,219)                 | 28,840  |
| Interest receivable   |          | 1,387                     | 808   |
| Interest payable and similar charges                            | <b>6</b> | (13,561)                  | (4,945)                                       |
| <b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> |          | (148,393)                 | 24,703  |
| Tax on (loss)/profit on ordinary activities                     | <b>7</b> | 123                       | (6,500)                                       |
| <b>(LOSS)/RETAINED PROFIT FOR THE FINANCIAL<br/>YEAR</b>        |          | (148,270)                 | 18,203  |
| Balance brought forward   |          | 18,203                    | -   |
| Balance carried forward   |          | (130,067)                 | 18,203  |

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 6 to 9 form part of these financial statements.

# GRASSNET SYSTEMS LIMITED

## BALANCE SHEET

30 JUNE 2000

|   | Note | 2000             | 1999             |
|---|------|------------------|------------------|
|   |      | £                | £                |
| <b>CURRENT ASSETS</b>                                 |      |                  |                  |
| Debtors   | 8    | 159,730          | 170,342          |
| Cash at bank and in hand                              |      | 130,676          | 106,658          |
|   |      | <u>290,406</u>   | <u>277,000</u>   |
| <b>CREDITORS: Amounts falling due within one year</b> | 9    | <u>(420,373)</u> | <u>(258,697)</u> |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>               |      | <u>(129,967)</u> | <u>18,303</u>    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |      | <u>(129,967)</u> | <u>18,303</u>    |
| <b>CAPITAL AND RESERVES</b>                           |      |                  |                  |
| Called-up equity share capital                        | 11   | 100              | 100              |
| Profit and Loss Account                               |      | <u>(130,067)</u> | <u>18,203</u>    |
| <b>(DEFICIENCY)/SHAREHOLDERS' FUNDS</b>               | 12   | <u>(129,967)</u> | <u>18,303</u>    |

These financial statements were approved by the directors on the 9th November 2000, and are signed on their behalf by:

M P L BURGIN  
Director

*M. Burgin* 9th Nov '00

The notes on pages 6 to 9 form part of these financial statements.

**GRASSNET SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2000**

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

**Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cashflow statement.

**Turnover**

The turnover shown in the Profit and Loss Account represents amounts invoiced during the year, exclusive of Value Added Tax.

**2. TURNOVER**

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

|                | Year to<br>30 Jun 00<br>£ | Period from<br>17 Mar 98 to<br>30 Jun 99<br>£ |
|----------------|---------------------------|---|
| United Kingdom | <u>847,340</u>            | <u>987,374</u>                                |

**3. OPERATING (LOSS)/PROFIT**

Operating (loss)/profit is stated after charging:

|                        | Year to<br>30 Jun 00<br>£ | Period from<br>17 Mar 98 to<br>30 Jun 99<br>£ |
|------------------------|---------------------------|---|
| Auditors' remuneration |                           |   |
| - as auditors          | 1,500                     | 1,500   |
| - accountancy          | <u>499</u>                | <u>1,500</u>                                  |

**4. PARTICULARS OF EMPLOYEES**

The average number of staff employed by the company during the financial year amounted to:

|                                | Year to<br>30 Jun 00<br>No. | Period from<br>17 Mar 98 to<br>30 Jun 99<br>No. |
|--------------------------------|-----------------------------|---|
| Number of production staff     | 6                           | 5   |
| Number of administrative staff | <u>2</u>                    | <u>2</u>  |
|                                | <u>8</u>                    | <u>7</u>  |



**GRASSNET SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2000**

**4. PARTICULARS OF EMPLOYEES** *(continued)*

The aggregate payroll costs of the above were:

|                       | Year to<br>30 Jun 00<br>£ | Period from<br>17 Mar 98 to<br>30 Jun 99<br>£ |
|-----------------------|---------------------------|---|
| Wages and salaries    | 162,312                   | 141,962                                       |
| Social security costs | 29,506                    | 11,665  |
|                       | <u>191,818</u>            | <u>153,627</u>                                |

**5. DIRECTORS' EMOLUMENTS**

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

|                       | Year to<br>30 Jun 00<br>£ | Period from<br>17 Mar 98 to<br>30 Jun 99<br>£ |
|-----------------------|---------------------------|---|
| Emoluments receivable | <u>35,122</u>             | <u>38,370</u>                                 |

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

|                                    | Year to<br>30 Jun 00<br>£ | Period from<br>17 Mar 98 to<br>30 Jun 99<br>£ |
|------------------------------------|---------------------------|---|
| Interest payable on bank borrowing | 14                        | -   |
| Other similar charges payable      | 13,547                    | 4,945   |
|                                    | <u>13,561</u>             | <u>4,945</u>                                  |

**7. TAX ON PROFIT OR LOSS ON ORDINARY ACTIVITIES**

|  | Year to<br>30 Jun 00<br>£ | Period from<br>17 Mar 98 to<br>30 Jun 99<br>£ |
|--|---------------------------|---|
| Corporation Tax based on the results for the year at<br>20% (1999 - 21%) | -                         | 6,500   |
| Adjustment in respect of previous years:                                 |                           |   |
| Corporation Tax  | (123)                     | -   |
|  | <u>(123)</u>              | <u>6,500</u>                                  |

**GRASSNET SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2000**

**8. DEBTORS**

|                                    | <b>2000</b>    | <b>1999</b>    |
|------------------------------------|----------------|----------------|
|                                    | <b>£</b>       | <b>£</b>       |
| Trade debtors                      | 154,064        | 153,383        |
| Amounts owed by group undertakings | -              | 15,879         |
| Other debtors                      | 550            | 1,080          |
| Prepayments and accrued income     | 5,116          | -              |
|                                    | <u>159,730</u> | <u>170,342</u> |

**9. CREDITORS: Amounts falling due within one year**

|                                    | <b>2000</b>    | <b>1999</b>    |
|------------------------------------|----------------|----------------|
|                                    | <b>£</b>       | <b>£</b>       |
| Trade creditors                    | 71,451         | 93,791         |
| Amounts owed to group undertakings | 301,810        | 110,337        |
| Other creditors                    | 16,023         | 29,602         |
| Accruals and deferred income       | 31,089         | 24,967         |
|                                    | <u>420,373</u> | <u>258,697</u> |

**10. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption in Financial Reporting Standard No 8 from including related party disclosures on the basis that the details of the subsidiary are included in the publicly available consolidated accounts.

The company is under the control of Longcrest Plc. The ultimate controller of Longcrest Plc is M P L Burgin, the managing director and majority shareholder.

**11. SHARE CAPITAL**

**Authorised share capital:**

|                                     | <b>2000</b>  | <b>1999</b>  |
|-------------------------------------|--------------|--------------|
|                                     | <b>£</b>     | <b>£</b>     |
| 1,000 Ordinary shares of £1.00 each | <u>1,000</u> | <u>1,000</u> |

**Allotted, called up and fully paid:**

|  | <b>2000</b> | <b>1999</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| Ordinary share capital brought forward | 100         | -           |
| Issue of ordinary shares               | -           | 100         |
|  | <u>100</u>  | <u>100</u>  |

**GRASSNET SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2000**

**12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|                                      | <b>2000</b> | <b>1999</b> |
|--------------------------------------|-------------|-------------|
|                                      | <b>£</b>    | <b>£</b>    |
| (Loss)/Profit for the financial year | (148,270)   | 18,203      |
| New equity share capital subscribed  | -           | 100         |
| Net (reduction)/addition to funds    | (148,270)   | 18,303      |
| Opening shareholders' equity funds   | 18,303      | -           |
| Closing shareholders' equity funds   | (129,967)   | 18,303      |

**13. ULTIMATE PARENT COMPANY**

The company's ultimate parent company is Longcrest Plc.