

GRASSNET SYSTEMS LIMITED
FINANCIAL STATEMENTS
30 JUNE 1999

Company Registration Number 3528648

HEXTALL MEAKIN

Chartered Accountants & Registered Auditors
Argon House
Argon Mews
Fulham Broadway
London
SW6 1BJ



GRASSNET SYSTEMS LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 17 MARCH 1998 TO 30 JUNE 1999

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GRASSNET SYSTEMS LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 17 MARCH 1998 TO 30 JUNE 1999

The directors have pleasure in presenting their report and the financial statements of the company for the period from 17 March 1998 to 30 June 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company was incorporated on the 17th March 1998. The principal activity of the company during the year was to run conference facilities.

The company commenced trading on 1 July 1998

The directors consider the profit achieved on ordinary activities before taxation to be particularly satisfactory in the first year of trading.

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 period, and the company's financial position at the end of the period 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 period were as follows:

M P L Burgin	(Appointed 22 Sep 98)
H J A Roche	(Appointed 22 Sep 98)
G S Allen	(Appointed 21 Apr 98)
M Allen	(Served from 21 Apr 98 to 22 Sep 98).

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

POLICY ON THE PAYMENT OF CREDITORS

It is the company's policy to pay its suppliers within the terms of their credit.

The company's creditor days were 54.

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.

GRASSNET SYSTEMS LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 17 MARCH 1998 TO 30 JUNE 1999

DIRECTORS' RESPONSIBILITIES *(continued)*

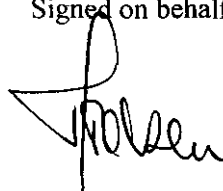
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding 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 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

Approved by the directors on *10 Dec* 1999.

Hextall Meakin

Chartered Accountants

Argon House, Argon Mews, Fulham Broadway, London SW6 1BJ

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GRASSNET SYSTEMS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

PERIOD FROM 17 MARCH 1998 TO 30 JUNE 1999

We have audited the financial statements on pages 4 to 8 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 pages 1 to 2, 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 company's state of affairs as at 30 June 1999 and of its profit for the period 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 10th December 1999.

GRASSNET SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 17 MARCH 1998 TO 30 JUNE 1999

	Note	£
TURNOVER	2	987,374
Cost of sales		652,259
GROSS PROFIT		335,115
Administrative expenses		306,275
OPERATING PROFIT	3	28,840
Interest receivable		808
Interest payable and similar charges	6	(4,945)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		24,703
Tax on profit on ordinary activities	7	6,500
RETAINED PROFIT FOR THE FINANCIAL PERIOD		18,203

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

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

The notes on pages 6 to 8 form part of these financial statements.

GRASSNET SYSTEMS LIMITED

BALANCE SHEET

30 JUNE 1999

	Note	£	£
CURRENT ASSETS			
Debtors	8	170,342	
Cash at bank and in hand		<u>106,658</u>	
		277,000	
CREDITORS: Amounts falling due within one year	9	<u>(258,697)</u>	
NET CURRENT ASSETS			<u>18,303</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>18,303</u>
CAPITAL AND RESERVES			
Called-up equity share capital	11		100
Profit and loss account	12		<u>18,203</u>
SHAREHOLDERS' FUNDS	13		<u>18,303</u>

These financial statements were approved by the directors on the signed on their behalf by:

10th December, 1999, and are



M P L BURGIN
Director

The notes on pages 6 to 8 form part of these financial statements.

GRASSNET SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 17 MARCH 1998 TO 30 JUNE 1999

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 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 cash flow statement.

Turnover

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

2. TURNOVER

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

An analysis of turnover is given below:

	£
United Kingdom	987,374
	<u> </u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	£
Auditors' remuneration	
- as auditors	1,500
- accountancy	1,500
	<u> </u>

4. PARTICULARS OF EMPLOYEES

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

Number of production staff	5
Number of administrative staff	2
	<u> </u>
	7
	<u> </u>

The aggregate payroll costs of the above were:

	£
Wages and salaries	157,347
Social security costs	11,665
	<u> </u>
	169,012
	<u> </u>

GRASSNET SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 17 MARCH 1998 TO 30 JUNE 1999

5. DIRECTORS' EMOLUMENTS

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

	£
Emoluments receivable	38,370

6. INTEREST PAYABLE

	£
Other similar charges payable	4,945

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	£
Corporation tax based on the results for the period at 24.30%	6,500

8. DEBTORS

	£
Trade debtors	153,383
Amounts owed by group undertakings	15,879
Other debtors	1,080
	170,342

9. CREDITORS: Amounts falling due within one year

	£
Trade creditors	93,791
Amounts owed to group undertakings	110,337
Corporation tax	6,500
Other taxation and social security	23,102
Accruals and deferred income	24,967
	258,697

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:

	£
1,000 Ordinary shares of £1 each	1,000

GRASSNET SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 17 MARCH 1998 TO 30 JUNE 1999

11. SHARE CAPITAL *(continued)*

Allotted, called up and fully paid:

	£
Issue of ordinary shares	100
	<u>100</u>

12. PROFIT AND LOSS ACCOUNT

	£
Retained profit for the financial period	18,203
Balance carried forward	<u>18,203</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Profit for the financial period	18,203
New equity share capital subscribed	100
Net addition to funds	<u>18,303</u>
Closing shareholders' equity funds	<u>18,303</u>

14. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Longcrest Plc.