

COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)
(Registered Number 3665527)

**CONSOLIDATED
REPORT AND FINANCIAL STATEMENTS**

PERIOD ENDED 29 FEBRUARY 2000

PANNELL KERR FORSTER
Chartered Accountants



COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

ANNUAL REPORT
PERIOD ENDED 29 FEBRUARY 2000

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COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

DIRECTORS, OFFICERS AND REGISTERED OFFICE

DIRECTORS

A.P. Hardie
G.T. Jackson
M. Jackson

COMPANY SECRETARY

A.P. Hardie

BUSINESS ADDRESS

Devonshire House
66 Church Road
Leatherhead
Surrey KT22 8DJ

REGISTERED OFFICE

Devonshire House
66 Church Road
Leatherhead
Surrey KT22 8DJ

AUDITORS

Pannell Kerr Forster
Pannell House
Park Street
Guildford
Surrey GU1 4HN

PRINCIPAL BANKERS

National Westminster Bank plc
PO Box 204
No 1 Hatton Garden
London
EC1P 1DU

COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

DIRECTORS' REPORT

The directors submit their first annual report and audited financial statements for the period from incorporation to 29 February 2000.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company and the group is principally engaged in the provision of computer consultancy and the production and marketing of computer software.

The company was incorporated on 11 November 1998 under the name of Mailclear Limited.

On 16 December 1998 the company changed its name from Mailclear Limited to Computer Software Holdings Limited.

On 12 July 1999 the company changed its name from Computer Software Holdings Limited to Computer Software Limited.

On 31 August 1999 the trade and certain assets and liabilities were transferred from its subsidiary undertaking.

RESULTS AND DIVIDENDS

The loss after tax for the period amounted to £2,237,058 as shown on page 6.

The directors do not recommend the payment of a dividend for the period.

DIRECTORS AND THEIR INTERESTS

The directors during the period under review and the shares in the company in which they were beneficially interested at the end of the period were:-

	Shares of £1 each		
	Ordinary	A Ordinary	M Ordinary
A.P. Hardie (appointed 1 November 1999)	-	-	-
G.T. Jackson (appointed 16 December 1998)	-	-	75,000
D.A. Lowe - Chairman (appointed 12 August 1999)	-	-	-
D.J. Taylor (appointed 16 December 1998)	-	-	-
K. Barnes (resigned 31 December 1999)	-	-	-
M.J. Edgell (appointed 16 December 1998, resigned 4 February 2000)	-	-	-
C. Holland (appointed 16 December 1998, resigned 24 September 1999)	-	-	-
B. Maytum (appointed 11 November 1998, resigned 16 December 1998)	-	-	-

D.J. Taylor resigned as a director on 8 May 2000, D.A. Lowe resigned as a director on 10 May 2000, and M. Jackson was appointed as a director on 8 May 2000.

D. A. Lowe represents NatWest IT Fund who have a beneficial interest in 120,000 A ordinary shares and 112,500 M ordinary shares. D.J. Taylor represents Elderstreet Downing Venture Capital Trust ("EDVCT") who have a beneficial interest in 120,000 ordinary shares and 112,500 M ordinary shares.

Subsequent to the year end options over 114,285 M ordinary shares were granted to A.P. Hardie, and options over 108,572 B ordinary shares were each granted to NatWest IT Fund and EDVCT.

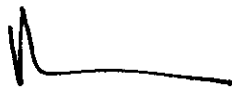
COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

DIRECTORS' REPORT

AUDITORS

Pannell Kerr Forster will be proposed for reappointment at the Annual General Meeting.

BY ORDER OF THE BOARD



A. Hardie
Director

.....26th June.....2000

COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group 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;
- 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 group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
COMPUTER SOFTWARE LIMITED**
(formerly Computer Software Holdings Limited)

We have audited the financial statements on pages 6 to 22 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of 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 and group'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 affairs of the company and group as at 29 February 2000 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Guildford



PANNELL KERR FORSTER
Registered Auditors

..... 28 June 2000

COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

CONSOLIDATED PROFIT AND LOSS ACCOUNT
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

	Notes	Period ended 29 February 2000	
		£	£
Turnover	2		2,540,484
Cost of sales			(1,762,113)
Gross profit			<u>778,371</u>
Sales and marketing costs			(790,428)
Administrative costs:			
Exceptional	3	233,333	
Other		1,571,665	
			<u>(1,804,998)</u>
Operating loss	4		<u>(1,817,055)</u>
Interest receivable			6,930
Interest payable	7		(593,933)
Loss on ordinary activities before taxation			<u>(2,404,058)</u>
Tax on loss on ordinary activities	8		167,000
Loss on ordinary activities after taxation for the financial period			<u><u>(2,237,058)</u></u>

All amounts relate to continuing activities.

The company has no recognised gains or losses other than the loss for the period.

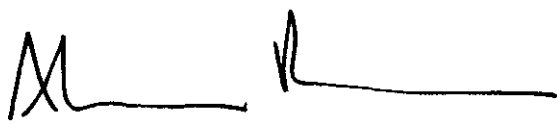
Movements on reserves are shown in note 19 to the accounts.

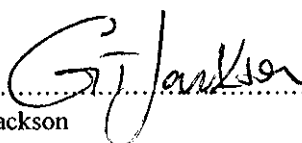
COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

CONSOLIDATED BALANCE SHEET
AT 29 FEBRUARY 2000

		<u>29 February 2000</u>	
	Notes	£	£
FIXED ASSETS			
Intangible	10 (a)		2,108,178
Tangible	11		834,796
Investments	13		49
			<u>2,943,023</u>
CURRENT ASSETS			
Debtors	14	497,523	
Cash at bank and in hand		9,191	
		<u>506,714</u>	
CREDITORS			
Amounts falling due within one year	15	(2,078,103)	
NET CURRENT LIABILITIES			<u>(1,571,389)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,371,634</u>
CREDITORS			
Amounts falling due after more than one year	15		(3,004,137)
NET LIABILITIES			<u><u>(1,632,503)</u></u>
CAPITAL AND RESERVES			
Called up share capital	18		405,000
Share premium account	19		199,555
Profit and loss account			(2,237,058)
SHAREHOLDERS' FUNDS	22		<u><u>(1,632,503)</u></u>

Approved by the board on 26th June.....2000


.....
A.P. Hardie

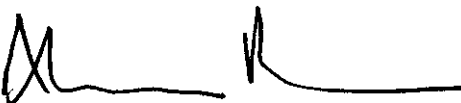

.....
G.T. Jackson

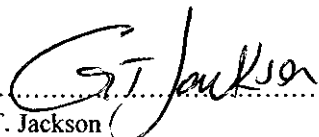
COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

BALANCE SHEET
AT 29 FEBRUARY 2000

		<u>29 February 2000</u>	
	Notes	£	£
FIXED ASSETS			
Intangible	10 (b)		3,236,395
Tangible	12		834,796
Investments	13		3,496,799
			7,567,990
CURRENT ASSETS			
Debtors	14	497,523	
Cash at bank and in hand		9,191	
		506,714	
CREDITORS			
Amounts falling due within one year	15	(5,574,853)	
NET CURRENT LIABILITIES			(5,068,139)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,499,851
CREDITORS			
Amounts falling due after more than one year	15		(3,004,137)
NET LIABILITIES			(504,286)
CAPITAL AND RESERVES			
Called up share capital	18		405,000
Share premium	19		199,555
Profit and loss account			(1,108,841)
SHAREHOLDERS' FUNDS	22		(504,286)

Approved by the board on 26th June 2000


.....
A.P. Hardie


.....
G.T. Jackson

COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

CONSOLIDATED CASH FLOW
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

	Notes	£
Reconciliation of operating profit to net cash inflow from operating activities		
Operating loss		(1,817,055)
Depreciation charge		235,349
Amortisation of goodwill		641,620
Profit on disposal of fixed assets		(4,673)
Decrease in debtors		278,583
Increase in creditors		1,008,559
Net cash inflow from operating activities		342,383

CASH FLOW STATEMENT

Net cash inflow from operating activities		342,383
Returns on investments and servicing of finance	23	(587,003)
Taxation		(180,149)
Capital expenditure and financial investment	23	35,880
Acquisitions	23	(3,047,249)
Net cash outflow before financing		(3,436,138)
Financing	23	3,445,329
Increase in cash		9,191

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

Increase in cash		9,191
Cash inflow from increase in net debt	24	(2,840,774)
Loans and finance leases acquired with subsidiary	24	(486,949)
Net debt at 29 February 2000	24	(3,318,532)

NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

1 ACCOUNTING POLICIES

(a) Accounting convention

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

(b) Basis of consolidation

The consolidated financial statements comprise the assets, liabilities and results of the company and its subsidiary undertakings, details of which are set out in note 14.

(c) Acquisitions

On acquisition of a business 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 assets, the difference is treated as goodwill and is capitalised in the group balance sheet in the year of acquisition.

(d) Goodwill

Purchased goodwill is capitalised in the period in which it arises and amortised over its estimated useful life. The directors regard 5 years as a reasonable maximum for the estimated useful life of goodwill.

Goodwill on consolidation is capitalised in the year of acquisition and amortised over its estimated useful life. The directors regard 5 years as a reasonable maximum for the estimated useful life of goodwill.

(e) Depreciation

Depreciation is calculated to write off the cost or valuation, less estimated residual values, of tangible fixed assets over their estimated useful lives to the business. The annual depreciation rates and methods are as follows:-

Land and buildings	-	over 50 years straight line
Furniture and fittings	-	over 6 years straight line
Office equipment	-	over 6 years straight line
Motor vehicles	-	over 4 years straight line
Computer equipment	-	between 3 and 5 years straight line

(f) Assets held under finance leases and hire purchase contracts

Fixed assets held under finance leases or hire purchase contracts are capitalised and depreciated over the periods set out above. The capital element of future lease rentals is shown as a liability and the interest element is, where material, charged to the profit and loss account in proportion to the outstanding balances of the contracts. For other contracts the interest element is charged to the profit and loss account on a straight line basis. The corresponding capital obligations are included in creditors.

NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

1 ACCOUNTING POLICIES (continued)

(g) Operating leases

Rentals under operating leases are charged to the profit and loss account as incurred.

(h) Research and development

Research and development expenditure is written off as incurred.

(i) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences other than those which are expected with reasonable probability to continue.

(j) Pension costs

The company makes contributions to certain of their employees' personal pension plans. Contributions are charged to the profit and loss account in the period in which they are payable.

2 TURNOVER

Turnover is the total amount, excluding value added tax, receivable by the company in the ordinary course of business for goods supplied and for services provided. 8.5% represents the turnover attributable to geographical markets outside the United Kingdom.

Maintenance income is deferred at the date of invoicing and released to the profit and loss account over the duration of the contract.

3 EXCEPTIONAL COST

The exceptional item represents the costs associated with the termination of a consultancy agreement.

4 OPERATING LOSS

	Period ended 29 February <u>2000</u> £
Operating loss is after charging/(crediting):	
Depreciation	244,895
Profit on disposal of fixed assets	(4,673)
Goodwill amortisation	641,620
Auditor's remuneration - audit services	20,500
- other services	19,692
Operating lease rentals for plant and machinery	2,357
Other operating lease rentals	<u>22,050</u>

COMPUTER SOFTWARE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

5 STAFF COSTS

	Period ended 29 February <u>2000</u> £
The cost of employing staff, including directors, was:	
Wages and salaries	1,663,763
Social security costs	164,192
Pension costs	66,398
	<u>1,894,353</u>
The average number of employees during the period were:	Number
ABS division	27
Training	1
Sales	8
Administration	4
	<u>40</u>

6 DIRECTORS' REMUNERATION

	Period ended 29 February <u>2000</u> £
Aggregate emoluments	306,649
Pension contributions	23,417
	<u>330,066</u>
Compensation for loss of office	<u>71,596</u>
Highest paid director:	
Aggregate emoluments	103,556
Pension contributions	7,583
Compensation for the loss of office	41,596
	<u>152,735</u>

Retirement benefits are accruing to two directors under a money purchase scheme.

COMPUTER SOFTWARE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

7 INTEREST PAYABLE

Period ended
29 February
2000
£

Finance lease and hire purchase contracts	19,988
Bank loans and overdrafts	115,410
Interest payable on loan notes	246,348
Other interest and charges	212,187

593,933

8 TAXATION

The group has taxable losses of £420,000 available to carry forward.

9 RESULT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial period amounted to £1,108,841.

10 INTANGIBLE FIXED ASSETS

(a) GROUP

Goodwill
£

Cost:

Additions and at 29 February 2000

2,749,798

Amortisation:

Charge and at 29 February 2000

641,620

Net book value:

At 29 February 2000

2,108,178

(b) COMPANY

Goodwill
£

Cost:

Additions and at 29 February 2000

3,734,302

Amortisation:

Charge and at 29 February 2000

497,907

Net book value:

At 29 February 2000

3,236,395

COMPUTER SOFTWARE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

11 TANGIBLE FIXED ASSETS

GROUP	<u>Freehold land & buildings</u>	<u>Furniture & fittings</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Computer equipment</u>	<u>Total</u>
	£	£	£	£	£	£
Cost:						
Additions	480,150	216,343	66,200	287,906	92,738	1,143,337
Disposals	-	(2,702)	-	(97,620)	-	(100,322)
At 29 February 2000	<u>480,150</u>	<u>213,641</u>	<u>66,200</u>	<u>190,286</u>	<u>92,738</u>	<u>1,043,015</u>
Depreciation:						
Charge for the period	11,316	46,840	15,485	112,080	49,628	235,349
Disposals	-	-	-	(27,130)	-	(27,130)
At 29 February 2000	<u>11,316</u>	<u>46,840</u>	<u>15,485</u>	<u>84,950</u>	<u>49,628</u>	<u>208,219</u>
Net book value:						
At 29 February 2000	<u>468,834</u>	<u>166,801</u>	<u>50,715</u>	<u>105,336</u>	<u>43,110</u>	<u>834,796</u>

Details of fixed assets held under finance leases and hire purchase contracts, which are included in the relevant headings in the table above, are as follows:-

Furniture & fittings :	Net book value £22,890 Charge for the period £6,264
Office equipment :	Net book value £24,199 Charge for the period £6,643
Motor vehicles :	Net book value £42,016 Charge for the period £20,425
Computer equipment :	Net book value £9,939 Charge for the period £12,510

COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

12 TANGIBLE FIXED ASSETS

COMPANY	Freehold land & buildings	Furniture & fittings	Office equipment	Motor vehicles	Computer equipment	Total
	£	£	£	£	£	£
Cost:						
Acquired from subsidiaries	473,684	170,342	56,746	191,854	55,809	948,435
Additions	-	16,769	610	-	7,873	25,252
Disposals	-	-	-	(55,262)	-	(55,262)
At 29 February 2000	<u>473,684</u>	<u>187,111</u>	<u>57,356</u>	<u>136,592</u>	<u>63,682</u>	<u>918,425</u>
Depreciation:						
Charge for the period	4,850	20,310	6,641	38,686	20,572	91,059
Disposals	-	-	-	(7,430)	-	(7,430)
At 29 February 2000	<u>4,850</u>	<u>20,310</u>	<u>6,641</u>	<u>31,256</u>	<u>20,572</u>	<u>83,629</u>
Net book value:						
At 29 February 2000	<u>468,834</u>	<u>166,801</u>	<u>50,715</u>	<u>105,336</u>	<u>43,110</u>	<u>834,796</u>

Details of fixed assets held under finance leases and hire purchase contracts, which are included in the relevant headings in the table above, are as follows:

Furniture & fittings :	Net book value £22,890 Charge for the period £2,685
Office equipment :	Net book value £24,199 Charge for the period £2,847
Motor vehicles :	Net book value £42,016 Charge for the period £8,754
Computer equipment :	Net book value £9,939 Charge for the period £5,361

COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

13 INVESTMENTS

GROUP	£
Other investment	
Additions and cost at 29 February 2000	<u>49</u>
COMPANY	£
Investments in subsidiary company	
Additions and cost at 29 February 2000	<u>3,496,799</u>

Details of group companies at the balance sheet date are as follows:-

<u>Subsidiary - direct holding</u>				Aggregate	
<u>Name of company</u>	<u>Activity</u>	<u>Class of shares</u>	<u>Holding</u>	<u>capital & reserves</u>	<u>Country of incorporation</u>
		%	£		
Computer Software (Holdings) Limited	Dormant	100	10,200	3,496,799	England & Wales
<u>Subsidiaries - indirect Holdings</u>					
Computer Software (North) Ltd	Dormant	100	1,000		England & Wales
The Cabling Company Ltd	Dormant	100	2		England & Wales
Computer Software (North East) Ltd	Dormant	100	2		England & Wales

14 DEBTORS

	<u>Group</u>	<u>Company</u>
	£	£
Trade debtors	300,313	300,313
Other debtors	7,026	7,026
Corporation tax recoverable	157,057	157,057
Prepayments and accrued income	33,127	33,127
	<u>497,523</u>	<u>497,523</u>

COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

15 CREDITORS

	<u>Group</u> £	<u>Company</u> £
Amounts falling due within one year:		
Bank loans	284,000	284,000
Trade creditors	203,782	203,782
Amounts owed to group undertaking	-	3,496,750
Net obligations under finance leases and hire purchase contracts	39,586	39,586
Tax and social security	107,417	107,417
Other creditors	489,061	489,061
Accruals and deferred income	954,257	954,257
	<u>2,078,103</u>	<u>5,574,853</u>
 Secured creditors included above are as follows:		
Hire purchase instalments secured on the assets concerned	<u>39,586</u>	<u>39,586</u>
 Amounts falling due after more than one year		
Bank loans	932,331	932,331
Subordinated loans	2,060,000	2,060,000
Net obligations under finance leases and hire purchase contracts	11,806	11,806
	<u>3,004,137</u>	<u>3,004,137</u>
 Amounts payable by instalments between two and five years:		
Finance lease and hire purchase contracts	11,806	11,806
Bank loans	836,000	836,000
	<u>847,806</u>	<u>847,806</u>
 Amounts by instalments after more than five years:		
Bank loans	96,331	96,331
Subordinated loans	2,060,000	2,060,000
	<u>2,156,331</u>	<u>2,156,331</u>

COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

15 CREDITORS (continued)

Both bank loans are secured by a floating charge over the assets of the company and a legal charge over the freehold premises. The bank loans are payable by fixed monthly instalments and interest was charged at between 2.5% and 3% above bank base rate.

The subordinated loans are repayable on the sixth anniversary of the date of issue, and interest is charged at 12.25% per annum. The holders of the subordinated loans are not entitled to repayment until the bank liabilities have been settled in full. On 8 May 2000 the company, as part of an additional fundraising, entered into an agreement with the loan note holders whereby the company was granted a two year interest holiday on the loan notes from 8 May 2000 to 7 May 2002. From the 8 May 2002 interest is payable on the loan notes at 12.25%.

Other secured creditors included above are as follows:

Hire purchase instalments secured on the assets concerned	<u>11,806</u>	<u>11,806</u>
---	---------------	---------------

16 LEASE COMMITMENTS

	<u>Group</u> £	<u>Company</u> £
Net obligations under finance leases and hire purchase contracts		
Minimum lease payments due:		
Within 1 year	45,697	45,697
2 - 5 years	13,832	13,832
Gross obligations	<u>59,529</u>	<u>59,529</u>
Less finance charges allocated to future periods	(8,137)	(8,137)
Net obligations	<u>51,392</u>	<u>51,392</u>

17 OTHER COMMITMENTS

At 29 February 2000 the company had the following annual commitments under non-cancellable operating leases:

	<u>Group</u>		<u>Company</u>	
	<u>Land and Buildings</u>	<u>Other</u>	<u>Land and Buildings</u>	<u>Other</u>
	£	£	£	£
Expiry date:				
Between 2 - 5 years	<u>36,941</u>	<u>45,418</u>	<u>22,766</u>	<u>45,418</u>

COMPUTER SOFTWARE LIMITED
(formerly Computer Software Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM INCORPORATION TO 29 FEBRUARY 2000

18 SHARE CAPITAL

	£
Authorised:	
120,000 Ordinary shares of 75p each	90,000
120,000 "A" Ordinary shares of 75p each	90,000
300,000 "M" Ordinary shares of 75p each	225,000
145,800 "B" Ordinary shares of 1p each	1,458
	<u>406,458</u>

Allotted, called up and fully paid:	
120,000 Ordinary shares of 75p each	90,000
120,000 "A" Ordinary shares of 75p each	90,000
300,000 "M" Ordinary shares of 75p each	225,000
	<u>405,000</u>

Shares issued in the period⁴ were:

	<u>Number</u>	<u>Nominal Value</u>	<u>Consideration</u>
		£	£
Ordinary shares of 75p each	120,000	90,000	115,000
"A" Ordinary shares of 75p each	120,000	90,000	115,000
"M" Ordinary shares of 75p each	300,000	225,000	450,000

The "A" Ordinary shares entitle the holder to a preferential right of return of the subscription price paid for the shares upon either a winding up or reduction of capital. The holders of all other class of shares are then entitled to be paid an amount equal to the subscription price. The balance of assets remaining is then distributed equally amongst all equity shareholders.

19 SHARE PREMIUM ACCOUNT

	<u>Group</u>	<u>Company</u>
	£	£
Premium arising on issue of shares	285,000	285,000
Costs of issue of shares	(85,445)	(85,445)
At 29 February 2000	<u>199,555</u>	<u>199,555</u>

20 PROFIT AND LOSS ACCOUNT

	<u>Group</u>	<u>Company</u>
	£	£
Retained loss for the period and at 29 February 2000	<u>(2,237,058)</u>	<u>(1,108,841)</u>

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21 PENSION COSTS

The company contributes towards certain employees' personal pension plans. The pension costs charge represents contributions payable by the company to these plans and amounted to £71,792.

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<u>Group</u> £	<u>Company</u> £
Shares issued in the period	405,000	405,000
Share premium	199,555	199,555
Retained loss for the period	(2,237,058)	(1,108,841)
Shareholders' funds at 29 February 2000	<u>(1,632,503)</u>	<u>(504,286)</u>

**23 ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT**

	£
Returns on investments and servicing of finance	
Interest received	6,930
Interest paid	(573,945)
Interest element of finance lease rentals	(19,988)
Net cash outflow from returns on investments and servicing of finance	<u>(587,003)</u>
Capital expenditure	
Payments to acquire fixed assets	(41,985)
Receipts from sales of fixed assets	77,865
Net cash inflow from capital expenditure	<u>35,880</u>
Acquisitions	
Purchase of subsidiary undertaking	(3,496,799)
Net cash acquired with subsidiary	449,550
Net cash outflow from acquisitions	<u>(3,047,249)</u>
Financing	
Issue of ordinary share capital	604,555
New borrowings	3,110,000
Repayment of borrowings	(125,502)
Capital element of finance leases	(143,724)
	<u>3,445,329</u>

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24 ANALYSIS OF CHANGES IN NET DEBT

	<u>On</u>	<u>Cash flows</u>	<u>Acquisitions</u>	<u>29 February</u>
	<u>Incorporation</u>			<u>2000</u>
	£	£	£	£
Cash at bank and in hand	-	9,191	-	9,191
	-	9,191	-	9,191
Debt due within one year	-	(250,000)	(34,000)	(284,000)
Debt due after one year	-	(2,734,498)	(257,833)	(2,992,331)
Finance leases	-	143,724	(195,116)	(51,392)
	-	(2,840,774)	(486,949)	(3,327,723)
	-	(2,831,583)	(486,949)	(3,318,532)

25 PURCHASE OF SUBSIDIARY UNDERTAKING

	<u>Fair Value</u>
	£
Net assets acquired:	
Tangible fixed assets	1,101,353
Investments	1,053
Debtors	619,049
Cash at bank and in hand	449,550
Creditors	(616,490)
Taxation	(320,572)
Loans and finance leases	(486,942)
	747,001
Goodwill	2,749,798
	3,496,799
Satisfied by:	
Cash	3,496,799

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26 RELATED PARTIES

During the period, Computer Software Limited paid fees of £49,517 to Atril Limited, for the services of D.A. Lowe.

During the period, payment and provision was made for £26,667 to Elderstreet Investments Limited for the services of D. Taylor, a director.

During the period, payment of £10,361 was made to Royce Cook Associates Limited for the services of K.R. Barnes, a former director.

During the period, consultancy fees of £4,144 were paid to M. Edgell, a former director.

27 ULTIMATE CONTROLLING PARTIES

The ultimate controlling parties of the group are NatWest IT Fund and Elderstreet Downing Venture Capital Trust.

28 SUBSEQUENT EVENTS

Subsequent to the year end the company has received further funding of £1,100,000. Elderstreet Capital Partners Nominees Limited invested £1,000,000, being £100,000 in share capital and £900,000 in subordinated loan. NatWest IT Fund and Elderstreet Downing Venture Capital Trust each invested a further £50,000 in subordinated note.

The subordinated loans are repayable on the sixth anniversary of the date of issue, and interest is charged at 12.25% per annum. On 8 May 2000 the company entered into an agreement with the loan note holders whereby the company was granted a two year interest holiday on the loan notes from 8 May 2000 to 7 May 2002. From 8 May 2002 interest is payable on the loan notes at 12.25%.