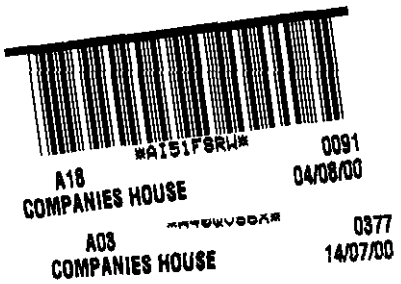
DCS e Integration Limited (formerly known as Computing Services for Industry Limited)

Directors' report and financial statements

Registered number 1748591

31 December 1999



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Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 1999.

Principal activities

The principal activities of the company during the year were the bespoke design and development of general computer applications, the supply of software packages, support services, and the sale as a reseller of IBM's mid range computer hardware and software.

Review and development of the business

The company has performed satisfactorily in 1999 maintaining turnover at anticipated levels whilst increasing profit before taxation and dividends on continuing operations by 5% compared to the year ended 31 December 1998.

On 1 January 1999 , CSI restructured from a regional basis into two primary businesses. CSI² - Integration & Infrastructure, and CSI – BPCS – which provides ERP solutions based on Systems Software Associates' BPCS product.

The success thus engendered during the year has led to the decision to transfer the CSI – BPCS business to a separate wholly owned subsidiary of DCS Group plc, DCS Industry Solutions Limited, from 1 January 2000. CSI results for 1999 are stated on the basis that the BPCS business is a discontinued operation .

During 1999 the company relocated two branches to new premises in Hemel Hempstead and Leeds. An owned property in Nottingham was disposed of in the year.

To reflect increasing focus on web enabled applications and consultancy, on 24 March 2000 the company changed its' name to DCS eIntegration Limited.

On 1 April 2000 the company absorbed the operations of fellow DCS subsidiaries The Computer Advisory Centre Limited and Proximity Consulting Limited, both of which specialise in the provision of eBusiness solutions.

Political and charitable donations

During the year the company made charitable donations amounting to £4,225 *(1998: £4,287)*. No political donations were made.

Employees

The company encourages development and implementation of employment policies and remuneration schemes designed to identify employees with the company's achievements and ways in which their knowledge and skills can best contribute towards it's success. The directors recognise the importance of employee involvement which is fostered by the development of communications through the normal company reporting procedures. The company gives equal opportunities to disabled persons whenever possible, both in recruitment and career development.

Proposed dividends

The directors recommend that a final ordinary dividend of £1,000,000 *(1998: £2,000,000)* be paid. The holders of the 'A' ordinary shares have waived their entitlement to a final dividend.

Creditor payment period

The company does not have a standard payment policy but agrees terms and conditions for its business transactions with suppliers. Payment is made in accordance with those terms, subject to other terms and conditions being met by the supplier.

The company had 41 days purchases outstanding at 31 December 1999 based on the average daily amount invoiced by suppliers during the year ended 31 December 1999.

Directors' report *(continued)*

Directors and directors' share interests

The directors who held office during the year were as follows:

AJ Forsyth	
C Turner	(resigned 27 May 2000)
MJ Henderson	
K Bishop	
P White	(resigned 31 December 1999)
D Lomas	
R Starling	(appointed 1 January 1999)
A Sutton	(appointed 1 January 1999, resigned 31 December 1999)
L Hall	(appointed 1 May 1999, resigned 31 December 1999)
H White	(appointed 4 October 1999)

The interests of AJ Forsyth in the shares of group companies are disclosed in the directors' report of DCS Group plc.

The other directors who held office at the end of the financial year had the following interests in the ordinary shares of the ultimate parent company, as recorded in the register of directors' share interests:

	DCS Group plc	
	Ordinary shares of 25 pence each	
	Interest at End of year	Interest at beginning of year or date of appointment
C Turner *	70,570	21,600
MJ Henderson	104,624	106,924
K Bishop	6,500	6,500
P White	16,000	17,000
D Lomas	-	-
R Starling	-	-
A Sutton	-	-
L Hall	-	-
H White	-	-

* including 28,970 held by C Turner's wife

Directors' report *(continued)*

Directors and directors' share interests *(continued)*

According to the register of directors' interests, no rights to subscribe for shares in the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year, except as detailed below:

	DCS Group plc Ordinary shares of 25 pence each				Exercise price (pence)	Exercise period (from/to)
	At beginning of year	Granted	Exercised	At end of year		
C Turner	20,000	-	20,000	-	60	
	60,000	-	60,000	-	60	
	20,000	-	20,000	-	60	
	10,000	-	-	10,000	25	Vests 25 June 2001
P White	20,000	-	-	20,000	60	31 May 1998 to 31 May 2005
	10,000	-	-	10,000	25	Vests 25 June 2001
	-	15,000	-	15,000	539.5	11 June 2002 to 11 June 2009
K Bishop	15,000	-	-	15,000	25	Vests 25 June 2001
	-	15,000	-	15,000	539.5	11 June 2002 to 11 June 2009
D Lomas	10,000	-	-	10,000	60	20 December 1994 to 19 December 2001
	20,000	-	-	20,000	60	31 May 1998 to 30 May 2005
	10,000	-	-	10,000	25	Vests 25 June 2001
	-	5,000	-	5,000	539.5	11 June 2002 to 11 June 2009
R Starling	-	5,000	-	5,000	539.5	11 June 2002 to 11 June 2009
	5,000	-	-	5,000	25	Vests 25 June 2001
A Sutton	-	5,000	-	5,000	539.5	11 June 2002 to 11 June 2009
	5,000	-	-	5,000	25	Vests 25 June 2001
L Hall	-	5,000	-	5,000	539.5	11 June 2002 to 11 June 2009
M Henderson	-	10,000	-	10,000	539.5	11 June 2002 to 11 June 2009
H White	-	5,000	-	5,000	640.5	4 October 2002 to 4 October 2011

Further details of these share options can be found in the DCS Group Plc consolidated accounts (see note 20).

The DCS Group plc share price at 31 December 1999 was 1055p and the price range during the year was 504p to 1090p.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



MJ Henderson
Director

Victoria House, Redvers Close
Lawnswood Business Park
Leeds
LS16 6QY

6 June 2000

Statement of directors' responsibilities

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

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

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

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Report of the auditors to the members of DCS e Integration Limited

We have audited the financial statements on pages 7 to 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you 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 is not disclosed.

Basis of audit 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 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 June 2000

Profit and loss account

for the year ended 31 December 1999

	Note	1999 Continuing	1999 Discontinued	1999 Total	1998 Continuing	1998 Discontinued	1998 Total
		£000	£000	£000	£000	£000	£000
Turnover	1	**21,557**	**20,650**	**42,207**	21,399	24,929	46,328
Cost of sales		**(16,154)**	**(15,516)**	**(31,670)**	(14,777)	(15,281)	(30,058)
Gross profit		**5,403**	**5,134**	**10,537**	6,622	9,648	16,270
Distribution costs		**(1,627)**	**(1,546)**	**(3,173)**	(2,396)	(2,468)	(4,864)
Administrative expenses		**(1,715)**	**(2,080)**	**(3,795)**	(1,995)	(2,982)	(4,977)
Development expenditure		**(410)**	**(350)**	**(760)**	(665)	(1,677)	(2,342)
Operating profit		**1,651**	**1,158**	**2,809**	1,566	2,521	4,087
Other interest receivable and similar income	3			**91**			139
Interest payable and similar charges	4			**(56)**			(57)
Profit on ordinary activities before taxation	2			**2,844**			4,169
Tax on profit on ordinary activities	5			**(931)**			(1,654)
Profit for the financial year				**1,913**			2,515
Dividends	6			**(1,000)**			(2,000)
Retained profit for the financial year	16			**913**			515

The discontinued operations in 1998 relate to the logistics business of CSI Ltd which was transferred to a wholly owned subsidiary of DCS Group plc, Computer Integrated External Logistics International Ltd, on 1 July 1998; together with the ERP business of CSI Ltd which was transferred to a wholly owned subsidiary of DCS Group plc, DCS Industry Solutions Ltd , on 1 January 2000. Discontinued operations in 1999 pertain solely to the ERP business.

There are no recognised gains or losses in the year other than the profit for the year as shown above.

Balance sheet

at 31 December 1999

	Note	1999		1998	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		**2,185**		2,507
Current assets					
Stocks	10	**33**		326	
Debtors	11	**21,636**		24,308	
Cash at bank and in hand		**1,474**		4,659	
		23,143		29,293	
Creditors: amounts falling due within one year	12	**(18,577)**		(25,976)	
Net current assets			**4,566**		3,317
Total assets less current liabilities			**6,751**		5,824
Creditors: amounts falling due after more than one year	13		**(209)**		(195)
Net assets			**6,542**		5,629
Capital and reserves					
Called up share capital	15		**460**		460
Share premium account	16		**54**		54
Revaluation reserve	16		**131**		134
Capital redemption reserve	16		**46**		46
Profit and loss account	16		**5,851**		4,935
			6,542		5,629
Shareholders' funds					
Equity			**6,491**		5,578
Non-equity			**51**		51
			6,542		5,629

These financial statements were approved by the board of directors on 26 June 2000 and were signed on its behalf by:

A J Forsyth
Director

MJ Henderson
Director

Note of historical cost profits and losses

for the year ended 31 December 1999

	1999 £000	1998 £000
Reported profit on ordinary activities before taxation	**2,844**	4,169
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**3**	3
Historical cost profit on ordinary activities before taxation	**2,847**	4,172
Historical cost profit for the year retained after taxation and dividends	**916**	518

Reconciliation of movements in shareholders' funds

for the year ended 31 December 1999

	1999	1998 £000
Profit for the financial year	**1,913**	2,515
Dividends	**(1,000)**	(2,000)
Net additions to shareholders' funds	**913**	515
Opening shareholders' funds	**5,629**	5,114
Closing shareholders' funds	**6,542**	5,629

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings, and in accordance with applicable accounting standards'.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of DCS Group plc, and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Fixed assets are stated at purchase price or valuation, less depreciation. Depreciation is provided in equal annual instalments to write off the cost less residual value of fixed assets, as follows:

Buildings	-	50 years
Tenants improvements	-	10 years or break point in lease whichever is sooner
Motor vehicles	-	4 years
Personal computers	-	3 years
Other assets	-	5 years

No depreciation is provided on land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions and other post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

Notes *(continued)*

1 Accounting policies *(continued)*

Research and development

Research and development costs are written off in the profit and loss account in the year in which they are incurred.

Stocks

Work in progress is stated at the lower of cost and net realisable value. Cost includes direct materials and labour. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that they are expected to crystallise within the foreseeable future.

Warranties

Provision is made in these accounts for anticipated warranty costs in respect of completed contracts.

Turnover

Turnover represents the invoiced amounts of goods sold, services provided and commission receivable stated net of value added tax.

Any element of advanced services and maintenance turnover which relates to a subsequent accounting period is deferred.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	1999	1998
	£000	£000
Depreciation	**794**	728
Amortisation of goodwill	**-**	750
Profit on disposal of fixed assets	**(72)**	(98)
Auditors' remuneration for audit work (see below)	**14**	13
Operating leases:		
Hire of plant and machinery - contract hire	**1,093**	1,033
Other – including rent	**678**	511

In addition the auditors received remuneration for non-audit work amounting to £9,000 *(1998: £2,850)*.

On 1 January 1998 the company acquired a warehouse management package (WMS/400) and related business from a fellow subsidiary company for £750,000. The full amount of the consideration was considered by the directors to be goodwill and was amortised through the profit and loss account in the year.

Notes *(continued)*

3 Other interest receivable and similar income

	1999 £000	1998 £000
Bank interest	**90**	137
Other	**1**	2
	91	139

4 Interest payable and similar charges

	1999 £000	1998 £000
Other	**21**	4
On hire purchase contracts and finance leases	**35**	53
	56	57

5 Tax on profit on ordinary activities

	1999 £000	1998 £000
UK corporation tax at 30% *(1998: 31%)*	**974**	1,635
Adjustments relating to an earlier year	**(43)**	19
	931	1,654

6 Dividends

	1999 £000	1998 £000
Ordinary shares:		
Final proposed	**1,000**	2,000

Notes *(continued)*

7 Staff costs

Staff costs, including directors' emoluments, were as follows:

	1999	1998
	£000	£000
Wages and salaries	**11,969**	14,437
Social security costs	**1,364**	1,588
Other pension costs	**273**	241
	13,606	16,266

The average number of persons employed by the company during the year (including directors) is analysed below:

	1999	1998
Production	**276**	317
Administration	**57**	57
Selling and distribution	**43**	52
	376	426

8 Directors' emoluments

	1999	1998
	£000	£000
Directors' emoluments	**944**	1,131
Company contributions to money purchase pension schemes	**35**	42

The aggregate of emoluments of the highest paid director was £207,545 *(1998: £195,711)*, and company pension contributions of £12,000 *(1998: £8,925)* were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to the following number of directors under:

	Number of employees	
	1999	1998
Money purchase scheme	7	5

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings £000	Computer installations £000	Fixtures fittings and equipment £000	Motor vehicles £000	Total £000
Cost or valuation					
At beginning of year	705	3,298	1,379	277	5,659
Additions	-	509	371	-	880
Disposals	(420)	(73)	(182)	(261)	(936)
At end of year	285	3,734	1,568	16	5,603
Depreciation					
At beginning of year	149	2,206	602	195	3,152
Charge for the year	8	547	205	34	794
Additions	-	41	-	-	41
Disposals	(120)	(52)	(177)	(220)	(569)
At end of year	37	2,742	630	9	3,418
Net book value					
At 31 December 1999	**248**	**992**	**938**	**7**	**2,185**
At 31 December 1998	556	1,092	777	82	2,507

Notes *(continued)*

9 Tangible fixed assets *(continued)*

The net book value of computer installations includes an amount of £306,364 *(1998: £254,359)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation on these assets amounted to £98,884 *(1998: £72,061)*.

The net book value of fixtures fittings and equipment includes an amount of £40,649 *(1998: £48,290)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation on these assets amounted to £7,641 *(1998: £11,336)*.

The net book value of motor vehicles includes an amount of £6,019 *(1998: £81,673)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation on these assets amounted to £33,965 *(1998: £151,888)*.

No depreciation is provided on freehold land which is included in land and buildings at a cost of £28,500 *(1998: £28,500)*.

Particulars relating to freehold land and buildings are given below.

	Freehold property	
	1999	1998
	£000	£000
Land and buildings		
At 25 January 1993 open market value	**285**	285
Subsequent additions at cost	**-**	419
Aggregate depreciation thereon	**(37)**	(148)
Net book value	**248**	556

On 25 January 1993, the freehold land and buildings were valued at open market value on the basis of existing use (and in accordance with the current edition of the Statements of Asset Valuation Practice and Guidance Notes issued by the Asset Valuation Standards committee of the Royal Institution of Chartered Surveyors) by Messrs Norton & Company Chartered Surveyors.

If the freehold property had not been revalued it would be included at a cost of £147,585 *(1998: £147,585)* less accumulated depreciation of £30,641 *(1998: £27,585)*.

10 Stocks

	1999	1998
	£000	£000
Work in progress	**33**	326

Payments received on account in excess of the value of work in progress are included in creditors.

Notes *(continued)*

11 Debtors

	1999	1998
	£000	£000
Amounts falling due within one year:		
Trade debtors	**6,978**	10,220
Amounts owed by parent undertaking	**13,905**	12,274
Other debtors	**185**	101
Corporation tax	**90**	-
Prepayments and accrued income	**450**	1,659
	21,608	24,254
Amounts falling due after more than one year:		
Deposits held	**28**	54
	21,636	24,308

12 Creditors: amounts falling due within one year

	1999		1998	
	£000	**£000**	£000	£000
Obligations under finance leases and similar hire purchase contracts		**126**		198
Trade creditors		**2,915**		5,037
Amounts owed to parent undertaking		**2,093**		1,579
Amounts owed to fellow subsidiaries		**7,183**		5,273
Other creditors including taxation and social security:				
Corporation tax	**-**		924	
Other taxes and social security	**1,046**		1,568	
Taxation and social security	**1,046**		2,492	
Other creditors	**237**		135	
		1,283		2,627
Accruals and deferred income		**3,977**		9,262
Dividend proposed		**1,000**		2,000
		18,577		25,976

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	1999 £000	1998 £000
Obligations under finance leases and similar hire purchase contracts due within 2 - 5 years	**209**	195

14 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1999		1998	
	Provided	**Unprovided**	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	-	**92**	-	14
Other timing difference	-	**92**	-	58
Deferred tax asset	-	**184**	-	72

15 Share capital

	1999 £	1998 £
Authorised		
1,012,515 'A' ordinary shares of 5p each	**50,626**	50,626
18,987,485 ordinary shares of 5p each	**949,374**	949,374
	1,000,000	1,000,000
Allotted, called up and fully paid		
1,012,515 'A' ordinary shares of 5p each	**50,626**	50,626
8,194,776 ordinary shares of 5p each	**409,738**	409,738
	460,364	460,364

The "A" ordinary shares carry the right to a cumulative preferential dividend of 2% of the net profit as defined in the company's articles, subject to a minimum dividend of £60,600 in respect of a full year. An interim dividend of £Nil was paid during the year. The right to the final dividend for the year in respect of these shares has been waived by the shareholders.

Notes *(continued)*

16 Capital and reserves

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Capital Redemption reserve £000	Profit and loss account £000
At beginning of year	460	54	134	46	4,935
Profit for the year	-	-	-	-	913
Transfer to profit and loss Account	-	-	(3)	-	3
At end of year	460	54	131	46	5,851

17 Commitments

(i) Capital commitments at the end of the year for which no provision has been made were as follows:

	1999 £000	1998 £000
Contracted	-	292

(ii) Annual commitments under non-cancellable operating leases are as follows:

	1999		1998	
	Land and buildings £000	Other assets £000	Land and buildings £000	Other assets £000
Operating leases which expire				
Within one year	28	163	21	188
In the second to fifth years inclusive	390	1,120	179	1,031
After more than five years	394	-	508	-
	812	1,283	708	1,219

Notes *(continued)*

18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £272,497 *(1998: £240,995)*.

Contributions amounting to £54,200 *(1998 £48,060)* payable to the fund and are included in creditors.

19 Contingent liabilities

On 18 August 1997 the company entered into cross guarantee arrangements with National Westminster Bank Plc to underwrite the liabilities of certain companies within the DCS Group plc group. The net liability at the year end under these arrangements was £9,000,000 *(1998: £5,474,000)*.

20 Ultimate parent company

The company is a wholly owned subsidiary undertaking of , and is controlled by, DCS Group plc.

The largest group in which the results of the company are consolidated is that headed by DCS Group plc, registered in England and Wales. This is also the smallest group into which the results of the company are consolidated. The consolidated accounts of this group are available to the public and may be obtained from 48 George Street, London, WIH 5RF.