

Computershare Limited and subsidiary undertakings

Annual report and financial statements
for the year ended 30 June 2003



Computershare Limited and subsidiary undertakings
Directors' report and financial statements
for the year ended 30 June 2003

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Computershare Limited and subsidiary undertakings

Directors' report for the year ended 30 June 2003

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 30 June 2003.

Principal activities

The principal activities of the group during the year were the provision of computerised share registry services comprising the operation and maintenance of share registers and ancillary services.

Business review

The year under review saw a continuation in the decline in corporate action activity combined with low interest rates, both of which impact significantly on revenue and profitability. As a result of these factors the Group has focussed on improving operational efficiencies, improving capital management and retaining clients.

This strategy has left the Group in a strong position to either withstand any continued decline in market conditions, or benefit from any improvement in corporate action activity or interest rates, without adding significantly to costs.

The Group has also continued its expansion in Europe:

- In February 2003 the Group acquired an initial stake of 27% in ComputersharePepper SRM ('SRM'), a joint venture with Pepper Technologies. SRM provides listed companies with tools to derive value from their shareholder base.
- In May 2003 the Group purchased a 30% interest in the National Registry Company of Russia ('NRC'). NRC has a 20% domestic market share including a number of companies that are listed in both Russia and the United Kingdom.

Further investments were made in these entities after the year end, these have been described in note 23 of the accounts.

As a result of group restructuring, in March 2003 the Group sold a 25% interest in its 100% owned subsidiary Computershare Technology Services (UK) Limited to a fellow subsidiary of its Australian parent.

Future developments

There are indications that market activity began to pick up towards the end of the year. However, it is not clear whether this is a sustainable trend. Equally it is difficult to predict with any certainty how interest rates will react in the future. As in previous years, these two factors will largely drive profitability levels going forward.

The focus on costs and improved management of working capital will continue. The strategy positions the group to either benefit from an improvement in market activity (particularly corporate actions) and in interest rates or to withstand a continued decline in these two factors.

Results and dividends

The audited financial statements for the year ended 30 June 2003 are set out on pages 6 to 34. The group loss for the year, after taxation and minority interest was £13,344,000 (2002 – profit £4,562,000). Dividends of 19.03 pence per share were paid during the year (2002: nil).

Computershare Limited and subsidiary undertakings

Directors' report for the year ended 30 June 2003 (continued)

Post balance sheet events

Details of material post balance sheet events are shown in Note 23 to these accounts.

Directors

The directors who served during the year and subsequent to the year-end were as follows:

E J Stockdale	(resigned 6 September 2002)
L F Appleby	(resigned 6 September 2002)
L K Botha	(resigned 6 September 2002, reappointed 22 March 2003)
D J Corney	(appointed 5 September 2002)
I D Saville	(appointed 5 September 2002, resigned 23 March 2003)
R W F Chapman	(appointed 18 June 2003)

The directors have no interests in the shares of the company. Where so required, interests in the shares of the ultimate parent company *Computershare Limited (Australia)* are disclosed in the financial statements of that company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company for that year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2003 and that applicable accounting standards have been followed.

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

Supplier payment policy

The company's policy which is also applied by the group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 30 June 2003 were equivalent to 6 (2002 - 11) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Charitable and political contributions

During the year the group made charitable donations of £66,000 (2002 - £46,000), of which £35,000 was donated to Proshare Educational Trust (charity number 802830) who are committed to promoting and encouraging increased knowledge, understanding and appreciation of economics, commerce, business studies and the workings of the economic system. There were no other significant donations within this amount, a list of donations is available from the company secretary. There were no political contributions.

Computershare Limited and subsidiary undertakings

Directors' report for the year ended 30 June 2003 (continued)

Disabled employees

Applications for employment by persons who are disabled are always fully considered, bearing in mind the aptitudes of the applicant concerned to perform the required work. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings and the intranet, corporate website and company publications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'D J Corney', written in a cursive style.

D J Corney
Director

26 July 2004

Independent Auditors' Report to the members of Computershare Limited

We have audited the financial statements which comprise the profit and loss account, statement of total recognised gains and losses, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior written consent in writing.

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 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

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 judgments 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, 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.

Independent Auditors' Report to the members of Computershare Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2003 and of the loss of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers LLP', is written over a large, stylized capital letter 'P'.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
26 July 2004

Computershare Limited and subsidiary undertakings

Consolidated profit and loss account for the year ended 30 June 2003

	Note	2003 £'000	2002 £'000
Turnover			
Existing and continuing operations		135,356	132,961
Discontinued operations	3	-	46,080
Turnover	1	135,356	179,041
Cost of sales		(52,746)	(65,772)
Gross profit		82,610	113,269
Administration expenses		(76,917)	(103,119)
Existing and continuing operations		5,693	14,004
Discontinued operations	3	-	(3,854)
Group operating profit		5,693	10,150
Share of operating loss of associates	10	(709)	-
Operating profit including associates		4,984	10,150
Exceptional items – continuing operations:			
Restructure costs	2	(7,611)	-
Provision write back	2,15	1,909	-
Exceptional items – discontinued operations:			
Profit on disposal of subsidiary	2	-	1,297
Loss on partial disposal of subsidiary	2	(10,283)	-
(Loss)/ profit on disposal of fixed assets		(238)	409
Interest receivable and similar income	4	3,629	1,468
Interest payable and similar charges	4	(4,649)	(5,839)
(Loss)/ profit on ordinary activities before taxation	5	(12,259)	7,485
Tax on profit on ordinary activities	7	(1,472)	(2,917)
(Loss)/ profit on ordinary activities after taxation		(13,731)	4,568
Minority interest		387	(6)
		(13,344)	4,562
Dividends paid on ordinary activities		(12,000)	-
Retained (loss)/ profit for the financial year	17	(25,344)	4,562

Computershare Limited and subsidiary undertakings

Consolidated statement of total recognised gains and losses for the year ended 30 June 2003

	2003 £'000	2002 £'000
Retained (loss)/ profit for the financial year	(25,344)	4,562
Gain/ (loss) on foreign currency translation	3,642	(1,190)
Total recognised gains and (losses) relating to the year	(21,702)	3,372
Prior year adjustment for FRS19	-	(162)
Prior year adjustment	-	(418)
Total recognised gains and losses since last annual report	(21,702)	2,792

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated at their historical cost equivalents.

In 2002, two prior year adjustments were made to the year ended 30 June 2001.

The Group accounting policy for deferred taxation was changed during the year ended 30 June 2002 to comply with Financial Reporting Standard 19 'Deferred Tax'. The effect of the prior year restatement was to increase the provision for deferred tax and the tax expense by £162,000 as at 30 June 2001.

In the year ended 30 June 2001, the exchange gain on the translation of a foreign currency loan receivable was taken directly to reserves. This amount should have been included in the profit and loss account. The effect of the prior year restatement in 2002 was to increase the prior year foreign currency gain and tax expense by £1,392,000 and £418,000 respectively, decrease the foreign currency translation adjustment taken directly to reserves by £1,392,000, and increase the corporation tax payable by £418,000. The net effect was to increase profit by £974,000 and decrease net assets by £418,000.

Computershare Limited and subsidiary undertakings

Group and Company balance sheets at 30 June 2003

		Group		Company	
	Note	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Fixed assets					
Intangible assets – goodwill	8	68,224	68,538	2,998	3,204
Tangible assets	9	37,443	35,260	21,458	21,691
Investments	10	43,553	268	128,569	84,243
		149,220	104,066	153,025	109,138
Current assets					
Stocks	11	715	564	-	-
Debtors – due within one year	12	33,788	33,359	13,113	8,793
Debtors – due after one year	12	-	36,037	-	38,083
Cash at bank and in hand		26,999	25,185	-	-
		61,502	95,145	13,113	46,876
Creditors: Amounts falling due within one year	13	(96,105)	(42,026)	(85,086)	(41,488)
Net current (liabilities)/ assets		(34,603)	53,119	(71,973)	5,388
Total assets less current liabilities		114,617	157,185	81,052	114,526
Creditors: Amounts falling due after more than one year					
	14	(22,356)	(60,036)	(17,410)	(56,896)
Provisions for liabilities and charges	15	(8,315)	(3,976)	(1,031)	(1,427)
Net assets		83,946	93,173	62,611	56,203

Computershare Limited and subsidiary undertakings

Group and Company balance sheets at 30 June 2003 (continued)

		Group		Company	
	Note	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Capital and reserves					
Called-up share capital	16	63,071	63,071	63,071	63,071
Capital reserve	17	532	532	532	532
Profit and loss account	17	7,353	29,055	(992)	(7,400)
Shareholders' funds	18	70,956	92,658	62,611	56,203
Minority interests		12,990	515	-	-
Total equity shareholders' funds		83,946	93,173	62,611	56,203

The financial statements on pages 6 to 34 were approved by the board of directors on 26 July 2004 and were signed on its behalf by:



D J Corney
Director

The accompanying notes are an integral part of these financial statements.

Computershare Limited and subsidiary undertakings

Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Basis of accounting

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

Basis of consolidation

The group financial statements consolidate the financial statements of Computershare Limited and its subsidiary undertakings, as listed in note 10, drawn up to 30 June each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

The group's share of profits less losses of associates is included in the Consolidated Profit and Loss Account, and the group's share of their net assets is included in the Consolidated Balance Sheet under the equity method.

No profit and loss account is presented by Computershare Limited, as provided by s230 of the Companies Act 1985. The company's profit for the year after taxation was £18,408,000 (2002 – loss £7,142,000).

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as the proportion of the total contract value for which costs incurred to date bear to total expected costs for that contract.

Turnover comprises fees and bureau revenue. This includes all revenue earned on the provision of regular services to customers, primarily fixed monthly maintenance fees and transaction processing fees. Additionally, turnover includes all associated revenue earned from managing various client corporate actions, such as capital raisings, demutualisations and takeovers, which occur periodically. Revenue derived from both sources of sales revenue includes variable margin income earned on administered funds, including Save As You Earn Schemes.

In relation to the recognition of any profits and losses on the corporate actions which span reporting periods, where they can be reliably measured, revenue and expenses arising from the project are recognised in the profit and loss account by reference to the stage of completion of the project.

Goodwill

Goodwill arising on acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised on a straight-line basis over 5-20 years. The fair value of consideration includes fees and similar incremental external costs incurred directly in making the acquisition. Provision is made for any impairment.

Computershare Limited and subsidiary undertakings

Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	40 years
Leasehold land and buildings	term of lease
Furniture, vehicles, plant and machinery	5-10 years

Residual value is calculated on prices prevailing at the date of acquisition.

Impairments in the value of fixed assets are charged to the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Provision is made for deferred taxation using the liability method on all material timing differences. Deferred tax assets are recognised where their recovery is more likely than not. Deferred tax assets and liabilities have not been discounted.

Pension costs

The group provides pension arrangements to the majority of full-time employees through defined contribution funds. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the closing rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are dealt with through reserves. All other exchange differences are included in the profit and loss account.

Computershare Limited and subsidiary undertakings

Accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Employee Entitlements

Provision has been made in the financial statements for benefits accruing to employees in relation to annual leave. All on-costs, including PAYE, and benefits in kind are included in the determination of provisions.

Cash flow statement

The group has taken advantage of the exemptions available in Financial Reporting Standard Number 1 (revised) and has not prepared a cash flow statement because the consolidated financial statements of the parent company, Computershare Limited (Australia), contain a consolidated cash flow statement which includes the cash flows of the group, and those financial statements are publicly available.

Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss is recognised over the remaining life of the instrument.

Fixed asset investments

Investments are stated at cost less any provision for impairment.

Computershare Limited and subsidiary undertakings

Notes to the financial statements

1 Segmental information

The group's activities are solely within the share registration sector. Turnover by geographical origin is as follows. No segmental analysis of net assets, or results before tax and minority interests, has been provided as this information is available in the financial statements of the parent company, Computershare Limited (Australia).

	2003 £'000	2002 £'000
United Kingdom	66,972	72,065
South Africa	13,550	7,232
United States	-	46,080
Canada	54,834	53,664
	135,356	179,041

Turnover by geographical destination is considered to be not significantly different to the above.

2 Exceptional items

Restructure costs

During the year ended 30 June 2003 the Group initiated several restructuring programmes, including entering into an agreement to close the majority of the operation in Edinburgh and restructuring programmes in Canada. *The cost of this (including provisions as shown in note 15) was £7,611,000. The effect of these costs was to reduce the tax charge by £1,908,000.*

Provision write back

The Group had previously been holding a provision awaiting the result of an investigation by a third party. This has now been concluded and as a result there has been a £1,909,000 write back of this provision as at 30 June 2003. This is shown in note 15. The tax charge in respect of this write back was £573,000.

Partial disposal of subsidiary

During the year ended 30 June 2003, the Group sold a 25% stake in its previously 100% held subsidiary Computershare Technology Services (UK) Limited for proceeds of £1,700,000 with the loss on disposal amounting to £10,283,000. The tax effect of this transaction was £nil.

Disposal of subsidiary

During the year ended 30 June 2002, the Group's US subsidiary Computershare Inc, was sold for proceeds of £35,554,000 with the profit on disposal amounting to £1,297,000. The tax effect of this transaction was £nil.

All exceptional items relate to the Group. There were no exceptional items in the associates.

Computershare Limited and subsidiary undertakings

Notes to the financial statements

3 Cost of sales, gross profit and administration expenses

	Continuing £'000	Discontinued £'000	2003 Total £'000	Continuing £'000	Discontinued £'000	2002 Total £'000
Turnover	135,356	-	135,356	132,961	46,080	179,041
Cost of sales	(52,746)	-	(52,746)	(57,431)	(8,341)	(65,772)
Gross profit	82,610	-	82,610	75,530	37,739	113,269
Administration expenses	(76,917)	-	(76,917)	(61,526)	(41,593)	(103,119)
Operating profit/(loss)	5,693	-	5,693	14,004	(3,854)	10,150

Discontinued operations in the year ended 30 June 2002 represent the sale of the US operations on 31 May 2002 to the ultimate parent company Computershare Limited (Australia).

4 Interest and similar items

	2003 £'000	2002 £'000
<i>Interest receivable and similar income</i>		
Income from other fixed asset investments	205	8
Income and interest derived from group undertakings	2,384	407
Other interest	1,037	1,053
Share of associates' interest receivable	3	-
	3,629	1,468
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	560	314
Interest payable to fellow group undertakings	4,089	5,173
Exchange loss on foreign currency borrowings	-	352
	4,649	5,839

Computershare Limited and subsidiary undertakings **Notes to the financial statements**

5 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging:

	2003 £'000	2002 £'000
Depreciation	5,385	7,738
Amortisation of goodwill – subsidiaries (note 8)	4,763	6,884
Amortisation of goodwill – associates (note 10)	575	-
Operating lease rentals		
- plant and machinery	978	1,119
- other	4,769	5,152
(Loss)/ profit on sale of fixed assets	(238)	409
Auditors' remuneration		
- audit fees - PricewaterhouseCoopers LLP	304	153
- Deloitte & Touche	50	428
- other - PricewaterhouseCoopers LLP	58	30
- Deloitte & Touche	2,564	328

6 Staff costs

The average monthly number of employees (including executive directors) was:

	2003 Number	2002 Number
Share registry services	2,808	3,195

Computershare Limited and subsidiary undertakings

Notes to the financial statements

6 Staff costs (continued)

Their aggregate remuneration comprised:

	2003 £'000	2002 £'000
Wages and salaries	50,601	63,796
Social security costs	3,432	4,110
Other pension costs (see note 20)	2,999	3,242
	57,032	71,148

Directors' remuneration, interests and transactions:

	2003 £'000	2002 £'000
Directors' aggregate emoluments	352	256
Compensation for loss of office	717	-
Contributions to money purchase scheme	9	2

Remuneration in respect of the other directors has been paid by the ultimate parent company, Computershare Limited (Australia). Three directors received contributions to money purchase schemes in the year (2002 – 1).

Highest paid director:

	2003 £'000	2002 £'000
Aggregate emoluments and benefits	243	207
Company pension contributions to money purchase scheme	-	-

Computershare Limited and subsidiary undertakings

Notes to the financial statements

7 Tax on profit on ordinary activities

a) Analysis of charge in the year

	2003 £'000	2002 £'000
Current tax		
UK corporation tax on profits for the year at 30% (2002: 30%)	653	1,846
Adjustments in respect of previous periods	(48)	(199)
Foreign tax	(235)	134
Total current tax	370	1,781
Deferred tax		
Current year	1,102	1,136
Total deferred tax	1,102	1,136
Tax on profit on ordinary activities	1,472	2,917

b) Factors affecting tax charge for the year

The rate of current tax charge on (loss)/profit on ordinary activities varied from the standard rate of corporation tax in the UK due to the following factors:

	2003 £'000	2002 £'000
(Loss)/ profit before taxation	(12,259)	7,485
Tax at 30% (2002: 30%)	(3,678)	2,246
Adjustment to tax charge in respect of previous periods	(5)	(199)
Expenses not deductible for tax purposes	4,564	1,114
Income not assessable for tax purposes	(278)	(805)
Capital allowances lower/ (greater) than depreciation and other short term timing differences	-	(1,205)
Double tax relief and other relief	(409)	-
Share of joint venture losses	213	
Higher tax rates on overseas earnings	(37)	630
Current tax charge	370	1,781

Computershare Limited and subsidiary undertakings

Notes to the financial statements

8 Intangible fixed assets

Group	Goodwill £'000
Cost	
At beginning of year	77,769
Additions	1,769
Disposals	(377)
Exchange movement	3,200
At end of year	82,361
Amortisation	
At beginning of year	9,231
Charge for the year	4,763
Disposals	(207)
Exchange movement	350
At end of year	14,137
Net book value	
At beginning of year	68,538
At end of year	68,224

Additions made in the year mainly represent acquisitions made through Computershare Canada Inc. and the increased investment in Computershare (South Africa) (Pty) Ltd. Disposals reflect the reorganisation within the group with the disposal of 25% of the interest in Computershare Technology Services (UK) Ltd to Computershare Finance Co. (Pty) Ltd, a subsidiary of the ultimate parent Computershare Limited (Australia). These amounts are being amortised in accordance with group policy.

During the prior year the Computershare Limited (UK) group acquired the trade and assets of the share registry business of Mercantile Registrars. On 2 April 2002 the group acquired the net assets and trade of the share registry business of Mercantile Registrars through its subsidiary Computershare (South Africa) (Pty) Ltd. The consideration expended to acquire the trade and assets of the share registry and central securities depository participant business of Mercantile Registrars was £6,306,000. The fair value of the assets and liabilities acquired was £307,000 which resulted in goodwill of £5,999,000 arising.

The Mercantile business was integrated into the existing Computershare (South Africa) business and as a result the financial results for Mercantile post acquisition are not separately identifiable.

Computershare Limited and subsidiary undertakings
Notes to the financial statements

8 Intangible fixed assets (continued)

Company	Goodwill £'000
Cost	
At beginning and end of year	4,134
Amortisation	
At beginning of year	930
Charge for year	206
At end of year	1,136
Net book value	
At beginning of year	3,204
At end of year	2,998

Computershare Limited and subsidiary undertakings
Notes to the financial statements

9 Tangible fixed assets

Group	Freehold land and buildings £'000	Short leasehold property £'000	Furniture, vehicles, plant and machinery £'000	Total £'000
Cost				
At beginning of year	23,038	7,651	17,431	48,120
Additions	342	401	6,458	7,201
Acquisition of subsidiary undertakings	-	-	34	34
Disposals	-	-	(379)	(379)
Impairment	-	-	(205)	(205)
Exchange movement	12	120	793	925
At end of year	23,392	8,172	24,132	55,696
Depreciation				
At beginning of year	1,393	3,281	8,186	12,860
Charge for the year	546	699	4,140	5,385
Disposals	-	-	(282)	(282)
Exchange movement	-	19	271	290
At end of year	1,939	3,999	12,315	18,253
Net book value				
At beginning of year	21,645	4,370	9,245	35,260
At end of year	21,453	4,173	11,817	37,443

Freehold land amounting to £3,600,000 (2002 – £3,600,000) has not been depreciated.

After the year end, as described in note 23, the group entered into a sale and leaseback of land and buildings that had a net book value of £19,272,000 at year end.

Computershare Limited and subsidiary undertakings
Notes to the financial statements

9 Tangible fixed assets (continued)

Company	Freehold land and buildings £'000	Short leasehold property £'000	Furniture, vehicles, plant and machinery £'000	Total £'000
Cost				
At beginning of year	19,973	4,577	2,297	26,847
Additions	342	143	36	521
At end of year	20,315	4,720	2,333	27,368
Depreciation				
At beginning of year	851	2,802	1,503	5,156
Charge for the year	418	196	140	754
At end of year	1,269	2,998	1,643	5,910
Net book value				
At beginning of year	19,122	1,775	794	21,691
At end of year	19,046	1,722	690	21,458

Freehold land amounting to £3,600,000 (2002 – £3,600,000) has not been depreciated.

After the year end, as described in note 23, the company entered into a sale and leaseback of land and buildings that had a net book value of £19,272,000 at year end.

Computershare Limited and subsidiary undertakings

Notes to the financial statements

10 Fixed asset investments

	Associates	Other	Total	
	£'000	£'000	£'000	£'000
Group				
Cost				
At beginning of year – goodwill	-	-	-	-
– other	-	268	268	919
	-	268	268	919
Additions – goodwill	4,526	-	4,526	-
– negative goodwill	(328)	-	(328)	-
– share of associates' net assets acquired in year	2,895	-	2,895	-
– share of associates' losses in year	(134)	-	(134)	-
– other	-	36,885	36,885	-
Disposals	-	-	-	(637)
Exchange differences	11	5	16	(14)
At end of year – associates	6,970	-	6,970	-
 – other	-	37,158	37,158	268
	6,970	37,158	44,128	268
Goodwill amortisation				
At beginning of year	-	-	-	-
Charge for the year	575	-	575	-
At end of year	575	-	575	-
Net book value				
At beginning of year – goodwill	-	-	-	-
– other	-	268	268	919
At end of year – goodwill	3,951	-	3,951	-
 – negative goodwill	(328)	-	(328)	-
 – other	2,772	37,158	39,930	268
	6,395	37,158	43,553	268

The share of associates' losses in the year stated is pre and post tax, as the tax charge for the period was nil.

Computershare Limited and subsidiary undertakings

Notes to the financial statements

10 Fixed asset investments (continued)

Principal group investments

The parent company and the group have investments in the following subsidiary undertakings which principally affected the profits or net assets of the group. To avoid a statement of excessive length, details of investments which are not significant are omitted.

	Country of incorporation	Principal activity	Share capital	2003 Holding	2002 Holding
Computershare Investor Services PLC	England and Wales	Share registry	£15,000,000 ordinary	100%	100%
Computershare Technology Services (UK) Limited	England and Wales	Software development	£4 ordinary plus £36,608,581 preference	75%	100%
Computershare Analytics (UK) Limited (formerly Citywatch Limited)	England and Wales	Equity market research	£12,500 ordinary	100%	100%
Computershare Trustees Limited	England and Wales	Trustee and administration services	£2 ordinary	100%	100%
Computershare (South Africa) (Pty) Ltd (formerly Computershare Services (South Africa) (Pty) Limited	South Africa	Holding company	Rand 100 ordinary	77.4%	60.3%
Computershare Canada Inc	Canada	Holding company	CAN\$1,000 common plus CAN\$1,000,000 preference	100%	100%
Computershare Investments (UK) Limited	England and Wales	Holding company	£1 ordinary	100%	100%
Computershare Investments (UK) (No.2) Limited	England and Wales	Holding company	CAN\$169,669,254	100%	100%

Computershare Limited and subsidiary undertakings

Notes to the financial statements

10 Fixed asset investments (continued)

In November 2002 the Group acquired a further 17.1% interest in its subsidiary, Computershare (South Africa) (Pty) Limited, taking its total shareholding to 77.4% (2002: 60.3%). The total consideration paid was £3,332,000 and goodwill arose of £479,000.

On 9 December 2002 the Group purchased 100% of Computershare Investments (UK) (No.2) Limited from its Australian parent company Computershare Limited for £100 being the fair value of the company's assets.

On 10 December 2002, the Group's wholly owned subsidiary Computershare Investments (UK) (No.2) Limited purchased 1 share for CAD1 in Computershare Canada Inc (CCI). On 31 December 2002, Computershare Investments (UK) (No.2) Limited purchased the entire shareholding of Computershare Trust Company of Canada Inc (CTCC) for CAD169,669,000 which was determined by the management of CTCC as being approximately equal to the expected net asset value of CTCC as at 31 December 2002. On 31 December 2002, Computershare Investments (UK) (No.2) Limited transferred its shares in CTCC to CCI in return for 1,000 ordinary shares and 1,000,000,000 preference shares in CCI at fair market value. The amounts attributed to each class of shares are CAD69,669,000 and CAD100,000,000 respectively.

On 31 December 2002, the Group's wholly owned subsidiary Computershare Technology Services (UK) Limited purchased 104,595,945 redeemable fixed dividend shares in Computershare Investor Services Pty Limited, a company incorporated in Australia. These shares do not have any voting rights. As at 30 June 2003 Computershare Investor Services Pty Limited reported aggregate capital and reserves of AUD119,246,000 (2002: AUD14,482,000) and reported a retained profit for the financial year of AUD7,034,000 (2002: AUD10,830,000).

After the year end, the group sold its investment in Computershare Investments (UK) (No. 2) Limited as described in note 23 to these accounts.

During the prior year Computershare Limited sold its shares in the London Stock Exchange plc for proceeds of £963,000. The profit on disposal was £326,000.

Computershare Limited and subsidiary undertakings

Notes to the financial statements

10 Fixed asset investments (continued)

Investments in associates

During the year the Group purchased investments in three associates:

	Deutsche Bourse Computershare £'000	Pepper Technology AG £'000	The National Registry Corporation £'000	Total £'000
Fair value of net assets acquired	1,553	426	916	2,895
Goodwill	2,291	2,235	-	4,526
Negative goodwill	-	-	(328)	(328)
Total cost	3,844	2,661	588	7,093

	Effective date	Class of shares	% holding	Principal activity	Country of incorporation
Deutsche Bourse Computershare	25 October 2002	Ordinary	49.00	Share Registry	Germany
Pepper Technology AG	14 February 2003	Ordinary	26.65	Development and maintenance of share registers and related systems	Germany
The National Registry Corporation	18 May 2003	Ordinary	29.88	Share Registry	Russia

All three companies have 31 December year ends and are audited as at this date. The unaudited results for the year to 30 June 2003 are accounted for in the Group financial statements.

After the year end the group made further investments in these activities as described in note 23.

Computershare Limited and subsidiary undertakings

Notes to the financial statements

10 Fixed asset investments (continued)

	2003 £'000	2002 £'000
Company		
Cost and net book value at beginning of year	84,243	117,336
Additions	107,320	1,801
Disposals	(62,994)	(34,894)
Cost and net book value at end of year	128,569	84,243

On 27 November 2002 Computershare Limited increased its shareholding in its subsidiary Computershare South Africa (Pty) Limited by £3,332,000.

On 9 December 2002 and 31 December 2001 Computershare Limited increased its shareholding in its subsidiary Computershare Technology Services (UK) Limited by £36,608,000 and £1,801,000 respectively.

On 31 December 2002 Computershare Limited sold its Canadian subsidiary, Computershare Trust Company of Canada to the ultimate parent Computershare Limited (Australia) for proceeds of £67,183,000. The profit on disposal amounted to £4,189,000.

On 31 December 2002 Computershare Limited acquired the entire share capital of Computershare Investments (UK) No.2) Limited for £67,183,000.

On 18 May 2003 Computershare Limited purchased 8,000 common shares in the National Registry Company, a company incorporated in Russia for £197,000.

On 31 May 2002 Computershare Limited sold its US subsidiary, Computershare Inc, to its ultimate parent Computershare Limited (Australia) for proceeds of £35,554,000. The profit on disposal amounted to £1,297,000.

During the prior year Computershare Limited sold its shares in the London Stock Exchange plc for proceeds of £963,000. The profit on disposal was £326,000.

Computershare Limited and subsidiary undertakings

Notes to the financial statements

11 Stocks

	Group	
	2003 £'000	2002 £'000
Raw materials and consumables	715	564

There is no material difference between the balance sheet value of stock and their replacement cost.

12 Debtors

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts falling due within one year:				
Trade debtors	19,206	19,178	-	-
Amounts owed from group undertakings	993	236	5,943	4,001
Amounts owed from associates	734	-	734	-
Corporation tax recoverable	1,946	-	5,700	4,181
Other debtors	3,809	6,353	78	460
Prepayments and accrued income	7,100	7,592	658	151
	33,788	33,359	13,113	8,793
Amounts falling due after more than one year:				
Amounts owed from group undertakings	-	36,037	-	38,083

Computershare Limited and subsidiary undertakings
Notes to the financial statements

13 Creditors: Amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	2,454	916	31,622	38,530
Trade creditors	1,249	2,304	17	82
Amounts owed to group undertakings	53,177	3,587	52,969	1,924
Corporation tax payable	-	570	-	-
Other taxation and social security	940	795	195	512
Other creditors	21,574	23,177	2	25
Accruals and deferred income	16,711	10,677	281	415
	96,105	42,026	85,086	41,488

14 Creditors: Amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	19,041	56,915	17,410	56,896
Other creditors	3,315	3,121	-	-
	22,356	60,036	17,410	56,896

Computershare Limited and subsidiary undertakings

Notes to the financial statements

15 Provisions for liabilities and charges

	Group					Company		
	Third Party Investigation £'000	Restructuring £'000	Deferred Taxation £'000	Other £'000	Total £'000	Third Party Investigation £'000	Deferred Taxation £'000	Total £'000
As at 1 July 2002	2,174	-	1,802		3,976	575		1,427
Provided in year	747	4,803	1,102	477	7,129	-	179	179
Utilised	(134)	-	-	-	(134)	-	-	-
Released to the profit and loss account	(2,656)	-	-	-	(2,656)	(575)	-	(575)
As at 30 June 2003	131	4,803	2,904	477	8,315	-	1,031	1,031

Third party investigation

The provision was originally held in relation to an investigation by a third party. This has now been resolved with the final payment due to be made in 2003-04.

Restructuring

£3,750,000 of the provision relates to the announcement in June 2003 of the closure of the Edinburgh operations in 2003-04. The remainder relates to the restructuring of operations within Canada. It is expected that all of the costs will be incurred in 2003-04.

Other

Other provisions relate to commercial claims received in the normal course of business and represent either the amount payable, or the insurance excess payable where the claim is covered by insurance.

Deferred taxation

As at 30 June 2003, the Group had an unrecognised deferred tax asset of £1,611,000 (2002: £376,000) arising from fixed asset timing differences. The deferred tax asset has not been recognised, as it is unlikely that the timing differences will reverse.

Computershare Limited and subsidiary undertakings

Notes to the financial statements

16 Called-up share capital

Group and Company	2003 £'000	2002 £'000
<i>Authorised</i>		
100,000,000 ordinary shares of £1 each	100,000	100,000
<i>Allotted, called-up and fully-paid</i>		
63,070,587 ordinary shares of £1 each	63,071	63,071

17 Reserves

Group	Capital reserve £'000	Profit and loss account £'000	Total £'000
As at 1 July 2002	532	29,055	29,587
Retained loss for year	-	(25,344)	(25,344)
Loss on foreign currency translation	-	3,642	3,642
As at 30 June 2003	532	7,353	7,885

Company	Capital reserve £'000	Profit and loss account £'000	Total £'000
At as 1 July 2002	532	(7,400)	(6,868)
Retained profit for year	-	6,408	6,408
As at 30 June 2003	532	(992)	(460)

Computershare Limited and subsidiary undertakings
Notes to the financial statements

18 Reconciliation of movements in group shareholders' funds

	2003	2002
	£'000	£'000
Retained (loss)/ profit for the financial year	(25,344)	4,562
Gain/(loss) on foreign currency translation	3,642	(1,190)
Net (reduction from)/ addition to shareholders' funds	(21,702)	3,372
Opening shareholders' funds	92,658	89,286
Closing shareholders' funds	70,956	92,658

Computershare Limited and subsidiary undertakings

Notes to the financial statements

19 Financial commitments

Operating leases

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

Group	2003		2002	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Expiry date				
- within one year	658	89	216	153
- between two and five years	2,959	548	1,172	756
- after five years	2,217	10	4,148	-
	5,834	647	5,536	909

Company	2003		2002	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Expiry date				
- within one year	23	4	8	-
- between two and five years	261	6	25	-
- after five years	438	10	601	-
	722	20	634	-

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Computershare Limited and subsidiary undertakings

Notes to the financial statements

20 Pension arrangements

The group operates a defined contribution group pension scheme for all employees and in addition makes pension contributions to personal pension plans established by individuals. All staff are eligible to join the group scheme. The company makes contributions to the scheme of between 7% and 10% of salary in respect of employees.

The pension costs for the year were £2,999,000 (2002 - £3,242,000). As at 30 June 2003, the amount due to the scheme was £nil (2002 - £2,000).

21 Contingent liabilities

Interest

As part of the agreement for the purchase of The Royal Bank of Scotland plc's share registry business on 1 January 1998, the group agreed to cover the difference between the commercial rates of interest charged by The Royal Bank of Scotland plc on mortgages and loans offered to its previous employees, and the beneficial rates of interest previously charged by the bank on these loans.

As at 30 June 2003, the level of lending against which the group could have an obligation to pay any difference in interest rates in future periods was £4,665,000 (2002 - £6,465,000). At current base rates, the group's annual interest obligations are approximately £6,000 (2002 - £9,000).

Banking arrangements

Computershare Limited (Australia) has two revolving credit facilities. The first one is with the Australia and New Zealand Banking Group Limited which has a limit of Au\$140m and terminates on 30 June 2005. The second one is with National Australia Bank Limited which has a limit of Au\$120m and terminates on 3 July 2006. Computershare Investor Services PLC, Computershare Limited (UK) and Computershare Technology Services (UK) Limited are co-guarantors in this arrangement. As at 30 June 2003, the facility was drawn to AU\$83,985,000 (2002 - AU\$45,014,000) and the second facility to AU\$45,806,000 (2002 - AU\$52,193,000).

As part of normal banking arrangements, The Royal Bank of Scotland plc has right of set off between the bank accounts of Computershare Investor Services PLC and Computershare Limited (UK).

Carnival Corporation Inc

There is currently an outstanding legal dispute in relation to a piece of work undertaken in April 2003 for Carnival Corporation Inc. It is the Directors' belief that the Group has not been negligent in this work and has no liability to the other parties involved. Therefore no provision has been made for this amount.

Other

Due to the nature of operations, certain commercial claims in the normal course of business have been made against the Company. The directors, based on legal advice, are contesting all of these matters. The majority of these claims are covered by insurance. It is considered unlikely that any material liability to the Company will result from these claims.

Computershare Limited and subsidiary undertakings

Notes to the financial statements

22 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 (Related Party Disclosures) not to disclose transactions with other members of the group headed by Computershare Limited (Australia). These related party transactions are disclosed within Computershare Limited (Australia) published accounts, which are publicly available, see address in note 24 below.

There were no transactions with the minority interest in Computershare (South Africa) (Pty) Ltd required to be disclosed.

23 Subsequent events

During September 2003, the Computershare Limited (Australia) group underwent further restructuring. As part of this, Computershare Investments (UK) (No.3) was incorporated within the Computershare Limited (UK) group.

On 4 November 2003, the group entered into a sale and leaseback transaction in respect of its premises, the Pavilions in Bristol. The proceeds of this sale were £21,600,000, and the profit on disposal was £2,328,000.

On 31 December 2003, the group purchased the remaining 51% of the share capital of Computershare GMBH (previously called Deutsche Bourse Computershare GMBH).

On 27 February 2004, the group sold its entire shareholding in Computershare Investments (UK) (No.2) Limited, the holding company for its Canadian operations, to ACN 081 035 752 Pty Limited, a fellow member of the Computershare Limited (Australia) group. The proceeds on this sale were £162,823,000, and the profit on disposal was £95,640,000.

During the period to 26 March 2004, the group increased its holding in the share capital of Pepper Technology AG in several tranches, taking its overall holding to 100%. The total consideration paid for this increased investment was £13,094,000.

On 20 April 2004, the group purchased a further 15% of the total share capital of the National Registry Company in Russia, taking its total holding to 44.88%.

24 Controlling party

The company's immediate and ultimate parent company is Computershare Limited (Australia), incorporated in Victoria, Australia, which is the only group into which the results of the company are consolidated. The consolidated financial statements of Computershare Limited (Australia) are available to the public and may be obtained from Computershare Limited (Australia), 18-62 Trenerry Crescent, Abbotsford, Victoria 3067, Australia. These may also be found at Computershare's web site www.computershare.com.