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Directors and Advisors

Directors

I R Mann	Non Executive Chairman
S D Beart	Chief Executive, Deputy Chairman
T W Good	Group Finance Director
D R T Thompson	Non Executive Director

Financial advisors and joint stockbrokers
Robert W. Baird Limited
Mint House
77 Mansell Street
London E1 8AF

Auditors
Deloitte & Touche LLP
Chartered Accountants
Four Brindleyplace
Birmingham B1 2HZ

Joint stockbrokers
Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

Bankers
The Royal Bank of Scotland plc
Thames Valley Corporate Office
Abbey Gardens
4 Abbey Street
Reading RG1 3BA

Solicitors
Osborne Clarke
One London Wall
London EC2Y 5EB

Registrars
Capita Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Secretary and registered office
T W Good
Systems House
Foundry Court
Gogmore Lane
Chertsey
Surrey KT16 9AP

Register Number: 2950904

Chairman's Statement

This has been an important and successful year for the Group as we executed our strategy of concentrating on our software activities and simplifying the Group structure.

As part of this planned transformation, I was pleased to report on the important strategic sale of our Government and Financial Services Division in late March. This Division had prospered under our ownership over the last four years following a difficult period after 2000. However, the Division's activities had little commercial overlap with the Group's core software units.

The sale of the Division to 2E2 for £13.25 million in cash was successfully completed just before our year end at a satisfactory value for shareholders. We have subsequently received a further £0.15 million in deferred consideration in April 2005. As a result, we now enjoy substantial net cash balances as well as the benefits of being a simpler Group to manage and evaluate. The high profit on disposal reflects the value added to the Division over recent years and the negative net assets of the Division as at disposal.

We stated at the time of the sale of the Government and Financial Services Division that the Board wished to use the cash balances for larger acquisitions. The operational management teams of the Group have proved to the Board's satisfaction that they are capable of integrating acquisitions rapidly and profitably. The Board therefore believes that it is appropriate to examine larger transactions with the expectation that shareholders can enjoy economies of scale from a successfully executed, larger acquisition.

The Group also moved to AIM shortly prior to the disposal of the Government and Financial Services Division. We believe this is the appropriate market for shareholders and we have already enjoyed the cost savings and increased flexibility that AIM offers.

Trading for the year across the Group was satisfactory despite the requirement for further reorganisation, the costs for which were absorbed within normal trading profit. The Board therefore feels it appropriate to recommend a substantial increase in the dividend to a total of 1.1p which will be payable, subject to shareholder approval, in late August.

This is my first report as Chairman having been a Non Executive Director of the Group for some years. I was appointed following the retirement of Brian Beverley in March 2005. Brian was the founding Chairman of the Group and had personally owned the assets comprising the Government and Financial Services Division. Following the sale of that Division, it seemed an appropriate time for Brian to retire after many years with the Group and we wish him all the best.

Current trading remains stable. In line with competitors, we see only modest growth in our markets, but we have a large customer base and high recurring revenues so we feel well placed.

I R Mann
Chairman

Chief Executive's Review

Overview

This has been a year of significant achievement. At the trading level, Adjusted Operating Profit (Operating profit before goodwill amortisation and exceptional items – see note 3) increased by 16.5 per cent. to £4.2 million. This achievement was driven by efficient control of the businesses and further improvement in the sales mix, generating improved Adjusted Operating Margins of 9.3 per cent. (2004:7.9 per cent.), an improvement on the prior year of 18 per cent.

We also successfully completed and integrated two further small competitors, a division of Enterprise Software Systems Limited ("ESS") and FWL Technologies Manchester Limited ("FWL"). Of course we also completed the successful sale of the Government and Financial Services Division immediately prior to the year end for a satisfactory price.

These achievements have taken us a long way towards our goal of concentrating the activities of the Group on the supply of specialist software and services to selected market verticals. This concentration of activity will make the Group both easier to value and to manage.

Trading

The Software Division, which includes the provision of OneStop services, recorded a turnover of £23.2 million and an EBIT of £2.8 million (2004:£2.8 million). In order to achieve these profit levels and to adjust our market position we reduced our commitment in certain market areas whilst reinvesting the savings in product development for the building supply chain.

The cost of these changes was some £400,000 but these were absorbed within the trading line, without which trading profit would have shown even better growth. As a result, the only exceptional costs incurred within continuing activities related to the retirement of the former Chairman.

We have therefore entered the new year with a very competitive cost base and a clearer focus on the software opportunities within the building supply chain vertical and general wholesale and distribution markets. This has enabled budgets for the current year to propose further growth.

We continue to invest heavily in product development and in particular we are finalising an Oracle based product for the high value end of the building supply chain where we see significant potential. We already have a number of earlier adopters where the product is being delivered and we expect to commence a significant new marketing campaign towards the end of the year. To ensure the product is of the highest standard and attractive to the enterprise users we already have, we have increased our outsourced development resources in India and increased management and technical skills in the United Kingdom. We believe by the end of the year we will have the most technologically advanced but more importantly commercially functional offering in this market.

Chief Executive's Review (continued)

Acquisitions

In July 2004 we acquired the business and assets of a division of ESS which gave us further customers and recurring revenues. Our experienced management team rationalised the business rapidly and since acquisition, ESS has met our expectations. The customer base will provide good opportunities for our broad product range and the delivery of third party products where appropriate.

The acquisition in December 2004 of FWL has also been well managed and is trading ahead of expectations. This acquisition has enabled us to access the high end of the building supply chain market.

Since June 2002, we have spent approximately £10 million, to fund eight acquisitions, all funded from cash flow. This cost includes the related fees and restructuring costs. The units acquired were either loss making at the time of acquisition or were operating at broadly break even. These units have all been absorbed successfully since acquisition and are now making a very significant contribution to Group profit.

Our management teams have developed the experience to rationalise process immediately upon acquisition, remove duplication and more importantly engage constructively with each new customer base as it is acquired. To ensure a rapid return on our investment we immediately deploy our own accounting and internal processes as well as standardised connectivity and customer support disciplines. Reporting is centralised at the date of acquisition. We believe that this proven ability to manage both the strategy for an acquisition and the successful detailed execution is a vital competitive advantage.

The Group is now managed on a centralised basis since the disposal of the Government and Financial Services Division and we were therefore able to appoint internally a Chief Operating Officer, Clive Musgrave, to ensure that no opportunities for development efficiencies or improved customer delivery are overlooked.

Future developments

We will continue to focus on our two verticals, the building supply chain and mid range wholesale and distribution. We have a substantial product development commitment and we believe are offering best of breed functionality in the markets in which we compete. We will also continue to look for acquisitions because we now have the proven ability to manage such opportunities.

Furthermore, as indicated at the time of the sale of the Government and Financial Services Division, we believe it is now more appropriate to look for larger acquisitions. As a result of substantial net cash balances it is likely that even quite substantial transactions will not require additional funding by shareholders.

Outlook

Customers in our markets continue to invest at a steady level but we see little evidence of the replacement cycle changing. Our engagement is based on a high level of added value services to the customer and the delivery of additional products to complement our customers' key software assets. Our large customer base and experienced management make this strategy profitable even in flat markets. In the event that new licence sales and the delivery of new systems increases we will enjoy an accelerated return on our substantial development spend.

Simon Beart
Chief Executive

Financial Commentary (continued)

Turnover

Turnover for the year was marginally down at £44.9 million (2004:£45.4 million). The contribution from acquisitions was £1.5 million (2004:£2.5 million). However, the turnover line again reflected a much improved sales mix and a reduced hardware dependency across the Group, leading to higher margins.

The principal decline in revenues was from hardware volumes and was most obvious in our Government and Financial Services Division. This was anticipated as a continuing trend due to the Group emphasising its service offerings.

Margins

The improving trend in margins continued. Adjusted Operating Margins were 9.3 per cent. up from 7.9 per cent. in the prior year. This is the fourth consecutive year margins have grown. Margins have now been managed up from 5.4 per cent. to 9.3 per cent. in the period. These margin improvements also reflect a growing recurring revenue line which continues to be a very high proportion of fixed costs.

Cash flow and working capital, disposals

The Group continued to focus on working capital management and progress was made against the first half with the result that year end debtor days were 47 days (2004:40 days). Net operating cash flow from trading operations was 71 per cent. (2004:105 per cent.). Over the last three years the Group has generated cash flow from trading of £10.6 million from operating profit of £10.3 million, a conversion rate of 102 per cent.

The sale of the Government & Financial Services Division close to year end transformed the year end balance sheet. The initial proceeds from the sale were £13.25 million. Fees and related costs were £0.8 million. In addition, due to the timing of the completion the Group experienced an adverse working capital movement of approximately £1.7 million due to quarter end trading patterns. The Group ended the year with net cash balances of £7.3 million. All debt facilities have been cancelled.

Acquisitions

During the year we acquired ESS and FWL for a total of £2.1 million. .

Both businesses required a rapid return to profitability and this has been achieved by cutting costs and merging the operations into our existing businesses. As a result, exceptional costs of £0.4 million were incurred, the cash effect of which was primarily absorbed in the year.

In addition to these acquisitions, a further £0.4 million was paid in deferred consideration leaving a balance of £0.09 million outstanding at the year end which was paid in full in April 2005.

Goodwill

The Group continues to take a realistic view of the appropriate period over which acquisition related goodwill is written off. Goodwill relating to ESS was immaterial and written off as incurred, while FWL will be amortised over a maximum of a sixteen month period. The balance of goodwill carried forward is £2.0 million which will be amortised in full in the current year.

Financial Commentary (continued)

Operating exceptional items

During the year the Group incurred exceptional items of £0.6 million. Approximately £0.4 million arose directly as a result of the reorganisation of acquisitions. Exceptional costs incurred within the existing Group of £0.2 million related to the retirement of the Chairman.

Taxation

The underlying tax rate, before goodwill amortisation and profit on disposal of subsidiary undertakings, was 13.8 per cent. The effective rate differs from the standard 30 per cent. as a result of loss utilisation in the United Kingdom and lower foreign tax rates. The Group has approximately £2.5 million of usable taxable losses in the United Kingdom. In future years it is expected that the underlying tax rate will be in the range of 25-30 per cent. whilst the Group retains its current structure.

Dividend policy

The Board has recommended the payment of a final dividend of 0.85 pence per ordinary share which will be paid to all shareholders on the register as at 29 July 2005 with a payment date of 26 August 2005. Coupled with the interim dividend paid on 22 February 2005 of 0.25 pence per ordinary share this amounts to a total dividend for the year of 1.1 pence per ordinary share, an increase of 37.5 per cent. The dividend is covered 6.3 times by the cash inflow from operating activities of £1.9 million.

William Good
Group Finance Director

Directors' Report

The Directors present their report and the Group's audited financial statements for the year ended 31 March 2005.

Principal activity, review of the year and future prospects

The Group's principal activity is the supply of business enterprise software and IT solutions. A review of the Group is set out in the Chief Executive's Review and Financial Commentary.

Financial results

The results for the period are shown in full in the profit and loss account and the related notes. The financial statements show a consolidated profit of £9,275,000 for the year, after taxation, which has been transferred to reserves. The Directors recommend the payment of a final dividend of 0.85 pence per share.

Share capital

The Company had been notified that, in accordance with sections 198 to 208 of the Companies Act 1985, the following ordinary shareholders, not being Directors, had an interest of 3 per cent. or more in the currently issued ordinary share capital of the Company (27,648,314 shares) as at 31 March 2005.

	Percentage of issued ordinary share capital	Number of 25p ordinary shares
B C Beverley	6.3%	1,746,667

Directors and their interests

The Directors at the year-end are as listed on page 2.

S D Beart offers himself for re-election at the forthcoming Annual General Meeting. No Director had any beneficial interest in the shares of any of the subsidiary undertakings of the Company at the balance sheet date. At 31 March 2005, the following Directors had the following beneficial and family interests in the shares of the Company:

	As at 31 March 2005 25p ordinary shares	As at 31 March 2004 25p ordinary shares
S D Beart	**400,000**	400,000
T W Good	**90,900**	90,900
I R Mann	**8,300**	8,300
D R T Thompson	**5,810**	5,810

S D Beart has a further non-beneficial interest in 1,500 ordinary shares.

EXECUTIVE DIRECTORS

S D Beart ACA (46) – Chief Executive, Deputy Chairman

Simon Beart qualified as a Chartered Accountant with PricewaterhouseCoopers in 1984. In 1992, he co-founded the fully listed international packaging group Britton Group plc which was subsequently acquired by a listed US Corporation, ACX in 1998 for £250 million. He was appointed Deputy Chairman and Group Finance Director in 1999 and Chief Executive Officer in late 2000.

T W Good ACMA (40) – Group Finance Director

William Good was appointed Group Finance Director in January 2004. Previously he was Group Finance Director of Retail Decisions Plc, a fully listed software and services Group of which he was a founding Director upon its listing in 2000. From 1996 to 2000 he was Group Financial Controller of Card Clear Plc, from which Retail Decisions was demerged.

NON-EXECUTIVE DIRECTORS

I R Mann (63) – Chairman

Rodney Mann worked at Grand Metropolitan between 1965 and 1995 where he held positions as Managing Director of the Norwich Brewery (1982 to 1985), the Ushers Brewery (1985 to 1989) and Inntrepreneur and Tenanted Estates (1991 to 1993). Between 1995 and 1998, he was a Non-executive Director of Shepard Neame and he is Non-executive Chairman of Avebury Group.

D R T Thompson (59)

David Thompson was a founder of Druid Systems Limited in 1987, the company that became Druid Group PLC upon its flotation in 1996 and was Managing Director of Druid Group PLC until January 1998. He is Chairman of Touchstone Group plc and has had over 30 years experience in the IT industry having held senior IT positions with Proctor and Gamble and General Electric.

Share options

Options to acquire ordinary shares in XKO Group plc outstanding as at 31 March 2005 were:

Date of grant	Number of 25p Ordinary shares	Exercise price	Exercise period
28 Feb 1999	450,000	120p	2 Mar 2002 to 30 Sep 2005
2 Mar 1999	90,000	148p	2 Mar 2002 to 2 Mar 2009
10 Jul 2001	1,000	44.5p	10 Jul 2004 to 10 Jul 2011
29 Aug 2001	59,500	120p	29 Aug 2004 to 29 Aug 2011
27 Jun 2002	74,700	37.5p	27 Jun 2005 to 27 Jun 2012
29 Jul 2002	65,000	46p	29 Jul 2005 to 29 Jul 2012
4 Dec 2002	10,000	43p	4 Dec 2005 to 4 Dec 2012
16 Jul 2003	40,000	75p	16 Jul 2006 to 16 Jul 2013
30 Jul 2003	35,000	75p	30 Jul 2006 to 30 Jul 2013
20 Jan 2004	150,000	95p	20 Jan 2007 to 20 Jan 2014
Total	975,200		

Tangible fixed assets

Details of changes during the period in the tangible assets of the Group are shown in note 10 to the financial statements.

Close company status

In the opinion of the Directors, the Company is not a close company within the provisions of section 414 of the Income and Corporation Taxes Act 1988.

Directors' and officers' liability insurance

The Group has liability insurance for its Directors and officers as permitted by the Companies Act 1985.

Employees

The Group has a policy of keeping all employees fully informed about its plans and progress. It uses regular meetings, formal presentations and electronic communications wherever possible. The Group operates recruitment and selection procedures and further employment opportunities such as training and development based on an objective assessment of an individual's need and ability regardless of factors such as gender, race, ethnic origin and disability. An employee sharesave scheme was established in the year ended 31 March 2000. Employees have subscribed for approximately 200,000 shares.

Environment

The Group does not handle environmentally hazardous materials. It believes that support for the legitimate aims of the communities in which it works and due care of the environment are proper parts of its business process.

Corporate Governance Statement

Details of the Group's approach to corporate governance are given below. The Company, being listed on AIM, is not required to comply with the requirements of the July 2003 FRC Combined Code but is, however, committed to high standards of corporate governance. The Board is accountable to the shareholders for good governance, and this statement sets out how the July 2003 FRC Combined Code of principles and governance are voluntarily applied to the Group.

The Group has no internal audit function, but regards the level and detail of controls and senior management involvement in the units as sufficient, considering the size of the Group and its activities.

Board balance and effectiveness

The Board has maintained an appropriate degree of balance by its composition of an equal number of Executive Directors and independent Non-executive Directors (I R Mann and D R T Thompson). The Board meets on a regular basis throughout the year and monitors current trading performance, budgets and forecasts and strategic options for each division of the Group. To enable them to do this, all Directors have full and timely access to all relevant information.

Relations with shareholders

The Executive Directors make regular presentations to existing and potential institutional shareholders as well as financial analysts in order to enhance an understanding of the Group. The Board is conscious of the importance of a regular dialogue with shareholders. The Group also has a website **(www.xko.co.uk)** containing up-to-date information and product news.

Audit committee

The Board has a formally constituted Audit Committee chaired by I R Mann, which has written terms of reference and comprises all the Non-executive Directors. The Finance Director usually attends and the other Executive Directors have the right to attend. The Audit Committee meets at least twice during the year and monitors the effectiveness of the Group's internal controls, accounting policies and financial reporting. It meets with the external auditors to discuss any matters arising from their audit visits, and to review any reports, which they might produce. The Chairman of the Audit Committee reports to the Board on the progress of the Audit Committee meetings. Aspects of Risk Management are discussed at the Audit Committee.

Remuneration committee

The Board has a formally constituted Remuneration Committee which has written terms of reference. It comprises both of the Non-executive Directors and is chaired by I R Mann. The Chief Executive is an ex officio attendee of the committee meetings but is not required to attend at times when his remuneration is being discussed. It meets at least twice a year to consider the terms of employment of the Executive Directors, senior employees, and to approve proposals for the granting of share options to employees of the Group.

Nominations committee

The Board has a formally constituted Nominations Committee which meets to approve nominations of new Directors to the Board. It also considers succession planning and senior management development. It comprises both of the Non-executive Directors and is chaired by I R Mann.

Internal control

The Directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets. The Directors have continued to monitor and review the internal controls in operation during the period under review to ensure that they remain effective. Where any significant weaknesses have been identified, new procedures have been put in place to strengthen controls. The Turnbull report provided further guidance as to how the July 2003 FRC Combined Code principle on internal control should be applied in practice. The contents of this report have been carefully considered by the Board and procedures have been established to implement the guidance. There is an on going process for identifying, evaluating, managing and reviewing any changes in the significant risks faced by the business. The key procedures that the Board has established and which are designed to provide effective internal control and risk assessment for the Group include:

— a comprehensive and detailed budgeting system with the annual budget approved by the Board
— regular updates issued throughout the year giving the Board an updated forecast
— monthly reviews by the Board of trends in trading circumstances
— capital expenditure and other authority limits
— approval of hiring of all new employees
— regular reporting of legal and accounting developments to the Board
— review and authorisation of all material sales contracts by Board executives.

Going concern

In accordance with the July 2003 FRC Combined Code guidance on going concern and financial reporting, the Directors confirm that, after making enquiries, they have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Chairman's Statement and Financial Commentary present a balanced and understandable assessment of the Company's position and prospects.

Policy on payment of creditors

The Group does not follow any specified code or standard on payment practice, but endeavours to ensure that payments to suppliers are made in accordance with mutually agreed terms of trade. It then adheres to the terms providing it is satisfied that the supplier has provided the goods or service in compliance with the agreed terms and conditions. The Company trade creditors outstanding at 31 March 2005 were £427,000 (2004:£207,000). Creditor days at the year end stood at 42 days (2004:68 days).

Research and Development

Research and development activities are the ongoing modifying and developing of software. £1,402,000 was spent during the year to 31 March 2005 (2004:£1,357,000).

Donations

The Group made donations of £2,170 during the year for charitable purposes. The Group made no donations for political purposes.

Directors' Report (continued)

Annual General Meeting

The Annual General Meeting will be held on 28 July 2005 at 10.30 a.m. at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB.

Auditors

Deloitte & Touche LLP has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



T W Good
Secretary
21 June 2005

Report of the Board on Remuneration

UNAUDITED INFORMATION

As stated in the Corporate Governance Statement on page 12, the Company is not required to comply with the requirements of the July 2003 FRC Combined Code. This report on remuneration is made voluntarily.

Remuneration committee

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the July 2003 FRC Combined Code. The members of the Committee are D R T Thompson and I R Mann who are both Non-executive Directors and the Committee is chaired by I R Mann.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his own remuneration.

Remuneration policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the high calibre needed to maintain the Group's position as a market leader and to reward them for enhancing value to the shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the Non-executive Directors is determined by the Board within limits set out in the Articles of Association.

There are four main elements of the remuneration package for Executive Directors and senior management:

- Basic annual salary (including Directors' fees) and benefits;
- Annual bonus payments;
- Share option incentives; and
- Pension arrangements.

The Company's policy is that a significant proportion of the remuneration of the Executive Directors should be performance related. Executive Directors are entitled to accept appointments outside the Company provided that the Chairman's permission is sought.

Basic salary

An Executive Director's basic salary is determined by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and takes account of comparable remuneration levels and policies. Basic salaries are reviewed annually. Executive Director's contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

In addition to basic salary, the Executive Directors receive certain benefits, principally a car allowance and private healthcare allowance. They do not receive fees in respect of their positions as Directors.

Long Term Incentive Plan

The Group operates four types of share option scheme; an approved share option scheme, an unapproved share option scheme, a sharesave scheme and a Long Term Incentive Plan (LTIP). The Group's policy is to issue share options at appropriate intervals in order to motivate and retain employees and to align their interests with those of shareholders. All option grants are approved by the Remuneration Committee.

The exercise price of the options granted under the approved share option scheme and the unapproved share option scheme is equal to the market value of the Company's shares at the time when the options are granted.

Under the rules of the sharesave scheme eligible employees may be granted share options at a discount of up to 20 per cent. of the market value of the Company's shares at the time when the options are granted.

To align further the interests of shareholders and Directors the Group's LTIP was approved at the Annual General Meeting on 31 July 2001. Under this plan provision was made for the making of awards over shares in the form of nil cost options. The purpose of such awards is to motivate participants to improve performance and to retain their services in the longer-term. The Committee has responsibility for supervising the scheme and the grant of options under the terms of the plan.

Shares granted under the LTIP are divided into two types, the earnings tranche and service tranche. The shares contained in the earnings tranches vest according to the achievement of progressive earnings per share and/or share price targets for the relevant period. The shares contained in the service tranches vest according to individual lengths of service. The Directors consider these as optimal targets.

The following conditional awards of shares have been contingently made to Directors:

	Earnings Tranche March 2003	Earnings Tranche March 2004	Earnings Tranche March 2005	Earnings Tranche March 2006	Earnings Tranche March 2007	Service Tranche July 2004	Service Tranche July 2005	Service Tranche July 2006	Service Tranche July 2007	Total
S D Beart	28,333	28,333	28,334	-	-	42,500	42,500	-	-	170,000
T W Good	-	-	13,333	13,333	13,334	-	-	20,000	20,000	80,000
	28,333	28,333	41,667	13,333	13,334	42,500	42,500	20,000	20,000	250,000

The targets relating to the March 2003 earnings tranche have been satisfied and vested on 1 July 2004. The targets relating to the March 2004 and March 2005 earnings tranche have been satisfied and are due to vest on 1 July 2005 and 1 July 2006 respectively subject to the individual being employed by the Group at that time.

No other awards of shares have been made to other senior Group employees in the financial year.

No significant amendments are proposed to be made to the terms and conditions of any entitlement of a Director to share options.

Pension arrangements

The Company also contributes payments as a percentage of the Executive Director's basic salary to a pension scheme of his choice. Other than basic salary, no element of remuneration is pensionable.

Performance graph

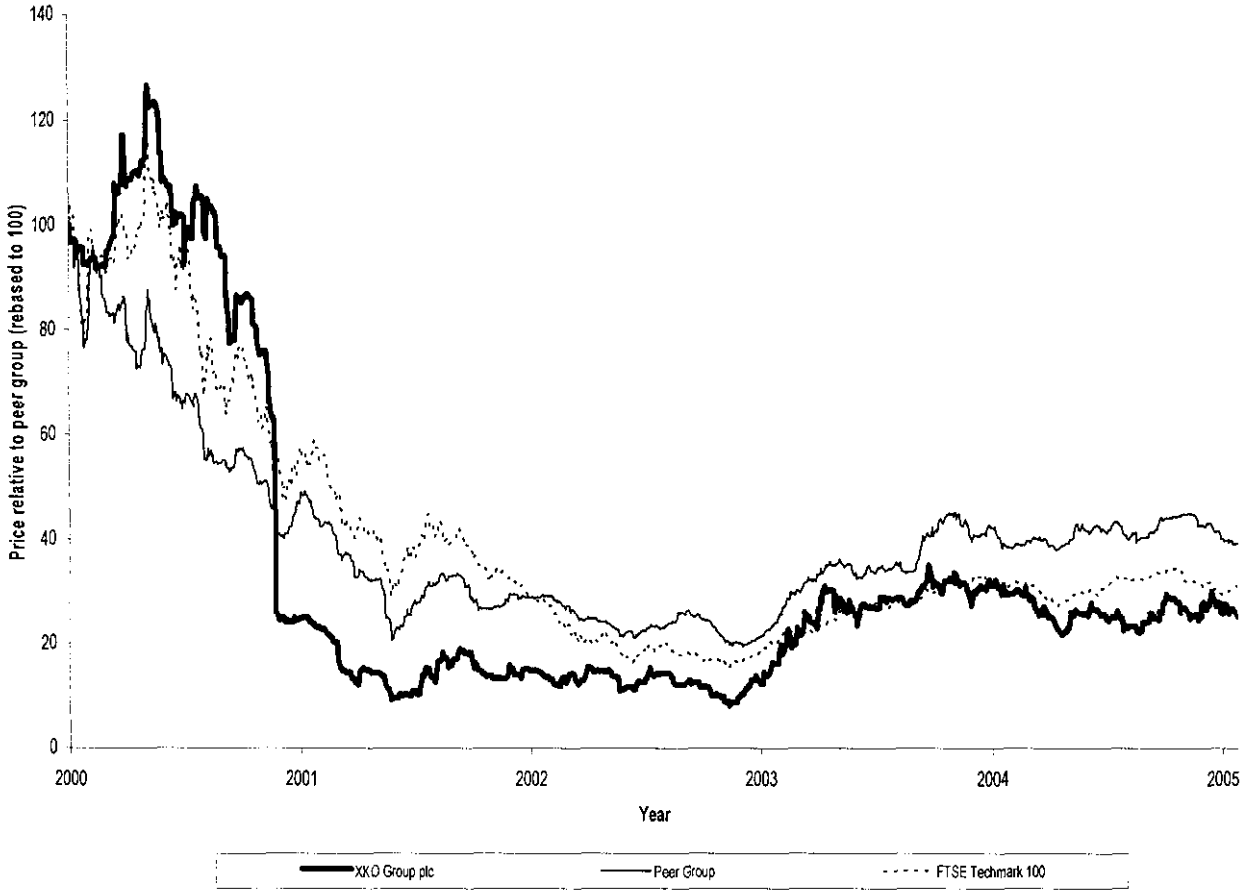
The graph below shows the Company's performance, measured by total shareholder return, compared with the performance of a peer group and by reference to the FTSE Techmark 100 Index also measured by total shareholder return for each of the years since flotation in January 1999. The FTSE Techmark 100 Index has been selected as, in the opinion of the Directors, it represents the most appropriate equity market index against which the Company should be tracked.

The peer group was chosen to provide a benchmark against other listed companies in the same sector. In addition to XKO Group plc, the peer group comprises:

- Alphameric
- Chelford
- Comino
- Compel Group
- Computerland
- CSG
- EDP
- ICM
- K3
- Maxima
- Sanderson
- Touchstone

The peer group has evolved to this new list following the de-listing or merging of the following companies who were previously included in our peer group (Anite, Diagonal, iSOFT, ITNet, Synstar and Torex).

Graph to show comparison of XKO with Peer Group and the FTSE Techmark 100 Index



Report of the Board on Remuneration (continued)

Directors' service contracts

Each Executive Director's service agreement is terminable by either him or the Company on no more than 12 months written notice. In the event of a change of control of the Group, the Executive Directors are contractually entitled to a payment of liquidated damages, without mitigation, of an amount equivalent to up to two years salary, benefits and estimated bonuses. The Non-executive Directors have contracts which run for two-year terms, commencing from their date of appointment and are open to annual extension subject to the mutual agreement of the Non-executive Director and the Company.

The details of the Directors' contracts are summarised in the table below:

Executive Directors:	**Date of contract**
S D Beart	27 January 1999
T W Good	12 December 2003
Non-executive Directors:	
D R T Thompson	30 March 1999
I R Mann	24 March 1999

Non-executive Directors

Both Non-executive Directors have specific terms of engagement and their remuneration is determined by the Board as a whole. Non-executives are paid a fee for their services and are not eligible to join the Company's pension scheme.

AUDITED INFORMATION

Directors' emoluments

	Basic Salary £'000s	Benefits £'000s	Pension £'000s	Performance Bonus £'000s	Other Bonus £'000s	Fees £'000s	31 March 2005 Total £'000s	31 March 2004 Total £'000s
B C Beverley	-	-	-	-	-	233	233	65
S D Beart	190	6	20	64	90	-	370	290
R C Kimber	-	-	-	-	-	-	-	108
T W Good	137	1	12	51	55	-	256	39
I R Mann	-	-	-	-	-	25	25	18
D R T Thompson	-	-	-	-	-	25	25	18
	327	7	32	115	145	283	909	538

Basic salary includes a car allowance for S D Beart of £19,500 per annum and T W Good of £12,000 per annum. Benefits provided relate to the provision of health care and insurance benefits.

Other bonuses relate to the payment of consideration related bonuses on the disposal of the Government and Financial Services Division.

Following the retirement of B C Beverley a payment of £163,000, representing one year's fees and other contractual obligations, was paid. This payment is included in the Fees Section in the above table.

Report of the Board on Remuneration (continued)

Directors' share options

Details of subscription rights for Directors who served during the year are as follows:

	Exercise Price	At 31 March 2005 25p ordinary shares	Date from which exercisable	Expiry date
B C Beverley	120p	450,000	2 March 2002	30 September 2005
S D Beart	120p	150,000	6 August 1998	9 July 2008
	112.5p	500,000	2 March 1999	2 March 2009
	95p	350,000	21 January 2004	21 January 2014
T W Good	95p	150,000	20 January 2007	20 January 2014

The share options held by B C Beverley and T W Good are unapproved share options.

The mid-market price of the ordinary shares of XKO Group plc at 31 March 2005 was 83.5 pence and the range during the year was 65 pence to 96.5 pence.

Directors' pension entitlements

The Executive Directors are members of individual money purchase schemes. No contributions were made by the Group in respect of Non-executive Directors. The contributions made by the Company in respect of money purchase schemes for each of the other Executive Directors were as follows:

	Total 2005 £'000s	Total 2004 £'000s
S D Beart	**20**	15
R C Kimber	**-**	9
T W Good	**12**	3
	32	27

Approved and signed on behalf of the Board

I R Mann
Chairman, Remuneration Committee

Statement of Directors' Responsibilities

United Kingdom 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 the Group as at the end of the financial period 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; and
- state whether 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 the system of internal control, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

to the shareholders of XKO Group plc

We have audited the financial statements of XKO Group plc for the year ended 31 March 2005 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' remuneration report. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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 with the Company and other members of the Group is not disclosed.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the Company and the Group, consistently applied and adequately disclosed.

Independent Auditors' Report (continued)

to the shareholders of XKO Group plc

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 the Group as at 31 March 2005 and of the profit of the Group for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

21 June 2005

Consolidated Profit and Loss Account

For the year ended 31 March 2005

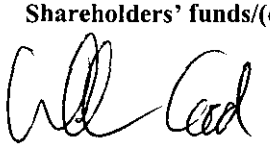
	Notes	Continuing Activities 2005 £'000s	Acquisitions 2005 £'000s	Discontinued Activities 2005 £'000s	Total year ended 31 March 2005 £'000s	Total year ended 31 March 2004 £'000s
Turnover	2	**21,734**	**1,473**	**21,646**	**44,853**	45,400
Operating profit before goodwill amortisation and exceptional costs		**1,482**	**338**	**2,346**	**4,166**	3,576
Goodwill amortisation	3	**(2,985)**	**(1,162)**	**(2,147)**	**(6,294)**	(3,932)
Exceptional items	3	**(163)**	**(464)**	**-**	**(627)**	(1,697)
Operating (loss)/profit	3	**(1,666)**	**(1,288)**	**199**	**(2,755)**	(2,053)
Profit on disposal of discontinued activities	11	**-**	**-**	**13,160**	**13,160**	-
(Loss)/profit on ordinary activities before interest		**(1,666)**	**(1,288)**	**13,359**	**10,405**	(2,053)
Net interest and bank charges payable	5				**(392)**	(270)
Profit/(loss) on ordinary activities before taxation					**10,013**	(2,323)
Tax on profit/(loss) on ordinary activities	6				**(434)**	(357)
Profit/(loss) on ordinary activities after taxation					**9,579**	(2,680)
Dividends	7				**(304)**	(222)
Retained profit/(loss) for the year					**9,275**	(2,902)
Adjusted earnings per ordinary share	8				12.1p	10.7p
Basic profit/(loss) per share	8				34.6p	(9.7p)
Diluted profit/(loss) per share	8				34.6p	(9.7p)
Dividend per share	7				1.1p	0.8p

There are no other recognised gains or losses in either year other than the loss for that year and accordingly a Statement of Total Recognised Gains and Losses is not provided.

Consolidated Balance Sheet

As at 31 March 2005

	Notes	As at 31 March 2005 £'000s	As at 31 March 2004 £'000s
Fixed assets			
Intangible assets	9	**2,006**	5,269
Tangible assets	10	**141**	651
		2,147	5,920
Current assets			
Stocks	12	**70**	331
Debtors	13	**5,751**	7,175
Cash at bank and in hand		**7,321**	1,127
		13,142	8,633
Creditors: amounts falling due within one year	14	**(6,698)**	(11,021)
Net current assets/(liabilities)		**6,444**	(2,388)
Total assets less current liabilities		**8,591**	3,532
Creditors: amounts falling due after more than one year	15	**-**	(3,308)
Provisions for liabilities and charges	17	**(638)**	(426)
Deferred income	18	**(6,565)**	(7,646)
Net assets/(liabilities)		**1,388**	(7,848)
Capital and reserves			
Called up share capital	19	**7,212**	7,212
Shares to be issued	19	**271**	310
Share premium account	21	**9,611**	9,611
Profit and loss account	21	**(15,706)**	(24,981)
Shareholders' funds/(deficit)	20	**1,388**	(7,848)
Equity		**1,088**	(8,148)
Non-equity		**300**	300
Shareholders' funds/(deficit)		**1,388**	(7,848)



T W Good
Group Finance Director
21 June 2005

Company Balance Sheet

As at 31 March 2005

	Notes	As at 31 March 2005 £'000s	As at 31 March 2004 £'000s
Fixed assets			
Tangible assets	10	-	-
Investments	11	**14,313**	20,620
		14,313	20,620
Current assets			
Debtors	13	**14,789**	17,028
Cash at bank and in hand		**3,684**	-
		18,473	17,028
Creditors: amounts falling due within one year	14	**(5,412)**	(10,342)
Net current assets		**13,061**	6,686
Total assets less current liabilities		**27,374**	27,306
Creditors: amounts falling due after more than one year	15	-	(3,070)
Net assets		**27,374**	24,236
Capital and reserves			
Called up share capital	19	**7,212**	7,212
Shares to be issued	19	**271**	310
Share premium account	21	**9,611**	9,611
Profit and loss account	21	**10,280**	7,103
Shareholders' funds	20	**27,374**	24,236
Equity		**27,074**	23,936
Non-equity		**300**	300
Shareholders' funds		**27,374**	24,236

T W Good
Group Finance Director

21 June 2005

Consolidated Cash Flow Statement

For the year ended 31 March 2005

	Notes	As at 31 March 2005 £'000s	As at 31 March 2004 £'000s
Net cash inflow from trading operations	22	**2,953**	3,769
Cash outflow relating to restructuring and other exceptional items	22	**(1,025)**	(1,240)
Cash inflow from operating activities	22	**1,928**	2,529
Returns on investments and servicing of finance			
Interest paid		**(453)**	(251)
Net cash outflow from returns on investments and servicing of investments		**(453)**	(251)
Taxation			
Corporation tax paid		**(221)**	(270)
Capital Expenditure			
Payments to acquire tangible fixed assets		**(253)**	(151)
Proceeds from sale of fixed assets		**12**	22
Net cash outflow from capital expenditure		**(241)**	(129)
Acquisitions and disposals			
Purchase of subsidiary undertakings		**(2,506)**	(4,591)
Net cash acquired with subsidiaries		**91**	362
Sale of subsidiary undertaking		**13,250**	-
Net cash balances disposed of with subsidiary undertaking		**(1,071)**	-
Net cash inflow/(outflow) for acquisitions and disposals		**9,764**	(4,229)
Equity dividends paid		**(227)**	(202)
Cash inflow/(outflow) before use of financing		**10,550**	(2,552)
Financing			
Bank loans (repaid)/drawn		**(4,354)**	2,354
Capital element of finance lease rental payments		**(2)**	-
Net cash (outflow)/inflow from financing		**(4,356)**	2,354
Increase/(decrease) in cash in the year	23, 24	**6,194**	(198)

Notes to the Financial Statements

For the year ended 31 March 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

(1) Accounting convention

The financial statements are prepared under the historical cost convention. Consistent accounting policies have been applied in this period.

(2) Basis of consolidation

The financial statements consolidate the financial statements of XKO Group plc and all its subsidiary undertakings drawn up to 31 March 2005. Subsidiary undertakings acquired during the period have been included in the financial statements using the acquisition method of accounting. Accordingly, the profit and loss account, statement of total recognised gains and losses and statement of cash flows include the results and cash flows for the period of ownership.

(3) Goodwill

Goodwill, representing the excess of the consideration over the assessed fair value of net assets acquired, is capitalised and amortised over its estimated useful economic life of up to 36 months. On the disposal, closure of businesses, or impairment, goodwill previously written off to reserves is allocated to the cost of disposal or closure and is charged through the profit and loss account. Immaterial acquisitions are written off as incurred.

(4) Revenue recognition

Turnover represents amounts invoiced to customers (net of value added tax) for goods and services. Revenue from systems sales is recognised upon delivery to and acceptance by a customer, when there are no significant vendor obligations remaining and the collection of the resulting receivable is considered probable. In instances where a significant vendor obligation exists, revenue recognition is delayed until the obligation has been satisfied. Service revenues comprise revenues for maintenance, transaction processing and professional services. Maintenance and support contracts are recognised evenly over the period of the contract. Electronic data interchange and remote processing services are recognised monthly as the work is performed. Professional services, such as implementation, training and consultancy, are recognised when the services are performed.

(5) Research and development

Research and development expenditure, including the cost of software products developed in-house, is expensed fully in the year in which it is incurred.

(6) Foreign currencies

Assets and liabilities denominated in foreign currencies are converted at the rates of exchange ruling at the balance sheet date or at rates specified in related forward contracts. Transactions in foreign currencies are converted at the rate ruling at the date of each transaction or at rates specified in related forward contracts. Exchange differences are included in operating profit where they related to trading transactions and are taken directly to reserves where they related to overseas investments.

(7) Investments

Investments in subsidiary undertakings are stated at cost less any provision for permanent diminution in value.

(8) Stocks

Raw materials and consumables for immediate resale are stated at the lower of cost and net realisable value. Engineering maintenance stocks are amortised immediately.

Notes to the Financial Statements (continued)

For the year ended 31 March 2005

1. Accounting policies (continued)

(9) Pensions

The Group operates a number of defined contribution pension schemes. The costs of the pension schemes are charged to the profit and loss account as they are incurred.

(10) Depreciation of tangible fixed assets

Tangible fixed assets are shown at original historic cost, less accumulated depreciation. Items below £2,500 are not capitalised. Depreciation is provided at rates calculated to write off the cost of each asset to its residual value on a straight-line basis over its expected useful life, as follows:

Computer hardware and software	2 to 3 years
Motor vehicles	4 years
Fixtures, fittings and office equipment	1 to 3 years
Leasehold premises	over the length of the lease
Leasehold improvements	over the expected useful life

(11) Leased assets

Rentals paid under operating leases and contract hire agreements are charged to the profit and loss account as they are incurred.

(12) Deferred taxation

Deferred taxation is provided in full on material timing differences at the rate of taxation anticipated to apply when these differences crystallise. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

A deferred tax asset is only recognised where it is more likely than not that it will be recoverable in the future. Deferred tax assets and liabilities recognised have not been discounted.

2. Segmental Analysis

	Net (Liabilities)/Assets		Turnover		Operating (Loss)/Profit		Adjusted Operating Profit/(Loss)	
	2005 £'000s	2004 £'000s	2005 £'000s	2004 £'000s	2005 £'000s	2004 £'000s	2005 £'000s	2004 £'000s
Software and OneStop Services	(23,362)	(20,192)	23,207	24,867	(2,927)	(2,440)	2,838	2,762
Financial Services	-	3,929	21,646	20,533	199	627	2,346	1,646
Group and other	24,750	8,415	-	-	(27)	(240)	(1,018)	(832)
	1,388	(7,848)	44,853	45,400	(2,755)	(2,053)	4,166	3,576

The origin and destination of turnover all relates to locations within the United Kingdom. The segmental analysis of discontinued activities is shown in note 3.

Adjusted Operating Profit is Operating Profit before goodwill amortisation and exceptional items.

Notes to the Financial Statements (continued)

For the year ended 31 March 2005

3. Operating loss

	Year ended 31 March 2005 £'000s	Year ended 31 March 2004 £'000s
Turnover	**44,853**	45,400
Cost of Sales	**(15,717)**	(17,531)
Gross Profit	**29,136**	27,869
Administrative expenses before goodwill amortisation and exceptional items	**(24,970)**	(24,293)
Amortisation of goodwill	**(6,294)**	(3,932)
Exceptional items	**(627)**	(1,697)
Total administration expenses	**(31,891)**	(29,922)
Operating loss	**(2,755)**	(2,053)

Reconciliation of operating loss to adjusted operating profit and adjusted profit before tax:	Year ended 31 March 2005 £'000s	Year ended 31 March 2004 £'000s
Operating loss	**(2,755)**	(2,053)
Exceptional items	**627**	1,697
Amortisation of goodwill	**6,294**	3,932
Adjusted operating profit	**4,166**	3,576
Net interest payable	**(392)**	(270)
Adjusted profit before tax	**3,774**	3,306

Discontinued activities contributed:	Year ended 31 March 2005 £'000s	Year ended 31 March 2004 £'000s
Turnover	**21,646**	20,533
Cost of Sales	**(11,144)**	(11,415)
Gross Profit	**10,502**	9,118
Administrative expenses before goodwill amortisation and exceptional items	**(8,156)**	(7,547)
Goodwill amortisation	**(2,147)**	(597)
Exceptional costs	**-**	(394)
Total administration expenses	**(10,303)**	(8,538)
Operating profit	**199**	580

Notes to the Financial Statements (continued)

For the year ended 31 March 2005

3. Operating loss (continued)

Acquisitions contributed:	Year ended 31 March 2005 £'000s	Year ended 31 March 2004 £'000s
Turnover	**1,473**	2,526
Cost of Sales	**(160)**	(396)
Gross Profit	**1,313**	2,130
Administrative expenses	**(2,601)**	(4,284)
Operating loss	**(1,288)**	(2,154)

Exceptional items are analysed as follows:

	Year ended 31 March 2005 £'000s	Year ended 31 March 2004 £'000s
Redundancies and reorganisation costs related to acquisitions	**464**	1,062
Retirement of Chairman	**163**	-
Write down of stock	**-**	425
Property provisions	**-**	39
Other	**-**	71
Aborted acquisition fees	**-**	100
	627	1,697

Operating loss is arrived at after charging/(crediting):

	2005 £'000s	2004 £'000s
Research and development costs	**1,402**	1,357
Amortisation cost of Long Term Incentive Plan	**(39)**	71
Depreciation of owned tangible fixed assets	**283**	342
Amortisation of intangible fixed assets	**6,294**	3,932
Auditors' remuneration:		
Audit services	**110**	97
Non-audit services	**28**	46
Rentals under operating leases:		
Plant and machinery	**126**	84
Other operating leases	**504**	711
Profit on sale of tangible fixed assets	**(4)**	(12)

Included within audit services is £23,000 (2004:£16,000) in respect of the holding company. £65,000 (2004:£110,000) was also paid to the auditors in respect of acquisition related due diligence which has been included within the cost of investment for these acquisitions.

4. Directors' and employee costs

The average number of employees (including Executive Directors) in the Group during this period was:

	2005 No	2004 No
Software and OneStop Services	**280**	271
Government and Financial Services	**187**	170
Group	**6**	4
	473	445

Employee costs during the year amounted to:

	2005 £'000s	2004 £'000s
Wages and salaries	**17,348**	16,473
Social security costs	**1,613**	1,575
Other pension costs	**428**	394
	19,389	18,442
Included in the above in respect of Directors' remuneration		
Emoluments	**714**	511
Pension contributions	**32**	27
	746	538

The emoluments of the Directors are disclosed within the audited information on pages 17 and 18 in the Report of the Board on Remuneration and form part of these financial statements. Options held by Directors are disclosed in page 18 of the Report of the Board on Remuneration.

5. Interest payable and similar charges

	2005 £'000s	2004 £'000s
On bank loans and overdrafts	**392**	270

6. Tax on loss on ordinary activities

The taxation charge comprises:

	2005 £'000s	2004 £'000s
UK Corporation tax	-	-
Overseas tax	**312**	246
Current tax	**312**	246
Deferred tax – timing differences, origination and reversal	**122**	111
	434	357

Reconciliation to current tax charge:

	2005 £'000s	2004 £'000s
Profit/(loss) on ordinary activities before tax	**10,013**	(2,323)
Profit/(loss) on ordinary activities before tax multiplied by standard rate of UK Corporation tax: 30%	**3,004**	(697)
Expenses not deductible for tax purposes	**1,761**	1,244
Disposal of investments not subject to tax	**(3,962)**	-
Capital allowances in excess of depreciation	**(35)**	3
Movement in short term timing differences	**(33)**	(17)
Foreign tax charged at lower rates than UK	**(490)**	(167)
Trade losses acquired	**-**	5
Utilisation of tax losses	**67**	(125)
Current corporation tax charge for the period	**312**	246

The rate of tax used in the above reconciliation is the standard United Kingdom corporation tax rate.

7. Dividends

	2005 £'000s	2004 £'000s
Equity dividends:		
Interim, paid, 0.25p (2004:0.23p) per share	69	64
Final, proposed, 0.85p (2004:0.57p) per share	235	158
	304	222

8. Earnings per share

Basic profit per ordinary share is calculated by dividing the profit attributable to ordinary shareholders of £9,579,000 (2004:loss of £2,680,000) by the weighted average number of shares in issue during the year of 27,648,314 (2004:27,648,314).

FRS 14 requires presentation of diluted earnings per share when a Company could be called upon to issue shares that would decrease net profit per share. Diluted EPS would only change by the exercise of out-of-the-money share options. Since it seems unlikely that option holders will act irrationally, no adjustment has been made to diluted profit per share for out-of-the-money share options. The effect of in-the-money-options is immaterial. Accordingly, the diluted profit per share equals the basic profit per share of 34.6p (2004:loss of 9.7p).

	2005	2004
	£'000s	£'000s
Profit/(loss) on ordinary activities after taxation	**9,579**	(2,680)
Goodwill amortisation	**6,294**	3,932
Exceptional costs (see note 3)	**627**	1,697
Profit on disposal of discontinued activities	**(13,160)**	-
Adjusted profit after tax	**3,340**	2,949
Adjusted earnings per share	**12.1p**	10.7p

Earnings per share in the prior year has not been restated for discontinued activities.

Notes to the Financial Statements (continued)

For the year ended 31 March 2005

9. Intangible assets

Group

	Goodwill £'000s
Cost	
As at 1 April 2004	**53,550**
Acquisition of subsidiaries	**3,204**
Adjustment to deferred consideration	**23**
Disposal of subsidiaries	**(9,704)**
As at 31 March 2005	**47,073**
Accumulated amortisation	
As at 1 April 2004	**48,281**
Charge for the period	**6,294**
Disposal of subsidiaries	**(9,508)**
As at 31 March 2005	**45,067**
Net book value	
At 31 March 2005	**2,006**
At 31 March 2004	**5,269**

The Directors currently estimate that the appropriate useful economic life of goodwill in the Information Technology industry is a period of up to 36 months. The Board believes that to amortise goodwill over any longer period ignores the need to invest in and improve applications and the continued changes in technology. Each acquisition is assessed individually and a separate rate is applied.

Consideration paid or issued to vendors in respect of acquisitions since January 1999 totals approximately £49 million as adjusted for cash balances at acquisition.

9. Intangibles (continued)

On 23 July 2004, the Group acquired some of the business and assets of Enterprise Software Systems Limited and has adopted the principles of acquisition accounting. The following adjustments have been made to the acquired assets and liabilities to arrive at provisional fair values. These represent the Directors' assessments of the fair value of tangible fixed assets, the elimination of intangible fixed assets and valuations to realisable value of debtors and creditors.

	Net assets at acquisition £'000s	Fair value adjustments £'000s	Accounting policy alignment £'000s	Fair value at acquisition £'000s
Intangible fixed assets	57	(57)	-	-
Tangible fixed assets	10	(10)	-	-
IPR	57	(57)	-	-
Software	125	-	(125)	-
Deferred income	-	-	(190)	(190)
Net liabilities	249	(124)	(315)	(190)
Goodwill				493
				303

The total consideration, including acquisition expenses, for the acquisition was satisfied by:

	£'000s
Net cash consideration to vendors for business	250
Cash paid regarding acquisition expenses	53
Total consideration	303

Net cash outflows in respect of the acquisition comprised:

	£'000s
Cash consideration including expenses	(303)
Cash at bank and in hand acquired	-
	(303)

From a review of the pre acquisition unaudited management accounts, the Enterprise Software Systems division had turnover of £656,000 for the year ended 31 May 2004 and made an operating profit of £66,000 for the same period. The result for the period from 1 June 2004 until 23 July 2004 is not considered material.

Notes to the Financial Statements (continued)

For the year ended 31 March 2005

9. Intangibles (continued)

On 1 December 2004 the Group acquired the share capital of FWL Technologies Manchester Limited and has adopted the principles of acquisition accounting. The following adjustments have been made to the acquired assets and liabilities to arrive at fair values. These represent the Directors' assessment of the fair value of tangible fixed assets, valuations to realisable value of debtors and creditors, provision for unfulfilled contracts and accounting policy alignments. XKO Group plc does not recognise income that has not been invoiced.

	Net assets at acquisition £'000s	Fair value adjustments £'000s	Accounting policy alignment £'000s	Fair value at acquisition £'000s
Tangible fixed assets	37	(37)	-	-
Debtors	1,246	(208)	(237)	801
Cash	92	(1)	-	91
Creditors	(449)	70	-	(379)
Provisions for liabilities and charges	-	(464)	-	(464)
Deferred tax assets	120	(90)	-	30
Deferred income	(762)	(198)	-	(960)
Net liabilities	284	(928)	(237)	(881)
Goodwill				2,674
				1,793

The total consideration, including acquisition expenses, for the acquisition was satisfied by:

	£'000s
Net cash consideration to vendors for business	1,400
Cash paid regarding acquisition expenses	393
Total consideration	1,793

Net cash outflows in respect of the acquisition comprised:

	£'000s
Cash consideration including expenses	(1,793)
Cash at bank and in hand acquired	91
	(1,702)

FWL Technologies Manchester Limited had turnover of £3,438,000 for the year ended 31 March 2004, made an operating loss of £327,000 and a loss before taxation of £364,000 for the same period. The loss after taxation was £294,000. The profit after taxation, under the vendor's accounting policies, for the period from 1 April 2004 until 30 November 2004 was £269,000.

10. Tangible assets

Group

	Leasehold Premises and Improvements £'000s	Fixtures, Fittings and Equipment £'000s	Motor Vehicles £'000s	Total £'000s
Cost				
As at 1 April 2004	549	2,027	585	3,161
Disposal of subsidiaries	(539)	(1,145)	(491)	(2,175)
Additions	43	188	28	259
Disposals	-	(100)	(69)	(169)
As at 31 March 2005	53	970	53	1,076
Accumulated depreciation				
As at 1 April 2004	98	1,888	524	2,510
Disposal of subsidiaries	(144)	(1,081)	(472)	(1,697)
Charge for the period	89	146	48	283
Disposals	-	(100)	(61)	(161)
As at 31 March 2005	43	853	39	935
Net book value				
At 31 March 2005	10	117	14	141
At 31 March 2004	451	139	61	651

The net book value of assets includes £nil (2004:£nil) in respect of assets held under finance leases and hire purchase contracts.

The Company has no tangible assets at 31 March 2005 (2004:£nil).

11. Investments

	Company	
	2005	2004
Cost	**£'000s**	£'000s
At start of the period	**20,620**	20,466
Adjustments in respect of deferred consideration for prior acquisitions	**25**	154
On disposal of subsidiaries	**(6,332)**	-
At end of the period	**14,313**	20,620

The Group's principal trading subsidiaries, which have been consolidated, are:

Name	Country of Incorporation	Share class held	% held
XKO Software Limited	England	Ordinary	100
XKO Network Systems Limited	England	Ordinary	100

11. Investments (continued)

On 29 March 2005 XKO Group plc disposed of its 100% interest in the ordinary share capital of XKO Offshore Limited. The operating profit of XKO Offshore Limited up to the date of disposal was £199,000 and for its last financial year was £580,000.

Net liabilities disposed of and the related sales proceeds were as follows:

	£'000s
Intangible fixed assets	196
Tangible fixed assets	475
Stock	524
Debtors	2,558
Cash	1,071
Creditors	(5,347)
Net liabilities	(523)
Profit on sale	13,160
Net sale proceeds	12,637

The total consideration for the disposal was and will be satisfied by:

	£'000s
Cash consideration	13,250
Cash to be received	153
Total cash consideration	13,403
Expenses and transaction charges	(766)
Net sales proceeds	12,637

Net cash inflows/(outflows) in respect of the disposal comprised:

	£'000s
Cash consideration	13,250
Cash at bank and in hand sold	(1,071)
	12,179

This transaction is not subject to corporation tax and therefore no provision has been made for the effects of taxation in the accounts.

12. Stock

	Group	
	2005	2004
	£'000s	£'000s
Raw materials and consumables	**70**	331

13. Debtors

	Group		Company	
	2005	2004	**2005**	2004
	£'000s	£'000s	**£'000s**	£'000s
Escrow account	**-**	200	**-**	-
Trade debtors	**4,426**	5,770	**-**	-
Prepayments	**923**	680	**18**	6
Amounts owed by Group undertakings	**-**	-	**14,771**	17,022
Deferred taxation asset (see note 17)	**402**	525	**-**	-
	5,751	7,175	**14,789**	17,028

The movement in the Group deferred taxation asset in the year to 31 March 2005 is due to an asset of £30,000 in respect of trade losses acquired with FWL Technologies Manchester Limited, an asset of £31,000 in respect of accelerated capital allowances disposed of with the sale of XKO Offshore Limited and £122,000 charged to the Group profit and loss account.

14. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	**2005**	2004
	£'000s	£'000s	**£'000s**	£'000s
Bank loans and overdrafts (see note 16)	**-**	1,284	**-**	5,315
Obligations under finance leases and hire purchase contracts	**9**	-	**-**	-
Trade creditors	**2,050**	3,865	**427**	207
Amounts owed to Group undertakings	**-**	-	**3,649**	3,884
Other taxes and social security	**1,198**	1,410	**13**	(42)
Accruals and other creditors	**2,894**	3,034	**916**	382
Escrow account	**-**	200	**-**	-
Deferred consideration	**91**	578	**91**	357
Corporation tax	**221**	492	**81**	81
Dividends	**235**	158	**235**	158
	6,698	11,021	**5,412**	10,342

15. Creditors: amounts falling due after more than one year

	Group		Company	
	2005 £'000s	2004 £'000s	2005 £'000s	2004 £'000s
Bank loans (see note 16)	-	3,070	-	3,070
Deferred consideration	-	15	-	-
Corporation tax	-	223	-	-
	-	3,308	-	3,070

16. Borrowings

	Group		Company	
	2005 £'000s	2004 £'000s	**2005 £'000s**	2004 £'000s
Bank loans and overdrafts	-	4,354	-	8,385
Due within one year	-	1,284	-	5,315
Due after more than one year	-	3,070	-	3,070
	-	4,354	-	8,385
Analysis of loan repayments:				
Bank loans and overdrafts				
Within one year	-	1,284	-	5,315
Between one and two years	-	1,434	-	1,434
Between two and five years	-	1,636	-	1,636
	-	4,354	-	8,385

By a debenture granted to The Royal Bank of Scotland plc dated 27 January 1999, XKO Group plc and its subsidiaries, granted a fixed and floating charge over all of their assets.

17. Provisions for liabilities and charges

Group

	Provisions £'000s
At 1 April 2004	(426)
Fair value adjustments on acquisition of subsidiaries regarding contractual commitments	(464)
Utilisation and release of provisions	252
At 31 March 2005	(638)

The Company has no provisions (2004:£nil).

Provisions are for estimated dilapidations on leasehold interests and onerous contracts. The expected payment dates for property costs remain uncertain, but it is expected that most expenditure will take place between 2005 and 2008.

17. Provisions for liabilities and charges (continued)

Deferred tax asset (see note 13)

Deferred tax is provided as follows:

	Provided		Unprovided	
Group	**2005 £'000s**	2004 £'000s	**2005 £'000s**	2004 £'000s
Difference between accumulated depreciation and amortisation and capital allowances.	**252**	310	**31**	-
Other timing differences	**31**	75	**43**	5
Tax losses	**119**	140	**1,540**	633
	402	525	**1,614**	638
Company				
Other timing differences	**-**	-	**41**	-
Tax losses	**-**	-	**381**	264
	-	-	**422**	264

The current rate of corporation tax of 30 per cent. has been used to calculate the amount of deferred taxation.

Deferred tax assets in respect of depreciation in excess of capital allowances, short term timing differences and tax losses have been recognised where they are expected to reverse in the foreseeable future. No deferred tax asset has been recognised in respect of excess management expenses and non-trade loan relationships in the holding company and in respect of certain trading losses elsewhere in the Group. To the extent that these unrecognised assets reverse in the future, the tax charge will be proportionately reduced.

18. Deferred income

Group

	2005 £'000s	2004 £'000s
Maintenance income to be recognised (represents amounts invoiced in advance in respect of contracts for the provision of software support, hardware and software maintenance and support services.)		
Within one year	**6,273**	7,646
Due in more than one year	**292**	-
	6,565	7,646

The Company has no deferred income (2004:£nil).

19. Called up share capital

Issued share capital	Ordinary shares of 25p each Number '000s	Nominal value of Ordinary shares of 25p each £'000s	Nominal value of Preference shares of £1 each £'000s
As at 1 April 2004 and 31 March 2005	27,648	6,912	300

Authorised share capital	Ordinary shares of 25p each £'000s	Preference shares of £1 £'000s
As at 1 April 2004 and 31 March 2005	10,000	300

Convertible redeemable preference shares

The convertible redeemable preference shares are nil coupon, bear no rights to dividend and may be converted at any time (at the shareholders' option) to 25p ordinary shares at a conversion rate of £1.50 per ordinary share.

On 4 April 2005 the company redeemed all of the preference shares at par value.

Shares to be issued

Shares to be issued relates solely to the potential issuance of 575,003 LTIP shares under terms detailed in the Report of the Board on Remuneration.

20. Reconciliation of movement in shareholders' (deficit)/funds

	Group		Company	
	2005 £'000s	2004 £'000s	**2005 £'000s**	2004 £'000s
Opening shareholders'(deficit)/funds	**(7,848)**	(5,017)	**24,236**	24,417
Profit/(loss) for the financial year	**9,579**	(2,680)	**3,481**	(30)
Dividends payable	**(304)**	(222)	**(304)**	(222)
Movement as to shares to be issued	**(39)**	71	**(39)**	71
Closing shareholders' funds/(deficit)	**1,388**	(7,848)	**27,374**	24,236

21. Reserves

	Share Premium £'000s	Profit and Loss Account £'000s	Total £'000s
Group			
As at 1 April 2004	9,611	(24,981)	(15,370)
Retained profit for the year	-	9,275	9,275
At 31 March 2005	9,611	(15,706)	(6,095)
Company			
As at 1 April 2004	9,611	7,103	16,714
Retained profit for the year	-	3,177	3,177
At 31 March 2005	9,611	10,280	19,891

In accordance with the exemptions allowed under section 230 of the Companies Act 1985 the Company has not presented its own profit and loss account. The profit after tax for the period attributable to XKO Group plc dealt with in the accounts of the Company is £3,481,000 (2004:loss of £30,000).

22. Notes to cash flow statement

Reconciliation of operating loss to net cash inflow from operating activities

	2005 £'000s	2004 £'000s
Operating loss	**(2,755)**	(2,053)
Depreciation and amortisation	**6,577**	4,274
Profit on sale of tangible fixed assets	**(1)**	(11)
(Increase)/decrease in stocks	**(261)**	380
(Increase)/decrease in debtors	**(762)**	9
Decrease in creditors and provisions	**(870)**	(70)
Net cash inflow from operating activities	**1,928**	2,529
Add back: cash outflow in respect of restructuring and other exceptional items	**1,025**	1,240
Net cash inflow from trading operations	**2,953**	3,769

Subsidiary undertakings acquired in the year contributed £518,000 to the Group's net operating cash flows and paid £255,000 in respect of exceptional items.

Subsidiary undertakings sold in the year contributed £1,556,000 to the Group's net operating cash flows and paid £247,000 in respect of exceptional items.

Cash generated from trading operations before exceptional items for the last three financial years totalled £10,587,000 (2005:£2,953,000, 2004:£3,769,000, 2003:£3,865,000). Operating profit before goodwill amortisation and exceptional items (Adjusted Operating Profit) for the last three financial years totalled £10,349,000 (2005:£4,166,000, 2004:£3,576,000, 2003:£2,607,000).

23. Analysis of net (debt)/cash

	At 31 March 2004 £'000s	Cash Flow £'000s	At 31 March 2005 £'000s
Cash in hand and at bank	1,127	**6,194**	**7,321**
Debt due within 1 year	(1,284)	**1,284**	**-**
Debt due after 1 year	(3,070)	**3,070**	**-**
Total (debt)/cash	(3,227)	**10,548**	**7,321**

24. Reconciliation of net cash flow to movement in net debt

	2005 £'000s	2005 £'000s	2004 £'000s	2004 £'000s
Increase/(decrease) in cash in the period	**6,194**		(198)	
Cash flow from decrease/(increase) in debt and lease financing	**4,354**		(2,354)	
Change in net debt resulting from cash flows		**10,548**		(2,552)
Movement in net debt in the period		**10,548**		(2,552)
Net debt at start of year		**(3,227)**		(675)
Net cash/(debt) at end of year		**7,321**		(3,227)

25. Contingent liabilities and capital commitments

At 31 March 2005 the Group had no contingent liabilities or material contracted capital expenditure (31 March 2004:£nil). Authorised and contracted for capital expenditure amounted to £nil (31 March 2004:£15,000).

26. Commitments under operating leases

At 31 March 2005 there were the following annual commitments under non-cancellable operating leases:

	2005		2004	
	Land and Buildings £'000s	**Other £'000s**	Land and Buildings £'000s	Other £'000s
Operating leases which expire:				
Within one year	**50**	**12**	38	32
Within two to five years	**154**	**96**	172	57
After five years	**277**	**-**	783	-
	481	**108**	993	89

27. Financial instruments

The disclosures required by FRS 13 in relation to the nature of any financial instruments used during the year to mitigate interest rate movements, and liquidity and foreign currency risks are shown below. As permitted by FRS 13, short-term debtors and creditors are excluded from this disclosure.

Financial assets
£7,321,000 (2004:£1,127,000) of cash at bank and in hand is held in the Group, denominated in sterling.

Financial liabilities
All financial liabilities as at 31 March 2005 were denominated in sterling. Total financial liabilities in the Group were £nil (2004:£4,354,000).

Interest rate exposure
On 7 April 2003 the Group entered into an Amortising Base Rate Swap agreement, protecting an initial amount of £1,500,000 at a fixed base rate of 5% with The Royal Bank of Scotland plc in order to manage its interest rate risk. The remaining protection on this agreement is estimated to be £500,000. In April 2004, the Group entered into a Capped Base Rate Swap protecting £2,500,000 over two and a half years with The Royal Bank of Scotland plc with cover at a fixed base rate of 6%. These swap agreements were cancelled in April 2005 following the repayment of the bank facilities.

Currency exposure
No sales or purchases are made in foreign currency. There is therefore no currency exposure and no hedging requirements.

Borrowing facilities
The Group had committed overdraft facilities of £nil (2004:£7,354,000) of which £nil (2004:£3,000,000) were undrawn at the period end. All debt facilities have been cancelled.

Fair values of financial assets and liabilities
The difference between the fair value of the Group's financial assets and liabilities and the book value is not material since they are held at floating rates which adjust in line with market movements.

28. Post balance sheet events

In April 2005 the company redeemed 300,000 preference shares at a rate of £1 per share.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of XKO Group plc will be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB on 28 July 2005 at 10.30 a.m. for the following purposes:

1. To receive and adopt the report of the Directors and the audited accounts of the Company for the year ended 31 March 2005.

2. To approve the Directors' remuneration report for the year ended 31 March 2005.

3. To re-elect S D Beart as a Director.

4. To declare a final dividend of 0.85p per ordinary share.

5. To re-appoint Messrs Deloitte & Touche LLP as auditors to hold office until the conclusion of the next Annual General Meeting.

6. To authorise the Directors to fix the remuneration of the auditors.

As special business to consider and, if thought fit, pass the following resolutions of which number 7 will be proposed as an ordinary resolution and numbers 8 and 9 as special resolutions.

Ordinary resolution

7. That the Directors be and are generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985, as amended ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) provided that:

   (a) this authority shall be in substitution for any equivalent authority which may have been given to the Directors prior to the date of the passing of this resolution;

   (b) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal value equal to £2,500,000, representing approximately thirty-six per cent. of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 31 March 2005;

   (c) unless previously revoked, varied or extended, this authority shall expire at the earlier of the date which is fifteen months from the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired; and

   (d) in relation to the grant of any right to subscribe for, or convert any security into, shares in the Company, the reference in this resolution to the maximum amount of relevant securities that may be allotted is to the maximum amount of shares which may be allotted pursuant to such right.

Special resolutions

8. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) on a recognised investment exchange (as defined by section 163(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Ordinary Shares") and to hold such shares as treasury shares (as defined in section 162A(3) of the Act ("treasury shares")) provided that:

   (a) this authority shall be limited to the purchase of Ordinary Shares up to a maximum aggregate nominal value equal to £691,207, representing approximately ten per cent. of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 31 March 2005;

   (b) the minimum price which may be paid for such Ordinary Shares is 25 pence per share (exclusive of expenses);

   (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than five per cent. above the average of the mid-market values for an Ordinary Share on the relevant recognised investment exchange on which the Ordinary Shares are traded for the five dealing days immediately preceding the date on which the Ordinary Share is purchased;

   (d) unless previously revoked, varied or extended, the authority hereby conferred shall expire at the earlier of the date which is fifteen months from the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company; and

   (e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

9. That the Directors be and are empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 7 above and to make sales of shares where such sales constitute an allotment of equity securities by virtue of section 94(3A) of the Act as if section 89(1) of the Act did not apply to any such allotment provided that:

   (a) the power shall be limited to:

      (i) the allotment of equity securities in connection with an invitation or offer of equity securities to holders of Ordinary Shares (excluding the Company where it holds shares as treasury shares) in proportion to their respective holdings of such shares or in accordance with the rights attached to such shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory; and

      (ii) the allotment, otherwise than pursuant to paragraph (i) above, of equity securities up to an aggregate nominal value equal to £691,207, representing approximately ten per cent. of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 31 March 2005;

Notice of Annual General Meeting (continued)

(b) unless previously revoked, varied or extended, this power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling fifteen months after the date of the passing of this resolution except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired;

(c) in this resolution the nominal amount of any securities should be taken to be, in the case of a right to subscribe for or convert any securities into shares of the Company, the nominal amount of the shares which may be allotted pursuant to such right.

BY ORDER OF THE BOARD

T W Good
Secretary

21 June 2005

Systems House
Foundry Court
Gogmore Lane
Chertsey
Surrey
KT16 9AP

Notes:

1. **Any member of the Company who is entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. In the case of a company, the proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing. To be effective a form of proxy, (enclosed with this notice) and the authority (if any) under which it is signed or a notarially certified or office copy of such authority must be received at the office of the Company's Registrars, Capita Registrars Limited, Proxies Department, PO Box 25, Beckenham, Kent, BR3 4BR at least forty-eight hours before the time fixed for the meeting. Appointment of a proxy will not preclude a member from attending the meeting and voting in person should that member subsequently so decide.**

2. **Copies of the Directors' service contracts and the register of the Directors' interests in the share capital of the Company will be available for inspection at the registered office of the Company during normal business hours on a weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the meeting and also at the place of the meeting for 15 minutes prior to and until the close of the meeting.**

3. **The Company pursuant to the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the register of members of the Company at the close of business on 26 July 2005 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.**

4. **In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy, but the vote of the senior (by order in the register of members) who tenders a vote will be accepted to the exclusion of the others.**

Explanatory notes to the notice of meeting

Resolution 7 – Authority to allot shares
Resolution 7 grants the Directors authority to allot shares in the Company up to an aggregate nominal value of £2,500,000, representing approximately thirty-six per cent. of the nominal value of the issued ordinary share capital of the Company as shown in the latest audited accounts of the Company. The Directors do not have any present intention of exercising this authority but they consider it desirable that the specified amount of authorised but unissued share capital is available for issue so that they can more readily take advantage of possible opportunities. Unless revoked, varied or extended, this authority will expire at the end of fifteen months from the date of passing of the resolution or at the conclusion of the next AGM of the Company, whichever is earlier.

Resolution 8 – Authority to make market purchases
Resolution 8 authorises the Company to make market purchases on a recognised investment exchange of its issued Ordinary Shares up to an aggregate nominal amount of £691,207, representing approximately ten per cent. of the nominal value of the issued ordinary share capital of the Company as shown in the latest audited accounts of the Company, and to hold such shares as treasury shares. The London Stock Exchange plc is a recognised investment exchange within the meaning of section 163(4) of the Act. The minimum price which may be paid for an Ordinary Share is 25 pence per share and the maximum price is five per cent. above the average of the market values for an Ordinary Share for the five dealing days preceding the date on which the Ordinary Share is purchased. The Directors consider that it is desirable that the Company is able to make market purchases of its own shares in order to increase future earnings per share or where this will be in the best interests of the Shareholders generally. Unless revoked, varied or extended this authority will expire at the end of fifteen months from the date of passing of the resolution or at the conclusion of the next AGM of the Company whichever is the earlier.

Resolution 9 – Disapplication of pre-emption rights
Resolution 9 empowers the Directors to allot equity securities (such as Ordinary Shares) for cash and make sales of treasury shares other than in accordance with the statutory pre-emption rights of the Ordinary Shareholders (which require a company to offer all allotments of equity securities for cash and all sales of treasury shares first to existing Ordinary Shareholders in proportion to their holdings) in connection with rights issues and otherwise up to a maximum nominal value of £691,207, representing approximately ten per cent. of the nominal value of the issued share capital of the Company as shown in the latest audited accounts of the Company. This authority will expire at the conclusion of the next AGM or fifteen months after the passing of the resolution, whichever is the earlier.