Gresham Financial Systems Limited

Report and Accounts

31 December 2001



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Gresham Financial Systems Limited

Registered No. 2585216

DIRECTORS
D Osman
S W Purchase
A J S Walton-Green

SECRETARY
D Osman

AUDITORS
Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

BANKERS
HSBC Bank plc
165 High Street
Southampton
Hampshire
SO14 2NZ

REGISTERED OFFICE
Sopwith House
Brook Avenue
Warsash
Southampton
SO31 9ZA

DIRECTORS' REPORT

The directors present their report and accounts for the 14 months ended 31 December 2001.

RESULTS AND DIVIDENDS

The trading loss for the period, after taxation, amounted to £956,000 (Year ended 31 October 2000: £1,301,000). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity continued to be consultancy services and the development, production and distribution of computer software.

CHANGE OF YEAR END

During the period the year end of the company was changed from 31 October 2001 to 31 December 2001. The accounts are therefore for the fourteen month period ended 31 December 2001.

FUTURE DEVELOPMENTS

The directors are confident of the future prospects for the company.

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

D Osman
S W Purchase
A J S Walton-Green (appointed 13 November 2000)

None of the directors had any interest in the share capital of the company at 31 December 2001.

The company is not required to disclose details of the interests of the directors in the ultimate parent undertaking as they are directors of that company.

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board



D Osman
Secretary
22 April 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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 detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of Gresham Financial Systems Limited

We have audited the company's financial statements for the 14 months ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

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.
Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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 company's circumstances, consistently applied and adequately disclosed.
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its loss for the 14 months then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Southampton
22 April 2002

PROFIT AND LOSS ACCOUNT
for the 14 months ended 31 December 2001

	Notes	*14 months ended 31 December 2001* £000	*Year ended 31 October 2000* £000
TURNOVER	3	1,397	3,465
Cost of sales		776	2,518
GROSS PROFIT		621	947
Administrative expenses		1,779	2,035
Administrative expenses – exceptional items	4	118	326
OPERATING LOSS	4	(1,276)	(1,414)
Interest receivable		(3)	-
Interest payable and similar charges	6	1	6
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,274)	(1,420)
Taxation on result on ordinary activities	7	(318)	(119)
RETAINED LOSS FOR THE PERIOD/YEAR		(956)	(1,301)

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £956,000 in the period ended 31 December 2001 and of the loss of £1,301,000 in the year ended 31 October 2000.

BALANCE SHEET
at 31 December 2001

	Notes	*31 December 2001* £000	*31 October 2000* £000
FIXED ASSETS			
Tangible assets	8	188	422
CURRENT ASSETS			
Debtors	9	876	984
Cash in bank and in hand		-	47
		876	1,031
CREDITORS: amounts falling due within one year	10	2,564	1,998
NET CURRENT LIABILITIES		(1,688)	(967)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,500)	(545)
CREDITORS: amounts falling due after more than one year	11	1	-
PROVISIONS FOR LIABILITIES AND CHARGES	13	-	-
		(1,501)	(545)
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Profit and loss account	15	(1,501)	(545)
SHAREHOLDERS' FUNDS - equity interests		(1,501)	(545)

A J S Walton-Green
Director
22 April 2002

D Osman
Director
22 April 2002

NOTES TO THE ACCOUNTS
at 31 December 2001

1. FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared on the going concern basis because the parent undertaking has agreed to provide funds to enable the company to meet its debts as they fall due.

2. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention.

The accounts are prepared in accordance with applicable accounting standards.

Cash flow statement

The company has utilised the exemptions provided under Financial Reporting Standard No.1 and has not presented a cash flow statement. The cash flow statement has been presented in the group accounts of the ultimate parent undertaking.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Leasehold land and buildings	-	over the remaining lease term
Equipment, fixtures and fittings	-	over 5 to 10 years
Motor vehicles	-	over 4 years
Computer equipment	-	over 3 to 7 years

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Long Term Contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of work carried out at the end of the year, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on contracts in the year in which they are first forecast.

Leasing commitments

Rentals paid under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate ruling on the date of the transaction or at the contracted rate if the transaction is matched by a forward exchange contract.

Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the balance sheet date or, if appropriate, at the forward contract rate. Resulting exchange gains and losses are taken to the profit and loss account.

2. ACCOUNTING POLICIES (CONTINUED)

Research and development
The company actively reviews technical developments in its markets with a view to taking advantage of the opportunities available to maintain and improve its competitive position. All costs associated with product development have been written off as incurred.

3. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

The turnover and pre-tax profit is attributable to one continuing activity, that of consultancy services and the development, production and distribution of computer software , and relates principally to the United Kingdom.

4. OPERATING LOSS

(a) This is stated after charging:

	14 months ended 31 December 2001 £000	*Year ended 31 October 2000 £000*
Auditors' remuneration	14	12
Depreciation of owned fixed assets	152	186
Depreciation of assets held under finance leases and hire purchase contracts	27	32
Operating lease rentals - land and buildings	317	185
- plant and machinery	21	55

(b) Directors' remuneration

	14 months ended 31 December		*Year ended 31 October 2000*	
	Pension contributions £000	*Total £000*	*Pension contributions £000*	*Total £000*
All directors	-	-	-	39
Highest paid director	-	-	-	39

Directors' emoluments includes £nil (31 October 2000: £4,451) for compensation for loss of office.

(c) Exceptional items
Exceptional items comprise redundancy, compensation for loss of office, professional and legal fees relating to the restructuring of the business and provision for impairment in value of leasehold premises.

NOTES TO THE ACCOUNTS
at 31 December 2001

5. STAFF COSTS

	14 months ended 31 December 2001 £000	*Year ended 31 October 2000 £000*
Wages and salaries	890	1,810
Social security costs	93	228
Other pension costs	18	47
	1,001	2,085

The average weekly number of employees during the period was made up as follows:

	14 months ended 31 December 2001 No.	*Year ended 31 October 2000 No.*
Office, management and technical	11	31

6. INTEREST PAYABLE

	14 months ended 31 December 2001 £000	*Year ended 31 October 2000 £000*
Bank loans, overdrafts and other loans	1	6

7. TAX ON RESULT OF ORDINARY ACTIVITIES

	14 months ended 31 December 2001 £000	*Year ended 31 October 2000 £000*
UK Corporation tax at 30% (2000: 30%)	-	(152)
Deferred taxation	-	(6)
Corporation tax under-provided in previous year	-	39
Group Relief at 30%	(318)	39
	(318)	(119)

NOTES TO THE ACCOUNTS
at 31 December 2001

8. TANGIBLE FIXED ASSETS

	Leasehold Improvements £000	*Motor vehicles* £000	*Fixtures and fittings* £000	*Development equipment* £000	*Total* £000
Cost					
At 1 November 2000	399	20	118	294	831
Additions	79	-	-	5	84
Disposals	(2)	(20)	-	(43)	(65)
At 31 December 2001	476	-	118	256	850
Depreciation:					
At 1 November 2000	108	15	108	178	409
Provided during the period	83	1	5	90	179
Provision for impairment in value	122	-	-	-	122
Disposals	-	(16)	-	(32)	(48)
At 31 December 2001	313	-	113	236	662
Net book value:					
At 31 December 2001	163	-	5	20	188
At 1 November 2000	291	5	10	116	422

The net book value above includes an amount of £47,000 (31 October 2000: £86,000) in respect of assets held under finance leases.

9. DEBTORS

	31 December 2001 £000	*31 October 2000* £000
Amounts recoverable on long term contracts	280	41
Trade debtors	255	507
Prepayments and accrued income	25	123
Corporation Tax	135	74
Amounts due from fellow subsidiary undertakings	181	239
	876	984

NOTES TO THE ACCOUNTS
at 31 December 2001

10. CREDITORS: amounts falling due within one year

	31 December 2001 £000	*31 October 2000 £000*
Trade creditors	66	61
Accruals and deferred income	124	308
Obligations under finance leases and hire purchase contracts (note 12)	2	13
Amounts due to fellow subsidiary undertakings	775	1,616
Amounts due to parent undertaking	1,531	-
Bank Overdraft	66	-
	2,564	1,998

11. CREDITORS: amounts falling due after more than one year

	31 December 2001 £000	*31 October 2000 £000*
Obligations under finance leases and hire purchase contracts (note 12)	1	-

12. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	31 December 2001 £000	*31 October 2000 £000*
Amounts payable:		
Within one year	2	13
In two to five years	1	-
	3	13
Less: finance charges allocated to future periods	-	-
	3	13

Finance leases and hire purchase contracts are analysed as follows:

Current obligations (note 10)	2	13
Non-current obligations (note 11)	1	-
	3	13

13. PROVISIONS FOR LIABILITIES AND CHARGES

Provision has been made for deferred tax as follows:

	31 December 2001 £000	*31 October 2000 £000*
Capital allowances in advance of depreciation	-	-

NOTES TO THE ACCOUNTS
at 31 December 2001

14. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	31 December 2001	*31 October 2000*	*31 December 2001*	*31 October 2000*
	No.	*No.*	*£*	*£*
Ordinary shares of £1 each	1,000	1,000	500	500

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £000	*Profit and loss account £000*	*Total £000*
At 1 November 1999	-	756	756
Loss for the year	-	(1,301)	(1,301)
At 1 November 2000	-	(545)	(545)
Loss for the period	-	(956)	(956)
At 31 December 2001	-	(1,501)	(1,501)

16. OTHER FINANCIAL COMMITMENTS

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	31 December 2001 Land and buildings £000	*31 October 2000 Land and buildings £000*
Operating leases which expire:		
in over five years	295	185

17. CAPITAL COMMITMENTS

There are no amounts contracted for but not provided in the accounts (31 October 2000: £nil).

18. CONTINGENT LIABILITY

The company has given cross guarantees on the bank overdrafts and loans of other group undertakings which are secured by specific and floating charges over the assets of the company and other assets within the group. At 31 December 2001 the contingent liability covered by the cross guarantee was £nil (31 October 2000: £3,001,945).

NOTES TO THE ACCOUNTS
at 31 December 2001

19. RELATED PARTIES

The company has utilised the exemption under Financial Reporting Standard No. 8 as a subsidiary undertaking (where 90% or more of the voting rights are controlled by its ultimate parent company) not to disclose transactions with other entities that are part of Gresham Computing plc.

20. ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking is Gresham Computing plc, a company registered in England and Wales. The consolidated accounts of Gresham Computing plc are those of both the smallest and largest group of which the company is a member and for which group accounts are prepared.

Copies of these accounts can be obtained from:
Gresham Computing plc
Sopwith House
Brook Avenue
Warsash
Southampton
SO31 9ZA