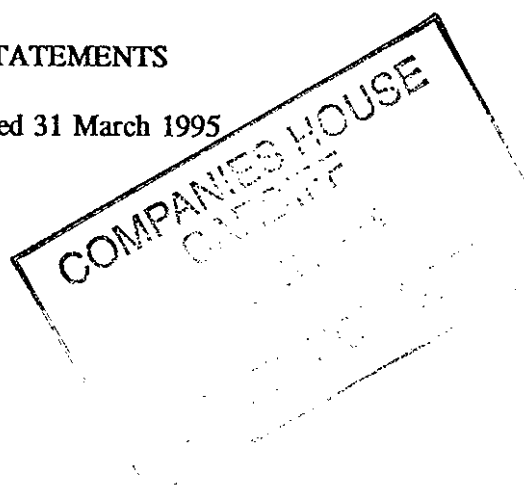


HIGHAMS SYSTEMS SERVICES
GROUP LIMITED

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

for the year ended 31 March 1995



BINDER HAMLYN

HIGHAMS SYSTEMS SERVICES GROUP LIMITED

DIRECTORS

JE Higham (Chairman)
EI Andrews
DJ Drinan

SECRETARY

EI Andrews

REGISTERED OFFICE

Hammond House
33/45 Croydon Road
Caterham
Surrey
CR3 6PB

AUDITORS

Binder Hamlyn
17 Lansdowne Road
Croydon
CR9 2PL

BANKERS

Barclays Bank PLC
Central Croydon Branch
North End
Croydon
CRO 1RN

SOLICITORS

Ormerod Wilkinson Marshall
Green Dragon House
64 - 70 High Street
Croydon
CRO 9XN

HIGHAMS SYSTEMS SERVICES GROUP LIMITED

DIRECTORS' REPORT for the year ended 31 March 1995

FINANCIAL STATEMENTS

The directors present their report and financial statements for the year ended 31 March 1995.

DIRECTORS' RESPONSIBILITIES

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

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

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the company are the provision of integrated high quality business consultancy, systems services, systems resources and software products in the financial services market.

The directors are pleased to report a very good year with turnover and profit substantially improved on the previous year.

This has been achieved by the strategy of concentration on our core market and the commitment of the staff. In recognition of this a PRP scheme was introduced to enable all staff to share in continued planned future success.

The directors are actively planning continued profitable growth by the development of the existing services, by suitable acquisitions and by the creation of new services. The company has also been awarded ISO9002 accreditation which the directors believe will provide a further vehicle for continuous assessment and improvement of the company's practices.

The company has a very strong client base, is secure and is confident of future prospects.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in the profit and loss account on page 4. An interim dividend of £0.59 (1994: £ nil) was paid on 23 March 1995. The directors do not recommend payment of a final dividend (1994: £1.17).

HIGHAMS SYSTEMS SERVICES GROUP LIMITED

DIRECTORS' REPORT for the year ended 31 March 1995

FIXED ASSETS

Details of movements in fixed assets during the year are set out in note 8 to the financial statements.

DIRECTORS

The persons who held the office of director throughout the year were as follows:

JE Higham (Chairman)
EI Andrews
DJ Drinan

DIRECTORS' INTERESTS IN SHARES

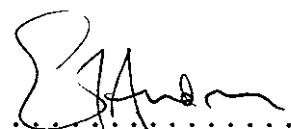
The persons who held the office of director at 31 March 1995 had the following interests in the shares of the company at the beginning and end of the financial year:

	£1 ordinary shares fully paid	
	31 March 1995	1 April 1994
JE Higham	24,400	24,400
EI Andrews	8,500	8,500
DJ Drinan	8,500	8,500

AUDITORS

From 1 October 1994, our auditors, BDO Binder Hamlyn, practice in the name of Binder Hamlyn and have signed their audit report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 5/10/95



EI Andrews
Director

AUDITORS' REPORT
to the members of Highams Systems Services Group Limited

We have audited the financial statements on pages 4 to 14 which have been prepared on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's 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 March 1995 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn

Chartered Accountants
Registered Auditors

10 October 1995

HIGHAMS SYSTEMS SERVICES GROUP LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 March 1995

	Notes	1995	1994
		£	£
Turnover		11,173,989	6,064,832
Cost of sales		(9,110,127)	(4,669,954)
Gross profit		2,063,862	1,394,878
Administrative expenses		(1,454,600)	(1,066,846)
Operating profit	3	609,262	328,032
Interest receivable and similar income	4a	137	36,870
Interest payable	4b	(11,311)	(2,056)
Profit on ordinary activities before taxation		598,088	362,846
Tax on profit on ordinary activities	6	(216,017)	(102,000)
Profit for the financial year		382,071	260,846
Dividends	7	(24,485)	(29,952)
Retained profit for the year	13	357,586	230,894

All of the above results derive from continuing activities and there were no acquisitions in the period.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Except for the result for the financial year, as shown above, the company had no recognised gains or losses.

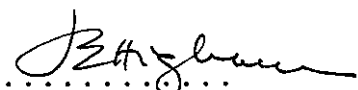
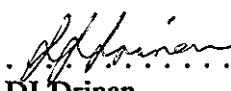
HIGHAMS SYSTEMS SERVICES GROUP LIMITED

BALANCE SHEET
as at 31 March 1995

	Notes	1995	1994
		£	£
FIXED ASSETS			
Tangible assets	8	136,783	162,732
Investment in subsidiary undertakings	9	6	6
		136,789	162,738
CURRENT ASSETS			
Debtors	10	2,492,542	1,396,376
Cash at bank and in hand		114	-
		2,492,656	1,396,376
CREDITORS: amounts falling due within one year	11	(1,556,730)	(843,985)
Net current assets		935,926	552,391
Total assets less current liabilities		1,072,715	715,129
CAPITAL AND RESERVES			
Called up share capital	12	41,500	41,500
Capital redemption reserve	13	8,500	8,500
Profit and loss account	13	1,022,715	665,129
Shareholders' funds	14	1,072,715	715,129

There are no non-equity interests within shareholders' funds.

The financial statements on pages 4 to 14 were approved by the Board on 5th October 1995


 JE Higham
)
)
) Directors
)

 DJ Drinan
)
)

HIGHAMS SYSTEMS SERVICES GROUP LIMITED

CASH FLOW STATEMENT for the year ended 31 March 1995

	Notes	1995	1994
		£	£
Net cash inflow from operating activities	15	208,466	96,590
Returns on investments and servicing of finance			
Interest received		137	1,014
Interest paid		(11,311)	(2,056)
Dividends received		-	35,856
Dividends paid		(54,437)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(65,611)	34,814
Taxation			
UK corporation tax paid		(113,917)	(33,839)
Investing activities			
Purchase of tangible fixed assets		(101,549)	(128,277)
Proceeds on disposal of tangible fixed assets		20,935	15,321
Purchase of subsidiary undertakings		-	(6)
Net cash outflow from investing activities		(80,614)	(112,962)
Decrease in cash and cash equivalents	16(b)	(51,676)	(15,397)

1 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents amounts receivable for services provided net of trade discounts and value added tax.

Tangible fixed assets and depreciation

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

Computer equipment	- 25% to 50% on cost
Furniture, fittings and office equipment	- 25% on cost
Motor vehicles	- 25% on written down value

Leasing commitments

Assets obtained under leases which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Payments under other leases (operating leases) are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a funded defined contribution pension scheme. The pension cost charge represents contributions payable by the company to the pension scheme in the year.

HIGHAMS SYSTEMS SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

2 TURNOVER

An analysis of turnover by business and geographical segments is not given as, in the opinion of the directors, disclosure of this information would be prejudicial to the interests of the company.

3 OPERATING PROFIT is stated after charging	1995 £	1994 £
Auditors' remuneration	11,500	9,500
Depreciation	95,925	101,501
Loss on sale of fixed assets	10,638	7,437
Operating lease rentals - buildings	54,252	42,732

4 INTEREST

(a) Interest receivable and similar income

Bank deposit interest	137	1,014
Group dividend receivable	-	35,856
	137	36,870

(b) Interest payable

Bank overdraft interest	11,311	2,056
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HIGHAMS SYSTEMS SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 INFORMATION REGARDING EMPLOYEES (including directors)

(a) Staff costs

Total staff costs were as follows:	1995 £	1994 £
Wages and salaries	1,535,346	1,210,715
Social security costs	158,586	129,599
Other pension costs	142,729	130,886
	<u>1,836,661</u>	<u>1,471,200</u>

(b) Staff numbers

The average number of persons employed by the company during the year was as follows:

	Number	Number
Management	6	6
Production and administration	34	32
Sales and marketing	3	4
	<u>43</u>	<u>42</u>

(c) Directors' emoluments

	£	£
Remuneration as executives (including benefits-in-kind and pension contributions)	423,186	259,079

The emoluments of directors (excluding pension contributions) include amounts in respect of:

Chairman	119,515	56,941
Highest paid director (1995: Chairman)	119,515	62,615

HIGHAMS SYSTEMS SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 INFORMATION REGARDING EMPLOYEES (including directors) *continued*

(d) Bandings

Directors' emoluments fell within the following bands:

	1995 Number	1994 Number
£ 10,001 - £ 15,000	-	1
£ 50,001 - £ 55,000	-	1
£ 55,001 - £ 60,000	-	1
£ 60,001 - £ 65,000	-	1
£110,001 - £ 115,000	1	-
£115,001 - £ 120,000	2	-
	3	4

6 TAXATION

	£	£
UK corporation tax at an effective rate of 31 % (1993: 28%) on the adjusted profit for the year	211,588	102,000
Underprovision in previous year	4,429	-
	216,017	102,000

7 DIVIDENDS

Interim dividend of £0.59 per share paid (1994 £ nil)	24,485	-
Final dividend of £ nil (1994: £1.17)	-	48,555
Dividends waived	-	(18,603)
	24,485	29,952

(1994: Mr JE Higham agreed to waive his entitlement to dividends on 15,900 shares for the year ended 31 March 1994).

HIGHAMS SYSTEMS SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 TANGIBLE FIXED ASSETS

	Computer equipment £	Furniture, fittings and office equipment £	Motor vehicles £	Total £
Cost				
1 April 1994	114,086	25,769	199,211	339,066
Additions	6,147	13,196	82,206	101,549
Disposals	-	-	(67,410)	(67,410)
31 March 1995	120,233	38,965	214,007	373,205
Depreciation				
1 April 1994	68,791	15,901	91,642	176,334
Charge for the year	49,105	7,162	39,658	95,925
Disposals	-	-	(35,837)	(35,837)
31 March 1995	117,896	23,063	95,463	236,422
Net book value				
31 March 1995	2,337	15,902	118,544	136,783
31 March 1994	45,295	9,868	107,569	162,732

9 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

1995 and 1994

Cost £ 6

The company owns the entire issued ordinary share capital of Highams Computer Services Limited, Feature Computers Limited and Fenchurch Street Computers Limited, all of which are registered in England.

All the subsidiary undertakings have remained dormant during the year, and group accounts have not been prepared as the amounts involved are not considered material.

HIGHAMS SYSTEMS SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 DEBTORS

	1995 £	1994 £
Trade debtors	2,395,421	1,352,479
Prepayments and accrued income	61,121	20,879
Other debtors	36,000	15,530
ACT recoverable	-	7,488
	<u>2,492,542</u>	<u>1,396,376</u>

(1994: ACT was recoverable in more than one year).

11 CREDITORS: amounts falling due within one year

Bank overdrafts	118,985	67,195
Amounts owed to subsidiary undertaking	25,000	25,000
Trade creditors	599,879	319,770
Corporation tax	204,100	109,488
Other taxes and social security costs	275,973	195,604
Accruals and deferred income	331,968	96,151
Other creditors	825	825
Proposed dividend	-	29,952
	<u>1,556,730</u>	<u>843,985</u>

Bank overdrafts are secured by a fixed and floating charge over all the assets of the company.

12 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1995 Number	1994 Number	1995 £	1994 £
Ordinary £1 shares	50,000	50,000	41,500	41,500

HIGHAMS SYSTEMS SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 MOVEMENT IN RESERVES

	Capital redemption reserve £	Profit and loss account £
1 April 1994	8,500	665,129
Retained profit for the year	-	357,586
31 March 1995	8,500	1,022,715

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £	1994 £
Profit for the financial year	382,071	260,846
Dividends	(24,485)	(29,952)
Net addition to shareholders' funds	357,586	230,894
Opening shareholders' funds	715,129	545,067
Adjustment due to group re-organisation	-	(60,832)
Closing shareholders' funds	1,072,715	715,129

15 RECONCILIATION OF OPERATING RESULT TO NET CASH FLOW FROM OPERATING ACTIVITIES

Operating profit	609,262	328,032
Depreciation	95,925	101,501
Increase in debtors	(1,103,654)	(632,283)
Increase in creditors	596,295	352,735
Loss on disposal of fixed assets	10,638	7,437
Amount due to group re-organisation	-	(60,832)
	208,466	96,590

HIGHAMS SYSTEMS SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 CASH AND CASH EQUIVALENTS	1995 £	1994 £
(a) Balance of cash and cash equivalents		
Cash at bank and in hand	114	-
Bank overdraft	(118,985)	(67,195)
	(118,871)	(67,195)
(b) Change in the balance of cash and cash equivalents		
1 April 1994	(67,195)	(51,798)
Net cash outflow for year	(51,676)	(15,397)
31 March 1995	(118,871)	(67,195)

17 FINANCIAL COMMITMENTS

Operating leases:

At 31 March 1995, the company had annual commitments under non-cancellable operating leases as follows:

	1995		1994	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases expiring:				
Between one and five years	17,500	1,469	17,500	1,444
After more than five years	38,500	-	38,500	-
	56,000	1,469	56,000	1,444