Registered no: 1447600

Deverill Limited

Annual Report

for the year ended 31 March 2006

Deverill Limited

Annual report
for the year ended 31 March 2006

Directors' Report for the year ended 31 March 2006

The directors present their report and the audited financial statements of the company for the year ended 31 March 2006.

Principal activities

The company's principal activity during the year was the provision of systems integration solutions and services to the corporate and public sector markets.

Review of business and future developments

For the financial year 2006, the company's revenue fell to just under £7 million with profits before tax of £144,000. Taking into consideration that we are operating in a difficult market that has seen falling prices, an erosion of margins, the impact of vendors selling commodity products direct into the SME market and the delays in the National Health NPfIT program, it was a reasonable performance. Some encouragement can be taken from the fact that the balance sheet remained strong, cash position improved significantly, investments continued to be made and plans were put in place to take the company forward for the financial year 2007.

Although delays occurred in the NPfIT program we still had a good performance from the training division. We will see a slow start for the program in the first half of the financial year 2007 but we can take some comfort from the fact that the software rollouts start in earnest as from September 2006 and will continue for a number of years to come.
The application and technical training has been consistent throughout the year. The trend towards providing more technical courses has been a success and will remain so. There is further potential for Deverill's training services and therefore recruitment of additional sales staff for this area of business is underway.

The Solutions Business area has been the area where we have seen a decline in revenues and margins. The pressure on margins and the strategy of the vendors to go direct has had an effect and it has been important for Deverill to position itself to counter this. Over the second half of the year we invested in the recruitment, training and development of the Solutions sales team to help overcome this competition. In addition, new products and services were introduced that will assist in the opening of new business areas and more importantly enable us to retain and develop the existing customer base.

There is no denying that the financial year 2006 was a difficult year for Deverill and that the financial performance was disappointing. However, the year was not without its positive features. Positive cash movement, strong balance sheet and major steps taken to create an organisation that is now better equipped to respond to the challenges posed by the continuing commoditisation of IT.

Whilst much remains to be done to restore the revenues and profits of past years, there is a sense of optimism within the company that we are getting back on the right track. Efforts to align the cost base with the potential revenues took place recently leaving us with a much lower risk strategy for achieving the goals for the financial year 2007.

My appreciation and thanks go to the employees of Deverill for their outstanding commitment, energy and hard work.

Results and dividends

The results of the company are set out in the profit and loss account on page 4. An interim ordinary dividend of £0.367 pence per share was paid amounting to £225,000 (2005: £1.632 per share amounting £1,000,000). The directors do not recommend that any further dividend be paid in respect of the year.

Directors

The directors who held office during the year are given below:

P W Maher
D W Watson Smith
V R Smith
J W Jervis

Directors' interests in shares of the company

No director held any interest in shares of the company during the year.

The interests of Mr V R Smith and Mr J W Jervis, who are also directors of an intermediate holding company, CTG Holdings Plc, are shown in the annual report of that company.

No other director holds an interest in the shares of any other group companies.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is not appropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2006 and the applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

Statement of disclosure to auditor

The directors confirm that;

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Mazars LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

V R Smith
Director
..................2006
10 July 2006

Independent Auditors' report to the shareholders of Deverill Limited

We have audited the financial statements of Deverill Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and 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 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 auditor's 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and our opinion as to whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 misstatement within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

MAZARS LLP
CHARTERED ACCOUNTANTS
and Registered Auditors
Poole

10 July 2006

Profit and loss account for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Turnover	2	**6,945**	9,727
Cost of sales		**(3,289)**	(5,383)
Gross profit		**3,656**	4,344
Distribution costs		**(255)**	(286)
Administrative expenses		**(3,296)**	(3,479)
Operating profit	3	**105**	579
Interest receivable and similar income		**40**	36
Interest payable and similar charges	6	**(1)**	(4)
Profit on ordinary activities before taxation		**144**	611
Taxation on profit on ordinary activities	7	**(21)**	(126)
Profit for the financial period	16	**123**	485

All of the activities of the company relate to continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

Statement of total recognised gains and losses for the year ended 31 March 2006

	2006 £'000	2005 £'000
Profit for the financial year	**123**	485
Total recognised gains and losses relating to the year	**123**	485

Note of historical cost profits and losses for the year ended 31 March 2006

	2006 £'000	2005 £'000
Reported profit on ordinary activities before taxation	**144**	611
Difference between historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	**15**	15
Historical cost profit for the period retained before taxation	**159**	626
Historical cost loss for the period retained after taxation and dividends	**(87)**	(500)

Balance Sheet as at 31 March 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	9	**1,620**	1,647
		1,620	1,647
Current assets			
Stock	10	**49**	28
Debtors	11	**1,132**	2,186
Cash at bank and in hand		**1,013**	504
		2,194	2,718
Creditors - Amounts falling due within one year	12	**(1,994)**	(2,459)
Net current assets		**200**	259
Total assets less current liabilities		**1,820**	1,906
Creditors – Amounts falling due after one year - Hire Purchase	13	**(16)**	-
Net assets		**1,804**	1,906
Capital and reserves			
Called up share capital	15	**613**	613
Reserves	16	**1,191**	1,293
Equity shareholders' funds	18	**1,804**	1,906

The financial statements on pages 4 to 13 were approved by the board of directors on 10 July 2006 and were signed on its behalf by:

V R Smith
Director

J W Jervis
Director

Notes to the financial statements for the year ended 31 March 2006

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, the accounting policies set out below and in accordance with applicable accounting standards in the United Kingdom.

Research and development

Research costs, representing staff remuneration and sub-contract labour costs, are expensed in the year in which they are incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the group is expected to benefit, which is generally between three and five years. Provision is made for impairment where appropriate.

Tangible fixed assets

Tangible fixed assets include freehold property professionally valued by Chartered Surveyors on an existing use open market value basis. Other fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of tangible fixed assets on a straight line basis over their estimated useful lives as follows:

Freehold land and buildings	50 years
Freehold improvements	5 years
Equipment, furniture, fixtures and fittings	2 - 5 years
Motor vehicles	4 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out method.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Corporation tax payable is reduced wholly or in part by the surrender of losses by fellow company undertakings. Payments made, if any, to surrendering undertakings for losses are reflected in the tax charge.

Provision is made for deferred taxation, using the full provision method, on all material timing differences. Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. The deferred taxation balance is not discounted. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain.

Contributions to pension schemes

The company's contributions to pension schemes are held in trustee administered funds completely independent of the company's finances. Contributions are made partly by employees and partly by the company. All schemes are defined contribution schemes and the contributions payable by the company are charged to the profit and loss for the period. The company also contributes to individuals' personal pension plans where appropriate. The pension cost for the year amounted to £113,726 (2005: £113,065).

Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

Finance leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets. Assets obtained under finance leases are depreciated over the shorter of the lease term and their useful lives, whereas assets obtained under hire purchase contracts are depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services in the normal course of business. Turnover is mainly attributable to the sale of software products, associated hardware products, consultancy (including technical support), training and maintenance. Turnover from the sale of software products results from licences which provide customers with the right to use these products on a perpetual basis. Such turnover is recognised on delivery of the product, provided installation is assured by the existence of other customers with the same release of software and type of computer hardware. Turnover on contracts for the supply of consultancy and training at pre-determined rates is recognised based on the proportion of the total contract which has been completed. Provision is made for any foreseeable future losses on onerous contracts. Turnover from maintenance is recognised over the term of the maintenance period. Costs associated with maintenance contracts are expensed as incurred. Accrued revenue arises due to the difference between the timing of the revenue recognition and the contractual invoice terms agreed by the customers of the company.

Cash flow statement

As described in note 19, the results of the company are included in the consolidated accounts of CTG Holdings Plc. These accounts include a consolidated cash flow statement. The directors have chosen to take advantage of the exemption set out in Financial Reporting Standard 1 (Revised 1996) and have not presented a cash flow statement for the company.

Related party transactions

The company has taken advantage of the exemptions from disclosure of related party transactions available in Financial Reporting Standard 8 to wholly owned subsidiaries of companies with publicly available accounts.

2. Turnover

The turnover and profit before taxation are attributable to the principal activity of the company. The entire turnover is to the UK market. An analysis of turnover is given below:

	2006	2005
	£'000	£'000
Hardware	**2,143**	3,449
Software	**554**	1,219
Services and sundries	**4,248**	5,059
	6,945	9,727

3. Operating profit

	2006 £'000	2005 £'000
Operating profit is stated after charging		
Wages and salaries	**2,232**	2,251
Social security costs	**259**	262
Other pension costs	**113**	113
Staff costs	**2,604**	2,626
Depreciation of tangible fixed assets		
- owned assets	**115**	152
- leased assets	**8**	-
Operating lease charges		
- rent	-	12
- other	**6**	6
Loss on sale of tangible fixed assets	-	3
Auditors' remuneration:		
Audit services	**7**	6
Non-audit services	**1**	2

4. Directors' emoluments

	2006 £'000	2005 £'000
Aggregate emoluments	**148**	141
Company pension contributions to defined contribution scheme	**19**	18
	167	159

Directors' remuneration for two of the directors was borne by fellow group undertakings. During the period two directors (2005: two) accrued benefits under defined contribution pension schemes.

5. Employee information

The average monthly number of persons (including executive directors) employed by the company during the period was:

By activity	**2006**	2005
Management and administration	**23**	26
Sales and engineers	**51**	50
	74	76

6. Interest payable and similar charges

	2006 £'000	2005 £'000
Interest payable on overdrafts and bank loans	-	4
Finance leases	1	-
	1	4

7. Tax on profit on ordinary activities

	2006 £'000	2005 £'000
Taxation on the profit for the year		
UK corporation tax at 30% (2005: 30%)	22	140
Prior year adjustment for over provision	(1)	(14)
	21	126

Factors affecting the tax charge for the year:

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	144	611
Profit on ordinary activities multiplied by standard rate in the UK 30% (2005: 30%)	43	183
Effects of:		
Expenses not deductible for tax purposes	3	6
Depreciation	37	46
Capital allowances	(34)	(36)
Group relief	(16)	(59)
Adjustments to previous periods	(1)	(14)
Corporation tax small companies relief	(11)	-
Current tax charge for the period:	21	126

8. Dividends

	2006 £'000	2005 £'000
Ordinary interim paid	225	1,000
	225	1,000

9. Tangible assets

	Land and Buildings £'000	Motor Vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 April 2005	1,580	5	724	2,309
Additions	13	35	50	98
Disposals	-	-	(147)	(147)
At 31 March 2006	**1,593**	**40**	**627**	**2,260**
Accumulated depreciation				
At 1 April 2005	42	4	616	662
Charge for the year	33	8	82	123
Disposals	-	-	(145)	(145)
At 31 March 2006	**75**	**12**	**553**	**640**
Net book amount				
At 31 March 2006	**1,518**	**28**	**74**	**1,620**
At 31 March 2005	1,538	1	108	1,647

The net book value of tangible assets included an amount of £27,595 (2005: £nil) in respect of motor vehicles held under hire purchase contracts. The depreciation charge for the year amounted to £7,817 (2005: £nil) on these assets.

The balance for land and buildings is comprised entirely of freehold properties.

The freehold land and buildings were professionally valued by James & Son Chartered Surveyors of Poole Dorset on the 25 November 2003 on an open market basis and the revaluation has been incorporated into these accounts in accordance with FRS 15.

If land and buildings had not been re-valued, they would have been included at the following amounts:

	2006 **£'000**	2005 £'000
Cost	**600**	587
Depreciation based on cost	**(243)**	(226)
Net book value	**357**	361

10. Stocks

	2006 **£'000**	2005 £'000
Computer hardware and software for resale	**49**	28
	49	28

11. Debtors

	2006 £'000	2005 £'000
Trade debtors	862	2,007
Prepayments and accrued income	270	179
	1,132	2,186

12. Creditors – Amounts falling due within one year

	2006 £'000	2005 £'000
Trade creditors	456	507
Corporation tax	22	140
Taxation and social security	163	331
Accruals	85	106
Payments received on account	20	22
Deferred income – maintenance in advance	424	412
Deferred income – consultancy and training	814	941
Hire purchase finance	10	-
	1,994	2,459

The bank overdraft facility is secured by a first charge dated 22 May 1986 over the freehold property, and an unlimited debenture dated 24 January 1986 and 28 January 1991.

The company has an unlimited guarantee dated 31 January 1992 from Deverill Group Limited.

13. Creditors – Amounts falling due after more than one year

	2006 £'000	2005 £'000
Net obligations under hire purchase contracts	16	-
Net obligations under hire purchase contracts		
Repayable within one year	11	-
Repayable between one and five years	17	-
	28	-
Finance charges and interest allocated to future accounting periods	(2)	-
	26	-
Included in liabilities falling due within one year	(10)	-
	16	-

14. Deferred taxation

No deferred tax has been provided for in the financial statements. The total amount of unrecognised potential deferred tax liabilities /(assets) are as follows:

	2006 Amount Provided £'000	**2006 Amount Unprovided £'000**	2005 Amount Provided £'000	2005 Amount Unprovided £'000
Excess of depreciation over capital allowances	-	(71)	-	(74)
Capital gains	-	(2)	-	(2)
Property revaluations	-	190	-	218
	-	117	-	142

15. Share capital

	2006 £'000	2005 £'000
Authorised		
625,000 ordinary shares of £1 each	**625**	625
Allotted, called up and fully paid		
612,587 ordinary shares of £1 each	**613**	613

16. Reserves

	Revaluation Reserve £'000	**Capital Redemption Reserve £'000**	**Profit and Loss Account £'000**	**Total £'000**
At 1 April 2005	1,176	11	106	1,293
Retained profit for the period			123	123
Dividends paid			(225)	(225)
Depreciation on revaluation	(15)		15	-
At 31 March 2006	**1,161**	**11**	**19**	**1,191**

Of the total reserves, £1,172,415 (2005: £1,187,649) is not available for distribution.

The revaluation reserve arises from the revaluation of land and buildings in 2003. No provision has been made for any tax liability that would arise if the land and buildings were disposed of at their revalued amount, but if they were to be disposed of, the potential amount of tax arising at the current rates would be £190,000 (2005: £218,000).

17. Other financial commitments

At 31 March 2006 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Operating leases which expire:				
Within one year	-	-	-	-
Within two to five years	-	-	**4**	-
	-	-	**4**	-

18. Reconciliation of movements in shareholders' funds

	2006	2005
	£'000	£'000
Retained profit for the financial period	**123**	485
Dividends	**(225)**	(1,000)
Movement in shareholders' funds	**(102)**	(515)
Shareholders' funds as at beginning of period	**1,906**	2,421
Shareholders' funds as at end of period	**1,804**	1,906

19. Ultimate parent company

The company's immediate parent company is Deverill Group Limited, a company registered in England and Wales. The company's ultimate holding company is CA Ventures Limited, a company registered in England and Wales.

The results of the company are consolidated in the accounts of CTG Holdings Plc. Copies of these accounts are available from Companies House.