

THE COMPUTER PARTNERSHIP LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2002



REGISTRAR'S COPY

Company Number: 2172055

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Directors

Chairman

P A R Hall
M C Clark
R A Potten
T N Tribe
K D Lewis

Company Secretary

R A Potten

**Business Address and
Registered Office**

Berwick House
8 - 10 Knoll Rise
Orpington
Kent BR6 0EJ

**Research and Development
Department**

67 New Street
Salisbury
Wiltshire SP1 2PH

Bankers

National Westminster Bank plc

Auditors

Littlejohn Frazer
Chartered Accountants
and Registered Auditors
1 Park Place
Canary Wharf
London E14 4HJ

REPORT OF THE CHAIRMAN AND REVIEW OF THE BUSINESS

The financial industry over the past fifteen months has experienced a continuous decline in business, with the most recent three months seeing the worst drop in business volumes for a decade. Business confidence among financial firms also slumped in the significant decline since the September 11 terrorist strikes on the US. The Life Insurance industry has suffered badly as a part of this and is in an uncertain state; unsure of direction and caught between their investment problems and shareholder reaction.

Specifically: We have seen Falling Free Asset Ratios (the amount of capital that insurance companies have as a cushion over their liabilities to policyholders); Unscheduled cuts to policy payouts; Cuts in payment of dividends to shareholders; and the need to meet guarantees to holders of guaranteed pensions. Consequential expenditure reviews have led to cost cutting, staff redundancies and the postponement of business plans; amongst these have been many IT and Software projects. The IT industry and the associated service businesses have been hit hard, some more than others, and recovery may be through 2003.

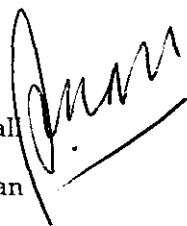
Whilst The Computer Partnership (TCP) has experienced a high level of enquiries and tenders for business, decisions throughout the year have been deferred as life companies exercise caution in their uncertainty over a "return to normal business".

TCP turnover decreased by 17% for the financial year ending March 2002, to £2.83m from £3.42m. Profit before tax was down to -£101k from £323k due to increased internal investment.

Overall metrics for the year against turnover are: "Cost of sales" 56.9% (an increase of 6.8% from 2001), "Administration expenses" 29.6% (a decrease of 2.3% from 2001), "Research and Development" 15.5% (an increase of 10.1% from 2001), resulting in an Operating loss before exceptional items of £57k. The Corporate change program completed with a final spend in 2002 of £68k, and the key improvements in our Operational Development processes have proven beneficial to company and clients. The major part of our new investment was in the Research and Development area towards further development of our Copernicus product in the latest technology. The timing and phasing of ongoing development in this area are conditioned on the company securing support either through partnership development or obtaining venture capital. GP Capital are retained to advise and assist in this matter.

The coming year will be difficult for business and the board emphasise the need "to cut our cloth accordingly". The directors are grateful to our dedicated staff that continue to support us so well through a difficult business period.

Peter Hall
Chairman



The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 March 2002.

Activities

The Company's principal activity during the year was the provision of computer software and related services to the Life and Pensions Insurance Industry.

Results and Dividends

The loss for the year before taxation amounted to £100,951 (2001 profit - £322,864). The taxation credit was £55,614 (2001 charge - £48,331) leaving a loss after taxation of £45,337 (2001 profit - £274,533).

The Directors do not propose an interim dividend for year ended 31 March 2002. An interim dividend of £200,000 was proposed in 2001, but not approved nor paid and has been eliminated from the financial statements by restating the comparatives.

Review of the Business

The Directors are of the opinion that the state of the Company's affairs at 31 March 2002 was satisfactory and has continued to be so since that date. As stated in the Chairman's report, the financial industry has experienced a continuous decline in business, which has affected the results for the current year.

Directors and their Interests in Shares

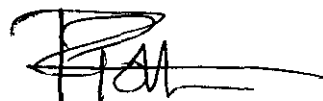
The Directors during the year and their interests in the share capital of the Company were as follows:

	At 31 March 2002 Ordinary shares Of £1 each	At 1 April 2001 Ordinary shares of £1 each
M C Clark	500	500
R A Potten	284	284
N H Ward (resigned 6 July 2001)	-	98
T N Tribe	98	98
P A R Hall	-	-
K D Lewis	-	-

Auditors

A resolution proposing the reappointment of Littlejohn Frazer as the Company's auditors will be put to the Annual General Meeting.

By Order of the Board



R A Potten

Secretary

21 January 2003

Statement of 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 the profit or loss of the Company for that year. In preparing those Financial Statements the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgments 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 to 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. The Directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, have been used in the preparation of the Financial Statements and that applicable Accounting Standards have been followed.

Independent Auditors' report to the shareholders of The Computer Partnership Limited

We have audited the Financial Statements of The Computer Partnership Limited for the year ended 31 March 2002 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These Financial Statements have been prepared under the historical cost basis of accounting 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 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 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

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

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 other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.


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 judgments 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 the Company's affairs as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Littlejohn Frazer

Chartered Accountants
and Registered Auditors

30 JANUARY 2003

1 Park Place
Canary Wharf
London E14 4HJ

THE COMPUTER PARTNERSHIP LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

	Note	2002	2001
Turnover	1	2,838,440	3,420,674
Cost of sales		1,615,399	1,712,858
		<hr/>	<hr/>
Gross Profit		1,223,041	1,707,816
Research and development expenditure	2	438,773	152,188
Administrative expenses		841,272	1,091,461
		<hr/>	<hr/>
Operating (Loss)/Profit before exceptional item		(57,004)	464,167
Exceptional item	3	67,700	167,049
		<hr/>	<hr/>
Operating (Loss)/Profit after Exceptional Item	4	(124,704)	297,118
Interest receivable	6	23,753	25,746
		<hr/>	<hr/>
(Loss)/Profit on Ordinary Activities before Taxation		(100,951)	322,864
Tax on (loss)/profit on ordinary activities	7	(55,614)	48,331
		<hr/>	<hr/>
(Loss)/Profit on Ordinary Activities after Taxation		(45,337)	274,533
Dividends	8	-	-
		<hr/>	<hr/>
		(45,337)	274,533
Retained Profit brought forward		1,106,123	831,590
		<hr/>	<hr/>
Retained Profit carried forward		£1,060,786	£1,106,123
		<hr/>	<hr/>

All turnover is from continuing operations.

The Company had no recognised gains or losses other than the loss on ordinary activities after taxation stated above.

The Accounting Policies and Notes on pages 9 to 14 form part of these Financial Statements.

THE COMPUTER PARTNERSHIP LIMITED

BALANCE SHEET
At 31 March 2002

	Note	2002	2001
Fixed Assets			
Tangible assets	9	175,967	220,409
Current Assets			
Debtors	10	451,122	307,071
Cash at bank and in hand		778,868	1,074,431
		<hr/>	<hr/>
		1,229,990	1,381,502
Creditors: due within one year	11	283,946	423,753
		<hr/>	<hr/>
Net Current Assets		946,044	957,749
		<hr/>	<hr/>
Total Assets less Current Liabilities		1,122,011	1,178,158
Provision for Liabilities and Charges			
Deferred Taxation	12	11,241	22,051
		<hr/>	<hr/>
		£1,110,770	£1,156,107
		<hr/>	<hr/>
Capital and Reserves			
Called-up share capital	13	980	980
Share premium account	14	48,504	48,504
Capital Redemption Reserve	15	500	500
Profit and Loss Account		1,060,786	1,106,123
		<hr/>	<hr/>
		£1,110,770	£1,156,107
		<hr/>	<hr/>

Approved by the Board on 15th January 2003.

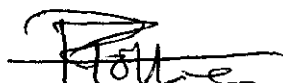
M C Clark



)

) Directors

R A Potten



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The Accounting Policies and Notes on pages 9 to 14 form part of these Financial Statements.

Accounting Policies

Basis of Accounting

The Financial Statements are prepared under the historical cost basis of accounting and comply with applicable Accounting Standards.

Turnover

Turnover represents the invoiced amount of services provided (excluding Value Added Tax) during the year.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

Computer equipment	- over 4 years
Fixtures, fittings and other equipment	- over 10 years

Leasing Commitments

Rentals paid under operating leases are charged to income as incurred.

Deferred Taxation

Deferred Taxation is provided at anticipated tax rates on differences arising 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. Provision is made to the extent that it is likely that the liability will crystallise in the foreseeable future.

Pension Contributions

The Company operates a defined contribution pension scheme for certain employees. The funds of the scheme are administered by the trustees and are separate from the Company. Contributions are paid by the Company only and the pension charge represents contributions payable by the Company for the year. The Company's liability is limited to the amounts of the contributions.

Research and Development expenditure

Research and development expenditure is written off as incurred.

Plant and equipment used by the research and development department is capitalised and shown as a separate heading in the tangible fixed asset note.

Corporate Change Programme

Costs relating to a project being undertaken by the Company in the manner it manages itself and investigating changes required in working practices are referred to as corporate change programme costs which are written off as incurred.

1. Turnover	2002	2001
Turnover by geographical market is:		
United Kingdom	446,071	721,679
Europe	2,392,369	2,698,995
	<u>£2,838,440</u>	<u>£3,420,674</u>
2. Research and Development expenditure		
These costs relate to research and development into the creation of new products.	<u>£438,773</u>	<u>£152,188</u>
3. Exceptional Item		
These costs relate to the corporate change project being undertaken by the Company with a view to improving its working practices	<u>£67,700</u>	<u>£167,049</u>
4. Operating (Loss)/Profit		
This is stated after charging:		
Auditors' remuneration	£ 3,500	£ 3,500
Depreciation	£ 58,850	£ 53,794
Rentals under operating leases	£ 2,546	£ 2,546
5. Employees		
Staff Costs (including Directors)		
Wages and salaries	1,603,149	1,718,807
Social security costs	168,120	189,747
Pension contributions	87,358	153,173
	<u>£1,858,627</u>	<u>£2,061,727</u>
Average number of employees during the year	No.	No.
Consultancy	32	26
Office and management	9	8
	—	—
	41	34
Directors' Emoluments	—	—
Aggregate emoluments	407,649	536,284
Company pension contributions to money purchase schemes	24,800	98,505
	<u>£432,449</u>	<u>£634,789</u>

Retirement benefits are accruing to five Directors under money purchase pension schemes.

5. Employees	2002	2001
Highest paid Director:		
Aggregate emoluments	103,367	147,041
Company pension contributions to money purchase scheme	7,140	17,400
	<u>£110,507</u>	<u>£164,441</u>
6. Interest Receivable		
Bank deposit interest	23,525	25,723
Other interest received	228	23
	<u>£23,753</u>	<u>£25,746</u>
7. Taxation		
Analysis of Charge in Period	2002	2001
Current tax:		
UK corporation tax on (loss)/profits for the year	-	44,804
Adjustments in respect of the prior period	(44,804)	71
Total current tax	<u>(44,804)</u>	<u>44,875</u>
Deferred tax:		
Origination and reversal of timing differences	(10,810)	3,456
Total Deferred Tax	<u>(10,810)</u>	<u>3,456</u>
Tax On (Loss)/Profit On Ordinary Activities	<u>£(55,614)</u>	<u>£48,331</u>
Factors affecting tax charge for Year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (20%). The differences are explained below:		
	2002	2001
(Loss)/Profit on ordinary activities before tax	<u>£(100,951)</u>	<u>£322,864</u>

7. Taxation (continued)	2002	2001
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2001 - 20%)	(20,190)	64,572
Effects of:		
Expenses not deductible for tax purposes	1,250	4,609
Capital allowances for period in excess of depreciation	3,718	(9,654)
Additional 50% deduction for qualifying research and development expenditure	(36,674)	(14,723)
Utilisation of tax losses	44,804	-
Tax losses carried forward	7,092	-
Adjustments to tax charge in respect of prior periods	(44,804)	71
Current tax charge for period	£(44,804)	£44,875
There are no factors affecting future tax charges.		

8. Dividend

Proposed dividend	£ -	£ -
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An interim dividend of £200,000 was proposed in 2001 by the directors, but not approved nor paid and it has been eliminated from the financial statements by restating the comparatives.

9. Tangible Fixed Assets

Cost	Total	Furniture fittings and Plant and equipment used in research and development department	Furniture, fittings and plant and equipment
At 1 April 2001	383,604	10,920	372,684
Additions	14,408	-	14,408
At 31 March 2002	398,012	10,920	387,092
Depreciation			
At 1 April 2001	163,195	3,966	159,229
Charge for the year	58,850	2,259	56,591
At 31 March 2002	222,045	6,225	215,820
Net Book Value			
At 31 March 2002	£175,967	£4,695	£171,272
At 31 March 2001	£220,409	£6,954	£213,455

10. Debtors	2002	2001
Trade debtors	355,670	240,689
Other debtors	68,867	37,115
Prepayments	26,585	29,267
	<u>£451,122</u>	<u>£307,071</u>

Included in other debtors is an amount of £2,434 (2001 - £6,067) due after more than one year.

11. Creditors: amounts falling due within one year

Trade creditors	45,135	111,962
Corporation tax	-	44,804
Other taxes and social security costs	51,915	101,049
Accruals and deferred income	186,896	165,938
	<u>£283,946</u>	<u>£423,753</u>

12. Deferred Taxation	2002	2001	2002	2001
			Full potential liability	
	Provision			
Deferred Taxation provided and the potential liability, including the amounts for which provision has been made, are as follows:				
Capital allowances in advance of depreciation	£11,241	£22,051	£11,241	£22,051
	<u>£11,241</u>	<u>£22,051</u>	<u>£11,241</u>	<u>£22,051</u>

13. Called-up Share Capital	2002	2001	2002	2001
			Authorised	Allotted, called-up and fully paid
Ordinary shares of £1 each	£1,000	£1,000	£980	£980
	<u>£1,000</u>	<u>£1,000</u>	<u>£980</u>	<u>£980</u>

14. Share Premium Account	2002	2001
Brought forward	48,504	-
Shares issued during the year	-	48,504
	<u>£48,504</u>	<u>£48,504</u>

15. Capital Redemption Reserve	2002	2001
Arising on company purchase of own shares	£500	£500
	<u> </u>	<u> </u>

16. Reconciliation of Movement in Shareholders' Funds	2002	2001
Opening shareholders' funds	1,156,107	832,590
(Loss)/Profit for the financial year before dividends	(45,337)	274,533
New share issue	-	480
Premium on shares issued	-	48,504
	<u> </u>	<u> </u>
Closing shareholders' funds	£1,110,770	£1,156,107
	<u> </u>	<u> </u>

17. Obligations under Operating Leases

The minimum lease payments to which the Company is committed under non-cancellable operating leases for the coming year are as follows:

	Other		Land and Buildings	
On leases expiring:	2002	2001	2002	2001
Between two and five years	2,546	2,546	65,688	65,688
Over five years	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	£2,546	£2,546	£65,688	£65,688
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18. Capital Commitments

There were no capital commitments at 31 March 2002 (2001 - None).

19. Contingent Liabilities

There were no contingent liabilities at 31 March 2002 (2001 - None).

20. Related Parties

There were no transactions with related parties in the year (2001 - None).