

Registered number 3417245

Sanderson IT Systems Limited

Directors' report and financial statements

30 September 2000



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of Sanderson IT Systems Limited	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movements in shareholders' funds	7
Notes to the financial statements	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2000.

Principal activities

The principal trading activity of the company is the supply of IT services and software. The company changed its name from Sanderson Computers Limited on 5 June 2000.

Business review

The directors consider the results to be a satisfactory achievement. The result for the year is disclosed on page 5 of the financial statements.

During the year the trade, assets and liabilities of the following group companies were transferred to Sanderson IT Systems Limited. The consideration payable in each case was an amount equal to the net book value of each of the businesses, and was settled by the creation of loan accounts. Further details are provided in note 19 to the financial statements.

<i>Company</i>	<i>Effective date of transfer</i>
Sanderson PSS Limited	31 May 2000
Sanderson Systems Limited	30 June 2000
Sanderson Brookstreet Limited	30 June 2000
Sanderson Cotswold Limited	31 August 2000
Sanderson Insight Limited	31 August 2000

Proposed dividend

The directors recommend do not propose the payment of a dividend (1999 - £702,000).

Policy and practice on payment of creditors

Whilst the company does not follow any specified code or standard of payment practice we do endeavour to ensure all payments are made within mutually agreed credit terms.

At the year end, there were 52 days (1999: 57 days) purchases in trade creditors.

Directors and directors' interests

The directors who held office during the year, and their respective dates of appointment or resignation where applicable, are set out below:

M Stoddard	
B J Dewis	
D A O'Byrne	(appointed 1 October 1999)
S Naylor	(resigned 21 March 2000)
J A Wilkinson	(appointed 21 March 2000, resigned 9 June 2000)
P J Beer	(resigned 9 June 2000)
C P Bywater	(resigned 9 June 2000)
S P Hampsey	(resigned 9 June 2000)
J Harrop	(resigned 9 June 2000)
R E Lyne	(resigned 9 June 2000)
G A Wood	(resigned 9 June 2000)
D C Worsman	(resigned 9 June 2000)

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The directors have no interests in the shares of the company. M Stoddard is a director of the ultimate holding company, Sandsenor Limited, and his interests in the shares of that company are shown in its accounts. At 30 September 2000 B J Dewis held 1,100,000 ordinary 1p shares in Sandsenor Limited (1999: NIL). None of the remaining directors had any interests in the shares of Sandsenor Limited.

Employee matters

The company's policy of providing employees with information about the company has continued and regular meetings are held between management and employees to allow exchanges of information and ideas.

The company gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

Fixed assets

In the opinion of the directors the market value of the fixed assets of the company are not materially different from the value included in the financial statements.

Political and charitable contributions

The company made no political or charitable contributions during the year.

Auditors

Ernst & Young resigned during the year and KPMG were appointed as auditors. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



M Stoddard
Secretary

Sanderson House
Poplar Way
Sheffield S60 5TR

13 March 2001

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

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Leeds
LS1 4DW
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Report of the auditors to the members of Sanderson IT Systems Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

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 the company's affairs as at 30 September 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditor

13 March 2001

Profit and loss account
for the year ended 30 September 2000

	<i>Note</i>	2000 £000	1999 £000
Turnover	2	12,523	9,174
Cost of sales		(1,967)	(2,176)
Gross profit		<u>10,556</u>	<u>6,998</u>
Administrative expenses		(9,206)	(5,828)
Operating profit		<u>1,350</u>	<u>1,170</u>
Interest receivable	6	24	-
Interest payable and similar charges	7	(175)	(130)
Profit on ordinary activities before taxation	3-5	<u>1,199</u>	<u>1,040</u>
Tax on profit on ordinary activities	8	(465)	(338)
Profit on ordinary activities after taxation		<u>734</u>	<u>702</u>
Dividends on equity and non-equity shares	9	-	(702)
Retained profit for the year	18	<u><u>734</u></u>	<u><u>-</u></u>

Movements in reserves are set out in note 18 to the accounts.

There are no recognised gains or losses other than the profit for the financial year.

Balance sheet
at 30 September 2000

	<i>Note</i>	2000 £000	1999 £000
Fixed assets			
Tangible assets	<i>10</i>	3,189	1,893
Investment	<i>11</i>	49	49
		<hr/> 3,238 <hr/>	<hr/> 1,942 <hr/>
Current assets			
Stocks	<i>12</i>	558	29
Debtors	<i>13</i>	15,286	2,854
Cash at bank and in hand		634	3
		<hr/> 16,478 <hr/>	<hr/> 2,886 <hr/>
Creditors: amounts falling due within one year	<i>14</i>	(13,583)	(3,801)
		<hr/>	<hr/>
Net current assets / (liabilities)		2,895	(915)
		<hr/>	<hr/>
Total assets less current liabilities		6,133	1,027
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	<i>15</i>	(4,372)	-
Provisions for liabilities and charges	<i>16</i>	(25)	(25)
		<hr/>	<hr/>
Net assets		1,736	1,002
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	<i>17</i>	5	5
Profit and loss account	<i>18</i>	1,731	997
		<hr/>	<hr/>
Shareholder's funds - equity		1,736	1,002
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 13 March 2001 and were signed on its behalf by:

M Stoddard

M Stoddard
Director

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2000

	2000	1999
	£000	£000
Profit for the financial year	734	702
Dividends	-	(702)
	<hr/>	<hr/>
Retained profit for the financial year	734	-
Opening shareholders' funds	1,002	1,002
	<hr/>	<hr/>
Closing shareholders' funds	1,736	1,002
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash flow statement

Under the provisions of Financial Reporting Standard Number 1 (revised 1996), the Company has not prepared a cash flow statement because, as a wholly owned subsidiary of Sanderson Group Limited, it satisfies the exemption criteria. A Group cash flow statement is included in the financial statements of the ultimate parent company, Sandesenor Limited.

Foreign currencies

Assets, liabilities, revenues and cost denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at the year end rates of exchange. All resulting exchange differences are dealt with in the profit and loss account in the period in which they arise.

Depreciation

Tangible fixed assets are depreciated over their expected useful lives by equal annual instalments. The principal depreciation rates per annum are:

Plant and equipment	15%
Short leasehold property	5%
Freehold buildings	2%

The company has adopted a policy of historical cost accounting following the introduction of FRS15 'Tangible Fixed Assets'.

Leased assets

Assets acquired under finance leases and hire purchase agreements are capitalised and depreciated on the same basis as assets which are owned. Depreciation on such assets and the interest element of the leasing payments are charged to the profit and loss account. Rentals paid under operating leases are charged to the profit and loss account on an accruals basis.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

Deferred taxation

Deferred taxation in respect of accelerated capital allowances and other timing differences is provided under the liability method except where such timing differences are expected, with reasonable probability, to continue in the foreseeable future.

Turnover

Turnover represents the invoice value of goods and services supplied excluding value added tax.

Notes (continued)

1. Accounting Policies (continued)

Service and support contracts

Income received under service and support contracts is credited to the profit and loss account on a time basis over the period in which it is earned. Costs incurred under the service and support contracts are charged to the profit and loss account in the period in which they are incurred.

Pension benefits

Contributions to separately administered defined benefit pension schemes are charged to the profit and loss account to spread the costs of pensions over the employees' working lives with the company. The regular pension costs are attributed to individual years using the projected unit credit method. Variations in pension costs which are identified as a result of actuarial valuations, are amortised over the average expected working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayment in the balance sheet.

Contributions to defined contribution pension schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Turnover

Substantially all of the company's turnover arises from trade within the United Kingdom. In the opinion of the directors all turnover is generated from a single trading activity, the supply of IT software and associated services.

3 Profit on ordinary activities before taxation

	2000 £000	1999 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	38	19
Other services - fees paid to the auditor and its associates	-	2
Depreciation and other amounts written off owned tangible fixed assets:	370	356
Hire of equipment - operating leases	804	545
Leasehold property rentals	246	111
	<hr/>	<hr/>

Notes (continued)

4 Emoluments of directors

	2000 £000	1999 £000
Aggregate emoluments	325	494
Pension contributions	9	16
	<u>334</u>	<u>510</u>
In respect of the highest paid director:		
Emoluments	47	68
Pension contributions – defined contribution scheme	2	7
	<u>49</u>	<u>75</u>
Number of directors that have benefits accruing in respect of:	2000 No.	1999 No.
Defined contribution pension scheme	1	1
Defined benefit pension scheme	7	9
	<u>8</u>	<u>10</u>

5 Staff numbers and costs

The average number of people employed by the company during the year was 257 (1999: 137)

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	5,058	2,899
Social security costs	543	320
Other pension costs	192	123
	<u>5,793</u>	<u>3,342</u>

Notes (continued)

6 Other interest receivable and similar income

	2000 £000	1999 £000
Bank interest receivable	24	-

7 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans and overdrafts	2	114
Interest payable to group undertakings	173	16
	<u>175</u>	<u>130</u>

8 Taxation

	2000 £000	1999 £000
<i>UK corporation tax</i>		
Current taxation at 30% on income for the period	128	353
Group relief	399	-
Deferred tax	-	(6)
Corporation tax adjustment in respect of prior years	(62)	(9)
	<u>465</u>	<u>338</u>

9 Dividends and other appropriations

	2000 £000	1999 £000
Equity shares:		
Final dividend proposed	-	702

Notes (continued)

10 Tangible fixed assets

	<i>Freehold property £000</i>	<i>Short leasehold property £000</i>	<i>Plant and equipment £000</i>	<i>Total £000</i>
Cost				
At beginning of year	860	274	2,063	3,197
Additions	-	-	252	252
Disposals	-	-	(542)	(542)
Group transfers	173	-	4,288	4,461
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,033	274	6,061	7,368
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	96	116	1,092	1,304
Charge for the year	12	8	350	370
Released on disposal	-	-	(400)	(400)
Group transfers	41	-	2,864	2,905
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	149	124	3,906	4,179
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 2000	884	150	2,155	3,189
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1999	764	158	971	1,893
	<hr/>	<hr/>	<hr/>	<hr/>

The group transfers relate to the reorganisation referred to in note 19 to the financial statements.

11 Investment

	2000 £000	1999 £000
Unlisted investment at cost	49	49
	<hr/>	<hr/>

12 Stocks

	2000 £000	1999 £000
Finished goods and goods for resale	558	29
	<hr/>	<hr/>

Notes (continued)

13 Debtors

	2000 £000	1999 £000
Trade debtors	10,816	1,740
Amounts owed by group undertakings	734	373
Prepayments and accrued income	3,736	741
	<u>15,286</u>	<u>2,854</u>

14 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank loans and overdrafts	-	1,014
Trade creditors	2,029	674
Amounts owed to group undertakings	3,865	946
Corporation tax	200	393
Group relief	399	-
Other taxation and social security	1,815	542
Accruals and deferred income	5,275	232
	<u>13,583</u>	<u>3,801</u>

15 Creditors: amounts falling due after one year

	2000 £000	1999 £000
Amounts owed to group undertakings	4,372	-
	<u>4,372</u>	<u>-</u>

16 Provisions for liabilities and charges

Deferred taxation has been provided in respect of the potential liability which is expected to reverse in the future and arises on the accelerated capital allowances as follows:

	£000
At beginning of year	25
Released to profit & loss account	-
	<u>25</u>
At end of year	<u>25</u>

Notes (continued)

17 Called up share capital

	2000 £	1999 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

18 Reserves

	Profit and loss account £000
At beginning of year	997
Retained profit for the year	734
	<u>1,731</u>
At end of year	<u>1,731</u>

19 Acquisitions

Between 31 May 2000 and 31 August 2000 the company acquired the trades, assets and liabilities of certain fellow subsidiary companies for their net book value, as part of a group reorganisation. Further details are provided in the directors' report. The fair value of assets acquired was as follows:

	£000
Tangible fixed assets	1,556
Stock	204
Debtors	10,079
Cash at bank	465
Creditors	(7,970)
	<u>4,334</u>

No fair value adjustments were required in respect of the assets acquired. Following the transfers the business was administered as one and therefore the results of the trades transferred are not disclosed separately as acquisitions during the period.

Notes (continued)

20 Contingent liabilities

The company has entered into an agreement to guarantee the borrowings of all companies within the Sandsonor Group. In addition, Dresdner Bank AG holds fixed and floating charges over all of the company's property, assets and undertakings. At the balance sheet date the total outstanding in relation to these arrangements amounted to £70,000,000.

21 Commitments

No future capital expenditure had been contracted for but not provided for at 30 September 2000 or 30 September 1999.

The commitment under non-cancellable operating leases at 30 September 2000 was as follows:

	Land and buildings 2000 £000	Land and buildings 1999 £000	Plant and machinery 2000 £000	Plant and machinery 1999 £000
Leases expiring:				
Within one year	-	-	53	71
Between two and five years	11	11	248	382
After five years	23	23	-	-
	<u>34</u>	<u>34</u>	<u>301</u>	<u>453</u>

22 Pension scheme

For certain employees the company makes contributions to various funded defined benefit pension schemes operated by Sandsonor Limited and its subsidiaries. Details of the most recent actuarial valuations are contained in the accounts of Sandsonor Limited. The assets of the schemes are held separately from those of the company in independently administered funds.

The company also contributed to defined contribution money purchase schemes for certain of its employees.

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate parent undertaking of the company is Sanderson Group Limited. The ultimate parent undertaking, and the undertaking which produces consolidated accounts is Sandsonor Limited, which is registered in England & Wales. Copies of the group accounts are available from Companies House, Crown Way, Maindy, Cardiff.

24 Ultimate controlling party

55.6% of the issued share capital of Sandsonor Limited is held by Alchemy Partners Nominees Limited on behalf of Alchemy Partners (Guernsey) Limited, the Plan Manager of the Alchemy Investment Plan.

25 Related party transactions

The company has taken advantage of the exemptions in FRS8 from disclosing transactions with related parties that are part of the Sandsonor Group or investees of the group.