

## Consolidated profit and loss account

For the Year Ended 30 April 2002

Note	2002 Before exceptional items £ million	2002 Exceptional items (note 4) £ million	2002 Total £ million	2001 (as restated) £ million
<b>Turnover:</b>				
<b>Group including share of joint venture's turnover</b>	<b>515.1</b>	<b>–</b>	<b>515.1</b>	<b>434.7</b>
Less: share of joint venture's turnover	–	–	–	(43.4)
<b>Group turnover</b>	<b>515.1</b>	<b>–</b>	<b>515.1</b>	<b>391.3</b>
<b>Group operating profit (loss):</b>				
Before profit on sale of own shares, distribution of shares from the trusts, reorganisation costs and goodwill amortisation and impairment	49.1	–	49.1	37.0
Profit on sale of own shares	1.6	–	1.6	2.9
Distribution of shares from the trusts	(3.1)	–	(3.1)	–
Reorganisation costs	–	(13.2)	(13.2)	–
Goodwill amortisation and impairment	(42.6)	(497.0)	(539.6)	(41.6)
	5.0	(510.2)	(505.2)	(1.7)
Share of operating profit in:				
Joint venture	–	–	–	8.0
Associate	–	–	–	0.2
<b>Total operating profit (loss): Group and share of joint venture and associate</b>	<b>5.0</b>	<b>(510.2)</b>	<b>(505.2)</b>	<b>6.5</b>
Net interest payable	(2.6)	–	(2.6)	(3.0)
<b>Profit (loss) on ordinary activities before taxation</b>	<b>2.4</b>	<b>(510.2)</b>	<b>(507.8)</b>	<b>3.5</b>
<b>Profit (loss) on ordinary activities before taxation analysed between:</b>				
Before profit on sale of own shares, distribution of shares from the trusts, reorganisation costs and goodwill amortisation and impairment	46.5	–	46.5	42.2
Profit on sale of own shares	1.6	–	1.6	2.9
Distribution of shares from the trusts	(3.1)	–	(3.1)	–
Reorganisation costs	–	(13.2)	(13.2)	–
Goodwill amortisation and impairment	(42.6)	(497.0)	(539.6)	(41.6)
	2.4	(510.2)	(507.8)	3.5
Taxation	(14.8)	3.1	(11.7)	(13.2)
<b>Loss on ordinary activities after taxation</b>	<b>(12.4)</b>	<b>(507.1)</b>	<b>(519.5)</b>	<b>(9.7)</b>
Equity minority interests			(8.6)	(0.5)
<b>Loss attributable to shareholders</b>			<b>(528.1)</b>	<b>(10.2)</b>
Dividends			(10.2)	(9.3)
<b>Transfer from reserves</b>			<b>(538.3)</b>	<b>(19.5)</b>

Note	2002	2001 (as restated)
<b>Earnings per share – before profit on sale of own shares, distribution of shares from the trusts, reorganisation costs and goodwill amortisation and impairment</b>		
– basic	7.76p	10.19p
– diluted	7.55p	9.78p
<b>Loss per share</b>		
– basic	(184.66p)	(3.68p)
– diluted	(184.66p)	(3.68p)

All the results above relate to continuing activities.

## Consolidated balance sheet

As at 30 April 2002

Note	2002 £ million	2001 (as restated) £ million
<b>Fixed assets</b>		
Intangible assets	261.3	800.9
Tangible assets	24.5	22.2
Investment in own shares	58.2	59.4
	<b>344.0</b>	<b>882.5</b>
<b>Current assets</b>		
Debtors	89.6	92.2
Cash at bank and in hand	28.3	24.4
	<b>117.9</b>	<b>116.6</b>
<b>Creditors due within one year</b>		
Short term borrowings	(21.0)	(23.9)
Other creditors	(97.6)	(89.8)
	<b>(118.6)</b>	<b>(113.7)</b>
<b>Net current (liabilities) assets</b>	<b>(0.7)</b>	<b>2.9</b>
<b>Total assets less current liabilities</b>	<b>343.3</b>	<b>885.4</b>
<b>Long term borrowings</b>	<b>(18.2)</b>	<b>(23.3)</b>
<b>Provisions for liabilities and charges</b>	<b>(1.3)</b>	<b>(1.2)</b>
<b>Net assets</b>	<b>323.8</b>	<b>860.9</b>
<b>Capital and reserves</b>		
Called up share capital	16.4	16.3
Shares to be issued	9.5	8.9
Share premium account	54.0	51.1
Merger reserve	760.3	760.3
Other reserve	40.6	43.8
Profit and loss account	(558.1)	(20.7)
<b>Total equity shareholders' funds</b>	<b>322.7</b>	<b>859.7</b>
<b>Minority interests</b>		
Equity interests in subsidiary undertakings	1.1	1.2
	<b>323.8</b>	<b>860.9</b>

Approved by the Board on 25 June 2002

H M Cropper CBE Executive Chairman

G R Dunn Finance Director

## Statement of total recognised gains and losses

For the Year Ended 30 April 2002

Note	2002 £ million	2001 (as restated) £ million
Loss for the financial year excluding share of profits of joint venture and associate	(528.1)	(16.2)
Share of joint venture's profit for the year	–	5.9
Share of associate's profit for the year	–	0.1
Loss attributable to shareholders	(528.1)	(10.2)
Exchange differences on retranslation of net assets of subsidiary undertakings	(1.1)	(0.1)
Unrealised gain on recognition of the QUEST	–	43.8
Tax charge on gift of shares from the QUEST	(0.6)	–
<b>Total recognised gains and losses relating to the year</b>	<b>(529.8)</b>	<b>33.5</b>
Prior year adjustment	4.9	
<b>Total gains and losses recognised since the last annual report</b>	<b>(524.9)</b>	

## Consolidated cash flow statement

For the Year Ended 30 April 2002

	Note	2002 £ million	2002 £ million	2001 (as restated) £ million	2001 (as restated) £ million
<b>Cash inflow from operating activities</b>	20		<b>56.0</b>		<b>23.7</b>
Dividends from joint venture			–		2.7
<b>Returns on investments and servicing of finance</b>					
Dividends paid to minority interests		(7.4)		–	
Interest received		0.8		0.3	
Interest paid		(3.8)		(3.9)	
Interest element of finance lease rental payments		(0.1)		(0.1)	
			<b>(10.5)</b>		<b>(3.7)</b>
<b>Taxation</b>					
Corporation tax paid		(15.8)		(8.9)	
Return of overpayment		–		0.9	
			<b>(15.8)</b>		<b>(8.0)</b>
<b>Capital expenditure and financial investment</b>					
Payment to acquire tangible fixed assets		(10.2)		(8.7)	
Receipts from sale of tangible fixed assets		0.2		1.0	
Payments to acquire own shares		(2.9)		(3.5)	
Receipts from sale of own shares		2.7		3.5	
			<b>(10.2)</b>		<b>(7.7)</b>
<b>Net cash inflow before financing</b>			<b>19.5</b>		<b>7.0</b>
<b>Acquisitions</b>					
Payments to acquire investments in subsidiaries		(0.9)		(2.4)	
Cash acquired on recognition of the QUEST		–		0.1	
Net cash acquired with subsidiary undertakings		–		15.3	
			<b>(0.9)</b>		<b>13.0</b>
<b>Equity dividends paid</b>			<b>(8.0)</b>		<b>(6.0)</b>
<b>Cash inflow before management of liquid resources</b>			<b>10.6</b>		<b>14.0</b>
<b>Management of liquid resources</b>					
Withdrawal of short term deposits		3.7		0.2	
Placement of short term deposits		(6.2)		(0.1)	
			<b>(2.5)</b>		<b>0.1</b>
<b>Financing</b>					
Issue of ordinary share capital	18	1.3		2.3	
New borrowings	21	38.6		8.0	
Repayment of borrowings	21	(50.3)		(15.8)	
Capital element of finance lease rental payments	21	(0.3)		(0.3)	
			<b>(10.7)</b>		<b>(5.8)</b>
<b>(Decrease) increase in cash at bank and in hand</b>	22		<b>(2.6)</b>		<b>8.3</b>

## Parent company balance sheet

As at 30 April 2002

	Note	2002 £ million	2001 (as restated) £ million
<b>Fixed assets</b>			
Tangible assets	10	–	10.5
Investments	11	<b>395.8</b>	926.8
		<b>395.8</b>	937.3
<b>Current assets</b>			
Debtors	13	<b>153.3</b>	88.3
Cash at bank and in hand		<b>0.3</b>	0.4
		<b>153.6</b>	88.7
<b>Creditors due within one year</b>			
Short term borrowings	15	<b>(19.2)</b>	(23.4)
Other creditors	15	<b>(144.2)</b>	(67.0)
		<b>(163.4)</b>	(90.4)
<b>Net current liabilities</b>		<b>(9.8)</b>	(1.7)
<b>Total assets less current liabilities</b>		<b>386.0</b>	935.6
<b>Long term borrowings</b>	16	<b>(25.0)</b>	(22.4)
<b>Provisions for liabilities and charges</b>	17	<b>–</b>	(1.2)
<b>Net assets</b>		<b>361.0</b>	912.0
<b>Capital and reserves</b>			
Called up share capital	18	<b>16.4</b>	16.3
Shares to be issued	19	<b>9.5</b>	8.9
Share premium account	18	<b>54.0</b>	51.1
Merger reserve	19	<b>207.1</b>	760.3
Other reserve	19	<b>40.6</b>	43.8
Profit and loss account	19	<b>33.4</b>	31.6
<b>Total equity shareholders' funds</b>		<b>361.0</b>	912.0

Approved by the Board on 25 June 2002

H M Cropper CBE Executive Chairman

G R Dunn Finance Director

## Notes to the accounts

### 1 Accounting policies

**Basis of accounting** The accounts are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards. Both Financial Reporting Standard (FRS) 18, Accounting Policies, and FRS 19, Deferred Tax, were adopted for the first time in the financial year ending 30 April 2002. In accordance with the transitional arrangements of FRS 17, Retirement Benefits, additional disclosures are contained in the notes to the financial statements. The implementation of FRS 18 has not led to a change in any accounting policies. The implementation of FRS 19 has not had any effect on this or the prior year's results.

**Basis of consolidation** The Group accounts consolidate the accounts of Xansa plc and all its subsidiary undertakings drawn up to 30 April each year. Subsidiary undertakings are included in the Group accounts using the acquisition method of accounting.

Undertakings, other than subsidiary undertakings in which the Group has an investment and over which it is in a position to exercise a significant influence, are treated as associate undertakings. The Group accounts include the appropriate share of these undertakings' results and reserves.

**Goodwill** Purchased goodwill arising on acquisitions since 1 May 1998 has been capitalised and amortised over its estimated useful life of 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill arising prior to 1 May 1998 remains written off to the profit and loss account reserve as permitted by FRS 10. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

**Investment in subsidiary, associate and joint venture** Investment in subsidiary undertakings are stated at cost less provision for impairment. The Group accounts include the appropriate share of results and reserves of the joint venture and associate using the gross equity and equity method up until they became subsidiary undertakings.

**Employee share ownership Trusts** The assets, liabilities and results of the Group's employee trusts are recognised in the accounts of the Company in accordance with the requirements of UITF abstract 13 and UITF abstract 32.

The recognition of the assets, liabilities and results of the Xansa Employee trust represents a change in accounting policy. As stated in Note 27 prior year figures have been restated.

**Investment in own shares** Own shares are valued at cost less provisions for any permanent diminution in value. The cost of shares held within the All Employee Share Ownership Plan that have been gifted to employees is amortised over the period during which the shares vest.

**Depreciation** Depreciation has been provided at the following annual rates on the cost less estimated residual value of the assets concerned:

Fixtures, fittings and equipment	10%–20%
Electronic equipment and related purchased software	25%–33%
Motor vehicles	25%
Long leasehold land and buildings	2%

Premiums paid on, and additions to, short leasehold property are amortised over the shorter of the period until the next rent review or the useful life of the lease. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

**Contracts in progress** Profits on time and material contracts are recognised in line with the effort expended. Profits on fixed price contracts are taken in proportion to the cost of work performed on each contract relative to the estimated total cost of completing the contract. Provision is made for the whole of any anticipated contract losses as soon as they are identified.

**Pre-contract costs** Directly attributable pre-contract costs are carried forward, to be amortised over the life of the contract, only when it is virtually certain that the contract will be obtained.

**Turnover** Turnover comprises the total value of fees and expenses due from external customers after deducting all credits and allowances and excluding value added tax.

**Taxation** Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being recognised only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

**Foreign currencies** Foreign currency assets and liabilities at the balance sheet date are translated at the rates prevailing at that date. Transactions denominated in foreign currencies are accounted for at the rate ruling at the date of the transaction. Trading results of foreign subsidiary undertakings are included in the Group's results using year end rates.

### 1 Accounting policies continued

Gains and losses arising from the retranslating of the opening net investment in foreign subsidiary undertakings and the results of foreign subsidiary undertakings at the year end rate are taken directly to reserves. All other foreign exchange gains and losses are reflected in the profit and loss account.

The rates of exchange ruling at the balance sheet date were:

	2002 £ sterling	2001 £ sterling
Indian rupee	71.31	67.68
US dollar	1.46	1.44
Canadian dollar	2.29	2.20
Euro	1.62	1.61
Malaysian ringgit	5.54	5.44
Singapore dollar	2.64	2.61

**Finance and operating leases** Assets held under finance leases are capitalised and depreciated in line with accounting policy. The outstanding capital element of the related obligations is included in creditors. The interest element is charged to the profit and loss account over the term of the lease. Rentals in respect of all other leasing arrangements are charged to the profit and loss account as incurred.

**Pensions** The Group operates a defined benefit pension scheme, with both a contributory and non-contributory element, for the benefit of its employees.

In accordance with the flexible benefits programme, 5% of members' salaries is allocated to individual flex funds to meet their pension obligations. For members who qualify for enhanced benefits under the senior executive arrangements the allocation is 10%. Contributions to this scheme are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

In addition the Group operates money purchase pension schemes for those employees who wish to participate. Contributions are paid to the schemes so as to secure the benefits set out in the rules.

### 2 Segmental analysis

The Directors consider that the Group operates in one continuing class of business namely that of computer software and related support services.

	Turnover by destination 2002 £ million	Turnover 2002 £ million	Operating profit (loss) by source 2002 £ million	Operating (loss) profit by source* 2002 £ million	Net assets employed by source 2002 £ million	by source
<b>Geographic analysis</b>						
United Kingdom	451.1	418.9	39.0	(511.5)	284.7	
India	0.6	31.7	11.5	11.5	5.2	
USA	44.2	43.8	(1.0)	(2.6)	26.3	
Rest of the World	19.2	20.7	(0.4)	(2.6)	6.5	
	515.1	515.1	49.1	(505.2)	322.7	
Minority interests	–	–	–	–	1.1	
	515.1	515.1	49.1	(505.2)	323.8	

	2001 £ million	2001 £ million	2001 (as restated) £ million	2001 (as restated) £ million	2001 (as restated) £ million
<b>Geographic analysis</b>					
United Kingdom	342.1	327.2	33.5	(5.2)	822.7
India	2.5	21.6	2.8	2.8	7.9
USA	30.2	30.3	0.8	0.8	25.2
Rest of the World	16.5	12.2	(0.1)	(0.1)	3.9
	391.3	391.3	37.0	(1.7)	859.7
Joint venture	43.4	43.4	8.0	8.0	–
Associate	–	–	0.2	0.2	–
Minority interests	–	–	–	–	1.2
	434.7	434.7	45.2	6.5	860.9

\*Before profit on sale of own shares, distribution of shares from the trusts, reorganisation costs and goodwill amortisation and impairment.

In accordance with FRS 9, the Group's turnover includes Enil (2001: £32.8 million) billed to the joint venture for the supply of services.

### 3 Operating costs

	2002 £ million	2001 (as restated) £ million
<b>Operating costs include</b>		
Depreciation – owned assets	7.7	8.2
Depreciation – leased assets	0.3	0.2
Amortisation of goodwill	42.6	41.6
Impairment loss	497.0	–
Distribution of shares from the trusts	3.1	–
Loss (profit) on disposal of fixed assets	0.1	(0.5)
Profit on disposal of own shares	(1.6)	(2.9)
Rental under operating leases		
– Rents on properties	5.6	6.5
– Hire of vehicles	0.3	4.7
– Other operating leases	0.3	0.7
Auditors' remuneration		
– as auditors of which £0.1 million relates to the Company (2001: £0.2 million)	0.4	0.4
– other services (principally internal audit, taxation and other related services)	0.7	0.5
<b>Staff costs</b>		
Wages and salaries	197.5	136.6
Social security costs	18.6	13.9
Pension costs	20.5	12.8
	236.6	163.3
<b>Amounts payable to subcontractors</b>	120.5	106.8

	2002 Number	2001 Number
<b>Employees</b>		
The average monthly number of employees during the year was		
United Kingdom	3,488	2,795
India	1,104	958
Rest of the World	477	338
	5,069	4,091
The number of employees at 30 April was		
United Kingdom	3,570	3,602
India	1,041	1,060
Rest of the World	455	458
	5,066	5,120

The employee numbers relate to the actual number of people employed excluding subcontractors. The reference in the Financial review to workforce is expressed on a full time equivalent basis where the average number of workforce members in the year grew by 13% to 6,152 of which 83% were employees and 17% were freelance subcontractors.

Details of Directors' remuneration, including their beneficial interest in the share capital and share options, are shown in the Report on Directors' remuneration on pages 36 to 40.

### 4 Exceptional items

Note	Exceptional items before tax £ million	Tax on exceptional items £ million	Total £ million
Goodwill impairment	9 497.0	–	497.0
Reorganisation costs	13.2	(3.1)	10.1
	510.2	(3.1)	507.1

There were no exceptional items in 2001. £8.1 million reorganisation costs were paid in the year ended 30 April 2002.

### 5 Net interest payable

	2002 £ million	2001 £ million
<b>Interest receivable</b>		
Group	0.8	0.3
Joint venture	–	0.4
	0.8	0.7
<b>Interest payable</b>		
Bank loans and overdrafts	(2.8)	(3.4)
Finance charges payable under finance leases and hire purchase contracts	(0.1)	(0.1)
Other	(0.5)	(0.2)
Group	(3.4)	(3.7)
	(2.6)	(3.0)

### 6 Taxation

	2002 £ million	2001 (as restated) £ million
<b>Tax on (loss) profit on ordinary activities</b>		
The charge for the year comprises:		
<b>Current tax</b>		
UK corporation tax	10.6	10.1
Adjustments in respect of prior years	(0.3)	0.1
	10.3	10.2
Foreign tax	–	0.4
Adjustments in respect of prior years	(0.1)	–
<b>Total current tax</b>	10.2	10.6
<b>Deferred tax</b>		
Origination and reversal of timing differences	1.5	–
<b>Total deferred tax</b>	1.5	–
<b>Share of joint venture taxation</b>	–	2.5
<b>Share of associate taxation</b>	–	0.1
<b>Total tax on (loss) profit on ordinary activities</b>	11.7	13.2

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2002 £ million	2001 (as restated) £ million
<b>(Loss) profit on ordinary activities before tax</b>	(507.8)	3.5
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 30% (2001: 30%)	(152.3)	1.1
Effects of:		
Expenses not deductible for tax purposes, primarily goodwill amortisation	167.3	12.8
Share of associate and joint venture taxation	–	(2.6)
Depreciation in excess of capital allowances	0.3	–
Tax relief on shares transferred to the AESOP	(3.4)	–
Utilisation of tax losses	–	(0.3)
Differences on tax rates on overseas earnings	(1.3)	(0.5)
Adjustments to tax charge in respect of previous periods	(0.4)	0.1
<b>Total current tax charge for the period</b>	10.2	10.6

## 7 Dividends

	2002 £ million	2001 (as restated) £ million
Equity dividends on ordinary shares		
Interim paid 1.08p (2001: 1.08p)	3.5	3.5
Final proposed 2.16p (2001: 2.16p)	7.5	7.0
	11.0	10.5
Less dividends receivable by the Xansa 1995 Qualifying Employee Share Ownership Trust (QUEST) and the Xansa Employee Trust	(0.8)	(1.2)
	10.2	9.3

On 4 December 2001 the QUEST passed a resolution to waive all dividends due from Xansa plc from the 2001 interim dividend onwards.

## 8 Earnings per share

	2002 £ million	2001 (as restated) £ million
<b>(Loss) earnings</b>		
Loss attributable to shareholders as used to calculate basic and diluted loss per share	(528.1)	(10.2)
Profit on sale of own shares	(1.6)	(2.9)
Exceptional items net of tax (Note 4)	507.1	–
Distribution of shares from the trusts net of tax and minority interest	2.3	–
Goodwill amortisation	42.6	41.6
Before profit on sale of own shares, distribution of shares from the trusts, reorganisation costs and goodwill amortisation and impairment	22.3	28.5

	Number '000	Number '000
<b>Number of shares</b>		
Average number of shares in issue	327,406	321,356
Synergy deferred consideration – shares to be issued	1,305	–
Shares held by the employee trusts	(42,663)	(41,939)
Shares used to calculate basic and diluted loss per share	286,048	279,417
Synergy deferred consideration – contingent shares to be issued	2,697	–
Effect of dilutive ordinary shares – share options	5,034	11,842
Shares used to calculate diluted earnings per share before profit on sale of own shares, distribution of shares from the trusts, reorganisation costs and goodwill amortisation and impairment	293,779	291,259

	Per share amount Pence	Per share amount Pence
<b>Diluted (loss) earnings per share</b>		
Diluted loss per share	(184.66)	(3.68)
Effect of potential shares	4.86	0.15
Profit on sale of own shares	(0.55)	(0.99)
Exceptional items net of tax (Note 4)	172.62	–
Distribution of shares from the trusts net of tax and minority interest	0.78	–
Goodwill amortisation	14.50	14.30
Before profit on sale of own shares, distribution of shares from the trusts, reorganisation costs and goodwill amortisation and impairment	7.55	9.78

Where there is a loss per share there are no dilutive effects of share options or contingent share issues.

## 9 Intangible fixed assets

	Goodwill £ million
<b>Cost</b>	
At 1 May 2001	852.1
Adjustment (Note 12)	0.3
Exchange differences	(0.3)
At 30 April 2002	852.1
<b>Amortisation</b>	
At 1 May 2001	51.2
Provided during the year	42.6
Goodwill impairment	497.0
At 30 April 2002	590.8
<b>Net book value at 30 April 2002</b>	<b>261.3</b>
Net book value at 30 April 2001	800.9

In accordance with FRS 11, Impairment of fixed assets and goodwill, the carrying values of the Group's subsidiary undertakings at 30 April 2002 have been compared to their recoverable amounts, represented by their value in use to the Group. The value in use has been derived from discounted cash flow projections which cover the five years from 1 May 2002. The projections cover a five-year period as the Directors consider that the growth in these businesses will exceed the average Gross Domestic Product (GDP) growth rates of the countries concerned over five years. After the five-year period, the projections use a long term growth rate of 2.25%. The discount rate used to arrive at this calculation was 14% on a pre-tax basis.

The review has resulted in an exceptional charge to operating costs of £497.0 million, in respect of the Druid acquisition, which was entirely financed by shares (at an average price of £8.07). Enterprise Solutions, formerly Druid, continues to be an important contributor to Xansa forming an integral part of its offering. The remaining goodwill of £261.3 million will be amortised in accordance with the Group's accounting policies.

## 10 Tangible fixed assets

	Assets in the course of construction £ million	Long leasehold land and buildings £ million	Short leasehold land and buildings £ million	Fixtures, fittings and equipment £ million	Motor vehicles £ million	Total £ million
<b>Group</b>						
<b>Cost</b>						
At 1 May 2001	–	2.7	9.3	35.1	0.9	48.0
Additions	2.6	1.2	0.3	6.5	0.2	10.8
Disposals	–	–	–	(0.8)	(0.4)	(1.2)
Exchange differences	–	(0.1)	–	(0.2)	–	(0.3)
At 30 April 2002	2.6	3.8	9.6	40.6	0.7	57.3
<b>Depreciation</b>						
At 1 May 2001	–	0.1	3.5	21.7	0.5	25.8
Charge for year	–	–	1.5	6.3	0.2	8.0
Disposals	–	–	–	(0.6)	(0.3)	(0.9)
Exchange differences	–	–	–	(0.1)	–	(0.1)
At 30 April 2002	–	0.1	5.0	27.3	0.4	32.8
<b>Net book value 30 April 2002</b>	<b>2.6</b>	<b>3.7</b>	<b>4.6</b>	<b>13.3</b>	<b>0.3</b>	<b>24.5</b>
Net book value 30 April 2001	–	2.6	5.8	13.4	0.4	22.2
Included in the amounts above are the following amounts relating to leased assets						
<b>Net book value 30 April 2002</b>	<b>–</b>	<b>–</b>	<b>0.4</b>	<b>0.5</b>	<b>–</b>	<b>0.9</b>
Net book value 30 April 2001	–	–	0.5	0.6	0.1	1.2

## 10 Tangible fixed assets continued

Company	Short leasehold land and buildings £ million	Fixtures, fittings and equipment £ million	Motor vehicles £ million	Total £ million
<b>Cost</b>				
At 1 May 2001	4.7	18.9	0.3	23.9
Transferred to another group company	(4.7)	(18.9)	(0.3)	(23.9)
At 30 April 2002	–	–	–	–
<b>Depreciation</b>				
At 1 May 2001	2.3	10.8	0.3	13.4
Transferred to another group company	(2.3)	(10.8)	(0.3)	(13.4)
At 30 April 2002	–	–	–	–
<b>Net book value 30 April 2002</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Net book value 30 April 2001	2.4	8.1	–	10.5

On 1 May 2001 the Company transferred its business and certain assets and liabilities to Xansa UK Limited which is a member of the Xansa Group. The transfer took place at book value.

## 11 Investments

Group	Own shares £ million
<b>Cost</b>	
At 1 May 2001 as previously stated	55.1
Prior year adjustment (Note 27)	4.3
At 1 May 2001 as restated	59.4
Additions	2.8
Disposals	(1.9)
At 30 April 2002	60.3
<b>Amounts provided</b>	
At 1 May 2001	–
Provided during the year	2.3
Disposals	(0.2)
At 30 April 2002	2.1
<b>Net book value 30 April 2002</b>	<b>58.2</b>
Net book value 1 May 2001 (as restated)	59.4

## 11 Investments continued

### Investments in own shares

	Number of shares 2002	Number of shares 2001 (as restated)	Average value per share 2002 £	Average value per share 2001 (as restated) £	Options covered £
Xansa 1995 Qualifying Employee Share Ownership Trust No. 1 (QUEST)	13,187,099	17,015,591	3.15	3.15	n/a
Xansa Employee Trust	24,504,209	24,538,524	0.27	0.17	£0.88 to £5.20
Xansa Employee Benefit Trust No. 3 (formerly OSI Group Holdings Limited Employee Benefit Trust)	367,270	511,145	0.71	0.71	£0.16 to £1.96
Xansa Employee Benefit Trust No. 4 (formerly Gamut Technologies Employee Benefit Trust)	17,783	66,523	nil	nil	n/a
Xansa Employee Benefit Trust No. 5 (formerly Druid Deltaworth)	241,364	241,364	0.01	0.01	£3.55
Xansa Qualifying Employee Share Ownership Trust No. 6 (formerly Druid Quest)	457,441	558,207	1.76	1.76	£0.98 to £2.93
Xansa AESOP	3,645,666	–	3.15	3.15	n/a

All the trusts above have waived their rights to a dividend except Xansa Employee Benefit Trust No. 4 who have waived the dividend down to a nominal amount and Xansa Employee Trust and Xansa Qualifying Employee Share Ownership Trust No. 6 which continue to receive dividends. All costs relating to the above trusts are charged to the profit and loss account in the period to which they relate.

The market value at 30 April 2002 of the Group's investment in the Company's own shares is £69.4 million (2001 (as restated): £172.2 million). If the shares had been sold at the market value or gifted, there would have been a liability to tax of £16.0 million (2001 (as restated): £41.4 million) on the capital gain arising from the sale.

Company	Subsidiary undertakings £ million	Own shares £ million	Total £ million
<b>Cost</b>			
At 1 May 2001 as previously stated	871.2	53.6	924.8
Prior year adjustment (Note 27)	–	4.3	4.3
At 1 May 2001 as restated	871.2	57.9	929.1
Additions	23.1	2.8	25.9
Disposals	–	(1.6)	(1.6)
At 30 April 2002	894.3	59.1	953.4
<b>Amounts provided</b>			
At 1 May 2001	2.3	–	2.3
Provided during the year	553.2	2.3	555.5
Disposals	–	(0.2)	(0.2)
At 30 April 2002	555.5	2.1	557.6
<b>Net book value 30 April 2002</b>	<b>338.8</b>	<b>57.0</b>	<b>395.8</b>
Net book value 1 May 2001 (as restated)	868.9	57.9	926.8

The market value at 30 April 2002 of the Company's investment in the Company's own shares is £67.6 million (2001 (as restated): £166.6 million). If the shares had been sold at the market value or gifted, there would have been a liability to tax of £16.0 million (2001 (as restated): £41.1 million) on the capital gain arising from the sale.

The investment in shares in subsidiaries has been written down in accordance with FRS 11 to reflect the value in use, which has been calculated as disclosed in Note 9.

A full listing of the principal group undertakings is provided in Note 31.

## 12 Acquisitions

**Synergy International Consulting Inc.** On 18 April 2001, the Group exercised its option to purchase the remaining 80.02% of the shares in Synergy International Consulting Inc., a company specialising in the implementation of SAP solutions in complex manufacturing environments. This shareholding was provisionally valued in the 2001 accounts. In accordance with FRS 7, an adjustment has been made in the 2002 accounts, this difference has been taken as an adjustment to goodwill on acquisition.

The consideration paid or payable is as follows:

1. An initial consideration of £13.9 million was paid in April 2001, in the form of shares.
2. Further consideration payable is contingent upon Synergy International Consulting Inc. achieving certain performance criteria during the two calendar years 2001 and 2002. The expected amount to be paid in the form of shares is £7.3 million. The first tranche of shares are expected to be issued in July 2002. The maximum number of shares that can be issued as contingent consideration can not exceed the number of shares issued as the initial consideration. It is anticipated that 4,094,290 shares will be issued in July 2002.

The amended and provisional fair values to the Group of the net assets acquired is shown below:

	Provisional value 2001 £ million	Description	Revaluation adjustments £ million	Amended value 2002 £ million
Tangible fixed assets	0.2		–	0.2
Debtors	3.8		–	3.8
Cash	1.1		–	1.1
Creditors due within one year	(2.3)		–	(2.3)
Creditors due after more than one year	(0.1)		–	(0.1)
Net assets acquired	2.7		–	2.7
Less share of associate's reserves	(0.1)		–	(0.1)
Goodwill arising on acquisition	20.2		0.3	20.5
	22.8		0.3	23.1
Discharged by				
Costs associated with the acquisition	0.7	Additional acquisition costs	0.3	1.0
Existing investment	0.9		–	0.9
Initial consideration of shares – 4,094,290 ordinary shares issued at £3.385 per share	13.9		–	13.9
Contingent consideration – ordinary shares to be issued	7.3		–	7.3
	22.8		0.3	23.1

## 13 Debtors

	Group 2002 £ million	Group 2001 (as restated) £ million	Company 2002 £ million	Company 2001 (as restated) £ million
Trade debtors	62.4	65.8	–	22.7
Amounts to be billed on contracts	18.0	16.3	–	6.8
Employee share loans	–	0.3	–	0.1
Other debtors	1.2	3.9	0.1	1.2
Prepayments	8.0	5.9	0.3	2.9
Deferred tax asset (Note 17)	–	–	0.3	–
Amounts due from subsidiary undertakings	–	–	152.6	54.6
	89.6	92.2	153.3	88.3
<b>Amounts falling due after more than one year included above are:</b>				
Employee share loans	–	0.1	–	0.1
Prepayments	1.8	–	–	–
	1.8	0.1	–	0.1

## 14 Cash at bank and in hand

Group cash at bank and in hand at 30 April 2002 includes £2.5 million (2001: £nil) of funds, the use of which is restricted.

## 15 Creditors due within one year

	Group 2002 £ million	Group 2001 (as restated) £ million	Company 2002 £ million	Company 2001 (as restated) £ million
<b>Short term borrowings</b>				
Overdrafts	4.2	0.1	5.5	–
Loans	16.5	23.5	13.7	23.4
Finance lease obligations	0.3	0.3	–	–
	21.0	23.9	19.2	23.4
<b>Other creditors</b>				
Revenue in advance	22.5	14.3	–	10.5
Trade creditors	7.0	9.8	–	3.1
Amounts due to subsidiary undertakings	–	–	136.3	28.2
Corporation tax	8.1	12.9	0.6	3.8
Other taxes and social security	16.1	13.2	–	8.9
Other creditors and accruals	32.1	29.9	0.3	6.3
Proposed dividend	7.0	6.2	7.0	6.2
Proposed dividend due to minority interest	4.8	3.5	–	–
	97.6	89.8	144.2	67.0
	118.6	113.7	163.4	90.4

## 16 Long term borrowings

	Group 2002 £ million	Group 2001 (as restated) £ million	Company 2002 £ million	Company 2001 (as restated) £ million
Loans	17.7	22.5	25.0	22.4
Finance lease obligations	0.5	0.8	–	–
	18.2	23.3	25.0	22.4
<b>Analysis of loans</b>				
Unsecured loans falling due				
In one year or less or on demand	16.5	23.5	13.7	23.4
Between one and two years	–	6.8	–	6.7
Between two and five years	17.7	15.7	25.0	15.7
	34.2	46.0	38.7	45.8
Less: included in creditors due within one year	(16.5)	(23.5)	(13.7)	(23.4)
	17.7	22.5	25.0	22.4

### 17 Provisions for liabilities and charges

	Provision for vacant properties (note a) £ million	NIC liability on unapproved options (note b) £ million	Deferred corporation tax (note c) £ million	Total £ million
<b>Group</b>				
At 1 May 2001	0.1	1.1	–	1.2
Utilised	–	(1.5)	–	(1.5)
Deferred tax asset relating to gift of shares from the QUEST credited to other reserves	–	–	(0.3)	(0.3)
Provision in the year	–	0.4	1.5	1.9
<b>At 30 April 2002</b>	<b>0.1</b>	<b>–</b>	<b>1.2</b>	<b>1.3</b>
<b>Company</b>				
At 1 May 2001	0.1	1.1	–	1.2
Transferred to other group companies	(0.1)	–	–	(0.1)
Utilised	–	(1.5)	–	(1.5)
Deferred tax asset relating to gift of shares from the QUEST credited to other reserves	–	–	(0.3)	(0.3)
Provision in the year	–	0.4	–	0.4
Disclosed within debtors (Note 13)	–	–	0.3	0.3
<b>At 30 April 2002</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

(a) Provision for vacant properties covers the anticipated costs of rent, rates and dilapidations in respect of unoccupied property.

(b) Provision has been made for National Insurance contributions due in respect of unapproved share options granted. The Group has taken advantage of the recent NIC capping regulations and made a one off payment to the Inland Revenue.

(c) Group deferred tax (assets) liabilities comprised:

	Recognised 2002 £ million	Recognised 2001 £ million	Potential amounts not recognised 2002 £ million	Potential amounts not recognised 2001 £ million
<b>Group</b>				
Accelerated capital allowances	(0.9)	–	–	–
Unutilised losses	–	–	(2.9)	(2.5)
Other short term timing differences	2.1	–	(0.5)	(0.4)
	<b>1.2</b>	<b>–</b>	<b>(3.4)</b>	<b>(2.9)</b>
<b>Company</b>				
Accelerated capital allowances	–	–	–	(0.3)
Other short term timing differences	(0.3)	–	–	(0.4)
	<b>(0.3)</b>	<b>–</b>	<b>–</b>	<b>(0.7)</b>

The Group deferred tax asset, principally in respect of unrelieved losses of £8.1 million, has not been recognised as currently there is insufficient evidence that the asset will be recoverable against future taxable profits.

### 18 Share capital and share premium account

	2002 £ million	2001 £ million
<b>Ordinary shares</b>		
<b>Authorised</b>		
500,000,000 (2001: 500,000,000) 5p ordinary shares	<b>25.0</b>	25.0
<b>Allotted, called up and fully paid</b>		
328,247,176 (2001: 326,624,978) 5p ordinary shares	<b>16.4</b>	16.3
	Share capital £ million	Share premium account £ million
<b>Movements in the year</b>		
At 1 May 2001	16.3	51.1
Share options exercised		
Issue of 1,015,438 shares at prices ranging from 5p to 351p per share	0.1	1.2
Scrip dividends		
Issue of 326,057 shares at 285p per share	–	0.9
Issue of 280,703 shares at 287p per share	–	0.8
<b>At 30 April 2002</b>	<b>16.4</b>	<b>54.0</b>

**Share options** Under the Xansa 1996 Share Option Scheme and the Xansa All Employee International Share Option Scheme, options were granted during the year as follows: in June 2001 in respect of 96,773 shares exercisable between 2004 and 2011 at a price of £3.10 per share; in August 2001 in respect of 1,561,400 shares exercisable between 2004 and 2008 at a price of £2.96 per share; in November 2001 in respect of 1,429,000 shares exercisable between 2004 and 2011 at a price of £2.92 per share; in January 2002 in respect of 10,219 shares exercisable between 2005 and 2012 at a price of £3.42 per share; in February 2002 in respect of 26,000 shares exercisable between 2005 and 2009 at a price of £2.96 per share; in February 2002 in respect of 10,784 shares exercisable between 2005 and 2009 at a price of £2.82 per share; in April 2002 in respect of 534 shares exercisable between 2005 and 2009 at a price of £2.77 per share. At 30 April 2002, outstanding options are held over 25,752,948 shares (2001: 25,045,964 shares).

Under the Group Senior Executive Share Option Scheme, as at 30 April 2002 there were no share options outstanding (2001: 305,700 shares). It was resolved by the Board on 6 March 1996 that the Group Senior Executive Share Option Scheme be terminated, without prejudice to any outstanding options and that no further option grants be made.

Under the Xansa ShareSave Scheme, options were granted in the year in respect of 2,455,088 shares exercisable in 2005 at a price of £2.39 per share and in respect of 17,643 shares exercisable in 2005 at a price of £2.51 per share. As at 30 April 2002, outstanding options are held over 4,842,122 shares (2001: 4,316,596 shares). The Xansa Employee Trust will make shares available to satisfy the exercise of these options.

As at 30 April 2002 there were options outstanding in respect of 30,595,070 shares (2001: 29,668,260 shares).

**19 Reconciliation of shareholders' funds and movement on reserves Reserves**

Note	Share capital £ million	Shares to be issued (note e) £ million	Share premium account £ million	Merger reserve (note f) £ million	Other reserve (note d) £ million	Profit and loss account (notes a & b) £ million	Total £ million
<b>Group</b>							
At 1 May 2001 as previously stated	16.3	8.9	51.1	760.3	43.8	(25.6)	854.8
Prior year adjustment 27	–	–	–	–	–	4.9	4.9
At 1 May 2001 as restated	16.3	8.9	51.1	760.3	43.8	(20.7)	859.7
Retained loss for the year	–	–	–	–	–	(538.3)	(538.3)
Exchange differences on retranslation of net assets of subsidiary undertakings	–	–	–	–	–	(1.1)	(1.1)
Issue of shares – other	0.1	–	2.9	–	–	–	3.0
Issue of shares (note c)	–	–	–	–	–	(0.2)	(0.2)
Tax charge on gift of shares from the QUEST	–	–	–	–	(0.6)	–	(0.6)
Transfer between reserves	–	–	–	–	(2.6)	2.6	–
Scrip dividends received by Xansa Employee Trust	–	–	–	–	–	(0.4)	(0.4)
UITF 17 accrual for shares to be issued	–	0.6	–	–	–	–	0.6
<b>At 30 April 2002</b>	<b>16.4</b>	<b>9.5</b>	<b>54.0</b>	<b>760.3</b>	<b>40.6</b>	<b>(558.1)</b>	<b>322.7</b>
<b>Company</b>							
At 1 May 2001 as previously stated	16.3	8.9	51.1	760.3	43.8	26.7	907.1
Prior year adjustment 27	–	–	–	–	–	4.9	4.9
At 1 May 2001 as restated	16.3	8.9	51.1	760.3	43.8	31.6	912.0
Retained loss for the year	–	–	–	–	–	(553.6)	(553.6)
Issue of shares – other	0.1	–	2.9	–	–	–	3.0
Tax charge on gift of shares from the QUEST	–	–	–	–	(0.6)	–	(0.6)
Transfer between reserves	–	–	–	(553.2)	(2.6)	555.8	–
Scrip dividends received by Xansa Employee Trust	–	–	–	–	–	(0.4)	(0.4)
UITF 17 accrual for shares to be issued	–	0.6	–	–	–	–	0.6
<b>At 30 April 2002</b>	<b>16.4</b>	<b>9.5</b>	<b>54.0</b>	<b>207.1</b>	<b>40.6</b>	<b>33.4</b>	<b>361.0</b>

(a) The cumulative goodwill resulting from acquisitions which has been directly written off to reserves amounts to £26.2 million (2001: £26.2 million).

(b) The Company has not presented its own profit and loss account in accordance with the exemption specified in Section 230(3) of the Companies Act 1985. Of the retained profit in the Company at 30 April 2002, the Directors consider £27.2 million to be distributable (2001: £26.4 million). The Company's (loss) profit for the financial year is £(541.6) million (2001: £14.3 million).

(c) This represents a capitalisation of profit and loss account reserves in respect of shares issued to the Druid 1997 Long Term Incentive Plan, one of the Company's employee benefit trusts.

(d) This represents a non-distributable reserve created upon the recognition of the assets and liabilities of the Xansa 1995 Qualifying Employee Share Ownership Trust (QUEST). The transfer between reserves (£2.6 million) represents the utilisation of the reserve in line with the distribution of shares from the trusts.

(e) The Group has taken advantage of the SAYE exemption within UITF 17, and therefore no provision has been made for the 20% discount over market price for options granted during the year under the ShareSave scheme.

(f) The transfer between merger reserve and profit and loss reserve in the Company balance sheet (£553.2 million) represents the provision against the investment in Druid Group plc (Note 11).

**19 Reconciliation of shareholders' funds and movement on reserves continued Reconciliation of movements on shareholders' funds**

	2002 £ million	2001 (as restated) £ million
<b>Group</b>		
Loss attributable to shareholders	(528.1)	(10.2)
Dividends	(10.2)	(9.3)
	(538.3)	(19.5)
Other recognised gains and losses relating to the year (net)	(1.7)	43.8
Issue of shares (note c)	(0.2)	–
Issue of shares – other	3.0	5.4
Issue of shares – acquisitions	–	21.1
Scrip dividends received by Xansa Employee Trust	(0.4)	(0.9)
UITF 17 accrual for shares to be issued	0.6	1.6
Net (reduction) addition to shareholders' funds	(537.0)	51.5
Opening shareholders' funds (originally £854.8 million before adding prior year adjustment of £4.9 million)	859.7	808.2
<b>Closing shareholders' funds</b>	<b>322.7</b>	<b>859.7</b>
<b>Company</b>		
(Loss) profit attributable to shareholders	(543.4)	16.8
Dividends	(10.2)	(9.3)
	(553.6)	7.5
Other recognised gains and losses relating to the year (net)	(0.6)	43.8
Issue of shares – other	3.0	5.4
Issue of shares – acquisitions	–	21.1
Scrip dividends received by Xansa Employee Trust	(0.4)	(0.9)
UITF 17 accrual for shares to be issued	0.6	1.6
Net addition to shareholders' funds	(551.0)	78.5
Opening shareholders' funds (originally £907.1 million before adding prior year adjustment of £4.9 million)	912.0	833.5
<b>Closing shareholders' funds</b>	<b>361.0</b>	<b>912.0</b>

**20 Reconciliation of operating profit to net cash inflow from operating activities**

	2002 £ million	2001 (as restated) £ million
<b>Group operating loss</b>	<b>(505.2)</b>	<b>(1.7)</b>
Depreciation charge	8.0	8.4
Loss (profit) on sale of tangible assets	0.1	(0.5)
Profit on sale of own shares	(1.6)	(2.9)
Amortisation of goodwill	42.6	41.6
Distribution of shares from the trusts	3.1	–
Goodwill impairment	497.0	–
Accrued reorganisation costs	5.1	–
Decrease (increase) in debtors	2.1	(5.1)
Increase (decrease) in creditors and provisions	4.8	(16.1)
<b>Net cash inflow from operating activities</b>	<b>56.0</b>	<b>23.7</b>

## 21 Analysis of changes in net debt

	At 1 May 2001 (as previously stated) £ million	Prior year adjustment £ million	At 1 May 2001 (as restated) £ million	Cash flow £ million	Other non-cash changes £ million	Exchange movement £ million	At 30 April 2002 £ million
Cash at bank and in hand	23.9	0.4	24.3	1.5	–	(0.1)	25.7
Overdrafts	(0.1)	–	(0.1)	(4.1)	–	–	(4.2)
				(2.6)			
Debt due within one year	(23.3)	(0.2)	(23.5)	10.6	(3.7)	0.1	(16.5)
Debt due after one year	(22.3)	(0.2)	(22.5)	1.1	3.7	–	(17.7)
Finance leases	(1.1)	–	(1.1)	0.3	–	–	(0.8)
				12.0			
Cash deposits maturing in one year	0.1	–	0.1	2.5	–	–	2.6
	(22.8)	–	(22.8)	11.9	–	–	(10.9)

## 22 Reconciliation of net cash flow to movement in net debt

	2002 £ million	2001 (as restated) £ million
(Decrease) increase in cash in year	(2.6)	8.3
Cash outflow from decrease in debt and lease financing	12.0	8.1
Cash outflow (inflow) from increase (decrease) in liquid resources	2.5	(0.1)
Change in net debt resulting from cash flows	11.9	16.3
Translation difference	–	0.1
Loans and finance leases acquired with subsidiary undertakings	–	(9.9)
Movement in net debt in year	11.9	6.5
Net debt at 1 May	(22.8)	(29.3)
Net debt at 30 April	(10.9)	(22.8)

## 23 Related party transactions

There are no related party transactions requiring disclosure for 2002.

	Sales to related parties 2001 £ million	Purchases from related parties 2001 £ million	Amounts owed from related parties 2001 £ million	Amounts owed to related parties 2001 £ million
First Banking Systems Limited	32.8	–	–	–
IIS Scientific Computing Limited	–	5.0	0.2	–
Synergy International Consulting Inc.	2.3	–	–	–

From April 2001 First Banking Systems Limited and Synergy International Consulting Inc. were accounted for as subsidiaries.

## 24 Contingent liability

The Company has guaranteed a lease of a subsidiary undertaking, Xansa Holdings Inc. In the event of default, the Company shall pay and perform all of the obligations of the tenant as defined within the lease.

The Company has given guarantees to several landlords in relation to property leases assigned or transferred to Xansa UK Limited.

The Company has entered into guarantees and cross guarantee arrangements, with some of its subsidiary undertakings, in favour of several banks, in respect of the financial obligations arising from the provision of banking facilities to UK, USA and Indian companies within the Group. The total amounts outstanding as at 30 April 2002 relating to these obligations was £8.9 million.

The Company has given a guarantee to AXA Sun Life Services PLC in relation to the performance and obligations of ASL Information Services Limited.

The Company has also given a guarantee to Barclays Bank PLC and to the Office of Government Commerce in relation to the performance and obligations of Xansa UK Limited.

## 25 Capital commitments

As at 30 April 2002 the Group had contracted commitments to purchase capital items amounting to £6.5 million (2001: £1.3 million) and Company Enil (2001: £0.2 million).

## 26 Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts were as follows:

	Group 2002 £ million	Group 2001 £ million
Amounts payable		
Within one year	0.3	0.3
Between two and five years	0.5	0.8
	0.8	1.1

The annual commitment under non-cancellable operating leases was as follows:

	Land and buildings 2002 £ million	Land and buildings 2001 £ million	Motor vehicles and equipment 2002 £ million	Motor vehicles and equipment 2001 £ million
<b>Group</b>				
<b>Leases expiring</b>				
Within one year	0.2	0.1	0.2	0.7
In two to five years	1.2	0.3	0.4	0.5
In over five years	4.5	6.0	–	–
	5.9	6.4	0.6	1.2
<b>Company</b>				
<b>Leases expiring</b>				
Within one year	–	–	0.1	0.1
In two to five years	0.2	–	0.1	–
In over five years	2.3	2.7	–	–
	2.5	2.7	0.2	0.1

## 27 Prior year adjustment

The Group's policy for accounting for Employee Share Ownership Trusts has changed to comply with Urgent Issues Task Force Abstract (UITF) 32 'Employee Benefit Trusts and other intermediate payment arrangements' issued by the Accounting Standards Board on 13 December 2001. Previously the assets, liabilities and results of the Xansa Employee Trust were not recognised.

The adoption of UITF 32 has required the restatement of comparatives in accordance with FRS 3. This change in accounting policy has had the effect of decreasing retained losses by £2.2 million for the year end 30 April 2002 and by £3.5 million for the year end 30 April 2001. This arises principally from the profit on sale of own shares.

## 28 Post balance sheet events

The Company was informed on 18 June 2002, that as a result of the Halifax and Bank of Scotland merger, in September 2001, and a subsequent review of its IT strategy, HBOS has decided to give notice to conclude its contract with First Banking Systems (FBS) effective December 2003.

Accordingly, Xansa and HBOS have jointly announced their intention to conclude the FBS joint venture, which was originally set up in June 1998 by Xansa and the Bank of Scotland. The venture will now conclude in December 2003 when the employees involved in providing the services will transfer to HBOS. During this notice period FBS will continue to operate under Xansa management.

In December 2003, HBOS will pay around £9 million to Xansa as compensation for early termination representing loss of anticipated profit for the 18 months beyond December 2003. The current FBS contracted orderbank as at 30 April 2002 stands at £187 million. The effect of the early conclusion of the joint venture will be to reduce the FBS contracted orderbank by £91 million. During the 18-month notice period, FBS will continue to deliver work to HBOS in line with HBOS's agreed business plan and the remaining orderbank.

## 29 Pension costs

The Group continues to account for pension costs under Statement of Standard Accounting Practice (SSAP) 24. Disclosures are provided under both SSAP 24 and FRS 17 as required by the Standards.

### (a) Disclosures under SSAP 24

The Group operates a defined benefit pension scheme in the UK called the Xansa Pension Plan ('the Plan') whose employees are eligible to join by invitation only. The scheme is funded by payments of contributions to a separately administered fund.

The last triennial valuation of the Xansa Pension Plan was performed as at 31 December 2000, by professionally qualified actuaries, using the projected unit method. The major assumptions used by the actuaries were that, over the long term, the return on the Plan's assets would be 6.5% (1997: 8.75%) per annum and that salaries would increase at an average of 5.0% (1997: 6.5%) per annum. Allowances have been made for post-retirement pension increases guaranteed under the Plan rules.

The actuarial value of the assets was 86% of the liabilities using the assumptions outlined above (1997: 99%). The market value of the scheme's assets was £72.9 million. Allowing for the above mentioned salary increases, the actuarial unfunded liability disclosed at the valuation date was £11.4 million (1997: £0.4 million).

## 29 Pension costs continued

### (a) Disclosures under SSAP 24 continued

The Pensions Act 1995 introduced the Minimum Funding Requirement (MFR). The aim of the MFR is to improve the security of members' benefits by ensuring that the assets of a scheme are not less than the amount of liabilities on a prescribed basis. The unaudited value of the Plan's assets on the MFR basis was £72.9 million (1997: £26.7 million), representing 89% (1997: 107%) of the MFR liabilities at the valuation date. The excess of the MFR liabilities over the MFR assets is being recovered over the five years to April 2007 by additional contributions of 3.0% of pensionable pay.

Contributions made during the year to 30 April 2002 by the Group totalled £14.7 million. The contribution rate for the year to 30 April 2003 has been set at 18.65% of pensionable pay, which includes the additional 3.0% to recover the deficit noted above.

As of 30 April 2002 active members totalled 2,350 (2001: 2,492).

The Group operates a number of defined contribution pension schemes in the UK. The main scheme is called the Xansa Money Purchase Pension Scheme and is open to all employees who are not members of the Xansa Pension Plan. The Group also continues to operate defined contribution schemes which were operated by Druid Group plc and OSI Group Holdings Ltd prior to their joining the Group. These schemes are closed to new members. Contributions payable in respect of the period were £4.6 million. As at 30 April 2002 the amount outstanding in respect of the Group's defined contribution schemes was £0.9 million (2001: £0.5 million).

Outside the UK employees are provided with pension arrangements determined in accordance with approved local practice and regulations and are defined contribution schemes. Total contributions in respect of these schemes amounted to £1.1 million.

### (b) Disclosures under FRS 17

The only significant defined benefit pension plan under FRS 17 is in the UK and is the Xansa Pension Plan. The most recent actuarial valuation at 31 December 2000 has been used and updated to 30 April 2002 by a qualified actuary independent of the Group.

The major assumptions used to calculate the scheme liabilities under FRS 17 were:

	2002 % pa
Rate of increase in salaries	4.5
Rate of increase in pre 1997 pensions in payment	2.5
Rate of increase in post 1997 pensions in payment	2.5
Rate of increase of deferred pensions	2.5
Discount rate	5.9
Inflation assumption	2.5

The assets in the Plan and the expected rate of return were:

	Long term rate of return expected at 30 April 2002 %	Value at 30 April 2002 £ million
Equities	7.5	93.7
Bonds	5.9	8.8
Cash	3.5	1.0
Total market value of assets		103.5
Actuarial value of liability		139.1
Deficit in the Plan		(35.6)
Related deferred tax asset		10.7
Net pension liability		(24.9)

The liability at 30 April 2002 under FRS 17 does not reflect the funding position of the Plan which is calculated on an ongoing basis.

	Company 2002 £ million
Net assets as stated in the balance sheet	323.8
Net pension liability	(24.9)
Net assets including amount related to defined benefit scheme assets and liabilities	298.9
Profit and loss account	(558.1)
Net pension liability	(24.9)
Profit and loss account including amounts related to defined benefit scheme assets and liabilities	(583.0)

The Company is unable to identify its share of the underlying assets and liabilities in the Xansa Pension Plan, as the Plan also covers employees of other Xansa companies.

## 30 Derivatives and other financial instruments

An explanation of the Group's objectives, policies and strategies in respect of financial instruments can be found on pages 30 and 31. As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosure of financial assets and liabilities.

**Interest risk management** At 30 April 2002 the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

	Floating rate 2002 £ million	Fixed rate 2002 £ million	Financial assets (liabilities) on which no interest is paid 2002 £ million	Total 2002 £ million	Weighted average fixed interest rate 2002 %	Weighted average period for which rate is fixed 2002 Months	Weighted average time to maturity 2002 Months
<b>Financial assets</b>							
Sterling	18.4	–	2.7	21.1	n/a	n/a	n/a
Indian rupee	–	–	0.3	0.3	n/a	n/a	n/a
US dollar	3.6	–	0.9	4.5	n/a	n/a	n/a
Other currencies	0.6	–	1.8	2.4	n/a	n/a	n/a
	22.6	–	5.7	28.3			
<b>Financial liabilities</b>							
Sterling	(32.2)	–	–	(32.2)	n/a	n/a	n/a
Indian rupee	(2.7)	(0.2)	–	(2.9)	16.2	6	n/a
US dollar	(3.9)	(0.1)	(0.1)	(4.1)	7.6	14	14
	(38.8)	(0.3)	(0.1)	(39.2)			
Net financial assets (liabilities)	(16.2)	(0.3)	5.6	(10.9)			

	Floating rate 2001 (as restated) £ million	Fixed rate 2001 £ million	Financial assets (liabilities) on which no interest is paid 2001 £ million	Total 2001 (as restated) £ million	Weighted average fixed interest rate 2001 %	Weighted average period for which rate is fixed 2001 Months	Weighted average time to maturity 2001 Months
<b>Financial assets</b>							
Sterling	15.4	–	2.6	18.0	n/a	n/a	n/a
Indian rupee	–	–	0.5	0.5	8.0	12	n/a
US dollar	2.7	–	1.3	4.0	n/a	n/a	n/a
Other currencies	1.1	–	0.9	2.0	n/a	n/a	n/a
	19.2	–	5.3	24.5			
<b>Financial liabilities</b>							
Sterling	(44.7)	(0.8)	–	(45.5)	6.9	18	n/a
Indian rupee	–	(1.4)	–	(1.4)	12.8	15	n/a
US dollar	–	(0.1)	–	(0.1)	5.9	24	n/a
Other currencies	(0.1)	(0.1)	–	(0.2)	6.0	24	n/a
	(44.8)	(2.4)	–	(47.2)			
Net financial assets (liabilities)	(25.6)	(2.4)	5.3	(22.7)			

Floating rate financial assets and liabilities bear interest rates based on relevant national LIBOR equivalents, which are fixed in advance for periods of up to six months.

The fair value of the Group's financial assets and liabilities is not considered materially different from their book value. Financial assets comprise cash and employee share loans due after more than one year, financial liabilities comprise loans and finance leases.

There were no forward interest rate agreements outstanding at 30 April 2002 or 30 April 2001.

### 30 Derivatives and other financial instruments continued

**Currency exposure** The Group operates in Sterling, Euro, Indian rupee, Malaysian ringgit, Singapore, Canadian and US dollar currencies.

The monetary assets and liabilities of the Group that are not denominated in the functional currency of the unit involved are as follows:

	Sterling 2002 £ million	Indian rupee 2002 £ million	US dollar 2002 £ million	Other 2002 £ million	Total 2002 £ million
Functional currency of Group operation					
Sterling	n/a	–	(5.1)	0.3	(4.8)
Euro	–	–	–	–	–
Indian rupee	0.9	n/a	0.1	–	1.0
Malaysian ringgit	–	–	–	–	–
Singapore dollar	–	–	–	–	–
US dollar	–	–	n/a	–	–
	0.9	–	(5.0)	0.3	(3.8)

	Sterling 2001 £ million	Indian rupee 2001 £ million	US dollar 2001 £ million	Other 2001 £ million	Total 2001 £ million
Functional currency of Group operation					
Sterling	n/a	–	0.1	0.2	0.3
Euro	–	–	–	–	–
Indian rupee	0.2	n/a	–	–	0.2
Malaysian ringgit	–	–	–	–	–
Singapore dollar	–	–	–	–	–
US dollar	–	–	n/a	–	–
	0.2	–	0.1	0.2	0.5

There were no forward currency contracts outstanding at 30 April 2001. At 30 April 2002, forward currency contracts of £9.0 million were undertaken by Xansa India to sell Sterling and buy Indian rupees at various exchange rates between 70.88 and 71.41 and with value dates between the end of May 2002 and the end of October 2002. Both the book value and market value of these contracts at 30 April 2002 was nil.

**Maturity of financial liabilities** The maturity profile of the Group's financial liabilities at 30 April 2002 was as follows:

	2002 £ million	2001 (as restated) £ million
In one year or less, or on demand	(21.0)	(24.1)
In more than one year but not more than two years	(0.5)	(7.5)
In more than two years but not more than five years	(17.7)	(15.6)
	(39.2)	(47.2)

**Undrawn facilities** The Group has various borrowing facilities available to it. The undrawn committed facilities available at 30 April 2002 in respect of which all conditions precedent had been met at that date were as follows:

	2002 £ million	2001 £ million
Expiring in one year or less	32.6	33.8
Expiring in more than one year but not more than two years	–	–
Expiring in more than two years	67.3	–
	99.9	33.8

### 31 Principal Group undertakings

The principal Group undertakings as at 30 April 2002 were as follows:

	Proportion of voting rights and shares held	Country of incorporation (or registration) and operation	Year end	Nature of business
<b>Direct subsidiary undertakings</b>				
ASL Information Services Limited	99%	England	30 April	Computing services
Druid Group plc	100%	England	30 April	Holding company
Firth Solutions Limited	100%	England	30 April	Holding company
OSI Group Holdings Limited	100%	England	30 April	Holding company
Xansa Employee Trust Company Limited	100%	England	30 April	Corporate Trustee
Xansa Recruitment Limited	100%	England	30 April	Computing services
Xansa Trustee Company Limited	100%	England	30 April	Corporate Trustee
Xansa (India) Limited	99.5%	India	30 April	Computing services
First Banking Systems Limited	49%	Scotland	28 February	Computing services
Xansa Holdings Inc.	100%	USA	30 April	Holding company
<b>Indirect subsidiary undertakings</b>				
Xansa nv	100%	Belgium	30 April	Consultancy
Xansa Inc.	100%	Canada	30 April	Consultancy
Barshelfco (No. 73) Limited	49%	England	30 April	Computing services
Deltaworth Limited	100%	England	30 April	Corporate Trustee
Druid QUEST Limited	100%	England	30 April	Corporate Trustee
Druid Systems Limited	100%	England	30 April	Holding company
Gamut Technologies Trust Company Limited	100%	England	30 April	Corporate Trustee
OSI Group Limited	100%	England	30 April	Holding company
Xansa UK Limited	100%	England	30 April	Holding/computing services/consultancy
Xansa SAS	100%	France	30 April	Consultancy
Xansa GmbH	100%	Germany	30 April	Consultancy
Xansa Edutech Limited	99.5%	India	30 April	Computing services
Xansa Software Projects Limited	99.5%	India	30 April	Computing services
Xansa Visionworks Limited	99.5%	India	30 April	Computing services
Xansa sa	100%	Luxembourg	30 April	Consultancy
Xansa (Malaysia) Sdn Bhd	100%	Malaysia	30 April	Consultancy
Gamut Technologies Limited	100%	Scotland	30 April	Holding company
Xansa Pte Ltd	100%	Singapore	30 April	Consultancy
Xansa bv	100%	The Netherlands	30 April	Consultancy
Synergy International Consulting Inc.	100%	USA	31 December	Consultancy
Xansa Inc.	100%	USA	30 April	Consultancy
Xansa Systems Inc.	99.5%	USA	30 April	Computing services
Xansa U.S. Inc.	100%	USA	30 April	Consultancy

First Banking Systems Limited and Barshelfco (No. 73) Limited are both accounted for as subsidiaries as the Group has control of the boards of these companies.

## Five year history (restated)

### Consolidated profit and loss account

	2002 £ million	2001 £ million	2000 £ million	1999 £ million	1998 £ million
<b>Turnover: Group and share of associate and joint venture</b>	<b>515.1</b>	434.7	307.7	228.3	161.6
<b>Operating profit: Group and share of associate and joint venture</b>					
Before profit on sale of own shares, distribution of shares from the trusts, reorganisation costs and goodwill amortisation and impairment	49.1	45.2	28.5	16.1	9.5
Profit on sale of own shares	1.6	2.9	1.0	0.6	0.1
Distribution of shares from the trusts	(3.1)	–	–	–	–
Reorganisation costs	(13.2)	–	–	–	–
Goodwill amortisation and impairment	(539.6)	(41.6)	(9.6)	–	–
	(505.2)	6.5	19.9	16.7	9.6
Net interest (payable) receivable	(2.6)	(3.0)	(1.6)	0.7	1.0
<b>Profit on ordinary activities before taxation</b>	<b>(507.8)</b>	3.5	18.3	17.4	10.6
Taxation	(11.7)	(13.2)	(8.1)	(5.5)	(3.6)
<b>(Loss) profit after taxation</b>	<b>(519.5)</b>	(9.7)	10.2	11.9	7.0
Non equity minority interest	–	–	–	–	(0.1)
Equity minority interest	(8.6)	(0.5)	–	–	–
<b>(Loss) profit attributable to shareholders</b>	<b>(528.1)</b>	(10.2)	10.2	11.9	6.9
Dividends	(10.2)	(9.3)	(7.4)	(3.4)	(2.1)
<b>Transfer (from) to reserves</b>	<b>(538.3)</b>	(19.5)	2.8	8.5	4.8
Earnings per share – before profit on sale of own shares, distribution of shares from the trusts, reorganisation costs and goodwill amortisation and impairment					
– basic	7.76p	10.19p	9.34p	6.47p	4.04p
– diluted	7.55p	9.78p	8.71p	6.30p	3.76p
Dividend per 5p ordinary share	3.24p	3.24p	2.70p	1.90p	1.30p

### Consolidated balance sheet

	2002 £ million	2001 £ million	2000 £ million	1999 £ million	1998 £ million
Intangible assets	261.3	800.9	822.2	–	–
Fixed assets	24.1	22.2	23.0	15.5	12.5
Investments					
– Investment in joint venture	–	–	0.9	0.5	0.1
– Own shares	58.2	59.4	3.0	1.1	1.1
– Other investments	–	–	0.8	–	–
	58.2	59.4	4.7	1.6	1.2
	343.6	882.5	849.9	17.1	13.7
Current assets	118.3	116.6	85.9	57.9	55.4
Creditors due within one year	(118.6)	(113.7)	(94.7)	(48.9)	(51.0)
Net current (liabilities) assets	(0.3)	2.9	(8.8)	9.0	4.4
Total assets less current liabilities	343.3	885.4	841.1	26.1	18.1
Long term borrowings	(18.2)	(23.3)	(30.6)	(0.7)	(2.5)
Provision for liabilities and charges	(1.3)	(1.2)	(2.3)	(3.5)	(2.5)
<b>Net assets</b>	<b>323.8</b>	860.9	808.2	21.9	13.1
Share capital	16.4	16.3	16.0	10.2	1.6
Reserves	306.3	843.4	792.2	11.7	11.1
<b>Total equity shareholders' funds</b>	<b>322.7</b>	859.7	808.2	21.9	12.7
Minority interest	1.1	1.2	–	–	0.4
	323.8	860.9	808.2	21.9	13.1

## Investor information

### Financial calendar

Ex-dividend date for 2001/2002 final dividend	10 July 2002
Record date for 2001/2002 final dividend	12 July 2002
Annual General Meeting	18 September 2002
2001/2002 final dividend of 2.16p per share paid*	1 October 2002
Interim results to 31 October 2002 announced	December 2002
Ex-dividend date for 2002/2003 interim dividend	December 2002
Record date for 2002/2003 interim dividend	December 2002
2002/2003 interim dividend paid	April 2003
Final results to 30 April 2003 announced	June 2003

\*A scrip dividend alternative will be available.

**Annual General Meeting** The Annual General Meeting will be held on Wednesday, 18 September 2002 at 1200 noon. The full Notice of Meeting and proxy card accompany these Report and Accounts.

**Scrip dividend** The Company currently offers shareholders the option to receive ordinary shares in lieu of dividends. A scrip dividend mandate is available from the Registrars for the convenience of shareholders who would like to elect to receive future dividends automatically, in the form of new ordinary shares, and for the carry forward of fractional entitlements. The necessary forms for the 2002 final scrip dividend and mandate will be despatched shortly.

**Employee share ownership** The Xansa Board believes that it is important for all its employees to have a real stake in the ownership of the Company. To encourage this, the Company has designed four share schemes to make it easy for all employees to participate in the Company's success. These are the Xansa All Employee Share Ownership Plan ('AESOP'), the Xansa 1996 Share Option Scheme, the Xansa All Employee International Share Option Scheme and the Xansa ShareSave Scheme. The Company also maintains a Company ISA.

**Low cost dealing** The Company has arranged with Stocktrade to provide employee shareholders with a simple, low cost method of buying and selling its shares. Details are available from the Company Secretarial Department.

**Amalgamation of accounts** Shareholders who receive duplicate sets of Company mailings owing to multiple accounts in their name should write to Lloyds TSB Registrars to have their accounts amalgamated.

**Xansa share price** Details of the share price can be found in the London Share Service Pages 'Software & Computer Services' section in the Financial Times.

**Annual report on internet** A summary of the 2002 Xansa financial results is available via the World Wide Web at [www.xansa.com](http://www.xansa.com)

**Secretary and registered office** P M Cook, Xansa plc, Campus 300, Maylands Avenue, Hemel Hempstead HP2 7TQ.

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Tel: +44(0) 8702 416181.

**Registrar** Administrative enquiries about the holding of Xansa plc shares should be directed in the first instance to the Registrar who is: Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Tel: +44(0) 8706 003964.

Shares have been issued in respect of scrip dividends at the following prices:

Financial year	Interim payment date	Issue price	Final payment date	Issue price
1996/1997	2 April 1997	97.9p	1 Oct 1997	89.6p
1997/1998	1 April 1998	185.4p		
1998/1999	7 April 1999	355.3p	1 Oct 1999	366.7p
1999/2000	6 April 2000	736.0p	2 Oct 2000	420.5p
2000/2001	6 April 2001	377.6p	2 Oct 2001	284.5p
2001/2002	12 April 2002	286.8p		

## Advisers

**Auditors** Ernst & Young LLP, Becket House,  
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