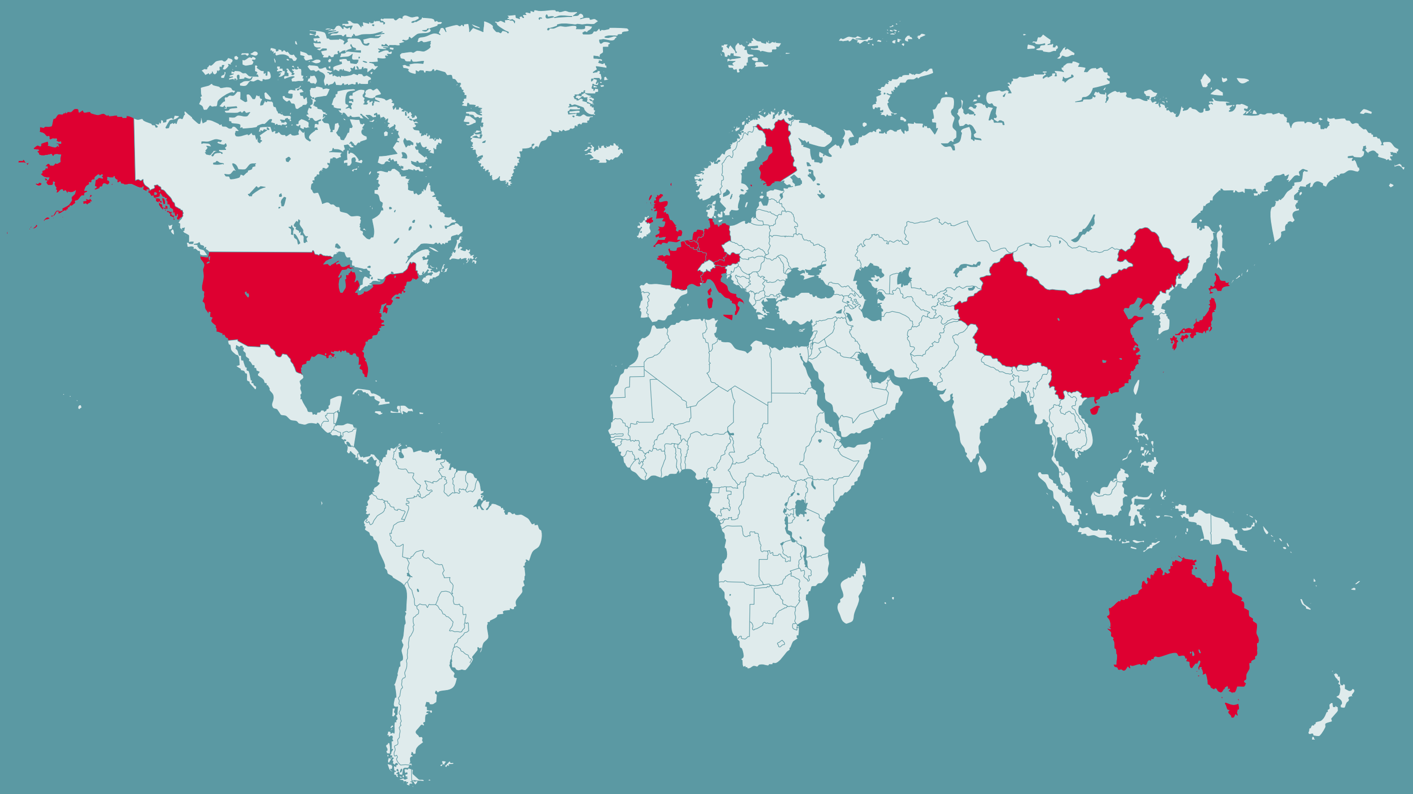
Anite GROUP

annual report and accounts 2002

growth through leadership and focus

Anite Group plc worldwide

Australia
Austria
Belgium
China
Finland
France
Germany
Italy
Japan
Luxembourg
The Netherlands
United Kingdom
United States



Contents

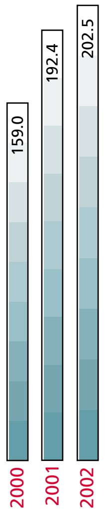
Anite GROUP

Anite Group is a worldwide IT consultancy and services company. We focus on providing mission-critical repeatable applications to the public sector, travel, wireless telecoms and finance markets worldwide. Our 2,400 staff are primarily based in the UK, France, Germany and the Netherlands, but we also have representation in nine other countries around the world.

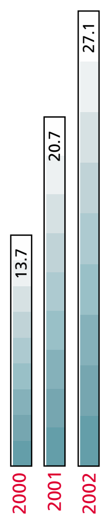
We believe the way companies invest in IT will change significantly over the next few years. Driven by a need to control internal IT development costs in an increasingly complex systems environment, we expect our customers to increase their reliance on packaged industry-specific application software and solutions. As part of this need to contain costs, we also expect them to focus their energies on their core businesses. This will create an opportunity for Anite, as a trusted long-term partner, to plan, build and run customers' systems under a guaranteed service agreement.

Our long-term aim is to enter the business process outsourcing (BPO) market, under which companies invest in the benefit that efficient IT systems bring, rather than in the systems themselves. By entering this market and extending the range of our services, we will deliver long-term service and benefits to our customers and, at the same time, security to our employees.

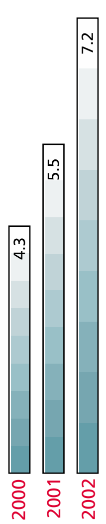
Anite Group plc at a glance



Total turnover (£m)



Profit before tax (£m)**

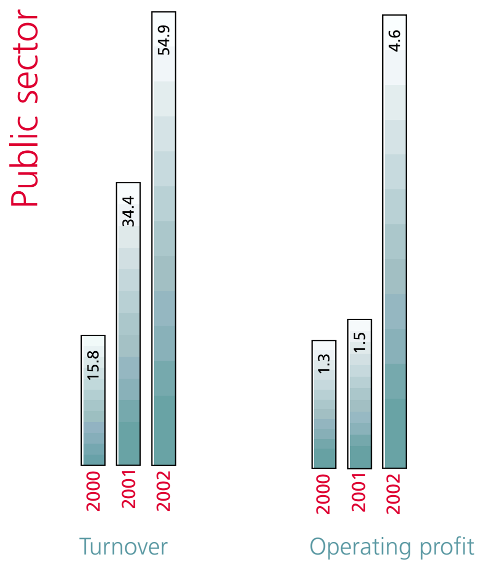


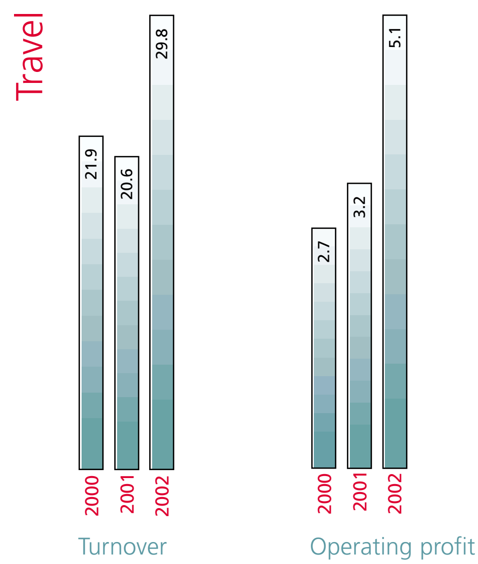
Earnings per share (p)*

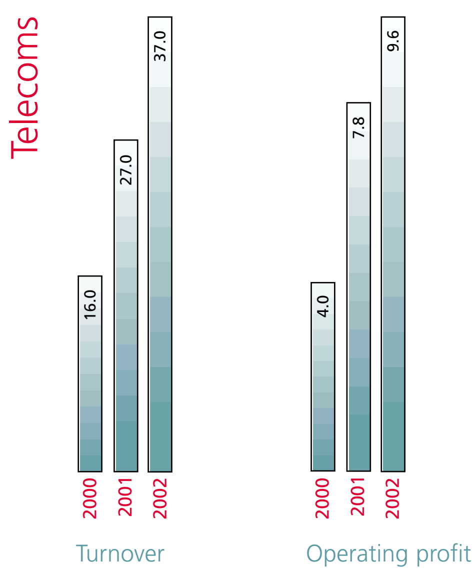
- Turnover of continuing businesses up 29% to £199.8m (2001: £155.3m)
- Profit before tax* up 41.5% to £28.3m (2001: £20.0m), including property provision release of £1.1m (2001: charge £1.8m)
- Earnings per share* up 31% to 7.2p (2001: 5.5p)
- Operating margin* 14.7% (2001: 13.7%)
- Group order book increased by 37% to £74m (2001: £54m)
- Organic Group sales and profits growth of 10.7% and 10.7%, respectively
  - Solutions: strong organic sales and profits growth of 25% and 37% (22% profits growth after adjusting for property release/charge), respectively
  - Consultancy: declines in organic sales and profits of 9% and 35% (51% profits decline after adjusting for property release/charge), respectively
- Strong Group cash management and working capital controls: operating cash flow before tax £26.6m, 94% of profit
- Strong balance sheet with year-end cash balance of £3.9m (2001: £13.6m)
- Acquisitions successfully rebranded and integrated

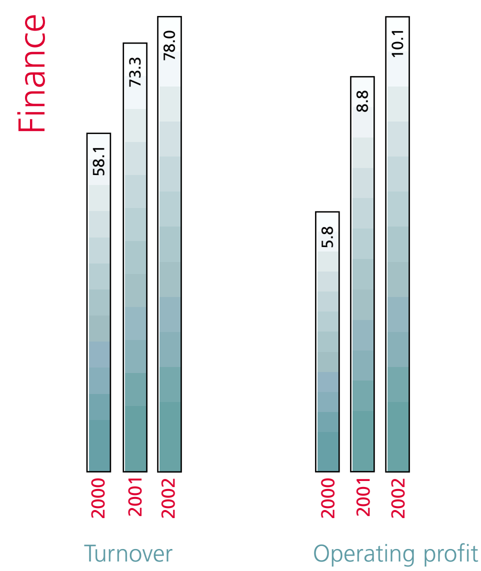
* Continuing businesses before exceptional items and goodwill amortisation.
** Continuing and discontinued businesses before exceptional items and goodwill amortisation.

Core markets –
continuing business

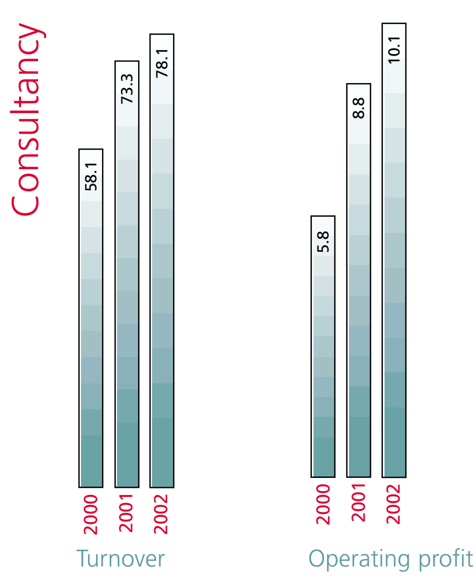


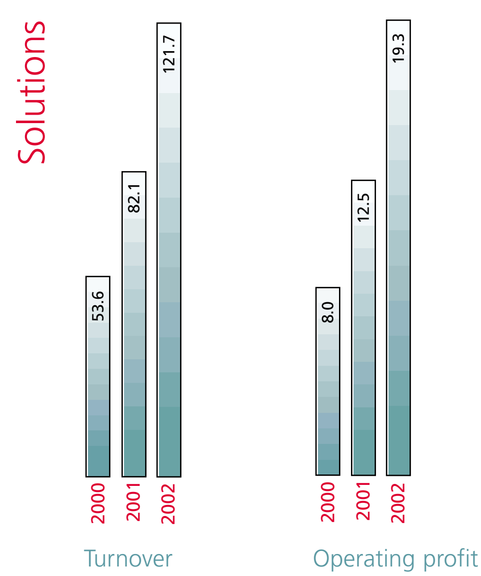






Services provided





Chairman's statement

I am pleased to report that 2001/02 was another year of excellent progress and financial performance for Anite, continuing the exceptional track record the Group has achieved over the past five years.

Good organic growth in three out of four divisions based on strong order intake, together with excellent contributions from recent acquisitions, produced an increase in basic earnings per share (before amortisation of goodwill and exceptional items) of 31% and an operating margin from continuing businesses of 14.7% (2001: 13.7%).

Strong performances from Anite Public Sector, Anite Telecoms and Anite Travel provided the principal momentum behind progress during the year, while Anite Consultancy performed successfully despite experiencing tougher market conditions, especially towards the latter half of the year.

Our successful strategy to expand Anite by organic investment and acquisitions has, we believe, enabled the Group and its businesses to deliver strong growth, albeit in the toughest market for IT services and solutions experienced for a decade. It is the Group's mix and geographical diversification that has helped make this achievable. We believe this will continue to ensure that we are capable of making progress in the future, even in these tough conditions.

Against a weak equity market, particularly for technology companies, we remain wholly committed to our strategy which we believe will deliver value to shareholders.

Acquisition strategy

During the year, we made nine acquisitions, three of which have significantly enhanced our position within the travel market and five have improved our solution and consulting capabilities in the Public Sector, where we believe we now have one of the leading offerings in the UK. These acquisitions to date have cost £20m, with the balance that may become payable (up to a further £42m) contingent in large part on future performance. The acquisition of these businesses, which have been delivering on the expectations we set for them and have been fully integrated within the Anite Group, has been wholly consistent with our strategy. We expect these businesses to be strong growth drivers going forward.

We have continued to make acquisitions in order to build up our chosen sectors through the addition of products, people and clients with the aim of achieving rapid market leadership. This in turn should deliver strong margins and the potential to grow the order book more quickly. Each acquisition has added to the strength and scope of our business, particularly in Anite Public Sector and Anite Travel.

The nascent state of the markets on which we chose to focus has necessitated making a number of acquisitions of small private companies. These acquisitions tend to be made at more realistic valuations and have greater potential for growth. During the course of this year, any acquisitions made will most likely be within the public sector. These acquisitions will address perceived gaps in the provision of a comprehensive offering to our public sector clients and are likely to be modest in size. Accordingly, the focus for this year will be to further demonstrate the innate value of the Group.

People

We welcome the employees who have joined the Group during the year. We now have over 2,400 staff in 13 countries; on behalf of the Board, I thank all team members for their valuable contributions and hard work.

Proposals to increase share option scheme headroom and to introduce a new Inland Revenue approved option scheme were approved at the Annual General Meeting on 4 September 2001. In addition, the Group is launching, with immediate effect, the Anite Group Share Incentive Plan. This is a tax-advantaged plan that will allow employees in the UK to invest in Anite shares using funds direct from their gross salary.

The Board

It has been the Board's stated intention to appoint an additional non-executive director and I am pleased to confirm that David Thorpe has accepted an invitation to join the Board with effect from 26 June 2002. David will chair the Audit Committee for the Group. Mr Thorpe is currently Corporate Vice President, Executive Operations, at EDS and is responsible for the operation of EDS's global outsourcing business in IT and process. Before joining EDS, he was at Bull Information Systems, where he was a member of the UK board and managing director of Bull's largest operating unit, Systems Integration and Services. He has an extensive knowledge of the public sector market having trained as a Public Finance Accountant, spending 17 years in local government and having worked as a managing director of Bull's Public Sector operations.

Dividend policy

The Board continues to believe that, rather than pay dividends, its free cash flow should be reinvested in the business to deliver the Group's core strategy. In this way better shareholder returns can be earned over the long term without exposing the Group to higher gearing.

Group outlook

Overall, in a challenging market environment, we believe that the Group and its businesses have delivered a highly creditable performance which demonstrates the value of our clear focus on building strong market positions in our chosen sectors.

For Solutions, in the year ahead, we expect to see continued strong growth in Travel and Public Sector with a flat performance from Telecoms, reflecting the continuing uncertainty around the timing of 3G. In Consultancy, we expect our business will continue to experience tough marketplaces but, with the benefit of recent acquisitions, we believe that overall performance should be broadly similar to last year.

During the first half of the current financial year, we will be making a significant increase in research and development within Telecoms and Public Sector. This is customer-led development to ensure our solutions remain at the forefront of market developments. As a result of this, and the second-half bias in the delivery patterns of the strongly growing Public Sector business, we expect a more pronounced division between first and second-half profits, such that profits in the first half of 2002/03 could be lower than the corresponding period in 2001/02.

We remain confident in our strategy and in the positioning of the Group. In what could be a tough year ahead we believe that we will continue to benefit from our business and geographical diversification.

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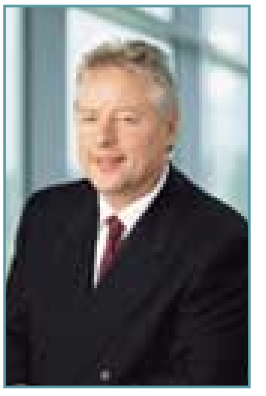
Alec Daly Chairman

Chief Executive's review of operations



Anite has, once again, delivered exceptional results in a turbulent market which created a difficult period for IT services companies.

The key to our success is our focus. For the past five years, we have maintained our strategy of focusing on our businesses: the public sector, travel, telecoms and finance industries. Our customers know what we stand for and our employees understand our customers' businesses and are increasingly experienced at delivering the service.

This year our Public Sector and Travel businesses were the star performers, which we believe is evidence of the benefits of our well balanced and geographically diversified business as well as of the strength that they have built in their core markets (last year's stars were Telecoms and Travel).

The growth in our operating profits in the year was very strong at 38%. Stripping out acquisitions, the software solutions businesses grew profits by 37%, but consultancy declined in a tough market by 35%.

Consultancy

The Group's 1,100 consultants deliver pan-European IT consultancy services. They provide specialised industry knowledge to the banking, public sector, travel and telecoms markets as well as specialised IT skills in Oracle, SAP, Enterprise Resource Planning (ERP), security, data warehousing and supply-chain management.

In the past three-and-a-half years, we have grown the revenue of our consultancy business from nil to £78.1m, and this year have £10.1m operating profit before tax with a margin of 12.9%. We won significant new projects during 2001/02, for example with Landesbank Hessen (Eur 8.9m) and The European Space Agency (Eur 6.2m), and expanded our geographic presence. Our consultancy practice covers the main European IT markets of France, Germany, Benelux and the UK.

Our recently acquired businesses, Datavance Group SARL and Parsec Systems Limited, performed strongly in the French and UK markets respectively. Our German and Benelux businesses, however, suffered from pricing pressure in their markets, although utilisation remained high.

Solutions

We balance our consultancy business with repeatable software solutions, which are focused on the wireless telecoms, travel and public sector markets. These businesses have grown through a combination of organic investment and by acquisition.

Public Sector
Anite Public Sector offers services which cover social services, revenue, benefits and housing applications, principally in the UK. Major government initiatives for "joined-up" local and central government and e-government have given us leadership in the local government market. Anite Public Sector has grown its sales from £15.6m two years ago, to £54.9m this year and generated operating profits before tax of £4.6m with a margin of 8.4%. We have successfully integrated all the acquisitions we have made in this sector.

We continued our strategy of bolt-on acquisitions, providing new solutions in court applications, mobile solutions, cash receipts portals and government consultancy.

Telecoms
The telecoms group, which provides solutions to mobile phone manufacturers and network operators, continued to make strong progress despite toughening markets during the year. It employs 230 people and has bases in Fleet (UK), Chicago (US), and Tokyo (Japan), and will soon open an office in China. Anite Telecoms has grown its sales from £16.0m two years ago, to £37.0m this year and generated operating profits before tax of £9.6m with a margin of 25.9%.

Anite Telecoms, which works with hardware partners such as Ubinetics, Racal and Spirent, effectively simulates, in software, the wireless networks and technologies of Global System for Mobile Communications (GSM), General Packet Radio Services (GPRS) and third generation (3G) networks. The software, which enables wireless device manufacturers to bring new products to market much more quickly and reliably, is considered key within the mobile phone industry.

Travel
We are an established European leader in the provision of global solutions to the travel market and have proprietary software in the reservation, ferry and cruise markets. Anite Travel has grown its sales from £15.2m two years ago to £29.8m this year and, this year, generated operating profits before tax of £5.1m with a margin of 17.1%.

The acquisition of FSS has given us significant coverage in tour operators and, with offices in the US and Australia, global reach. We successfully integrated the acquisition within 60 days of completion.

Management philosophy
Our philosophy is to encourage strong, decentralised management and to create businesses that are dedicated to their target markets. These businesses develop applications and maximise the sales of repeatable solutions on a global basis. We also sell applications, where appropriate to do so, through our consultancy and services business, which has bases in Benelux, France, Germany, Italy and the UK.

We have made dramatic progress across all our businesses by focusing individual business managers on achieving growth in both enterprise value and profit. Since we believe that share ownership is a key motivator for staff, we have introduced SAYE schemes in Benelux, France, Germany and Italy, to mirror those already in place in the UK, and plan to make similar arrangements for Japan and the US.

Client list
Advantel
Army Base Repair Organisation
BNP Paribas
Bourne Leisure
BT Wholesale
Carglass BV
Cegetel
Conexant
Crown Office and Procurator Fiscal Service
CSL Group
Deutsche Börse
Dialog – A Thomson Company
Dresdner Bank
Ericsson
Essex County Council
First Choice
Fred Olsen Cruise Lines
Gerling
Interoute
Landesbank Hessen-Thueringen
London Borough of Haringey Housing Department
London Borough of Newham
Matsushita
mm02
Mott MacDonald
Motorola
MyTravel (formerly Airtours)
Northlink Orkney & Shetland Ferries
Northumberland County Council
ntl Ireland
P&O Ferries
Postbank
Proximus
Sagem
Samsung
Scoot
Sea Containers
Sefton Council
Siemens
Société Générale
Telenor
Telia
Thomas Cook
UbiNetics
Virgin Holidays
VVF Vacances
Wavecrest Communications
Waterbedrijf Europoort
Whitefriars Housing Group

We believe that our above-average performance is, therefore, the result of:

- a clear and consistent strategy;
- focus on a combination of organic growth and successful earnings-enhancing acquisitions;
- sound operational disciplines;
- a strong decentralised management team; and
- excellent people.

All our major acquisitions, other than Datavance and Parsec, have now been branded Anite.

Research and development

Group R&D expenditure will be £9.7m in 2002/03, compared with £6.2m in 2001/02. The increase in expenditure mostly relates to Public Sector.

Offshore development

In line with our stated strategy, we recently entered into an important strategic alliance with European IT software developers, Dati Group, in a move to gain access to offshore development resources and to broaden access to European markets. This includes a call option to acquire the business at a multiple of five times profit before tax (maximum £15m), with £1m of the consideration to be payable in cash, and the balance in Anite shares.

The Dati Group, formed in 1995 as a combination of several information technology companies in Latvia, provides a range of software and network services to public and private sector organisations. Dati has taken charge of several complex, long-term projects for clients in the public sector, including Latvia's State Revenue Service, Latvia Post and Latvia's Administration of Local Government Affairs. It has also carried out large-scale projects in Germany, Switzerland, Austria, Finland, and Hungary. It currently supplies IT software and solutions to Riga City Council and other Latvian municipalities. In 2001 the company had a turnover of Lats 6.5m (£7.3m) and is profitable.

Anite will use the alliance to support initiatives in its finance, travel, telecoms and public sector businesses. The strategic alliance provides us with an offshore development resource that is attractive from a cost viewpoint, but one of high quality and within easy reach. It will, therefore, be a valuable resource for the entire Group.

Anite and Dati have already worked together on demonstrator and product development projects. Anite will also work with Dati to develop the Group's presence in mainland Europe.

Strategy

Our strategic objective, which has remained constant for the past five years, is to establish a consultancy and services group, which is centred on the telecoms, finance, public sector and travel markets, and to establish global repeatable software solutions in two of these areas: telecoms and travel. We aim to achieve this by a combination of organic investment in our people and products and selective acquisitions of businesses that broaden our product portfolio, client and geographic reach.

This strategy helps to create a balance between long-term recurring revenues from managed services and maintenance of solutions, and shorter-term revenues from an order book generated by our consultancy activities. Unlike a pure consultancy business, our strategy has enabled us to increase our revenues and profits without necessarily increasing the number of people we engage.

By focusing on, and creating value in, our core markets, we have been able to perform strongly in these sectors and to develop long-term, and profitable, relationships with our clients. Our ability to retain customers has resulted in approximately 30% of our revenues coming from annuity business. This, combined with our determination to withdraw from low-margin hardware sales and non-core businesses, has enabled us to improve our operating margins from 1.3% to 14.7% in the past four years.

Over the four years ending 30 April 2002, we also made 33 acquisitions, at a total cost of £264m, and disposed of six businesses for a total of £15.4m. During this time, we increased profits before tax from £8.8m to £28.3m (before exceptionals and goodwill amortisation) and reported compound earnings per share growth of more than 41% per annum (on a 19.5% increase in our share capital, based on the average number of shares in issue during the year).

John Hawkins Chief Executive

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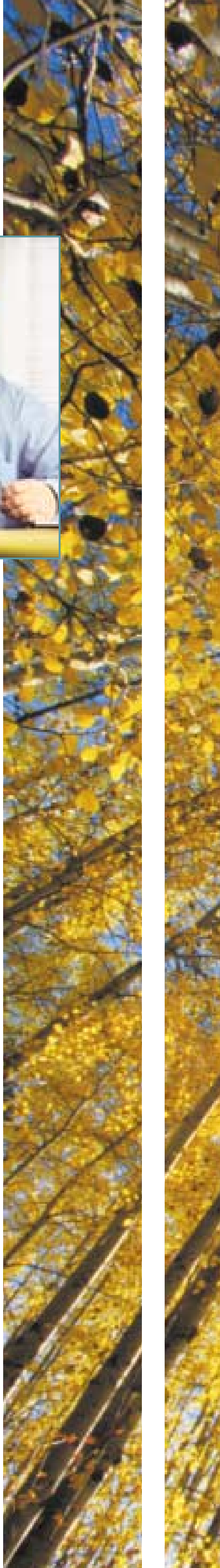


"Anite Scotland has acted as technology partner to The Crown Office and Procurator Fiscal Service (COPFS) on a number of IT projects for the past eight years. In that time, we have developed excellent working relations with staff at all levels at Anite and are confident that when we contact them on any issue, resolution and/or progress will be made."

Peter Beatt, Project Manager, The Crown Office and Procurator Fiscal Service

Anite Public Sector's goal is to be a leading partner of public service organisations in the delivery of excellent services. It works with a wide range of bodies across central, regional and local government, including local authority housing, social services and revenues departments and, in Scotland, the Crown Office and Procurator Fiscal Service (COPFS).

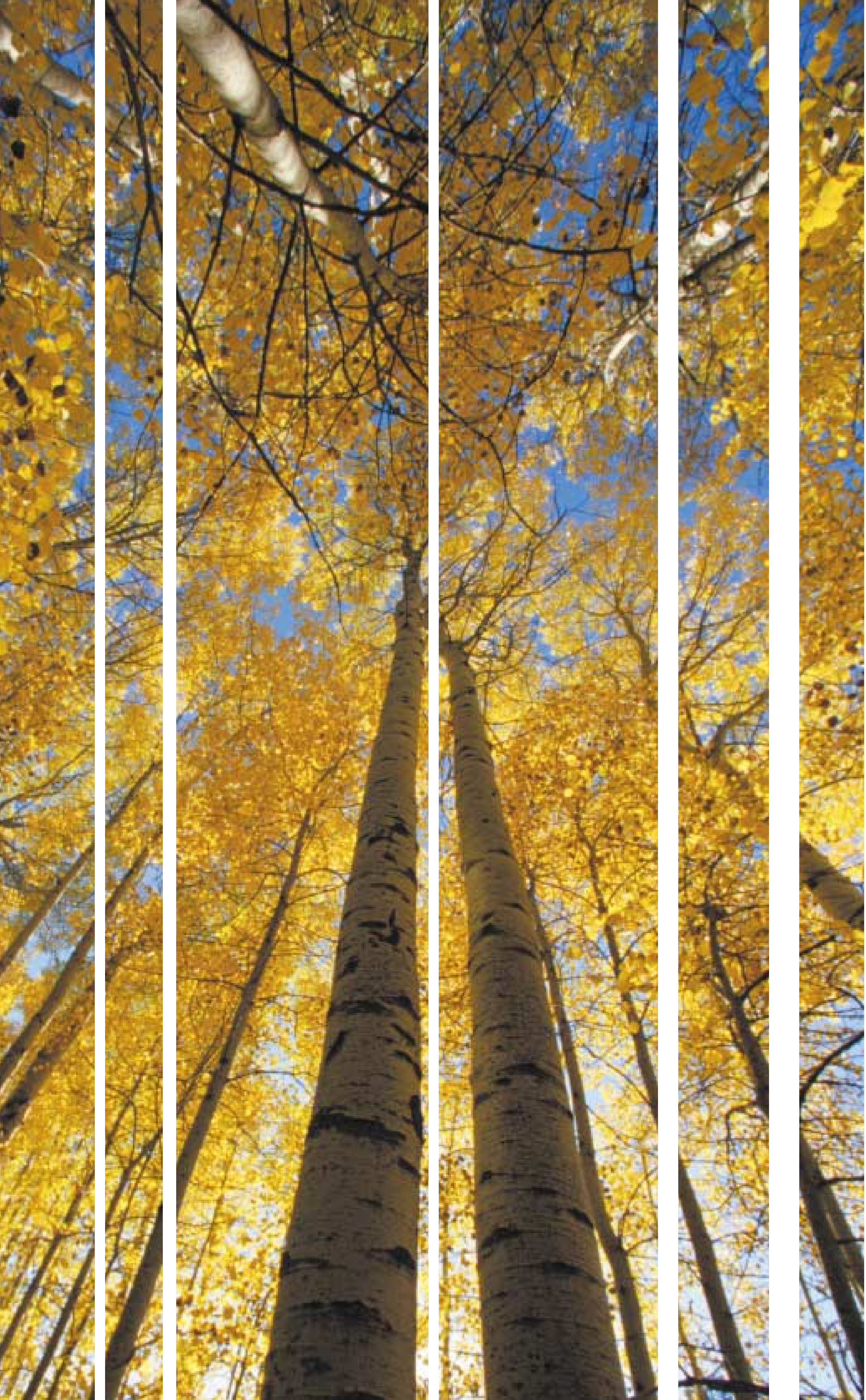
The COPFS is sometimes described as being the equivalent of England's Crown Prosecution Service, but, in fact, covers much more ground. In addition to prosecuting crime, and handling appeals, its remit ranges from investigating unexplained deaths to administering the finding of treasure trove.

In the summer of 2000, Anite began working with six teams from COPFS to remodel its working practices and to develop the Future Office System (FOS). FOS will revolutionise the way cases are processed through the criminal justice system: staff in COPFS's 49 offices throughout Scotland will work electronically. This will not only reduce paper handling, but will speed up communications internally and with other criminal justice agencies, such as the police and courts. By standardising processes and documentation, the quality of management information will be improved, national targets will be met more readily and errors will be reduced.

For the first time, there will be a PC on the desk of every lawyer and paralegal, enabling cases to be conducted entirely electronically. The culture change this requires cannot be overestimated: new team-working arrangements will be introduced and all 1,300 COPFS staff will be trained.

The first phase of the project has completed on-site testing and, combined with a second phase to be delivered this autumn, is due for implementation in the spring of 2003. Further phases will follow in the summer.

The COPFS project is typical of many carried out by Anite Public Sector. Applying new processes and technology to make a real difference to the results is the key to success in e-government projects.



public sector

travel

growth through leadership and focus

"Anite's knowledge and understanding of the travel industry is invaluable. As we expand our business, we know that they are able to advise us on the issues we face in territories which are new to us, and can provide us with the software and service we need."

Nigel Smith, Information Technology Director, Virgin Holidays

Anite's travel systems generate more than 15 million bookings a year through its tour operator reservation systems and over 60 million passenger bookings and 12 million vehicle bookings a year through its cruise and ferry reservation systems. Of the 270 customers for which it delivers IT solutions in the UK, Europe, the Americas and Australasia, it is particularly proud of its relationship with Virgin Holidays in the UK.

The relationship began in 1990, when Virgin first installed a computerised booking system. It developed when, in 1996, Virgin introduced a website which enabled its customers to see what holidays it offered and to download or order brochures. Virgin soon decided, however, that it wanted to be one of the first companies to enable its customers not simply to look, but also to book, online.

It did not want to buy an existing product which simply interfaced with its booking system, but was looking for a unique solution which linked direct to its existing software. It turned to Anite. The system was designed, went live in 1999, and has proved to be so user-friendly that a significant proportion of Virgin holidays are now booked online.

Virgin is now introducing a customer database which will recognise individual customers, wherever or however they book, and will enable those customers to complete the process more quickly. The database will also help Virgin to market to groups of like-minded customers with relevant campaigns.

Anite's long-term relationship with Virgin, combined with its technical expertise and capabilities, means that it understands and can provide solutions for Virgin's immediate needs. Through its integrated set of business applications, which align with Virgin's future technology requirements, it is also able to support future business developments.

An example is the resort selling system which enables representatives to book and issue excursion tickets from hand-held mobile devices while the information is automatically updated into Virgin's reservation system and customer database. This facility, already in use in Florida, supports Virgin Holidays' customer relationship management strategy and will soon be extended to other areas.

growth through leadership and focus

"Our excellent working relationship with Anite Telecoms provides mutual support in our leadership roles in the telecom industry. We were pleased with the competence of the Anite software development engineers in aligning with our technical requirements and schedules and their quick response to initial technical problems we found."

Pat Boland, Director, Software Test Engineering, Motorola PCS

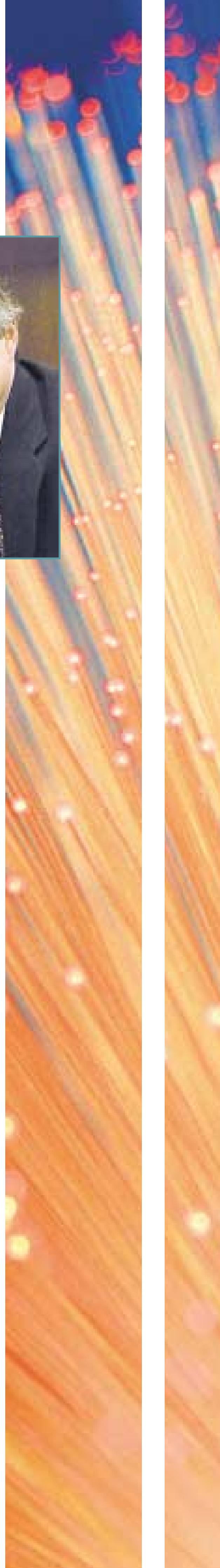
Anite Telecoms delivers high-value software and solutions throughout the world to terminal manufacturers, such as Motorola and Ericsson, and network operators, including Vodafone and France Telecom.

It has had a relationship with Motorola for more than four years and now provides the company with multiple test systems for General Packet Radio Services (GPRS). In addition, the two companies collaborated on developing Anite's GPRS Base Station Simulator (the SAT+). This relationship further enhanced Motorola's reputation for technological innovation and was instrumental in it maintaining a market leadership position by enabling it to become the first company to market GPRS technology.

GPRS, a wireless communications technology, provides mobile telephone users with economical access to internet network services. The world's 100 million internet users increasingly demand access to e-mail, data and the web, from laptops, personal digital devices and mobile phones. Using conventional wireless technology, this is often slow and can prove to be extremely expensive. As GPRS technology is "always on" and offers greater bandwidth, it reduces access time. In addition, because it enables users to share radio channels, it has the potential for reducing cost. This increased bandwidth facilitates access to a wide variety of services, making data intensive applications, such as games, stock market reports, traffic and weather, more accessible.

To help ensure the successful launch of GPRS handsets, compliance testing of the functionality of handsets and their interoperability with appropriate infrastructure, is carried out. Test scripts – a series of instructions designed to test particular aspects of a telephone's operation – are fundamental to this. Before Motorola introduced its implementation of GPRS technology, limited test scripts existed. Working with Anite, the SAT+ functionality was improved to enable Motorola better to develop its own test scripts and so compensate for the limited number commercially available.

This development work resulted in Anite's position as a market leader in the GPRS test market and Motorola's early delivery of GPRS handsets to the market.



telecoms

finance

growth through leadership and focus

"Anite knows how important delivery is to us. They understand our business and it is clear that they are as determined as we are to innovate and realise opportunities. They share our goals; their commitment and supportive team approach will enable us to achieve them."

Joe Morant, Head of eCommerce, The Newton Group

The majority of Anite's finance business has historically been in mainland Europe but, in September 2001, it acquired Parsec Systems Limited, a well-established UK company which specialises in creating business solutions for the financial services industry. Parsec's success is based on building working partnerships with its customers, which include asset-management company The Newton Group, part of Mellon Global Investments.

Newton's sole business is managing investments; it offers a range of investment solutions to individual investors, independent financial advisers, private clients and institutions. Since it was founded, Newton has pursued a "global thematic" approach to investment which recognises that no economy, industrial sector or company should be seen in isolation when a global market for goods and services exists.

It is never enough, however, simply to offer products such as these. Clients now demand rapid access to accurate information and Newton realised that to meet this demand it needed to develop a web-based fund information system. Together with Newton, Parsec developed a robust and flexible system which enabled Newton's clients to check their investments' performance and to give instructions on line.

Parsec's partnership ethos extends to establishing a team of 20 consultants to work in Newton's offices. Working in collaboration has enabled both Newton and Anite to bring their specialist knowledge to projects – and to achieve their goals.

Finance Director's review

Strong profits growth in all our core businesses resulted in Group continuing profits before goodwill amortisation and tax, of £28.3m, 41.5% up on last year. This includes the benefit of a release of £1.1m (2001: charge £1.8m) from the Group property provision. Group net assets at 30 April 2002 were £181m, including net cash balances of £3.9m. We acquired nine new businesses during the year.

Trading
Sales of continuing businesses in the financial year were £199.8m (2000/01: £155.3m). Operating profits, before goodwill amortisation and exceptional items, of the continuing businesses were £29.4m (2000/01: £21.3m).

Software solutions
Profits grew 54.4% to £19.3m in 2001/02 from £12.5m in the previous year.

Telecoms' profits grew 23.1% to £9.6m on sales 36% higher at £37.0m. Sales of 2G and 2.5G solutions continued to be strong and organic profits growth was 17.4% (7% after adjusting for property provision release/charge). Profits were achieved after deducting £5.7m R&D expenditure, which is written off when incurred. Third-generation ("3G") mobile phone technology solutions accounted for £3m of sales; around 75% of current R&D expenditure is incurred on these systems. Order intake in the testing business in the second half was £19.4m, 26% up on the first half.

Profits at Anite Travel increased to £5.1m from £3.2m in the previous year and organic profits growth was 35.5% (20.6% after adjusting for property provision release/charge). Sales of £29.8m (2001: £20.6m) were strongly boosted by deliveries under the ten-year MyTravel (previously Airtours) development and managed services contract which was signed in August 2001. New marketing activity continued to be focused on e-commerce and managed service solutions, which now represent 40% of UK sales. We acquired FSS Group Limited, our major UK competitor, in December 2001 for £9.1m plus £0.9m earnout, and successfully implemented a 60-day plan to merge the two businesses.

Our UK-based public sector business grew dramatically, both organically and by acquisition. Sales increased 59.3% to £54.9m, with a profit of £4.6m (2001: £1.5m). Margins grew to 8.4% (2001: 4.4%). Organic profit growth was 173% (107% after adjusting for property provision release/charge).

Consultancy
Operating profits increased by 14.8% in the year, to £10.1m from £8.8m a year earlier. This growth was driven by acquisitions, mainly Datavance Group SARL and Parsec Systems Limited; underlying organic profits, however, fell 35% (51% after adjusting for property provision release/charge).

Parsec made a strong contribution of £2.3m operating profits in the eight months following its acquisition in September 2001.

Datavance achieved strong profits growth in a difficult trading climate in the French market. In our Dutch business trading was satisfactory in a weak local market.

GMO's high-level consultancy and Austrian business traded strongly. The ERP business continues to suffer from competitive pressures and our cost reduction programme is ongoing.

Anite Deutschland, formerly BIV, experienced pricing pressure from its German banking customers, and second-half profits were lower than the first half. Utilisation remains strong due to the business model of employing contractors "back to back" against a 12-month customer contract.

Acquisitions

On 30 April 2002 we acquired the remaining 53.17% of Anite.Net's ordinary share capital not already owned by Anite. Losses for the year (£0.4m) were consolidated within these results.

During the year, we continued our active programme of other acquisitions as outlined in the Chief Executive's review and detailed in note 15.3 to the accounts.

Earnouts

We have taken active steps to crystallise our two largest share earnout commitments in respect of the 2001/02 financial year to the sellers of Parsec Systems Limited and Calculus Solutions Limited. We will issue shares to those sellers at a share price of 122.1p and 70.7p respectively.

In addition, we have renegotiated the terms of the Calculus 2002/03 earnout, so that Anite may pay up to 80% of the amount it owes to the Calculus sellers in cash rather than shares, at a rate of 50p in the pound, and the balance in shares at a fixed share price of 150p.

We believe that the above terms will bring us greater flexibility and more certainty for shareholders in relation to earnout commitments and potential dilution.

Cash

Net cash balances were £3.9m at 30 April 2002. We maintained strong working capital control during the year.

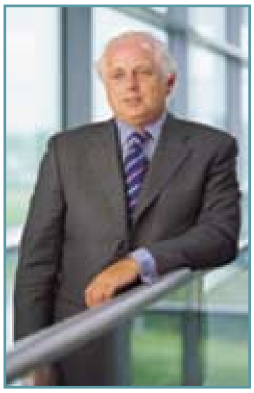
Debtors at 30 April 2002 were 51 days compared with 53 days last year. Stock and work in progress was £9.8m (2001: £5.3m). Telecoms carried exceptional stocks of 3G systems, £2.5m, which are expected to be delivered in the first half of 2002/03.

During the year we disposed of 80.1% of our IT Personnel business for £8.3m in cash, of which £2m is payable over five years. Receipts under this agreement have commenced in accordance with the contract.

Simon Hunt Group Finance Director

Directors and advisers




From left: Alec Daly CBE, John Hawkins, Simon Hunt FCA, David Thorpe, Graham Caleb

Alec Daly CBE
(age 66), Non-Executive Chairman*

Mr Daly joined the Board in October 1995 and has broad management experience gained at Ford Europe, where he was IT Director before taking responsibility for commercial vehicle manufacturing. He was a main board director of GKN, Chairman of the National Manufacturing Council of the CBI and Chairman of Brent International. He is currently a director of Robert Bosch Limited UK and Chairman of Capital Safety Group Ltd.

John Hawkins
(age 48), Chief Executive

Mr Hawkins joined the Board in November 1997 and has considerable international management experience gained at Philips Electronics and Digital Equipment Corporation, where he was responsible for establishing Philips' multi-media and telecommunications businesses worldwide. With Digital he was responsible for the worldwide financial solutions business, a $1bn operation. Before joining Anite he was CEO of Graseby, an electronics company which was sold to Smiths Industries in 1997. He is a non-executive director of Genus Plc (an AIM listed company) and Psion PLC.

Simon Hunt FCA
(age 56), Group Finance Director and Company Secretary

Mr Hunt joined the Board in July 1996 as Finance Director. He was at KPMG from 1964 to 1984, including 11 years as a partner. He spent five years at ACT Group plc as Finance Director and Joint Managing Director. He has been involved in several successful buyouts in the IT sector. He is a non-executive director of MMT Limited and NDR Limited.

David Thorpe
(age 52), Non-Executive Director*

Mr Thorpe joined the Board in June 2002. He is currently Corporate Vice President, Executive Operations, for the Operations Solutions line of business for EDS. Before joining EDS, he was at Bull Information Systems, where he was a member of the UK board and Managing Director of Bull's largest operating unit, Systems Integration and Services. Before entering the corporate world, he spent 17 years in government finance and information technology positions.

Graham Caleb
(age 57), Senior Independent Non-Executive Director*

Mr Caleb joined the Board in February 1999. He has gained extensive international leadership experience in the capacity of both Chairman and Managing Director of his own consultancy company, which operates in both Europe and the USA, as well as personally participating in hi-tech business-critical assignments for companies such as the Vantive, Palm (Pilot) and Dell corporations; he worked directly for Michael Dell in Austin, Texas during the Dell recovery in 1992/1993. He also holds non-executive board positions with Xenicom Limited, Eleksen Limited and Quotient Communications Limited.

* Members of the Audit Committee and Remuneration Committee.
The Nominations Committee comprises the Non-Executive and Executive Directors.

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West Sussex BN99 6DA

Solicitors
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Stockbrokers
UBS Warburg
2 Finsbury Avenue
London EC2M 2PP

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 30 April 2002.

Principal activities

The Company is a holding company and, through its subsidiaries, is engaged in providing consultancy, software and managed e-services for selective vertical markets.

Analyses of turnover, profit on ordinary activities and net assets are given in note 2 to the financial statements.

Business review and outlook

A review of the Group's business during the financial year, its position at the end of the year, significant changes in activities during the year and the Board's view on the trading outlook and future developments are set out in the Chairman's statement, Chief Executive's review and Finance Director's review.

Research and development

Research and development in continuing operations amounted to £6.2m (2001: £4.9m) and was incurred on product development and enhancement.

Results and dividends

The audited accounts of the Group for the year ended 30 April 2002 are set out on pages 32 to 65. The Group loss for the year, after taxation and minority interests, was £1.7m (2001: profit £1.8m). The Directors do not recommend the payment of a dividend for the year ended 30 April 2002 (2001: nil) leaving £1.7m to be transferred from reserves.

Going concern

After making enquiries, the Directors have a reasonable expectation that both the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Significant developments during the year

Acquisitions

The Group acquired nine businesses during the year enhancing the product offerings in selected core markets.

Travel – acquired Didgicom Limited and FSS Group Limited in the UK.

Public Sector – acquired Braid Hill Holdings Limited, the public sector consulting business of Lorien Consulting from Lorien Plc, Ideal Technology Services Limited and Micro Surveys Property Systems Limited in the UK. The Company also acquired the 53.17% of the ordinary share capital of Anite.Net Limited which was not already held within the Group.

Consultancy – acquired Rox Mariehamn Ab in Finland and Parsec Systems Limited in the UK.

The total fair value of the consideration paid and payable was £65.9m and further details are contained in note 15 to the financial statements.

Disposals

In June 2001 the Company disposed of 80.1% of its IT personnel business to a management buy-in team for a total cash consideration of £8.3m. The Company also disposed of its manufacturing and distribution software and services business, Anite B2B Limited, to a management buy-out team for a cash consideration of £1.3m.

Post-balance sheet events

In June 2002, the Company acquired CME Systems Limited for a total consideration of up to £950,000.

On 12 July 2002 the Company crystallised two of its largest share earnout commitments in respect of the 2001/02 financial year to the sellers of Parsec Systems Limited and Calculus Solutions Limited. The Company will issue shares to those sellers at a share price of 122.1p and 70.7p, respectively. The terms of the Calculus 2002/03 earnout were also renegotiated, so that the Company may pay up to 80% of the amount it owes to Calculus sellers in cash rather than shares, at a rate of 50p in the pound, and the balance in shares at a fixed share price of 150p.

Report of the Directors continued

Related-party transactions

Details of related-party transactions are disclosed in note 35 to the financial statements.

Allotments for cash

During the year the Company made the following allotments of shares for cash consideration:

- On 4 December 2001, 1,945,568 shares in the capital of Anite Group plc were allotted at a value of £1.352 each as deferred consideration for Anite Public Sector Limited's acquisition of the government applications business of International Computers Limited on 31 March 2001. Anite Public Sector Limited is a wholly owned subsidiary of the Company.

Directors

Officers during the year

As at the end of the year under review and at the date of this report the following were Directors of the Company:

Messrs A Daly (Non-Executive Chairman), J E Hawkins (Chief Executive), S A Hunt (Finance Director) and G S Caleb (Senior Non-Executive Director). Mr D A Thorpe was appointed as an additional non-executive director on 26 June 2002.

Interests in contracts

No Director has, or has had during the financial year, any interest in any significant contract with either the Company or its subsidiaries.

Director retiring by rotation

Resolutions for the appointments of Messrs Caleb and Hunt who are retiring by rotation and Mr Thorpe who was appointed on 26 June 2002 will be proposed at the Annual General Meeting. Mr Hunt has a service contract with the Company, details of which are set out on page 27. Biographical details for all Directors are set out on page 20.

Substantial shareholders

The Company has been notified in accordance with sections 198 to 208 of the Companies Act 1985 (the "Act") that the following shareholders held a material interest (as defined in the Act) in more than 3% of the Company's issued ordinary share capital at 4 July 2002.

Shareholder	Number of shares	%
Barclays	18,701,229	6.09
Prudential plc	16,477,547	5.37
Fidelity Investments	14,826,544	4.83
Standard Life Group	12,653,184	4.12
Legal and General Investment Management	10,236,891	3.33

Charitable contributions

Contributions by the Group for charitable purposes amounted to £13,000 (2001: £11,100). No contributions were made to political parties during the year.

Environment

Through appropriate actions in individual business units, the Board of Anite is committed to achieving the following overall aims:

- complying fully with environmental legislation that applies to the Group;
- measuring its performance in relation to key environmental impacts;
- reducing and recycling waste wherever viable;
- reducing carbon dioxide emissions as a function of turnover; and
- purchasing environmentally sound goods and services where these are available at competitive prices.

The Board periodically reviews progress towards these aims and sets specific objectives relating to them.

Employees' involvement

The Group has continued to provide employees with relevant information about the Group on financial and economic matters affecting the Group's performance through roadshows and updates and regularly seeking their views on matters of common concern, through representation and line management. The Group operates a Save As You Earn Scheme (SAYE) for UK and overseas employees as a means of enhancing and rewarding participation. The Group has also launched the Anite Group Share Incentive Plan. This is a tax-advantaged plan that will allow employees to invest in Anite shares using funds direct from their gross salary.

The Group continues its policy of supporting the employment of disabled persons where possible, both in recruitment and by the retention of employees becoming disabled while employed by the Group.

Option schemes

It is the Company's policy to grant executive options to incentivise and reward both Directors and senior employees.

Approved

During the year, options to subscribe for a total number of 80,000 shares of the Company were granted under the terms of the Approved Share Option Scheme on 5 December 2001 at 142p per share, on 8 January 2002 at 175p per share and on 1 March 2002 at 133p per share.

Executive

During the year, options to subscribe for a total number of 20,000 shares of the Company were granted under the terms of the Executive Share Option Scheme No 3 on 8 January 2002 at 175p.

Long-term Incentive Plan (LTIP)

During the year, options were granted under the LTIP over a total number of 8,939,650 shares. These options were granted on the following dates at the following prices per share: on 1 May 2001 at 127p, on 13 September 2001 at 102p, on 25 September 2001 at 74p, on 27 September 2001 at 79p, on 11 October 2001 at 85p, on 12 October 2001 at 87p, on 14 January 2002 at 172p, on 12 February 2002 at 163p, on 1 March 2002 at 130p, on 12 March 2002 at 125p, on 19 March 2002 at 126p and on 11 April 2002 at 127p.

The exercise of all options granted under the schemes listed above is linked to targets related to the Company's and/or subsidiaries' profit. In addition, the exercise of options granted to Directors is also linked to targets related to total shareholder return against a peer group of companies.

All grants of options to the Directors are approved by the Remuneration Committee.

Save As You Earn (UK)

Options to subscribe for a total number of 1,474,165 shares at a subscription price of 128p per share were granted on 15 January 2002.

Of the total grant, 374 applicants were granted options representing 1,117,764 shares, exercisable after three years, and 57 applicants were granted options representing 356,401 shares, exercisable after five years.

Save As You Earn (overseas)

Options to subscribe for a total number of 1,485,097 shares were granted on the following dates at the following prices per share: on 27 June 2001 at 117p, on 12 October 2001 at 67p, on 29 January 2002 at 128p, and on 14 February 2002 at 158p.

Of the total grants, 172 applicants were granted options representing 1,401,249 shares exercisable after three years and 22 applicants were granted options representing 83,848 shares exercisable after four years.

Fixed assets

The Directors consider that the market value of the Group's interest in land and buildings approximates to the book value.

Report of the Directors continued

Payment of suppliers

It is the policy of the Group in respect of all its suppliers, where reasonably practicable, to settle the terms of payment with those suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of terms of payment and abide by the terms of payment.

The creditor payment period for the Group throughout the financial period under review is 45 days (2001: 36 days).

Authority to allot shares and disapply pre-emption rights

The Annual General Meeting notice contains two standard resolutions on these matters. Each resolution contains details of the numbers of shares involved and the time period to which they apply. The Directors have no present intention to allot shares under either authority except in the case of the authority to allot shares only:

1 upon the exercise of options under the Group's share option schemes; and
2 to satisfy the payment of certain considerations under the terms of various acquisitions made by the Group.

Authority for the Company to purchase its own shares

Explanatory note to resolution number 9

The Directors believe it is important to provide the Company with the facility to purchase its own shares. It is intended to use this authority in the event that there are sufficient distributable reserves available and provided that any such purchases would result in an increase in the earnings per share of the Company and is likely to be in the best interests of the shareholders generally.

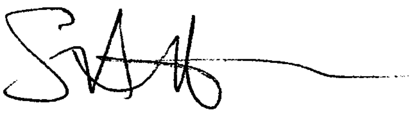
It is not the Board's current intention that the Company stand in the market for any particular period or until any specified number of shares has been acquired.

Any shares purchased will be cancelled and the number of shares in issue will be reduced accordingly. It is intended that the authority will be renewed at future Annual General Meetings of the Company.

Auditors

In the UK an agreement for the partners and personnel of Arthur Andersen to join Deloitte & Touche has recently been concluded and regulatory consent has been received. As a consequence of this, the Board has concluded that it is now appropriate to propose a resolution at the Annual General Meeting to appoint Deloitte & Touche as auditors to the Group for the ensuing year.

By order of the Board and signed by



Simon Hunt Company Secretary
19 July 2002

Report on corporate governance

Set out below is a statement of how the Group has applied the principles of section 1 of the Combined Code on Corporate Governance ("Code") and a statement concerning the Group's compliance with the Code provisions.

Directors' statement on application of, and compliance with, the Principles of Good Governance

The Directors consider that, during the year, the Company has complied with the provisions of the Code of Best Practice set out in section 1 of the Code save that during the year, the number of Non-Executive Directors was less than three and consequently the Company did not comply, during the financial period, with Code provision D3-1 in that the Audit Committee did not comprise the recommended three Non-Executive Directors. The Board of Directors appointed a third Non-Executive Director, David Thorpe, on 26 June 2002. Further explanation of how the principles have been applied is set out below and, in connection with the Directors' remuneration, in the remuneration report.

The Audit Committee

This comprises the Non-Executive Directors and is chaired by Mr Thorpe. It meets at least twice a year. The Committee reviews the Group's annual and interim financial statements, internal management, accounting policies and internal financial controls.

The auditors also attend the meetings.

Internal control

The Directors have overall responsibility for ensuring that the Group maintains a master control system to provide them with reasonable assurance that all internal control used within the business and for external publication is covered including financial, operational and compliance control and risk management, and for ensuring that assets are safeguarded and therefore that shareholders' investment is protected. There are limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

In line with past practice the Board reviewed the internal control system in 2001/02 to ensure that it remains effective. Where significant weaknesses are identified as a result of the reviews, new procedures are put in place to strengthen controls. No significant weaknesses were identified during the year.

The Turnbull report provided further guidance as to how the Code principles on internal control should be applied in practice. The Board has instigated risk assessment processes within all the Group's divisions and procedures have been established to implement the guidance. There is a formal ongoing process for identifying, managing and reviewing any changes in the risks faced by the business. This process operates under the direction of, and is regularly reviewed by, the Board.

The key procedures that the Directors have established and which are designed to provide effective internal control for the Group are:

1 a) the maintenance of a small, experienced Group finance function which monitors the financial performance of operating companies and divisions through analysis of regular financial and management reports together with continuous direct contact with operating company and division management. Consolidated reports and independent commentaries are prepared and submitted to the Board for review at formal monthly Board meetings. In addition, interim reports are issued regarding orders, cash and working capital;
   b) maintenance of local operating boards and divisional management teams, enabling the Board to delegate appropriate levels of authority to a small number of subsidiary company directors and managers, all of whom are directly accountable to the Board;
   c) the maintenance of a Group treasury function;
   d) the application of a rigorous annual budgeting system. All budgets are subject to approval at Group Board level;
   e) the review and comparison of detailed monthly management reports, received from each business unit, against budgets and forecasts;
   f) the issue of a business practices document which sets out the Group's authority procedures and bid approval processes;
   g) an internal audit carried out by the Group Finance Director and his staff periodically to review the internal control element of each of the businesses and report to the Board;
   h) the use of external professional advisers to carry out due diligence reviews of potential acquisitions; and
   i) the periodic detailed objective review of each business and its future direction by both external and internal management.

2 The Board will continue to review the effectiveness of all internal systems of financial control through independent reports where appropriate, and by internal formal monthly review meetings in all main operating companies and divisions to test the validity of the internal reporting process.

3 The Directors are responsible for and have reviewed the effectiveness of the Group's systems of internal controls where appropriate, and, where companies have been in the Group for less than one year, have relied on the due diligence process. The management of the Group as a whole is delegated to the Executive Directors. However, the individual businesses, which comprise the Anite Group, are led by the Managing Directors of those businesses. They have full and clear authority to act subject to the policies and guidelines laid down by the Board.

The Nominations Committee

The Nominations Committee comprises both the Non-Executive and the Executive Directors and is chaired by Mr Daly. The Committee considers the need to make new appointments to the Board.

Division of responsibilities between Chairman and Chief Executive

The Board has divided responsibilities for running the Board and running the Company's business between Mr Daly as Non-Executive Chairman and Mr Hawkins as Chief Executive. Mr Caleb is the nominated Senior Independent Non-Executive Director.

Board balance

The Board is comprised of five Directors, two of whom are executive with the remaining three being non-executive.

Timeliness and quality of Board information

The Company has endeavoured to ensure that Directors are properly briefed on issues arising at Board meetings by establishing procedures to ensure Board papers are distributed in advance of meetings, adjourning meetings or deferring decisions when Directors have concerns about the information available to them and ensuring Directors are fully briefed by the Company Secretary, who is responsible to the Board for the timeliness and quality of information.

Regular re-election of Directors

One-third of the Directors is subject to re-election each year in accordance with the Company's Articles of Association. Notwithstanding this requirement, each Director must retire at the third Annual General Meeting following their appointment or re-appointment in a General Meeting.

Dialogue with institutional shareholders

The Directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders by holding formal meetings with such institutional shareholders throughout the year.

Constructive use of Annual General Meeting (AGM)

The Board has sought to use the AGM to communicate with private investors and encourage their participation by taking minority interest questions during the AGM and, where appropriate, for later response to such questions. The Chairmen of the Audit, Remuneration and Nominations Committees are available to answer shareholders' questions at the AGM.

Remuneration report

Report of the Board on remuneration

As well as complying with the provisions of the Code as disclosed in the Company's corporate governance statements, the Company has applied the Principles of Good Governance relating to Directors' remuneration as described below.

The remuneration of the Executive Directors is determined by the Remuneration Committee, which comprises the Non-Executive Directors. The members of the Remuneration Committee are Mr Daly, Mr Thorpe and Mr Caleb. Mr Caleb is the Chairman of this committee.

The Remuneration Committee has also appointed Hewitt, Bacon & Woodrow as advisers to the committee and in the past year received advice on total remuneration, benchmarking, performance measurement and incentive design.

The principal function of the Remuneration Committee is to determine the remuneration, benefits and terms and conditions of employment of the Executive Directors. The remuneration policy employed by the Company is to ensure that the Executive Directors are rewarded competitively relative to other similar companies in order to attract, retain and motivate executives who are expected to meet the Group's performance criteria, which include profit and cash targets. The Board determines the remuneration of all Non-Executive Directors within the limits set out in the Company's Articles of Association.

Remuneration for Executive Directors comprises (a) short-term rewards (ie salary and bonus) and (b) pensions. Executive Directors can also participate on equal terms with other Group employees in the Company's employee share option schemes and their interest in this respect is set out below. The Remuneration Committee believes that share and share option ownership by Executive Directors acts as an incentive to achieve long-term success for the Company. The Remuneration Committee approves all grants of share options.

Short-term rewards and annual pensions for 2001/02 are set out in the table on page 29.

Service agreements

Mr Hunt has a service contract dated 26 June 1996 that may be terminated by the Company on giving two years' written notice. Mr Hawkins has a service contract dated 3 November 1997 that may be terminated by the Company on giving one year's written notice. The Remuneration Committee believes these notice periods were, at the time their appointments were made, and remain, necessary and appropriate to attract and retain the right type of expertise in the Company. Mr Hunt is to resign and propose himself for re-election at the AGM as set out in the report of the Directors.

Directors' interests in the ordinary shares of the Company

Ordinary shares of 10p each

Executive Option Scheme No 3 – see note 1

Directors	Options held as at 1 May 2001	Exercised during the year	Exercise price	Options held as at 30 April 2002	Date exercisable	Expiry date
J E Hawkins	500,000	250,000	47p	250,000	26/01/2001	26/01/2008
J E Hawkins	500,000	250,000	65p	250,000	30/07/2001	30/07/2008
S A Hunt	667,000	555,833	36p	111,167	04/09/1999	04/09/2006
S A Hunt	200,000	133,333	54p	66,667	14/02/2000	14/02/2007
S A Hunt	133,000	66,500	65p	66,500	30/07/2001	30/07/2008

Long-term Incentive Plan (LTIP) – see note 4

Directors	Options held as at 1 May 2001	Granted	Exercised	Exercise price	Options held as at 30 April 2002	Date exercisable	Expiry date
J E Hawkins	1,361,000	–	1,361,000	47p	–	01/10/2001	01/10/2008
J E Hawkins	961,000	–	–	51.6p	961,000	09/07/2002	09/07/2009
J E Hawkins	1,182,890	–	–	161p	1,182,890	11/07/2003	11/07/2010
J E Hawkins	502,794	–	–	179p	502,794	16/01/2004	16/01/2011
J E Hawkins	–	500,000	–	87p	500,000	12/10/2004	12/10/2011
S A Hunt	607,000	–	244,334	47p	362,666	01/10/2001	01/10/2008
S A Hunt	578,000	–	–	51.6p	578,000	09/07/2002	09/07/2009
S A Hunt	734,094	–	–	161p	734,094	11/07/2003	11/07/2010
S A Hunt	307,263	–	–	179p	307,263	16/01/2004	16/01/2011
S A Hunt	–	250,000	–	87p	250,000	12/10/2004	12/10/2011

SAYE

Directors	Options held as at 1 May 2001	Granted	Exercised	Exercise price	Options held as at 30 April 2002	Date exercisable	Expiry date
J E Hawkins	49,632	–	–	34p	49,632	12/07/2004	12/07/2004

Shares

Directors	Number of shares as at 30 April 2002	Number of shares as at 1 May 2001
A Daly	93,028	83,028
G Caleb	29,100	13,400
J E Hawkins	230,000	55,000
S A Hunt	230,000	105,000

There has been no change in Directors' interests since 30 April 2002.

Notes
1 The exercise of Mr Hawkins' and Mr Hunt's Executive Option Scheme No 3 options was dependent on Anite Group plc achieving three-year cumulative profit targets, set by the Remuneration Committee, which have been achieved. On 17 December 2001, Mr Hawkins and Mr Hunt exercised options over 1,255,666 shares granted to them under the Executive Option Scheme No 3 at prices between 36p and 65p. The mid-market price on 17 December 2001 was 163p. The aggregate gain on exercise for Mr Hawkins was £535,000. The aggregate gain on exercise for Mr Hunt was £916,411.
2 The highest and lowest middle market prices during the year were 69p and 179.5p respectively and the year-end price was 118.5p.
3 All Directors' interests are beneficial.
4 The exercise of Mr Hawkins' and Mr Hunt's LTIP options granted prior to 5 September 2001 are dependent on Anite Group plc achieving EPS targets contained within the scheme rules. All options granted since 5 September 2001 are dependent on Anite achieving profit targets and total shareholder return targets measured against a comparative group of companies. On 17 December 2001, Mr Hawkins and Mr Hunt exercised options over 1,605,334 shares granted to them under the Long-term Incentive Plan at 47p. The mid-market price on 17 December 2001 was 163p. The aggregate gain on exercise for Mr Hawkins was £1,578,760. The aggregate gain on exercise for Mr Hunt was £283,427.

Short-term rewards

Current Executive Directors

Remuneration package annualised basis	Annual salary £	Car allowance £	Bonus £	Benefits in kind £	Total 2002 £	Total 2001 £
J E Hawkins	472,500	40,000	529,200	5,430	1,047,130	950,876
S A Hunt	288,750	26,000	323,400	2,694	640,844	578,822

Bonuses are payable on the achievement of above-budget profit targets. No payments have been made in respect of Directors' pension contributions in the year. The Remuneration Committee has decided that Directors should make their own pension arrangements.

Executive Directors' gains on share options are disclosed on page 28.

Non-Executive Directors

Remuneration package annualised basis	2002 annual salary/fee £	Car allowance £	Benefits in kind £	Total 2002 £	Total 2001 £
A Daly	83,250	30,000	2,809	116,059	116,449
G S Caleb	39,000	–	–	39,000	30,000

Directors' responsibilities

The Directors are required by company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss and cash flows of the Group for that period. The Directors, in preparing those financial statements, are required to and did:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any departures disclosed and explained in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Group maintains adequate and proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors are also responsible for taking such steps as are reasonably open to them for safeguarding the assets of the Group and preventing and detecting fraud and other irregularities.

The auditors' responsibilities are stated in their report on page 31.

Independent auditors' report to the shareholders of Anite Group plc

We have audited the financial statements of Anite Group plc for the year ended 30 April 2002 which comprise the consolidated profit and loss account, balance sheets, consolidated cash flow statement, consolidated statement of total recognised gains and losses and the related notes numbered 1 to 36. These financial statements have been prepared under the accounting policies set out therein.

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, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 or the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the report on corporate governance reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information described in the content section of the annual report, and consider whether it is consistent with the audited financial statements. 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 audit 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 circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 30 April 2002 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and Registered Auditors
180 Strand
London
WC2R 1BL

19 July 2002

Consolidated profit and loss account

for the year ended 30 April 2002

	Notes	2002 £000	2001 restated £000
Turnover			
Existing operations		185,579	155,359
Acquisitions		14,203	–
Continuing operations		199,782	155,359
Discontinued		2,728	37,059
Total turnover	2	202,510	192,418
Cost of sales	3	(111,123)	(116,740)
Gross profit		91,387	75,678
Net operating expenses	3	(87,432)	(67,795)
Operating expenses before goodwill amortisation		63,167	53,634
Goodwill amortisation		24,265	14,161
Operating profit	2		
– existing operations (including goodwill amortisation of £20,893 (2001: £14,161))		5,166	7,172
– acquisitions (including goodwill amortisation of £3,372)		32	–
Continuing operations		5,198	7,172
Discontinued operations		(1,243)	711
		3,955	7,883
Share of associate's operating loss	15	(31)	(201)
Profit/(loss) on sale/closure of discontinued operations	5	2,955	(9,535)
(Loss)/profit on sale of tangible fixed assets	5	(4)	10,123
Profit on ordinary activities before finance charges		6,875	8,270
Finance charges – net	4	(1,111)	(1,174)
Profit on ordinary activities before tax	6	5,764	7,096
Tax on profits on ordinary activities	8	(7,344)	(5,021)
(Loss)/profit on ordinary activities after tax		(1,580)	2,075
Minority interests		(82)	(262)
(Loss)/profit for the financial year		(1,662)	1,813
Dividends paid	10	–	(49)
Retained (loss)/profit for the year	25	(1,662)	1,764
Earnings per share – basic	11	(0.6)p	0.7p
– diluted		(0.6)p	0.7p
Earnings per share on continuing operations excluding amortisation of goodwill and exceptional items – basic	11	7.2p	5.5p
– diluted		6.8p	5.3p

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated balance sheet

at 30 April 2002

	Notes	2002 £000	2002 £000	2001 restated £000	2001 restated £000
Fixed assets					
Goodwill	13		225,567		188,217
Intangible assets	13		2,893		587
			228,460		188,804
Tangible assets	14		12,232		9,107
Associates	15		–		1,016
Other investments	15		1,145		850
			241,837		199,777
Current assets					
Stocks	16	9,819		5,286	
Debtors	17	69,464		59,158	
Short-term deposits	30	16,026		9,473	
Current asset investments	15	–		297	
Cash at bank	30	12,690		16,578	
		107,999		90,792	
Creditors: Amounts falling due within one year	18	(119,274)		(90,197)	
Net current (liabilities)/assets			(11,275)		595
Total assets less current liabilities			230,562		200,372
Creditors: Amounts falling due after more than one year	19		(6,341)		(6,395)
Provisions for liabilities and charges	22		(43,203)		(41,739)
Net assets			181,018		152,238
Capital and reserves					
Called-up share capital	24		30,731		27,979
Share premium account	25		74,595		44,837
Shares to be issued	25		59,350		63,158
Reserves	25		16,140		15,917
Shareholders' funds			180,816		151,891
Minority interests	27		202		347
Total capital employed			181,018		152,238

Shareholders' funds may be analysed as:

	2002 £000	2001 £000
Equity interests	180,766	151,841
Non-equity interests	50	50
	180,816	151,891

The accompanying notes are an integral part of this consolidated balance sheet.

Approved by the Board and signed by

A Daly Chairman
19 July 2002

Parent company balance sheet
at 30 April 2002

	Notes	2002 £000	2002 £000	2001 restated £000	2001 restated £000
Fixed assets					
Investments	15		182,836		156,922
			182,836		156,922
Current assets					
Debtors	17	214,521		173,358	
Short-term deposits		11,730		6,833	
Current asset investments	15	–		297	
		226,251		180,488	
Creditors: Amounts falling due within one year	18	(108,172)		(86,701)	
Net current assets			118,079		93,787
Total assets less current liabilities			300,915		250,709
Creditors: Amounts falling due after more than one year	19		(3,332)		(4,999)
Provisions for liabilities and charges	22		(22,087)		(1,200)
Net assets			275,496		244,510
Capital and reserves					
Called-up share capital	24		30,731		27,979
Share premium account	25		74,595		44,837
Shares to be issued	25		59,350		63,158
Profit and loss account	25		110,820		108,536
Shareholders' funds			275,496		244,510

Shareholders' funds may be analysed as:

	2002 £000	2001 £000
Equity interests	275,446	244,460
Non-equity interests	50	50
	275,496	244,510

The accompanying notes are an integral part of this parent company balance sheet.

Approved by the Board and signed by

A Daly Chairman
19 July 2002

Consolidated cash flow statement

for the year ended 30 April 2002

	Notes	2002 £000	2001 £000
Net cash inflow from operating activities	28	26,634	32,906
Returns on investments and servicing of finance	29	(786)	(1,190)
Taxation	29	(7,969)	(3,651)
Capital expenditure and financial investment	29	(6,221)	8,806
Acquisitions and disposals	29	(21,013)	(33,485)
Equity dividends paid		–	(799)
Cash (outflow)/inflow before management of liquid resources and financing		(9,355)	2,587
Management of liquid funds	29	(5,991)	(9,473)
Financing	29	11,121	23,571
(Decrease)/increase in cash in the year	30	(4,225)	16,685

The accompanying notes form an integral part of this consolidated cash flow statement.

Consolidated statement of total recognised gains and losses

for the year ended 30 April 2002

	Notes	2002 £000	2001 £000
(Loss)/profit for the financial year – Group		(1,631)	2,014
– Associate		(31)	(201)
		(1,662)	1,813
Gain/(loss) on foreign currency translation		1,615	(1,807)
Total recognised (losses)/gains relating to the year		(47)	6
Prior year adjustment	12, 26	2,384	
Total recognised gains since last annual report and accounts		2,337	

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Notes to the accounts

1 Accounting policies

a) Basis of preparation and consolidation
The Group accounts consolidate the accounts of the Company and its subsidiaries all of which are made up to 30 April each year. The results of companies acquired or sold during the year are dealt with from the date of acquisition or to the date of sale. No profit and loss account is presented for the Company as provided by Section 230 of the Companies Act 1985.

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards. The accounting policies below have been applied consistently throughout the year and the preceding year, except for the adoption of FRS 19, as detailed in note 12.

b) Goodwill and intangible fixed assets
i) Goodwill
Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is ten years. Provision is made for any impairment.

Goodwill arising prior to 1 January 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.

ii) Software licences
Software licences are included at cost and depreciated in equal annual instalments over the period for which the licence runs. Provision is made for any impairment.

c) Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Freehold properties	2% per annum of cost excluding land
Long leasehold properties	50 years
Short leasehold properties	Length of lease
Office equipment and fixtures and fittings	10% to 50% per annum of cost
Computer equipment	33% to 50% per annum of cost
Vehicles	25% per annum of cost

d) Stocks and work in progress
Stocks and short-term work in progress are stated at the lower of cost and net realisable value. Costs include materials and, where relevant, direct labour and appropriate overheads.

e) Revenue recognition and long-term contracts
The Group's turnover is broken down into a number of elements of which the revenue recognition policies followed are set out below:

Revenue generated from time and material contracts is recognised in line with when the work is performed.

Revenue generated from fixed-price contracts, including relevant licence fees where service essential to the functionality of the software is being performed, is recognised on a percentage of completion basis over the life of the contract. Provision is made in full for any expected losses on uncompleted contracts. Amounts recoverable on fixed-price contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as deferred income. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred, net of amounts transferred to cost of sales, less provisions for contingencies and anticipated future losses on contracts, are included as fixed-price contract balances in work in progress.

1 Accounting policies continued

Revenue from sale of software relates mainly to perpetual licences, which provide the customer with the right to use the Group's products. Where the additional services are not essential to the functionality of the software then revenue is recognised 50% on delivery and 50% on acceptance when the following conditions are met:

- persuasive evidence that an arrangement exists;
- the vendor's fee is fixed or determinable; and
- collection is probable.

Maintenance revenue is recognised on a straight-line basis over the life of the related agreement.

Managed services revenue is recognised over the life of the contract. Sales, operational and administration costs are written off as incurred.

f) 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 or to receive tax, with the following exceptions:

- provision is made for the gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets;
- provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over nor eliminated by capital losses; and
- deferred tax assets are only recognised to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted by the balance sheet date.

g) Research and development expenditure

Research and development expenditure is charged to the profit and loss account as incurred.

h) Leases and hire purchase

Fixed assets acquired under finance leases, which transfer to the lessee substantially all the benefits and risks of ownership and hire purchase contracts, are treated as if they had been purchased. The interest element of these obligations is charged against profit in proportion to the capital element outstanding.

Rentals applicable to operating leases are charged to the profit and loss account as incurred where the properties are in current operational use.

i) Foreign currency

Transactions in foreign currency are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Notes to the accounts continued

1 Accounting policies continued

j) Pensions
The costs of the Company's defined benefit pension arrangements are charged on a systematic basis allowing for the expected pension costs to be spread over the remaining service lives of the scheme members, as calculated by the actuaries to the Group's pension schemes. Costs of defined contribution personal pension arrangements are charged to the profit and loss account as incurred.

k) Surplus properties
Provision has been established on a property-by-property basis to meet the estimated liabilities, including dilapidations, of all properties surplus to the requirements of the business. All ongoing costs net of rental income are charged to the provision.

The surplus property provision is discounted where the impact of the time value of money is material and any movement on discounting is charged to the profit and loss account as a financing charge or credit.

l) Financial instruments
Derivative instruments utilised by the Group are interest rate collars and forward exchange contracts. The Group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies.

Transactions denominated in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. At the balance sheet date unhedged monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date.

m) Investments
Except as stated below, investments held as fixed assets are stated at cost less provision for any impairment.

n) Associates
In the Group accounts investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' profits less losses while the Group's share of the net assets of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

2 Turnover and business segment analysis

Classes of business

	2002 £000 Consultancy	2002 £000 Solutions	2002 £000 Discontinued	2002 £000 Group	2001 £000 Consultancy	2001 £000 Solutions	2001 £000 Discontinued	2001 £000 Group
Turnover	78,052	121,730	2,728	202,510	73,296	82,063	37,059	192,418
Operating profit	10,126	19,337	(1,243)	28,220	8,820	12,513	711	22,044
Share of associates' operating loss	–	(31)	–	(31)	–	(201)	–	(201)
Goodwill amortisation	(11,420)	(12,845)	–	(24,265)	(8,403)	(5,758)	–	(14,161)
	(1,294)	6,461	(1,243)	3,924	417	6,554	711	7,682
Finance charges (net)				(1,111)				(1,174)
Net exceptional items reported after operating profit				2,951				588
Profit on ordinary activities before taxation				5,764				7,096
Net assets/(liabilities)	26,790	157,297	(3,069)	181,018	26,601	107,314	18,323	152,238

Geographic analysis of turnover

	Origin 2002 £000	Origin 2001 £000	Destination 2002 £000	Destination 2001 £000
Europe – United Kingdom	115,011	111,380	98,409	86,455
Europe – other	76,079	77,384	89,309	93,695
North America	8,311	3,234	9,088	8,241
Rest of the world	3,109	420	5,704	4,027
	202,510	192,418	202,510	192,418

Geographic analysis of profit on ordinary activities before taxation and net assets

	2002 Profit and loss before taxation £000	2002 Net assets £000	2001 Profit and loss before taxation £000	2001 Net assets/ (liabilities) £000
Europe	29,116	179,970	21,576	152,677
North America	866	855	(66)	(316)
Rest of the world	47	193	(253)	(123)
Profit on ordinary activities before goodwill	30,029		21,257	
Less: goodwill (all attributable to Europe)	(24,265)		(14,161)	
Total	5,764	181,018	7,096	152,238

Notes to the accounts continued

2 Turnover and business segment analysis continued

Acquisitions contributed the following amounts during the year:

	Turnover £000	Operating profit/(loss) before amortisation of goodwill £000	Amortisation of goodwill £000	Operating profit/(loss) after amortisation of goodwill £000
Consultancy				
Parsec Systems Limited	5,308	2,344	(1,848)	496
	5,308	2,344	(1,848)	496
Solutions				
FSS Group Ltd	4,107	693	(622)	71
Braid Hill Holdings Limited	140	39	(24)	15
Didgicom Limited	561	111	(145)	(34)
Rox Mariehamn bv	1,054	47	(20)	27
Public sector businesses from Lorien Plc	2,013	254	(58)	196
Ideal Technology Services Limited	195	104	(58)	46
Micro Surveys Property Systems Limited	267	188	(30)	158
Anite.Net Limited	558	(376)	(567)	(943)
	8,895	1,060	(1,524)	(464)
	14,203	3,404	(3,372)	32

Disposals and discontinued businesses contributed the following amounts during the year:

	£000	Operating profit/(loss) before and after amortisation of goodwill £000
Anite IT Personnel Limited	1,862	40
Networks Consultancy	268	(1,184)
Brussels and Luxembourg branch closure	598	(99)
	2,728	(1,243)

3 Cost of sales and operating expenses (net)

	2002 Continuing £000	2002 Discontinued £000	2002 Total £000	2001 Continuing £000	2001 Discontinued £000	2001 Total £000
Cost of sales	108,626	2,497	111,123	86,564	30,176	116,740
Net operating expenses						
– selling costs	12,849	250	13,099	10,145	2,227	12,372
– administration	73,109	1,224	74,333	51,478	3,945	55,423
	85,958	1,474	87,432	61,623	6,172	67,795

Included within administration expenses relating to continuing operations is goodwill amortisation of £24,265,000 (2001: £14,161,000). Included within cost of sales of continuing operations is £7,051,000 relating to the acquisition of businesses. Included within selling and administration costs of continuing operations are £1,045,000 and £2,703,000 respectively relating to the acquisition of businesses.

4 Finance charges (net)

	2002 £000	2001 £000
Interest receivable and similar income	425	1,692
Interest on loan note deposits	460	–
	885	1,692
Interest payable		
Bank loans and overdrafts	(1,188)	(2,320)
Loan notes	(655)	–
Finance charges	(49)	(55)
Unwinding of discount on provisions	(95)	(491)
Exchange loss on foreign currency borrowings less deposits (net)	(9)	–
	(1,996)	(2,866)
Net interest payable	(1,111)	(1,174)

5 Exceptional items reported after operating profit

The profit/(loss) on sale/closure of discontinued businesses includes:

	2002 £000	2002 £000	2001 £000
Write back of expired warranty provisions on previous disposals		2,040	–
Net gains on disposals/closure of discontinued businesses		964	184
Loss on sale of Anite IT Personnel Limited ("ITP") (note 15.4)	(9,630)		
Loss on sale of Anite B2B Limited ("B2B") (note 15.4)	(138)		
	(9,768)		
Provided in accounts to 30 April 2001	(9,719)		(9,719)
Additional adjustments to loss on sale of "ITP" and "B2B"		(49)	–
		2,955	(9,535)
The (loss)/profit on the disposal of the Chess building		(4)	10,123

The tax effect of the above transactions is nil.

6 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging/(crediting):

	2002 £000	2001 £000
Depreciation		
– owned	3,366	3,118
– hired under finance leases and hire purchase contracts	532	204
Research and development		
– current year	6,202	4,924
Auditors' remuneration		
– for audit work	347	345
– non-audit work	126	119
Operating lease rentals		
– equipment and motor vehicles	1,780	1,937
– buildings	4,420	5,163
Amortisation of goodwill	24,265	14,161
Amortisation of intangible software licences	725	150
(Release)/charge to the property provision	(1,117)	1,818

7 Staff costs

The average number of persons employed (including executive directors) was as follows:

	2002 Number	2001 Number
United Kingdom	1,279	946
Germany	323	345
Benelux	190	210
France	342	349
Italy	22	17
Others	33	12
	2,189	1,879

The amount charged in arriving at the operating profit for the year in respect of all employees was as follows:

	2002 £000	2001 £000
Wages and salaries	75,919	59,410
Social security costs	11,284	8,766
Other pension costs	1,871	1,268
	89,074	69,444

The Group operates an Inland Revenue approved employee share option scheme and has taken advantage of the exemption, given in UITF Abstract 17, Employee share schemes, from recognising a charge in the profit and loss account for the discount on the options.

Details of Directors' remuneration are shown in the Review of the Board Committee on Executive Remuneration on pages 27 to 29.

8 Tax on profits on ordinary activities

The tax charge is made up as follows:

	2002 £000	2001 £000
Current tax		
UK corporation tax	5,472	2,630
Foreign tax	2,609	2,980
	8,081	5,610
Adjustments in respect of prior years		
UK corporation tax	(861)	(250)
Foreign tax	67	155
Total current tax	7,287	5,515
Deferred tax		
UK	368	(672)
Foreign	(319)	178
Effect of changes in tax rate on opening liability	8	–
Total deferred tax (see note 23)	57	(494)
Total tax on profit on ordinary activities	7,344	5,021

Factors affecting tax charge for the period

The tax assessed on the profit on ordinary activities for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £000	2001 £000
Profit on ordinary activities before tax	5,764	7,096
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 30% (2001: 30%)	1,729	2,129
Effects of:		
Disallowed expenses and non-taxable income	466	399
(Profit)/loss on sale/closure of discontinued operations	(887)	2,861
Goodwill amortisation	6,620	3,588
Capital allowances in excess of depreciation	(11)	(31)
Short-term timing differences	(28)	27
Tax losses carried forward	123	–
Utilisation of tax losses	(570)	(410)
Higher tax rates on overseas earnings	565	679
Accounting profit on chargeable assets	(180)	(3,037)
Adjustments to tax charge in respect of previous periods	(794)	(95)
Allowable income/(deduction) not credited/(charged) to profit and loss account	254	(595)
Group current tax charge for period	7,287	5,515

8 Tax on profits on ordinary activities continued

The Group earns its profits in the UK and overseas. The tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%, as the Group's head office is in the UK.

The Group's overseas profits are primarily earned in Germany, France and the Netherlands where the average tax rate is 35%. The Group's effective tax rate is lower than the average rate for its main operating territories due to the availability of losses brought forward and tax relief available for amortisation in Germany.

The Group's planned level of capital investment is expected to remain at similar levels of investment. Therefore, it expects to be able to claim capital allowances in excess of depreciation in future years, at a similar level to the current year.

Factors that may affect future tax charges are as follows

Deferred tax assets in respect of losses carried forward in certain companies have not been recognised because at present, it is uncertain that there will be sufficient future taxable profits in those companies from which future reversal of the underlying losses can be deducted. The total unrecognised deferred tax asset in respect of losses carried forward is £3,565,000 (2001: £1,799,000).

No provision has been made for taxation of £2,272,000 (2001: £2,272,000) in respect of chargeable gains rolled over because at present, there is no commitment to dispose of the replacement assets.

The total net deferred tax liability recognised of £77,000 (2001: deferred tax asset £89,000) consists of deferred tax assets recognised of £2,585,000 (2001: £3,119,000) and deferred tax liability recognised of £2,662,000 (2001: £3,030,000).

The Group has surplus ACT carried forward of approximately £2,000,000, which has not been recognised as a deferred tax asset.

9 Profit attributable to Anite Group plc

The retained profit for the financial year, dealt with in the accounts of the parent company, Anite Group plc, was £1,418,627 (2001: restated £8,480,000). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

10 Dividend paid and proposed

	2002 £000	2001 £000
Underprovision of prior year	–	49

11 Earnings per ordinary share

The calculations of earnings per share are based on the following profits and number of shares:

	2002 £000	2001 £000
Earnings		
– (loss)/profit for the financial year	(1,662)	1,813
Excludes:		
– goodwill amortisation	24,265	14,161
– loss/(profit) on sale of tangible fixed assets	4	(10,123)
– (profit)/loss on sale/closure of discontinued operations	(2,955)	9,535
– loss/(profit) on discontinued operations	1,243	(711)
Adjusted earnings – profit on continuing operations before goodwill amortisation and exceptional items	20,895	14,675
Number of shares (000)		
Weighted average number of shares in issue – used to calculate basic earnings per share	289,589	266,012
Effect of dilutive ordinary shares		
– share options	1,372	1,690
– SAYE scheme	767	2,149
– contingent consideration	15,760	6,381
Number of shares used to calculate diluted earnings per share	307,488	276,232

Earnings per share on continuing operations excluding goodwill amortisation and exceptional items has also been included as the Directors consider that this figure is helpful for a better understanding of the underlying business. In calculating earnings per share after goodwill amortisation and exceptional items, the dilutive potential ordinary shares of 17,899,000 were excluded from the calculation of total diluted number of shares in the year ended 30 April 2002 as their inclusion would have been anti-dilutive.

12 Prior year adjustment

The Group has implemented the requirements for accounting for deferred tax under FRS 19. The figures in the primary statements have been restated to reflect the new policy. The effect in the change in policy is summarised below:

	2002 £000	2001 £000
Profit and loss account		
– tax charge/(credit)	439	(735)
Decrease/(increase) in net profit after tax	439	(735)
Balance sheet		
– debtors	2,585	3,119
Increase in net assets	2,585	3,119

13 Intangible fixed assets

	Goodwill £000	Software licences £000	Total £000
Cost			
At 1 May 2001	212,591	750	213,341
Additions	2,555	3,031	5,586
Acquisitions	66,747	–	66,747
Adjustment in respect of earnout provision not required	(7,687)	–	(7,687)
At 30 April 2002	274,206	3,781	277,987
Amortisation			
At 1 May 2001	24,374	163	24,537
Charge for the year	24,265	725	24,990
At 30 April 2002	48,639	888	49,527
Net book value at 30 April 2002	225,567	2,893	228,460
Net book value at 30 April 2001	188,217	587	188,804

14 Tangible fixed assets

Group	Freehold land and buildings £000	Computers £000	Plant, fixtures equipment and motor vehicles £000	Total £000
Cost				
At 1 May 2001	–	8,065	9,888	17,953
Foreign exchange movement	–	(11)	(30)	(41)
Acquisition of businesses	1,760	288	708	2,756
Additions	–	3,793	2,676	6,469
Disposals	–	(77)	(4,514)	(4,591)
At 30 April 2002	1,760	12,058	8,728	22,546
Depreciation				
At 1 May 2001	–	6,158	2,688	8,846
Foreign exchange movement	–	(6)	(26)	(32)
Charge for the year	14	1,892	1,992	3,898
Disposals	–	(35)	(2,363)	(2,398)
At 30 April 2002	14	8,009	2,291	10,314
Net book value at 30 April 2002	1,746	4,049	6,437	12,232
Net book value at 30 April 2001	–	1,907	7,200	9,107

Included in the above are plant, equipment and motor vehicles held under finance leases with a net book value of £1,484,000 (2001: £127,000).

15 Fixed asset investments

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Subsidiary undertakings	–	–	181,861	156,072
Associates	–	1,016	–	–
Other investments	170	–	–	–
Own shares	975	850	975	850
	1,145	1,866	182,836	156,922

15.1 Principal Group investments

The parent company and the Group have investments in the following subsidiary undertakings, which principally affected the profit or net assets of the Group.

	Ownership percentage by the Group (Anite Group plc) at 30 April 2002	Place of incorporation/ registration
Subsidiary undertakings		
Anite Benelux bv	100%	Netherlands
Anite Business Systems Limited	100%	England
Anite Calculus Limited	100%	England
Anite Consulting GmbH	100%	Germany
Anite Deutschland GmbH & Co Kg	100%	Germany
Anite Deutschland Logistik GmbH (formerly JSC GmbH)	100%	Germany
Anite Europe sârl	100%	Luxembourg
Anite Government Systems Limited	100%	England
Anite.Net Limited*	100%	England
Anite On Line Limited	100%	England
Anite Opentur S.r.l.	100%	Italy
Anite plc*	100%	England
Anite Public Sector Limited	100%	England
Anite Systems GmbH	100%	Germany
Anite Systems Holdings Limited*	100%	England
Anite Systems sârl	100%	Luxembourg
Anite Telecoms Limited	100%	England
Anite Telecoms Inc	100%	USA
Carus Ab	100%	Finland
Datavance Group	100%	France
Datavance Informatique	100%	France
Delta Partners SA	100%	France
Didgicom Limited	100%	England
Educational Measurements Limited*	100%	England
Eurowise PP Limited	100%	England
FSS Group Limited*	100%	England
FSS Travel & Leisure Systems Limited	100%	England
GMO Holdings GmbH	100%	Germany
GMO Management Consulting GmbH	67.5%	Germany
GMO Management und EDV Organisationberatung Gesellschaft mbH	100%	Austria
J&S Engineers Limited*	100%	England
Parsec Systems Limited	100%	England
Reilrop bv	100%	Netherlands
Rox bv*	100%	Finland
Sheridan Systems Limited	100%	England
Wick (Surrey) Properties Limited*	100%	England

All companies listed above have been included in the consolidated accounts. All shares held are ordinary shares with one vote per share.

* Indicates companies held directly by the Company.

The country of incorporation is also the country in which each company has its principal place of business.

15.2 Subsidiary undertakings

Company only	2002 £000	2001 £000
At 1 May 2001	156,072	106,518
Additions	112,691	64,809
Amounts written off	(397)	(1,049)
Group transfers	(86,505)	(14,206)
At 30 April 2002	181,861	156,072

15.3 Acquisition of subsidiary undertakings

Parsec Systems Limited

In September 2001 the Group acquired 100% of the issued share capital of Parsec Systems Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair values to the Group:

	Book and fair value to Group Total £000
Fixed assets	221
Debtors and prepayments	1,241
Cash at bank	671
Total assets	2,133
Trade creditors	110
Corporation tax	923
Other creditors and accruals	791
Total liabilities	1,824
Total net assets	309
Goodwill	27,872
	28,181
Satisfied by:	
Shares issued	3,500
Loan notes issued	3,500
Contingent consideration paid in shares	2,293
Contingent consideration paid in loan notes	2,293
Contingent consideration payable in shares	7,707
Contingent consideration payable in cash/loan notes	7,707
Expenses arising from acquisition	1,181
	28,181

There were no fair value adjustments on acquisition.

Net cash outflows in respect of the acquisition comprised:

Expenses arising from acquisition	1,181
Cash at bank and in hand acquired	(671)
	510

15.3 Acquisition of subsidiary undertakings continued

FSS Group Limited

In December 2001 the Group acquired 100% of the issued share capital of FSS Group Limited and its wholly owned subsidiaries. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair values to the Group:

	Book value £000	Accounting policy* £000	Other† £000	Total £000
Intangible assets	4,818	–	(4,818)	–
Fixed assets	2,736	(38)	(534)	2,164
Trade debtors	746	–	–	746
Debtors	263	–	(10)	253
Cash	189	–	–	189
Total assets	8,752	(38)	(5,362)	3,352
Trade creditors	281	–	–	281
Bank loans	1,804	–	–	1,804
Bank overdraft	226	–	–	226
Corporation tax	6	–	–	6
Loan notes and loan stock	8,750	–	(8,750)	–
Other creditors and accruals	4,529	–	1,302	5,831
Total liabilities	15,596	–	(7,448)	8,148
Total net liabilities	(6,844)	(38)	2,086	(4,796)
Goodwill				15,155
				10,359
Satisfied by:				
Cash consideration				4,257
Loan note				2,843
Shares issued				2,000
Contingent consideration payable in loan notes				900
Expenses arising from acquisition				359
				10,359

* Change in accounting policy. Fixed asset policy brought into line with Anite's accounting policies.
† Other. Goodwill arising on previous acquisitions by FSS has been written off. The freehold land and buildings were valued on an open market basis in December 2001. Loan notes and loan stock were redeemed as part of the acquisition. Other creditors include a provision for empty property calculated in accordance with FRS 12.

Net cash outflows in respect of the acquisition comprised:

Cash consideration and expenses arising from acquisition	4,616
Bank overdraft acquired (net)	37
Bank loans acquired	1,804
	6,457

15.3 Acquisition of subsidiary undertakings continued

During the financial year the Group made the acquisition of the following other businesses and assets:

	Date acquired	Initial consideration £000	Deferred consideration/ earnout £000	Total £000
Didgicom Limited	27 June 2001	650	1,150	1,800
Rox Mariehamn bv	20 June 2001	150	100	250
Braid Hill Holdings Limited	2 November 2001	200	100	300
Public sector businesses from Lorien Plc	11 February 2002	2,000	2,800	4,800
Ideal Technology Services Limited	22 March 2002	225	4,750	4,975
Micro Surveys Property Systems Limited	17 April 2002	1,000	7,000	8,000
Anite.Net Limited*	30 April 2002	420	4,050	4,470
		4,645	19,950	24,595

* Anite converted its holding of preference shares into ordinary shares and acquired the remaining ordinary shares in Anite.Net Limited. Anite has exercised management control since 25 June 2001 and the results of Anite.Net Limited have been consolidated as a subsidiary from that date (refer note 35c).

The following table sets out the fair value and book value of the net assets of these acquisitions:

	Book value £000	Accounting policy* £000	Other† £000	Total £000
Intangible fixed assets	41	–	(41)	–
Fixed assets	380	(2)	–	378
Work in progress	1,182	–	–	1,182
Debtors	2,545	–	–	2,545
Cash in hand	1,264	–	–	1,264
Bank overdraft	(7)	–	–	(7)
Creditors	(1,348)	(332)	–	(1,680)
Total net assets	4,057	(334)	(41)	3,682
Goodwill				23,720
				27,402
Satisfied by:				
Cash consideration				2,499
Share consideration				1,823
Loan note consideration				323
Deferred cash/ loan note consideration				8,918
Deferred share consideration				11,032
Transfer from investment in associate				1,700
Expenses arising from acquisitions				1,107
				27,402

*Change in accounting policy. Fixed asset depreciation rates and deferred revenue brought into line with Anite's accounting policies.
† Other. Goodwill arising on previous acquisitions has been written off.

Net cash outflows in respect of these acquisitions comprised:

Cash consideration and expenses arising from acquisitions	3,384
Cash at bank and in hand acquired	(1,264)
Bank overdrafts acquired	7
	2,127

Notes to the accounts continued

15.4 Sale of businesses

On 24 May 2001 the Group sold its interest in the ordinary share capital of Anite B2B Limited, effective from 1 May 2001. The operating profit for its last financial year was £833,000.

Net assets disposed of and the related sale proceeds were as follows:

	£000
Fixed assets	238
Current assets	3,749
Creditors	(2,604)
Net assets	1,383
Loss on sale	(138)
Sale proceeds	1,245
Satisfied by:	
Cash	250
Deferred consideration	59
Loan waived	1,018
Costs	(82)
	1,245
Net cash inflows in respect of the sale comprised:	
Cash consideration	250
Cash at bank and in hand sold	(983)
	(733)

On 26 June 2001 the Group sold 80.1% of its interest in the ordinary share capital of Anite IT Personnel Limited and the remaining 19.9% is fully provided against. The operating profit of Anite IT Personnel Limited up to the date of disposal was £40,000, and for its last financial year was £843,000.

Net assets disposed of and the related sale proceeds were as follows:

	£000
Fixed assets	1,065
Current assets	8,414
Creditors	(2,975)
Net assets	6,504
Related goodwill written back from reserves	8,250
	14,754
Loss on sale (provided for in 2001 – refer to note 5)	(9,630)
Sale proceeds	5,124
Satisfied by:	
Cash	6,287
Deferred consideration	2,000
Provision against deferred consideration	(2,000)
Costs	(1,163)
	5,124
Net cash inflows in respect of the sale comprised:	
Cash consideration	6,287
Cash at bank and in hand sold	(2,269)
	4,018

15.5 Associate

	Group £000	Company £000
At 1 May 2001	1,016	–
Addition	715	–
Share of retained loss for the period	(31)	–
Transfer to subsidiary undertakings	(1,700)	–
At 30 April 2002	–	–

15.6 Other investments

Cost	Group £000	Company £000
At 1 May 2001	–	–
Additions	170	–
At 30 April 2002	170	–

15.7 Own shares

Cost	Group £000	Company £000
At 1 May 2001	850	850
Additions	125	125
At 30 April 2002	975	975

The Company operates share option schemes for its employees. The Group has established an employee benefit trust (EBT) for the purpose of hedging its liability for national insurance that will be incurred by the Company when these options are exercised. The Company and the EBT have entered into an agreement under which Anite Group plc agrees to grant options to employees or to provide, or to procure, the provision of sufficient funds to the EBT to enable it to grant options to employees and the shares necessary to hedge the NIC liability which will arise as a result of the exercise by employees of their shares. In return the EBT agrees to assume the obligation to satisfy the options granted by Anite Group plc (or to grant the options itself) and to indemnify the employing companies within the Group against the NIC liability. The number and market value of the ordinary shares held by the EBT at 30 April 2002 was 643,828 shares and £762,936 respectively.

15.8 Current asset investment

	Group £000	Company £000
At 1 May 2001	297	297
Disposals	(297)	(297)
At 30 April 2002	–	–

The Company held 59,000 shares in Sorrento Networks Corporation, a company listed on Nasdaq, which were sold in the year.

16 Stocks

	2002 £000	2001 £000
Electronic components	3,060	1,414
Work in progress	6,543	3,789
Finished goods	216	83
	9,819	5,286

There is no material difference between the replacement cost of stocks and the balance sheet value.

17 Debtors

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Trade debtors	47,796	45,020	–	–
Amounts owed by Group undertakings	–	–	208,778	167,248
Group relief available	–	–	1,570	1,570
Deferred tax asset	2,585	3,119	1,844	1,832
Other debtors	6,268	4,740	2,329	2,708
Prepayments and accrued income	12,815	6,279	–	–
	69,464	59,158	214,521	173,358

18 Creditors – amounts falling due within one year

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Bank loans and overdrafts	18,618	7,271	21,866	16,213
Finance leases and hire purchase obligations	652	266	–	–
Loan notes	15,359	6,400	15,359	6,400
Trade creditors	16,180	11,343	–	–
Amounts owed to Group undertakings	–	–	65,365	57,732
Corporation and overseas tax	10,858	12,067	3,364	–
Other taxes and social security	10,234	6,742	–	–
Other creditors	8,346	12,893	–	–
Accruals and deferred income	39,027	33,215	2,218	6,356
	119,274	90,197	108,172	86,701

The Company has granted a floating charge on its assets to secure bank loans and overdrafts.

19 Creditors – amounts falling due after more than one year

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Obligations under finance leases and hire purchase contracts	726	201	–	–
Bank loan	4,858	4,999	3,332	4,999
Overseas tax	473	850	–	–
Other creditors	284	345	–	–
	6,341	6,395	3,332	4,999

Included within bank loan is a floating rate mortgage. See note 21 for repayment of bank loan balance.

20 Obligations under finance leases and hire purchase contracts

	2002 £000	2001 £000
Due on demand within one year	652	266
Between one and two years	454	159
Between two and five years	272	42
	1,378	467

21 Derivatives and other financial instruments

The Group's financial assets and liabilities mainly comprise bank borrowings, some cash and liquid resources, deferred consideration for acquisitions and various items, such as trade debtors and creditors that arise directly from its operations. As permitted by FRS 13 short-term debtors and creditors have been excluded from the disclosures other than the currency disclosure below.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group finances its operations and acquisitions through a mixture of retained profits, bank borrowings and equity and this policy is reviewed from time to time. The Group borrows in the desired currencies at floating rates of interest. Any surplus cash is invested in short-term bank deposits at the prevailing rates of interest in order to achieve the market rate of return.

The interest rate profile of the Group's financial assets and liabilities was as follows:

	2002				2001			
	Financial assets	Financial liabilities			Financial assets	Financial liabilities		
	Floating £000	Fixed £000	Floating £000	Interest free £000	Floating £000	Fixed £000	Floating £000	Interest free £000
Euro related currencies	8,950	–	(766)	(6,332)	10,296	–	–	(17,283)
US Dollars	1,169	–	–	–	798	–	–	–
Australian Dollars	12	–	–	–	–	–	–	–
Yen	89	–	–	–	538	–	–	–
Sterling	18,496	(1,378)	(38,069)	(20,962)	14,419	(467)	(18,670)	(10,555)
Total	28,716	(1,378)	(38,835)	(27,294)	26,051	(467)	(18,670)	(27,838)

The weighted average period until maturity for financial liabilities on which no interest is payable is two-and-a-half years. The weighted average floating interest rate at 4.96% on sterling financial liabilities is linked to LIBOR and the weighted average floating interest rate at 8% on Euro financial liabilities. The weighted average floating interest rate at 4.36% on short-term deposits included in Sterling financial assets is linked to LIBOR.

Liquidity risk

As regards liquidity, the Group's policy has throughout the year been to ensure continuity of funding and short-term flexibility is achieved by overdraft facilities. The Group had agreed UK overdraft facilities of £13m (net) during the year. These facilities are reviewed annually. The Group has a syndicated facility agreement with three UK banks. The amount available through this facility is £10m fixed term debt, repayable over three years, of which £5m had been repaid by 30 April 2002 and £40m through a revolving credit facility as required until 8 December 2004. The amount of undrawn facilities, including overdraft, at 30 April 2002 was £37m. The Group has hedged the interest payable on fixed term debt through a zero cost interest rate collar over the period of the loan. The cap rate is 6.75% and floor rate 4.85%. The UK companies are part of a Group set-off arrangement with Lloyds TSB Bank plc.

The funding of acquisitions has been through a mixture of the issue of shares and cash. Working capital requirements for overseas companies are dealt with locally, and overseas acquisitions are generally funded from the UK.

21 Derivatives and other financial instruments continued

Foreign currency risk

The Group has overseas subsidiaries which operate mainly in Northern Europe and whose revenues and expenses are denominated in their local currencies. The Group does not currently hedge its investment in overseas subsidiaries, but this policy is reviewed from time to time. Any trading exposures, that may arise, are covered immediately where this is economical.

The Group's currency exposures are as follows:

	Net foreign currency monetary assets				
	2002			2001	
	Sterling related £000	Euro related £000	US Dollars £000	Euro related £000	US Dollars £000
Sterling	–	3,042	82	662	714
Euro	22	–	–	–	3
Total	22	3,042	82	662	717

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities is as follows:

	2002 £000	2001 £000
Due within one year	55,641	41,775
Due between two and five years	11,076	5,200
Due after five years	790	–
Total	67,507	46,975

22 Provisions for liabilities and charges

Group	Deferred consideration £000	Pensions £000	Deferred tax £000	Warranties £000	Surplus property £000	Total £000
At 1 May 2001	21,865	1,500	3,030	6,841	8,503	41,739
Reclassification from creditors	–	–	–	–	–	–
Reclassification from shares to be issued	1,141	–	–	–	–	1,141
Release of provision no longer required	(5,230)	–	–	(2,540)	(1,117)	(8,887)
Established during the year	1,500	–	(477)	–	–	1,023
Acquisition of subsidiaries	19,818	–	33	–	1,100	20,951
Disposal of subsidiaries	–	–	62	(219)	–	(157)
Utilised during the year	(11,821)	(4)	–	–	(907)	(12,732)
Currency adjustment	21	–	14	–	(5)	30
Unwinding of discounting of surplus property provision	–	–	–	–	95	95
At 30 April 2002	27,294	1,496	2,662	4,082	7,669	43,203

22 Provisions for liabilities and charges continued

Company only	Deferred consideration £000	Warranties £000	Pensions £000	Total £000
At 1 May 2001	1,200	–	–	1,200
Reclassification from creditors	–	3,722	1,500	5,222
Release of provision no longer required	(516)	(2,040)	–	(2,556)
Established during the year	1,500	–	–	1,500
Acquisition of subsidiaries	19,818	–	–	19,818
Utilised during the year	(3,093)	–	(4)	(3,097)
At 30 April 2002	**18,909**	**1,682**	**1,496**	**22,087**

The provision for deferred consideration represents the maximum potential liability for cash earnout payments in respect of previous and current year acquisitions. These liabilities are payable within three years of the balance sheet date. The warranty provision has been made to cover any potential claims made by disposed businesses under the contractual warranty period. The surplus property provision was created in 1997 in respect of all properties surplus to business requirements. The provision is calculated in accordance with FRS 12. The deferred tax provision has been made in accordance with the requirements of FRS 19. The pension provision is being retained until the Cray Electronics schemes are finally wound up (see note 33).

23 Deferred taxation liability/(asset)

The Group has applied FRS 19, Deferred Tax, in computing the current year tax charge. This has had the effect of a prior year adjustment to the results for the year ended 30 April 2001. The movements on deferred tax are as follows:

	Group		Company	
	2002 £000	2001 restated £000	2002 £000	2001 restated £000
At 30 April 2001	(89)	2,637	(1,832)	–
Prior year adjustment	–	(3,119)	–	(1,832)
At 1 May 2001 as restated	(89)	(482)	(1,832)	(1,832)
Charged to profit and loss account	57	241	(12)	–
Movement arising from acquisition of businesses	33	–	–	–
Movement arising from disposal of businesses	62	–	–	–
Exchange adjustment	14	152	–	–
At 30 April 2002	77	(89)	(1,844)	(1,832)

The deferred tax consists of:

	Group		Company	
	2002 £000	2001 restated £000	2002 £000	2001 restated £000
Deferred tax assets				
Accelerated capital allowances	(498)	(662)	(12)	–
Other timing differences	(2,087)	(2,394)	(1,832)	(1,832)
Tax losses available	–	(63)	–	–
Total deferred tax assets	(2,585)	(3,119)	(1,844)	(1,832)
Deferred tax liabilities				
Other timing differences	2,662	3,030	–	–
Total deferred tax liabilities	2,662	3,030	–	–
Total deferred tax liability/(asset)	77	(89)	(1,844)	(1,832)

24 Share capital

	Ordinary shares of 10p each (equity) Number	£000	Deferred redeemable shares of £1 each (non-equity) Number	£000
Authorised				
At 30 April 2001	305,000,000	30,500	50,000	50
Increased during the year	45,000,000	4,500	–	–
At 30 April 2002	**350,000,000**	**35,000**	**50,000**	**50**
Allotted, issued and fully paid				
At 30 April 2001	279,286,545	27,929	50,000	50
Issued during the year	27,524,224	2,752	–	–
At 30 April 2002	**306,810,769**	**30,681**	**50,000**	**50**

a Share capital redemption

Deferred redeemable shares of £1 each.

These shares may be redeemed at any time at the option of the Company at a price of 1p each. They are non-equity shares and have no voting rights.

b Shares issued during the year were as follows:

In connection with options exercised under the Company's share option schemes, 4,700,140 ordinary shares were issued, at an average price of 48p.

c The Company issued 21,691,351 10p ordinary shares in respect of the following acquisitions and earnouts:

i) 2,532,183 shares at 128.6p each to the vendors of Calculus Solutions Limited for earnout consideration due to them.
ii) 99,334 shares at 151p each in consideration for the purchase of Rox Mariehamn Ab.
iii) 205,444 shares at 152.6p each to the vendors of Opentur S.r.l. for earnout consideration due to them.
iv) 108,987 shares at 78.6p each in consideration of the earnout due to the vendors of Imasys Work Management Limited.
v) 483,092 shares at 124.2p each in consideration for the purchase of Didgicom Ltd.
vi) 2,501,787 shares at 139.9p each in consideration for the purchase of Parsec Systems Limited.
vii) 420,404 shares at 92.79p each to the vendors of Carus Ab for earnout consideration due to them.
viii) 190,294 shares at 105.1p each in consideration for the purchase of Braid Hill Holdings Limited.
ix) 1,164,596 shares at 128.8p each in consideration for the purchase of FSS Group Limited.
x) 1,941,568 shares at 135.2p each in deferred consideration for the purchase of the local government applications business from ICL.
xi) 2,202,783 shares at 104.1p each to the vendors of Parsec Systems Limited for earnout consideration due to them.
xii) 298,240 shares at 167.65p each in deferred consideration for the purchase of FSS Group Limited.
xiii) 40,950 shares of 122.1p each to the vendors of Braid Hill Limited for earnout consideration due to them.
xiv) 38,197 shares at 130.9p each to the vendors of Braid Hill Limited for earnout consideration due to them.
xv) 7,806,440 shares at 138.9p each to the vendors of Datavance for earnout consideration due to them.
xvi) 470,588 shares at 127.5p each in consideration for the purchase of Micro Surveys Property Systems Limited.
xvii) 218,223 shares at 125.1p each in consideration for the acquisition of Anite.Net Limited.
xviii) 968,241 shares at an average price of 157.3p to the Calculus option holders for initial consideration and earnout due to them.

d The Company issued 1,132,733 10p ordinary shares in respect of the following transactions:

i) 896,700 shares at 139.4p each in part consideration for the reseller agreement with Cedar Limited.
ii) 236,033 shares at 114p each for the acquisition of a long-term licence from R&P Investments Bv.

24 Share capital continued

e As at 30 April 2002, the following options over the Company's ordinary shares had been granted and were still outstanding

	Number of shares	Subscription price	Dates exercisable
Executive Share Option Schemes	21,485,796	36p–276.8p	September 1995 – April 2012
SAYE Option schemes	5,316,123	34p–161p	January 2002 – February 2012

The Executive Share Option Schemes include options held by the Directors of the Company which are set out in the remuneration report on pages 27 to 29.

25 Reserves

Group	Shares to be issued £000	Share premium account £000	Other reserves £000	Profit and loss account £000
At 30 April 2001 as previously stated	63,158	44,837	–	12,798
Prior year adjustment	–	–	–	3,119
At 1 May 2001 as restated	63,158	44,837	–	15,917
Retained loss for the year	–	–	–	(1,662)
Premium on shares issued	–	29,758	–	–
Shares to be issued	21,032	–	–	–
Shares issued against earnouts in the year	(21,425)	–	–	–
Provision no longer required written back to goodwill	(2,274)	–	–	–
Re-class to provisions	(1,141)	–	–	–
Non-distributable reserve in subsidiary	–	–	270	–
Gain on foreign currency translation	–	–	–	1,615
At 30 April 2002	**59,350**	**74,595**	**270**	**15,870**

Goodwill written off in respect of the acquisition of GMO Holdings GmbH, Autofile Limited and PE International plc is £40,927,000 (2001: £40,927,000). It is impracticable to calculate the goodwill in respect of prior acquisitions. Shares to be issued represent the maximum amount payable in shares for deferred consideration and earnout payments.

Company	Shares to be issued £000	Share premium account £000	Profit and loss account £000
At 30 April 2001 as previously stated	63,158	44,837	106,704
Prior year adjustment	–	–	1,832
At 1 May 2001 as restated	63,158	44,837	108,536
Retained profit for the year	–	–	1,419
Premium on shares issued	–	29,758	–
Shares to be issued	21,032	–	–
Shares issued against earnouts in the year	(21,425)	–	–
Provision no longer required written back to goodwill	(2,274)	–	–
Re-class to provisions	(1,141)	–	–
Gain on foreign currency translation	–	–	865
At 30 April 2002	**59,350**	**74,595**	**110,820**

Notes to the accounts continued

26 Reconciliation of movements in shareholders' funds

	2002 £000	2001 restated £000
(Loss)/profit for the financial year	(1,662)	1,813
Other recognised gains and losses relating to year (net)	1,615	(1,807)
Share capital subscribed	32,510	41,864
Shares to be issued (net)	(3,808)	63,158
Non-distributable reserve in subsidiary	270	–
Goodwill written back to profit and loss account	–	8,250
Dividend paid and proposed	–	(49)
Net addition to shareholders' funds	28,925	113,229
Opening shareholders' funds as previously stated	148,772	36,278
Prior year adjustment	3,119	2,384
Opening shareholders' funds as restated	151,891	38,662
Net increase in shareholders' funds	28,925	113,229
Closing shareholders' funds	180,816	151,891

27 Minority interests

	2002 £000	2001 £000
At 1 May 2001	347	85
Profit on ordinary activities after taxation	82	262
Deemed disposal of shares	24	–
Dividend paid	(250)	–
Exchange loss	(1)	–
At 30 April 2002	202	347

28 Reconciliation of operating profit to net cash inflow from operating activities

	2002 Total £000	2001 Total £000
Operating profit	3,955	7,883
Depreciation	3,898	3,322
Amortisation of software licences	725	150
Goodwill amortisation	24,265	14,161
(Increase)/decrease in stock	(3,351)	1,707
Increase in debtors	(17,168)	(4,363)
Increase in creditors	14,344	10,289
Profit on disposal of fixed assets	(34)	(243)
Net cash inflow from operating activities	26,634	32,906

29 Analysis of cash flows

	2002 £000	2001 £000
Returns on investments and servicing of finance		
Interest received	393	1,389
Interest paid	(1,130)	(2,548)
Interest element of finance lease rental payments	(49)	(31)
Net cash outflow	(786)	(1,190)
Taxation		
Foreign taxation paid	(3,874)	(2,197)
UK corporation tax paid	(4,095)	(1,454)
Net cash outflow	(7,969)	(3,651)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(5,475)	(4,952)
Purchase of software licences	(1,500)	–
Purchase of own shares	–	(850)
Purchase of investment	(170)	(500)
Sale of tangible fixed assets	924	15,108
Net cash (outflow)/inflow	(6,221)	8,806
Acquisitions and disposals		
Purchase of subsidiary undertakings	(9,181)	(25,615)
Net bank balances acquired with subsidiary undertakings	1,891	4,379
Sale of subsidiary undertakings	5,855	840
Net bank balances of businesses sold	(3,252)	–
Investment in associate	(715)	(1,217)
Deferred consideration paid for current and previous years' acquisitions	(15,611)	(11,872)
Net cash outflow	(21,013)	(33,485)
Management of liquid resources		
Short-term deposits	(6,553)	(9,473)
Disposal of current asset investment	562	–
Net cash outflow	(5,991)	(9,473)
Financing		
Issue of ordinary share capital	2,244	11,928
Repayment of bank loans	(3,380)	–
Increase in bank loans	12,445	11,729
Capital element of finance lease rental payments	(188)	(86)
Net cash inflow	11,121	23,571

Companies acquired in the year contributed £2,600,000 to the Group's net operating cash flows, received £25,000 in respect of net returns on investment and servicing of finance, and paid £280,000 for capital expenditure and financial investment.

Companies sold in the year consumed £334,000 of the Group's net operating cash flows, paid £73,000 in respect of taxation and received £25,000 in respect of net returns on investment and servicing of finance.

30 Analysis and reconciliation of net debt

	1 May 2001 £000	Acquisitions* £000	Non-cash items £000	Cash flow £000	30 April 2002 £000
Cash at bank and in hand	16,578	–	–	(3,888)	12,690
Bank overdrafts	(429)	–	–	(337)	(766)
				(4,225)	
Bank loans – due within one year	(6,842)	(278)	–	(10,732)	(17,852)
Bank loans – due after one year	(4,999)	(1,526)	–	1,667	(4,858)
Finance leases	(467)	(105)	(994)	188	(1,378)
				(8,877)	
Short-term deposits	9,473	–	–	6,553	16,026
Current asset investments	297	–	265	(562)	–
Net funds (excluding loan notes)	13,611	(1,909)	(729)	(7,111)	3,862
Loan notes due within one year	(6,400)	–	(8,959)	–	(15,359)
Net debt	7,211	(1,909)	(9,688)	(7,111)	(11,497)

* Excluding cash and overdrafts

Loan notes represent amounts due to vendors for acquisitions.

	2002 £000	2001 £000
Increase in cash in year	(4,225)	16,685
Cash inflow from increase in bank loan and lease financing	(8,877)	(11,643)
Cash outflow from increase in liquid resources	6,553	9,473
Sale of shares	(562)	–
Change in net (debt)/funds resulting from cash flows	(7,111)	14,515
Loans and finance leases acquired with subsidiary	(1,909)	(112)
Increase in finance lease	(994)	–
Receipt of shares	265	297
Translation difference	–	2
Net funds/(debt) at 1 May 2001 (excluding loan notes)	13,611	(1,091)
Net funds at 30 April 2002 (excluding loan notes)	3,862	13,611
Vendor loan notes	(15,359)	(6,400)
Net (debt)/funds at 30 April 2002	(11,497)	7,211

31 Major non-cash transactions

A certain proportion of the consideration for the acquisition and disposal of subsidiary undertakings/businesses during the year comprised shares and loan notes. Further details are given in notes 15.3 and 24.

32 Financial commitments

Capital commitments are as follows:

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Contracted but not provided for – fixed assets	446	1,322	–	–

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
Group	2002 £000	2001 £000	2002 £000	2001 £000
Leases expiring in one year	200	285	426	293
Leases expiring in two to five years inclusive	1,303	1,317	1,053	460
Leases expiring after five years	3,344	2,538	25	422
	4,847	4,140	1,504	1,175

The Company has no operating leases.

33 Pension arrangements

The Company has several defined contribution Group personal pension plans in the UK, the Netherlands and Germany. The contributions paid by the Group to these schemes are charged to the profit and loss account. The total pension charge for 2002, which related to defined contribution schemes, is £1,870,000 (2001: £1,260,000).

In the past, the Company has operated two defined benefit schemes for the benefit of its employees. The schemes have been funded in advance by contributions from members and from the employing Company. The scheme's assets are held under trust separate from the assets of the Company. In 1994 the Company ceased contributions to these schemes and no further benefits have accrued since then. These schemes are now in the process of being wound up.

For the Cray Electronics Group Pension Scheme, an actuarial valuation was carried out as at 21 November 2001. This valuation was carried out on the Minimum Funding Requirement (MFR) basis set down by the Pensions Act 1995. At that date the scheme had assets with a market value of £551,000 and an MFR funding level of 182%. It is expected that this scheme will be wound up prior to 30 April 2003.

For the Cray Electronics Group Retirement and Death Benefits Plan, an actuarial valuation was carried out as at 5 April 2001. This valuation was carried out on MFR basis. At that date the scheme had assets with a market value of £13,791,000 and an MFR funding level of 103%. A further actuarial calculation was carried out as at 13 August 2001 which certified that there were no additional contributions due from the Company. By 30 April 2002 the winding up was largely completed and the Plan had assets remaining of £620,000.

Because the Company has no remaining legal obligations in respect of these schemes, and due to the advanced stage of winding up, the Company does not believe it appropriate to make any disclosure under FRS 17 in respect of these schemes.

The Company has a provision of £1,496,000 (2001: £1,500,000), which it considers adequate to fully cover any liabilities arising from the winding up of these schemes.

34 Contingent liabilities

The Company has contingent liabilities, which have not been provided for in the accounts in respect of trade indemnities given to third parties of £nil (2001: £568,553).

Notes to the accounts continued

35 Related party transactions

During the year the Company entered into the following transactions with Richard L'Estrange Beaton ("RB") and/or Nicholas Wenman ("NW") who (together the "Related Parties"), as directors of Anite Public Sector Limited, Imasys Local Government Limited, Anite Work Management Limited, Backcross Limited, BCT Limited and Sheridan Systems Limited at the date of the transactions or within 12 months preceding the date of the transactions are "Related Parties" of the Company for the purposes of chapter 11 of the United Kingdom Listing Authority Source Book of Rules and Guidance:

a On 25 May 2001, Anite Systems Holdings Limited ("ASH") a subsidiary of the Company (1), entered into an agreement with Hallco 586 Limited ("Hallco") (2), and the Related Parties (3) for the sale to Hallco of the entire issued share capital of Anite B2B Limited ("B2B") under which consideration of £1,327,000 was paid, being satisfied by the waiving of a loan owed by ASH to B2B of the sum of £1,018,000 and the payment of £250,000 in cash by Hallco to ASH six months after completion. Additionally, the agreement provided for the provision of services at normal commercial rates by Hallco during a period of two years comprising a value of £59,000 being the balance of the consideration payable.

b On 22 March 2002, the Company (1) entered into an agreement with Wayne Blakemore (2), Russell Adams (3), William Hodgson (4), Scott Robinson (5) and RB (6) under which the Company acquired the entire share capital of Ideal Technology Services Limited for a total consideration capped at £4,975,000 including initial consideration of £225,000 satisfied in guaranteed loan notes and earnout consideration of up to £4,750,000 to be satisfied in a mixture of shares in the Company and guaranteed loan notes.

c On 30 April 2002 the Company (1) entered into an agreement with the Related Parties (2), Rathbone Jersey Limited (3), David Raymond Sloggett (4), Neil McIntyre and David Cleden (5) under which the Company, following the conversion by one of its subsidiaries of convertible preference shares to ordinary shares, acquired the 53.17% of the share capital of Anite.Net Limited not already held within the Group for a consideration of up to £4,470,000 comprising initial consideration of £420,000 satisfied by a mixture of cash, bank guaranteed loan notes and shares in the Company and earnout consideration of up to £4,050,000 to be satisfied by a mixture of shares in the Company and bank guaranteed loan notes.

Additionally, during the year the Company entered into the following transaction with Bert Renes ("BR"), who, as a director of Anite Benelux B.V. ("Benelux") at the date of the transaction was a related party of the Company for the purposes of chapter 11 of the United Kingdom Listing Authority Listing Rules:

- On 8 August 2001, R&P Investments B.V. ("R&P") assigned its rights under a software lease contract ("Contract") dated 1 October 1998 between R&P and Host Marriott Services to Benelux, a subsidiary of the Company ("Assignment") and in consideration allotted to R&P certain ordinary shares of 10p each in the capital of the Company totalling £269,077.09 in value. BR was the sole director and shareholder of L.W. Renes Holding B.V., which, in turn was the sole director and shareholder of R&P and as such, the Assignment was a transaction with a related party.

36 Post balance sheet events

a   Anite Public Sector Limited ("APS"), a subsidiary of the Company, entered into an agreement on 13 June 2002 with Ronald David Thomas to purchase the entire share capital of CME Systems Limited ("CME Systems") together with its wholly owned subsidiary CME Software Systems Limited ("CME Software"). The consideration, which is capped at £950,000, comprised the following:

i) initial consideration of £350,000, satisfied as to £225,000 in cash and as to £125,000 by the allotment and issue of ordinary shares of 10p each in the Company ("Anite shares"); and

ii) earnout consideration of up to £600,000 to be satisfied as to 70% in Anite Shares and as to 30% in cash, payable in two tranches. The amount of each payment to be made in respect of the earnout consideration will be calculated based on a multiple of the aggregate operating profits of CME Systems and CME Software after interest and before tax but excluding non-recurring exceptional items for the two periods from completion to 31 October 2002 and from 1 November 2002 to 30 April 2003.

b   On 21 June 2002, Anite was granted an option to acquire 100% of the issued ordinary share capital of a Latvian IT services company, A/S DATI. Anite paid the shareholders of A/S DATI the sum of £1 for the grant of the option and made an advance payment, in respect of the exercise price relating to the option, of £500,000, of which £100,000 was paid to the shareholders to cover their professional fees and £400,000 was paid into a joint escrow account. The option will be exercisable, at Anite's sole discretion, upon achievement by A/S DATI of agreed profit targets. The exercise price will be based on a multiple of profits achieved in the 12-month period up to exercise, together with an earnout based on profits achieved until 31 October 2005. The maximum sum payable shall be £15,000,000, of which £1,000,000 shall be payable in cash (including the advance payment of £500,000 referred to above) and the balance in Anite shares. In the event that the relevant profit targets are met and Anite chooses not to exercise the option, £200,000 of the escrow monies will be repaid to Anite. If the option lapses for any other reason, Anite shall be entitled to be repaid the sum of £400,000 from escrow.

c   On 12 July 2002 the Company crystallised two of its largest share earnout commitments in respect of the 2001/02 financial year to the sellers of Parsec Systems Limited and Calculus Solutions Limited. The Company will issue shares to those sellers at a share price of 122.1p and 70.7p, respectively. The terms of the Calculus 2002/03 earnout were also renegotiated, so that the Company may pay up to 80% of the amount it owes to Calculus sellers in cash rather than shares, at a rate of 50p in the pound, and the balance in shares at a fixed share price of 150p.

Shareholder information

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Financial calendar

AGM	4 September 2002
Half-year end	30 October 2002
Interim results announcement	Late December 2002/early January 2003
Financial year end	30 April 2003
Preliminary results announcement	Early July 2003

Five-year summary

Consolidated profit and loss account (as restated)

	1998 £m	1999 £m	2000 £m	2001 £m	2002 £m
Turnover	149.5	180.8	159.0	192.4	202.5
Operating profit					
Before goodwill amortisation	0.9	8.8	13.6	22.0	28.2
Goodwill amortisation	–	(3.2)	(7.0)	(14.2)	(24.3)
Operating profit	0.9	5.6	6.6	7.8	3.9
Profit on sale/closure of discontinued operations/assets	26.9	–	0.4	0.6	2.9
Share of associates' operating loss	–	–	–	(0.2)	–
Net interest receivable/(payable)	1.2	1.1	0.1	(1.1)	(1.1)
Profit on ordinary activities before tax	29.0	6.7	7.1	7.1	5.7
Tax on profit on ordinary activities*	(7.7)	(2.5)	(2.3)	(5.0)	(7.3)
Profit/(loss) on ordinary activities after tax	21.3	4.2	4.8	2.1	(1.6)
Minority interests	–	–	–	(0.3)	(0.1)
Ordinary dividends	(0.6)	(0.7)	(0.7)	–	–
Retained profit/(loss)for the year	20.7	3.5	4.1	1.8	(1.7)

Consolidated balance sheet

	1998 £m	1999 £m	2000 £m	2001 £m	2002 £m
Goodwill and intangible assets	–	56.6	75.3	188.8	228.5
Other fixed assets	12.9	16.4	11.8	10.9	13.3
Stock and work in progress	2.9	2.6	6.9	5.3	9.8
Debtors	39.0	43.5	42.6	59.2	69.5
Cash, short-term deposits and current asset investment	46.9	8.4	4.5	26.3	28.7
Borrowings due within one year	(0.7)	(0.7)	(5.3)	(13.9)	(34.6)
Other creditors due within one year	(54.9)	(65.7)	(52.3)	(76.3)	(84.7)
Borrowings after one year	(0.2)	(0.6)	(0.3)	(5.2)	(5.6)
Other creditors and provisions after one year	(29.5)	(35.3)	(45.2)	(42.9)	(43.9)
Net assets	16.4	25.2	38.0	152.2	181.0

* The accounts have been restated to reflect the impact of FRS 19, accounting for deferred tax.

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