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If you have sold or otherwise transferred all your Ordinary Shares in CODASciSys plc, you should send this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted, in whole or in part, in or into or from any other jurisdiction, where to do so would or might contravene local securities law or regulations, including but not limited to the United States of America, Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan or their respective territories or possessions. If you have sold or transferred only part of your holding of Ordinary Shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Bridgewell Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for CODASciSys plc and CODA plc and no one else in relation to the Proposals and will not be responsible to any person other than CODASciSys plc and CODA plc for providing the protections afforded to customers of Bridgewell Limited or for providing advice in relation to the Proposals or in relation to the contents of or any transaction or arrangement referred to in this document.

CODASCISYS PLC

*(Incorporated and registered in England and Wales under the Companies Act 1985 with
Registered Number 3426416, ISIN Number 0001520757)*

RECOMMENDED PROPOSALS FOR THE DEMERGER OF CODASCISYS PLC'S CODA AND BUSINESS COLLABORATOR DIVISIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Your attention is drawn to the letter from the Chairman of CODASciSys plc, which is set out on pages 7 to 13 of this document, and the recommendation from the Directors that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting. The action you are requested to take is set out in more detail on page 13 of this document.

The notice convening the Extraordinary General Meeting, which is to be held on Thursday 10 August 2006 at Methuen Park, Chippenham, Wiltshire SN14 0GB, is set out at the end of this document. The Extraordinary General Meeting will start at 12.00 p.m.

The Form of Proxy for use at the Extraordinary General Meeting is enclosed with this document. Shareholders should complete and return it as soon as possible, but in any event so as to be received by the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB, not later than 48 hours before the Extraordinary General Meeting. Completion and return of the Form of Proxy will not prevent you from attending the meeting in person (in substitution for your proxy vote) if you wish to do so.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors of CODASciSys plc

Dr Michael David Love (*Non-executive Chairman*)
Graham Lawrence Steinsberg (*Group Chief Executive Officer*)
Bryan Herbert Hucker (*Group Financial Director*)
Jeremy Byron Roche (*Chief Executive Officer, CODA Division*)
Simon Mark Hampson (*Chief Executive Officer, SciSys Division*)
Clifford Stanley Frank Preddy (*Senior Independent Non-executive Director*)
David Rodney Jones (*Non-executive Director*)
Mark Benjamin Wells (*Non-executive Director*)
Michael David Greig (*Non-executive Director*)

Company Secretary of CODASciSys plc

David Gresford Belmont

Registered Office

Methuen Park
Chippenham
Wiltshire
SN14 0GB

Nominated Adviser and Broker to CODASciSys plc

Bridgewell Limited
Old Change House
128 Queen Victoria Street
London
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Legal Advisers to CODASciSys plc

Burges Salmon LLP
Narrow Quay House
Narrow Quay
Bristol
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Auditors

KPMG Audit plc
100 Temple Street
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BS1 6AG

Registrars

Computershare Investor Services PLC
PO Box 82
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Bridgwater Road
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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Special Dividend Record Date	6.00 p.m.	on	28 July 2006
Latest time and date for receipt of Form of Proxy	12.00 p.m.	on	8 August 2006
Extraordinary General Meeting	12.00 p.m.	on	10 August 2006
Payment of the Special Dividend			11 August 2006
Expected latest time and date for lodging transfers of Ordinary Shares in order for transferee to be registered by the Demerger Record Date	6.00 p.m.	on	22 September 2006
Expected Demerger Record Date	6.00 p.m.	on	25 September 2006
Expected effective date of the Demerger			26 September 2006
Expected admission and commencement of dealings in CODA Shares on AIM	8.00 a.m.	on	26 September 2006
CREST members accounts credited with CODA Shares			26 September 2006
Despatch of definitive share certificates for CODA Shares (other than in respect of shares held through CREST)			October 2006
Interim Dividends Record Date	6.00 p.m.	on	13 October 2006
Payment of the Interim Dividends			27 October 2006

All references to time in this document are to London time unless otherwise stated.

Each of the times and dates in the above timetable (other than in relation to the EGM) are based on CODASciSys' current expectations and may be subject to change.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“Act” or “Companies Act”	the Companies Act 1985 (as amended);
“Admission”	the admission of the CODA Shares to trading on AIM becoming effective in accordance with the AIM Rules;
“AIM”	the market of that name operated by the London Stock Exchange;
“AIM Rules”	the rules published by the London Stock Exchange governing admission to, and the operation of, AIM;
“Board” or “Directors”	the board of directors of CODASciSys whose names are set out on page 2 of this document;
“Bridgewell”	Bridgewell Limited which is regulated in the United Kingdom by the FSA;
“Business Collaborator Division”	the business carried on by Business Collaborator Limited, a subsidiary of the Company;
“Business Day”	a day (excluding Saturdays, Sundays and UK public holidays) on which banks are generally open for business in the City of London;
“Cancellation of Share Premium”	the cancellation of the share premium account of CODASciSys pursuant to section 135 of the Act;
“CODA”	CODA plc (company number 5861419);
“CODA Division”	the business carried on by CODA Group Holdings Limited and its subsidiaries and CODA (IT Services) Limited;
“CODA Group”	CODA and the Demerged Subsidiaries;
“CODA Shares”	ordinary shares of 25 pence each in the capital of CODA;
“CODASciSys” or the “Company”	CODASciSys plc (company number 3426416);
“CODASciSys Group”	CODASciSys and its subsidiaries immediately prior to the Demerger;
“CODASciSys Shares” or “Ordinary Shares”	ordinary shares of 25 pence each in the capital of CODASciSys;
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the Regulations);
“Demerged Subsidiaries”	CODA Group Holdings Limited and SquareSum Limited and their respective subsidiaries and subsidiary undertakings;
“Demerger”	the proposed demerger of the CODA Division and the Business Collaborator Division pursuant to the Proposals;
“Demerger Agreement”	the demerger agreement entered into between CODASciSys, CODA and SciSys Limited on 14 July 2006 relating to the Proposals, further details of which are set out in paragraph 3 of Part I of this document;
“Demerger Record Date”	6.00 p.m. on such date during September 2006 as the Directors may determine;

“Draft Admission Document”	the draft admission document relating to CODA plc which accompanies this document;
“ERP”	Enterprise Resource Planning. ERP integrates all data and processes of an organisation into a single unified system;
“Existing Option Holders”	existing share option holders under one of the CODASciSys share schemes detailed in paragraph 7 of Part I of this document;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of shareholders (or any adjournment thereof), notice of which is set out at the end of this document;
“Form of Proxy”	form of proxy for use by shareholders in respect of the EGM;
“FSA”	the Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“Interim Dividends”	the proposed interim dividends of 0.55 pence per CODASciSys Share and 0.75 pence per CODA Share announced by the Company on 4 July 2006;
“Interim Dividends Record Date”	6.00 p.m. on 13 October 2006 or such different time and/or date as the Directors or directors of CODA plc, as appropriate, may determine;
“London Stock Exchange”	the London Stock Exchange plc;
“Overseas Shareholders”	holders of CODASciSys Shares who are resident in, or citizens of, countries other than the United Kingdom, and who have not given CODASciSys an address in the United Kingdom for service of notices;
“Qualifying Shareholders”	holders of CODASciSys Shares at the Demerger Record Date;
“Proposals”	the Demerger, the Cancellation of Share Premium and Admission;
“Registrar of Companies”	the Registrar of Companies as defined in section 744 of the Companies Act;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 /No.3755);
“Resolutions”	the resolutions to be proposed at the EGM;
“SciSys Division”	the business carried on by SciSys Limited and its subsidiaries;
“SciSys Group”	the Company and its subsidiaries immediately following the Demerger;
“Special Dividend”	the special dividend of 25 pence per Ordinary Share;
“Special Dividend Record Date”	6.00 p.m. on 28 July 2006 or such different time and/or date as the Directors may determine;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland; and
“United States of America”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

All times referred to in this document are London time unless otherwise stated.

LETTER FROM THE CHAIRMAN OF

CODASciSys plc

(Incorporated and registered in England and Wales with registered number 3426416)

Registered Office:

Methuen Park
Chippenham
Wiltshire
SN14 0GB

17 July 2006

To the holders of CODASciSys Shares

Dear shareholder,

Recommended Proposals for the Demerger by CODASciSys of its CODA and Business Collaborator Divisions and a capital reduction pursuant to section 135 of the Companies Act 1985

1. Introduction

The Directors of CODASciSys announced on 4 July 2006 the Demerger of the Company's CODA and Business Collaborator Divisions from the CODASciSys Group. The Demerger is to be effected by the transfer of two of the Company's subsidiaries, CODA Group Holdings Limited and SquareSum Limited, to a newly incorporated public limited company, CODA plc, which will in return issue CODA Shares to Qualifying Shareholders, conditional on its admission to trading on AIM. At the same time the terms of a special dividend of 25 pence per CODASciSys Share and a proposed level of interim dividend of 0.55 pence per CODASciSys Share and 0.75 pence per CODA Share were announced (such interim dividends to be paid following completion of the Demerger). This level of interim dividend would be equivalent to an interim dividend of 2.8 pence per CODASciSys Share pre-Demerger.

The purpose of this letter is to explain the background to the Proposals and the reasons why the Directors consider the Proposals to be in the best interests of CODASciSys and shareholders and recommend that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting. Also contained in this document are further details of the Proposals and a notice of the Extraordinary General Meeting at which the Resolutions to approve the Proposals will be put to shareholders.

The Demerger is conditional upon, amongst other things, shareholders approving the Resolutions at the Extraordinary General Meeting of the Company to be held on Thursday 10 August 2006.

The accompanying Draft Admission Document which sets out information relating to CODA plc should be read in conjunction with this document.

2. Background to and reasons for recommending the Proposals

As shareholders will be aware, the CODASciSys Group carries on three distinct businesses through three separate divisions, namely the CODA Division, the SciSys Division and the Business Collaborator Division.

The objective of the proposed Demerger is to separate the CODA Division and the Business Collaborator Division from the SciSys Division by dividing the CODASciSys Group into two independently operated publicly traded companies, to be known as CODA plc and SciSys plc. Under the Proposals the entire issued share capital of CODA Group Holdings Limited (the holding company for the CODA Division) and SquareSum Limited (the holding company for the Business Collaborator Division) will be transferred from CODASciSys plc to a new holding company, CODA plc. This transfer will take place by way of a demerger

as described in more detail below. CODASciSys plc will change its name to SciSys plc and will continue as the holding company for the SciSys Division.

To understand the reasons for the proposed Demerger it may be helpful to summarise for shareholders the historic context of the business of the current CODASciSys Group.

The origins of the business which now constitutes the CODA Division began in 1979 (the “**CODA business**”). In 1994 the entity which then owned the CODA business became a listed company in its own right (then known as The CODA Group plc when it was admitted to the Official List).

During the 1990s, ERP systems were increasingly being offered by competitors, allowing customers to acquire not only accounting software from a provider, but also operational software as part of a single software solution. Rather than offer the full range of software solutions, the CODA business chose to retain its ‘best of class’ positioning and offer an accounting only product. For this approach to succeed, the CODA business needed to obtain specialist software integration skills to enable its products to work alongside those of other software providers. This was provided by the commercial division of Science Systems plc with whom the CODA business had established a business relationship in 1989. This relationship continued following the takeover of The CODA Group plc by the BAAN Corporation BV, a Dutch company (“BAAN”).

The working relationship between the commercial division of Science Systems plc and the CODA business as operated by BAAN continued to grow. In 1999 almost 90 per cent. of the Science Systems plc commercial division’s total revenue of approximately £7.9 million was generated through this relationship. When the CODA business was made available for sale, Science Systems plc saw attractive synergies in combining the two businesses. On 31 March 2000 Science Systems plc acquired the CODA business. Following the acquisition, the CODA Division of CODASciSys was created by combining the newly acquired CODA business with the commercial division of Science Systems plc. During the financial year to 31 December 1999 the commercial division reported a turnover of approximately £7.9 million being just over 25 per cent, of the Science Systems plc group turnover of approximately £31.0 million. The profit before interest and tax of the commercial division for the same period was approximately £1.2 million out of a total profit before interest and tax for the Science Systems plc group of approximately £2.8 million. Since this acquisition and a further acquisition of SquareSum plc in January 2003, the business has grown such that the profit before interest and tax of the CODA division for the year ended 31 December 2005 amounted to approximately £6.9 million. The success of the CODA Division led Science Systems plc to change its name to CODASciSys plc in 2003.

The SciSys Division now primarily sells the services of consultants whereas the CODA Division is primarily product driven. The CODA Division has sales and marketing teams who sell both directly and indirectly to commercial and certain public sector customers, whereas the SciSys Division engages in long term turnkey projects whose ultimate customers are predominantly governmental or quasi-governmental bodies. Whilst the SciSys Division operates in the UK and Germany, the CODA Division is now an international business operating out of 18 locations in 13 countries around the world.

Although all three divisions of the CODASciSys Group are involved in the development of software and the provision of IT services, each serves a separate customer base and the business models for the CODA Division and the Business Collaborator Division on the one hand and the SciSys Division on the other hand are different. In particular, the customer base of and services provided by the CODA Division and the Business Collaborator Division are markedly different from those provided by the SciSys Division.

The current strong performance of all three divisions of the CODASciSys Group against a back drop of good growth prospects in all those divisions has allowed the Board to assess its strategic options from a position of strength. The Board has concluded that it is the right time to separate the two distinct parts of CODASciSys Group’s business by way of a demerger and believe that the proposed Demerger will help secure the following advantages:

- Greater management focus on each respective division and alignment of management incentivisation with the interests of shareholders;

- Enable shareholders to choose between an interest in the SciSys Division and a separate interest in the CODA and Business Collaborator Divisions, each of which have different business models; and
- The growth potential and underlying performance of both businesses will be more transparent to investors as separate AIM quoted companies.

3. Terms of the Demerger

A new holding company, CODA plc, has been incorporated in preparation for the proposed Demerger. The Demerger will be effected by the Company declaring a dividend *in specie* equal to the book value of the Company's shareholdings in CODA Group Holdings Limited and SquareSum Limited on Demerger, which will be satisfied by the transfer of CODA Group Holdings Limited and SquareSum Limited to CODA in consideration for which CODA will allot and issue each Qualifying Shareholder with CODA Shares, credited as fully paid, on the following basis:

3 CODA Shares for each CODASciSys Share

held at the Demerger Record Date. Following the implementation of the Demerger CODA will be owned by Qualifying Shareholders with each Qualifying Shareholder owning the same proportion of the total issued share capital of CODA as he currently owns in CODASciSys. The total number of CODA Shares in issue will be three times the number of CODASciSys Shares in issue as at the Demerger Record Date.

The Demerger is conditional upon, amongst other things, the passing of the Resolutions, the approval of the High Court and Admission.

Application will be made for the CODA Shares to be admitted to trading on AIM. It is currently anticipated that Admission will take place and that dealings in CODA Shares will commence during the final week of September 2006.

Further details of the Demerger are set out in Part I of this document.

4. CODASciSys Cancellation of Share Premium

An integral part of the Proposals is the proposed reduction of capital of CODASciSys to be effected by a cancellation of the entire amount standing to the credit of its share premium account. As at 12 July 2006 (being the latest practicable date prior to the publication of this document), the amount standing to the credit of the share premium account of CODASciSys was £43,070,107. In order to implement the Demerger, CODASciSys requires sufficient distributable reserves to permit it to declare a dividend equal to the book value of the Demerged Subsidiaries, so that the Demerger may be effected by way of a dividend *in specie*. As at 31 December 2005 the accumulated profit and loss account of CODASciSys stood at approximately £7 million. The Special Dividend will reduce these distributable reserves to approximately £500,000.

By statute, the share premium account of a company is treated as non-distributable, and its cancellation can only take place therefore if, first, it is approved by shareholders by special resolution and, second, it is then confirmed by the High Court. Accordingly, a notice will be found at the end of this document convening an extraordinary general meeting of CODASciSys at which, amongst other things, a special resolution to approve the Cancellation of Share Premium will be put to shareholders. It is estimated that the Cancellation of Share Premium, as at the date of the High Court order approving such cancellation, will increase the distributable reserves of the Company by approximately £43.7 million which is approximately equal to the estimated book value of the Demerged Subsidiaries which are to be transferred by way of dividend *in specie* to CODA plc under the terms of the Demerger Agreement. The Board believes that there will still remain a prudent level of distributable reserves within the SciSys Group following the Demerger so as to enable dividends to be paid to create distributable reserves in the Company and give greater security to its shareholders regarding the future maintenance by the Company of its dividend policy.

In order to obtain the confirmation of the High Court to the Cancellation of Share Premium it will be necessary for CODASciSys to demonstrate to the High Court that the interests of the creditors of CODASciSys as at the date that the Cancellation of Share Premium takes effect, including contingent or

prospective creditors, will not be prejudiced by the Cancellation of Share Premium. This is likely to entail CODASciSys putting in place appropriate protection for the benefit of certain creditors, including certain contingent or prospective creditors, on terms to be approved by the High Court. The issue of appropriate creditor protection is for the High Court to determine and the Company will put in place such creditor protection as the Company considers appropriate following professional advice and so as to meet the High Court's requirements. The existence or grant of any such form of protection will not impact upon the nature of any contingent liability of CODASciSys to any contingent creditors, and does not signal any view of CODASciSys on any matter which would or might govern the basis upon which such liability is contingent.

The Cancellation of Share Premium, if approved by shareholders, will become effective when the final Order of the High Court confirming it is registered by the Registrar of Companies.

5. Information regarding CODA after the Demerger

CODA is one of the UK's leading providers of international financial software systems for medium to large enterprises. Following the Demerger CODA will consist of two operating divisions, the CODA Division and the Business Collaborator Division.

Based on 2005 revenues the CODA Division would represent approximately 96.1 per cent. of the pro forma revenue of the CODA Group. The CODA Division provides a complete suite of IT software products and related services to meet the needs of finance departments - from 'best of class' financial accounting and procurement systems, through planning, budgeting, consolidation, reporting and analytics, to compliance management. In addition to working readily with the CODA Division's financial management applications, the CODA Division's analytic, consolidation and compliance solutions are designed to integrate with other leading operational systems. The CODA Division's product offering is underpinned by expert consultancy, education and support services, delivered by teams of experienced accountants and technology specialists.

Based on 2005 revenues Business Collaborator would represent approximately 3.9 per cent. of the pro forma revenue of the CODA Group. Business Collaborator provides specialist software which uses internet technologies to provide customers with extranet, intranet, knowledge management and other similar software solutions.

Historical financial information relating to the Demerged Subsidiaries for the two years ended 31 December 2005 is set out in Part II(b) of this document under the column headed "*Operations to be discontinued*".

6. Information regarding CODASciSys after the Demerger

Following the Demerger CODASciSys will consist of the SciSys Division alone and as such proposes to change its name to SciSys plc. The SciSys Division provides IT services, bespoke software and applications management predominantly to government and quasi-government organisations within the space, public sector and defence sectors. It has high levels of retained custom with a large proportion of its business being conducted through long-term framework contracts.

- *Space*: the SciSys Division's principal activities are the supply of custom software for the control and monitoring of satellite orbital positions and on-board equipment, as well as software and services for processing data transmitted to Earth. Customers include the European Space Agency.
- *Public Sector*: the SciSys Division's work for this sector is dominated by the Environment Agency since the SciSys Division is the preferred development partner for the modernisation of its regulatory programme. The SciSys Division has worked on the National Flood and Coastal Defence Database, and has enhanced the Permits Administration System in fields such as reservoir enforcement and surveillance. Customers include the Environment Agency.
- *Defence*: the SciSys Division is involved in battlefield digitisation and provides specialist consultancy to a variety of defence agencies. Customers include the Ministry of Defence.

Historical financial information relating to the Company and the SciSys Division for the two years ended 31 December 2005 is set out in Part II(b) of this document under the column headed “*Continuing operations*”.

7. Relationship between CODASciSys and CODA following the Demerger

Following the Demerger and Admission, CODASciSys plc (renamed as SciSys plc) and CODA plc and their respective subsidiaries will operate as independent groups. CODA plc’s issued ordinary share capital will be admitted to trading on AIM and SciSys plc’s status as an AIM quoted company will otherwise remain unchanged.

Certain contractual arrangements will continue to exist between the two groups following the Demerger, further details of which are set out in paragraph 6 of Part I of this document.

8. Current trading and prospects

As announced on 4 July 2006, the CODA, SciSys and Business Collaborator Divisions have continued to perform well in 2006.

The CODA Division has enjoyed strong sales of its core financial management systems in the first half of 2006, with notable recent new clients including Ligne Roset and Louvre Hotels. The sales pipeline for the remainder of 2006 remains solid.

Demand for the CODA-Control solutions for compliance continues, with JJB Sports a notable recent success. The OCRA financial consolidation product has also generated good interest across the world and is already proving itself against more established competitors, resulting in sales and pipeline growth across the territories.

Demand remains healthy both within new business and existing clients. Recent user conferences in the Nordic region and UK have seen record attendances and there has been considerable interest particularly in the new control and analytic products.

The Business Collaborator Division has also continued to deliver strong results.

The SciSys Division continues to perform well in all primary market sectors: Space, Defence and Public Sector. The SciSys Division is characterised by long term contracts and significant progress has been made with the major contract wins announced in 2005. Milestones have been reached in the delivery of the Galileo programme in the Space sector, the Integrated Regulation programme for the Environment Agency and the FRES programme for Lockheed Martin. The provision of services to the Cabinet Office under the contract announced last month is also progressing well.

There continue to be major near term opportunities for the SciSys Division to develop further into both existing and adjacent markets. In the first half of this year the division gained approved status in two additional Government categories for the supply of IT-related services which places it in a good position to add to its future pipeline of work. In addition, the award winning technology and methods being developed through the current programmes have increased the division’s competitiveness, creating new opportunities in each market sector.

9. Dividend policy of CODASciSys

As announced on 4 July 2006, the Directors propose to pay a one-off special dividend of 25 pence per CODASciSys Share prior to the Demerger. The record and payment dates are 28 July 2006 and 11 August 2006 respectively. The Special Dividend is expected to be the last dividend paid by CODASciSys to shareholders prior to the Demerger. Also on 4 July 2006 the Directors announced a proposed level of interim dividend of 0.55 pence per CODASciSys Share and 0.75 pence per CODA Share, each to be paid following completion of the Demerger. This level of interim dividend would be equivalent to an interim dividend of 2.8 pence per CODASciSys Share pre-Demerger and both would be paid in October 2006. This is earlier than the usual payment month for interim dividends made by the Company because the Board considers it appropriate to shorten the period between the declaration of its dividends and their payment.

After the Demerger, the Directors intend to adopt a progressive dividend policy, which would reflect the growth in the Company's earnings and cash flow generated from operations, whilst maintaining an appropriate level of dividend cover and having regard to further development of the SciSys Group's activities.

Following the Demerger it is envisaged that interim dividends will be paid by the Company in October and final dividends in June of each year.

10. Taxation

Advice received by the Directors in respect of the taxation consequences of the Demerger for Qualifying Shareholders and related matters is summarised in paragraph 9 of Part I of this document. **Shareholders who are in any doubt as to their taxation position should obtain advice from an independent professional adviser.**

11. Management and operation

At present the Board of Directors of CODASciSys consists of those Directors named on page 2 of this document.

Following the Demerger Graham Steinsberg, Bryan Hucker, Jeremy Roche, Cliff Preddy, Mark Wells and Mike Greig will resign from the Board and be appointed to the board of directors of CODA plc. Dave Belmont will act as company secretary for all members of the CODA Group.

The Directors of CODASciSys who will form the continuing board of SciSys plc will be Mike Love (non-executive chairman), Mark Hampson (chief executive officer) and David Jones (independent non-executive director). Following the Demerger, Steve Hill will be appointed as a director and chief financial officer of SciSys plc and Steve Brignall will be appointed as an executive director of SciSys plc. Steve Hill will also take over from Dave Belmont as company secretary to all members of the SciSys Group.

Details of the remuneration and service terms of the new CODASciSys directors are set out in paragraph 2 of Part IV of this document. Your attention is drawn to paragraph 10 of Part IV of the Draft Admission Document which sets out details of the remuneration and service terms of the directors of CODA. In addition certain of the Directors will receive additional remuneration in the form of a one off bonus payment and/or compensation as a result of, and conditional upon, the Demerger becoming effective. Further details of the special arrangements for employees relating to the Demerger are set out in paragraph 8 of Part I of this document.

No other changes are contemplated to the operation or management of the CODASciSys Group as a consequence of the Demerger.

12. Options arrangements

On 4 July 2006 the Company wrote to all Existing Option Holders to advise them of the benefits of exercising their share options before the Special Dividend Record Date so as to enable them to participate in the Special Dividend. Further details of the impact of the Demerger on the Company's existing share schemes are set out in paragraph 7 of Part I of this document.

13. Director and significant shareholder interests

The interests of those Directors of CODASciSys who are also shareholders in CODASciSys (and the interests of persons connected with them) are set out in paragraph 1 of Part IV of this document. Such Directors will, like all other Qualifying Shareholders immediately following the Demerger, have the same interest in CODASciSys Shares, together with a shareholding in CODA equal to three times the number of CODASciSys Shares held. Save in respect of the exercise by a Director prior to the Demerger of any share options granted to him prior to the date of this document, the Directors' aggregate voting influence in respect of CODASciSys Shares will not increase as a result of the implementation of the Demerger.

14. Extraordinary General Meeting

The Extraordinary General Meeting is being convened to seek shareholder consent to give effect to the Proposals and certain related matters. Shareholders will be asked to consider and vote on the Resolutions set out in the notice of EGM at the end of this document. The three resolutions proposed are to seek shareholders' approval for:

- (a) the Cancellation of Share Premium;
- (b) the Demerger (both generally and for the purposes of Rule 15 of the AIM Rules); and
- (c) the change of name of the Company to "SciSys plc" conditional upon the Demerger taking effect.

Shareholders' approval of the Demerger is being sought for the purposes of Rule 15 of the AIM Rules as, technically, the Demerger could be deemed to be a disposal by CODASciSys of a material part of its business (thereby constituting a fundamental change in its business).

15. Action to be taken

Implementation of the Proposals will require the passing of the Resolutions by shareholders at the EGM to be held at 12.00 p.m. on Thursday 10 August 2006.

You will find enclosed with this document a Form of Proxy for use in respect of the EGM. Whether or not you plan to attend the EGM, please complete the enclosed Form of Proxy in accordance with the instructions printed thereon (whether or not your CODASciSys Shares are held in CREST) and return them either by post or by hand to the Company's registrars, Computershare Investor Services PLC, as soon as possible, but in any event so as to be received not later than 48 hours prior to the arranged time for the commencement of the EGM.

If the Form of Proxy for the EGM is not lodged by such time, it will be invalid. The completion and return of a Form of Proxy will not prevent you from attending and voting in person at the EGM, or any adjournment thereof, if you wish to do so.

16. Further information

The expected timetable of principal events for the Proposals is set out on page 4 of this document. Your attention is also drawn to Parts I to IV of this document.

17. Recommendation

Your Board, which has received financial advice from Bridgewell, the Company's Nominated Adviser and Broker, considers the Resolutions to be in the best interests of the Company and its shareholders as a whole. In providing its financial advice to the Board, Bridgewell has placed reliance on the Board's commercial assessment of the Demerger.

Accordingly, your Board unanimously recommends that you vote in favour of the Resolutions as they intend to do in respect of approximately 5.6 million CODASciSys Shares in which they are beneficially interested amounting to approximately 21.8 per cent. of the expected issued share capital of the Company prior to completion of the Demerger.

Yours faithfully,

Mike Love
Chairman

PART I

DETAILS OF THE DEMERGER

1. Overview of the Demerger

If the Demerger becomes unconditional it will result in CODA Group Holdings Limited and SquareSum Limited and their respective subsidiaries ceasing to be part of the CODASciSys Group.

The notice convening the Extraordinary General Meeting at which the Resolutions to effect the Proposals will be proposed is set out at the end of this document. It is currently anticipated that the Demerger will become effective during the final week of September 2006.

2. Basis of the Demerger

Under the terms of the Demerger Agreement, the Demerger is conditional upon:

- (a) neither CODASciSys nor CODA considering, in their reasonable opinion, that the tax clearance received from HM Revenue & Customs in respect of the Demerger no longer sufficiently applies to the implementation of the Demerger so as to permit reliance on such clearance;
- (b) the passing of the Resolutions;
- (c) the approval of the High Court to the Cancellation of Share Premium and the registration of the relevant Order granting such approval with the Registrar of Companies;
- (d) there being prior to Admission no:
 - (i) insolvency event in relation to either CODA or CODASciSys or to any of the Demerged Subsidiaries;
 - (ii) proposal or offer which would, if completed substantially in accordance with its terms, result in any person either alone or together with their connected persons being interested in 30 per cent. or more of the CODASciSys Shares where such proposal or offer is recommended for acceptance by a majority of the directors of CODASciSys to the holders of CODASciSys Shares and such recommendation is not withdrawn prior to Admission; and
 - (iii) sale or transfer of the whole or a substantial part of the undertaking or assets (other than the sale of stock in the ordinary course of business) of the CODA Division or the Business Collaborator Division representing 50 per cent. or more of the net asset value of the relevant division (whether by way of one transaction or a series of transactions);
- (e) neither CODASciSys nor CODA having given notice to terminate the Demerger Agreement in accordance with its terms because of a material adverse change in the business or financial position of either CODASciSys or CODA in the period prior to the Demerger, or because CODA, acting in good faith, believes that Admission will not become effective; and
- (f) Admission.

The Demerger will be effected by the Company declaring a dividend *in specie* equal to the book value of the Company's shareholdings in CODA Group Holdings Limited and SquareSum Limited on Demerger, which will be satisfied by the transfer of CODA Group Holdings Limited and SquareSum Limited to CODA in consideration for which CODA will allot and issue to each Qualifying Shareholder CODA Shares, credited as fully paid.

If the Demerger becomes unconditional, Qualifying Shareholders will receive three CODA Shares, credited as fully paid, in respect of each CODASciSys Share held at the Demerger Record Date.

On the basis of the aggregate number of CODASciSys Shares in issue or to be issued as at the close of business on 12 July 2006 (being the latest practicable date prior to the printing of this document) the Demerger will involve the issue of up to 77,023,722 CODA Shares.

Pursuant to the Resolutions, shareholders are being asked to approve the dividend *in specie* of CODASciSys referred to above. As the declaration and satisfaction of that dividend is merely the mechanism for effecting the Demerger, if the Demerger does not become effective, there will be no dividend *in specie*.

3. Demerger Agreement

The Demerger Agreement was entered into between CODA, CODASciSys and SciSys Limited on 14 July 2006 and is conditional upon those matters set out in paragraph 2 above. If the conditions are not satisfied by 30 September 2006 (or such later date as the parties agree) the Demerger Agreement will become null and void.

The Demerger Agreement provides that CODASciSys shall transfer to CODA its entire shareholding in the issued share capital of CODA Group Holdings Limited and SquareSum Limited in consideration for which CODA shall allot and issue to Qualifying Shareholders, credited as fully paid, three CODA Shares for every CODASciSys Share held by them at the Demerger Record Date, subject to Mr Graham Steinsberg and Mr Bryan Hucker each receiving one fewer CODA Share than the number of shares that they then hold in CODASciSys (to reflect their holding of one ordinary share of 25 pence each in the capital of CODA plc immediately prior to the Demerger).

The Demerger Agreement also contains provisions to the effect that:

- (a) CODA irrevocably consents to the Cancellation of Share Premium, to the extent that its consent is required;
- (b) CODA and CODASciSys will effect certain arrangements in preparation for the Demerger in order to ensure the smooth separation of the CODA Division and the Business Collaborator Division from the SciSys Division;
- (c) on completion of the Demerger the Demerged Subsidiaries will cease to be members of the VAT group of CODASciSys and become part of the VAT group of CODA;
- (d) from completion of the Demerger the Demerged Subsidiaries will be included within the insurance policies in place in respect of the CODA Group;
- (e) at, or as soon as reasonably practicable following completion of the Demerger, CODASciSys and CODA will use all reasonable endeavours to procure the release of all members of the other's group from any guarantees, indemnities, counter-indemnities or letters of comfort given by any member of the other's group to any third party in respect of any liabilities or obligations of any member of their own group and in the meantime SciSys Limited and CODA will provide an indemnity to the other (on behalf of each member of its respective group) in relation to any liability that a member of the other's group may suffer under or in relation to such guarantees, indemnities, counter-indemnities or comfort letters;
- (f) at, or as soon as reasonably practicable following completion of the Demerger, SciSys Limited and CODA agree to satisfy or procure satisfaction by the relevant member of their respective groups of any debt, liability, obligation or responsibility which was incurred or arose at any time prior to completion of the Demerger and was incurred by or otherwise caused primarily by or properly falls to be discharged by any member of the other's group and each of SciSys Limited and CODA will provide an indemnity to the other (on behalf of each member of its respective group) accordingly;
- (g) CODA will indemnify CODASciSys in respect of any costs, expenses or liabilities arising in connection with any contract of employment (or its termination) of former employees of companies in the SciSys Group whose employment transfers to a member of the CODA Group as a consequence of completion of the Demerger;

- (h) there shall be an adjustment between CODA and CODASciSys to the extent required to reflect any sum already paid by the Demerged Subsidiaries to CODASciSys in respect of tax losses surrendered to any of the Demerged Subsidiaries from any member of the SciSys Group on the basis of a pound for pound:
- (i) rebate to CODA from CODASciSys to the extent the tax losses surrendered by a member of the SciSys Group and paid for by any of the Demerged Subsidiaries are not available for utilisation against the tax payable by the Demerged Subsidiaries; or
 - (ii) additional payment to CODASciSys from CODA to the extent more tax losses of any member of the SciSys Group can be surrendered to any of the Demerged Subsidiaries and utilised by them against the tax payable by the Demerged Subsidiaries over and above the amount of the tax losses already surrendered to and paid for by any of the Demerged Subsidiaries prior to the effective date of the Demerger,

where any such rebate or additional payment will be paid following settlement by HM Revenue & Customs of the relevant tax computations for the relevant members of the CODASciSys Group for the financial year to 31 December 2006;

- (i) both CODA and CODASciSys give further assurances to do all such things as are reasonably necessary in order to ensure that on completion of the Demerger CODA acquires good title to the shares in the Demerged Subsidiaries and that the provisions of the Demerger Agreement are carried out in accordance with its terms.

4. Resolutions

The notice of the Extraordinary General Meeting containing the Resolutions is set out at the end of this document.

5. Admission, dealings, share certificates and CREST

Shareholders should read the Draft Admission Document which accompanies this document. It is currently envisaged that this will be the final form in which the Draft Admission Document will be published in connection with Admission. However it may become necessary to change or amend the Draft Admission Document to update it for any changes from the date of this document including any material change in the circumstances of CODA or any member of its group arising between the date of this document and the date on which the Draft Admission Document is published in order to satisfy the requirements of the AIM Rules. Based on the information available to the Board as at the date of posting of this document the Directors do not anticipate that any material changes will need to be made to the Draft Admission Document.

Conditional on the Demerger being approved by the shareholders and becoming effective, Admission is currently expected to take place during the final week of September 2006. The latest time and date for lodging transfers of CODASciSys Shares with Computershare Investor Services PLC in order to be registered by the Demerger Record Date will be 6.00 p.m. on the date which is one Business Day prior to the Demerger Record Date.

The entitlement to receive CODA Shares pursuant to the Demerger is not transferable.

Where applicable, definitive share certificates in respect of CODA Shares issued pursuant to the Demerger are expected to be posted during October 2006. Share certificates will be dispatched at the Qualifying Shareholders' risk. Prior to the dispatch of definitive share certificates in respect of those shares which are not settled in CREST, transfers of those shares will be certified against the register of members of CODA. No temporary documents of title for CODA Shares will be issued.

Qualifying Shareholders who hold their CODA Shares in uncertificated form through CREST will receive the appropriate number of uncertificated CODA Shares into the CREST accounts in which their CODASciSys Shares are held following the Demerger becoming effective. CODA Shares are expected to be eligible to be traded through the CREST system with effect from Admission.

6. Continuing arrangements between CODASciSys and CODA

Following the Demerger CODA plc and SciSys plc (as CODASciSys plc will become known) will operate as separate AIM quoted companies and neither company will have a shareholding in the other. There will be no persons who are directors of both companies.

Since the announcement of the Demerger by the Company on 4 July 2006 the CODASciSys Group has been restructured slightly in preparation for the Demerger in order to separate the CODA Division and the Business Collaborator Division from the SciSys Division. This has involved, inter alia, the change of name and/or status of several of the CODASciSys Group companies and the intra-group transfer of the entire issued share capital of each of Business Collaborator Limited, CODA (Resources) Limited, CODA (IT Services) Limited and CODA QUEST Trustee Limited from CODASciSys to SquareSum Limited.

Historically certain premises and/or assets have been held by one member of the CODASciSys Group and occupied or utilised by or shared with one or more other members of the CODASciSys Group. As part of the Demerger process some of these arrangements will end and certain assets and leases within the CODASciSys Group will be reallocated or assigned prior to the Demerger taking effect. This process will also involve a change of employer for a very small number of employees.

However, in addition to those arrangements and agreements already mentioned elsewhere in this document, including without limitation the Demerger Agreement, two areas in which there will be an ongoing relationship between CODASciSys and CODA following the Demerger are described below:

- an agreement will be put in place between CODA and the CODASciSys Employee Share Trust (the "EST") in respect of a loan of £4,500,000 to be made to the EST by CODA in recognition of the fact that senior employees of CODA will continue to hold a beneficial interest in shares held by the EST following the Demerger; and
- two leases are to be granted prior to completion of the Demerger in respect of occupation of Methuen Park, Chippenham. The freehold title to this property is held by CODA (Resources) Limited which will grant a lease of part of the premises to SciSys Limited for the benefit of the SciSys Group. At the same time SciSys Limited will grant a sub-lease of part of the premises to CODA GB Limited for the benefit of the CODA Group. Further details of the terms of each of these leases are contained in paragraph 12 of Part IV of the Draft Admission Document.

All ongoing relationships between any member of the CODA Group and any member of the CODASciSys Group following the Demerger will be on an arm's length commercial basis.

7. Effect of the Demerger on the CODASciSys Employee Share Schemes

Existing Option Holders under each of the current CODASciSys option schemes detailed below have been invited to exercise their remaining options in order that they may benefit from the Special Dividend and the Demerger. Existing Option Holders who exercise their options before the Special Dividend Record Date will be entitled to receive the Special Dividend in respect of the CODASciSys Shares that they will acquire upon exercise of their options. The impact of the Demerger on each of CODASciSys's existing option schemes is set out below.

The CODASciSys Company Share Option Plan (the "CSOP")

Existing Option Holders who have held their options for more than three years may exercise their options at any time on an approved basis as the performance conditions attaching to such options have been met in all cases. Existing Option Holders who have held their options for less than three years may exercise their options as a result of the Demerger at any time between now and the date of the EGM, but may only do so on an unapproved basis.

The gain made on exercise of approved options held for longer than three years under the CSOP will be free of income tax and National Insurance contributions. However, the gain made on the exercise of approved options held for less than three years under the CSOP (which applies to all options granted in November 2003) will be subject to income tax and National Insurance contributions. As early exercise of these less than

three year options is largely due to the Demerger, the Board has requested that the Trustees of the Company's Employee Benefit Trust consider making a payment to the holders of each of these under three year options of an amount equal to the grossed-up aggregate employee's National Insurance contributions and income tax charge. The trustees have agreed to make such payments which in total amount to £63,766 so that Existing Option Holders who hold these options are not disadvantaged by the timing of the Demerger. The Company will be responsible for the employer's National Insurance contributions on such options which in aggregate amount to approximately £8,290.

After the Demerger, any unexercised options held by employees of the SciSys Division will not lapse but will continue and will remain exercisable over SciSys plc shares. However, the price payable upon exercise will not be adjusted to reflect the fact that the Demerger has occurred. Any remaining options held by employees of the CODA Division or the Business Collaborator Division will lapse 12 months following the effective date of the Demerger. If they are exercised before this date, those option holders will acquire SciSys plc shares. As with option holders who are employees of the SciSys Division, the price payable upon exercise after the effective date of the Demerger will not be adjusted to take account of the Demerger.

The CODASciSys All Employee Share Ownership Plan (the "SIP")

Under the terms of the SIP all CODASciSys Shares awarded or acquired under the SIP are held under a SIP trust for the benefit of the employees. For each CODASciSys Share held by the SIP trust at the Demerger Record Date, three CODA Shares will be allotted and issued to the SIP trust, and the employees' existing entitlement to CODASciSys Shares will automatically give an entitlement to CODA Shares on the same basis as Qualifying Shareholders.

Following the Demerger, employees of the CODA Division and the Business Collaborator Division will not be required to withdraw their CODASciSys Shares and CODA Shares from the SIP trust. To be certain of not being charged for income tax or National Insurance Contributions upon the withdrawal of those shares, the employees must continue to hold their shares in the SIP for a total of five years from the date on which the original award or acquisition of shares was made under the SIP.

Employees of the SciSys Division will not be required to withdraw their CODASciSys Shares or CODA Shares from the SIP trust. In order to withdraw their shares from the SIP trust without a tax charge arising, they must continue to hold their shares in the SIP trust for a total of five years from the date on which the original award or acquisition of shares was made under the SIP.

The CODASciSys Employee Share Trust (the "EBT")

The EBT currently holds a small number of CODASciSys Shares which are being used to satisfy partially the requirement for CODASciSys Shares on the exercise of options by Existing Option Holders under the CSOP. These CODASciSys Shares held by the EBT will be fully utilised partially in satisfying these options so that the EBT will not hold any CODASciSys Shares at the Demerger Record Date. To the extent that any CODASciSys Shares remain in the EBT prior to the Demerger they will be sold for cash before the Demerger Record Date. The EBT will then be wound up.

The CODASciSys Executive Share Ownership Plan (the "ExSOP")

The ExSOP was established to replace the grant of unapproved shares under the CSOP. Selected CODASciSys Group employees acquired a beneficial interest in CODASciSys Shares under the ExSOP and this entitles them to benefit from any increase in the market value in the CODASciSys Shares following the date of acquisition.

None of the participants in the ExSOP will be entitled to realise their awards of CODASciSys Shares before the Demerger occurs. However, following the Demerger, the awards under the ExSOP will be over both CODASciSys Shares and CODA Shares on the same basis as Qualifying Shareholders, and participants will hold CODASciSys Shares and CODA Shares. However it should be possible for an employee of the SciSys Division to have his award satisfied wholly by way of CODASciSys Shares and an employee of the CODA Division or the Business Collaborator Division to have his award satisfied wholly by way of CODA Shares.

8. Special arrangements for the Demerger

As already described in paragraph 7 of this Part 1 it is proposed that the CODASciSys Employee Benefit Trust be wound up as soon as practicable following the Demerger. However as at 12 July 2006 (being the latest practicable date prior to the printing of this document) the EBT held net assets, largely in cash totalling approximately £1.6 million all of which is held, under the terms of the EBT, for the benefit of employees and directors of the CODASciSys Group. Clearly this cash should be distributed to CODASciSys Group employees as beneficiaries of the EBT before the EBT is wound up. The Remuneration Committee has made recommendations which have been accepted by the Board. The Board has made requests to the trustees of the EBT to consider such proposals in terms of the distribution of this cash balance. The trustees have agreed to all of the recommendations and will make payments totalling approximately £1.5 million. A summary of the key elements of these recommendations is set out below.

Compensation for participants in the ExSOP

A number of awards made to employees under the ExSOP in November 2005 will only become exercisable from 1 September 2007, notwithstanding the Demerger. At the time the Company decided to make these awards, it was agreed that the price from which the growth in value of the relevant shares would be measured was 395p, when in fact due to an increase in the market price of the shares between the date of notification to the employees of their awards and the date on which the grants under the ExSOP were made, the grants were made at a value of 422.5p per share. As a result, the growth which these ExSOP holders expected to be beneficially entitled to as joint owners of the shares held under the ExSOP arrangements was diminished at the outset by 27.5p per share. In light of the Demerger the Board has agreed with these ExSOP holders that the exercise period for their awards will cease on 31 December 2007 and has therefore determined, supported by the Remuneration Committee, that these ExSOP holders should receive a compensatory sum for the giving up of their rights to exercise after this date in respect of their November 2005 ExSOP shares.

The Board have therefore requested that the trustees of the EBT consider using part of the cash balance in the EBT to pay to the November 2005 ExSOP holders an aggregate sum net of tax equal to 42.5p per share by way of compensation. The trustees have agreed to make such payments which in total amount to approximately £670,000 of which sums will be payable to certain of the Directors as follows:

<i>Director</i>	<i>Compensation (£)</i>
Mike Love	9,563
Graham Steinsberg	276,250
Bryan Hucker	85,000
Jeremy Roche	212,500
Mark Hampson	34,000

Bonus payments for certain employees to be funded by the EBT

Following a recommendation from the Remuneration Committee the Board has also made a request to the trustees of the EBT that, conditional upon the Demerger becoming effective, a number of employees of the CODASciSys Group and certain of the Directors should receive a one-off cash bonus payment (a “**Bonus Payment**”), all such payments to be made shortly after the Demerger becomes effective. The criteria for receipt by an employee of a Bonus Payment is based on a formula tied to length of service (with a minimum of at least 24 months’ service in order to be eligible to participate) and seniority.

The trustees have agreed to make such payments conditional on the Demerger becoming effective. It is envisaged that the aggregate value of all Bonus Payments payable to employees will be approximately £820,000 of which £284,600 will be payable to certain of the Directors as follows:

<i>Director</i>	<i>Bonus Payment (£)</i>
Graham Steinsberg	86,400
Bryan Hucker	64,200
Jeremy Roche	86,400
Mark Hampson	47,600

Bonus payments to two directors to be funded by the Company

In addition the Board, on the recommendation of the Remuneration Committee, have approved the payment of a one-off bonus to be made to two of the executive directors of the Company for the successful completion of the Demerger. Conditional upon the Demerger becoming effective Mr Graham Steinsberg and Mr Bryan Hucker will each receive £150,000 by way of additional remuneration. These payments will be made by CODASciSys shortly after the Demerger becomes effective.

Compensation for early exercise of approved options

The holders of certain approved options under the Company's CSOP must, if they wish to participate in the Special Dividend and become a Qualifying Shareholder for the purposes of the Demerger, exercise their options within three years of their grant and thus their options will be taxed as unapproved. As described in paragraph 7 of Part I of this document the EBT trustees have agreed to compensate such holders for the adverse tax consequences of exercising their options within such three year period. The total amount to be paid by the EBT trustees is £63,766 of which the following amounts are to be paid to Directors who hold under three year options:

<i>Director</i>	<i>Bonus Payment (£)</i>
Graham Steinsberg	12,804
Bryan Hucker	12,804
Mark Hampson	3,582

Compensation for Mr Steinsberg

It has also been agreed by the Board that Mr Steinsberg should receive appropriate compensation to reflect his loss of office with the Company and the termination of his employment as a result of the Demerger taking effect. This award is being made on the basis that unlike the other Directors, Mr Steinsberg's terms of employment will not be replicated by CODA and his annual remuneration and benefits under the new arrangements with CODA will be over £150,000 per annum less than under his current employment terms with CODASciSys. Conditional upon the Demerger taking effect Mr Steinsberg will therefore receive £150,000 as compensation in full and final settlement of any claim which he may otherwise have against the Company for his loss of office as a director or his employment with the Company. Mr Steinsberg has accepted the terms of this offer of compensation.

9. United Kingdom taxation in relation to the Demerger

The comments below are intended as a general guide only and are based on current United Kingdom legislation and HM Revenue & Customs ("HMRC") practice as at the date of this document. They relate only to certain limited aspects of the taxation position of shareholders who are resident and, in the case of individuals, ordinarily resident in the United Kingdom for taxation purposes and who hold their CODASciSys Shares as investments (other than through a personal equity plan, individual savings account or child trust fund) and not as trading stock. **The tax consequences of the Demerger will depend upon the particular circumstances of shareholders. Shareholders who are in any doubt about their taxation position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional adviser.**

Taxation of chargeable gains

Implementation of the Demerger should not result in shareholders being treated as making a disposal or part disposal of their CODASciSys Shares for the purposes of UK taxation of chargeable gains. As a result, UK resident or ordinarily resident shareholders should not incur a liability to capital gains tax or corporation tax as a result of the Demerger.

The aggregate base-cost of the CODASciSys Shares and the CODA Shares after the Demerger will be the same as the base-cost of the CODASciSys Shares before the Demerger. On a subsequent disposal of CODASciSys Shares and/or CODA Shares, the cost will be apportioned across the two shareholdings.

Similarly, reliefs such as indexation and taper relief will commence from the date the CODASciSys Shares were originally acquired.

Shareholders who, alone or together with connected persons, hold more than 5 per cent. of the CODASciSys Shares are advised that clearance has been obtained from HMRC under section 138 Taxation of Chargeable Gains Act 1992 that HMRC are satisfied that the Demerger is being effected for bona fide commercial reasons and does not form part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of liability to capital gains tax or corporation tax.

HMRC has also granted similar clearance under section 707 Income and Corporation Taxes Act 1988 (“ICTA”). This confirms that HMRC should not seek to counter any tax advantage obtained by any person in consequence of the Demerger.

Together these clearances should ensure that the tax treatment described above will not be denied on the grounds of tax avoidance.

The Demerger as an exempt distribution

HMRC has also granted clearance under section 215(1) ICTA confirming that the transfer of the Demerged Subsidiaries to CODA and the consequential issue of CODA Shares will be treated as an exempt distribution within the meaning of section 213 ICTA. As a result, shareholders should not be regarded as having received income for the purposes of UK taxation on receipt of CODA Shares.

Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No liability to stamp duty or SDRT will be incurred by Qualifying Shareholders as a result of the issue by CODA of CODA Shares pursuant to the Demerger. This statement does not apply, however, to persons such as brokers, market makers, intermediaries and persons connected with depositary arrangements or clearance services, to whom special rules apply.

Inheritance Tax

For the purposes of section 107(4) Inheritance Tax Act 1984, CODA Shares acquired pursuant to the Demerger will be treated as having been acquired at the time the CODASciSys Shares were originally acquired. This means that the two year ownership period required before business property relief can apply will be treated as starting at the date the CODASciSys Shares were first acquired. If this two year period and various other conditions are met, holdings of both CODASciSys Shares and CODA Shares should qualify for 100 per cent. relief from inheritance tax.

10. Overseas Shareholders

Any person who is resident in, or who has a registered address in, or is a citizen of any territory outside the UK and who is to receive CODA Shares pursuant to the Demerger should consult his or her own professional advisers and satisfy himself or herself as to full observance of the laws of the relevant territory in connection with the Demerger, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.

This document has been prepared to comply with English law and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

In particular, the CODA Shares have not been nor will they be registered under the United States Securities Act of 1933, as amended, nor under the relevant securities laws of any state or other jurisdiction of the United States of America and the relevant clearances have not been, nor will they be obtained from the securities commission of any province or territory of Canada, and no prospectus in relation to the CODA Shares has been, or will be, lodged with or registered by, the Australian Securities Commission or the Irish regulatory authorities, nor have any steps been taken to ensure compliance with any applicable securities laws of Japan. Accordingly, unless the Company and CODA are satisfied as to the availability of a relevant exemption under applicable securities law, the Company and CODA reserve the right to determine that no CODA Shares will

be delivered or sent to any shareholder having a registered address in the United States of America, Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan or any other jurisdiction outside the UK in which such delivery or distribution may lead to a breach of any applicable law or regulatory requirement. Instead Qualifying Shareholders having a registered address in any such jurisdiction on the Demerger Record Date would, in place of the CODA Shares to which they would otherwise have been entitled, receive instead a cash payment equivalent to the amount of the dividend declared by CODASciSys in relation their CODASciSys Shares.

PART II

FINANCIAL INFORMATION FOR CODASCISYS FOR THE TWO YEARS ENDED 31 DECEMBER 2005

(a) Accountant's Report



The Directors
CODASciSys plc
Methuen Park
Chippenham
Wiltshire
SN14 0GB

KPMG Audit Plc
100 Temple Street
Bristol
BS1 6AG

17 July 2006

Dear Sirs

CODASciSys plc

We report on the financial information set out on pages 25 to 46. This financial information has been prepared for inclusion in the Circular dated 17 July 2006 of CODASciSys plc ('the Company') on the basis of the accounting policies set out in note 6.1. This report is designed to meet the agreed requirements of CODASciSys plc as determined and recorded in our engagement letter dated 29 June 2006 and is given for the purpose of complying with those requirements and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 6.1 to the financial information and in accordance with UK accounting standards.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Circular dated 17 July 2006, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation and in accordance with UK accounting standard as described in note 6.1.

Yours faithfully

KPMG Audit Plc

(b) Financial information for CODASciSys plc for the two years ended 31 December 2005

1. The consolidated financial information set out below of CODASciSys plc (the “Company”), and together with its subsidiary undertakings (the “Group”), for the two years ended 31 December 2005 has been prepared by the Directors of the Company on the basis set out in note 6.1. It has been prepared solely for the purpose of this circular and does not constitute audited statutory accounts within the meaning of Section 240 of the Companies Act.

The Directors of CODASciSys plc are responsible for the financial information and the contents of this circular in which it is included.

2. Consolidated profit and loss accounts

for the years ended 31 December 2004 and 2005

	Note	2004			2005		
		Continuing operations £000	to be discontinued £000	Total £000	Continuing operations £000	to be discontinued £000	Total £000
Turnover	6.2	21,981	45,849	67,830	22,207	50,564	72,771
Staff costs	6.6	(13,996)	(26,645)	(40,641)	(14,901)	(27,750)	(42,651)
Depreciation	6.13	(201)	(1,632)	(1,833)	(299)	(1,306)	(1,605)
Amortisation of goodwill	6.12	–	(3,742)	(3,742)	–	(2,820)	(2,820)
Other operating charges		(6,681)	(11,378)	(18,059)	(5,599)	(12,650)	(18,249)
Operating profit	6.3	1,103	2,452	3,555	1,408	6,038	7,446
Profit on sale of fixed assets		–	254	254	–	–	–
Interest receivable and similar income	6.4	79	31	110	129	100	229
Interest payable and similar charges	6.5	–	(5)	(5)	(3)	(6)	(9)
Profit on ordinary activities before taxation		1,182	2,732	3,914	1,534	6,132	7,666
Tax on profit on ordinary activities	6.8	181	(1,761)	(1,580)	(83)	(1,757)	(1,840)
Profit for the financial year		1,363	971	2,334	1,451	4,375	5,826
Earnings per share	6.10						
Basic				9.9p			24.7p
Diluted				8.9p			22.6p

There is no difference between the results on ordinary activities before taxation for the periods stated above and their historical cost equivalent.

There are no amounts other than those shown above that would require disclosure in a statement of total gains and losses and consequently no such statement is included within this financial information.

Other operating costs of continuing operations for 2004 include a non recurring amount of £373,000 being abortive disposal costs incurred by the Group in respect of the proposed disposal of a Group subsidiary company that did not complete. Also included in respect of both years are legal and other costs which pertain to the Group in its current form but which may not be incurred by the Group at the same level after the Demerger.

3. Consolidated balance sheet

as at 31 December 2004 and 2005

	Note	2004			2005		
		Continuing operations £000	Operations to be discontinued £000	Total £000	Continuing operations £000	Operations to be discontinued £000	Total £000
Fixed Assets							
Intangible assets	6.12	–	36,123	36,123	–	39,858	39,858
Tangible assets	6.13	414	12,766	13,180	405	12,797	13,202
		<u>414</u>	<u>48,889</u>	<u>49,303</u>	<u>405</u>	<u>52,655</u>	<u>53,060</u>
Current assets							
Debtors	6.15	6,003	15,041	21,044	7,223	17,445	24,668
Cash at bank and in hand		4,111	3,401	7,512	5,163	4,934	10,097
Total current assets		<u>10,114</u>	<u>18,442</u>	<u>28,556</u>	<u>12,386</u>	<u>22,379</u>	<u>34,765</u>
Creditors: amounts falling due within one year	6.16	(1,679)	(6,111)	(7,790)	(2,460)	(8,285)	(10,745)
Net current assets		<u>8,435</u>	<u>12,331</u>	<u>20,766</u>	<u>9,926</u>	<u>14,094</u>	<u>24,020</u>
Total assets less current liabilities		<u>8,849</u>	<u>61,220</u>	<u>70,069</u>	<u>10,331</u>	<u>66,749</u>	<u>77,080</u>
Creditors: amounts falling due after more than one year	6.17	–	–	–	–	(1,206)	(1,206)
Deferred income	6.18	(2,435)	(15,804)	(18,239)	(1,990)	(17,333)	(19,323)
Net assets		<u>6,414</u>	<u>45,416</u>	<u>51,830</u>	<u>8,341</u>	<u>48,210</u>	<u>56,551</u>
Capital and reserves							
Called-up share capital	6.19			6,350			6,352
Share premium account	6.20			42,980			43,008
Capital redemption reserve	6.20			83			83
Profit and loss account	6.20			2,417			7,108
Equity shareholders' funds				<u>51,830</u>			<u>56,551</u>

4. Consolidated cash flows statement

for the years ended 31 December 2004 and 2005

	Note	2004			2005		
		Continuing operations £000	Operations to be discontinued £000	Total £000	Continuing operations £000	Operations to be discontinued £000	Total £000
Net cash inflow from operating activities	6.25	1,653	5,988	7,641	965	10,587	11,552
Returns on investments and servicing of finance							
Interest received		79	31	110	129	100	229
Interest paid		–	(5)	(5)	(3)	(6)	(9)
Net cash inflow from returns on investments and servicing of finance		79	26	105	126	94	220
Taxation							
UK and overseas corporation tax paid		(47)	(1,234)	(1,281)	732	(2,419)	(1,687)
Capital expenditure and financial investment							
Payment to acquire tangible fixed assets		(429)	(5,628)	(6,057)	(288)	(1,211)	(1,499)
Receipts from sale of investments		30	–	30	43	–	43
Receipts from sales of tangible fixed assets		11	1,114	1,125	13	2	15
Net cash outflow from capital expenditure and financial investment		(388)	(4,514)	(4,902)	(232)	(1,209)	(1,441)
Acquisitions							
Purchase of CODA France		–	–	–	–	(1,723)	(1,723)
Purchase of CODA Nordic		–	–	–	–	(2,110)	(2,110)
Settlement of Nordic royalty		–	–	–	–	(365)	(365)
Purchase of other CODA subsidiaries		–	–	–	–	(549)	(549)
Net cash out flow from acquisitions		–	–	–	–	(4,747)	(4,747)
Equity dividends paid		(895)	–	(895)	(1,178)	–	(1,178)
Net cash inflow/(outflow) before financing		402	266	668	413	2,306	2,719
Financing							
Issue of ordinary share capital		–	–	–	30	–	30
Net cash inflow from financing		–	–	–	30	–	30
Issue of shares by operations to be discontinued to continuing operations		–	–	–	(2,000)	2,000	–
Dividends paid by operations to be discontinued to continuing operations		6,000	(6,000)	–	2,700	(2,700)	–
Increase in cash in the year	6.26	<u>6,402</u>	<u>(5,734)</u>	<u>668</u>	<u>1,143</u>	<u>1,606</u>	<u>2,749</u>

5. Reconciliation of movements in shareholders funds

for the years ended 31 December 2004 and 2005

	2004	2005
	£000	£000
Profit for the financial year	2,334	5,826
Dividends	(895)	(1,178)
Retained profit for the financial year	1,439	4,648
Exchange adjustments	20	(1)
Issue of new shares	–	2
Premium on issue of new shares	–	28
Net movement of shares owned in Employee Share Trust	30	44
Net addition to shareholders' funds	1,489	4,721
Opening shareholders' funds	50,341	51,830
Closing shareholders' funds	51,830	56,551

6. Notes

6.1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

Basis of preparation

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

The financial information consolidates the financial statements of the Company and its subsidiary undertakings. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Transactions and balances relating to the following companies are disclosed within the financial information as "Operations to be discontinued" as they are to be de-merged from the Group:

- CODA Group Holdings Limited and its subsidiaries being all of the CODA Group operating companies.
- SquareSum Limited
- Business Collaborator Limited
- CODA (IT Services) Limited
- CODA (Resources) Limited
- CODA QUEST Trustee Limited

All other transactions and balances are disclosed as "Continuing operations".

Transactions and balances between operations to be discontinued and continuing operations have not been disclosed separately as they are eliminated on consolidation. In addition, no separate disclosure of capital and reserves between continuing operations and operations to be discontinued has been made as this is not considered to be an appropriate presentation of these balances.

Revenue recognition

Revenue is stated net of value added tax. Revenue from consultancy and other professional services is recognised as the services are performed. Revenue is taken on fixed price contracts while the contract is in progress, having regard to the proportion of the total contract which has been completed at the balance sheet date, estimated by reference to the costs incurred to date versus the total estimated costs to completion. Provision is made for all foreseeable losses. Revenue for maintenance contracts is recognised equally over the period to which the maintenance relates. Revenue for software licences is recognised at the end of a project, typically when a client's system goes live.

6.1 Accounting policies (continued)

Amounts recoverable on contracts

Amounts recoverable on contracts represent revenue recognised, primarily on fixed price projects, which has not yet been invoiced to clients. Such amounts are separately disclosed within debtors.

Deferred income

Deferred income comprises:

- The element of maintenance revenues invoiced for which the period of maintenance extends beyond the year end (typically maintenance is invoiced annually upfront);
- Amounts received for software licences for which the recognition criterion has not been met;
- Amounts invoiced to clients on fixed price projects which has not yet been recognised as revenue;
- Amounts invoiced for consultancy work ahead of the work being carried out (pre-billed consultancy).

Product development costs

Product development costs are written off in the profit and loss account as they are incurred.

Financial instruments and derivatives

The Group's financial instruments comprise cash and borrowings and various items such as trade debtors and creditors that arise directly from its operations. The Group's policy towards financial instruments is to manage interest rate, liquidity and foreign exchange risk without exposing the Group to undue risk or speculation.

Derivatives are used by the Group to reduce or eliminate exposure to foreign exchange risk. Instruments used include forward exchange deals, cylinder options and currency swaps. They are considered to be hedges as they are used to reduce the risk profile of an existing underlying exposure. Where instruments are used for hedging purposes, the Group defers the impact on profit until it recognises the underlying hedged item in the profit and loss account. Where a forward exchange deal is used to hedge an on balance sheet item, the balance sheet item is translated at the rate of exchange contained within the hedge. Where the instrument is used to hedge against future transactions, gains and losses are deferred until the transaction occurs.

Intangible assets – goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given and the associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised in equal instalments over its estimated useful life. The estimated useful life is the period over which the directors estimate that the value of the underlying business is expected to exceed the value of the underlying assets. Goodwill is being amortised as follows:

<i>Acquisition</i>	<i>Month/year</i>	<i>Estimated useful life</i>
The CODA business	March 2000	20 years
SquareSum Limited	January 2003	17.25 years (to make write down co-terminus with CODA)
Business Collaborator Limited	April 2003	5 years
BLGS Holdings S.A.	February 2005	15.2 years (to make write down co-terminus with CODA)
GWG Holdings Limited	July 2005	14.7 years (to make write down co-terminus with CODA)
CODA Hungary Kft	December 2005	14.25 years (to make write down co-terminus with CODA)
Business Application Support GmbH	December 2005	14.25 years (to make write down co-terminus with CODA)

6.1 Accounting policies (continued)

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

There is no purchased goodwill (either positive or negative) arising on consolidation in respect of acquisitions prior to 1 January 1998 that has been written off to reserves.

Fixed assets and depreciation

Depreciation is provided to write off the cost (less the estimated residual value) of tangible fixed assets by equal instalments over their estimated useful lives, as follows:

Land	Not depreciated
Freehold & long leasehold buildings	50 years
Short leasehold	Over the life of the lease
Plant and machinery	10 – 20 years
Office equipment	6 years
Motor vehicles	5 years
Computer equipment	2 – 3 years

Employee share schemes/Own shares held by Employee Share Trust

Share schemes are accounted for in accordance with UITF Abstract 17 (Employee Share Schemes). Any difference between the exercise price and the intrinsic value of share options at the date of grant is charged to the profit and loss account on a straight line basis over the period to which the performance criteria relates.

Own shares held in the Employee Share Trust (EST) are accounted for in accordance with UITF Abstract 38 (Accounting for ESOP Trusts):

- Until such time as the Company's own shares held by the EST vest unconditionally in employees, the consideration paid for the shares is deducted from the profit and loss account in arriving at shareholders' funds;
- Other assets and liabilities of the EST are recognised as the assets and liabilities of the Company;
- Consideration paid or received for the purchase or sale of the Company's own shares are shown as separate amounts in the reconciliation of movements in shareholders' funds;
- Finance costs and any administration expenses of the EST are charged as they accrue;
- Any dividend income arising on own shares is excluded in arriving at profit before tax and deducted from dividends paid and proposed.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate and gains or losses on translation are included in the profit and loss account. The assets and liabilities and profit and loss account of overseas subsidiaries are translated at the year end exchange rate. Gains and losses arising on the retranslation of the opening balance sheet of the overseas subsidiaries at the year end exchange rate are taken to reserves.

Leasing and hire purchase commitments

Assets acquired under finance leases and hire purchase contracts are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

6.1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pension costs

The Group operates five defined contribution pension schemes, the assets of which are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period. From 1 April 2006 these schemes were discontinued and these arrangements were replaced by a single group personal pension scheme.

6.2 Analysis of turnover

The turnover attributable to each of the Group's geographical market is:

	2004			2005		
	Continuing operations £000	to be discontinued £000	Total £000	Continuing operations £000	to be discontinued £000	Total £000
Turnover by origin						
United Kingdom	13,751	22,638	36,389	13,232	23,385	36,617
Rest of Europe	8,230	16,972	25,202	8,975	20,215	29,190
Rest of World	–	6,239	6,239	–	6,964	6,964
	<u>21,981</u>	<u>45,849</u>	<u>67,830</u>	<u>22,207</u>	<u>50,564</u>	<u>72,771</u>
Turnover by destination						
United Kingdom	21,981	28,002	49,983	22,166	27,112	49,278
Rest of Europe	–	12,231	12,231	41	16,959	17,000
Rest of World	–	5,616	5,616	–	6,493	6,493
	<u>21,981</u>	<u>45,849</u>	<u>67,830</u>	<u>22,207</u>	<u>50,564</u>	<u>72,771</u>
Profit before interest and taxation by origin						
United Kingdom	1,108	1,959	3,067	1,330	4,456	5,786
Rest of Europe	(5)	335	330	78	1,408	1,486
Rest of World	–	158	158	–	174	174
	<u>1,103</u>	<u>2,452</u>	<u>3,555</u>	<u>1,408</u>	<u>6,038</u>	<u>7,446</u>
Net assets by origin						
United Kingdom	6,348	43,676	50,024	8,231	45,001	53,232
Rest of Europe	66	1,102	1,168	110	2,374	2,484
Rest of World	–	638	638	–	835	835
	<u>6,414</u>	<u>45,416</u>	<u>51,830</u>	<u>8,341</u>	<u>48,210</u>	<u>56,551</u>

6.3 Operating profit

	2004			2005		
	Continuing operations £000	to be discontinued £000	Total £000	Continuing operations £000	to be discontinued £000	Total £000
This is stated after charging/(crediting) :						
Redundancy and restructuring costs	326	722	1,048	255	535	790
Fees paid to the auditors and their associates						
Audit	28	79	107	24	94	118
Other non audit services	41	70	111	19	42	61
Exchange (gains)/losses on operating activities	(135)	81	(54)	6	45	51
(Profit)/loss on sale of fixed assets	–	10	10	–	(13)	(13)
Hire of plant and machinery – operating leases	191	910	1,101	177	1,058	1,235
Hire of other assets – operating leases	–	639	639	–	808	808
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6.4 Interest receivable

	2004			2005		
	Continuing operations £000	to be discontinued £000	Total £000	Continuing operations £000	to be discontinued £000	Total £000
Bank	79	31	110	129	100	229
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6.5 Interest payable and similar charges

	2004			2005		
	Continuing operations £000	to be discontinued £000	Total £000	Continuing operations £000	to be discontinued £000	Total £000
On bank loans and overdrafts	–	5	5	3	6	9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6.6 Staff numbers and costs

	2004			2005		
	Continuing operations	Operations to be discontinued	Total	Continuing operations	Operations to be discontinued	Total
The average number of persons employed by the Group during the year was as follows:						
Management	11	19	30	11	17	28
Professional	277	470	747	280	471	751
Administration	23	45	68	23	41	64
	<u>311</u>	<u>534</u>	<u>845</u>	<u>314</u>	<u>529</u>	<u>843</u>
	£000	£000	£000	£000	£000	£000

The aggregate payroll costs of these persons were as follows:

Wages and salaries	11,837	23,084	34,921	12,636	23,765	36,401
Social security costs	1,545	2,409	3,954	1,629	2,878	4,507
Pension costs	614	1,152	1,766	636	1,107	1,743
Total	<u>13,996</u>	<u>26,645</u>	<u>40,641</u>	<u>14,901</u>	<u>27,750</u>	<u>42,651</u>

6.7 Directors' emoluments

	2004			2005		
	Continuing operations	Operations to be discontinued	Total	Continuing operations	Operations to be discontinued	Total
	£000	£000	£000	£000	£000	£000
Aggregate amount of emoluments	500	667	1,067	185	1,019	1,204
Payment of benefit in kind paid on behalf of the employee by the employee benefit trust	–	–	–	–	637	637
Aggregate value of company contributions to money purchase pension schemes	<u>18</u>	<u>26</u>	<u>44</u>	<u>3</u>	<u>55</u>	<u>58</u>
Number of directors to whom retirement benefits accrue under the schemes	<u>2</u>	<u>2</u>	<u>4</u>	<u>2</u>	<u>2</u>	<u>4</u>

The aggregate emoluments of the highest paid Director were £381,000 (2004 – £340,000). In addition, an ESOP benefit of £302,000 (2004: £nil) arose and pension contributions amounted to £18,000 (2004: £nil).

6.8 Tax on profit on ordinary activities

	2004			2005		
	Operations		Total £000	Operations		Total £000
	Continuing operations £000	to be discontinued £000		Continuing operations £000	to be discontinued £000	
UK corporation tax @ 30%	152	1,137	1,289	184	2,167	2,351
Adjustment relating to earlier years	(297)	(248)	(545)	(247)	(495)	(742)
	(145)	889	744	(63)	1,672	1,609
Overseas corporation tax	1	128	129	32	208	240
Adjustment relating to earlier years	–	–	–	–	3	3
	1	128	129	32	211	243
Total current tax	(144)	1,017	873	(31)	1,883	1,852
UK Income tax	–	–	–	14	–	14
Adjustment relating to earlier years	–	–	–	25	–	25
	–	–	–	39	–	39
UK Deferred taxation	(37)	729	692	(18)	(110)	(128)
Overseas deferred taxation	–	–	–	–	13	13
Adjustment relating to earlier years	–	15	15	93	(29)	64
	(37)	744	707	75	(126)	(51)
Tax charge	(181)	1,761	1,580	83	1,757	1,840

6.8 Tax on profit on ordinary activities (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30 per cent. (2004 – 30 per cent.). The actual effective rate of tax for both years differs from this standard rate as follows:

	2004			2005		
	Continuing operations £000	to be discontinued £000	Total £000	Continuing operations £000	to be discontinued £000	Total £000
Profit on ordinary activities before taxation	1,182	2,732	3,914	1,534	6,132	7,666
Tax at standard rate of 30% (2004 – 30%)	355	819	1,174	460	1,840	2,300
Expenses not deductible for tax purposes:						
Goodwill	–	554	554	–	710	710
Other	102	318	420	7	95	102
Other items including permanent differences:						
Research & Development credits	(341)	(94)	(435)	(279)	(357)	(636)
Adjustment in respect of foreign rate taxes	–	(19)	(19)	10	(10)	–
Deferred tax relating to reversal of timing differences in the year	37	(313)	(276)	18	97	115
Adjustment relating to earlier years	–	–	–	–	3	3
Current tax adjustments in respect of prior periods:						
Research & Development credits	(297)	(248)	(545)	(247)	(495)	(742)
Total current tax charge	(144)	1,017	873	(31)	1,883	1,852

6.9 Dividends

	2004 £000	2005 £000
Interim dividend paid in year 1.3p per share (2004 – 1.1p)	279	330
Final dividend paid in year 3.7p per share (2004 – 2.7p)	686	940
	965	1,270
Dividend income on own shares held by Employee Share Trust	(70)	(92)
	895	1,178

Dividends paid have been accounted for in accordance with FRS 21 which requires that dividends should not be recognised in the accounts of the Company until such time as they have been formally declared, or in the case of interim dividends, paid.

6.10 Basic and diluted earnings per share

Basic earnings per ordinary share are calculated by dividing the profit after taxation attributable to the shareholders of £5,826,000 (2004 – £2,334,000) by the weighted average number of shares in issue during the year (excluding own shares held in the Science Systems Employee Share Trust (“EST”) and the CODASciSys No. 1 Employees’ Share Trust (“No. 1 Trust”) which holds shares in respect of the Executive Share Ownership Plan) of 23,583,905 (2004 – 23,559,775).

Diluted earnings per ordinary share are calculated by dividing the profit after taxation attributable to the shareholders of £5,826,000 (2004 – £2,334,000) by the weighted average number of shares in issue during the year (excluding own shares held in the EST, but after taking into account options outstanding during the year) of 25,788,245 (2004 – 26,176,757). No adjustment to the number of shares in issue has been made in respect of the No. 1 Trust since these shares have been awarded under the Executive Share Ownership Plan.

6.11 Adjusted earnings per share

	2005	2004
Basic adjusted	36.7p	25.8p
Diluted adjusted	33.5p	23.2p

Adjusted earnings per ordinary share is based on the profit for the financial year excluding amortisation of goodwill. Basic adjusted earnings per share are calculated by dividing the profit for the financial year excluding amortisation of goodwill attributable to the shareholders of £8,646,000 (2004 – £6,076,000) by the weighted average number of shares in issue during the year (excluding own shares held in the EST and the No. 1 Trust) of 23,583,905 (2004 – 23,559,775).

Diluted adjusted earnings per ordinary share excluding amortisation of goodwill are calculated by dividing the profit for the financial year excluding amortisation of goodwill attributable to the shareholders of £8,646,000 (2004 – £6,076,000) by the weighted average number of shares in issue during the year (excluding own shares held in the EST, but after taking into account options outstanding during the year) of 25,783,245 (2004 – 26,176,757). No adjustment to the number of shares in issue has been made in respect of the No. 1 Trust since these shares have been awarded under the Executive Share Ownership Plan.

6.12 Intangible fixed assets

Goodwill on acquisition of:

	<i>CODA Group Holdings and SquareSum £000</i>	<i>Other CODA companies £000</i>	<i>Business Collaborator £000</i>	<i>Total £000</i>
<i>Cost:</i>				
At 31 December 2003	44,635	–	2,813	47,448
Additions during year (note 6.14)	–	–	–	–
At 31 December 2004	44,635	–	2,813	47,448
Additions during year (note 6.14)	–	6,555	–	6,555
At 31 December 2005	44,635	6,555	2,813	54,003
<i>Amortisation:</i>				
At 31 December 2003	7,208	–	375	7,583
Charge for year	2,304	–	563	2,867
Impairment charge	–	–	875	875
At 31 December 2004	9,512	–	1,813	11,325
Charge for year	2,305	215	300	2,820
At 31 December 2005	11,817	215	2,113	14,145
Net book value 31 December 2004	35,123	–	1,000	36,123
Net book value 31 December 2005	32,818	6,340	700	39,858

6.13 Tangible fixed assets

	<i>Freehold & long leasehold property £000</i>	<i>Short leasehold property £000</i>	<i>Computer equipment £000</i>	<i>Office equipment £000</i>	<i>Motor vehicles £000</i>	<i>Plant & machinery £000</i>	<i>Total £000</i>
<i>Cost:</i>							
At 31 December 2003	6,254	91	5,714	2,979	25	2,423	17,486
Additions	5,055	8	772	162	–	61	6,058
Disposals	(847)	(15)	(169)	(29)	(3)	–	(1,063)
Exchange adjustments	–	(3)	(22)	(9)	(2)	–	(36)
At 31 December 2004	10,462	81	6,295	3,103	20	2,484	22,445
Acquisitions	–	27	374	132	–	–	533
Additions	39	15	958	81	27	380	1,500
Disposals	–	(8)	(78)	(9)	(23)	–	(118)
Exchange adjustments	–	4	10	11	3	–	28
At 31 December 2005	10,501	119	7,559	3,318	27	2,864	24,388
<i>Depreciation:</i>							
At 31 December 2003	459	51	4,367	2,168	21	596	7,662
Charge for year	175	18	1,145	325	3	167	1,833
Disposals	–	(15)	(166)	(18)	(2)	–	(201)
Exchange adjustments	–	(1)	(21)	(5)	(2)	–	(29)
At 31 December 2004	634	53	5,325	2,470	20	763	9,265
Acquisitions	–	5	333	77	–	–	415
Charge for year	201	21	922	282	5	174	1,605
Disposals	–	(8)	(77)	(8)	(23)	–	(116)
Exchange adjustments	–	1	8	5	3	–	17
At 31 December 2005	835	72	6,511	2,826	5	937	11,186
Net book value at 31 December 2004	9,828	28	970	633	–	1,721	13,180
Net book value at 31 December 2005	9,666	47	1,048	492	22	1,927	13,202

Land and Buildings

The net book value of land and buildings can be analysed as follows:

	<i>2004 £000</i>	<i>2005 £000</i>
Freehold	9,661	9,505
Long leasehold	167	161
	<u>9,828</u>	<u>9,666</u>

Freehold land and buildings includes amounts for land of £493,000 (2004 – £493,000) which is not depreciated.

6.14 Acquisitions

In the two years ended 31 December 2005 the Group made the following acquisitions:

CODA France

On 2 February 2005 CODA Group Holdings Limited, a wholly owned subsidiary of CODASciSys plc, acquired the entire share capital of BLGS Holding S.A.. BLGS Holding owns the entire share capital of CODA Software SA, the CODA Software reseller in France, and Adalys SA an associated software company, together, "CODA France". The assets and liabilities acquired under this acquisition were as follows:

	<i>Book value acquired £000</i>	<i>Fair value adjustments £000</i>	<i>Fair value acquired £000</i>
Fixed assets	56	–	56
Debtors	1,934	–	1,934
Cash	548	–	548
Creditors	(1,355)	–	(1,355)
Deferred income	(335)	–	(335)
	<u>848</u>	<u>–</u>	<u>848</u>
Goodwill			2,113
Consideration (cash)		(2,081)	
Consideration (deferred cash)		(690)	
Costs		(190)	
Total consideration		<u>–</u>	<u>2,961</u>

The acquisition method of accounting has been applied. There were no fair value adjustments in relation to this acquisition.

The deferred consideration relates to earn-out arrangements determined according to the net profit after tax for the three years ended 31 December 2006. The deferred consideration will be a minimum of £nil and a maximum of £1,550,000.

The profit after tax for the consolidated BLGS group for the year ended 31 December 2004 was £417,100 and the loss after tax for the period from 1 January 2005 until the date of acquisition was £75,000.

6.14 Acquisitions (continued)

CODA Nordic

On 21 July 2005 CODA Group Holdings Limited, a wholly owned subsidiary of CODASciSys plc, acquired 100 per cent. of the share capital of GWG Holdings Limited. GWG Holdings Limited owns 100 per cent. of the share capital of Simple Concepts Scandinavia AB, a software company and 100 per cent. of Simple Concepts Eesti OU, a software development company, together, "CODA Nordic". The assets and liabilities acquired under this acquisition were as follows:

	<i>Book value acquired £000</i>	<i>Fair value adjustments change of accounting policy £000</i>	<i>Fair value adjustment unrecorded liability £000</i>	<i>Fair value acquired £000</i>
Software development	265	(265)	–	–
Fixed assets	45	–	–	45
Debtors	83	–	–	83
Cash	(153)	–	–	(153)
Creditors	(399)	–	(365)	(764)
Deferred income	–	(175)	–	(175)
	<u>(159)</u>	<u>(440)</u>	<u>(365)</u>	<u>(964)</u>
Goodwill				3,093
Consideration (cash)			(1,855)	
Consideration (deferred cash)			(172)	
Costs			(102)	
Total consideration			<u> </u>	<u>2,129</u>

The acquisition method of accounting has been applied. Fair value adjustments to deferred income were to bring the accounting policy for licence and maintenance income in line with that of the Group, and in respect of capitalised software development to write off such costs in line with the Group policy. A fair value adjustment was also made to record a liability of £365,000 payable to the Swedish Industrial Fund in order to remove the obligation to pay future royalties in respect of licence sales made by the acquired company.

The deferred consideration is fixed at £172,000 and is payable immediately following the audit of the statutory accounts of the acquired company during March 2006.

The profit after tax of GWG Holdings Limited, adjusted to the accounting policies of the Company, for the year ended 31 December 2004, was £85,000 and the loss after tax for the period from 1 January 2005 until the date of acquisition was £32,000.

6.14 Acquisitions (continued)

Other

On 30 December 2005 CODA Group Holdings Limited, a wholly owned subsidiary of CODASciSys plc, acquired the entire share capital of CODA Hungary Kft, which had recently acquired the trade and assets of Singular Hungary Rt, the reseller of CODA Software in Hungary.

On 30 December 2005 CODA Financial Systems GmbH, a wholly owned subsidiary of CODASciSys plc, acquired the entire share capital of Business Application Support GmbH, a reseller of CODA Software based in Germany.

The assets and liabilities acquired under these two acquisitions were as follows:

	<i>Book value acquired £000</i>	<i>Fair value adjustments £000</i>	<i>Fair value acquired £000</i>
Fixed assets	24	–	24
Debtors	386	–	386
Cash	317	–	317
Creditors	(412)	–	(412)
Deferred income	(282)	–	(282)
	<u>33</u>	<u>–</u>	<u>33</u>
Goodwill			1,349
Consideration (cash)		(706)	
Consideration (deferred cash)		(516)	
Costs		(160)	
Total consideration			<u>1,382</u>

The acquisition method of accounting has been applied. There were no fair value adjustments required for these acquisitions.

The deferred consideration in respect of CODA Hungary Kft. relates to earn-out arrangements determined according to the net profit before tax for the year ended 31 December 2006. The deferred consideration will be a minimum of £nil and a maximum of £176,000.

The deferred consideration in respect of Business Applications Support GmbH relates to earn-out arrangements determined according to the net profit after tax for the two years ended 31 December 2007. The deferred consideration will be a minimum of £nil and a maximum of £704,000.

The profit after tax of CODA Hungary Kft. for the year ended 31 December 2005 was £50,000 and the company was acquired at its year end.

The profit after tax of Business Applications Support GmbH for the year ended 31 October 2005, was £37,000 and the loss before tax for the period from 1 November 2005 until the date of acquisition was £42,000.

6.15 Debtors

	2004			2005		
	Operations		Total	Operations		Total
	Continuing operations	to be discontinued		Continuing operations	to be discontinued	
£000	£000	£000	£000	£000	£000	
Trade debtors	3,102	12,325	15,427	3,155	14,235	17,390
Amounts recoverable on contracts	2,254	–	2,254	3,288	–	3,288
Other debtors	23	171	194	–	218	218
Deferred tax asset	130	132	262	55	275	330
Prepayments and accrued income	494	2,413	2,907	725	2,717	3,442
Total	6,003	15,041	21,044	7,223	17,445	24,668

Debtors include prepayments of £277,808 (2004 – £267,000) due after more than one year.

6.16 Creditors: amounts falling due within one year

	2004			2005		
	Operations		Total	Operations		Total
	Continuing operations	to be discontinued		Continuing operations	to be discontinued	
£000	£000	£000	£000	£000	£000	
Trade creditors	284	918	1,202	634	1,782	2,416
Corporation tax	(289)	938	649	99	740	839
Other taxation and social security	427	531	958	692	768	1,460
Other creditors	736	1,516	2,252	542	2,085	2,627
Accruals	521	2,208	2,729	493	2,910	3,403
Total	1,679	6,111	7,790	2,460	8,285	10,745

6.17 Creditors: amounts falling due after more than one year

	2004			2005		
	Operations		Total	Operations		Total
	Continuing operations	to be discontinued		Continuing operations	to be discontinued	
£000	£000	£000	£000	£000	£000	
Deferred consideration on acquisitions (note 6.14)	–	–	–	–	1,206	1,206

6.18 Deferred income

	2004			2005		
	Operations		Total	Operations		Total
	Continuing operations	to be discontinued		Continuing operations	to be discontinued	
£000	£000	£000	£000	£000	£000	
Maintenance	–	12,070	12,070	–	13,118	13,118
Licence fees	–	3,524	3,524	–	3,469	3,469
Consultancy/other	2,435	210	2,645	1,990	746	2,736
	<u>2,435</u>	<u>15,804</u>	<u>18,239</u>	<u>1,990</u>	<u>17,333</u>	<u>19,323</u>

6.19 Called up share capital

	No of shares	2004	No of shares	2005
		£000		£000
<i>Authorised</i>				
Ordinary Shares of 25p each	50,000,000	12,500	50,000,000	12,500
<i>Allotted, called up and fully paid</i>				
Ordinary Shares of 25p each				
At 1 January	25,399,570	6,350	25,399,570	6,350
During the year	–	–	7,936	2
At 31 December	<u>25,399,570</u>	<u>6,350</u>	<u>25,407,506</u>	<u>6,352</u>

6.20 Share premium and other reserves

	Share premium account	Capital redemption reserve	Profit and loss account
	£000	£000	£000
At 31 December 2003	42,980	83	928
Dividends paid	–	–	(895)
Profit for the year	–	–	2,334
Disposal of own shares in year	–	–	30
Exchange adjustments	–	–	20
At 31 December 2004	<u>42,980</u>	<u>83</u>	<u>2,417</u>
Issue of new shares	28	–	–
Dividends paid	–	–	(1,178)
Profit for the year	–	–	5,826
Amounts charged to profit paid by the Employee Share Trust	–	–	287
Disposal of own shares in year	–	–	44
Distribution of surplus within the Employee Share Trust	–	–	(287)
Exchange adjustments	–	–	(1)
At 31 December 2005	<u>43,008</u>	<u>83</u>	<u>7,108</u>

Included within the retained profit of the Group is £998,000 (2004 – £753,000) and £1,438,000 (2004 – £1,193,000) respectively held by the Employee Share Trust which can only be used in accordance with the Trust Deed for the benefit of employees.

6.21 Contingent liabilities

The Company has given an unlimited bank guarantee in respect of all of its UK subsidiary companies. At 31 December 2005 the gross borrowings of these companies was £219,000.

6.22 Commitments

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

	2004			2005		
	<i>Continuing operations</i>	<i>to be discontinued</i>	<i>Total</i>	<i>Continuing operations</i>	<i>to be discontinued</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000
Land and buildings						
Operating leases which expire:						
Within one year	–	84	84	–	90	90
In second to fifth years inclusive	–	335	335	26	490	516
Over five years	–	–	–	–	75	75
	<u>–</u>	<u>419</u>	<u>419</u>	<u>26</u>	<u>655</u>	<u>681</u>
Other						
Operating leases which expire:						
Within one year	4	32	36	–	192	192
In second to fifth years inclusive	–	70	70	–	313	313
Over five years	–	–	–	–	–	–
	<u>4</u>	<u>102</u>	<u>106</u>	<u>–</u>	<u>505</u>	<u>505</u>

6.23 Pensions

The Group operates five defined contribution pension schemes in the United Kingdom, four of which are closed to new entrants. The pension charge for the year, which represents contributions payable by the Group to these schemes together with the cost of retirement provision outside the United Kingdom, amounted to £1,743,000 (2004 – £1,766,000). From 1 April 2006, these schemes were discontinued and these arrangements were replaced by a single group personal pension scheme.

6.24 Employee Share Trusts

The Group results include those of the Employee Share Trust (EST) and the CODASciSys No. 1 Employees' Share Trust (No. 1 Trust) which holds shares in respect of the Executive Share Ownership Plan. The EST provides a warehouse for the Company's shares that are to be awarded under the Executive Share Ownership Plan. The trustees may purchase the shares with finance provided by the Company (by way of cash contribution or interest free loan). The EST has also subscribed directly for shares issued by the Company.

Finance costs are borne by the respective trusts. Administrative costs, such as legal fees are borne by the Group. All costs are accounted for as they accrue. At 31 December 2005 the EST held 229,354 25p ordinary shares (2004 – 1,831,571 25p ordinary shares), 0.9 per cent. of the Company's issued share capital, and the No. 1 Trust held 1,575,250 25p ordinary shares (2004 – nil), 6.2 per cent. of the Company's issued share capital. At that date, outstanding options granted under the Executive Share Option Scheme amounted to 359,860 (2004 – 2,522,955). The 1,575,250 shares held by the No. 1 Trust have been allocated to a joint ownership arrangement with selected employees under which those employees are entitled to benefit from any increase in the market value of the shares that may occur subsequent to those arrangements being put in place. The EST made no purchases of Company shares during the year.

The nominal value of own shares held by the Group at 31 December 2005 was £451,151 (2004 – £458,000). Own shares are held in the Employee Share Trust and the CODASciSys No. 1 Employees' Share Trust and are listed investments. Their market value at 31 December 2005 was £7,507,153 (2004 – £6,182,000).

At 31 December 2005, there was an amount due from the No. 1 Trust to the Company of £6,655,000 and a further amount due from the Company to the Employee Share Trust of £567,000.

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

	2004			2005		
	Operations		Total	Operations		Total
	Continuing operations	to be discontinued		Continuing operations	to be discontinued	
£000	£000	£000	£000	£000	£000	
Operating profit	1,103	2,452	3,555	1,408	6,038	7,446
Depreciation charge	201	1,632	1,833	299	1,306	1,605
Amortisation of goodwill	–	3,742	3,742	–	2,820	2,820
Exchange (gains)/losses	(134)	80	(54)	88	45	133
Profit on sale of fixed assets	(10)	–	(10)	(13)	–	(13)
Decrease in debtors	1,228	454	1,682	517	140	657
(Decrease) in creditors	(317)	(2,790)	(3,107)	(52)	(1,044)	(1,096)
Costs included in the profit and loss account of the operations to be discontinued but paid by the continuing operations	(418)	418	–	(1,282)	1,282	–
Net cash inflow from operating activities	<u>1,653</u>	<u>5,988</u>	<u>7,641</u>	<u>965</u>	<u>10,587</u>	<u>11,552</u>

6.26 Reconciliation of net cash flow to movement in net debt

	2004			2005		
	Operations		Total	Operations		Total
	Continuing operations	to be discontinued		Continuing operations	to be discontinued	
£000	£000	£000	£000	£000	£000	
Increase/(decrease) in cash in the year	6,402	(5,734)	668	1,143	1,606	2,749
Changes in net debt arising from cash flows	–	–	–	–	–	–
Exchange adjustments	136	(46)	90	(91)	(73)	(164)
	<u>6,538</u>	<u>(5,780)</u>	<u>758</u>	<u>1,052</u>	<u>1,533</u>	<u>2,585</u>
Net cash/(debt) at beginning of year	(2,427)	9,181	6,754	4,111	3,401	7,512
Net cash at end of year	<u>4,111</u>	<u>3,401</u>	<u>7,512</u>	<u>5,163</u>	<u>4,934</u>	<u>10,097</u>

6.27 Analysis of net debt

Cash at bank and in hand

	At 1 January	Cash flow	Other movements	At 31 December
	£000	£000	£000	£000
2004				
Continuing operations	(2,427)	6,402	136	4,111
Operations to be discontinued	9,181	(5,734)	(46)	3,401
	<u>6,754</u>	<u>668</u>	<u>90</u>	<u>7,512</u>
2005				
Continuing operations	4,111	1,143	(91)	5,163
Operations to be discontinued	3,401	1,606	(73)	4,934
	<u>7,512</u>	<u>2,749</u>	<u>(164)</u>	<u>10,097</u>

6.28 Financial instruments

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risk.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows and invests surplus cash at floating rates of interest based upon bank base rate.

Liquidity risk

The Group's operations are cash generative. The Group considers that it has sufficient financial resources to meet its foreseeable requirements.

Foreign currency risk

The Group has a number of fixed price contracts denominated in Euros for which costs are incurred in sterling. The main currency risk for such contracts lies in the period between tender and signature of contract during which it is impractical to enter into committed forward foreign exchange contracts. In order to mitigate this risk, the Group's policy is to take out cylinder options which allows the Group to convert Euros into sterling within a specific range of exchange rates and to provide cover for anticipated invoicing under existing and tendered contracts going out approximately 18 months.

Cylinder options are taken out to coincide with the half year and full year end dates. Depending on the exchange rate of the Euro at the time cash is received from a customer compared to the cylinder option rates, the Group may enter into currency swaps to transfer any currency receipts during a six month period into sterling, thereby saving sterling overdraft interest, until such time as the currency is needed to fulfil a particular cylinder deal at the end of the six month period.

Although the Group is based in the UK, it has a significant investment in overseas operations in the USA, Holland and Belgium. As a result, the Group's sterling balance sheet can be affected by movements in the \$/£ and Euro/£ exchange rates.

As at the year end the Group had the following cylinder options in place:

<i>Date of expiry of cylinder</i>	<i>Amount of currency covered</i>	<i>Cylinder cap</i>	<i>Cylinder collar</i>
In respect of continuing operations:	Euros	Euro/£	Euro/£
30 June 2006	1,000,000	1.5000	1.3982
20 Dec 2006	1,000,000	1.5000	1.3715
27 June 2007	1,000,000	1.5000	1.3442
19 Dec 2007	1,000,000	1.5000	1.3219
In respect of operations to be discontinued:	US Dollars	\$/£	\$/£
29 March 2006	1,200,000	1.7500	1.6890
28 June 2006	800,000	1.7500	1.6881
27 Sept 2006	900,000	1.7500	1.6895
20 Dec 2006	1,400,000	1.7500	1.6935

The table below shows the Group's currency exposures. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the operating currency of the operating unit involved:

Functional currency of Group operation	Net foreign currency monetary assets in £000s					
	<i>Euros</i>	<i>US Dollars</i>	<i>Swedish Krona</i>	<i>Norwegian Krona</i>	<i>Cypriot Pounds</i>	<i>Total</i>
Sterling	3,581	955	77	33	(5)	4,641

6.28 Financial instruments (contd)

At year end, the Group had net monetary assets/(liabilities) denominated in foreign currency as follows:

	£000
Euros	3,927
US Dollars	257
Singapore Dollars	(39)
Malaysian Ringgits	189
Australian Dollars	(58)
Swedish Krona	45
Estonian Kroons	(8)
Cypriot Pounds	(2)
Hungarian Forints	30
Norwegian Krona	33
	4,374

Fair value of financial assets and liabilities

The book value of primary financial instruments held or issued to finance the Group's operations are not materially different from the fair value of those instruments.

6.29 Subsidiary undertakings

<i>Company</i>	<i>Country of registration</i>	<i>Principal activity</i>	<i>Class of shares</i>
CODA (Resources) Limited	England	Central services	1p ords
CODA Group Holdings Limited	England	Central services	£1 ords
GWG Holdings Limited*	Cyprus	Central services	CYP 1 ords
CODA GB Limited*	England	Computer software	£1 ords
CODA Financials Incorporated*	USA	Computer software	\$1 ords
CODA NV*	Holland	Computer software	Euro 100 ords
CODA Belgium NV*	Belgium	Computer software	Euro 100 ords
CODA Financial Systems GmbH*	Germany	Computer software	Euro 100 ords
Business Application Support GmbH*	Germany	Computer software	Euro 1 ords
CODA Hungary Informatikai Kft*	Hungary	Computer software	HUF 1000 ords
CODA France SAS*	France	Computer software	Euro 1 ords
Adalys SA*	France	Computer software	Euro 1 ords
Simple Concepts Scandinavia AB*	Sweden	Computer software	Kr 10 ords
CODA Eesti OU*	Estonia	Computer software	EEK 100 ords
CODA Systems Asia Pacific PTE Limited*	Singapore	Computer software	SGD 1 ords
CODA Business Systems Sdn Bhd*	Malaysia	Computer software	MR1 ords
CODA Systems Australia Pty Limited*	Australia	Computer software	A\$1 ords
SciSys Limited	England	Computer software	£1 ords
CODA (IT Services) Limited	England	Computer software	1p ords
SciSys GmbH*	Germany	Computer software	Euro 100 ords
Business Collaborator Limited	England	Computer software	£1 ords
SquareSum Limited	England	Dormant	10p ords
SciSys (Space & Defence) Limited*	England	Dormant	£1 ords
Science Systems (Space) Limited*	England	Dormant	£1 ords
SciSys (Government & Utilities) Limited*	England	Dormant	£1 ords
SciSys (Commerce & Industry) Limited*	England	Dormant	£1 ords
Trenkinch Limited	England	Dormant	£1 ords
CODA QUEST Trustee Limited	England	Trustee for SAYE	£1 ords

* The shareholdings in these companies are held by a wholly owned subsidiary of the parent undertaking.

All subsidiaries are wholly owned and principally operate in the country in which they are registered.

PART III

PROFORMA STATEMENT OF CONSOLIDATED NET ASSETS OF THE SCISYS GROUP

The following is an unaudited pro forma statement of net assets of the SciSys Group which has been prepared on the basis set out in the notes below. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only to show the effects on the net assets of the SciSys Group as if the Demerger from CODASciSys had taken place on 31 December 2005. Because of its nature the unaudited pro forma statement of net assets may not give a true picture of the financial position of the SciSys Group.

	<i>Continuing operations as at 31 December</i>				<i>Proforma SciSys Group as at 31 December</i>
	<i>2005 (Note 1) £000</i>	<i>Adjustments (Note 2) £000</i>	<i>Adjustments (Note 3) £000</i>	<i>Adjustments (Note 4) £000</i>	<i>2005 £000</i>
Fixed Assets					
Tangible assets	405	842	–	–	1,247
Current assets					
Debtors	7,223	–	–	–	7,223
Cash at bank and in hand	5,163	6,264	4,500	(6,500)	9,427
Total Current Assets	<u>12,386</u>	<u>6,264</u>	<u>4,500</u>	<u>(6,500)</u>	<u>16,650</u>
Creditors: amounts falling due within one year	(2,460)	–	(4,500)	–	(6,960)
Net current assets	<u>9,926</u>	<u>6,264</u>	<u>–</u>	<u>(6,500)</u>	<u>9,690</u>
Total assets less current liabilities	<u>10,331</u>	<u>7,106</u>	<u>–</u>	<u>(6,500)</u>	<u>10,937</u>
Deferred income	(1,990)	–	–	–	(1,990)
Net assets	<u>8,341</u>	<u>7,106</u>	<u>–</u>	<u>(6,500)</u>	<u>8,947</u>

Notes:

1. Net assets of the continuing operations (being the SciSys Group) at 31 December 2005 as extracted from the Accountant's Report on the historical financial information, in Part II.
2. The purchase of the long leasehold of 23 Clothier Road, Brislington, Bristol, together with associated fixed assets, from the CODA Group, issue of £4 million of shares in CODA Group Holdings Limited to CODASciSys, transfer of CODA (Resources) Limited, Business Collaborator Limited and CODA (IT Services) Limited to SquareSum Limited and the settlement of the intercompany balances with the CODA Group. As intercompany balances are not disclosed within continuing operations in Part II this adjustment does not affect debtors or creditors.
3. Receipt of a loan of £4,500,000 into the CODASciSys Employee Share Trust in recognition of the fact that senior employees of CODA plc will continue to hold a beneficial interest in shares held by the Employee Share Trust.
4. Payment of a special dividend of approximately £6.5 million by CODASciSys plc.
5. The proforma statement of net assets does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.
6. No adjustment has been made for trading or changes in the SciSys Group's working capital since 31 December 2005.

PART IV

ADDITIONAL INFORMATION

1 Directors' and other interests

- 1.1 As at 12 July 2006 (being the latest practicable date prior to the printing of this document), the interests (all of which are beneficial) of the Directors and persons connected with them in the share capital of the Company which (i) have been notified by a Director pursuant to sections 324 to 328 of the Act; or (ii) are required pursuant to section 325 of the Act to be entered in the register referred to in that section; or (iii) are interests (the existence of which is known to or could with reasonable diligence be ascertained) of a person connected with a Director within the meaning of section 346 of the Act, were as follows:

	<i>Number of Ordinary Shares</i>	<i>Number of Ordinary Shares under option</i>	<i>Number of Ordinary Shares held under ExSOP</i>	<i>Percentage of Ordinary Shares⁽¹⁾</i>
Mike Love	2,290,897	–	22,500	9.0%
Graham Steinsberg	854,289	–	650,000	5.9%
Bryan Hucker	392,840	–	200,000	2.3%
Jeremy Roche	451,313	–	550,000	3.9%
Mark Hampson	11,507	–	105,000	0.5%
Cliff Preddy	40,000	–	–	0.2%
David Jones	5,000	–	–	0.0%
Mike Greig	–	–	–	–
Mark Wells	–	–	–	–

Note:

- (1) On a fully diluted basis and assuming that all existing options over Ordinary Shares have been exercised including those exercisable immediately on the posting of this document.

- 1.2 Save as disclosed in paragraph 1.1 above and in this paragraph 1.2 the Company is not aware of any interest in the Company's share capital which as at 12 July 2006 (being the latest practicable date prior to the printing of this document) amounted to 3 per cent. or more of the Company's existing issued share capital, after taking into account the exercise of options by the Existing Option Holders including those exercisable immediately on the posting of this document.

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares in issue</i>
Artemis Investment Management Limited	4,341,953	17.0
Insight Investment Management	2,301,011	9.0
Employee share trusts	1,743,792	6.8
AXA Framlington Investment Management	1,442,000	5.7
Credit Suisse Asset Management	1,189,230	4.7
Henderson Global Investors	865,112	3.4
F&C Asset Management	826,000	3.2

2 Constitution of the Board and Directors' service arrangements

- 2.1 Following the Demerger the composition of the Board will change as described in paragraph 11 of the Chairman's letter set out at the front of this document.
- 2.2 Save as described in paragraph 11 of the Chairman's letter set out at the front of this document, there are no proposed changes to the existing or new service arrangements proposed between any Director and the Company or any of its subsidiaries as a result of the Demerger. The service contracts and letters of appointment of the Directors (other than in respect of the bonus arrangements referred to in paragraph 8 of Part I of this document) have not been varied since they were made available for inspection at the Annual General Meeting of the Company on 25 May 2006.
- 2.3 Conditional on the Demerger becoming effective, Mr Stephen Brignall will be appointed as an executive director of CODASciSys plc with effect from completion of the Demerger. Mr Brignall's current service agreement is with SciSys Limited and was entered into on 1 July 1999. Under this agreement Mr Brignall is obliged to perform such duties and exercise such powers at any place of business of the CODASciSys Group as his employer may from time to time assign to him in connection with the business of the CODASciSys Group and is required to devote his whole time and attention to the business of the CODASciSys Group. He is entitled to receive a base salary of £80,000 per annum and a variable element of salary of up to an amount of £30,000 based on the achievement of certain CODASciSys Group profits and personal performance targets. He is also entitled to a car or car allowance, private health care, permanent health insurance, life insurance equal to 110 per cent. of pensionable salary and pension contributions payable by his employer. The agreement provides for termination by either party serving on the other not less than 12 months' written notice. The agreement contains restrictive covenants for a period of 12 months following termination and no benefits, other than those accruing during any notice period, are payable on termination of employment. Save in respect of his appointment as a director of the Company, Mr Brignall's current employment terms will not change as a result of the Demerger.
- 2.4 Conditional on the Demerger becoming effective, Mr Steve Hill will be appointed as a director and the chief financial officer of CODASciSys plc with effect from completion of the Demerger. Mr Hill's current service agreement is with SciSys Limited and was entered into on 27 March 2006. Under the agreement, Mr Hill is obliged to perform such duties and exercise such powers at any place of business of the CODASciSys Group as his employer may from time to time assign to him in connection with the business of the CODASciSys Group and to devote his whole time and attention to the business of the CODASciSys Group. He is entitled to receive a base salary of £65,000 per annum and a variable element of salary up to an amount of £15,000 based on the achievement of certain CODASciSys Group profits and personal performance targets. He is also entitled to a car or car allowance, private health care, permanent health assurance, life insurance equal to 110 per cent. of pensionable salary and pension contributions payable by his employer. The first six months of Mr Hill's employment is a probationary period during or at the end of which SciSys Limited may terminate his employment by one month's written notice and SciSys Limited may extend such probationary period by any further such period it determines by serving written notice. Subject to such probation, Mr Hill's employment continues until terminated by either party serving on the other not less than 12 months' written notice. The agreement contains restrictive covenants for a period of 12 months following termination and no benefits, other than those accruing during any notice period, are payable on termination of employment. Save in respect of his appointment as a director of the Company, Mr Hill's current employment terms will not change as a result of the Demerger.

3 Significant Change

- 3.1 Save as disclosed in the Chairman's letter on pages 7 to 13 of this document or in the financial information contained in Parts II and III of this document, there has been no significant change in the financial or trading position of the CODASciSys Group since 31 December 2005, being the date of CODASciSys's most recent annual audited consolidated accounts.

4 Financial Information

- 4.1 Neither the financial information relating to CODASciSys in Part II of this document nor the statement of net assets of the SciSys Group in Part III of this document constitutes statutory accounts within the meaning of section 240 of the Act. Statutory accounts for each company in the CODASciSys Group (with the exception of the Company), in respect of which the auditors gave unqualified reports and which did not contain a statement under section 237 of the Act, for the financial years ended 31 December 2004 and 31 December 2005 have been filed with the Registrar of Companies. CODA has not filed statutory accounts since its incorporation on 29 June 2006.

5 Consent

- 5.1 Bridgewell has given and not withdrawn its written consent to the inclusion of its name in the form and context in which it is included in this document.
- 5.2 KPMG Audit plc has given and not withdrawn its written consent to the inclusion in this document of its report as set out in Part II and the references thereto and to its name in the form and context in which it is included.

6 Documents available for inspection

- 6.1 Copies of the following documents may be inspected at the registered office of the Company and at the offices of Bridgewell at Old Change House, 128 Queen Victoria St, London EC4V 4BJ during usual business hours on any Business Day for the period from the date of this document up to and including the date of the Extraordinary General Meeting and at that meeting:
- (a) the memorandum and articles of association of CODASciSys plc;
 - (b) the certificate of incorporation and memorandum and articles of association of CODA plc;
 - (c) the Demerger Agreement; and
 - (d) the published audited consolidated accounts of CODASciSys plc for the financial year ended 31 December 2005.

17 July 2006

NOTICE OF EXTRAORDINARY GENERAL MEETING

CODASCISYS PLC

(Registered in England – No: 3426416)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of CODASciSys plc (the “**Company**”) will be held on Thursday 10 August 2006 at Methuen Park, Chippenham, Wiltshire, SN14 0GB at 12.00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed as noted below (and in the case of resolution 1 will be subject to the sanction of the High Court):

As a Special Resolution

- 1 THAT, the entire amount standing to the credit of the share premium account of the Company be and is hereby cancelled.

As an Ordinary Resolution

- 2 THAT,
 - (a) the Demerger (as defined in the circular issued to shareholders of the Company dated 17 July 2006 (the “**Circular**”) of which this notice forms part) (the “**Demerger**”), upon the terms and subject to the conditions described in the Circular be and is hereby approved;
 - (b) upon the recommendation of the Directors of the Company and conditionally upon the cancellation of the share premium account of the Company becoming effective in accordance with section 138(2) of the Companies Act 1985, a dividend *in specie* on ordinary shares of 25 pence each of the Company (“**Ordinary Shares**”), equal to the book value of the Company’s interest in its wholly-owned subsidiaries, CODA Group Holdings Limited and SquareSum Limited, be and is hereby declared payable to holders of Ordinary Shares on the register of members of the Company at 6.00 p.m. (London time) on such date during September 2006 as the Directors of the Company may determine (the “**Demerger Record Date**”) such dividend to be satisfied by the transfer by the Company to CODA plc of the entire issued share capital of CODA Group Holdings Limited and SquareSum Limited, in consideration for which CODA plc has agreed to allot and issue to such holders fully paid ordinary shares of 25 pence each in CODA plc (“**CODA Shares**”) on the basis of 3 CODA Shares for every 1 Ordinary Share held at that time save that the number of CODA Shares to be allotted and issued to each of Graham Steinsberg and Bryan Hucker as holders of Ordinary Shares shall be reduced by the number of CODA Shares already held by them for the purposes of the Demerger (being 1 CODA Share each) so that on completion of the Demerger all holders of Ordinary Shares will hold three CODA Shares for each Ordinary Share held at the Demerger Record Date;
 - (c) the Directors of the Company be and are hereby authorised to do or procure to be done all such acts and things on behalf of the Company and any of its subsidiaries as they consider necessary or expedient for the purpose of giving effect to the Demerger with such amendments, modifications, variations or revisions thereto as are not, in the opinion of the Directors of the Company, of a material nature; and
 - (d) the Demerger be and it is hereby approved for purposes of Rule 15 of the rules published by the London Stock Exchange plc governing admission to and the operation of the market known as AIM (the “**AIM Rules**”).

As a Special Resolution

- 3 THAT, conditional upon and with effect from the admission of the CODA Shares to trading on the market known as AIM, as operated by the London Stock Exchange plc, becoming effective in accordance with the AIM Rules the name of the Company be changed to “SciSys plc”.

By Order of the Board,

Dave Belmont

Company Secretary

17 July 2006

Registered Office:

Methuen Park

Chippenham

Wiltshire

SN14 0GB

Notes:

- 1 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those holders of shares registered on the register of members as at 6.00 p.m. on Tuesday 8 August 2006 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after 6.00 p.m. on Tuesday 8 August 2006 shall be disregarded in determining the right of any person to attend or vote at the meeting.
- 2 A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) vote instead of him.
- 3 **Returning the Form of Proxy will not prevent a member from attending in person and voting at the meeting.**
- 4 To be effective, a Form of Proxy must be deposited at the offices of the Company’s registrars, Computershare Investor Services PLC at the address shown on the Form of Proxy not less than 48 hours before the time fixed for the meeting. A Form of Proxy is enclosed.