

Sharing
our vision



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In June 2000 we celebrated Science Systems' 20th anniversary, a milestone that gives us an opportunity to reflect on 20 years of continued growth and diversification.

Could our founders ever have dreamed that Science Systems would one day have sales of £50m per annum, staff numbers in excess of 700 and offices all around the world.

Sharing our vision of the future

Whatever their early vision, today we are still relatively young in corporate terms with a new generation of managers poised to take the Company forward into the next chapter of its growth and development.

Whilst we can be proud of what we have already achieved, we are all too aware of the constant need to look to new horizons and move Science Systems into a strategic position where we can take advantage of forthcoming opportunities.

It would be a bold person indeed who would predict how Science Systems will look in another 20 years time. In our vibrant world of ever changing technologies, it is an almost impossible task. We have however, asked the next generation of Science Systems' managers and their children to share their dreams and visions for the future with us in this Annual Report and it is perhaps through their eyes that we can catch a glimpse of the future.

Companies are in many respects like people and people largely remain true to character. Likewise Science Systems' character is unlikely to change. We can with some confidence predict that the Science Systems of 2020 will continue to strive to offer the highest quality software and IT services and to reinforce its reputation for excellence and client satisfaction.

- 1980 The Science Systems Group has been trading since 1980
- 1986 Management buyout of the original investors in 1986
- 1989 Science Systems (Commercial) Ltd was formed in 1989
- 1992 Science Systems (Industrial) Ltd and Science Systems (Space) Ltd were formed in 1992
- 1994 Profit before tax exceeds £1 million for the first time
- 1996 Staff numbers reach 250
- 1997 Science Systems plc was admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange on 25 September 1997
- 1999 Turnover of £30 million achieved
- 2000 Science Systems (Utilities) Ltd commences trading
- 2000 Science Systems acquires CODA on 31 March 2000

“ In the future, thanks to Science Systems’ sophisticated software developments, Laura’s family and friends might keep up with her performance via their mobile video phones. Equally they might purchase their tickets on line using CODA’s E-Business software. Whichever, we will continue to help our clients add real strings to their bows.”

Keith Hawkins, Consultant, Science Systems

Laura Hawkins aspires to be a professional violinist. Her dad Keith has been a consultant for the past three years in the Utilities Division. He believes that Science Systems’ future will lie in the communications and E-Business sectors.

Laura Hawkins, Age 12
Ambition Violinist

A Profile of the Science Systems Group

Delivering IT Services and CODA Financial Management and Procurement Solutions to an International Client Base

The Science Systems Group provides IT services to a broad base of clients worldwide and is committed to quality solutions whilst offering best of breed products that deliver real business benefits to its clients.

The Group comprises two main divisions, the CODA Division (CODA) and the Science Systems Division (SSD), the core business of both being to provide the services of skilled IT staff to procure and develop software-based systems to meet client business requirements.

CODA is focused on the delivery of financial solutions based on the CODA product suite, whilst SSD concentrates on delivering professional software services and third party packaged software.

Operating globally to serve a large international client base, each division addresses niche markets and supplies solutions and services that include:

- IT Consultancy and Custom Software Development
- Development and Support of the CODA Financial Management and Procurement Software
- Systems Integration and Turnkey Systems Development
- Applications and Facilities Management
- Support and Maintenance

“ I want to play my part”

The market sectors that they operate in include Utilities, Defence, Government, Communications, Retail, Business Services, Space, Transport and Financial Institutions. Their clients are typically blue chip organisations, government or quasi government institutions and include:

- Alenia • Avon Cosmetics • British Library • British National Space Centre
- City Stormarknad • Eastern Electricity
- Environment Agency • ESIS • Essex & Suffolk Water • European Space Agency • Group André • HMV Group
- HSBC • Intervention Board • ITNet
- IKEA • IP Wireless • Lionbridge
- London Fire and Civil Defence Authority
- Matra Marconi Space • Metropolitan Police • Mexx Group BV • Michael Page International • NC Numericable
- Northern Electric • Study Group International • Thames Water • TMP Worldwide

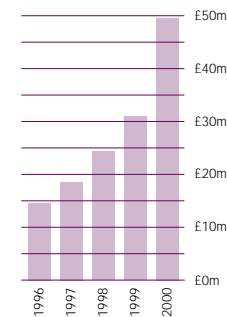
Within the UK, Science Systems has offices in Chippenham, Bristol, Harrogate, Reading, Nottingham and Manchester. The Company also has offices in Holland, Belgium, Singapore, Malaysia, Australia and the USA.



“Over the next few years, life is going to become more and more competitive – whether you’re running a business, or running a race. By the time Sara hits her stride she’ll need all the stamina, speed and energy she can find – just the type of qualities we at Science Systems provide.”

Dave Gatfield, Support Manager, Science Systems

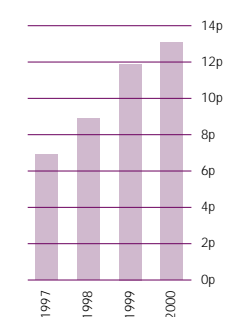
Group Turnover
continuing operations



Group Profit
before tax and exceptional items and goodwill amortisation – continuing operations



Earnings per Share
excluding goodwill amortisation



Chairman’s Statement

The strong operating results in the CODA division are extremely encouraging.

The Directors are pleased to report a further year of strong and profitable growth, together with excellent progress with the integration of the acquired CODA business.

Profits before tax and goodwill amortisation grew 55% to £4.08m on revenues, which were 60% higher at £49.6m. These figures include nine months of results from the CODA business, which was acquired on 31 March 2000.

Since 1 April 2000 CODA has been fully integrated with the Science Systems Commercial subsidiary to form a new Division of the Science Systems Group. At the time of the acquisition the Directors considered that there would probably be some short term dilution in Group earnings but that the prospects were for accelerated growth thereafter. In the event we are pleased to report that earnings per share before goodwill amortisation during 2000 increased by 12% from 11.7p per share to 13.1p per share. The proposed final dividend of 1.73p per share represents an 18% increase for the full year. The high level of integration since the acquisition

means that it is neither practicable nor particularly meaningful to break out and analyse pre and post acquisition results for the CODA and Science Systems Commercial parts of the business.

The strong operating results from the new CODA Division are extremely encouraging and have confirmed the Directors’ belief that there was outstanding potential synergy between the CODA software product business and the projects and services offerings of Science Systems. CODA has been re-established as a serious competitor in the market for financial systems and the response from clients to the acquisition has been almost uniformly positive.

Elsewhere within the Group, operating results have been more variable. They were strong throughout the year in the Government and Communications sectors, whereas in the Utilities sector, trading was much stronger in the second half, following some delays in the first half to the start-up on new projects. In the Space sector, however, we experienced the disappointment of further losses. These were partly due to the strength of Sterling against the Euro and were exacerbated by disruptions to a major project resulting from the performance of a key subcontractor. The project concerned is now making good progress with its phased acceptance tests. Our forward strategy in this sector will be to concentrate on those activities that generate acceptable margins with relatively low levels of commercial risk. In the second half, the Space subsidiary achieved an improvement in performance and the early indications are that this is continuing into 2001.



“ I want to be a winner ”

Sara Gatfield is already a runner, she just wants to get faster and faster as she gets older. Her dad, Dave is Support Manager in the Utilities Division. He believes that quality of service is the key to Science Systems’ future.

Sara Gatfield, Age 8
Ambition Runner

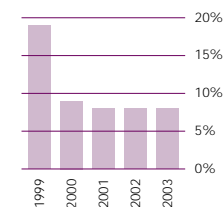
The continued and considerable progress made by the Company since our admission to AIM in 1997 would not have been possible without the commitment and contributions of the whole team at Science Systems. An All Employee Share Option Scheme (AESOP) is being established so that all staff may have a new opportunity to participate as shareholders in the Company’s development.

Following the excellent progress with the integration of the CODA business, and with an impressive backlog of orders and a solid pipeline of prospects entering 2001, the Board anticipates a period of healthy sales and margin growth.

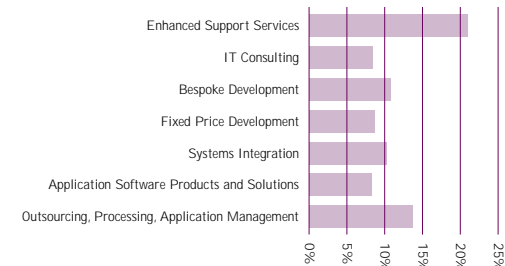
“ Just as each one of Sarah’s paintings is unique – so Science Systems’ solutions are developed to precisely meet the needs of specific customers.”

Bryan Hucker, Group Commercial Director Science Systems and Financial Director CODA

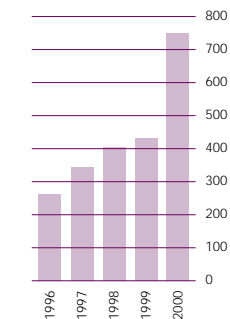
Software and Computer Services Industry
Predicted Growth in Real Terms
(Source: Richard Holway Ltd)



Software and Computer Services Market Trends
Breakdown by Products and Services Average Annual Growth Rate 1999-2002 (Source: Richard Holway Ltd)



Staff Numbers



Group Managing Director’s Statement

Our core strategy will be the delivery of E-Commerce technologies, solutions and consultancy to our established client base.

In last year’s Annual Report we advised shareholders that our main challenges in 2000 would centre around three core objectives:

- the integration of Science Systems with the then recently acquired CODA business
- the re-branding and re-launching of the CODA E-Finance accounting solution
- the completion of some major projects within the SSD businesses

I am pleased to be able to announce in this year’s report that solid progress and success has been achieved on all three fronts.

Having successfully merged our Commercial subsidiary with the acquired CODA business to create the new CODA Division, the integration of the two businesses is complete. The CODA Executive Board, which reports to the Science Systems plc Board, was set up in April 2000 to oversee the trading activities of CODA. The members of this Executive Board have been drawn from the former CODA and Commercial businesses so that both businesses have an equal representation.

The new board is now functioning in a smooth and effective manner and has already delivered some impressive results:

- consultancy utilisation levels have risen quarter on quarter
- there are growing volumes of new licence sales
- established customers are being retained and converted to the new product offerings
- basic business disciplines are being applied energetically across all activities

The Science Systems software products have been re-branded as the CODA-Procurement, CODA-Sales Invoicing and CODA-Retail modules. A clear product development strategy has also been defined and, having been communicated to the market, has been well received by both analysts and clients. There has additionally been some limited rationalisation of functions between the two businesses with the setting up of a single combined user support and help desk, a single UK consultancy division and a clearer allocation of responsibilities for product development and product delivery.

Despite these significant developments, focus during the year has not been deflected from the core Science Systems businesses. The SSD Utilities activities were restructured under a new stand-alone subsidiary – Science Systems (Utilities) Limited – and a restructured Executive Board, comprising senior directors of the Science Systems Space, Industrial and Utilities subsidiaries, was introduced for SSD, putting in place an effective management structure that will support further organic growth.

Solid progress has been made throughout the year both in winning new orders and in completing the delivery of major milestones on a number of large projects within the Utilities and Space subsidiaries. Where technical difficulties arose, these were managed in an assured manner, retaining the confidence and future commitments of clients.

Although the acquisition has added substantial new markets and new clients to our portfolio, in many respects the business has remained unchanged. Our revenues are still principally derived from the provision of services and solutions into our established client base. We also remain focused on niche markets with organic growth our primary objective for the immediate future.

“ I want to make my mark ”

Bryan joined Science Systems in 1986. He is now Group Commercial Director and CODA Financial Director. His daughter has designs on becoming an artist. In his vision for the future, customer care will be the heart of Science Systems’ success.

Sarah Hucker, Age 16
Ambition Artist



Our core strategy will be to concentrate on delivering the benefits of reduced costs and increasing profits through the application of E-Commerce technologies, solutions and consultancy to our established blue chip client base and through the continued investment in the CODA E-Finance product suite. We are experiencing a growing demand for the integration of corporate legacy systems with front-end browser solutions and web-enabled technologies. These are projects that depend on the traditional IT services and project management skills that are the cornerstone of our business.

We are entering 2001 with every indication that the strong performance achieved the second half of 2000 is set to continue. Our order book at £40m remains at record levels with in excess of £20m per annum of long-term support and maintenance revenues. Important new long-term framework contracts for Applications

Development and Management work were signed with several established and new clients during 2000. The volume and size of new licence sales within the CODA division in the last quarter was impressive. In line with the Science Systems’ accounting policies the benefit of these sales will be seen in the first half of 2001.

“By the time Frances explores beneath the surface of her ambition, she’ll find that Science Systems is already deeply involved in providing sophisticated E-Business solutions to a wide portfolio of blue chip clients.”

Phil Reeds, CSU Manager, CODA

CODA Division

CODA provides software and services globally for financial management and procurement requirements across a large blue chip client base. The Division has achieved outstanding results for the nine month period in which it has been a wholly owned subsidiary of the Group.

“ I want to make a big splash”

Phil has been with CODA for 15 years. His daughter Frances, wants to be a Marine Biologist. Phil sees the CODA E-Finance software opening its door to a golden future.

Frances Reeds, Age 11
Ambition Marine Biologist



Following the acquisition of the CODA business by Science Systems, we announced our immediate objective of turning the Division back into profit by:

- re-launching and re-branding the CODA company and product suite
- raising utilisation levels within its consultancy activities
- bringing renewed focus to the established CODA client base

Solid progress has already been made on all three fronts. Sales for the period were £25.8m with licence sales for the period at £6.1m, consultancy activities at £8.3m and maintenance revenues at £11.4m. Significantly there was a quarter on quarter advance in sales for both licence and consultancy across the period, confirming the progress already made against our key business objectives.

The period heralded an exciting new era with the merger of the Science Systems Cadenza product suite under the CODA product brand and the launch of complementary, Internet-architected solutions including an E-Procurement system. Our E-Products are already giving many of our clients a strategic advantage by combining the traditional strengths of CODA-Financials with the very latest industry standard E-Commerce technologies. These products are also giving us a major advantage in the sales cycle by proving to be a key differentiator against competitive solutions and enabling us to address the fast growing Application Service Provider market. Sales in Europe, the Middle East, Asia-Pacific and the USA have shown that the product is ideally suited to companies looking to exploit added value applications across the Internet.

Building extensively on the synergy between the Science Systems and CODA businesses we have been able to offer our clients a comprehensive solution for all their financial accounting, procurement and related requirements. We have achieved this by combining CODA's world-leading accounting software with the Science Systems' advanced proficiencies in added value consulting, implementation and custom development services. This has been enthusiastically welcomed by the established client base with the new product and service announcements receiving a very positive response at CODA User Group Conferences.

During 2000, CODA launched a number of key products, including an E-Procurement application which positions CODA strongly to take advantage of this fast-growing area of the market. Version 8 of the CODA product suite, which features considerable performance enhancements to the core Financials product, was also launched. These increase CODA's ability to address the needs of large national and multi-national organisations, particularly in the finance and public sectors, and have already allowed CODA to close some significant deals.

“Imogen and Science Systems both have lofty ambitions. While Imogen may take to the skies the Science Systems ambition is for CODA to be a leading global supplier of financial management solutions.”

David Terrar, General Manager, CODA

“I want to be a high flyer”

David is EMEA Channel Operations General Manager within the CODA division. His daughter Imogen wants to be a pilot when she is older. In David's vision CODA will reach new heights by empowering its customers with the financial intelligence solutions they need to control and grow their businesses successfully.

Imogen Terrar, Age 8
Ambition Pilot

CODA Division (continued)

The early success of CODA's E-Finance solution led to the decision, announced in September 2000, to accelerate the delivery of E-Products by initiating a recruitment drive that would boost staff numbers by around 25% at the Division's Nottingham and Harrogate development operations. It is a testament to CODA's strong standing in the market that, despite the high demand for skilled IT staff in the UK, this has already been successfully concluded. A new release of CODA products, version 8.1, scheduled for March 2001 includes some significant enhancements to the E-Finance and E-Procurement applications and represents the first stage of an E-Billing product. It will also include further development of CODA's XML collaborative commerce technology, which allows organisations to exchange documents electronically in a business-to-business environment.

During 2000, CODA delivered its first products for the business intelligence market, a thriving area of increasing demand worldwide. Following further substantial investment in this area, CODA will make significant product and service announcements in 2001. These will fulfil the need of our clients for a comprehensive reporting and business intelligence solution. This development is seen as highly complementary to CODA's core focus of providing accounting-based solutions, and will allow us to address any threat of increasing commoditisation in the accounting systems market.

Last year also saw CODA making a strong re-commitment to users of its more established, proprietary products, reversing several years of neglect. Users were polled on the enhancements they need in new releases of both the Open VMS and AS/400 versions of the CODA product suite, and these will be released during 2001. The company is additionally investigating added value developments such as web front end for these products, to extend the viability of the products in the user base. CODA's first product, on the HP3000, continues to be supported and the user group for its user base has been re-established.

The User Group Conferences in mid-2000 enjoyed a high attendance around the globe and were key opportunities for clients to learn about developments and improvements at CODA, as well as to give feedback on their requirements and wishes for the future. Customer contact has increased dramatically during the year and every effort is being made to increase communication and responsiveness to customer demands. Examples include the launch of regular product bulletins and roadshows to improve customer awareness of products that are still in the design and development stages. The customer support website has been re-launched and further investment is being made in increasing the opportunities for users to interact both with CODA and with other users.

During 2000, considerable investment was made to implement a single global support system. This went live in September 2000, and means that we now have the infrastructure to offer 24 hour support, should clients require it. It forms the backbone for our global relationship management system being rolled out in 2001, which will greatly improve the sharing of customer knowledge around the

Division and help particularly in managing larger, international clients. A special programme, overseen directly by CODA's Chief Executive Officer has been launched to focus on the specific needs of clients to give them more direct involvement in the development of product strategy and global support services.

Sales in 2000 grew significantly for the CODA business both in relation to previous years, and quarter on quarter throughout the year. Over 200 deals were made in the year, principally in the 9 months since the acquisition, of which 72 were with new client organisations. The remainder consisted of upgrades or additional products and services to existing users, demonstrating that existing clients have the confidence to resume investment in the CODA solutions. Strong sales growth was experienced across all

industry sectors in which CODA operates, and in all parts of the Division.

The merger into the Science Systems Commercial business has brought to CODA a broader set of products and a much-strengthened services approach. Considerable effort has been put into taking this product-led services approach to the market, and this is starting to bear fruit, with some major services sales into existing CODA clients and broader sales being made into new client sites. This work will continue in 2001.



“Toby is not the only one looking to get ahead of the game. CODA clients are already gaining competitive advantage by rolling the CODA solution out globally and becoming better equipped to cope with the complexities of international accounting and reporting around the world.”

Greg Waxman, Consultant, Science Systems

Toby Waxman is the four year old son of Greg, who works as a consultant in our Utilities Division. Toby's ambition is to follow in his dad's footsteps. Greg believes that the capability to deliver solutions globally will be key to Science Systems' future.

Toby Waxman, Age 4
Ambition IT consultant

“ I want to
be like my dad”

CODA Division (continued)



Since 1st April 2000, we have put considerable effort into establishing a strong and co-ordinated reseller network to cover the countries where CODA does not have a direct presence. This is an area in which traditionally CODA was less effective, and to which Science Systems has brought considerable expertise and experience.

A team was set up to manage resellers in Europe, the Middle East and Africa (EMEA). They are currently working in around twenty countries with resellers who are either fully functional or are going through training and accreditation programmes to become authorised resellers, or with alliance partners delivering CODA services, implementation or training. Nearly one in three sales in 2000 came through the EMEA reseller channel. In the Americas and Asia-Pacific, resellers are being identified and managed through CODA's direct offices.

In terms of sales and marketing, CODA has started to focus increasingly on selected vertical markets around the world with key global sectors identified as:

- finance
- insurance and banking
- transport and distribution
- retail

Locally, individual regions may focus additionally on public sector and business services. Manufacturing, where a broader solution is generally required, is targeted through complementary software partners.

Significant new clients were won worldwide across a broad range of industry sectors. In finance these included: major insurance companies Univé, Euronext and ABN/AMRO Bouwfonds in Holland, the Reliance Security Group and Uniqema in the UK, Fashion Institute of Design & Merchandising and Ohio Police & Fire Pension Fund in the USA, Van Hool and Vlerick Highschool in Belgium, Commercedotcom and Oiltools Pte Ltd in

Asia Pacific. Particularly noteworthy were the blue chip clients taking CODA's E-Products, including Holmes Place in the UK and across Europe, Accor and Groupe Envergure in France, ASR in Holland, UUnet in Belgium and Norasia Container Lines in Switzerland. Other wins in key sectors included Texstyle World in retail, Paramount Group in the leisure sector, Gerling Namur in insurance, Lombard and Ulster Banking, and considerable success in the public sector in Holland. Clients making significant further investments in upgrades and additional products include easyEverything, Kent Commercial Services, P&O, University Sains Malaysia, Cardif and Wallenius Wilhelmsen.

“ Science Systems has already helped to make Sarah’s wish become true. The Merlin system we have developed for the Metropolitan Police is typical of the many sophisticated database applications that Science Systems has developed for its customers.”

Ruth McRitchie, Group Financial Director, Science Systems

Science Systems Division

Sarah McRitchie's mum is Ruth – Science Systems' Group Financial Director. Sarah says she wants to be a policewoman when she grows up. Ruth believes that Science Systems' future will be based on its track record of delivering sophisticated applications.

Sarah McRitchie, Age 4
Ambition Policewoman

“ I want to
make the world
a better place”

The SSD subsidiaries are acknowledged specialists in the development of management information and real time systems, creating cost-effective IT solutions for the Space, Utilities, Communications, Government and general commerce markets.



Our diverse client base demonstrates an advanced capability for understanding a range of different requirements across a broad range of sectors. However despite their diversity, our clients all share a common element – the need for high quality IT consultancy, bespoke software development and systems integration services.

Throughout 2000 we continued building on our 1999 achievements by placing as much importance on building long-term relationships with existing clients as on winning fresh business. Sales for the period were £22.5m with sales to the Utilities sector at £8.12m, the Space sector at £6.24m and the Government and Communications sectors at £8.08m.

The healthy mix of long term contracts won from both new and established clients helped to contribute to current performance whilst also underpinning future prospects. Several new-technology E-Commerce projects were secured from within SSD's established client base, which has enabled us to build up our knowledge and experience of this important sub-sector and help our clients respond more effectively to the demands and pressures on their own businesses.

Our established blue chip client base relies heavily on IT to improve its business performance and increase its operational efficiency. Throughout the coming year our priority will be to provide flexible solutions that deliver the new technologies and early business benefits to these clients and to be an integral part of their future plans.

"Just as Jonathon wants to give best advice, Science Systems always aim to give its clients best solutions for their business needs."

George Walder, In House Systems Senior Engineer, Science Systems

"I want to give the best advice"

Jonathon is the 17 year old son of George Walder who has worked in the In House Systems Department for two years. Jonathon will take the necessary steps in life, starting with applying to university, to fulfil his ambition and one day will be offering his own advice to others.

Jonathon Walder, Age 17
Ambition Solicitor

Science Systems Industrial

2000 proved to be another record year for the subsidiary which deals primarily with the Government and Communications sectors. With a combination of innovative technology, organisational skills and customer commitment, it worked closely with clients throughout the year in a wide range of E-Commerce projects, with its staff involved in developing software both for communications infrastructure and the deployment of applications. Notable new contracts awarded in 2000 included projects for IP Wireless, the Metropolitan Police, the Intervention Board, Study Group International, and the Northern Ireland Government.



IP Wireless

Throughout the second half of 2000, a significant team of Science Systems staff were working to aggressive time scales to complete software that would enable this wireless communications company to enter field trials of its phase 1 mobile internet service during Q1 2001. Throughout the design and integration phases of the project we worked in close proximity with the client's staff addressing numerous technical challenges.

Metropolitan Police

As one of the company's longest standing clients, the Metropolitan Police entrusted Science Systems with the development and ongoing support of a major intelligence database. Access to the database is to be via browser technology enabling it to be used from either field or office based equipment. The database is designed to support flexible querying and data analysis using the latest Business Intelligence tools. Once it goes live a user community of some 25,000 personnel will be able to access the system on a 24x7 basis.

Study Group International

One of the subsidiary's newest clients is Study Group International, a provider of language training to foreign students. They are completely revamping their mission critical business system, replacing it with an implementation, which uses the latest technology. As a provider of language training to foreign students, the system supports the full business lifecycle from initial enquiry to course management, with particular emphasis on the customer-relationship management (CRM) aspects. Interfaces to existing, legacy systems are being provided by Science Systems under a programme of work due to reach completion at the end of 2001.

Intervention Board

With more assistance schemes being made available for UK farmers because of the BSE situation, the Intervention Board has commissioned Science Systems to design and develop a major application to support one of the more complex schemes. The system will be evolved through a series of releases to enable farmers to receive payments in line with complex business rules. Science Systems is working in other departments of the Intervention Board developing systems such as a corporate intranet and using web enabled technology as part of the introduction of electronic government.

Northern Ireland Government

Towards the end of 2000, Science Systems successfully tendered to the Northern Ireland Government and has been placed on a short list of preferred suppliers in the area of E-Business and software development. We anticipate that this will enable the Company to expand its existing skills in the E-Business arena and move into a new geographical region during 2001.

“At Science Systems we are always looking to bring the future forward. But one thing is for certain, the next generation of developers will do things that even we can’t imagine – over to you Alan.”

Alan Brownlie, Principal Consultant, Science Systems

Science Systems Utilities

Science Systems’ Utilities team enjoyed a successful year in 2000. Whilst the first half was quiet the second half of the year witnessed a strong performance. As well as continuing to work with established clients such as Northern Electric and Essex and Suffolk Water, new and extension contracts were also secured. Some key projects were won during the year including major applications support and development framework contracts with the Environment Agency, a new framework contract with Northumbrian Water and an extension to the subsidiary’s support services contract at Thames Water.

“ I want to connect people”

Alan Brownlie (senior) has been a software consultant at Science Systems since before his son – also Alan – was born. Alan junior wants to follow in his father’s footsteps by developing software programmes too. Alan is confident that there will be outstanding career opportunities for IT specialists.

Alan Brownlie, Age 15
Ambition IT software developer

EA Rod Licence

Science Systems implemented the Government’s first E-Commerce web site helping the Environment Agency demonstrate its commitment to the ‘modernising government’ initiative. The new service offers anglers the opportunity to purchase fishing licences directly from the Agency through its web site allowing them to fish immediately.

ESIS Hub

Science Systems was contracted by Energy Settlements & Information Systems (ESIS) to design and develop a data transfer ‘hub’ for the New Energy Trading market. The hub has now been introduced at a number of electricity suppliers in time for the new trading market to be launched in the first half of 2001.

EA Time Recording System

We have just delivered the first phase of a corporate wide time recording system on behalf of the Environment Agency. The application allows Agency staff to complete their timesheets at the office (across the Agency’s intranet) or from home or out in the field across the internet.

Essex & Suffolk Water

Science Systems has been working with Essex & Suffolk Water for over 10 years and continues to help it maximise its returns on its investments in different outstation monitoring equipment. This is accomplished by fully integrating them into the central monitoring system via Science Systems’ SCADA Gateway products.

Thames Water

During 2000, Science Systems secured a 2 year extension to its corporate application support and maintenance contract and went on to reinforce its position at Thames Water by winning a 3 year framework contract for the provision of software development services. The subsidiary has also been helping Thames Water to exploit the potential of business-to-business and business-to-customer systems through the development of a number of web based applications. One development is for a system that allows property developers to make and track on-line the progress of planning applications for water supply and waste services.



"Space already plays a vital role in connecting people. When Owen's career takes off, he'll be grateful for the work done by Science Systems' to simplify spacecraft operations and testing."

Barbara Marlow, Project Manager, Science Systems

"I want to be a star"

Four year old Owen's ambition is to be an astronaut. Mother Barbara works at Science Systems as a Project Manager. She believes that the breadth and depth of Science Systems' current projects will be the springboard for its future.

Owen Marlow, Age 4
Ambition Astronaut

Science Systems Space

The Space subsidiary has had a difficult year in 2000 with the strength of Sterling continuing to cause concern. Throughout the year, the main emphasis has been placed on deliveries for the Eumetsat MSG project where there have been technical difficulties and delays. The core-delivery was made to a revised schedule and has been well received by the client. Detailed schedules have been agreed for the final deliveries in 2001 on this project.

The strategy of focusing on services and smaller, lower risk projects is already delivering results. Science Systems has already won, at reasonable margins, further contracts for the development of on-board software and a new contract for spacecraft operations at the European Spacecraft Operations Centre. These new contracts have given Science Systems the broadest capability base of any European supplier to the Space software market, and leave it well positioned for any upturn in the sector.



European Space Operations Centre

The highlight of the year was winning the Operations Engineering support contract. This is a 5-year frame contract to provide consultancy support to ESOC in its core business. The new team has already reached double figures and is expected to continue to grow.

ASTRIUM

The Space Division continued to build its good relationship with ASTRIUM, Europe's major space company, especially in advanced studies on on-board digital signal processing. Work also continued on the Beagle 2 on-board software that will control the lander on Mars. This project has enhanced our growing reputation in this area, opening a number of other opportunities to develop on-board software systems for ESA spacecraft.

ESA

Work has recently started on converting ESA's SCOS 2000 control centre software into a multi-mission satellite system that will facilitate its use in constellation control.

Despite political issues the GALILEO programme (European GPS system) is expected to get the go-ahead later this year. The Space Division is well placed to gain contracts on the ground segment and simulator facility due to its technology lead and its participation in the requirements definition phase for the Satellite Control.

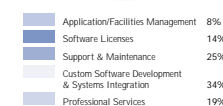
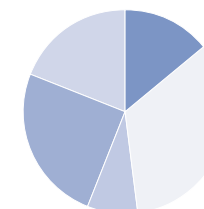
BNSC

Strong endorsement has come from the BNSC in the form of study contracts to develop key technologies for future space applications. These include work on 'formation-flying' of satellites in convoy and testing the use of advanced ground based software for on-board autonomy.

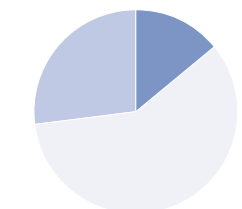
“ If Carl Greenan’s control is half as good as Science Systems’ project delivery skills then he’s sure to achieve his goal. In the future we will be helping clients by delivering business solutions exactly when and where they are needed most.”

Mike Greenan, Business Manager, Science Systems

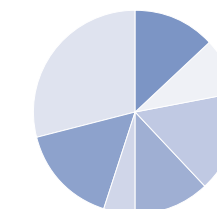
Revenue by Service



Revenue by Geography



Revenue by Division



Group Financial Director’s Statement

“ I want to achieve all of my goals”

If Carl Greenan makes it to the premier league, his dad Mike will be cheering all the way. Mike is a Business Manager in our Industrial Division and he fully believes that we will always achieve our goal of delivering quality solutions.

Carl Greenan Age 7
Ambition Footballer



Integration of the businesses is delivering strong EPS growth

Our 2000 results illustrate the continuing transformation of the Science Systems Group into a global services company. The strong sales and profits growth reported primarily reflects the effects of acquiring the CODA business and the investment in its successful integration into the Group. Overall profits were restrained by the losses recorded by our Space subsidiary.

Substantial progress has already been made with the integration of the CODA and Commercial businesses. Higher utilisation levels are being achieved within our consultancy arm, there are growing volumes of repeat business from our established base and there is a corresponding uplift in new licence sales. This analysis strengthens the Board’s view that the integrated businesses have the potential to deliver strong EPS growth.

The purchase of the CODA business was funded through a vendor placing and an open offer and placing under which 8.0 million new shares were issued at £5.40. The net money raised of £7.7m, after paying £31.8m for the business and associated transaction expenses, has helped reduce net borrowings from £5.5m to £2.8m. This represents a gearing of 19.8% on equity shareholders’ funds excluding

goodwill of £14.1m. It was pleasing to see £543,000 invested by staff and management as part of the placing offer, a commitment that attests to their ongoing confidence in the future success of the Company.

The staff share trust also subscribed for 560,000 shares as part of the placing offer and purchased a further £1.5 million of shares during the year. These were acquired in order to match a second tranche of executive options approved by the Remuneration Committee for senior executives for grant in early 2001. The options are part of an established rolling programme of executive share options designed to focus the executives on achieving continued profits and earnings per share growth across the Group over the next five years for the benefit of all shareholders.

Operating cash flows lagged behind the operating profit during 2000 for two main reasons. First, the purchase of the CODA business brought with it significant deferred income (being maintenance revenues and deferred licence fees) which has been largely recognised in the nine months since acquisition. There was no related operating cash inflow from this, although the purchase price did reflect the net liabilities

acquired. Second, the CODA Division has shown a quarter on quarter advance in sales for both licence and consultancy across the period and there was a significant amount of invoicing within it in the last two months of the year, for which the cash has been received since the year end.

The effective tax rate for the Group, excluding goodwill amortisation, was 30% compared with 27% for 1999. The 1999 rate benefited from a £336,000 contribution by the trading subsidiaries into a Qualifying Employee Share Trust. There was no such contribution this year.

Our concerns raised in last year’s report that the period of relatively benign salary inflation in our industry was ending proved correct. The across the board salary increase at year-end was over 8%. We continue to monitor the recruitment market closely as part of our continuing effort to retain the existing members of our team and to attract high caliber joiners.

A final dividend for the year ended 31 December 2000 of 1.73p per share will be paid on 3 July 2001 to shareholders on the register 6 April 2001.

Directors' Biographies



Non-Executive Directors

Cliff Preddy, Chairman, aged 53, joined the Board of Science Systems as a Non-Executive Director in March 1997. Earlier in his career he spent 27 years with Logica, including 9 years as an executive director on the Logica plc Board. He is also a Founder and Deputy Chairman of Charteris plc, a management consultancy and Chairman of Acquisition Accounting Limited, a private holding company for TAH Limited.



George Metcalfe, aged 65, joined the Board of Science Systems in September 1997 as a Non-Executive Director having previously been Chairman and Chief Executive of UMECO plc. He is also a Non-Executive Director of Sailport plc.

Executive Directors



Mike Love, Group Managing Director and Chief Executive Officer of SSD, aged 52, has been Managing Director of Science Systems since 1986 when he led the management buy-in of the business. He studied physics at university and obtained his PhD in theoretical nuclear physics. He entered the software industry in 1976 with Logica, moved to the European Space Agency in the late seventies and joined Science Systems in 1981. He also serves as non-executive director at Surface Technology Systems plc and is a member of the AIM Advisory Group.



Ruth McRitchie, Group Financial Director and Financial Director of SSD, aged 36, studied modern languages at university before qualifying as a chartered accountant with KPMG in 1989. She joined Science Systems as Group Financial Controller in March 1997 and was appointed to the Board in September 1999.



Bryan Hucker, Group Commercial Director and Financial Director of CODA, aged 51, studied chemical engineering at university before qualifying as a chartered accountant. He joined Science Systems in 1986 at the time of the management buy-in, having previously worked with Tunstall Securities and KPMG.



Graham Steinsberg, Chief Executive Officer of CODA, aged 44 had an early career as a chartered accountant before joining the sales and marketing division of IBM. This was followed by a period as a regional Director of Lychgate before being appointed Managing Director of Science Systems (Commercial) Limited in 1989.



John Haynes, Managing Director Science Systems (Space) Limited, aged 51, obtained his PhD in mechanical engineering before starting his employment with British Rail in its research division. He moved to the European Space Agency in the late seventies and joined Science Systems in 1983. He has been Managing Director of Science Systems (Space) Limited since 1992.

Corporate Governance

In June 1998, the Stock Exchange published the Principles of Good Governance and Code of Best Practice ('The Combined Code') which embraces the work of the Cadbury, Greenbury and Hampel Committees and became effective in respect of accounting periods ending on or after 31 December 1998. Although as an AIM listed Company, the Company does not formally have to comply with the Combined Code, the Directors have taken note of its provisions in so far as it considers them to be appropriate to a Company of this size. A statement of the Directors' responsibilities in respect of the accounts is set out on page 32. Below is a brief description of the role of the Board and its Committees, followed by details of the Group's systems of internal financial control.

THE BOARD

The Board currently comprises two independent Non-Executive and five Executive Directors and is responsible to shareholders for the governance of Science Systems plc and for the effective operation and management of the Group. The Board meets at least six times each year and its prime functions are as follows:

- to formulate Group policy and long term aims and strategy
- to co-ordinate inter Group activity
- to oversee all operations undertaken by the Group, including
 - co-ordinating cash management and cash planning
 - co-ordinating and approving major capital item purchases and other major investments
 - reviewing the performance of the individual trading companies
 - reviewing, vetting and authorising major tenders before submission and major contracts before signature
 - monitoring the effective management of quality and technical assurance issues
 - co-ordinating personnel and employment issues

Corporate Governance (continued)

The following committees deal with specific aspects of the group's affairs:

AUDIT COMMITTEE

The Audit Committee comprises the two Non-Executive Directors and meets at least twice a year to review half year and full year accounts before they are finalised. The Group Managing Director, Group Financial Director and external Auditors attend by invitation.

The Committee makes recommendations to the Board on issues surrounding the appointment, resignation or removal of Auditors and their remuneration. It discusses and agrees the scope of the audit with the external Auditors before the audit.

Its review of half year and full year financial statements and reports prior to submission to the Board for full approval includes the following areas:

- compliance with accounting standards and company conventions
- key management judgements and risk assessment
- going concern assumptions
- external Auditors' management letter and any management response

The Audit Committee also considers the findings of the Group's Fixed Price Project Audit Committee, which looks into the status of material fixed price contracts.

NOMINATION COMMITTEE

The Nomination Committee comprises the two Non-Executive Directors and the Group Managing Director. Meetings are arranged as necessary. The Committee establishes lists of possible Non-Executives and then discussed them with the full Board. The Committee then represents the Board in discussions with prospective Non-Executives and seeks Board approval for any appointments. Suggestions for Executive appointment are normally made by the Group Managing Director to the Nomination Committee and then to the full Board.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the two Non-Executive Directors. It meets at least twice a year and approves the remuneration and terms and conditions of employment for senior management. The Committee approves awards under option or share schemes within the overall limits and policies authorised by the Board.

INTERNAL FINANCIAL CONTROL

The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable but not absolute assurance against material mis-statement or loss. The key procedures that the Directors have established with a view to providing effective internal financial control are as follows:

Management structure

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. Each Executive Director has been given responsibility for specific aspects of the Group's affairs.

Corporate accounting and procedures

Responsibility levels are communicated throughout the Group as part of the corporate communication procedure. Accounting, delegation of authority and authorisation levels, segregation of duties and other control procedures, together with the general ethos of the Group are included in these communications, and standardised accounting policies are in place reflecting this policy.

Quality and integrity of personnel

The integrity and competence of personnel is ensured through high recruitment standards and subsequent training courses. Quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through senior members of staff.

Budgetary process

Each year the Board approves the annual budget, which includes an assessment of key risk areas. Performance is monitored and relevant action taken throughout the year by monthly reporting to the Board of updated forecasts for the year together with information on key risk areas.

Investment appraisal

Capital expenditure is regulated by the use of authorisation levels. For all expenditure beyond specified levels, Board approval is required.

Internal monitoring

The Audit Committee considers and determines relevant action in respect of any control issues raised by the Auditors. Given the size of the Group and the close day to day control exercised by the Executive Directors and senior management, no formal financial internal audit department is considered necessary. The Group Quality Assurance Department is responsible for the audit of all technical work produced by the Group. This role includes maintaining quality related certifications and defining and agreeing across all trading companies the procedures, standards and practices to be followed on each project and in all other aspects of the Group's business.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Directors' Report

The Directors present their annual report and audited group accounts for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Group is the provision of a range of professional services in support of the planning, development and use of computer systems. There was no significant change in this activity during the year. A review of the business, together with comments on the future development of the Group is contained on pages 1 to 23.

RESULTS AND DIVIDENDS

The Group made a profit before tax for the year of £2,732,000 (1999 - £2,633,000) on a turnover of £49,624,000 (1999 - £30,966,000). The Directors recommend the payment of a final dividend of 1.73 pence per share.

DIRECTORS AND THEIR INTERESTS

The Directors who held office during and at the end of the financial year had the following beneficial interests in the ordinary shares of the company:

	31 December 2000 (25p ordinary shares)	31 December 1999 (25p ordinary shares)
MD Love	2,826,208	2,823,958
BH Hucker	373,858	371,608
JB Haynes	955,506	953,256
GL Steinsberg	915,704	912,000
CSF Preddy (Chairman)	40,000	30,000
GRA Metcalfe	60,760	50,760
RE McRitchie	5,021	4,651

BH Hucker and MD Love also have a non-beneficial interest in shares held by the Science Systems Employee Share Trust. At 31 December 2000 this interest amounted to 1,547,928 25p ordinary shares (1999 – 681,627 25p ordinary shares).

DIRECTORS' REMUNERATION

The Remuneration Committee is chaired by Cliff Preddy and its other member is George Metcalfe. The Committee advises the Board on the overall remuneration package for Executive Directors and senior management in order to attract and retain high quality Executives capable of achieving the Group's objectives. The package consists of basic salary, benefits, share options and pension, and a further proportion based upon performance and dependent upon the achievement of targets. The individual components of the remuneration package are discussed below.

Service contracts

All Executive Directors have rolling service contracts that may be terminated by giving twelve months' notice. Non-Executive Directors have fixed three year service contracts which may be terminated by giving six months' notice.

Fees

The fees for Non-Executive Directors are determined by the Board. The Non-Executive Directors are not involved in any discussions or decisions about their own remuneration.

Basic salary and benefits

Executive salaries and benefits are reviewed annually. The Remuneration Committee is conscious that basic pay rates must remain competitive. Benefits principally comprise a car, petrol and private health care.

Performance related pay scheme

The performance related pay scheme for Executive Directors is in line with the scheme covering other senior members of staff. Payments under the scheme are based upon the achievement of budgeted profit targets for subsidiaries or the Group as appropriate.

Share options – executive scheme

At 31 December 2000, the following options were outstanding to purchase ordinary shares under the Executive Share Option Scheme:

Date of grant	Total number of options	Exercise price per share
24 September 1997	198,175	129p
29 September 1998	56,785	180.5p
1 December 1998	692	156p
17 February 1999	4,728	210.5p
30 March 1999	14,280	210.5p
5 January 2000	401,000	378p
7 April 2000	<u>745,000</u>	540p
Total under option	<u>1,420,660</u>	

The options (apart from those granted on 7 April 2000) may be exercised any time after the publication of the accounts of Science Systems plc for the year ending 31 December three years after the year in which the option is granted, provided this is within 10 years of the date on which the option was granted. For the options to become exercisable in full the rate of percentage growth in the earnings per share of the Group between that for the financial year preceding the year in which the options are granted and the year in which they are exercised must be no less than 50%. A sliding scale exists for growth between 35% and 50%, whereby a proportion of the options may be exercised (the remaining options then lapsing).

The options granted on 7 April 2000 are exercisable after the results for year ending 31 December 2002 are published. The performance criteria related to the financial performance of the combined CODA and Commercial sectors for 2000. They were exercisable in full if profits before taxation and goodwill amortisation of £4.5 million were attained, with a sliding scale below that level. This criteria has been achieved.

Share options – employee scheme

During the year, options over 129,750 25p shares granted at 52p crystallised and were exercised by employees. Options over 31,222 25p shares (at a price of 144.5p) were issued in September 1998 to employees who had completed two years service as at that date. These options crystallise in September 2001.

Directors' Report (continued)

Pensions

The Group operates a defined contribution pension scheme open to all of its permanent employees. Contribution levels are set by the trustees and are currently 3.25% of pensionable pay for employees and 6.75% for the company. Pensionable pay comprises basic pay. There is also a small self-administered money purchase scheme operated on behalf of the Directors of all of the trading companies in the Group. The level of employer contributions is set by the Remuneration Committee subject to Inland Revenue limits.

Directors' remuneration

	Fees or salary	Benefits	Performance related pay	Total	Total	Pension contribution	Pension contribution
	£000	£000	£000	2000 £000	1999 £000	2000 £000	1999 £000
Executive Directors							
MD Love	93	13	61	167	128	9	9
JB Haynes	82	11	11	104	92	18	16
BH Hucker	65	10	79	154	81	8	8
GL Steinsberg	93	10	188	291	380	-	-
RE McRitchie	53	11	8	72	15	3	1
Non-Executive Directors							
CSF Preddy	41	-	-	41	30	-	-
GRA Metcalfe	24	-	-	24	14	-	-
Total	451	55	347	853	740	38	34

Directors' interests in options

The interests of the Directors in company share option schemes at the end of the year were as follows:

	Price at which option can be exercised				Options		Total
	129p	144.5p	180.5p	378p	31 December 2000	31 December 1999	
MD Love	15,500	-	-	20,000	-	35,500	17,750
BH Hucker	15,500	-	-	20,000	100,000	135,500	17,750
JB Haynes	15,500	-	-	-	-	15,500	17,750
GL Steinsberg	15,500	804	-	100,000	230,000	346,304	16,304
RE McRitchie	3,875	-	2,770	10,000	-	16,645	6,645

MD Love, BH Hucker and JB Haynes all exercised SAYE options over 2,250 shares during the year. These options were granted in March 1997 at 52p per share. The options at 378p and 540p were granted on 5 January 2000 and 7 April 2000 respectively.

The market price of the company's shares on 31 December 2000 was 495p per share. The high and low share prices during the year were 710p and 378p respectively.

CHARITABLE CONTRIBUTIONS

Donations to UK charities amounted to £11,000 (1999: £10,000).

CREDITORS

It is the Group's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions.

EMPLOYEES

The Group is committed to employee involvement and uses a variety of methods to train, inform, consult and involve its employees. Qualifying employees are encouraged to join employee share schemes, and a number are shareholders, having bought shares and/or been granted share options at the time of the flotation on the Alternative Investment Market in September 1997 and at the time of the acquisition of the CODA business in April 2000.

The Group recognises its obligations to give disabled persons full and fair consideration for all vacancies.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc is to be proposed at the forthcoming annual general meeting.

By order of the Board

RE McRitchie
Secretary
28 March 2001

Methuen Park
Chippenham
Wiltshire
SN14 0GB

Statement of Directors' Responsibilities

Company Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditor

REPORT OF THE AUDITOR TO THE MEMBERS OF SCIENCE SYSTEMS PLC

We have audited the financial statements on pages 34 to 52 in accordance with Auditing Standards. We have also examined the amounts disclosed relating to emoluments, share options and Directors' pension entitlements, which form part of the Directors' report on pages 28 to 31.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors are responsible for preparing the Directors' report and, as described on page 32, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Bristol, 28 March 2001

Group Profit and Loss Account

for the year ended 31 December 2000

	Note	2000 £000	2000 £000	1999 £000	1999 £000
Turnover	2		49,624		30,966
Staff costs	3	(28,391)		(16,126)	
Depreciation	12	(1,318)		(867)	
Amortisation of goodwill	11	(1,351)		-	
Other operating charges		(15,576)		(11,181)	
			(46,636)		(28,174)
Operating profit	5		2,988		2,792
Other interest receivable and similar income	6		75		123
Interest payable and similar charges	7		(331)		(282)
Profit on ordinary activities before taxation and goodwill amortisation			4,083		2,633
Profit on ordinary activities before taxation			2,732		2,633
Tax on profit on ordinary activities	8		(1,220)		(717)
Profit on ordinary activities after taxation			1,512		1,916
Dividends paid and proposed	9		(590)		(336)
Retained profit for the year			922		1,580
Earnings per share	10				
Basic			6.9p		11.7p
Diluted Basic			6.5p		11.4p
Adjusted Basic (excluding goodwill amortisation)			13.1p		11.7p
Diluted Adjusted Basic (excluding goodwill amortisation)			12.4p		11.4p

All operations are continuing. On 31 March 2000, the Group acquired the CODA business. This business has been fully integrated with the CODA related business previously carried out by Science Systems Commercial and as a consequence it is not possible to identify the incremental turnover and operating profit the Group has derived from the acquisition. Note 2 gives further information on the results of the CODA and Commercial businesses for the year. Movements on reserves are shown in note 20.

Group Balance Sheet

at 31 December 2000

	Note	2000 £000	2000 £000	1999 £000	1999 £000
Fixed assets					
Intangible assets	11	34,687		-	
Tangible assets	12	10,087		8,536	
Investments	13	5,555		1,375	
			50,329		9,911
Current assets					
Debtors	14	23,725		9,292	
Cash at bank and in hand		1,498		17	
		25,223		9,309	
Creditors: amounts falling due within one year	15	(14,396)		(7,749)	
Net current assets			10,827		1,560
Total assets less current liabilities			61,156		11,471
Creditors: amounts falling due after more than one year	16		(819)		(2,660)
Provision for liabilities and charges	17		-		(173)
Deferred income	18		(11,543)		(3,271)
Net assets			48,794		5,367
Capital and reserves			£000		£000
Called-up share capital	19		6,290		4,290
Share premium account	20		41,640		1,135
Profit and loss account	20		864		(58)
Equity shareholders' funds			48,794		5,367

The accounts were approved by the Board of Directors on the 28 March 2001 and were signed on its behalf by:

MD Love, Director

RE McRitchie, Director

Company Balance Sheet

at 31 December 2000

	Note	2000 £000	2000 £000	1999 £000	1999 £000
Fixed assets					
Investments	13		40,979		6,393
Current assets					
Debtors	14	10,369		2,920	
Cash at bank and in hand		<u>374</u>		<u>208</u>	
		10,743		3,128	
Creditors: amounts falling due within one year	15	<u>(1,347)</u>		<u>(1,003)</u>	
Net current assets			<u>9,396</u>		<u>2,125</u>
Net assets			<u>50,375</u>		<u>8,518</u>
Capital and reserves					
Called-up share capital	19		6,290		4,290
Share premium account	20		41,640		1,135
Profit and loss account	20		<u>2,445</u>		<u>3,093</u>
Equity shareholders' funds			<u>50,375</u>		<u>8,518</u>

The accounts were approved by the Board of Directors on the 28 March 2001 and were signed on its behalf by:

MD Love, Director

RE McRitchie, Director

Group Cash Flow Statement

for the year ended 31 December 2000

	Note	2000 £000	2000 £000	1999 £000	1999 £000
Net cash inflow from operating activities	26		73		2,493
Returns on investments and servicing of finance					
Interest received		75		123	
Interest paid		(329)		(255)	
Interest element of finance lease rental payments		<u>(17)</u>		<u>(8)</u>	
Net cash outflow from returns on investments and servicing of finance			(271)		(140)
Taxation					
UK corporation tax paid		(678)		(937)	
ACT paid		<u>-</u>		<u>(25)</u>	
Net cash outflow from taxation			(678)		(962)
Capital expenditure and financial investment					
Payment to acquire tangible fixed assets		(2,430)		(5,452)	
Payment to acquire investments		(1,520)		(138)	
Receipts from sales of tangible fixed assets		<u>16</u>		<u>261</u>	
Net cash outflow from capital expenditure and financial investment			(3,934)		(5,329)
Acquisitions and disposals					
Payment to acquire CODA business (including costs)		(31,769)		-	
Receipt from sale of investment in subsidiary undertaking		<u>10</u>		<u>-</u>	
Net cash outflow from acquisitions and disposals			(31,759)		-
Equity dividends paid			(344)		(188)
Net cash outflow before financing and liquid resources			(36,913)		(4,126)
Management of liquid resources					
Receipt from sale of current asset investment			-		400
Financing					
Net receipts from issue of shares		39,485		-	
(Repayment)/Draw down long term loan		(1,775)		1,490	
Draw down of HP funding		-		265	
Capital element of finance lease rental payments		<u>(66)</u>		<u>(29)</u>	
Net cash inflow from financing			37,644		1,726
Increase/(decrease) in cash	27		731		(2,000)

Reconciliation of Movements in Shareholders funds for the year ended 31 December 2000

GROUP	2000 £000	1999 £000
Profit for the financial year	1,512	1,916
Dividends	<u>(590)</u>	<u>(336)</u>
	922	1,580
Exchange adjustments	-	(7)
Issue of new shares to purchase CODA business	2,000	-
Premium on issue of new shares (net of costs)	40,505	-
Issue of new shares to Qualifying Employee Share Trust	-	448
Funding of share issue to Qualifying Employee Share Trust	<u>-</u>	<u>(336)</u>
Net addition to shareholders' funds	43,427	1,685
Opening shareholders' funds	<u>5,367</u>	<u>3,682</u>
Closing shareholders' funds	<u>48,794</u>	<u>5,367</u>
 COMPANY	 2000 £000	 1999 £000
(Loss)/profit for the year	(58)	1,899
Dividends	(590)	(336)
Issue of new shares to purchase CODA business	2,000	-
Premium on issue of new shares (net of costs)	40,505	-
Issue of new shares to Qualifying Employee Share Trust	<u>-</u>	<u>448</u>
Net addition to shareholders' funds	41,857	2,011
Opening shareholders' funds	<u>8,518</u>	<u>6,507</u>
Closing shareholders' funds	<u>50,375</u>	<u>8,518</u>

Statement of Total Recognised Gains and Losses for the year ended 31 December 2000

GROUP	2000 £000	1999 £000
Profit for the financial year	1,512	1,916
Exchange adjustments	<u>-</u>	<u>(7)</u>
	<u>1,512</u>	<u>1,909</u>

The Company has no recognised gains or losses other than the profit for the year.

Notes (forming part of the accounts)

for the year ended 31 December 2000

1 ACCOUNTING POLICIES

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

Basis of preparation

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

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2000. 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.

On 17 September 1997, as part of a group reorganisation, Science Systems plc acquired the whole of the issued share capital of Science Systems (Resources) Limited (formerly Science Systems (Holdings) Limited), the consideration being satisfied by the issue of shares in the Company. The acquisition of Science Systems (Holdings) Limited and its subsidiary undertakings has been accounted for in accordance with the principles of merger accounting.

Under section 230 (4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Investment in subsidiary undertakings

In the Company's balance sheet investments in subsidiary undertakings are stated at cost less amounts written off.

Where the consideration for the acquisition of a subsidiary undertaking includes shares in the Company to which the provisions of section 131 Companies Act 1985 apply, cost represents the nominal value of the shares issued together with the fair value of any additional consideration given and costs. In the consolidated financial statements, where acquisition accounting is applied, the excess of the fair value of the consideration shares over their nominal value (merger relief) is credited to other reserves.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings post 1 January 1998, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised within fixed assets and amortised on a straight line basis over its useful economic life.

Goodwill relating to acquisitions made prior to 1 January 1998, the date on which Financial Reporting Standard 10 (FRS 10) 'Goodwill and intangible assets' was adopted, has, as a matter of accounting policy, been written off against reserves on acquisition. In accordance with the transitional rules of FRS 10 this treatment, which applied under the previous accounting standard, has continued to be applied. On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging/crediting the amount of any related goodwill/negative goodwill previously taken to reserves.

Goodwill arising on the acquisition of the CODA business on 31 March 2000 is being written off over 20 years. The goodwill for this acquisition has been based upon the Directors' latest estimate of the completion accounts and, as these have yet to be finalised, are therefore provisional.

Development costs

Product development costs are written off as incurred.

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.

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 and Long leasehold buildings	50 years
• Short leasehold	Over the life of the lease
• Assets in course of construction	Not depreciated
• Computer equipment	2 - 3 years
• Office equipment	6 years
• Plant and machinery	10 - 20 years
• Motor vehicles	5 years

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 rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities and profit and loss account of overseas subsidiary undertakings are translated at the closing exchange rates. Gains and losses arising on these translations are taken to reserves.

Notes (forming part of the accounts)

for the year ended 31 December 2000

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 taxation is accounted for in respect of timing differences to the extent that liabilities or assets are expected to be payable or receivable in the foreseeable future.

Post retirement benefits

The Group operates two defined contribution pension schemes. CODA plc also operates two further defined contribution schemes, inherited from the previous ownership of that company, which are closed to new entrants. The assets of the schemes 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.

Turnover

Turnover represents the value of software, services and equipment supplied during the year and is stated net of value added tax.

Long term contracts

The amount of profit attributable to the stage of completion of long-term and maintenance contracts is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Maintenance contracts

Maintenance contracts are typically billed annually in advance. Revenue is recognised equally over the maintenance period. Maintenance revenue received but not recognised is shown within deferred income on the face of the balance sheet.

Licence fees

Revenue for software licences is recognised when customer acceptance is achieved. Amounts received in respect of software licences where customer acceptance has not yet been achieved is shown within deferred income on the face of the balance sheet.

2 SEGMENTAL INFORMATION

2a Turnover by geographical destination

	2000	1999
	£000	£000
United Kingdom	29,396	21,931
Rest of Europe	13,214	8,923
Rest of World	7,014	112
	<u>49,624</u>	<u>30,966</u>

2b Segmental analysis of turnover, profit before interest and taxation, and net assets

The market sectors in which the Group operates are as follows:

- Industrial - providing IT services and software solutions in the Government, Communications and Transport sectors
- Utilities - providing IT services and software solutions in the Utilities sector
- Space - supplying specialist software services to operators of communications, scientific and earth observation satellites
- Commercial - delivery of non CODA related financial management solutions
- CODA - delivery of CODA related financial management solutions

	2000	1999
	£000	£000
Turnover		
Industrial	8,084	14,989
Utilities	8,124	-
Space	6,242	8,431
Commercial	2,480	7,888
CODA	25,765	-
Other	46	536
Inter segmental turnover	<u>(1,117)</u>	<u>(878)</u>
	<u>49,624</u>	<u>30,966</u>

It is not possible to split out the 1999 operating profit between Industrial and Utilities sectors. However, the 1999 turnover for Utilities was £7,542,000.

On 31 March 2000, the Group acquired the CODA business. This business has been fully integrated with the CODA related business previously carried out by Science Systems Commercial and as a consequence it is not possible to identify the incremental turnover and operating profit the Group has derived from the acquisition. On 1 April 2000, the business of Commercial relating to trading in CODA products was transferred to a fellow subsidiary, CODA plc. The Commercial results for the nine months since the transfer were turnover of £658,000 and operating profit of £410,000.

Notes (forming part of the accounts)

for the year ended 31 December 2000

12 TANGIBLE FIXED ASSETS

GROUP	Freehold and long leasehold	Short leasehold	Computer equipment	Office equipment	Motor vehicles	Assets in course of construction	Plant and machinery	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost:								
At beginning of year	2,915	234	1,594	1,494	86	3,378	912	10,613
Acquisition of CODA	-	-	576	336	-	-	-	912
Additions	39	90	1,191	499	67	535	9	2,430
Reallocation	2,378	-	-	327	-	(3,913)	1,208	-
Disposals	-	-	(44)	(5)	(79)	-	-	(128)
At end of year	5,332	324	3,317	2,651	74	-	2,129	13,827
Depreciation:								
At beginning of year	88	103	1,206	565	62	-	53	2,077
Acquisition of CODA	-	-	271	172	-	-	-	443
Charge for year	75	76	724	355	11	-	77	1,318
On disposals	-	-	(33)	(4)	(61)	-	-	(98)
At end of year	163	179	2,168	1,088	12	-	130	3,740
Net book value at 31 December 2000	5,169	145	1,149	1,563	62	-	1,999	10,087
Net book value at 31 December 1999	2,827	131	388	929	24	3,378	859	8,536

Included within office equipment are leased assets with a net book value of £195,000 (1999 - £239,000). The depreciation charge for the year on these assets was £44,000 (1999 - £26,000).

Land and Buildings

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

	2000 £000	1999 £000
Freehold	4,978	2,631
Long Leasehold	191	196
	<u>5,169</u>	<u>2,827</u>

Freehold land and buildings includes an amount for land of £493,000 (1999 - £493,000) which is not depreciated.

Notes (forming part of the accounts)

for the year ended 31 December 2000

13 FIXED ASSET INVESTMENTS

GROUP	Own shares	Shares in group undertakings	Total
	£000	£000	£000
Cost:			
At beginning of year			1,375
Additions - Purchases			1,520
Additions - Issue of shares			3,021
Disposals - Exercise of SAYE options			(361)
At end of year			5,555
COMPANY	Own shares	Shares in group undertakings	Total
	£000	£000	£000
Net book value:			
At beginning of year	1,375	5,018	6,393
Additions - Purchases	1,520	32,183	33,703
Additions - New issue	3,021	-	3,021
Provision in year	-	(1,777)	(1,777)
Disposals	(361)	-	(361)
At end of year	5,555	35,424	40,979

The nominal value of own shares held by the Group and Company at 31 December 2000 was £395,000 (1999 - £211,000). Own shares are listed investments. Their market value at 31 December 2000 was £7,817,000.

The principal companies in which the Company's direct interest at the year end is more than 20% are as follows:

COMPANY	Country of registration and operation	Principal activity	Class of shares	Percentage of shares directly held
Science Systems (Industrial) Limited	England	Computer software	£1 ords	100%
Science Systems (Space) Limited	England	Computer software	£1 ords	100%
CODA Group Holdings Limited	England	Central services	£1 ords	100%
Science Systems (Resources) Limited	England	Central services	1p ords	100%
Science Systems (Utilities) Limited	England	Computer software	£1 ords	100%
Science Systems (Commercial) Limited	England	Computer software	10p ords	100%
Science Systems QUEST Trustee Limited	England	Trustee for SAYE shares	£1 ords	100%

The principal companies in which the Company's indirect interest at the year end is more than 20% are as follows. These companies are owned by CODA Group Holdings Limited:

COMPANY	Country of registration and operation	Principal activity	Class of shares	Percentage of shares indirectly held
CODA plc	England	Computer software	£1 ords	100%
CODA Financials Incorporated	USA	Computer software	\$1 ords	100%
CODA NV	Holland	Computer software	NLG 1 ords	100%
CODA Belgium NV	Belgium	Computer software	BEF 1 ords	100%
CODA Systems Asia Pacific PTE Limited	Singapore	Computer software	SGD 1 ords	100%
CODA Business Systems Sdn Bhd	Malaysia	Computer software	MR1 ords	100%
CODA Systems Australia Pty Limited	Australia	Computer software	A\$1 ords	100%

Notes (forming part of the accounts)

for the year ended 31 December 2000

14 DEBTORS	2000	1999	2000	1999
	£000	£000	£000	£000
GROUP				
Trade debtors	17,603	5,171	9	5
Amounts recoverable on contracts	2,893	2,706	609	200
Other debtors	1,209	234	729	798
Deferred tax asset	373	-	<u>1,347</u>	<u>1,003</u>
Called up share capital not paid	45	112		
Prepayments and accrued income	<u>1,602</u>	<u>1,069</u>		
	<u>23,725</u>	<u>9,292</u>		

The amount of mainstream corporation tax payable within one year for the Group is £1,081,000 (1999: £344,000).

16 CREDITORS: amounts falling due after more than one year

2000	1999	2000	1999	
£000	£000	£000	£000	
COMPANY				
Trade creditors		9	5	
Amounts owed to group undertakings		609	200	
Other creditors		<u>729</u>	<u>798</u>	
		<u>1,347</u>	<u>1,003</u>	
GROUP				
Bank loans and overdrafts	10,313	2,800	715	2,490
Obligations under finance lease	10	7	<u>104</u>	<u>170</u>
	<u>10,369</u>	<u>2,920</u>	<u>819</u>	<u>2,660</u>

The bank loan is a variable rate loan secured by a mortgage over all the assets of the group. Interest is charged at 1.125% over bank base rate. It is repayable in equal instalments over eight years.

15 CREDITORS: amounts falling due within one year

2000	1999
£000	£000
GROUP	
Bank loans and overdrafts (see note 16)	3,409
Obligations under finance lease	66
Trade creditors	3,645
Taxation and social security	2,165
Other creditors	2,189
Accruals	<u>2,922</u>
	<u>14,396</u>

The bank overdraft is secured by a debenture, which provides a fixed and floating charge over all of the assets of the Group.

Notes (forming part of the accounts)

for the year ended 31 December 2000

16 CREDITORS: amounts falling due after more than one year (continued)

Debts can be analysed as falling due:

2000	2000	1999	1999
£000	£000	£000	£000
GROUP			
Bank loans and overdrafts	3,409	66	2,819
Obligations under finance lease	143	66	311
	429	38	934
In one year/on demand	<u>143</u>	-	<u>1,245</u>
Between one and two years			
Between two and five years			
In five years or more	<u>4,124</u>	<u>170</u>	<u>5,309</u>

17 PROVISION FOR LIABILITIES AND CHARGES

2000	1999
£000	£000
GROUP	
At beginning of year	173
Credit for year	<u>(546)</u>
	<u>(373)</u>
At end of year	<u>(373)</u>

In addition there is an unrecognised deferred tax asset on depreciation in excess of capital allowances of £220,000 (1999: £197,000).

18 DEFERRED INCOME

Deferred income represents revenue received in the year for which work has yet to be performed principally under annual maintenance contracts together with amounts received in respect of software licences where customer acceptance has not yet been achieved.

19 CALLED UP SHARE CAPITAL

2000	1999
£000	£000
GROUP and COMPANY	
Authorised	
50,000,000 Ordinary shares of 25p each	<u>7,500</u>
	<u>7,500</u>
Allotted, called up and fully paid	No of shares
	£000
At beginning of year	17,160,972
Issued to purchase CODA business	<u>8,000,923</u>
	<u>25,161,895</u>
At end of year	<u>6,290</u>

On 31 March 2000, the company issued 5,505,692 shares under a vendor placing with a further 2,495,231 shares being issued on 28 April 2000 under an open offer and employee placing. Both placings were at 540p and funds were used to purchase the CODA business and provide working capital for the enlarged Group.

Notes (forming part of the accounts)

for the year ended 31 December 2000

20 SHARE PREMIUM AND OTHER RESERVES

GROUP	Share premium account £000	Profit and loss account £000
At beginning of year	1,135	(58)
Retained profit for the year	-	922
Premium on shares issued in year	41,204	-
Costs of share issue	<u>(699)</u>	<u>-</u>
At end of year	<u>41,640</u>	<u>864</u>

Goodwill previously written off to Group reserves amounts to £1,217,000.

COMPANY	Share premium account £000	Profit and loss account £000
At beginning of year	1,135	3,093
Premium on new shares issued in year	41,204	-
Costs of share issue	<u>(699)</u>	<u>-</u>
Retained loss for the year	-	<u>(648)</u>
At end of year	<u>41,640</u>	<u>2,445</u>

Included within the retained profit of the Group and Company is £418,000 (1999 - £305,000) and £858,000 (1999 - £745,000) respectively held by the Employee Share Trust which can only be used in accordance with the Trust Deed for the benefit of employees.

21 CONTINGENT LIABILITIES

The Company has given an unlimited bank guarantee in respect of all of its UK subsidiary companies. At 31 December 2000 the gross borrowings of these companies was £3,610,000.

22 COMMITMENTS

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

GROUP	2000 £000	2000 £000	1999 £000	1999 £000
	Land and buildings	Other	Land and buildings	Other
Operating leases which expire:				
Within one year	327	808	11	122
In second to fifth years inclusive	718	855	318	179
Over five years	<u>3</u>	<u>-</u>	<u>3</u>	<u>-</u>
	<u>1,048</u>	<u>1,663</u>	<u>332</u>	<u>301</u>

23 PENSIONS

The Group operates two defined contribution pension schemes. CODA plc also operates two further defined contribution schemes, inherited from the previous ownership of that company, which are closed to new entrants. The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £1,323,000 (1999: £738,000).

Notes (forming part of the accounts)

for the year ended 31 December 2000

24 ACQUISITIONS

On 31 March 2000 the Company acquired the trade and assets of the CODA business from the Baan Corporation. This transaction has been accounted for using the acquisition method of accounting. The assets and liabilities acquired under the deal were as follows:

	Book value acquired £000	Fair value adjustments £000	Fair value acquired £000
Fixed assets	485	(16)	469
Trade debtors	4,335	691	5,026
Accruals	-	(196)	(196)
Deferred income	<u>(8,248)</u>	<u>(1,320)</u>	<u>(9,568)</u>
	(3,428)	(841)	(4,269)

Consideration	(30,956)
Costs	<u>(813)</u>
Goodwill	<u>(36,038)</u>

All fair value adjustments were to achieve consistency of accounting policy, principally relating to the timing of the recognition of licence fee income.

Results for the CODA business prior to acquisition are not readily available. The last published audited accounts of the CODA business were for the financial period ended 31 October 1997. After its acquisition by Baan, the CODA business was split over a number of different entities within Baan. Based on an aggregation of information which was extracted at the time of the due diligence process from the unaudited management accounts of the various entities within which the CODA business operated for the year ended 31 December 1999, its revenues were approximately £29 million. On the same basis, the net asset value of the CODA business as at 31 December 1999 amounted to a deficit of £2.3 million.

25 SCIENCE SYSTEMS EMPLOYEE SHARE TRUST

The Company and Group results include those of the Employee Share Trust. Finance costs are borne by the Trust. Administrative costs, such as legal fees are borne by the Group. All costs are accounted for as they accrue. During the year the Employee Share Trust purchased shares in the Company. At 31 December 2000 it held 1,547,928 ordinary shares of 25p. At that date outstanding options granted under the Executive Share Option Scheme amounted to 1,420,660.

26 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £000	1999 £000
Operating profit	2,988	2,792
Depreciation charge	1,318	867
Amortisation of goodwill	1,351	-
Exchange (gains)/losses	(160)	208
Loss/(profit) on sale of fixed assets	97	(44)
Increase in debtors	(9,121)	(1,139)
Increase/(decrease) in creditors and deferred income	3,600	(176)
Decrease in provisions	<u>-</u>	<u>(15)</u>
Net cash inflow from operating activities	<u>73</u>	<u>2,493</u>

Notes (forming part of the accounts)

for the year ended 31 December 2000

27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £000	1999 £000
Increase/(decrease) in cash	731	(2,000)
Cash outflow/(inflow) from increase in debt and lease financing	1,841	(1,726)
Cash inflow from decrease in liquid resources	-	(400)
Changes in net debt arising from cash flows	2,572	(4,126)
Exchange adjustments	160	(208)
	2,732	(4,334)
Net debt at beginning of year	(5,528)	(1,194)
Net debt at end of year	<u>(2,796)</u>	<u>(5,528)</u>

28 ANALYSIS OF NET DEBT

	At 1 January 2000 £000	Cash flow £000	Other movements £000	At 31 December 2000 £000
Cash at bank and in hand	17	1,481	-	1,498
Bank overdraft	<u>(2,819)</u>	<u>(750)</u>	<u>160</u>	<u>(3,409)</u>
	(2,802)	731	160	(1,911)
Long term debt	(2,490)	1,775	-	(715)
Obligations under finance lease	<u>(236)</u>	<u>66</u>	<u>-</u>	<u>(170)</u>
	<u>(5,528)</u>	<u>2,572</u>	<u>160</u>	<u>(2,796)</u>

29 FINANCIAL INSTRUMENTS

The Group's financial instruments, other than derivatives, comprise borrowings, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations as well as to manage working capital and liquidity.

The Group also enters into derivative transactions in the form of forward exchange deals, currency options, cylinder options and currency swaps. The purpose of such transactions is to manage the currency risks arising from the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments be undertaken.

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 at floating rates of interest. Details of the Group's borrowings are set out in note 16.

Notes (forming part of the accounts)

for the year ended 31 December 2000

Liquidity risk

The Group's operations are cash generative. During the year surplus cash has been used to part repay the mortgage over the building of new Head Office premises in Chippenham as well as to purchase shares in the Employee Share Trust for Executive share option schemes. To ensure that the Group has sufficient financial resources to support the business, committed and other credit facilities are maintained with the Group's bankers. As at 31 December 2000 the Group had undrawn committed loan facilities of £1,377,000.

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 currency option protection for significant bids, and cylinder option 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.

As at the year end the Group had the following cylinder options in place to cover future Euro invoicing under existing and tendered contracts:

Date of expiry of cylinder	Amount of Euros covered	Cylinder cap	Cylinder collar
30 June 2001	2,000,000	1.64	1.531
30 June 2001	1,000,000	1.68	1.57
31 December 2001	1,000,000	1.65	1.5675
31 December 2001	1,000,000	1.60	1.5345

Although the Group is based in the UK, since the acquisition of the CODA business 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 US dollar/sterling and Euro/sterling exchange rates. As at the year end, the Group had entered into the following forward exchange deals for the US dollar :

Date of exercise	Amount of US dollars	Rate
30 June 2001	1,400,000	1.4222
31 December 2001	2,800,000	1.4222

Notes (forming part of the accounts)

for the year ended 31 December 2000

29 FINANCIAL INSTRUMENTS (CONTD)

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		
	Euros	US dollars	Total
Sterling	<u>2,491</u>	<u>857</u>	<u>3,348</u>

As at 31 December 2000, the Group held the following net monetary assets denominated in foreign currency:

	£000s
Euros	3,792
US dollars	857
Singapore dollars	<u>347</u>
	<u>4,996</u>

Short term debtors and creditors

Short term debtors and creditors (other than borrowings) have been excluded from all of the above disclosures, other than the currency risk disclosures.

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.

Directors and Advisors

Directors

CSF Preddy (Non-Executive Chairman)
 MD Love (Group Managing Director and Chief Executive Officer of Science Systems Division)
 RE McRitchie (Group Financial Director and Financial Director of Science Systems Division)
 GL Steinsberg (Executive Director and Chief Executive Officer of CODA Division)
 BH Hucker (Group Commercial Director and Financial Director of CODA Division)
 JB Haynes (Executive Director)
 GRA Metcalfe (Non-Executive Director)

Company Secretary

RE McRitchie

Registered office

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 SN14 0GB

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Solicitors

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Auditors

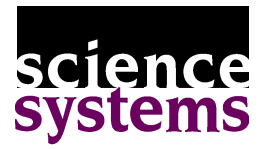
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