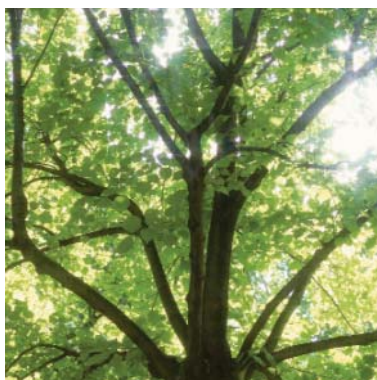


Report and Accounts

For the year ended 31 December 2003

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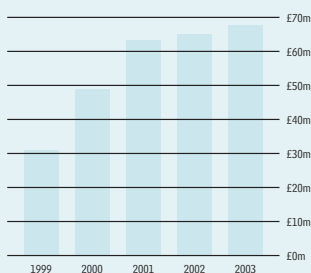
Financial Highlights

	2003	2002
Revenues up 2.4%	£68.0m	£66.4m
Deferred income up 30%	£19.2m	£14.8m
Profit before tax and goodwill down 13.3%	£6.5m	£7.5m
Profit before tax down 31.6%	£3.9m	£5.7m
Adjusted basic earnings per share down 10.8%	22.2p	24.9p
Net cash (after acquisition payments of £10.8m) down 27.6%	£6.8m	£9.4m
Total dividend increased 12%	3.8p	3.4p

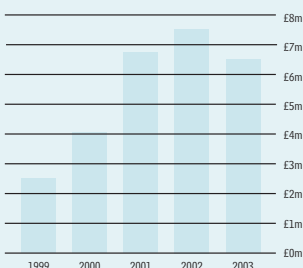
Focusing on fundamental strengths

By focusing on its fundamental strengths, CODASciSys aims to become the supplier of choice for IT software and services in the markets in which it operates, including Financial Intelligence, Space, Defence, Government, Commerce and Business Collaboration.

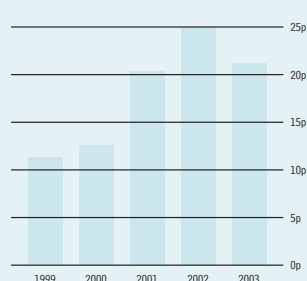
Group Turnover
(continuing operations)



Group Profit
(before tax, and goodwill amortisation - continuing operations)



Adjusted Basic Earnings Per Share
(excluding goodwill amortisation)



(These statements have been revised since publication of the Preliminary Results in order to reflect subsequent events)

Introduction to CODASciSys

The CODASciSys Group, based in Chippenham in the UK, is a leading provider of IT software and services to blue chip and government organisations worldwide. There are three divisions within the business: the CODA Division, which sells CODA Financial Intelligence solutions to private and public sector bodies worldwide; the SciSys Division, which provides IT services, bespoke software and applications management to large corporations and government organisations; and Business Collaborator, which sells knowledge collaboration solutions.



CODA provides strategic financial intelligence through a range of products and services, built around its core global accounting systems, CODA-Financials and CODA-Dream. Using innovative yet proven technology, CODA delivers products that cover core administrative functions such as finance and procurement. These form the platform from which it delivers strategic financial intelligence to senior management and to all corners of the organisation where such information adds value and helps to drive the users' business forward.



CODA is a global Division, with offices across Europe, North America and Asia-Pacific supporting a network of alliance partners who offer CODA products and services worldwide.

Thousands of customer organisations from a wide range of business sectors have derived strategic and long-term benefit from their relationship with CODA. The Division employs experts in financial intelligence and accounting who have backgrounds in particular business sectors, ensuring that the users benefit from the knowledge and extensive experience gained with organisations facing similar business challenges.

SciSys provides IT Services, bespoke systems and applications management to large corporations, government and quasi-government organisations in the UK and abroad. Much of the business is driven by continuing change in its customer base, whether caused by regulatory, reporting or business change.

The Division initially provided IT services to the space sector, to customers such as the European Space Agency (still an important customer today). Since then the Division has expanded to provide specialist IT services in a number of sectors, rebranding to SciSys during 2002 to reflect this wider business base.

A large proportion of its business is conducted through long term framework contracts, where a limited number of suppliers are selected by the client organisation to provide services. These framework contracts can be up to ten years in length, and ensure stability of business between the parties as well as predictability of revenues for SciSys.

SciSys operates through separate divisions, providing highly specialised services into the Space & Defence, Government & Commerce and Commercial sectors.



Business Collaborator is a leading collaboration software product, used to manage large scale projects. It is widely used within the construction and property refurbishment sectors.

The Business Collaborator product is an out-of-the-box 'Knowledge Collaboration' solution which provides secure access to, and management of, up-to-date information from anywhere in the world. The product set is used by clients to create web-based systems used across organisations for applications as diverse as tracking and processing customer observations and CV and skills data through to supply chain management.

Founded in 1997, Business Collaborator was acquired by CODASciSys during 2003.



Chairman's Report

2003 was a mixed year for the Group with continuing challenging trading conditions across the period. I am pleased to report that the CODA Division delivered a strong performance, continuing its excellent record as part of the Group. The SciSys Division was affected by contract deferrals and incurred a loss in the first half of the year, returning to profitability during the second half of the year as a result of rationalisation and cost reduction.



Mike Love Chairman

2003 was a mixed year for the Group with continuing challenging trading conditions across the period. I am pleased to report that the CODA Division delivered a strong performance, continuing its excellent record as part of the Group. The SciSys Division was affected by contract deferrals and incurred a loss in the first half of the year, returning to profitability during the second half of the year as a result of rationalisation and cost reduction.

Profit before tax and goodwill amortisation fell by 13.3% to £6.5m (2002: £7.5m) on turnover that rose by 2.4% to £68.0m (2002: £66.4m); this included a charge of £1.0m (2002: £0.6m) for redundancy and restructuring. The CODA Division, including SquareSum, achieved an 18.3% increase in operating profit to £7.1m (2002: £6.0m) on turnover that was 9.7% higher at £44.2m (2002: £40.3m). The performance of CODA, excluding SquareSum, showed a more modest improvement compared to 2002. Our conservative licence fee revenue recognition policy means that a strong sales performance in the closing months of 2003 is reflected in an increase in deferred licence fee income. The SciSys Division incurred an overall operating loss of £0.2m (2002: operating profit £1.7m), being an operating loss in the first half of £0.8m followed by an operating profit of £0.6m in the second half. Group operating margins decreased overall to 9.6% (2002: 11.1%). After providing £2.7m for amortisation of goodwill (2002: £1.8m), profit before tax was £3.9m (2002: £5.7m). Basic earnings per share fell by 38% from 17.3p to 10.8p.

SquareSum, acquired in January 2003 for a total consideration of £10.1m, made a maiden contribution of £3.6m to turnover and £1.0m to operating profit.

Operating cash flows during the year were strong and the year end net cash position was £6.8m (2002: £9.4m), despite spending £10.8m of cash on acquisitions in the year.

As an expression of confidence in the underlying strength of the business, the Board has maintained its progressive dividend policy. A final dividend of 2.7p per share will be recommended (2002: 2.4p), making a total of 3.8p for the year (2002: 3.4p), an increase of 11.8%.

Immediately following the AGM in May 2003, I took over the position of Chairman and served as joint Chairman and Group Chief Executive Officer until October 2003, when Graham Steinsberg was appointed as Group Chief Executive Officer. Cliff Preddy remained a Non-Executive Director after standing down as Chairman in May.

Graham has been a member of the Group Board since joining to set up the Commercial Division of the then Science Systems fourteen years ago. Under his stewardship, this Division consistently improved revenue and profitability. In 2000, Graham engineered the acquisition of the CODA business, becoming CEO and, more recently, Chairman of that Division.

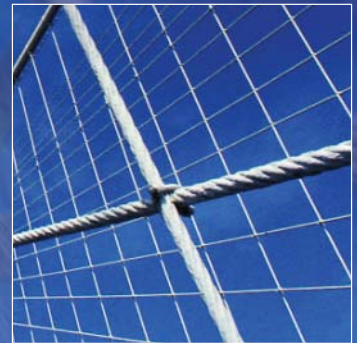
Shortly following Graham taking over as Group Chief Executive Officer, a strategic review was undertaken to assess how best to maximise shareholder value over the next five years. This review coincided with an unsolicited approach from VEGA Group PLC to buy the two major divisions of the SciSys business. The indicative level of the offer from VEGA was such that the Board felt duty bound to enter into discussions. After extensive meetings and discussions, the Board terminated negotiations, following a late and material change in the terms of the offer, which, in the opinion of the Board, made the disposal no longer in the best interests of the company and its shareholders. The outcome of the strategy review is discussed more fully in the Group Chief Executive Officer's Report.

The results for the year reflect the dedication, commitment and professionalism of the whole team. I would like to take this opportunity to thank all staff members for their contribution during the past year.

Going forward, the Board's attention will be focused on expanding the CODA business, further improving its profitability and building on the turnaround in profitability of the SciSys Division. There are signs that market conditions are slowly improving and we remain positive in our expectations for the business in 2004.

Group Chief Executive Officer's Report

Following the review of operations initiated in October 2003, the Board has refined its forward strategy for the key businesses within the Group. This strategy will continue to focus on our fundamental strengths – to build on our success in Financial Intelligence and to extend our market positions in Space & Defence, Government & Commerce and Business Collaboration.





Graham Steinsberg Group Chief Executive

For the first time since our admission to AIM in 1997, and as was suggested at the half year, we are regrettably reporting a decrease in earnings per share for the year. Following the review of operations initiated in October 2003, the Board has refined its forward strategy for the key businesses within the Group. This strategy will continue to focus on our fundamental strengths – to build on our success in Financial Intelligence and to extend our market positions in Space & Defence, Government & Commerce and Business Collaboration.

The strategy for CODA, which it has successfully pursued since it joined the CODASciSys Group in April 2000, has produced above average growth in profitability and a sustainable business model for that Division. Going forward, our approach for CODA is to ensure it continues this excellent record. Our business objective remains unchanged – to be the market leader in supplying “Financial Intelligence” solutions to our chosen vertical segments. In this leadership position, we expect to see growth rates ahead of the market.

To ensure that CODA stays as a market leader and achieves continued positive growth for our shareholders, we intend to: continue our ‘best of class’ approach to supplying ‘Financial Intelligence’ software and associated services; continue to focus on selected market sectors; pursue largely organic growth, but supported with appropriate acquisitions; undertake product development at a set rate; and continually improve customer support levels.

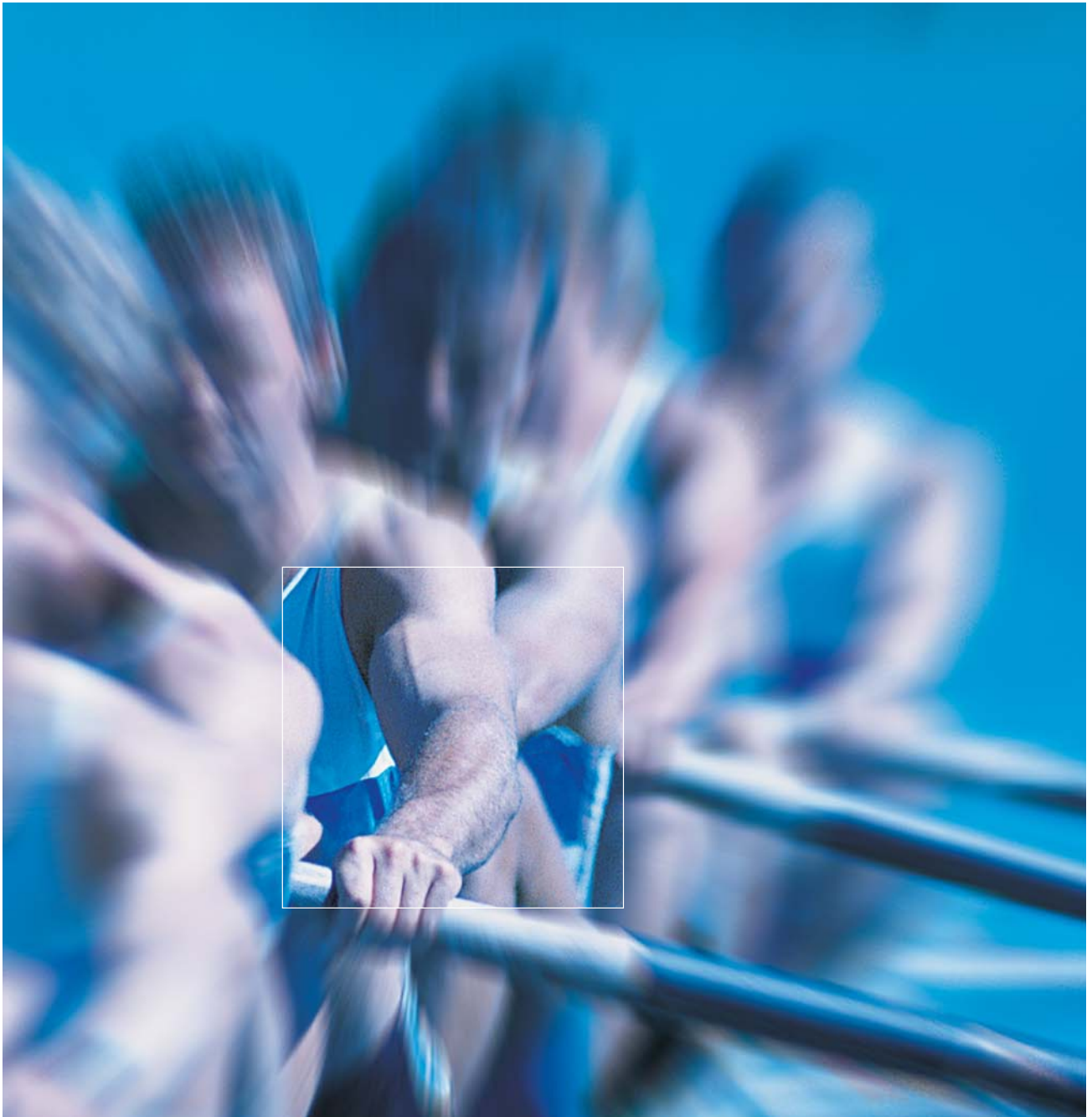
Within the SciSys Division, the strategic focus revolves around building on the successes that we have achieved to date, together with exploring new but complementary business areas.

Based on successful project deliveries over the previous two years, the Government & Commerce Division will target two new areas. First, it will promote its knowledge and services in the area of regulation, initially concentrating on environmental regulation. Second, it will promote its capabilities within field services consulting and mobile technology more generally. In addition, as an S-Cat (Government Supplier Catalogue) accredited supplier, the Division will seek more consultancy work from the various categories that it serves.

Successfully coming together at the end of the previous financial year (2002), the two parts of the Space & Defence Division have highlighted their own core areas of expertise and analysed where these can successfully be transferred into the other part of the Division to expand its market share. Growth areas include extending their skills in Control and Automation, Remote Systems and Autonomy and Simulation and Modelling further into Space Telecoms in the Space sector and Operational Systems on the Defence side.

The Space team will seek to promote their satellite control system “hifly”, based on the European Space Agency’s SCOS (Satellite Control Operating System) 2000 capabilities, into new geographic territories. Based on the success of the recent ‘Battlefield Information System Applications’ projects, the Defence team will market its BOWMAN training skills into new areas and its ‘Nuclear, Biological and Chemical’ expertise into the civilian sector. This team will also seek further consulting and back office work through the DCSA (Defence Communications Services Agency) Catalogue.

In 2004, the team in Business Collaborator, which joined the Group in April 2003, will focus its efforts on consolidating its position in its primary target market of Architecture, Engineering and Construction. The team will also be looking to extend its footprint in the property refurbishment sector where it has already had success with a number of high profile clients.



Group Financial Director's Report

The fall in profitability in the year from £7.5m in 2002 to £6.5m in 2003 arose through disappointing trading results in the Government & Commerce Division within SciSys in the first half. The figure includes a charge of £1.0m (2002: £0.6m) relating to the costs of redundancy and restructuring in the year.



Ruth McRitchie Group Financial Director

The fall in profitability in the year from £7.5m in 2002 to £6.5m in 2003 arose through disappointing trading results in the Government & Commerce Division within SciSys in the first half. The figure includes a charge of £1.0m (2002: £0.6m) relating to the costs of redundancy and restructuring in the year.

Overall revenue for the CODA Division, including SquareSum, advanced 9.7% to £44.2m, with all revenue streams showing an increase in the year. CODA itself showed a small organic advance in revenue to £40.6m (2002: £40.3m). Within these figures, both consultancy and licence revenues fell back slightly, but maintenance revenues advanced strongly, reflecting continuing confidence from CODA's customers.

SquareSum, acquired in January 2003 for a consideration of £10.1m, made a maiden contribution of £3.6m to turnover and £1.0m to operating profit. It was rapidly integrated into CODA at the start of the year with predicted cost savings being realised. The only outstanding item is the freehold property which was purchased as part of the acquisition and which remained unsold at the year end. The book value of this property is £0.85m. The property is currently being actively marketed.

Within SciSys, the Space & Defence Division performed well, showing an operating profit in excess of £1.0m for the year. Within the remaining businesses, the Government & Utilities unit was affected by a slower than expected conversion of prospects into firm orders and suffered a loss in the first half. A restructuring programme took place whereby this unit was combined with the Commerce & Industry unit to form the Government & Commerce Division which, as predicted at the interims, returned to profit in the second half.

Business Collaborator performed much as expected, breaking even (ignoring goodwill amortisation) on revenue of £0.9m and making a contribution of £0.15m to Group overheads.

Within CODA, we continued our significant product investment programme. In the year, we spent £8.9m (2002: £8.8m). All product development costs are written off in the year in which they occur.

Deferred income, at the year end, rose from £14.8m to £19.2m. This is made up of £16.3m for the CODA Division (including SquareSum), £2.6m for the SciSys Division and the balance of £0.3m for Business Collaborator. An analysis of the total figure shows £12.1m (2002: £10.6m) of maintenance income, deferred licence fee revenues of £4.1m (2002: £3.2m) and advance payments for projects/consultancy of £3.0m (2002: £1.0m). Within the £12.1m of deferred maintenance is £1.2m which relates to SquareSum and Business Collaborator. The £0.9m increase in deferred licence fees reflects the strong performance of the CODA Division during the period and includes a healthy number of new customer sales. Under our accounting policies, licence revenue is not taken to the profit and loss until the customer goes live.

Operating cash flows have been solid throughout the year with cash inflow from operating activities of £11.3m (2002: £11.5m). A sharp focus on cash management, combined with the satisfactory conclusion of a long-standing customer issue, led to a strong cash inflow in the second half. The year end net cash balance of £6.8m (2002: £9.4m) was after £10.8m was spent in the year on acquisitions.

During the year, the main currencies the Group deals in (the Euro and US dollar) again moved in opposite directions relative to Sterling, and the Group had net exchange gains for the year of £0.3m (2002: £0.3m).

The effective tax rate (excluding goodwill amortisation) for the Group of 20.3% (2002: 22.3%) remained below the standard rate of corporation tax in the UK, due to the effect of tax credits available on Research and Development expenditure made by the Group.

The proposed final dividend for the year ended 31 December 2003 of 2.7p per share will be paid on 1 July 2004 to shareholders on the register at 2 April 2004. The shares will go ex-dividend on 31 March 2004.



CODA Operational Review

The emerging market for Corporate Performance Management (CPM) solutions continues to grow and CODA has made good progress in establishing a strong position in this segment, which addresses complex areas, such as scorecarding and enterprise planning.

For the CODA Division, the focus on traditional core strengths, as the platform for future growth and development, remains at the heart of its Financial Intelligence strategy.

Financial Intelligence is the combination of CODA's established best-of-class financial accounting solutions and other transactional software with an expanding range of analytical tools, underpinned by consultancy and support services. This offers clients the financial transparency to monitor and drive performance more effectively and to make decisions based on up-to-date, reliable information.

CODA's approach has broad cross-industry appeal and relevance, but it has amassed specialised expertise in specific sectors, which form the focus of marketing and sales activities: financial services and banking; business services; retail; public sector and not-for-profit organisations; transport and logistics.

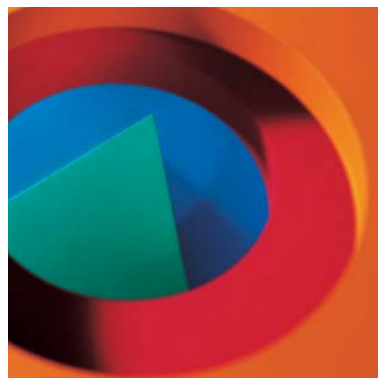
Clients range from mid-sized businesses and organisations to major enterprises, such as IKEA, P&O, Vivendi Universal and Baring Asset Management in the commercial sector.

Within the overall 9.7% growth in revenue (including SquareSum) to £44.2m in 2003, licence revenue increased by 1% to £9.6m (2002: £9.5m), consultancy revenue increased by 3.7% to £13.9m (2002: £13.4m) and support and maintenance revenues increased by 19% to £20.7m (2002: £17.4m). Deferred income (including SquareSum) was £16.3m (2002: £14.0m).

Once again, the UK was the largest territory in the CODA Division. Within Continental Europe, the Benelux area had a solid year with a number of large customer wins. The US organisation continued to enjoy a robust maintenance stream and had success selling new CODA products into the customer base. In other geographical areas, CODA continued to sell and service clients in the Far East and Africa.

During 2003, CODA continued to establish itself as a leading voice in the field of Financial Intelligence. In particular, it made advances in the fields of Corporate Performance Management and Corporate Governance. Progress in establishing a presence in this arena includes the setting up of an online library of information on key industry issues and active participation in industry forums and events. In 2003, these included an International Accounting Standards round table event hosted by CODA at the London Stock Exchange and, in early 2004, a corporate governance discussion panel in New York with key speakers such as SEC Commissioner, Harvey Goldschmid.

The integration of SquareSum into the UK business took place rapidly and smoothly after the acquisition in January. The existing SquareSum product was relaunched and rebranded as CODA-Dream and has extended CODA's market reach into the Small & Medium Enterprise arena, as well as into additional specialist vertical sub-markets, such as Sports Retailing and Further Education. Sales of CODA-Dream have increased under the CODA brand. The existing CODA-Dream clients are providing a valuable potential customer base for CODA's analytical solutions and consultancy services. Investment has been maintained in CODA-Dream and the latest version (V3.1) is generating strong interest from customers.



Notable new business wins in 2003 included: Wagenborg Shipping BV (Transport & Distribution), Redrow plc (Construction), Rubicon Retail Ltd (Retail), Psion Ltd (Business Services) and ERAM (Retail) in France.

During the year, we saw a continued trend in customers migrating from older proprietary platforms to open systems, including CODA-Dream, maintaining both the customer base and levels of support revenue.

In a major joint development with Microsoft, CODA has created a new set of collaborative tools, 'CODA Collaborative Control'. These are designed to offer improved control over financial processes. The first of these new products, 'CODA Collaborative Close', was part of the Microsoft Office 2003 launch and CODA continues to work closely with Microsoft in the development and promotion of these tools worldwide.

CODA Collaborative Control products apply CODA's expertise to new Microsoft technologies, integrating CODA-Financials with other leading finance applications; thus offering a major opportunity to reach new markets. The products harness Microsoft's SharePoint™ and InfoPath™ productivity technologies, to which CODA has



added its advanced Task Modelling Engine. Together, these deliver a faster period close with improved compliance and corporate governance reporting.

CODA's long-standing partnership with IBM has also continued, building on existing development collaboration, with joint direct marketing activity, aimed at users of older IBM systems and those which could benefit by upgrading to the latest CODA solutions.

Looking ahead to 2004, the pipeline of identified prospects and the level of activity in markets are increasingly encouraging. CODA has already signed a major Pan-European wholesale distribution client and gained an important UK Central Government client. The release of new products and new versions leaves CODA well placed to capitalise on any market upturn.



The emerging market for Corporate Performance Management (CPM) solutions continues to grow and CODA has made good progress in establishing a strong position in this segment, which addresses complex areas, such as scorecarding and enterprise planning.

The CODA-Intelligence product is proving to be an effective way into the CPM market, as it enables customers to capitalise on the strength and data integrity of their existing CODA applications with the capability of working across multiple finance and operational systems. Version 10 of CODA's transactional products was announced in November 2003, with initial deliveries scheduled for mid 2004. This offers considerable enhancements in both functionality and flexibility. Three new analytical solutions due for release in 2004 (CODA Collaborative Planning, CODA Analytics Explorer and CODA Collaborative Scorecarding) will capitalise on the existing investment already made in the 'shared analytical architecture' of existing CODA products. These new collaborative design features will enable customers to manage performance and achieve corporate goals more effectively.

The new International Financial Reporting Standards (IFRS) and a raft of stricter regulatory regimes mean that finance departments are under increasing pressure to report in more detail, more accurately and more rapidly. CODA's transactional systems are already well placed to deliver the required levels of data accuracy and the enhanced analytical and reporting functions in V10 will support this. In the field of IFRS, CODA-Financials was also amongst the first to be awarded the only available accreditation for compliance with the new standards: the "NF Logiciel International Accounting Standards" certificate.

CODA is seeing an increasing interest from its customer base in both shared service and outsourced implementations of the software, with a number of customers already operating in these environments. The CODA system is particularly suited to this method of implementation and CODA expects to see an increasing take-up of this type of working as these business models become more popular.

CODA Client case study: STA Travel



STA Travel is the world's largest student travel agency. It has over 400 university and high street branches across 17 countries and partners in 84 countries, allowing it to serve the needs of its young, active and adventurous customer base almost anywhere in the world.

As part of its strategy to dominate the student and youth market and grow aggressively, STA Travel is deploying a number of global IT solutions. At the customer-facing end, STA Travel embarked on an ambitious, far-reaching project known as 'BLUEe' – the creation of an efficient, global system across its whole business which will connect travellers to its 2,500 staff in branches and call centres and give continuous access to STA Travel online. This web-enabled portal technology will be a key part of the integrated channel offerings from STA Travel.

As part of BLUEe, STA Travel selected CODA to address its finance and business analysis requirements. This approach combines two key elements: a global financial accounting solution which enables a fast-moving organisation, like STA Travel, to benefit from high-volume transactional accounting and enterprise-wide financial information. Furthermore, it has the reporting and analysis capability of a highly sophisticated performance management solution.

STA Travel chose this route because it had outgrown its existing accounting solution; the push for greater global standardisation of processes was a key factor in selecting CODA. CODA was successful because of its proven ability successfully to implement finance systems for global corporations including Gerling Insurance, Via Net.Works and IKEA. The Company's capability to provide

centralised financial control and analysis across multiple subsidiaries, operating in different currencies and languages, was another key factor.

The new CODA solution is implemented and hosted in a single location in the US, and rolled out across the group via its web-browser application, CODA e-Finance. It is designed to provide STA Travel's finance staff with the global visibility needed to meet the day-to-day decision-making requirements within the STA Travel Group.

As an open, web-based solution, the CODA approach matched STA Travel's IT strategy perfectly. A particular attraction for STA Travel was the potential to integrate point-of-sale data from BLUEe and existing point of sale systems with CODA-Financials. This integration of front office to back office allowed more informed, competitive, business decisions, based on data collected at the point of sale.

STA Travel plans to roll out CODA-Intelligence to address its analysis and performance management requirements across the Group.

SciSys Operational Review

Going forward the strategic focus for the SciSys Division will revolve around building on the successes that it has achieved to date together with exploring new but complementary business areas.



2003 was a year of mixed fortunes for the SciSys Division, which comprised primarily two divisions at the year-end. The larger of the two – in terms of both the number of employees and turnover, was Space & Defence, whilst the other main division serviced Government & Commerce.

The decision taken in 2002, to integrate the Space & Defence activities, proved to be a great success and the Division made good progress in 2003. There were real synergies in activities between these two sectors drawing on the Division's skills and experience in operational, real-time systems and specialist engineering consultancy.

Having made a loss in the first half, the Government & Utilities and Commerce & Industry units were merged into a single Government & Commerce Division in May 2003. This Division concentrated on the development of sophisticated business and 'back-office' systems, and as predicted at the interim stage, moved back to profit during the second half of the year.

The SciSys Commercial business had another steady year following on from the renewal of its facilities management contract with the Chartered Insurance Institute in 2002.

Across the Division as a whole, sales for 2003 were down 11.9% to £22.9m (2002: £26.0m), with operating margins falling back to -0.1% (2002: 6.6%).

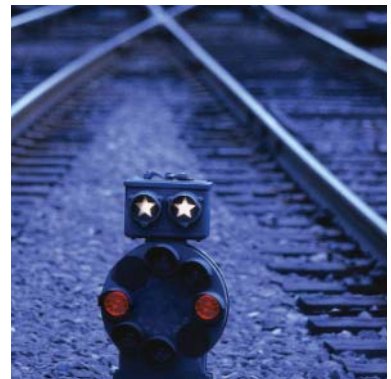
The Space & Defence Division had revenues of £12.7m during 2003, with over £8m generated from the Space market. Operating margins for the Division exceeded 8%. Space activities continued to focus on sophisticated software on-board satellites or deployed within the ground control and data processing segments so crucial to space mission success.

The most high profile mission in which the Space & Defence Division played a central role was the Beagle 2 Mars programme where SciSys was responsible for the on-board software for the lander. SciSys also developed and supported the Beagle 2 Control Centre at the National Space Centre in Leicester, as well as developing the mission control system for the Mars Express spacecraft itself.

There were also some significant new orders for the Space & Defence operation during 2003. These included a €2.7m extension to their contract from our long-standing customer based in Germany, Europe's Meteorological Satellite Organisation, developing and maintaining software for its Meteosat Second Generation suite of satellites. In addition, a €2m contract was received to develop the ground segment software for the first spacecraft in the European Space Agency's (ESA) Galileo project.

SciSys' position at ESA's European Space Operations Centre in Germany was further strengthened with the award of the GOCE (Gravity field and steady-state Ocean Circulation Explorer) Spacecraft simulator contract and a 5 year framework contract for Spacecraft Operations.

In defence activities, the Division strengthened its position as a leading supplier to the UK's battlefield digitisation programmes.



In partnership with a number of major defence contractors, SciSys made significant contributions to four major competitive contract wins which were worked on extensively during the year: the development of a Bowman training simulator to help train 70,000 service personnel on the Bowman system in a 'Digital Battlefield' environment; a warning and reporting system for nuclear, biological and chemical events; a digital tactical targeting tool for Joint Effects Assets allocated to the Land Component Commander and a mobile engineering support system for the Royal Engineers.

After a successful 2002, the Government & Commerce Division experienced a number of delayed and cancelled projects which, along with redundancy and restructuring costs, contributed to an operating loss of £1.7m during the first half of 2003. Following corrective action, the second half of the year saw an operating profit of £0.3m. Turnover for the Division for the year was £9.2m.

There were some notable successes with existing and new clients. Northern Electric replaced its existing billing systems with the SciSys developed 'DUoS' Billing system. EDF Energy, the company responsible for providing power to 7.8 million customers in London, the East of England and the South East, has also implemented the SciSys DUoS Billing systems across the three networks.

SciSys extended its Notes Managed Service support contract for Thames Water, with an additional extension for at least two years since the year end.

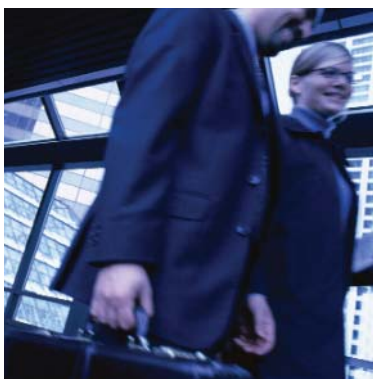
The National Flood and Coastal Defence Database (NFCDD), developed for the Environment Agency (EA), was rolled out to all EA, DEFRA and Local Authority staff across England and Wales, providing a central database for assets vulnerable to flooding, and helping to direct reduced budgets to the right areas. SciSys is now working on NFCDD Phase 3, adding additional functionality, such as flood warning data.

SciSys also delivered the EA's new Permit Admin System (PAS) in November to support the EA in controlling permit applications made under the new Integrated Pollution Prevention and Control regulations. PAS was developed to drive their permit application process and support the EA in handling applications cost-effectively.

Both PAS and NFCDD are just two of a series of SciSys projects undertaken as part of a continuing, five-year development framework contract with the Environment Agency.

NFCDD was also short-listed for the Computing Awards for Excellence 'Public Sector Project of the Year 2003' award – considered to be the 'Oscars' of the UK IT Industry. The Awards acknowledge and reward the very highest standards of individual and collective achievement and are recognised as the benchmark for excellence throughout the computing industry.

Going forward the strategic focus for the SciSys Division will revolve around building on the successes that it has achieved to date together with exploring new but complementary business areas.

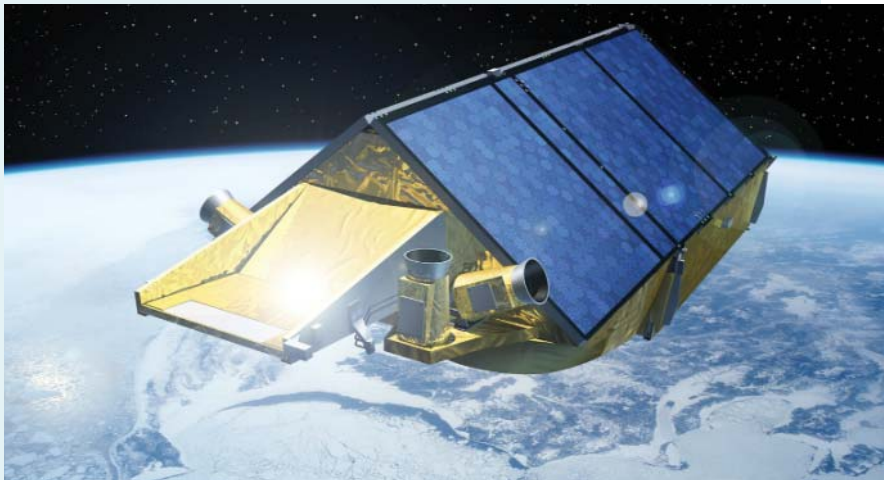


Courtesy of the Environment Agency

SciSys Client case study: European Space Agency

The Space & Defence Division of SciSys is preparing to deliver the final version of the on-board application software for an innovative satellite called CryoSat, the pioneering mission in the European Space Agency's new Living Planet programme. CryoSat is a three-year radar mission, scheduled for launch towards the end of 2004. Its objective will be to measure variations in the thickness of the Earth's continental ice sheets and marine ice cover, possibly due to global warming. It will therefore provide scientists with critical data to test climate change predictions.

The on-board software, worth over £1m, plays a vital role in this mission as it will be responsible for controlling the precise orbit and attitude of CryoSat as well as handling all of its communications with the ground segment. A team of SciSys engineers have therefore been working very closely with the satellite prime contractor, EADS Astrium, based in Germany. This close co-operation has minimised the impact of changing requirements on the development.



CryoSat, courtesy of ESA – P. Carril

The development of mission critical, hard real-time software presents specific challenges for the development team, with requirements on the precise time at which outputs must be generated. The software must also be designed robustly, using structured methods and an appropriate language such as Ada, and must also be able to detect and report errors within the system. The software also provides the ability for autonomous procedures to be up-loaded in-flight, enabling the spacecraft to be re-configured without direct intervention from ground.

SciSys has been involved through all the stages of this development, from the initial software architecture and definition of the communications protocols, through integration of the software on-site with the hardware supplier in Italy, to the current stage of supporting system level testing.

This has required a willingness to learn about the overall spacecraft and its specific subsystems, and to be an active part of the team, providing solutions rather than just reporting problems.

CryoSat is very important for SciSys as the processes and experiences developed can be re-used in similar missions being planned by the Agency and also for similar systems in other domains. Indeed, SciSys were recently selected to develop on-board application software for new Earth Explorer satellites called AEOLUS and SMOS which are also destined to study environmental conditions around the globe.

Business Collaborator joined the CODASciSys Group following its acquisition from Enviros in April 2003. The first eight months have been pleasing both financially and in terms of the business direction. It has grown its customer base and developed its existing client and partner relationships, as well as making a small maiden contribution to Group profits.

Business Collaborator (BC), the flagship product which bears the company name, was developed and optimised for the Architecture, Engineering & Construction Sectors (AEC). It is a 'market-leading' collaborative tool which facilitates the running of major projects and programmes for the individual corporate participants which might have different IT platforms. Furthermore, it provides them with broadly-based document and content management solutions. This market-leading position was confirmed in June 2003, in an independent survey by leading industry analyst Compagnia of over 100 users of collaborative software, putting Business Collaborator first in terms of customer satisfaction and recognising its flexibility.

During 2003 Business Collaborator increased its customer base in the AEC marketplace adding customers such as Banner Holdings, O'Flynn, Strahan & Henshaw and Ward Homes. In the Financial Services sector, Royal Bank of Scotland, Lloyds TSB and Nationwide are all important customers. Lloyds TSB was a new account in 2003, whilst Nationwide, one of Business Collaborator's first ever customers, continued to broaden and extend its usage of BC.

In the eight months since acquisition, Business Collaborator achieved a turnover of £0.9m, being licence fees of £0.4m, support and maintenance revenues of £0.3m and consultancy services, which represent an increasing proportion of the business, of £0.2m.



Business Collaborator Client case study: Benoy



Outside the Bullring, Birmingham. One of Benoy's largest and most recently completed projects

Benoy is one of the UK's top ten architecture and design agencies with projects ranging from working as master planners regenerating part of the London Docklands to acting as concept architect on a state-of-the-art retail and leisure venture in Athens.

Business Collaborator has provided Benoy with an extranet for the Whitecity project in London. Large construction projects typically produce thousands of documents and drawings, which go through various stages of approval and alteration. It is vital that the history of every single document is recorded from its inception. Benoy already used spreadsheets to record this information. They recognised, however, that they could improve the process by replacing the spreadsheets with online forms.

Mike Lewis of Benoy is managing the use of Business Collaborator on the project. "BC is really improving the efficiency of how all the parties involved in this project work together. When you consider that this project has an estimated two million document records associated with it, an efficiency improvement on the scale we have achieved has a truly enormous impact. Already printing and postal costs on the project are down to 10% of what would normally be expected, and of course there are no courier charges. All parties are saving money and time, and efficiency is vastly increased. And the system is very easy to use. I have been able to talk most users through how to use it in ten or fifteen minutes, it really is that straight forward."

Non-Executive Directors

Mike Love: Chairman, aged 55. Was Chief Executive of CODASciSys from 1986 (when he led the management buy-in of the business) until 2003, when he became Chairman. 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, is a Director of WP2 Limited and is a member of the AIM Advisory Board.

Cliff Preddy: Non-Executive Director, aged 56. Joined the Board as a Non-Executive Director in March 1997. Served as Chairman from 1997 to 2003. Earlier in his career he spent 27 years with Logica, including 9 years on the Logica plc Board. He is also Deputy Chairman of Charteris plc, a Non-Executive Director of Computacenter plc and Non-Executive Director of Acquisition Accounting Limited.

David Jones: Non-Executive Director, aged 52. Joined the Board as a Non-Executive Director in June 2002. His earlier career includes some 20 years at Admiral plc, where he held a number of director level appointments including Group Operations Director and Managing Director of Admiral Computing Limited. He has also been Chief Operations Officer for Allied Worldwide Limited and was a founding member of the DRA Software Engineering Centre Advisory Board.

Executive Directors

Graham Steinsberg: Group Chief Executive Officer, aged 47. Was appointed to the Group Chief Executive role during 2003 after being Chairman of CODA during 2002, and 2 years as CEO of CODA (2000 to 2002). He had an earlier 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.

Ruth McRitchie: Group Financial Director and Financial Director of SciSys Division, aged 39. Studied modern languages at university before qualifying as a chartered accountant with KPMG in 1989. She joined CODASciSys 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 Division, aged 54. Studied chemical engineering at university before qualifying as a chartered accountant with KPMG. He joined Science Systems in 1986 at the time of the management buy-in, having previously worked with several major companies including Burmah Oil, Hawker Siddeley and Tunstall Telecom.

John Haynes: Executive Director, aged 54. 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 was appointed Managing Director of Science Systems (Space) Limited in 1992 and is currently Chief Executive Officer of SciSys.

The Board supports the principles of good governance. In fulfilling their responsibilities, the Directors believe that they govern the Company in the best interests of the shareholders, whilst having due regard to the interests of other stakeholders in the Group including, in particular, customers, employees and suppliers.

The Workings of the Board and its Committees

The Board

The Board currently comprises the Chairman, two Independent Non-Executive and four Executive Directors. The Chairman serves in a part time capacity. All Directors are obliged to submit themselves for re-election at least every three years. The two Independent Non-Executive Directors are considered to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Cliff Preddy is the current Senior Independent Director. To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information. They are also able to take independent professional advice as appropriate.

The Board meets at least eight times each year and has adopted a formal schedule of matters specifically reserved for decision by it, thus ensuring that it exercises control over appropriate strategic, financial, operational and compliance issues. At these meetings the Board reviews trading performance, ensures adequate financing, sets and monitors strategy, examines investment and acquisition opportunities and discusses reports to shareholders. The following Committees have been established to deal with specific aspects of the Group's affairs.

Executive Committee

The Executive Committee comprises the Group Chief Executive Officer ('CEO') along with the CEO of CODA and Financial Directors of the CODA and SciSys businesses. It meets once a month to discuss operational and strategic matters.

Audit Committee

The Audit Committee comprises the Chairman and Independent Non-Executive Directors and meets three times a year. The Group CEO, Group Financial Director and external Auditors attend by invitation. It 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.

The Audit Committee reviews external audit activities, monitors compliance with statutory requirements for financial reporting and reviews the half year and annual accounts before they are presented to the Board for approval. It is also required to review the effectiveness of the Group's internal control systems, to review the Company's statement on internal control systems prior to endorsement by the Board and to consider, from time to time, the need for a 'risk sub-committee' to assist in monitoring the Group's internal control systems.

Nomination Committee

The Nomination Committee comprises the Chairman, the Senior Independent Director and the Group CEO. Meetings are arranged as necessary. The Committee is responsible for nominating candidates (both Executive and Non-Executive) for the approval of the Board to fill vacancies or appoint additional persons to the Board.

Remuneration Committee

The Remuneration Committee comprises the Chairman, the Independent Non-Executive Directors and, by invitation, the Group CEO. It is responsible for recommending to the Board the contract terms, remuneration and other benefits for Executive Directors, including performance related bonus schemes and participation in the Group's long term share option schemes.

The Remuneration Report, which includes details of Directors' remuneration, pension entitlements and Directors' interests, together with information on service contracts is set out on pages 24 to 27.

Internal Controls

The Board has overall responsibility for the Group's system of internal control. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement. In order to discharge that responsibility in a manner which ensures compliance with laws and regulations and promotes effective and efficient operations, the Directors have established an organisation structure with clear operating procedures, lines of responsibility and delegated authority. There is an established framework of internal controls set out in procedures approved by Executive Management and readily accessible to staff, who follow their guidance. The more important elements of this framework are as follows:

Management structure

The Board has overall responsibility for the Group and 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 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 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.

The Directors have reviewed the effectiveness of the system of internal controls in operation during the year through the compliance monitoring process set out above and by reports from senior managers concerning the operations for which they are responsible. It must be recognised that such a system can provide only reasonable and not absolute assurance and, in that context, the review revealed nothing which, in the opinion of the Directors, indicates that the system was inappropriate or unsatisfactory.

The Board currently has in place a risk assessment committee with a remit to review the key business, operational and compliance risks facing the Group, to prioritise their significance and determine current procedures and processes in place to detect and address them. The findings are used to better target resources to control the main areas of risk and to improve the process of regular reporting on controls to the Board.

Relations with Shareholders

The Company seeks to maintain good communications with shareholders. The Executive Directors make presentations to institutional shareholders covering the interim and full year results. The Company despatches the notice of Annual General Meetings ('AGM'), with an explanatory circular describing items of special business, at least 21 working days before the meeting. All shareholders have the opportunity formally or informally to put questions to the Company's AGMs and the Group CEO makes a statement on current trading conditions at that meeting. The Chairman of each of the Audit, Nominations and Remuneration Committees attends the AGM and will answer questions which may be relevant to the remit of those Committees. At each AGM the Chairman advises shareholders of the proxy voting details on each of the resolutions which are dealt with on a show of hands.

Going Concern

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

Statement of Directors' Responsibilities

Company Law requires the Directors to prepare accounts 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 the accounts, 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 accounts
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts 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.

This section of the Annual Report describes the role and composition of the Remuneration Committee ('the Committee'), the Group's remuneration policy and the arrangements currently in place for remuneration of both Executive and Non-Executive Directors.

The Remuneration Committee

The Committee advises the Board and makes recommendations to it about all elements of the remuneration packages of the Executive Directors and certain senior executives of the Group. It recommends the terms of service contracts with Executive Directors and any compensation arrangements resulting from the termination by the company of an Executive Director's service contract. The Committee also makes recommendations concerning the grant of executive share options. The Committee comprises the Chairman, the two Independent Non-Executive Directors and, by invitation, the Group CEO. It was chaired by David Jones during 2003.

Remuneration Policy

The Committee and the Board believe that in order to attract and maintain a senior management team of the right calibre, which can make a significant contribution to maximising shareholder value, it is necessary to provide a competitive remuneration structure. The Board's policy for executive remuneration is to:

- Pay basic salaries which compete with those paid by other comparable companies
- Give Executives the opportunity to increase their earnings by achieving and exceeding key performance objectives
- Encourage Executives to hold shares in the Company
- Reward Executives fairly and responsibly for their contribution to the Group's performance and avoid paying more than is necessary to achieve this objective.

Service Contracts

All Directors are subject to re-election by shareholders at least once every three years. The Board's policy is that service contracts of Executive Directors should provide for termination by the Company on one year's notice. The service contracts of each of the current Executive Directors provide for such a period of notice.

The Independent Non-Executive Directors have letters of appointment providing fixed three year service periods which may be terminated by giving six months' notice. The Chairman currently holds a service contract under which the period of notice is 12 months.

Directors Standing for Re-election

Mike Love and Cliff Preddy have held office for three years since their last reappointment to the Board and, pursuant to the articles of association of the Company, will retire at the forthcoming Annual General Meeting. Both of these Directors are recommended by the Board for re-election.

Non-Executive Directors' Remuneration

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

The Independent Non-Executive Directors do not receive bonuses or pension contributions and are not entitled to participate in any of the Group's share schemes. They are entitled to be reimbursed the reasonable expenses incurred by them in carrying out their duties as Directors of the Company.

Directors' Interests in Shares

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

	As at 31 December 2003 (25p ordinary shares)	As at 31 December 2002 (25p ordinary shares)
Mike Love	2,742,485	2,773,080
Graham Steinsberg	825,100	858,679
Bryan Hucker	372,672	378,389
Ruth McRitchie	6,173	5,670
John Haynes	936,353	939,402
Cliff Preddy	40,000	40,000
David Jones	5,000	-

Bryan Hucker and Mike Love are trustees of and have a non-beneficial interest in the shares held by the Science Systems Employee Share Trust. At 31 December 2003 this interest amounted to 1,852,611 25p ordinary shares (2002 – 1,870,881 25p ordinary shares).

Executive Directors' Remuneration

The remuneration package of the Executive Directors includes the following elements:

Basic salary

Salaries are normally reviewed annually and any changes are effective from 1 January in each year. Pay reviews take into account Group and personal performance.

Other benefits

Benefits for executives principally comprise a car (or car allowance), petrol, private health care, life cover of four times basic salary and permanent health cover.

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 a Division or for the Group as appropriate.

Pensions

The Executive Directors are entitled to a company pension contribution at the rate of 6.75% of pensionable pay to be paid into the Group defined contribution pension scheme open to all of its permanent employees. Pensionable pay is set at basic salary plus 10%. Mike Love, Bryan Hucker and John Haynes are members of the Group Executive Pension Plan, which is also a defined contribution plan. Graham Steinsberg does not receive pension contributions.

Employee share schemes

The Company operates an all staff Share Incentive Plan ('SIP') which was set up during 2001. The Executive Directors may participate in this scheme.

During the year, eligible staff were able to invest up to £125 per month out of pre tax pay in purchasing so called Partnership Shares. As at 31 December 2003, the Trust set up to administer the Free and Partnership shares held 201,859 25p ordinary shares (2002 – 144,542 25p ordinary shares) in the Company.

Share option schemes

The Company operates a performance linked share option scheme normally geared to earnings per share ('EPS') related growth. Options may be exercised between three and ten years following grant, provided that the performance criteria have been met.

Grants of options under the scheme are made to senior executives and managers across the Group as a combined reward and incentive for those who have made a major contribution to the business and will continue to play a key role in helping the Group achieve its strategic objectives. Additionally, awards are made to key staff with high potential or in recognition of significant achievements.

Share option schemes (continued)

At 31 December 2003, the following options were outstanding to purchase ordinary shares under the Executive Share Option Scheme:

Date of grant	Type	Total number of options under grant	Total held by Executive Directors	Exercise price per share	Relevant year for exercise
24 September 1997	A	69,750	19,375	129p	2000
29 September 1998	A	40,165	2,770	180.5p	2001
1 December 1998	A	692	-	156p	2001
30 March 1999	A	14,280	-	210.5p	2001
5 January 2000	A	177,000	50,000	378p	2002
5 January 2000	B	200,000	100,000	378p	2002
7 April 2000	A	205,000	-	540p	2002
7 April 2000	B	300,000	180,000	540p	2002
7 April 2000	C	200,000	150,000	540p	2002
5 January 2001	A	216,000	40,000	485p	2003
4 July 2001	A	8,000	8,000	528p	2003
11 January 2002	A	187,608	8,000	510p	2004
24 January 2003	A	169,500	-	260p	2005
10 June 2003	A	20,000	-	260p	2005
17 July 2003	D	200,000	200,000	270p	2006
28 November 2003	A	105,000	-	270p	2006
28 November 2003	D	325,000	125,000	270p	2006
Total under option		<u>2,437,995</u>	<u>883,145</u>		

Type A options may be exercised any time after the publication of the accounts of the Company for the year shown in the above table, 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 EPS of the Group between that for the base year for the options and the relevant year for exercise (a period of three years) must be not 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). This condition has been met for those options with a 31 December 2000, 2001, 2002 and 2003 relevant year for exercise. The Board keeps the performance criteria set for option awards under regular review, and, in the context of the more difficult market conditions that the Group currently faces, has, for options granted in 2003, determined that for the options to be exercisable in full, the rate of percentage growth in EPS should be 35%, with an associated sliding scale between 20% and 35%.

Type B options are as for type A, but had an additional criterion that the combined profit before taxation (excluding goodwill amortisation) of CODA Division and SciSys (Commercial) Limited should exceed an agreed target for the three years ended 31 December 2002. This criterion has been achieved.

Type C options are exercisable after the results for year ended 31 December 2002 are published. The performance criterion related to the financial performance of the combined CODA and Commercial sectors for 2000. This criterion has also been achieved.

Type D options are as for Type A, but with different criteria set if they are to be exercised in full. The options were granted to the Executive Committee following the appointment of Graham Steinsberg as CEO, and are tied to achieving operating profit per share and / or share price related growth targets over the period from 2004 to 2006.

The outstanding share options of 2,437,995 are partly matched by shares purchased by and held in the Employee Share Trust (EST). At 31 December 2003 the EST owned 1,852,611 25p ordinary shares.

Directors' Emoluments

Emoluments comprise salaries, fees, performance related pay and taxable benefits. The Directors' aggregate emoluments in the year ended 31 December 2003 were £1,209,000 (2002 - £913,000). Individual emoluments for the year were:

	Fees / salary	Benefits	Performance related pay	Other bonus	Total 2003	Total 2002	Pension 2003	Pension 2002
	£000	£000	£000	£000	£000	£000	£000	£000
Executive Directors								
Mike Love	135	15	2	-	152	152	18	20
Graham Steinsberg	160	15	194	144	513	301	-	-
Bryan Hucker	93	13	145	-	251	154	19	17
Ruth McRitchie	92	13	17	-	122	85	7	5
John Haynes	95	16	-	-	111	113	17	19
Non-Executive Directors								
Cliff Preddy	40	-	-	-	40	47	-	-
George Metcalfe	-	-	-	-	-	21	-	-
David Best	-	-	-	-	-	28	-	-
David Jones	20	-	-	-	20	12	-	-
Total	635	72	358	144	1,209	913	61	61

Notes:

1. The emoluments of the highest paid Director were £513,000 (2002 - £301,000). No pension contributions were paid on his behalf.
2. The Other bonus of £144,000 for Graham Steinsberg was paid following an agreed change to the method for calculating performance related pay for certain CODA Executives, linked to the treatment of deferred licence fee income.
3. Share options gains of £16,000 (2002 - £nil) were made by Graham Steinsberg during the year.

Options

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

Date of grant	Exercise price per share	Graham Steinsberg	Mike Love	Bryan Hucker	Ruth McRitchie	John Haynes	Total
24 September 1997	129p	-	15,500	-	3,875	-	19,375
29 September 1998	180.5p	-	-	-	2,770	-	2,770
5 January 2000	378p	100,000	20,000	20,000	10,000	-	150,000
7 April 2000	540p	230,000	-	100,000	-	-	330,000
5 January 2001	485p	8,000	8,000	8,000	8,000	8,000	40,000
4 July 2001	528p	-	-	-	8,000	-	8,000
11 January 2002	510p	-	-	-	8,000	-	8,000
17 July 2003	270p	200,000	-	-	-	-	200,000
28 November 2003	270p	-	-	100,000	25,000	-	125,000
Total under option		538,000	43,500	228,000	65,645	8,000	883,145

The market price of the Company's shares on 31 December 2003 was 295p per share. The high and low share prices during the year were 312.5p and 225p respectively.

The Directors present their annual report and audited consolidated accounts for the year ended 31 December 2003.

Principal Activities and Review of the Business

The Company is the holding company of a Group that provides 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. The subsidiary companies of the Group are listed on page 51. A review of the business, together with comments on the future development of the Group is contained on pages 4 to 19.

Results and Dividends

The Group's consolidated accounts show a profit before tax for the year of £3,861,000 (2002 - £5,726,000) on a turnover of £68,026,000 (2002 - £66,378,000). An interim dividend of 1.1 pence per share was paid to shareholders on 5 January 2004 and the Directors recommend the payment of a final dividend of 2.7 pence per share. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 1 July 2004 to those shareholders on the register at the close of business on 2 April 2004.

Directors

The names of the present Directors and their biographical details are set out on page 20. Details of the interests of the Directors in the Company's shares, and of those Directors seeking re-election at the forthcoming Annual General Meeting, are set out in the Remuneration Report on pages 24 to 27.

Substantial Shareholdings

As at 23 April 2004, the Company had been notified of the following interests in its share capital:

Artemis Investment Management Limited	3,587,051
Mike Love	2,742,485
Science Systems Employee Share Trust	1,848,736
The Co-operative Insurance Society Limited	1,049,588
John Haynes	936,353
Terry Evans	880,131
Graham Steinsberg	829,100

Employees

The Board recognises that the most significant issue for the Group is how to attract, motivate, develop and retain the right people. The Group operates a Share Incentive Plan that is available to all qualifying employees. In addition the Group operates Executive share option schemes to incentivise and reward Directors and senior management. These should provide a route to staff attraction, retention and motivation that is relatively tax efficient, works over a period of years and aligns employee's motivations closely with those of shareholders. Furthermore, several employees are also shareholders, having bought shares at the time of the flotation on the Alternative Investment Market in September 1997 and/or at the time of the acquisition of the CODA business in April 2000.

During the year, the Group has continued its practice of informing and consulting employees on matters affecting them as employees and on various matters concerning Group performance.

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.

Charitable and Political Contributions

During the year the Group made contributions for charitable purposes of £14,000 (2002 - £10,000). There were no political donations.

Payments to Suppliers

The Group's policy is to pay its suppliers in accordance with terms of business agreed with them at the time of entering into contracts, provided that the supplier has fulfilled its obligations to deliver the relevant goods or services in accordance with the contract. The Company is a holding company and as such it had no significant trade creditors at the end of the financial year.

Annual General Meeting

The Company's Annual General Meeting will be held at Methuen Park, Chippenham, Wiltshire, SN14 0GB on Wednesday 9 June 2004 at 12.00 noon. The Notice convening the Annual General Meeting and an explanation of the business to be put to the meeting are contained in the separate circular to shareholders which accompanies this document.

Auditors

A resolution proposing that KPMG Audit Plc be re-appointed as auditors will be put to the shareholders at the forthcoming Annual General Meeting.

By order of the Board

Ruth McRitchie
Secretary
23 April 2004

Methuen Park
Chippenham
Wiltshire
SN14 0GB UK

We have audited the accounts on pages 31 to 51.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and, as described on page 23, the accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, 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 Group is not disclosed.

We read the other information accompanying the accounts 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 accounts.

Basis of Audit 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 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

23 April 2004

Group Profit and Loss Account for the year ended 31 December 2003

	Note	Existing operations 2003 £000	Acquisitions 2003 £000	Total 2003 £000	Total 2002 £000
Turnover	1	63,475	4,551	68,026	66,378
Staff costs	2	(39,926)	(2,283)	(42,209)	(39,390)
Depreciation	11	(1,850)	(35)	(1,885)	(1,922)
Amortisation of goodwill	10	(1,777)	(903)	(2,680)	(1,776)
Other operating charges		(16,207)	(1,191)	(17,398)	(17,703)
Operating profit	4	3,715	139	3,854	5,587
<i>Operating profit before goodwill amortisation</i>		<i>5,492</i>	<i>1,042</i>	<i>6,534</i>	<i>7,363</i>
Other interest receivable	5			70	163
Interest payable and similar charges	6			(63)	(24)
<i>Profit on ordinary activities before taxation and goodwill amortisation</i>				<i>6,541</i>	<i>7,502</i>
Profit on ordinary activities before taxation				3,861	5,726
Tax on profit on ordinary activities	7			(1,328)	(1,675)
Profit on ordinary activities after taxation				2,533	4,051
Dividends paid and proposed	8			(895)	(798)
Retained profit for the year	18			1,638	3,253
Earnings per share	9				
Basic				10.8p	17.3p
Diluted Basic				9.9p	16.2p
Adjusted Basic (excluding goodwill amortisation)				22.2p	24.9p
Diluted Adjusted Basic (excluding goodwill amortisation)				20.5p	23.3p

All operations are continuing in both the current and previous year.

Group Balance Sheet at 31 December 2003

	Note	2003	2003	2002	2002
		£000	£000	Restated £000	Restated £000
Fixed assets					
Intangible assets	10	39,866		30,622	
Tangible assets	11	9,824		9,650	
			49,690		40,272
Current assets					
Debtors	13	23,147		21,879	
Cash at bank and in hand		6,754		9,449	
		29,901		31,328	
Creditors: amounts falling due within one year	14	(10,921)		(10,227)	
Net current assets			18,980		21,101
Total assets less current liabilities			68,670		61,373
Deferred income	16		(19,224)		(14,810)
Net assets			49,446		46,563
			£000		£000
Capital and reserves					
Called-up share capital	17		6,350		6,219
Share premium account	18		42,980		41,827
Other reserves	18		(7,121)		(7,145)
Capital redemption reserve	18		83		83
Profit and loss account	18		7,154		5,579
Equity shareholders' funds			49,446		46,563

The accounts were approved by the Board of Directors on the 23 April 2004 and were signed on its behalf by:

Graham Steinsberg
Director

Ruth McRitchie
Director

Company Balance Sheet at 31 December 2003

	Note	2003	2003	2002	2002
		£000	£000	Restated £000	Restated £000
Fixed assets					
Investments	12		29,421		29,156
Current assets					
Debtors	13	23,448		18,957	
Cash at bank and in hand		92		39	
		<u>23,540</u>		<u>18,996</u>	
Creditors: amounts falling due within one year	14	(3,555)		(1,622)	
			<u>19,985</u>		<u>17,374</u>
Net current assets			<u>49,406</u>		<u>46,530</u>
Net assets					
			£000		£000
Capital and reserves					
Called-up share capital	17		6,350		6,219
Share premium account	18		42,980		41,827
Other reserves	18		(7,121)		(7,145)
Capital redemption reserve	18		83		83
Profit and loss account	18		7,114		5,546
			<u>49,406</u>		<u>46,530</u>
Equity shareholders' funds			<u>49,406</u>		<u>46,530</u>

The accounts were approved by the Board of Directors on the 23 April 2004 and were signed on its behalf by:

Graham Steinsberg
Director

Ruth McRitchie
Director

Group Cash Flow Statement for the year ended 31 December 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Net cash inflow from operating activities	24		11,255		11,542
Returns on investments and servicing of finance					
Interest received		70		163	
Interest paid		(62)		(21)	
Interest element of finance lease rental payments		(1)		(3)	
Net cash inflow from returns on investments and servicing of finance			7		139
Taxation					
UK and overseas corporation tax paid			(1,365)		(2,029)
Capital expenditure and financial investment					
Payment to acquire tangible fixed assets		(1,168)		(1,598)	
Payment to acquire investments		-		(727)	
Receipts from sale of investments		25		41	
Receipts from sales of tangible fixed assets		24		37	
Net cash outflow from capital expenditure and financial investment			(1,119)		(2,247)
Acquisitions					
Purchase of SquareSum		(7,942)		-	
Purchase of Business Collaborator		(2,814)		-	
Net cash outflow from acquisitions			(10,756)		-
Equity dividends paid			(798)		(706)
Net cash (outflow) / inflow before financing			(2,776)		6,699
Financing					
Shares bought back and cancelled		-		(737)	
Repayment of long term loan		-		(572)	
Capital element of finance lease rental payments		(37)		(67)	
Net cash outflow from financing			(37)		(1,376)
(Decrease) / increase in cash in the year	25		(2,813)		5,323

Reconciliations of Movements in Shareholders' Funds for the year ended 31 December 2003

GROUP	2003 £000	2002 £000
Profit for the financial year	2,533	4,051
Dividends	(895)	(798)
Retained profit for the financial year	1,638	3,253
Exchange adjustments	(63)	31
Issue of new shares	131	6
Premium on issue of new shares	1,153	69
Funding of issue of new shares for Employee Share Scheme	-	(75)
Shares bought in and cancelled in year	-	(737)
Net movement of shares owned in Employee Share Trust	24	(686)
Net addition to shareholders' funds	2,883	1,861
Opening shareholders' funds	46,563	44,702
Closing shareholders' funds	49,446	46,563
COMPANY	2003 £000	2002 £000
Profit for the financial year	2,463	2,242
Dividends	(895)	(798)
Retained profit for the financial year	1,568	1,444
Issue of new shares	131	6
Premium on issue of new shares (net of costs)	1,153	69
Shares bought in and cancelled in year	-	(737)
Net movement of shares owned in Employee Share Trust	24	(686)
Net addition to shareholders' funds	2,876	96
Opening shareholders' funds	46,530	46,434
Closing shareholders' funds	49,406	46,530

Statement of Total Recognised Gains and Losses for the year ended 31 December 2003

GROUP	2003 £000	2002 £000
Profit for the financial year	2,533	4,051
Exchange adjustments	(63)	31
Total recognised gains and losses relating to the financial year	2,470	4,082
Prior period adjustment – FRS 19 deferred taxation	-	273
Total recognised gains and losses since last annual report	2,470	4,355

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

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts. Under section 230 (4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

1 *Basis of preparation*

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. They have been prepared on the same basis as for the year ended 31 December 2002, apart from the adoption of UITF Abstract 38 (Accounting for ESOP Trusts). This has caused £7,145,000 of fixed asset investments to be reclassified as a deduction from shareholders' funds (within other reserves) in the 2002 comparatives for the Group and for the Company. Within the 2002 reconciliation of movements in shareholders' funds for the Group and for the Company, £686,000 has been shown as the net movement of shares owned by the Employee Share Trust.

2 *Consolidation*

The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 31 December 2003. 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.

3 *Revenue recognition*

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

4 *Amounts recoverable on contracts*

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

5 *Deferred income*

Deferred income comprises:

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

6 *Product development costs*

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

7 *Intangible assets - goodwill*

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

Acquisition	Month / year	Estimated useful life
CODA	March 2000	20 years
SquareSum	January 2003	17.25 years (to make write down co-terminus with CODA)
Business Collaborator	April 2003	5 years

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

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

In the Company's accounts, investment in subsidiary undertakings is stated at cost, less any impairment in value. 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 transaction costs.

8 *Financial instruments and derivatives*

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

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

9 *Fixed assets and depreciation*

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

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

10 *Employee share schemes/Own shares held by Employee Share Trust*

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

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

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

11 *Foreign currencies*

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

12 *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.

13 *Taxation*

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

14 *Pension costs*

The Group operates six defined contribution pension schemes, the assets of which are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Notes (forming part of the accounts) for the year ended 31 December 2003

1 Segmental information

1a Segmental analysis of turnover, profit before interest and taxation, and net assets

The Group provides services and business solutions based on IT technologies. It comprises two main divisions:

- CODA – focused on the delivery of financial intelligence through solutions based around financial analytics and accounting;
- SciSys – focused on the delivery of professional software services and the design and build of systems incorporating third party packaged software.

	2003	2002
	£000	£000
Turnover		
<i>Existing operations:</i>		
CODA	40,566	40,332
SciSys	22,909	26,046
<i>Acquisitions:</i>		
SquareSum	3,636	-
Business Collaborator	915	-
	68,026	66,378
	68,026	66,378
Profit / (loss) before interest and taxation		
<i>Existing operations:</i>		
CODA	4,339	4,212
SciSys	(208)	1,718
Other/group	(416)	(343)
<i>Acquisitions:</i>		
SquareSum	488	-
Business Collaborator	(349)	-
	3,854	5,587
	3,854	5,587
The 2002 comparatives have been restated to allocate goodwill amortisation between the segments.		
Net assets / (liabilities)		
CODA	9,768	6,027
SciSys	2,601	2,620
Other/group	(9,280)	2,246
SquareSum	1,789	-
Business Collaborator	(247)	-
Goodwill	39,866	30,622
Land and buildings	4,949	5,048
	49,446	46,563
	49,446	46,563

1b Geographical analysis of turnover by destination

	2003	2002
	£000	£000
United Kingdom	38,133	35,913
Rest of Europe	22,214	20,807
Rest of World	7,679	9,658
	68,026	66,378
	68,026	66,378

Notes (forming part of the accounts) for the year ended 31 December 2003

1c Geographical analysis of turnover, profit before interest and taxation, and net assets by origin

Turnover

United Kingdom
Rest of Europe
Rest of World

2003	2002
£000	£000
49,369	49,113
12,021	9,398
6,636	7,867

68,026	66,378
--------	--------

Profit before interest and taxation

United Kingdom
Rest of Europe
Rest of World

2003	2002
£000	£000
3,294	5,069
361	282
199	236

3,854	5,587
-------	-------

Net assets

United Kingdom
Rest of Europe
Rest of World

2003	2002
£000	£000
48,056	45,569
821	524
569	470

49,446	46,563
--------	--------

2 Staff numbers and costs

The average number of persons employed by the Group during the year was as follows:

Management
Professional
Administration

2003	2002
No.	No.
37	39
776	745
75	79

888	863
-----	-----

The aggregate payroll costs of these persons were as follows:

Wages and salaries
Social security costs
Pension costs

2003	2002
£000	£000
36,479	33,970
3,940	3,713
1,790	1,707

42,209	39,390
--------	--------

3 Remuneration of Directors

Details of Directors' emoluments, share options and pension entitlements are given in the Remuneration Report on pages 24 to 27.

Notes (forming part of the accounts) for the year ended 31 December 2003

4 Operating profit	2003	2002		
	£000	£000		
This is stated after charging / (crediting) :				
Redundancy and restructuring costs	979	580		
Fees paid to the auditors and their associates				
- audit	135	102		
- non audit services	97	111		
Exchange gains on operating activities	(262)	(330)		
(Profit) / loss on sale of fixed assets	(6)	5		
Hire of plant and machinery – rentals payable under operating leases	1,184	1,448		
Hire of other assets – operating leases	997	923		
	<u> </u>	<u> </u>		
5 Interest receivable	2003	2002		
	£000	£000		
Other	70	163		
	<u> </u>	<u> </u>		
6 Interest payable and similar charges	2003	2002		
	£000	£000		
On bank loans and overdrafts	62	21		
On finance leases and hire purchase contracts	1	3		
	<u> </u>	<u> </u>		
	63	24		
	<u> </u>	<u> </u>		
7 Tax on profit on ordinary activities	2003	2003	2002	2002
	£000	£000	£000	£000
UK corporation tax @ 30%	1,052		1,816	
Adjustment relating to an earlier year	61		-	
	<u> </u>	1,113	<u> </u>	1,816
Overseas corporation tax	239		142	
Adjustment relating to an earlier year	(1)		(16)	
	<u> </u>	238	<u> </u>	126
Total current tax		1,351		1,942
UK income tax		10		9
Deferred taxation	77		(145)	
Adjustment relating to an earlier year	(110)		(131)	
	<u> </u>	(33)	<u> </u>	(276)
		1,328	<u> </u>	1,675
		<u> </u>	<u> </u>	<u> </u>

7 Tax on profit on ordinary activities (continued)

The standard rate of tax for the year, based upon the UK standard rate of corporation tax is 30% (2002 - 30%). The actual effective tax rate for the current year is higher (2002 - higher) than this standard rate. The differences are analysed as follows:

	2003 £000	2002 £000
Profit on ordinary activities before taxation	3,861	5,726
Tax at standard rate of 30% (2002 - 30%)	1,158	1,718
Expenses not deductible for tax purposes		
• Goodwill	553	403
• Other	81	85
Other items including permanent differences		
• Research & Development credits	(478)	(449)
• Other	28	36
Adjustment in respect of foreign rate taxes	26	20
Deferred tax relating to (reversal) / origination of timing differences in the year	(77)	145
Current tax adjustments in respect of prior periods	60	(16)
Total current tax charge	1,351	1,942

8 Dividends

	2003 £000	2002 £000
Interim dividend 1.1p per share (2002 – 1.0p)	279	252
Final dividend proposed 2.7p per share (2002 - 2.4p)	686	609
Dividend income on own shares held by Employee Share Trust	(70)	(63)
	895	798

9 Earnings per share

Basic earnings per ordinary share are calculated by dividing the profit after taxation attributable to the shareholders of £2,533,000 (2002 - £4,051,000) by the weighted average number of shares in issue during the year (excluding own shares held) of 23,521,538 (2002 - 23,364,551).

Diluted basic earnings per ordinary share are calculated by dividing the profit after taxation attributable to the shareholders of £2,533,000 (2002 - £4,051,000) by the weighted average number of shares in issue during the year (excluding own shares held, but after taking into account options outstanding during the year) of 25,460,354 (2002 - 25,024,331).

Adjusted basic earnings per ordinary share excluding amortisation of goodwill are calculated by dividing the profit after taxation excluding amortisation of goodwill attributable to the shareholders of £5,213,000 (2002 - £5,827,000) by the weighted average number of shares in issue during the year (excluding own shares held) of 23,521,538 (2002 - 23,364,551).

Diluted adjusted basic earnings per ordinary share excluding amortisation of goodwill are calculated by dividing the profit after taxation excluding amortisation of goodwill attributable to the shareholders of £5,213,000 (2002 - £5,827,000) by the weighted average number of shares in issue during the year (excluding own shares held, but after taking into account options outstanding during the year) of 25,460,354 (2002 - 25,024,331).

Notes (forming part of the accounts) for the year ended 31 December 2003

10 Intangible fixed assets

GROUP

Goodwill on acquisition of:

	CODA £000	SquareSum £000	Business Collaborator £000	Total £000
<i>Cost:</i>				
At beginning of year	35,525	-	-	35,525
From acquisitions in year	-	9,110	2,814	11,924
At end of year	35,525	9,110	2,814	47,449
<i>Amortisation:</i>				
At beginning of year	4,903	-	-	4,903
Charge for year	1,777	528	375	2,680
At end of year	6,680	528	375	7,583
Net book value 31 December 2003	28,845	8,582	2,439	39,866
Net book value 31 December 2002	30,622	-	-	30,622

11 Tangible fixed assets

GROUP

	Freehold & long leasehold property £000	Short leasehold property £000	Computer equipment £000	Office equipment £000	Motor vehicles £000	Plant and machinery £000	Total £000
<i>Cost:</i>							
At beginning of year	5,408	106	4,474	2,849	27	2,419	15,283
Additions	-	32	995	137	-	4	1,168
Acquisitions	846	-	248	12	32	-	1,138
Disposals	-	(44)	-	(15)	(32)	-	(91)
Exchange adjustments	-	(3)	(3)	(4)	(2)	-	(12)
At end of year	6,254	91	5,714	2,979	25	2,423	17,486
<i>Depreciation:</i>							
At beginning of year	360	73	2,955	1,808	15	422	5,633
Charge for year	99	26	1,213	364	9	174	1,885
Acquisitions	-	-	209	7	17	-	233
Disposals	-	(44)	-	(10)	(19)	-	(73)
Exchange adjustments	-	(4)	(10)	(1)	(1)	-	(16)
At end of year	459	51	4,367	2,168	21	596	7,662
Net book value 31 December 2003	5,795	40	1,347	811	4	1,827	9,824
Net book value 31 December 2002	5,048	33	1,519	1,041	12	1,997	9,650

11 Tangible fixed assets (continued)

Land and Buildings

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

Freehold	5,622	4,869
Long Leasehold	173	179
	5,795	5,048
	5,795	5,048

Freehold land and buildings includes amounts for land of £493,000 (2002 - £493,000) which is not depreciated.

12 Fixed asset investments

COMPANY

Shares in group undertakings

Cost:

At beginning of year	37,133
Additions	10,136
Disposals	(4,271)
	42,998
At end of year	42,998
<i>Provisions:</i>	
At beginning of year	7,977
Provision for year	5,600
	13,577
At end of year	13,577
Net book value 31 December 2003	29,421
	29,421
Net book value 31 December 2002	29,156
	29,156

Notes (forming part of the accounts) for the year ended 31 December 2003

13 Debtors

GROUP

	2003 £000	2002 £000
Trade debtors	18,002	16,373
Amounts recoverable on contracts	1,671	2,837
Other debtors	247	476
Deferred tax asset (see note 15)	983	638
Prepayments and accrued income	2,244	1,555
	23,147	21,879
	23,147	21,879

Debtors include prepayments of £246,000 (2002 - £39,000) due after more than one year.

COMPANY

	2003 £000	2002 £000
Amounts owed by group undertakings	23,439	18,842
Other debtors	4	36
Prepayments and accrued income	5	79
	23,448	18,957
	23,448	18,957

14 Creditors: amounts falling due within one year

GROUP

	2003 £000	2002 £000
Obligations under finance lease	-	37
Trade creditors	1,956	2,100
Corporation tax	1,063	1,058
Taxation and social security	1,022	880
Other creditors	3,241	2,702
Accruals	3,639	3,450
	10,921	10,227
	10,921	10,227

COMPANY

	2003 £000	2002 £000
Bank loans and overdrafts	2,060	683
Trade creditors	7	90
Amounts owed to group undertakings	526	-
Corporation tax	13	20
Taxation and social security	9	-
Other creditors	896	817
Accruals	44	12
	3,555	1,622
	3,555	1,622

Notes (forming part of the accounts) for the year ended 31 December 2003

15 Deferred taxation

GROUP	Accelerated capital allowances £000	Trading losses £000	Short term timing differences £000	Total £000
At beginning of year (shown within debtors)	(38)	(9)	(591)	(638)
Exchange adjustments	2	1	(19)	(16)
From acquisitions	(16)	(280)	-	(296)
(Credit) / charge for year (see note 7)	(44)	213	(202)	(33)
At end of year (shown within debtors)	(96)	(75)	(812)	(983)

16 Deferred Income

GROUP	2003 £000	2002 £000
Maintenance	12,130	10,604
Licence fees	4,117	3,182
Fixed price projects	2,626	820
Consultancy / other	351	204
	19,224	14,810

17 Called up share capital

GROUP and COMPANY	2003 £000	2002 £000
<i>Authorised</i> 50,000,000 Ordinary shares of 25p each	12,500	12,500
<i>Allotted, called up and fully paid</i>	No of shares	£000
At beginning of year	24,875,534	6,219
Issued during year	524,036	131
At end of year	25,399,570	6,350

On 17 January 2003, the Company issued 524,036 new ordinary shares of 25p as part of the price for the acquisition of entire issued share capital of SquareSum Plc.

18 Share premium and other reserves

GROUP	Share premium account £000	Other reserves £000	Capital reserve redemption £000	Profit and loss account £000
At beginning of year	41,827	-	83	5,579
Own shares held by EST	-	(7,145)	-	-
At beginning of year as restated	41,827	(7,145)	83	5,579
Retained profit for the year	-	-	-	1,638
Premium on shares issued in year	1,153	-	-	-
Disposal of own shares in year	-	24	-	-
Exchange adjustments	-	-	-	(63)
At end of year	42,980	(7,121)	83	7,154
COMPANY	Share premium account £000	Other reserves £000	Capital reserve redemption £000	Profit and loss account £000
At beginning of year	41,827	-	83	5,546
Own shares held by EST	-	(7,145)	-	-
At beginning of year as restated	41,827	(7,145)	83	5,546
Premium on new shares issued in year	1,153	-	-	-
Disposal of own shares in year	-	24	-	-
Retained profit for the year	-	-	-	1,568
At end of year	42,980	(7,121)	83	7,114

Included within the retained profit of the Group and Company is £683,000 (2002 - £628,000) and £1,123,000 (2002 - £1,068,000) respectively held by the Employee Share Trust which can only be used in accordance with the Trust Deed for the benefit of employees. The nominal value of own shares held by the Group and Company at 31 December 2003 was £463,000 (2002 - £468,000). Own shares are held in the Employee Share Trust (see note 22) and are listed investments. Their market value at 31 December 2003 was £5,465,000 (2002 - £4,584,000).

19 Contingent liabilities

The Company has given an unlimited bank guarantee in respect of all of its UK subsidiary companies. At 31 December 2003 the gross borrowings of these companies was £2,146,000. The Company's bankers have a charge over Methuen Park.

20 Commitments

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

GROUP	2003	2003	2002	2002
	£000	£000	£000	£000
	Land and buildings	Other	Land and buildings	Other
Operating leases which expire:				
Within one year	35	289	90	347
In second to fifth years inclusive	484	560	772	487
Over five years	369	-	45	-
	888	849	907	834
	888	849	907	834

21 Pensions

The Group operates six defined contribution pension schemes, four of which are closed to new entrants. The pension charge for the year represents contributions payable by the Group to the schemes and amounted to £1,790,000 (2002 - £1,707,000).

22 Science Systems Employee Share Trust

The Company and Group results include those of the Employee Share Trust (EST). The EST provides a warehouse for the Company's shares, by acquiring and holding shares that are to be sold to employees in the future under the Group's share option arrangements. The trustees may purchase the shares with finance provided by the Company (by way of cash contribution or interest free loan). The EST has also subscribed directly for shares issued by the company.

Finance costs are borne by the Trust. Administrative costs, such as legal fees are borne by the Group. All costs are accounted for as they accrue. At 31 December 2003 it held 1,852,611 25p ordinary shares (2002 - 1,870,881 25p ordinary shares). At that date outstanding options granted under the Executive Share Option Scheme amounted to 2,437,995 (2002 - 1,656,535).

23 Acquisition

On 7 January 2003 the Company's offer for the entire share capital of SquareSum Plc became unconditional in all respects. The assets and liabilities acquired under this deal were as follows:

	Book value acquired £000	Fair value adjustments £000	Fair value acquired £000
Fixed assets	884	-	884
Debtors	1,280	-	1,280
Cash	911	-	911
Creditors	(593)	-	(593)
Deferred income	(1,216)	(240)	(1,456)
	1,266	(240)	1,026
Consideration (Cash)			(8,560)
Consideration (Shares)			(1,284)
Costs			(292)
Goodwill			(9,110)

Fair value adjustments to deferred income were to bring the accounting policy for licence fees in line with that of the Group.

The profit after tax of SquareSum Plc for the year ended 31 December 2003 was £763,000. The loss after tax for the seven months ended 31 December 2002 was £501,000, and the profit after tax for the year ended 31 May 2002 was £265,000.

On 28 April 2003 the Company purchased the trade and assets of Business Collaborator from the Enviros Group. The assets and liabilities acquired under this deal were as follows:

	Book value acquired £000	Fair value adjustments £000	Fair value acquired £000
Fixed assets	21	-	21
Debtors	259	-	259
Creditors	(23)	-	(23)
Deferred income	(187)	-	(187)
	70	-	70
Consideration (Cash)			(2,790)
Costs			(94)
Goodwill			(2,814)

The loss after tax for Business Collaborator for the period ended 31 December 2003 was £247,000. Prior to this period, the business was part of a larger company and separate figures for this business are not available.

Notes (forming part of the accounts) for the year ended 31 December 2003

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

	2003 £000	2002 £000
Operating profit	3,854	5,587
Depreciation charge	1,885	1,922
Amortisation of goodwill	2,680	1,776
Exchange gains	(262)	(330)
Loss / (Profit) on sale of fixed assets	(6)	5
Decrease / (increase) in debtors	302	(700)
Increase in creditors and deferred income	2,802	3,282
	<hr/>	<hr/>
Net cash inflow from operating activities	11,255	11,542
	<hr/> <hr/>	<hr/> <hr/>

25 Reconciliation of net cash flow to movement in net debt

	2003 £000	2002 £000
(Decrease) / increase in cash in the year	(2,813)	5,323
Cash outflow from decrease in debt and lease financing	37	639
	<hr/>	<hr/>
Changes in net debt arising from cash flows	(2,776)	5,962
Exchange adjustments	118	129
	<hr/>	<hr/>
	(2,658)	6,091
	<hr/>	<hr/>
Net cash at beginning of year	9,412	3,321
	<hr/>	<hr/>
Net cash at end of year	6,754	9,412
	<hr/> <hr/>	<hr/> <hr/>

26 Analysis of net debt

	1 January 2003 £000	Cash flow £000	Other movements £000	31 December 2003 £000
Cash at bank and in hand	9,449	(2,813)	118	6,754
Obligations under finance lease	(37)	37	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	9,412	(2,776)	118	6,754
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

27 Financial Instruments

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

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows and invests surplus cash at floating rates of interest based upon bank base rate. Details of the Group's borrowings are set out in note 14.

Liquidity risk

The Group's operations are cash generative. During the year surplus cash has been used to fund the acquisitions of SquareSum and Business Collaborator. To ensure that the Group has sufficient financial resources to support the business, credit facilities are maintained with the Group's bankers.

Foreign currency risk

The Group has a number of fixed price contracts denominated in Euros for which costs are incurred in sterling. The main currency risk for such contracts lies in the period between tender and signature of contract during which it is impractical to enter into committed forward foreign exchange contracts. In order to mitigate this risk, the Group's policy is to take out cylinder 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.

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

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

Date of expiry of cylinder	Amount of Euros covered	Cylinder cap	Cylinder collar
30 March 2004	2,000,000	1.4000	1.3600
30 June 2004	2,000,000	1.4000	1.3550
30 September 2004	1,000,000	1.4000	1.3470
30 December 2004	1,000,000	1.4000	1.3420

As at the year end, the Group had entered into the following forward exchange deals:

Date of exercise	Amount of Euros	Rate
30 June 2004	2,000,000	1.4212

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	Swedish KR	Norwegian KR	Total
Sterling	2,993	1,577	106	1	4,677

27 Financial Instruments (continued)

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

	£000
Euros	3,058
US Dollars	1,143
Singapore Dollars	(217)
Malaysian Ringits	442
Australian Dollars	22
Norwegian Krone	1
Swedish Krone	106
	4,555
	4,555

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.

28 Subsidiary undertakings

Company	Country of registration	Principal activity	Class of shares
CODASciSys (Resources) Limited	England	Central services	1p ords
CODA Group Holdings Limited	England	Central services	£1 ords
CODA plc*	England	Computer software	£1 ords
CODA Financials Incorporated*	USA	Computer software	\$1 ords
CODA NV*	Holland	Computer software	Euro 100 ords
CODA Belgium NV*	Belgium	Computer software	Euro 100 ords
CODA Systems Asia Pacific PTE Limited *	Singapore	Computer software	SGD 1 ords
CODA Business Systems Sdn Bhd*	Malaysia	Computer software	MR1 ords
CODA Systems Australia Pty Limited*	Australia	Computer software	A\$1 ords
SquareSum Plc	England	Computer software	10p ords
SciSys Limited	England	Central services	£1 ords
SciSys (Space & Defence) Limited*	England	Computer software	£1 ords
Science Systems (Space) Limited*	England	Computer software	£1 ords
SciSys (Government & Utilities) Limited*	England	Computer software	£1 ords
SciSys (Commercial) Limited*	England	Computer software	10p ords
SciSys (Commerce & Industry) Limited*	England	Computer software	£1 ords
Business Collaborator Limited	England	Computer software	£1 ords
Trenkinch Limited	England	Dormant	£1 ords
Science Systems QUEST Trustee Limited	England	Trustee for SAYE	£1 ords

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

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

Directors and Advisors

Directors

Mike Love (Chairman)
Cliff Preddy (Non-Executive Director)
David Jones (Non-Executive Director)
Graham Steinsberg (Chief Executive Officer and Chairman of CODA Division)
Ruth McRitchie (Group Financial Director and Financial Director of SciSys Division)
Bryan Hucker (Group Commercial Director and Financial Director of CODA Division)
John Haynes (Chief Executive Officer, SciSys Division)

Company Secretary

Ruth McRitchie

Registered Office

Methuen Park
Chippenham
Wiltshire
SN14 0GB

Solicitors

Burges Salmon
Narrow Quay House
Prince Street
Bristol
BS1 4AH

Brokers

Rowan Dartington & Co Limited
The Colston Tower
Colston Street
Bristol
BS1 4RD

Bankers

National Westminster Bank
32 Corn Street
Bristol
BS99 7UG

Auditors

KPMG Audit Plc
100 Temple Street
Bristol
BS1 6AG

Registrars

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Questions relating to the Group's business or requests for additional copies of the Annual Report 2003 should be addressed to:

Richard Anning
CODASciSys plc
Methuen Park
Chippenham
Wiltshire
SN14 0GB UK

Tel: 01249 466466

Fax: 01249 466658

Email: richard.anning@codascisys.co.uk

Internet: www.codascisys.co.uk



Methuen Park
Chippenham
Wiltshire
SN14 0GB UK
www.codascisys.co.uk