

REGISTRAR
1019844

KCS MANAGEMENT SYSTEMS PLC

REPORT AND ACCOUNTS

30TH SEPTEMBER 1997

PRIDIE BREWSTER
CHARTERED ACCOUNTANTS
CAROLYN HOUSE
29-31, GREVILLE STREET
LONDON EC1N 8RB



KCS MANAGEMENT SYSTEMS PLC

DIRECTORS: J.L. Harvey
J. Harvey
P.M. Brown

SECRETARY: J. Harvey

REGISTERED OFFICE: Whitecliff House
852, Brighton Road
Purley
Surrey CR8 2BH

AUDITORS: Pridie Brewster
Chartered Accountants
Carolyn House
29-31, Greville Street
London EC1N 8RB

BANKERS: Barclays Bank Plc
Hatton Garden Branch
99, Hatton Garden
London EC1N 8DN

COMPANY NO: 1019844

KCS MANAGEMENT SYSTEMS PLCCHAIRMAN'S REPORTYEAR ENDED 30TH SEPTEMBER 1997

The financial year to 30th September 1997 saw continued evolution of the company into a dedicated supplier of Human Resource software and services. Revenues from our legacy accountancy products decreased by 55% to just £270,000 and are forecast to decrease further in 1997/1998 as customers phase out the KCS product. Total earnings from our Human Resource product and services increased by 26.3%, which enabled total revenue growth of 2.3% to be achieved.

The new business market has been stimulated by organisations seeking to replace their legacy systems with millennium-compliant products. This enabled us to increase our new business revenues by 22% through the sale of our k-EM and k-PAYE for Windows products to over sixty new customers. The millennium compliancy requirement has also encouraged our customer base to migrate to our latest product versions, producing revenues in excess of £400,000 in consultancy services.

In the financial year we achieved operating profits of £130,000, (6% of turnover) which is down on 1995, but reflects the change in accounting policy we have implemented on product development projects, in line with accepted industry standards.

We have continued to invest heavily in product development and in 1997 launched update versions of both k-EM and k-PAYE for Windows, which incorporated new modules for Training and Skills Analysis. On the technology side, we now have a range of products that are fully millennium-compliant, are available on all Microsoft platforms including Windows NT 32 bit client and server, and have automatic links to most branded third party office and spreadsheet packages. Further investment in 1998 will include internet/intranet connection, a new Recruitment Module and functional enhancements to the Payroll Module.

The market continued to be buoyant and in the first five months of 1997/1998 financial year our revenues have increased by 24% over same period last year and we are achieving operating profits of 11.6% of total revenues. This augers well for what we believe will be a record year for both revenues and profits.



J.L. HARVEY
CHAIRMAN

KCS MANAGEMENT SYSTEMS PLC

DIRECTORS' REPORT

The directors present their report and audited accounts for the year ended 30th September, 1997.

ACTIVITIES

The principal activities of the company during the year were the development, marketing, installation and support of computer software for accounting, personnel and payroll systems.

RESULTS AND DEVELOPMENT

It is considered that the development of the company and its position at 30th September, 1997 are fairly set out in the accompanying accounts.

DIVIDEND

The company has paid preference dividends of £14,728 (1996 - £5,152).

DIRECTORS

The directors who served during the year, and their interests in the ordinary shares of the company, were as follows:

	30th September 1997	1st October 1996
	Ordinary <u>Shares</u>	Ordinary <u>Shares</u>
J.L. Harvey	68,000	68,000
J. Harvey	-	-
P.M. Brown	8,500	8,500

DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KCS MANAGEMENT SYSTEMS PLCDIRECTORS' REPORT (CONTINUED)

FIXED ASSETS

The movements in the fixed assets of the company are set out in the notes to the accounts.

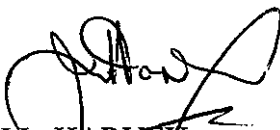
CREDITORS

Payment terms are agreed with suppliers in advance. The usual policy of the company is to pay invoices on the 22nd of the month after that in which the invoices were received. On average during the year suppliers were paid 50 days after receipt of invoice.

AUDITORS

The auditors, Pridie Brewster, Chartered Accountants, are willing to continue in office, and a motion for their re-appointment will be put before the Annual General Meeting.

BY ORDER OF THE BOARD



J.L. HARVEY
DIRECTOR

KCS MANAGEMENT SYSTEMS PLCAUDITORS' REPORT TO THE SHAREHOLDERS OF KCS MANAGEMENT SYSTEMS PLC

We have audited the financial statements on pages 5 to 17, which have been prepared under the historical cost convention, and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described in the directors' report, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30th September 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985



PRIDIE BREWSTER
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS

Carolyn House
29/31 Greville Street
London EC1N 8RB

6th April 1998

KCS MANAGEMENT SYSTEMS PLCPROFIT AND LOSS ACCOUNTYEAR ENDED 30TH SEPTEMBER 1997

			<u>1997</u>		As Restated <u>1996</u>
	<u>Notes</u>	£	£	£	£
TURNOVER	1		2,354,125		2,300,062
Cost of sales			159,807		193,530
			<hr/>		<hr/>
GROSS PROFIT			2,194,318		2,106,532
Administrative expenses			2,064,170		1,925,013
			<hr/>		<hr/>
			130,148		181,519
Interest payable and similar charges			37,535		42,932
			<hr/>		<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	2		92,613		138,587
TAX ON PROFIT ON ORDINARY ACTIVITIES	5		(17,383)		(48,726)
			<hr/>		<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			75,230		89,861
Dividends paid on non-equity shares			14,728		5,152
			<hr/>		<hr/>
PROFIT FOR FINANCIAL YEAR			60,502		84,709
Retained profits/(deficit) at beginning of year as originally stated		87,807		(36,539)	
Prior year adjustment	1,18	(339,440)		(299,803)	
		<hr/>		<hr/>	
Accumulated deficit as restated			(251,633)		(336,342)
			<hr/>		<hr/>
Accumulated deficit carried forward			(191,131)		(251,633)
			<hr/>		<hr/>

STATEMENT OF RECOGNISED GAINS AND LOSSES

	<u>1997</u>	As restated <u>1996</u>
	£	£
Profit for the year and total recognised gains and losses relating to the year	60,502	84,709
Prior year adjustment (note 18)	(339,440)	(299,803)
	<hr/>	<hr/>
Total gains and losses recognised since last annual report	(278,938)	(215,094)
	<hr/>	<hr/>

KCS MANAGEMENT SYSTEMS PLCBALANCE SHEETAT 30TH SEPTEMBER 1997

		<u>1997</u>		As Restated <u>1996</u>	
	<u>Notes</u>	£	£	£	£
FIXED ASSETS					
Intangible assets	7		21,376		15,917
Tangible assets	8		131,974		147,411
			<u>153,350</u>		<u>163,328</u>
CURRENT ASSETS					
Debtors	9	733,819		661,840	
Cash at bank and in hand		198		198	
			<u>734,017</u>	<u>662,038</u>	
CREDITORS (amounts falling due within one year)	10	645,002		616,790	
			<u>89,015</u>		<u>45,248</u>
Total assets less current liabilities			<u>242,365</u>		<u>208,576</u>
CREDITORS (amounts falling due after more than one year)	11		(14,879)		(14,644)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	12		(4,263)		(11,257)
DEFERRED INCOME					
Deferred maintenance income	13		(195,354)		(218,308)
			<u>27,869</u>		<u>(35,633)</u>
CAPITAL AND RESERVES					
Called up share capital	15		219,000		216,000
Profit and loss account			(191,131)		(251,633)
SHAREHOLDERS' FUNDS including non-equity interests			<u>27,869</u>		<u>(35,633)</u>

The accounts were approved by the Board of Directors on 4TH APRIL 1998 and were signed on its behalf by


J.L. HARVEY DIRECTOR

KCS MANAGEMENT SYSTEMS PLCCASH FLOW STATEMENTFOR THE YEAR ENDED 30TH SEPTEMBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£	£
Net cash inflow from operating activities	1	164,244	22,173
Returns on investments and servicing of finance			
Interest paid		(36,733)	(42,932)
Dividends paid		(14,728)	(5,152)
		<u> </u>	<u> </u>
Net cash outflow from returns on investments and servicing of finance		(51,461)	(48,084)
Taxation			
Corporation tax paid		(3,231)	(7,865)
		<u> </u>	<u> </u>
		(3,231)	(7,865)
Capital Expenditure			
Payments to acquire intangible fixed assets		(12,175)	(7,099)
Payments to acquire tangible fixed assets		(6,694)	(58,762)
		<u> </u>	<u> </u>
		(18,869)	(65,861)
Net cash inflow/(outflow) before financing		90,683	(99,637)
Financing			
Loan - pension fund		-	(60,000)
- other		(35,000)	50,000
Financing - issue of share capital		3,000	85,000
Hire Purchase payments		(19,642)	(8,562)
		<u> </u>	<u> </u>
Net cash (outflow)/inflow from financing		(51,642)	66,438
Increase/(decrease) in cash for the period		<u>39,041</u>	<u>(33,199)</u>

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH SEPTEMBER 1997

1. Reconciliation of operating profit to net cash inflow from operating activities

	<u>1997</u>	<u>1996</u>
	£	£
Operating profit	130,148	181,519
Depreciation and amortisation	46,858	35,880
Loss on disposal of fixed assets	209	5,893
Increase in debtors	(91,347)	(203,972)
Increase in creditors	101,330	5,299
Decrease in deferred maintenance	(22,954)	(2,446)
	<hr/>	<hr/>
Net cash inflow from operating activities	164,244	22,173
	<hr/>	<hr/>

2. Reconciliation of movement in cash to movement in net debt

	<u>1997</u>	<u>1996</u>
	£	£
Increase/(decrease) in cash in the period	39,041	(33,199)
Cash used to repay hire purchase contracts	19,642	8,562
New hire purchase contracts	(18,222)	(26,430)
	<hr/>	<hr/>
Change in net debt	40,461	(51,067)
Net debt at beginning of period	(242,693)	(191,626)
	<hr/>	<hr/>
Net debt at end of period	(202,232)	(242,693)
	<hr/>	<hr/>

3. Analysis of net debt

	<u>1st</u> <u>October</u> <u>1996</u>	<u>Cash</u> <u>Flows</u>	<u>Other</u>	<u>30th</u> <u>September</u> <u>1997</u>
	£	£	£	£
Cash	198	-	-	198
Bank overdrafts	(173,781)	(1,462)	-	(175,243)
Short term bank loan	(40,503)	40,503	-	-
Hire purchase contracts	(28,607)	19,642	(18,222)	(27,187)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(242,693)	58,683	(18,222)	(202,232)
	<hr/>	<hr/>	<hr/>	<hr/>

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1997

1. ACCOUNTING POLICIES

The principal accounting policies which are adopted in the preparation of the company's accounts are as follows:-

Accounting Convention

The accounts have been prepared under the historical cost convention.

Turnover

Turnover represents the amounts receivable for goods sold and invoices rendered during the year, exclusive of VAT, and for invoices rendered after the year end where work has been completed subject only to implementation.

Depreciation and amortisation

Depreciation of tangible assets, and amortisation of intangible assets, has been provided at the following rates, in order to write off the assets over their estimated useful lives:-

Furniture, fixtures and fittings & office equipment	-	10% straight line
Computer	-	20% straight line
Motor vehicles	-	25% reducing balance
Computer software	-	20% straight line

Deferred Taxation

Deferred taxation is provided at the anticipated tax rate on all timing differences to the extent that it is probable that a liability or asset will crystallise in the future.

Deferred Maintenance Income

Maintenance income is credited to a deferral account and is released to revenue in equal monthly amounts over the period of the maintenance contract.

Development Expenditure

Development expenditure is written off to the profit and loss account in the year in which it is incurred. This is a change of accounting policy from the previous policy which was to capitalise development expenditure where the costs were clearly identifiable and related to specific products for which markets existed. This change in accounting policy has reduced profit for the year by £19,804 and accumulated reserves by £359,244.

Pension Costs

The company operates a defined contribution pension scheme, and contributions payable for the year have been charged to the profit and loss account.

KCS MANAGEMENT SYSTEMS PLCNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 30TH SEPTEMBER 1997

2. PROFIT ON ORDINARY ACTIVITIES

This is stated after charging:

	<u>1997</u>	<u>1996</u>
	£	£
Amortisation of intangible fixed assets	6,716	5,403
Depreciation of tangible fixed assets	40,142	30,477
Loss on disposal of fixed assets	209	5,893
Auditors' remuneration	16,000	14,850
Hire purchase interest	2,575	1,884
Hire of equipment	666	333
Payments under operating leases (properties)	89,525	91,925
Hire of motor vehicles	95,744	91,227
	<u> </u>	<u> </u>

3. DIRECTORS' EMOLUMENTS

The aggregate emoluments, including pension contributions and bonuses, were £186,207 (1996 - £180,413).

The aggregate contributions paid under the defined contribution scheme were £23,687 (1996 - £24,359). 2 directors are members of the pension scheme.

KCS MANAGEMENT SYSTEMS PLCNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 30TH SEPTEMBER 1997

4. EMPLOYEES

The average monthly number of persons employed, including directors, was 41 (1996 - 40).

The staff costs were:

	<u>1997</u>	<u>1996</u>
	£	£
Wages and salary costs	1,069,340	1,037,463
Social security costs	117,614	98,943
Other pension costs	79,721	78,151
	<hr/>	<hr/>
	1,266,675	1,214,557
	<hr/>	<hr/>

The categories of staff were:

	<u>1997</u>	<u>1996</u>
Directors	3	4
Customer services	20	19
Development	9	9
Sales and marketing	6	5
Administrative	3	3
	<hr/>	<hr/>
	41	40
	<hr/>	<hr/>

KCS MANAGEMENT SYSTEMS PLCNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 30TH SEPTEMBER 1997

5. TAXATION

The taxation charge in the profit and loss account is made up as follows:-

	<u>1997</u> £	<u>1996</u> £
Corporation tax at 24.5% (1995 - 25%) based on the profit on ordinary activities	28,594	58,044
(Over)/underprovision in previous years	(4,217)	2,280
	<hr/> 24,377	<hr/> 60,324
Deferred taxation	(6,994)	(11,598)
	<hr/> 17,383	<hr/> 48,726

Taxation due included in the balance sheet is as follows:-

	<u>1997</u> £	<u>1996</u> £
Corporation tax payable based on profit on ordinary activities	-	-
Advance corporation tax payable	2,559	642
Corporation tax payable in respect of earlier years	-	-
	<hr/> -	<hr/> -

KCS MANAGEMENT SYSTEMS PLCNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 30TH SEPTEMBER 1997

6. PENSIONS

Defined contribution scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £79,721 during the year (1996 - £78,151).

7. INTANGIBLE FIXED ASSETS

	<u>Software</u>
	£
COST	
At beginning of year	26,887
Additions	12,175
Adjustment re fully amortised expenditure	-
	<hr/>
At end of year	39,062
	<hr/>
AMORTISATION	
At beginning of year	10,970
Charge for year	6,716
Adjustment re fully amortised expenditure	-
	<hr/>
At end of year	17,686
	<hr/>
NET BOOK VALUE	
At 30.9.97	21,376
	<hr/>
At 30.9.96	15,917
	<hr/>

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1997

8. TANGIBLE FIXED ASSETS

	<u>Computer</u>	<u>Motor</u>	<u>Furniture</u>	<u>Office</u>	<u>Total</u>
	<u>£</u>	<u>Vehicles</u>	<u>Fixtures</u>	<u>Equipment</u>	<u>£</u>
	<u>£</u>	<u>£</u>	<u>and</u>	<u>£</u>	<u>£</u>
			<u>Fittings</u>		
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
COST					
At beginning of year	230,088	33,020	32,879	18,443	314,430
Additions	17,661	-	258	6,995	24,914
Disposals	(525)	-	-	-	(525)
At end of year	247,224	33,020	33,137	25,438	338,819
DEPRECIATION					
At beginning of year	144,345	2,200	13,746	6,728	167,019
Charge for year	29,349	5,964	2,634	2,195	40,142
Adjustment on disposal	(316)	-	-	-	(316)
At end of year	173,378	8,164	16,380	8,923	206,845
NET BOOK VALUE					
At 30.9.97	73,846	24,856	16,757	16,515	131,974
At 30.9.96	85,743	30,820	19,133	11,715	147,411

The motor vehicle with a net book value of £24,856 (1996 - £30,820) is held under a hire purchase agreement. Computer and office equipment with net book values of £9,919 (1996 - £nil) and £6,588 (1996 - £nil) respectively are held under finance leases.

9. DEBTORS

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Trade debtors	609,383	524,310
Prepayments	116,440	110,560
Other debtors	7,996	26,970
	<u>733,819</u>	<u>661,840</u>

Prepayments include an amount of £20,000 in respect of expenditure incurred on systems development with a view to obtaining a BS 5750/ISO 9000 certification.

Other debtors include Advance Corporation Tax of £2,559 which is recoverable after more than one year.

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1997

10. CREDITORS (amounts falling due within one year)

	<u>1997</u>	<u>1996</u>
	£	£
Bank loan and overdraft (secured by a debenture)	175,243	214,284
Trade creditors	145,284	191,982
Other creditors including taxation and social security (see below)	297,608	180,428
Advance corporation tax payable	2,559	642
Accruals	12,000	15,489
Amounts due under finance lease and hire purchase agreements	12,308	13,965
	<u>645,002</u>	<u>616,790</u>

The amount of taxation and social security included above is £ 107,212 (1996 - £128,612).

11. CREDITORS (amounts falling due after more than one year)

	<u>1997</u>	<u>1996</u>
	£	£
Amounts due under finance lease and hire purchase agreements	14,879	14,644
	<u>14,879</u>	<u>14,644</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Potential Liability</u>		<u>Provided for</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
This represents deferred tax at 21% (1996 - 24%) on the following items:-				
Deferred development expenditure	-	6,375	-	6,375
Accelerated capital allowances	(935)	(45)	(935)	(45)
Short term timing differences	5,198	4,927	5,198	4,927
	<u>4,263</u>	<u>11,257</u>	<u>4,263</u>	<u>11,257</u>

13. DEFERRED MAINTENANCE INCOME (see note 1)

This represents amounts invoiced in advance in respect of maintenance contracts but not credited to revenue at 30th September, 1997.

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1997

14. LEASE COMMITMENTS

The company is committed to make the following payments under operating leases in the year following the balance sheet date:-

	<u>Land and Buildings</u>		<u>Other Operating Leases</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Expiring:				
Within one year	-	-	25,534	19,028
One to five years	-	-	56,236	66,399
After five years	91,925	91,925	-	-
	<u>91,925</u>	<u>91,925</u>	<u>81,770</u>	<u>85,427</u>

15. CALLED UP SHARE CAPITAL

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
Ordinary shares of £1 each	85,000	85,000	85,000	85,000
11.2% cumulative redeemable preference shares of £1 each	150,000	150,000	134,000	131,000
	<u>235,000</u>	<u>235,000</u>	<u>219,000</u>	<u>216,000</u>

During the year the company issued 3,000 11.2% cumulative redeemable preference shares of £1 each at par for cash. The issue was to provide the company with additional working capital.

The cumulative preference shares are non-voting and are redeemable at par at the option of the company on 30th September 1999, or earlier at the company's discretion. On a winding up the preference shares rank ahead only of the ordinary shares and will be repaid at par.

16. MORTGAGES AND CHARGES

The company's bank loan and overdraft (note 10) are secured by a fixed and floating charge over the whole assets of the company.

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1997

17. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	<u>1997</u>	<u>1996</u>
	£	£
Profit for the financial year	75,230	89,861
Dividends	14,728	5,152
	<hr/>	<hr/>
	60,502	84,709
New share capital subscribed	3,000	85,000
	<hr/>	<hr/>
	63,502	169,709
Opening shareholders' funds (as restated, see note 18)	(35,633)	(205,342)
	<hr/>	<hr/>
Closing shareholders' funds (1996 as restated)	<u>27,869</u>	<u>(35,633)</u>

The total of shareholders' funds comprises:

	<u>1997</u>	<u>1996</u>
	£	£
Non-equity interests:		
- attributable to preference shareholders	134,000	131,000
Equity interests	(106,131)	(166,633)
	<hr/>	<hr/>
Total shareholders' funds (1996 as restated)	<u>27,869</u>	<u>(35,633)</u>

18. PRIOR YEAR ADJUSTMENT

As explained in note 1, during the year the company changed its accounting policy regarding development expenditure from a policy of capitalisation and amortisation to one of immediate write off in the year of expenditure. The profit and loss account for the comparative period has been restated on the basis of the new policy, which has the effect of reducing the opening accumulated profits by £339,440 (1996 - £299,803).