

ACXIOM (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

DIRECTORS' REPORT AND ACCOUNTS

31ST MARCH, 1989

1182318

PEAT MARWICK McLINTOCK  
1 Puddle Dock, Blackfriars, London EC4V 3PD

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ACXION (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

DIRECTORS' REPORT

The directors have pleasure in submitting the annual report and accounts of the company for the period from 1st October, 1987 to 31st March, 1989.

PRINCIPAL ACTIVITIES

The principal activities of the company are to provide computer services for the direct mail industry and to act as a sales agency.

BUSINESS REVIEW

On 1st July, 1988, the holding company, Acxiom Corporation, acquired the relevant assets and business of Marketforce Limited. This acquisition has been reflected in the books of Acxiom (UK) Limited.

On 7th September, 1988 the company changed its name to Acxiom (UK) Limited. Two agency companies called Southwark Computer Services Limited and Marketlead Services Limited were then established to trade on behalf of Acxiom (UK) Limited.

The directors are continuing to watch the market so that the company can meet any demand made for its services.

RESULTS AND DIVIDENDS

The results of the company for the period under review are shown by the attached accounts on pages 4 to 14.

The directors do not propose a dividend. The deficit of £102,800 is to be financed by a transfer from reserves.

FIXED ASSETS

Changes in fixed assets are shown in notes 9, 10 and 11 to the accounts.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the period were as follows:

Mr. C.A. McLintock	(Chairman) (Appointed 1st January, 1988)
Mr. P. Bartos	(Appointed 13th October, 1988)
Mr. B.J. Cannon	(Resigned 26th September, 1988)
Mr. R.P. Carter	
Mr. C.C. Clayton	
Mr. M.M. Foreman	(Appointed 18th November, 1988)
Mr. I. Goodman	(Resigned 26th September, 1988)
Mr. D.T.C. Hayes	(Chairman - until 31st December, 1987)
Mr. M.F. Lordon	(Resigned 26th September, 1988)
Mr. D.R. Nesbitt	(Appointed 26th September, 1988)
Mr. J.G. Ring	(Appointed 26th September, 1988)
Mr. E.M. Wright	(Resigned 7th September, 1988)

In accordance with the Articles of Association, Mr. R.P. Carter retires at the Annual General Meeting and, being eligible, offers himself for re-election. Mr P. Bartos, Mr M.M. Foreman, Mr. D.R. Nesbitt and Mr J.G. Ring also retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

ACXIOM (UK) LIMITED  
(Formerly Scuthwark Computer Services Limited)

DIRECTORS' REPORT (continued)

DIRECTORS AND DIRECTORS' INTERESTS (continued)

Mr. C.C. Clayton purchased one share as nominee of the holding company on 7th September, 1988 on the resignation of Mr. E.M. Wright and still held that share as at 31st March, 1989.

No other director had an interest in the shares of the company or any group companies during the eighteen month period ended 31st March, 1989.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, £585 (1987: £285) was donated by the company to charities.

STAFF

The company continues to involve staff in the decision-making process through management, and divisional staff meetings which are held regularly throughout the year. In addition company meetings are held quarterly off-site when a variety of topics are discussed. Staff involvement in performance is encouraged through employee bonus schemes. The company's aim for all applicants and members of staff is to fit the qualifications, aptitude and ability of each individual to the appropriate job. The company does all that is practicable to meet its responsibility towards the employment of disabled people. Where an employee becomes disabled every effort is made to provide continuity of employment in the same job or a suitable alternative.

The training and re-training of staff is a high priority. Much of this training is on-the-job as well as by internal and external courses. The company has continued its high level of support for school and college leavers from the immediate area.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

C.C. CLAYTON

Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF  
ACXION (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

We have audited the accounts on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st March, 1989 and of its loss and source and application of funds for the eighteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

PEAT MARWICK McLINTOCK

London

Chartered Accountants.

18th July, 1989

ACXION (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

PROFIT AND LOSS ACCOUNT  
FOR THE EIGHTEEN MONTH PERIOD ENDED 31ST MARCH, 1989

	<u>Note</u>	Eighteen month period ended 31.3.1989 £	Ten month period ended 30.9.1987 £
TURNOVER	3	8,957,218	2,765,879
Cost of sales		(6,851,761)	(2,001,910)
GROSS PROFIT		<u>2,105,457</u>	<u>763,969</u>
Distribution costs		(673,885)	(7,019)
Administrative expenses		(1,395,616)	(409,539)
Other interest receivable and similar income		19,018	6,679
Interest payable and similar charges	4	(114,113)	(23,057)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(59,139)</u>	<u>331,033</u>
Tax on profit on ordinary activities	8	(43,661)	(182,213)
(LOSS)/PROFIT FOR THE PERIOD		<u>(102,800)</u>	<u>148,820</u>
Retained profit brought forward		148,820	-
RETAINED PROFIT CARRIED FORWARD		<u>46,020</u> =====	<u>148,820</u> =====

The notes on pages 8 to 14 form part of these accounts.

ACXIOM (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

BALANCE SHEET AT 31ST MARCH, 1989

	Note	31st March, 1989	30th September, 1987
		£	£
<b>FIXED ASSETS</b>			
Intangible assets	9	2,457,012	2,340,012
Tangible assets	10	1,276,853	477,370
Investments	11	750	750
		<u>3,734,615</u>	<u>2,818,132</u>
<b>CURRENT ASSETS</b>			
Stock	12	217,419	-
Debtors	13	2,602,145	1,085,810
Cash at bank and in hand		<u>24,627</u>	<u>251,927</u>
		<u>2,844,191</u>	<u>1,337,737</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	<u>(2,681,496)</u>	<u>(1,042,825)</u>
<b>NET CURRENT ASSETS</b>		162,695	294,912
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,897,310</u>	<u>3,113,044</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	(1,019,803)	(132,737)
<b>NET ASSETS</b>		<u>2,877,507</u>	<u>2,980,307</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	2,000,000	2,000,000
Share premium account		831,487	831,487
Profit and loss account		46,020	148,820
		<u>2,877,507</u>	<u>2,980,307</u>

These accounts were approved by the board of directors on 18th July, 1989.

M.M. FOREMAN )  
 C.G. CLAYTON ) Directors

*certified true copy*  
*M. J. [Signature]*  
*Director*

The notes on pages 8 to 14 form part of these accounts.

**ACXION (UK) LIMITED**  
**(Formerly Southwark Computer Services Limited)**

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**  
**FOR THE EIGHTEEN MONTH PERIOD ENDED 31ST MARCH, 1989**

	Eighteen month period ended 31.3.1989	Ten month period ended 30.9.1987
	£	£
<b>SOURCE OF FUNDS</b>		
(Loss)/profit before taxation	(59,139)	331,033
Adjustments for items not involving the movement of funds:		
Depreciation and amortisation	673,767	276,070
Loss on disposal of tangible fixed assets	5,258	2,163
Profit on disposal of tangible fixed assets	<u>(23,753)</u>	<u>-</u>
	655,272	278,233
<b>FUNDS GENERATED FROM OPERATIONS</b>	<u>596,133</u>	<u>609,266</u>
<b>FUNDS FROM OTHER SOURCES</b>		
Shares issued in consideration of the acquisition of the net assets of the business	-	2,831,387
Increase in creditors: amounts falling due after more than one year	151,078	132,737
Loan from holding company	735,988	-
Proceeds from fixed asset disposals	<u>206,400</u>	<u>-</u>
	1,093,466	2,964,124
<b>APPLICATION OF FUNDS</b>		
Tax paid	285,857	-
Purchase of tangible fixed assets*	1,509,573	682,643
Purchase of goodwill on acquisition of the business*	268,582	2,412,972
Purchase of investments	<u>-</u>	<u>750</u>
	(2,064,012)	(3,096,385)
	<u>(374,413)</u>	<u>477,025</u>
<b>(DECREASE)/INCREASE IN WORKING CAPITAL</b>		
Increase in stocks*	217,419	-
Increase in debtors*	1,516,335	1,085,716
(Increase) in creditors falling due within one year*	(1,016,707)	(860,612)
Movement in net liquid funds:		
(Decrease)/increase in cash at bank and in hand*	(227,300)	251,927
(Increase) in bank overdrafts	(864,160)	-
	<u>(374,413)</u>	<u>477,025</u>

\* See page 7

The notes on pages 8 to 14 form part of these accounts.

ACXION (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

SUMMARY OF THE EFFECTS OF THE ACQUISITION OF  
MARKETLEAD BY ACXION (UK) LIMITED

	<u>Net assets acquired</u>		<u>Discharged by</u>
	£		£
Stock	43,634		
Tangible fixed assets	626,555	Cash	692,314
Goodwill	264,422		
Debtors	480,053		
Cash	139,319		
Creditors: amounts falling due within one year	(861,669)		
	<u>692,314</u>		<u>692,314</u>
	=====		=====

The notes on pages 8 to 14 form part of these accounts.



ACXION (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION

On 1st July, 1988, the holding company, Acxion Corporation, acquired the relevant assets and business of Marketforce Limited. This acquisition has been reflected in the books of Acxion (UK) Limited.

On 7th September, 1988 the company changed its name to Acxion (UK) Limited. Two agency companies called Southwark Computer Services Limited and Marketlead Services Limited were then established to trade on behalf of Acxion (UK) Limited.

The company has changed its accounting reference date from 30th September to 31st March in order that its year-end is coterminous with that of its parent company who has done the same.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of accounting

The accounts have been prepared under the historical cost convention.

(b) Stock

Stock is stated at the lower of cost and net realisable value.

(c) Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method over the estimated useful economic lives of the assets.

The economic lives of the company's assets are:

Fixtures, fittings and office equipment	-	2 to 8 years
Plant and machinery	-	1 to 5 years
Goodwill	-	25 years

The depreciation policy on motor vehicles is 25% on a reducing balance.

(d) Research and development

Research and development costs are charged to the profit and loss account as incurred.

(e) Leases

Assets held under finance leases are capitalised on acquisition and then amortised over their estimated useful lives.

The rental costs of assets held under operating leases are charged to the profit and loss account as incurred.

(f) Deferred taxation

The company makes no provision for deferred taxation as no liability is likely to crystallise in the foreseeable future.

ACXION (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

NOTES TO THE ACCOUNTS

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Goodwill

Goodwill includes the excess of the purchase consideration together with the expenses incurred on the acquisition of the businesses over the net tangible assets acquired.

(h) Pensions

The company's Retirement Benefits Scheme covers all employees aged 21 years and over who have 2 years of service. The pension charge includes amortisation of past service cost over approximately 10 years. Contributions are made in amounts approximately equal to amounts charged to the profit and loss account.

3. TURNOVER

Turnover represents amounts charged to customers stated net of value added tax and has all arisen in the UK.

There follows an analysis of turnover by activity:

	<u>Eighteen months to 31.3.1989</u>	<u>Ten months to 30.9.1987</u>
	£	£
Promotional fulfilment	2,838,274	-
Supporters	1,720,160	899,583
Mailing	3,749,029	1,482,655
Other	649,755	383,641
	<u>8,957,218</u>	<u>2,765,879</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>Eighteen months to 31.3.1989</u>	<u>Ten months to 30.9.1987</u>
	£	£
On bank loans and overdrafts	42,450	-
Finance charges payable in respect of finance leases	71,663	23,057
	<u>114,113</u>	<u>23,057</u>

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit on ordinary activities before taxation is stated after charging the following:

	<u>Eighteen months to 31.3.1989</u>	<u>Ten months to 30.9.1987</u>
	£	£
Depreciation and other amounts written off tangible and intangible fixed assets	673,767	276,070
Auditors' remuneration (including expenses)	24,500	9,000
Rentals of assets held under operating lease	421,779	140,785
Directors' remuneration including pension contributions	428,810	169,063

ACXION (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

NOTES TO THE ACCOUNTS

6. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Excluding pension contributions, the emoluments of the chairman for the eighteen month period ended 31st March, 1989 were £3,000. The emoluments of the highest paid director were £90,820. The emoluments of the other directors for the above period were within the following ranges:

	<u>Eighteen months to 31.3.1989</u>	<u>Ten months to 30.9.1987</u>
£70,001 - £75,000	1	-
£45,001 - £50,000	3	-
£35,001 - £40,000	1	4
£30,001 - £35,000	1	-
£15,001 - £20,000	1	-
£ Nil - £ 5,000	3	3
	***	***

The number of other employees whose emoluments for the eighteen month period ended 31st March, 1989, excluding pension contributions, fell within the following ranges:

	<u>Eighteen months to 31.3.1989</u>	<u>Ten months to 30.9.1987</u>
£50,001 - £55,000	2	-
£45,001 - £50,000	1	-
£30,001 - £35,000	-	2
£25,001 - £30,000	-	1
	***	***

7. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	<u>Eighteen months to 31.3.1989</u>	<u>Ten months to 30.9.1987</u>
Management	31	11
Software	16	12
Research and development	-	6
Sales	3	4
Finance and administration	31	7
Accounts services	49	13
Production	376	42
	<u>506</u>	<u>95</u>
	***	***

The aggregate payroll costs of these persons were as follows:

	<u>Eighteen months to 31.3.1989</u>	<u>Ten months to 30.9.1987</u>
	£	£
Wages and salaries	4,261,300	951,440
Social security costs	260,538	84,152
Pension costs	167,280	65,773
	<u>4,689,118</u>	<u>1,101,365</u>
	*****	*****

ACXION (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

NOTES TO THE ACCOUNTS

8. TAXATION

	Eighteen months to 31.3.1989	Ten months to 30.9.1987
	£	£
Corporation tax at 35% based on the adjusted profit of the company for the period	77,932	182,213
In respect of prior periods	(34,271)	-
	<u>43,661</u>	<u>182,213</u>
	*****	*****

9. INTAGIBLE FIXED ASSETS

Intangible fixed assets comprise goodwill on acquisition as follows:

	£
<u>Cost:</u>	
At 1st October, 1987	2,412,972
Additions	268,582
	<u>2,681,554</u>
At 31st March, 1989	
<u>Amortisation:</u>	
At 1st October, 1987	72,960
Charge for the period	151,582
	<u>224,542</u>
At 31st March, 1989	
<u>Net book values:</u>	
At 31st March, 1989	2,457,012
	*****
At 30th September, 1987	2,340,012
	*****

ACTION (UK) LIMITED  
(Formerly Southpark Computer Services Limited)

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold improvements £	Plant and machinery £	Office furniture, fixtures and equipment, and motor vehicles £	Total £
<u>Cost:</u>					
At 1st October, 1987	-	11,500	621,261	47,719	680,480
Additions	442,279	49,956	843,043	174,295	1,509,573
Disposals	-	-	(308,177)	-	(308,177)
At 31st March, 1989	<u>442,279</u>	<u>61,456</u>	<u>1,156,127</u>	<u>222,014</u>	<u>1,881,876</u>
<u>Depreciation:</u>					
At 1st October, 1987	-	383	192,071	10,656	203,110
Charge for period	11,682	15,102	443,668	51,733	522,185
Elimination on disposal	-	-	(120,272)	-	(120,272)
At 31st March, 1989	<u>11,682</u>	<u>15,485</u>	<u>515,467</u>	<u>62,389</u>	<u>605,023</u>
<u>Net book values:</u>					
At 31st March, 1989	<u>430,597</u>	<u>45,971</u>	<u>640,660</u>	<u>159,625</u>	<u>1,276,853</u>
At 30th September, 1987	-	11,117	429,190	37,063	477,370

The net book value of tangible fixed assets includes an amount of £425,839 (1987: £270,268) in respect of assets held under finance leases.

The amount of depreciation allocated during the period for such assets amounts to £308,887 (1987: £143,987).

**ACTIOM (UK) LIMITED**  
**(Formerly Southwark Computer Services Limited)**

**10. TANGIBLE FIXED ASSETS**

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(Formerly Southmark Computer Services Limited)

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<u>Net book values:</u>					
At 31st March, 1989	<u>430,597</u>	<u>45,971</u>	<u>640,660</u>	<u>159,625</u>	<u>1,276,853</u>
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The amount of depreciation allocated during the period for such assets amounts to £308,887 (1987: £143,987).



ACXION (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

NOTES TO THE ACCOUNTS

11. INVESTMENTS

Other investments  
other than loans  
Unlisted  
£

30th September, 1987 and 31st March 1989

750  
\*\*\*\*\*

12. STOCK

31st March, 30th September,  
1989 1987  
£ £

Work in progress

217,419  
\*\*\*\*\*

-

13. DEBTORS

31st March, 30th September,  
1989 1987  
£ £

Trade debtors

2,382,666

925,447

Other debtors

71,341

39,103

Prepayments and accrued income

148,138

121,260

2,602,145  
\*\*\*\*\*

1,085,810  
\*\*\*\*\*

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

31st March,  
1989  
£ £

30th September,  
1987  
£ £

Bank loans and overdrafts (see note 18)

864,160

-

Payments received

451,723

-

Trade creditors

337,793

140,155

Amounts owed to holding company

29,646

17,118

Other creditors including taxation  
and social security:

Corporation tax

72,456

314,652

Other taxes

311,720

111,964

Social security

82,477

52,075

466,653

478,691

Other creditors

23,577

141,410

490,230

620,101

Obligations under finance leases

188,690

144,805

Accruals and deferred income

309,254

120,646

2,681,496  
\*\*\*\*\*

1,042,825  
\*\*\*\*\*

ACXION (UK) LIMITED  
(Formerly Southwark Computer Services Limited)

NOTES TO THE ACCOUNTS

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>31st March, 1989</u>	<u>30th September, 1987</u>
	£	£
Amounts owed to holding company	725,988	-
Obligations under finance leases (payable within five years)	283,815	132,737
	<u>1,019,803</u>	<u>132,737</u>
	*****	*****

The terms of repayment are monthly or quarterly and the average rate of interest for the above amount owed is 8%.

16. OPERATING LEASE COMMITMENTS

Payments committed to be made during the year ended 31st March, 1990 analysed between the years in which the commitment expires are as follows:

	<u>Land and buildings</u>	<u>Other</u>
	£	£
Within one year	-	15,410
Within two to five years	47,000	117,026
In more than five years	142,500	-
	<u>189,500</u>	<u>132,436</u>
	*****	*****

17. SHARE CAPITAL

	<u>31st March, 1989</u>	<u>30th September, 1987</u>
	£	£
Authorised:		
2,000,000 Ordinary shares of £1 each	2,000,000	2,000,000
	*****	*****
Allotted, called up and fully paid:		
2,000,000 Ordinary shares of £1 each	2,000,000	2,000,000
	*****	*****

18. FIXED AND FLOATING CHARGES

The company has granted to the Clydesdale Bank a floating charge over the whole of the property of the company and a fixed charge over all debts owing to the company in respect of any advances or obligations to the bank for which the company may at any time be liable.

19. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Acxion Corporation (formerly CCN Network, Inc.) a company incorporated in the United States of America.