

MICROGEN UK LIMITED**Report and Accounts****Year ended 31 October 1995**

Report of the Directors for the year ended 31 October 1995

Directors

DN Lee (Managing Director)
AD Bratchell (resigned 31 October 1995)
SP Brown
DC Herridge
GE Liddle
BJ Page

Results and Dividend

The results for the year are set out on page 4 of the attached accounts.

The directors confirm the payment of interim dividends totalling £1,400,000, and recommend that no final dividend be proposed.

Review of the Business

The Company's principal activity during the year was the provision of specialist services for the management of computer generated data and other information which enable its customers to increase efficiency and reduce cost in essential administrative areas of business.

Microgen has dramatically improved its position this year. The repositioning of the Memory business and the completion of the bureau rationalisation programme meant that we were able to process increased volumes of business. The new services incorporating CD-R, scanning and physical archiving of data are selling well.

The rebranding of the Document services into market specific service groupings has brought real focus onto the benefits our services can bring to our customers. We have been able to direct our efforts and resources into services that bring real value.

The Demand Publishing business established three years ago has grown very quickly indeed. Its services are focused on the training industry where it is essential that publications are current at the point of use. This is an ideal market for our service where just-in-time production for uncertain demand eliminates warehousing and obsolescence costs.

The UK and Irish businesses of Microgen are now in good shape for the future with sound management in place.

Research and Development

The Company carries out research and development as part of its day to day activities in the market in which it operates.

Employment Policies

Full and fair consideration is given to suitable applications for employment from disabled persons. So far as is practical, opportunities exist for employees who become disabled either to continue in their existing jobs or to be retrained for other positions. Employee participation is encouraged through informal briefing sessions and discussions at all levels. It is Company policy to encourage equal employment opportunities for all people.

Political and Charitable Contributions

No political donations have been made by the Company during the year. Charitable donations of £1606 were made during the year.

Directors' Interests in Shares

No director had any interest in the shares of the Company at 1 November 1994 or 31 October 1995. DN Lee and GE Liddle are also directors of Microgen Holdings plc, the ultimate parent company, and their shareholdings therein are disclosed in the directors' report of that company. AD Bratchell was also a director of Microgen Holdings plc.

Directors' Liability Insurance

During the year the Company has maintained insurance for its directors and officers against liabilities in relation to the company.

Fixed Assets

Movements in fixed assets are as set out in note 10 to the accounts.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and 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 to 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.

Auditors

A resolution to appoint Price Waterhouse as auditors will be put to the members at the Annual General Meeting.

By Order of the Board

GE Liddle Secretary

20 February 1996



Report of the auditors to the shareholders of Microgen UK Limited

We have audited the financial statements set out on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of 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.

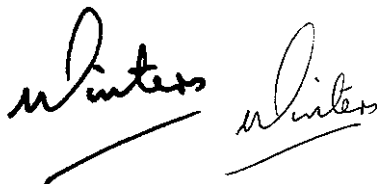
Basis of opinion

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 affairs of the Company and the Group at 31 October 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Winters
Chartered Accountants and Registered Auditor
London

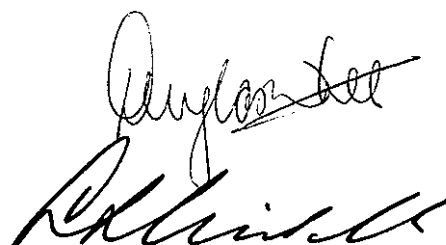


20 February 1996

Consolidated profit and loss account for the year ended 31 October 1995

		1995 £000	1994 £000
notes	2		
	Turnover	30,621	27,378
	Operating expenses	(15,208)	(14,354)
4	Staff costs	(9,063)	(8,813)
	Depreciation	(3,199)	(2,639)
3	Operating profit	3,151	1,572
	Share of associate results	(57)	(53)
6	Net interest	(44)	(15)
	Profit before taxation	3,050	1,504
7	Taxation	(1,261)	(704)
8	Profit available to shareholders	1,789	800
9	Dividends	(1,400)	(1,257)
16	Retained profit / (loss) for the year	389	(457)
	Statement of total recognised gains and losses		
	Profit for financial year	1,789	800
	Foreign exchange adjustments	26	18
	Total recognised gains and losses for the year	1,815	818

Balance Sheets at 31 October 1995

		Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Fixed assets					
notes 10	Tangible assets	5,982	6,507	5,931	6,441
11	Investments	138	139	-	-
		6,120	6,646	5,931	6,441
Current assets					
1	Stocks	363	351	353	308
12	Debtors	9,655	6,426	9,532	6,255
	Cash at bank and in hand	473	275	9	6
		10,491	7,052	9,894	6,569
Creditors:					
13	Due within one year	(9,551)	(7,048)	(10,186)	(7,636)
	Net current assets	940	4	(292)	(1,067)
	Total assets less current liabilities	7,060	6,650	5,639	5,374
Creditors:					
14	Due after more than one year	(4,818)	(4,818)	(4,818)	(4,818)
15	Deferred taxation	-	(5)	-	(5)
	Net assets	2,242	1,827	821	551
Capital and reserves					
17	Called up share capital	6	6	6	6
16	Profit and loss account	2,236	1,821	815	545
18	Shareholders interests	2,242	1,827	821	551

DN Lee, GE Liddle, directors. Approved by the board of directors on 20 February 1996

Notes to the accounts 31 October 1995

1 Accounting policies

a Basis of accounting

The accounts have been prepared under the historical cost convention and are in accordance with applicable Accounting Standards. No profit and loss account is presented for Microgen UK Limited as provided by section 230 of the Companies Act 1985.

b Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiary undertaking whose accounts are made up to 31 October annually.

The Group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the Group's share of their net assets is included in the consolidated balance sheet.

Goodwill arising on consolidation is written off against reserves in the year of acquisition.

c Depreciation and amortisation

Depreciation is provided so as to write off the cost of tangible fixed assets over their estimated useful lives by equal annual instalments at the following rates:

Leasehold Improvements 20%

Equipment 20-33½%

Fixtures and fittings 20%

Motor vehicles 25%

d Leasing

Tangible fixed assets acquired under finance leases are capitalised and the capital element of outstanding lease rentals is included in creditors. Depreciation is provided on the same basis as owned assets or over the unexpired portion of the lease if shorter. The interest element of lease rentals is charged in the profit and loss account. Operating lease rentals are charged in the profit and loss account as incurred.

e Stocks

Stocks which comprise raw materials and consumables have been valued at the lower of cost and net realisable value.

f Pensions

The Group operates a money purchase pension scheme in respect of its UK employees. The scheme is a defined contribution scheme and contributions are based on total earnings for the current year. The scheme is funded by payments to a trustee-administered fund completely independent of the Group's finances. The charge for 1995, representing contributions payable by the Group amounted to £181,000 (1994: £172,000). Appropriate pension arrangements of a money purchase nature or government scheme are made for employees of Microgen (Ireland) Ltd in Ireland.

g Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. The provision or asset is recalculated at the rate of corporation tax at which the liability or asset is expected to crystallise.

h Fixed asset investments

Investments in subsidiaries are stated in the accounts of the Company at cost less any provision for permanent diminution in value.

i Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred.

j **Rates of exchange**

Trading transactions by the UK based company are translated into sterling at the exchange rate ruling when the transaction was entered into, exchange gains or losses thereon being included in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies in respect of the UK company, are translated into sterling at the exchange rate ruling at the balance sheet date. On consolidation the balance sheet of the overseas company is converted at the rate of exchange ruling on the balance sheet date of that company and the profit and loss account at the average rate of exchange for the year then ended. Gains and losses arising on the translation of the net assets of the overseas subsidiary into sterling are included as a movement on reserves.

2 **Turnover and divisional analysis**

Turnover comprises the provision of specialist services for the management of computer generated data and other information which enable its customers to increase efficiency and reduce cost in essential administrative areas of business. Sales by origin, are as given below. Inter-divisional sales are not material and sales by destination are not materially different to sales by origin.

	1995 £000	1994 £000
Turnover		
United Kingdom	29,951	26,757
Ireland	670	621
	30,621	27,378

3 **Operating profit**

This is stated after charging/(crediting):		
Directors' emoluments (see note 5)	599	474
Auditors' remuneration:		
Audit	49	48
Other services	19	22
Depreciation of tangible fixed assets	2,877	2,639
Permanent diminution in value of tangible fixed assets	322	-
Leasing and rental charges	1,225	1,214
Research and development costs	277	260
Profit on sale of tangible fixed assets	-	(62)
Vacant premises costs	344	377

4 **Staff**

The average weekly number of employees:	1995 number	1994 number
United Kingdom	413	444
Ireland	6	7
	419	451

	1995 £000	1994 £000
Staff emoluments:		
Salaries	8,159	7,893
Social security costs	718	742
Other pension costs	186	178
	9,063	8,813

5	Directors	1995 £000	1994 £000
	Directors' emoluments:		
	Remuneration	502	407
	Pension contributions	22	18
	Compensation for loss of office	75	49
		599	474
	The remuneration of the highest paid director	122	104
	Other directors' remuneration fell into the following bands:		
		1995 number	1994 number
	£0-£5,000	-	2
	£30,001-£35,000	-	1
	£45,001-£50,000	-	1
	£50,001-£55,000	-	1
	£60,001-£65,000	-	1
	£65,001-£70,000	1	-
	£70,001-£75,000	1	1
	£75,001-£80,000	1	1
	£80,001-£85,000	2	-
6	Net interest	1995 £000	1994 £000
	Interest receivable:		
	Bank	48	47
	Interest on borrowings repayable within 5 years:		
	On bank loans and overdrafts	(28)	(4)
	Other	(64)	(58)
		(44)	(15)
7	Taxation		
	Based on the taxable profit for the year:		
	UK corporation tax at 33%	1,407	810
	UK deferred taxation	(263)	(56)
	Overseas taxation	39	30
	Prior year adjustment	78	(80)
		1,261	704
8	Profit available to shareholders		
	Dealt with in the accounts of the Company	1,705	690
	Retained by subsidiary	141	163
	Retained by associate	(57)	(53)
		1,789	800
9	Dividends		
	Interim paid	1,400	1,257

10 Tangible fixed assets - Group

Cost	leasehold improvements £000	equipment £000	fixtures fittings £000	motor vehicles £000	total £000
At 1 November 1994	2,702	16,432	520	10	19,664
Prior year adjustment	-	464	-	3	467
Additions	213	2,455	26	4	2,698
Disposals	(104)	(2,844)	(337)	(5)	(3,290)
Exchange rate adjustments	-	8	-	-	8
At 31 October 1995	2,811	16,515	209	12	19,547
Depreciation					
At 1 November 1994	1,387	11,306	459	5	13,157
Prior year adjustment	-	464	-	3	467
Charge for the year	520	2,328	26	3	2,877
Disposals	(104)	(2,818)	(337)	(5)	(3,264)
Exchange rate adjustments	-	6	-	-	6
Permanent diminution in value	186	136	-	-	322
At 31 October 1995	1,989	11,422	148	6	13,565
Net book value					
At 31 October 1994	1,315	5,126	61	5	6,507
At 31 October 1995	822	5,093	61	6	5,982

Tangible fixed assets - Company

Cost					
At 1 November 1994	2,702	16,253	507	10	19,472
Prior year adjustment	-	464	-	3	467
Additions	213	2,453	26	4	2,696
Disposals	(104)	(2,844)	(337)	(5)	(3,290)
At 31 October 1995	2,811	16,326	196	12	19,345
Depreciation					
At 1 November 1994	1,387	11,192	447	5	13,031
Prior year adjustment	-	464	-	3	467
Charge for the year	520	2,309	26	3	2,858
Disposals	(104)	(2,818)	(337)	(5)	(3,264)
Permanent diminution in value	186	136	-	-	322
At 31 October 1995	1,989	11,283	136	6	13,414
Net book value					
At 31 October 1994	1,315	5,061	60	5	6,441
At 31 October 1995	822	5,043	60	6	5,931

11	Investments	group 1995 £000	group 1994 £000	company 1995 £000	company 1994 £000
	Interest in associate:				
	Loan to associate	248	192	-	-
	Group share of retained losses	(110)	(53)	-	-
		138	139	-	-

The associate's results include unaudited management accounts for the 10 months to 31 October 1995. Audited financial statements are drawn up to 31 December each year in accordance with the requirements of the controlling shareholder of Printpost Limited.

The Company's principal trading subsidiary and associate all undertake activities as described in the Directors' Report and operate in their country of incorporation or registration. Direct investments by the Company comprise Microgen (Ireland) Limited whose share capital is £2. The issued share capitals of all subsidiaries and associate consist solely of ordinary shares.

Subsidiary:	Country	Equity held	Year end
Microgen (Ireland) Limited	Ireland	100%	31 October
Associate:			
Printpost Limited	Ireland	49%	31 December

12	Debtors	group 1995 £000	group 1994 £000	company 1995 £000	company 1994 £000
	Trade debtors	5,591	5,080	5,473	4,915
	Owed by parent and fellow subsidiaries	2,823	207	2,823	207
	Other debtors	25	40	25	37
	Prepayments and accrued income	607	670	602	667
	Corporate tax	351	429	351	429
	Deferred tax	258	-	258	-
		9,655	6,426	9,532	6,255

13	Creditors: due within one year				
	Bank overdraft	572	1,401	572	1,401
	Trade creditors	2,124	1,248	2,113	1,195
	Owed to parent and fellow subsidiaries	3,640	1,784	4,373	2,484
	Corporate tax	716	320	676	290
	Other taxes and social security costs	471	359	458	339
	Other creditors	32	103	32	103
	Accruals	1,996	1,833	1,962	1,824
		9,551	7,048	10,186	7,636

The bank overdraft is secured by a legal mortgage over the book debts of the Company.

	group 1995 £000	group 1994 £000	company 1995 £000	company 1994 £000
14 Creditors: due after more than one year				
Owed to parent company	4,818	4,818	4,818	4,818
	full potential liability 1995 £000	full potential liability 1994 £000	provision made 1995 £000	provision made 1994 £000
15 Deferred taxation				
Fixed assets	(111)	62	(111)	62
Other timing differences	(147)	(57)	(147)	(57)
	(258)	5	(258)	5
Movements during the year:			1995 £000	1994 £000
At 1 November 1994			5	61
Deferred tax movement in the year			(263)	(56)
At 31 October 1995			(258)	5
The deferred tax asset is disclosed separately under Debtors.				
	revenue reserve £000	goodwill reserve £000	profit and loss account £000	
16 Reserves				
Group				
At 1 November 1994	2,564	(743)	1,821	
Retained Profit for the year	389	-	389	
Exchange rate adjustments	26	-	26	
At 31 October 1995	2,979	(743)	2,236	
Company				
At 1 November 1994	1,195	(650)	545	
Retained Profit for the year	270	-	270	
At 31 October 1995	1,465	(650)	815	
			1995 £000	1994 £000
17 Share capital				
Authorised, allotted, issued and fully paid:				
5,000 2% non-cumulative preference shares of £1 each			5	5
20,000 ordinary shares of 5p each			1	1
			6	6

18	Reconciliation of movements in shareholders funds	1995 £000	1994 £000
	Profit for the financial year	1,789	800
	Dividends	(1,400)	(1,257)
		<hr/>	<hr/>
	Other recognised gains and losses for the year (net)	389	(457)
	Goodwill written off	26	18
		-	(16)
		<hr/>	<hr/>
	Net increase in shareholders funds	415	(455)
	Shareholders funds at 1 November 1994	1,827	2,282
		<hr/>	<hr/>
	Shareholders funds at 31 October 1995	2,242	1,827
		<hr/>	<hr/>

19 Borrowings

The Company has guaranteed the bank borrowings of its parent company and fellow subsidiary undertaking. At 31 October 1995 these borrowings amounted to £nil (1994 £nil).

20 Capital commitments

At 31 October 1995 both the Group and the Company had the following capital commitments:

Contracted for	330	383
Authorised but not contracted for	655	13
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21 Operating leases

At 31 October 1995 both the Group and the Company had the following annual lease commitments which expire:

	land & buildings 1995 £000	land & buildings 1994 £000	other 1995 £000	other 1994 £000
Within one year	-	50	214	388
In years two to five inclusive	110	37	533	638
After five years	724	762	-	108
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	834	849	747	1,134
	<hr/>	<hr/>	<hr/>	<hr/>

22 Ultimate parent company

The Company's ultimate parent company is Microgen Holdings plc a listed company registered in England and Wales.