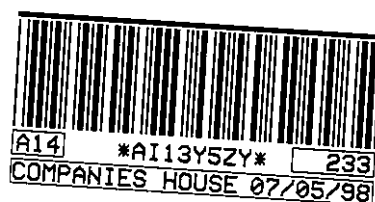


Icom Solutions Limited

Report and Accounts

31 December 1997

Registered Number: 1641088



Icom Solutions Limited

Registered No. 1641088

DIRECTORS

Mrs I N Brown
R J Davies

SECRETARY

C G Powell

AUDITORS

Ernst & Young
One Colmore Row
Birmingham
B3 2DB

BANKERS

Lloyds Bank plc
125 Colmore Row
Birmingham
B3 3AD

SOLICITORS

Wragge & Co
55 Colmore Row
Birmingham

REGISTERED OFFICE

Lion House
P O Box 1240
Witton
Birmingham
B6 7UH

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The company's profit on ordinary activities for the year ended 31 December 1997 after taxation amounted to £1,291,365 (1996 : £590,662). The directors have declared a total dividend of £324,112 to be paid to its parent company Icom Systems Limited, leaving £967,253 to be transferred to reserves.

Cumulative accrued dividends on the 8% cumulative redeemable preference shares amounted to £260,000 (1996 : £220,000), these have been waived by the shareholder.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company is pleased to report revenue growth of 30% and operating profit growth of 116%.

Icom Solutions is focused on the Insurance and Financial Services sectors which provided approximately 60% of the revenue in 1997. Services are based around Business Consultancy, Workgroup and Managed Resourcing Solutions. The company's strong combination of Business Consultancy and skills in leading edge technologies results in a service that offers resource effective solutions that deliver true business benefit to clients with over 20 years' experience in the IT industry.

Icom Solutions is a UK leader in the supply of workflow, imaging, messaging and intranet solutions. Managed Resourcing Solutions offers innovative resourcing through Graduate Services, Managed Agency and the more traditional Application Management of legacy and client server applications. The Business Consultancy Group spans both areas of the business ensuring the client's business and commercial objectives are understood and satisfied through delivery of tangible business benefit.

Application Management, Workgroup and Business Consultancy have all seen rapid growth in excess of 30%. Future growth of the same nature is expected for the foreseeable future. The company is particularly pleased with its improved profit on sales performance due, in the main, to significantly improved staff utilisation and a volume growth assimilated into an existing overhead structure.

The company is a strong believer in the recruitment and development of quality staff. In 1997 the company actively recruited new IT graduates, returners into the industry and those requiring retraining in new skills. This is to meet the needs of a growing company within an industry characterised by skills shortages. The company actively encourages staff to continue their development in both soft skills and technical areas during their career. Staff numbers at the end of 1997 were approximately 300.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Mrs IN Brown
RJ Davies

The directors hold no interest in the shares of the company at 31 December 1997. All directors of the company are also directors of the ultimate holding company, Icom Systems Limited. The directors interests are disclosed in the accounts of that company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year insurance was maintained for directors and officers of the company against certain liabilities which they might incur personally.

FIXED ASSETS

Changes in tangible fixed assets are as set out in note 8 to the financial statements.

DIRECTORS' REPORT

EMPLOYEES

An open style of communication operates throughout the company. Staff communication occurs through a formal Team Brief mechanism and structured company-wide meetings geared to providing staff with a good understanding of the strategy and performance of the company.

Staff are encouraged to contribute their ideas and views on the operation and direction of the company both informally and through topic based workshops.

During the year the Investor in People award was renewed.

EQUAL OPPORTUNITIES

The company is committed to a policy of equal opportunity regardless of age, sex, sexual orientation, disability, marital status, race, colour or ethnic or national origin.

Procedures and criteria in respect of recruitment, promotion, transfer and training are based on this policy of equal opportunity, and judgements as to suitability are made on the basis of the relevant merits and abilities of the individual.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



C G Powell
Secretary

27 April 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

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 of the profit or loss of the company for that year. In preparing those 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; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of Icom Solutions Limited

We have audited the accounts on pages 6 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

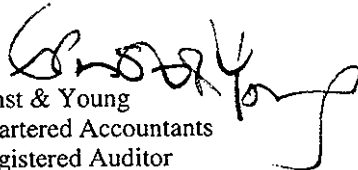
Basis of opinion

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 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 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 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 as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Birmingham

27 April 1998

Icom Solutions Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Notes	1997 £	1996 £
TURNOVER	2	18,927,890	14,555,364
Cost of sales		(13,378,247)	(10,731,555)
GROSS PROFIT		<u>5,549,643</u>	<u>3,823,809</u>
Distribution costs		(1,628,489)	(1,311,891)
Administrative expenses		(1,986,674)	(1,617,090)
OPERATING PROFIT	3	<u>1,934,480</u>	<u>894,828</u>
Interest receivable		31,069	38,640
Interest payable	5	(63,184)	(45,837)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,902,365</u>	<u>887,631</u>
Taxation on profit on ordinary activities	6	(611,000)	(296,969)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	<u>1,291,365</u>	<u>590,662</u>
Dividends	7	(324,112)	(274,508)
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u><u>967,253</u></u>	<u><u>316,154</u></u>

There were no unrecognised gains or losses during the year (1996 - £Nil).

Icom Solutions Limited

BALANCE SHEET at 31 December 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	8	1,553,458	1,361,336
CURRENT ASSETS			
Debtors	9	6,366,198	4,590,753
Cash at bank and in hand		1,701,122	642,740
		<u>8,067,320</u>	<u>5,233,493</u>
CREDITORS : amounts falling due within one year	10	4,740,637	2,861,171
NET CURRENT ASSETS		<u>3,326,683</u>	<u>2,372,322</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,880,141</u>	<u>3,733,658</u>
CREDITORS: amounts falling due after more than one year	11	724,936	544,720
PROVISIONS FOR LIABILITIES AND CHARGES	13	-	986
		<u>4,155,205</u>	<u>3,187,952</u>
CAPITAL AND RESERVES			
Called up share capital	14	2,500,000	2,500,000
Profit and loss account	15	1,655,205	687,952
	16	<u>4,155,205</u>	<u>3,187,952</u>



I N Brown Director

27 April 1998

NOTES TO THE ACCOUNTS

at 31 December 1997

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets by equal instalments over their estimated useful lives as follows:

Motor vehicles	-	4 years
Computer equipment and fixtures and fittings	-	3 - 10 years

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will become payable in the foreseeable future, calculated at the rate at which it is expected to reverse.

Research and development

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

Foreign currencies

Assets and liabilities denominated in foreign currencies have been translated into sterling at the rate of exchange ruling at the year end. Differences arising on trading transactions in the year are reflected in profit before taxation.

Pensions

Contributions to a defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' average remaining service lives with the company.

Leasing

Assets acquired under hire purchase and finance lease contracts are recorded in the balance sheet as fixed assets at their equivalent capital value and are depreciated over the useful life of the asset. The corresponding liability is recorded as a creditor and the interest element of the amount paid is charged against profits. Payments under operating leases are charged to the profit and loss account as they arise.

2. TURNOVER

Turnover represents amounts invoiced by the company in respect of computer services, excluding value added tax. An analysis of turnover by geographical area is given below:

	1997 £	1996 £
United Kingdom	17,930,585	13,334,433
Rest of Europe	784,241	940,809
North America	168,980	216,897
Australasia	29,680	31,810
Africa	4,184	4,090
Far East	7,532	15,325
Middle East	2,688	12,000
	<u>18,927,890</u>	<u>14,555,364</u>

Icom Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

3. OPERATING PROFIT

(a) Directors remuneration

	1997	1996
	£	£
Salaries and other benefits	193,690	162,317
Pension contributions	19,420	16,542
	<u>213,110</u>	<u>178,859</u>

Excluding pension contributions, the emoluments of the highest paid director amounted to £104,179 (1996: £88,363), and accrued pension at 31 December 1997 amounted to £33,900. Two directors were members of the defined benefit scheme.

(b) This is stated after charging/(crediting):

	1997	1996
	£	£
Profit on disposal of fixed assets	(82,191)	(44,273)
Depreciation of tangible fixed assets		
- leased	338,071	301,721
- owned	372,921	372,268
Auditors' remuneration and expenses		
- audit	12,500	12,500
- non audit services	12,375	2,500
Hire of plant and equipment	70,259	129,853
Research and development	-	180,680
Release of reorganisation provision	(986)	(465)
Operating lease rentals - land and buildings	431,358	484,645
	<u></u>	<u></u>

4. STAFF COSTS

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

	<i>Number of employees</i>	
	1997	1996
Distribution	29	27
Administration	26	23
Production	193	149
	<u>248</u>	<u>199</u>

The aggregate payroll costs of these persons were as follows:

Salaries	6,975,491	5,050,124
Social security costs	593,217	448,714
Other pension costs	566,888	478,092
	<u>8,135,596</u>	<u>5,976,930</u>

Icom Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

5. INTEREST PAYABLE

	1997	1996
	£	£
Bank loans and overdrafts	887	907
Finance charges payable under finance leases and hire purchase contracts	62,297	44,930
	<u>63,184</u>	<u>45,837</u>

6. TAXATION

	1997	1996
	£	£
Based on the profit for the year:		
UK corporation tax at 31.5% (1996 : 33%)	611,000	296,000
Prior year under provision	-	969
	<u>611,000</u>	<u>296,969</u>

The unprovided deferred tax asset is analysed as follows:

	1997	1996
	£	£
Accelerated capital allowances	102,000	115,000
Other timing differences	11,000	-
	<u>113,000</u>	<u>115,000</u>

7. DIVIDENDS

	1997	1996
	£	£
Ordinary shares	<u>324,112</u>	<u>274,508</u>

Accrued dividends on the 8% cumulative redeemable preference shares of £1 each amounting to £260,000 (1996 : £220,000) have been waived by the shareholder.

Icom Solutions Limited

NOTES TO THE ACCOUNTS at 31 December 1997

8. TANGIBLE FIXED ASSETS

	Motor vehicles £	Computer equipment and fixtures and fittings £	Total £
Cost:			
At 31 December 1996	1,821,360	3,585,012	5,406,372
Additions	633,405	287,645	921,050
Disposals	(336,812)	(40,883)	(377,695)
At 31 December 1997	2,117,953	3,831,774	5,949,727
Depreciation:			
At 31 December 1996	1,129,086	2,915,950	4,045,036
Charge for year	333,654	377,338	710,992
Disposals	(319,934)	(39,825)	(359,759)
At 31 December 1997	1,142,806	3,253,463	4,396,269
Net book value			
At 31 December 1997	975,147	578,311	1,553,458
At 31 December 1996	692,274	669,062	1,361,336

Included within motor vehicles are £947,299 (1996 - £680,906) at net book value of assets held under finance leases. These are included at a cost of £1,934,535 and an accumulated depreciation charge of £987,236.

9. DEBTORS

	1997 £	1996 £
Trade debtors	4,151,051	2,770,532
Amounts owed by parent undertaking	2,043,551	1,625,035
Other debtors	72,807	86,918
Prepayments and accrued income	64,249	96,875
ACT recoverable	34,540	11,393
	6,366,198	4,590,753

Icom Solutions Limited

NOTES TO THE ACCOUNTS at 31 December 1997

10. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Obligations under finance leases (note 12)	371,577	251,637
Trade creditors	1,478,929	1,058,877
Current corporation tax	572,326	257,841
Other taxes and social security costs	695,729	388,832
Other creditors	311,818	60,224
Accruals and deferred income	1,253,088	798,932
ACT payable	57,171	44,828
	<u>4,740,638</u>	<u>2,861,171</u>

11. CREDITORS: amounts falling due after more than one year

	1997 £	1996 £
Obligations under finance leases (note 12)	<u>724,936</u>	<u>544,720</u>

12. OBLIGATIONS UNDER FINANCE LEASES

	1997 £	1996 £
Amounts payable:		
within one year	453,517	290,169
within two and five years	857,061	628,130
	<u>1,310,578</u>	<u>918,299</u>
Less: finance charges allocated to future years	(214,065)	(121,942)
	<u>1,096,513</u>	<u>796,357</u>
	1997 £	1996 £

Finance leases are analysed as follows:

Current obligations	371,577	251,637
Non-current obligations	724,936	544,720
	<u>1,096,513</u>	<u>796,357</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	1997 £	1996 £
Rationalisation provision:		
Brought forward	986	6,750
Profit and loss account (credit)	-	(465)
Utilised during the year	(986)	(5,299)
At 31 December 1997	<u>-</u>	<u>986</u>

Icom Solutions Limited

NOTES TO THE ACCOUNTS at 31 December 1997

14. SHARE CAPITAL

	31 December 1997 and 31 December 1996			
	31 December 1997		31 December 1996	
	No.	Authorised £	No.	Allotted, called up and fully paid £
Equity:				
Ordinary shares of £1 each	2,000,000	2,000,000	2,000,000	2,000,000
Non-equity:				
8% Cumulative Redeemable Preference shares of £1 each	500,000	500,000	500,000	500,000
	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>

15. RESERVES

	1997 £	1996 £
Brought forward	687,952	371,798
Retained profit for the year	1,291,365	590,662
Dividends	(324,112)	(274,508)
At 31 December 1997	<u>1,655,205</u>	<u>687,952</u>

16. SHAREHOLDERS' FUNDS

	1997 £	1996 £
Analysis of shareholders' funds:		
Equity shareholders' funds	3,655,205	2,687,952
Non-equity shareholders' funds	500,000	500,000
	<u>4,155,205</u>	<u>3,187,952</u>
Reconciliation of movement in shareholders' funds		
	1997 £	1996 £
Brought forward	3,187,952	2,871,798
Profit after tax	1,291,365	590,662
Dividend	(324,112)	(274,508)
At 31 December 1997	<u>4,155,205</u>	<u>3,187,952</u>

NOTES TO THE ACCOUNTS
at 31 December 1997

17. CAPITAL COMMITMENTS

Capital commitments at 31 December 1997, for which no provision has been made in these financial statements, were as follows:

	1997 £	1996 £
Contracted	129,174	122,119

18. PENSION COMMITMENTS

The company operates a defined benefit pension scheme for its employees. Assets are held separately from the company in an independently administered fund. Scheme members transferred from the IMI pension fund, operated by the previous parent undertaking, on 1 April 1996. The transfer value from the IMI pension fund was equal to the liabilities accrued up to the date of transfer of the scheme.

The next actuarial valuation of the scheme will be performed on 1 April 1999. Contributions are currently being paid at rate of 13.3% calculated in line with advice obtained from a qualified actuary based on the following assumptions at the date of transfer:

Rate of Return of investments:	9.0%
Market value of scheme assets:	£4,208,600
Rate of growth in pensionable salaries:	6.5%

19. DISCLOSABLE CONTRACTS

There were no disclosable contracts or arrangements between the company and any of its directors, nor were any of the directors materially interested in any contract or arrangement subsisting during or at the end of the year.

20. CONTINGENT LIABILITY

The company has issued a cross guarantee in respect of the bank overdraft and borrowings of Icom Systems Limited.

21. LEASING COMMITMENTS

Annual commitments in respect of lease contracts are as follows:

	<i>Land and buildings</i>	
	1997 £	1996 £
Operating leases which expire:		
Between two and five years	454,120	449,637
After five years	-	-
	454,120	449,637

Icom Solutions Limited

NOTES TO THE ACCOUNTS at 31 December 1997

22. ULTIMATE PARENT COMPANY

The company is 100% owned by its ultimate parent undertaking, Icom Systems Limited, registered in England and Wales. A copy of the group financial statements of the ultimate parent undertaking is available from:

The Secretary
Icom Solutions Limited
Lion House
PO Box 1240
Witton
Birmingham
B6 7UH

The company has taken advantage of the exemption within FRS 8 not to disclose transactions with other group companies.