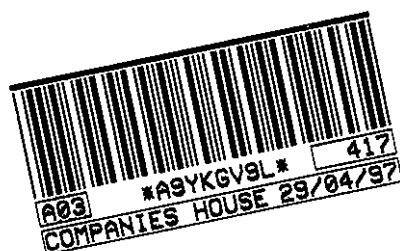


Icom Solutions Limited

Report and Accounts

31 December 1996

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 period ended 31 December 1996.

RESULTS AND DIVIDENDS

The company's profit on ordinary activities for the period ended 31 December 1996 after taxation amounted to £590,662 (period ended 5 January 1996 : £450,410). The directors have declared a total dividend of £274,508 to be paid to its parent company Icom Systems Limited, leaving £316,154 to be transferred to reserves.

Cumulative accrued dividends on the 8% cumulative redeemable preference shares amounted to £220,000 (period ended 5 January 1996 : £180,000), these have been waived by the shareholder.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company, formed as a result of a Management Buyout of IMI Computing in January 1996, has had a very successful first post buyout year. Although modest revenue growth is reported operating profit has seen a substantial improvement.

The company supplies the insurance and finance sectors with a range of services based upon workflow, office automation and managed resourcing solutions. The company's strong combination of business consultancy and skills in leading technologies results in a service that offers resource effective business solutions that deliver true competitive advantage to clients.

A leader in the supply of workflow, imaging, document management and office systems, the company offers managed services with its innovative graduate service, specialist skills and application management for legacy systems and client server applications. Icom Solutions has over twenty year's experience in the IT industry.

The company is a strong believer in the recruitment and development of quality staff. The company was successful in its full reassessment for ISO 9001 TickIT in 1996.

RESEARCH AND DEVELOPMENT

The company continued to make substantial investments in the development of its range of office products and workflow components which speed up the application delivery of this technology to meet specific customer needs. Income was received in the year from these developments and as a result of previous years' Research and Development activity.

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 1996. 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.

The company is a holder of Investor in People status.

EQUAL OPPORTUNITIES

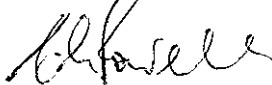
The company is committed to a policy of equal opportunity regardless of age, sex, sexual orientation, disability, marital status, race, colour or ethnic or national origin.

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

22 April 1997

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 period. 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.

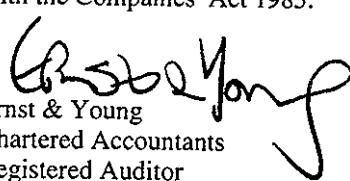
Basis of opinion

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 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Chartered Accountants
Registered Auditor
Birmingham

22 April 1997

Icom Solutions Limited

PROFIT AND LOSS ACCOUNT for the period ended 31 December 1996

	Notes	31 December 1996 £	5 January 1996 £
TURNOVER	2	14,555,364	14,065,063
Cost of sales		(10,731,555)	(10,430,653)
GROSS PROFIT		3,823,809	3,634,410
Distribution costs		(1,311,891)	(1,463,941)
Administrative expenses		(1,617,090)	(1,539,986)
OPERATING PROFIT	3	894,828	630,483
Interest receivable		38,640	44,769
INTEREST PAYABLE	5	(45,837)	(842)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		887,631	674,410
Taxation on profit on ordinary activities	6	(296,969)	(224,000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	590,662	450,410
Dividends	7	(274,508)	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		316,154	450,410

There were no unrecognised gains or losses during the year (5 January 1996 - £Nil).

Icom Solutions Limited

BALANCE SHEET at 31 December 1996

	Notes	31 December 1996 £	5 January 1996 £
FIXED ASSETS			
Tangible assets	8	1,361,336	1,332,143
CURRENT ASSETS			
Debtors	9	4,590,753	4,009,410
Cash at bank and in hand		642,740	889,219
		<u>5,233,493</u>	<u>4,898,629</u>
CREDITORS : amounts falling due within one year	10	2,861,171	2,946,948
NET CURRENT ASSETS		<u>2,372,322</u>	<u>1,951,681</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,733,658</u>	<u>3,283,824</u>
CREDITORS: amounts falling due after more than one year	11	544,720	405,276
PROVISIONS FOR LIABILITIES AND CHARGES	13	986	6,750
		<u>3,187,952</u>	<u>2,871,798</u>
CAPITAL AND RESERVES			
Called up share capital	14	2,500,000	2,500,000
Profit and loss account	15	687,952	371,798
	16	<u>3,187,952</u>	<u>2,871,798</u>

I. Brown.

I N Brown Director

22 April 1997

NOTES TO THE ACCOUNTS

at 31 December 1996

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:

	31 December 1996 £	5 January 1996 £
United Kingdom	13,334,433	12,748,709
Rest of Europe	940,809	869,163
North America	216,897	307,582
Australasia	31,810	116,019
Africa	4,090	15,050
Far East	15,325	8,540
Middle East	12,000	-
	<u>14,555,364</u>	<u>14,065,063</u>

Icom Solutions Limited

NOTES TO THE ACCOUNTS at 31 December 1996

3. OPERATING PROFIT

(a) Directors remuneration

	31 December 1996 £	5 January 1996 £
Salaries and other benefits	162,317	171,409
Pension contributions	16,542	7,887
	<u>178,859</u>	<u>179,296</u>

Excluding pension contributions, the emoluments of the highest paid director amounted to £88,363 (1995: £93,649).

The emoluments of the directors who served during the year, excluding pension contributions, were within the following ranges:

	31 December 1996 No.	5 January 1996 No.
£nil - £5,000	-	1
£70,001 - £75,000	1	-
£75,001 - £80,000	-	1
£85,001 - £90,000	1	-
£90,001 - £95,000	-	1

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

	31 December 1996 £	5 January 1996 £
(Profit)/loss on disposal of fixed assets	(44,273)	(25,500)
Depreciation of tangible fixed assets	301,721	-
- leased	372,268	683,151
- owned	12,500	10,000
Auditors' remuneration and expenses	2,500	2,500
- audit	129,853	261,492
- non audit services	180,680	140,284
Hire of plant and equipment	(465)	(31,919)
Research and development	484,645	469,000
Release of reorganisation provision		
Operating lease rentals - land and buildings		

NOTES TO THE ACCOUNTS

at 31 December 1996

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>	
	<i>31 December</i>	<i>5 January</i>
	<i>1996</i>	<i>1996</i>
Administration	18	15
Production	181	170
	<u>199</u>	<u>185</u>
The aggregate payroll costs of these persons were as follows:		
Salaries	5,050,124	4,597,991
Social security costs	448,714	427,524
Other pension costs	478,092	433,193
	<u>5,976,930</u>	<u>5,458,708</u>

5. INTEREST PAYABLE

	<i>31 December</i>	<i>5 January</i>
	<i>1996</i>	<i>1996</i>
	<i>£</i>	<i>£</i>
Bank loans and overdrafts	907	842
Finance charges payable under finance leases and hire purchase contracts	44,930	-
	<u>45,837</u>	<u>842</u>

6. TAXATION

	<i>31 December</i>	<i>5 January</i>
	<i>1996</i>	<i>1996</i>
	<i>£</i>	<i>£</i>
Based on the profit for the year:		
UK corporation tax at 33% (1995 : 33%)	296,000	224,000
Prior year under provision	969	-
	<u>296,969</u>	<u>224,000</u>

The unprovided deferred tax asset is analysed as follows:

	<i>31 December</i>	<i>5 January</i>
	<i>1996</i>	<i>1996</i>
	<i>£</i>	<i>£</i>
Accelerated capital allowances	115,000	108,000
Other timing differences	-	2,000
	<u>115,000</u>	<u>110,000</u>

Icom Solutions Limited

NOTES TO THE ACCOUNTS at 31 December 1996

7. DIVIDENDS

	<i>31 December 1996</i>	<i>5 January 1996</i>
	£	£
Ordinary shares	274,508	-
8% cumulative preference dividend	-	-
	<u>274,508</u>	<u>-</u>

Accrued dividends on the 8% cumulative redeemable preference shares of £1 each amounting to £220,000 at 5 January 1996 (1994 : £180,000) have been waived by the shareholder.

8. TANGIBLE FIXED ASSETS

	<i>Motor vehicles</i>	<i>Computer equipment and fixtures and fittings</i>	<i>Total</i>
	£	£	£
Cost:			
At 6 January 1996	1,679,370	3,252,637	4,932,007
Additions	373,635	336,997	710,632
Disposals	(231,645)	(4,622)	(236,267)
At 31 December 1996	<u>1,821,360</u>	<u>3,585,012</u>	<u>5,406,372</u>
Depreciation:			
At 6 January 1996	1,019,151	2,580,713	3,599,864
Charge for year	334,130	339,859	673,989
Disposals	(224,195)	(4,622)	(228,817)
At 31 December 1996	<u>1,129,086</u>	<u>2,915,950</u>	<u>4,045,036</u>
Net book value			
At 31 December 1996	<u>692,274</u>	<u>669,062</u>	<u>1,361,336</u>
At 6 January 1996	<u>660,219</u>	<u>671,924</u>	<u>1,332,143</u>

Included within motor vehicles are £680,906 (5 January 1996 - £613,907) at net book value of assets held under finance leases.

Icom Solutions Limited

NOTES TO THE ACCOUNTS at 31 December 1996

9. DEBTORS

	<i>31 December</i> <i>1996</i> £	<i>5 January</i> <i>1996</i> £
Trade debtors	2,770,532	2,156,882
Amounts owed by parent undertaking	1,625,035	1,557,439
Other debtors	86,918	67,115
Prepayments and accrued income	96,875	227,974
ACT recoverable	11,393	-
	<u>4,590,753</u>	<u>4,009,410</u>

10. CREDITORS: amounts falling due within one year

	<i>31 December</i> <i>1996</i> £	<i>5 January</i> <i>1996</i> £
Trade creditors	1,058,877	1,019,748
Other creditors	420,981	522,218
Accruals and deferred income	827,007	869,112
Current corporation tax	257,841	258,804
Obligations under finance leases (note 12)	251,637	277,066
ACT payable	44,828	-
	<u>2,861,171</u>	<u>2,946,948</u>

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

	<i>31 December</i> <i>1996</i> £	<i>5 January</i> <i>1996</i> £
Obligations under finance leases (note 12)	<u>544,720</u>	<u>405,276</u>

Icom Solutions Limited

NOTES TO THE ACCOUNTS at 31 December 1996

12. OBLIGATIONS UNDER FINANCE LEASES

	<i>31 December 1996 £</i>	<i>5 January 1996 £</i>
Amounts payable:		
within one year	290,169	312,062
within two and five years	628,130	455,363
	<u>918,299</u>	<u>767,425</u>
Less: finance charges allocated to future periods	(121,942)	(85,083)
	<u>796,357</u>	<u>682,342</u>
	<i>31 December 1996 £</i>	<i>5 January 1996 £</i>
Finance leases are analysed as follows:		
Current obligations	251,637	277,066
Non-current obligations	544,720	405,276
	<u>796,357</u>	<u>682,342</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>31 December 1996 £</i>	<i>5 January 1996 £</i>
Rationalisation provision:		
At 5 January 1996	6,750	51,769
Profit and loss account (credit)	(465)	(31,919)
Utilised during the year	(5,299)	(13,100)
At 31 December 1996	<u>986</u>	<u>6,750</u>

14. SHARE CAPITAL

<i>31 December 1996 and 5 January 1996</i>				
<i>Allotted, called up and fully paid</i>				
	<i>No.</i>	<i>Authorised £</i>	<i>No.</i>	<i>£</i>
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>

Icom Solutions Limited

NOTES TO THE ACCOUNTS at 31 December 1996

15 RESERVES

	<i>31 December 1996</i>	<i>5 January 1996</i>
	£	£
At 6 January 1996	371,798	(78,612)
Retained profit for the year	590,662	450,410
Dividends	(274,508)	-
At 31 December 1996	<u>687,952</u>	<u>371,798</u>

16. SHAREHOLDERS' FUNDS

	<i>31 December 1996</i>	<i>5 January 1996</i>
	£	£
Analysis of shareholders' funds:		
Equity shareholders' funds	2,687,952	2,371,798
Non-equity shareholders' funds	500,000	500,000
	<u>3,187,952</u>	<u>2,871,798</u>
Reconciliation of movement in shareholders' funds		
	<i>31 December 1996</i>	<i>5 January 1996</i>
	£	£
At 6 January 1996	2,871,798	2,421,388
Retained for the financial year	590,662	450,410
Dividend	(274,508)	-
At 31 December 1996	<u>3,187,952</u>	<u>2,871,798</u>

17. CAPITAL COMMITMENTS

Capital commitments at 31 December 1996, for which no provision has been made in these financial statements, were as follows:

	<i>31 December 1996</i>	<i>5 January 1996</i>
	£	£
Contracted	<u>122,119</u>	<u>17,308</u>

NOTES TO THE ACCOUNTS
at 31 December 1996

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>	
	<i>31 December</i>	<i>5 January</i>
	<i>1996</i>	<i>1996</i>
	£	£
Operating leases which expire:		
Between two and five years	389,440	240,000
After five years	60,197	152,820
	<hr/>	<hr/>
	449,637	392,820
	<hr/>	<hr/>

22. ULTIMATE PARENT COMPANY

The company is 100% owned by its ultimate parent undertaking, Icom Systems Limited, registered in England and incorporated in Great Britain. 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