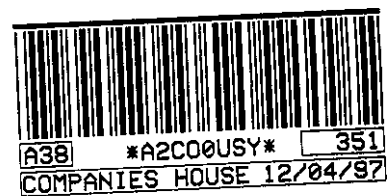


REGISTER

1655859

PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996



PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

REGISTERED NUMBER: 1655859

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PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITY

The principal activity of the company is the development and marketing of new innovations in process automation systems.

REVIEW OF BUSINESS

Management control procedure changes have resulted in improved cost control and margin improvements. This together with an almost 20% turnover increase has produced a profitable outcome which in conjunction with efforts to reduce long term liabilities and further significant shareholder investment has led to considerable strengthening of the Balance Sheet.

The Company has experienced considerable success in attracting Framework Agreements for its products in the Public Utility sector, particularly in electricity distribution.

New Product launches in 1996 have proved successful with excellent take up. Further new ranges will be introduced in 1997 to give improved cover of Markets within core skills.

Orders already received in 1997 will ensure planned growth of over 40% above 1996 turnover and Company expansion plans have been initiated to handle the business increase.

Following a successful outcome in 1996, the Company is well placed to take full advantage of improved market conditions and enhanced production capacity to increase market share.

RESULTS AND DIVIDENDS

The results for the company for the year ended 31 December 1996 are set out in the financial statements on pages 5 to 15.

The directors do not propose any dividend.

PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS

The directors during the year were:-

M Brookes
B D Neve
L Hawrylyshyn
G G Wood (appointed 13 September 1996)

DIRECTORS' INTERESTS

Directors' beneficial interests in the share capital of the company at the beginning and end of the year were as follows:-

| | 31.12.96 Ordinary Shares of 5p each | 31.12.95 or date of appointment if later Ordinary Shares of 5p each |
|---------------|---|---|
| M Brookes | 272,104 | 142,200 |
| B D Neve | 1,206,775 | 194,078 |
| L Hawrylyshyn | - | - |
| G G Wood | - | - |

STATEMENT OF 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;
- follow applicable accounting standards, 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

The auditors, Lyon Pilcher, are deemed to be reappointed in accordance with Section 386 Companies Act 1985.

BY ORDER OF THE BOARD

N S Short
Secretary



Southampton

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED**

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 7 and 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, 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 company's affairs at 31 December 1996 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



LYON PILCHER
REGISTERED AUDITORS

Southampton

1 April 1997

PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

| | <u>Notes</u> | <u>1996</u> £ | <u>1995</u> £ |
|--|--------------|------------------|-------------------|
| TURNOVER | 3 | 1,352,572 | 1,134,896 |
| Cost of sales (including exceptional item) | 4 | <u>(754,778)</u> | <u>(674,015)</u> |
| GROSS PROFIT | | 597,794 | 460,881 |
| Operating expenses (including exceptional item) | 5 | <u>(538,973)</u> | <u>(556,231)</u> |
| OPERATING PROFIT/(LOSS) | | 58,821 | (95,350) |
| Interest payable and similar charges | 8 | <u>(20,757)</u> | <u>(31,607)</u> |
| PROFIT/(LOSS) on ordinary activities before taxation | 9 | 38,064 | (126,957) |
| Taxation | 10 | <u>-</u> | <u>-</u> |
| RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR | 19 | <u>£38,064</u> | <u>£(126,957)</u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | <u>1996</u> £ | <u>1995</u> £ |
|--------------------------------------|------------------|-------------------|
| Profit/(Loss) for the financial year | 38,064 | (126,957) |
| Prior year adjustment - see note 2 | <u>-</u> | <u>(30,678)</u> |
| Total recognised profit/(loss) | <u>£38,064</u> | <u>£(157,635)</u> |

The company's turnover and expenses all relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

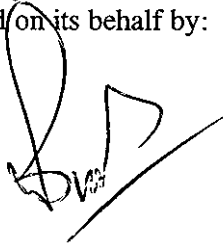
PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

| | <u>Notes</u> | <u>1996</u> £ | <u>1995</u> £ |
|---|--------------|------------------|------------------|
| FIXED ASSETS | | | |
| Tangible assets | 11 | 58,546 | 65,696 |
| Investments | 12 | - | - |
| | | <u>58,546</u> | <u>65,696</u> |
| CURRENT ASSETS | | | |
| Stocks | 13 | 219,341 | 114,957 |
| Debtors | 14 | 371,959 | 373,596 |
| | | <u>591,300</u> | <u>488,553</u> |
| CREDITORS: Amounts falling due within one year | 15 | <u>(375,057)</u> | <u>(448,668)</u> |
| NET CURRENT ASSETS | | <u>216,243</u> | <u>39,885</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 274,789 | 105,581 |
| | | | |
| CREDITORS: Amounts falling due after more than one year | 16 | <u>(47,838)</u> | <u>(81,694)</u> |
| NET ASSETS | | <u>£226,951</u> | <u>£23,887</u> |
| | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 461,644 | 296,644 |
| Share premium account | 19 | 2,961,662 | 2,961,662 |
| Profit and loss account | 19 | (3,505,426) | (3,543,490) |
| Capital redemption reserve | 19 | <u>309,071</u> | <u>309,071</u> |
| SHAREHOLDERS' FUNDS | 20 | <u>£226,951</u> | <u>£23,887</u> |

The financial statements on pages 5 to 15
were approved by the Board of Directors on 13 MARCH 1997
and were signed on its behalf by:

M Brookes
Director



PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

1) PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention. The company and its subsidiary comprise a small group. The company has taken advantage of the exemption provided by Section 248 Companies Act 1985 not to prepare group financial statements. The financial statements therefore present information about the company as an individual undertaking and not about its group.

Research and Development

All research and development expenditure is written off as it is incurred.

Tangible Fixed Assets

All fixed assets are stated at cost. Depreciation is calculated so as to write off the cost of tangible fixed assets, on a straight line basis, over their expected useful economic lives, at the following annual rates:-

| | |
|----------------------------------|------|
| Furniture, fixtures and fittings | 20% |
| Equipment and computers | 33⅓% |
| Motor vehicles | 25% |

Finance and Operating Leases

Tangible fixed assets operated under the terms of finance leases have been capitalised at a value equal to the cost incurred by the lessor in acquiring the relevant assets and depreciated in the same manner as owned assets. Leases are regarded as finance leases where their terms transfer to the lessee substantially all the benefits and burdens of ownership other than a right to title. Operating lease payments are written off to the profit and loss account as incurred.

Government Grants

Government revenue grants are credited to the profit and loss account in the same period in which the revenue expenditure to which they relate is charged.

Stocks and Work in Progress

Stocks purchased for resale and consumable stores are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks. The cost of work in progress is calculated as material and direct labour costs together with an appropriate proportion of production overheads.

Turnover

Turnover represents the net amount invoiced to customers, excluding value added tax. Retentions are recognised when invoiced.

PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1) PRINCIPAL ACCOUNTING POLICIES (continued)

Pension Costs

Pensions are provided for employees by means of separate personal pension funds to which contributions are made. Company contributions are charged against the profits of the accounting period in which they fall due for payment.

Deferred Taxation

Deferred taxation is provided at the anticipated tax rate on differences arising from the inclusion of income and expenditure in taxation computations in periods different from that in which they are included in the financial statements, to the extent that it is probable that a liability will crystallise.

Cashflow Statement

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985. It has therefore, taken advantage of the exemption from the requirement to publish a cashflow statement.

Investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

2) PRIOR YEAR ADJUSTMENT

During 1995 a fundamental accounting error was discovered relating to the results for the year ended 31 December 1994. A sales invoice raised in 1994 should have been included within accruals and deferred income and excluded from turnover. The results for 1994 were therefore restated by reducing turnover and increasing accruals and deferred income by £30,678.

3) TURNOVER

Turnover consists of sales made in the following geographical areas:-

By destination:

| | <u>1996</u> | <u>1995</u> |
|----------------|-------------------|-------------------|
| | £ | £ |
| United Kingdom | 1,292,986 | 1,087,517 |
| Rest of Europe | 59,586 | 47,379 |
| | <u>£1,352,572</u> | <u>£1,134,896</u> |

4) COST OF SALES

| | £ | £ |
|-------------------------------------|-----------------|-----------------|
| Materials and labour | 754,778 | 654,015 |
| Exceptional item - stock write down | - | 20,000 |
| | <u>£754,778</u> | <u>£674,015</u> |

PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5) OPERATING EXPENSES

| | <u>1996</u> £ | <u>1995</u> £ |
|---|------------------|------------------|
| Distribution costs | 277,597 | 297,968 |
| Administrative expenses | 261,376 | 228,270 |
| Exceptional items - bad debts written off | - | 29,993 |
| | <u>£538,973</u> | <u>£556,231</u> |

6) EMPLOYEE INFORMATION

The average weekly number of persons (including executive directors) employed by the company during the year was:-

| | <u>1996</u> Number | <u>1995</u> Number |
|-------------------------------------|-----------------------|-----------------------|
| Marketing | 3 | 3 |
| Management | 2 | 3 |
| Technical | 10 | 8 |
| Administration | <u>2</u> | <u>1</u> |
| | £ | £ |
| Staff costs (for the above persons) | | |
| Wages and salaries | 356,489 | 356,486 |
| Social security costs | 36,153 | 31,781 |
| Other pension costs (see note 17) | <u>30,341</u> | <u>21,309</u> |
| | <u>£422,983</u> | <u>£409,576</u> |

7) DIRECTORS' REMUNERATION

| | £ | £ |
|--|----------------|----------------|
| Management services | 33,359 | 42,449 |
| Pension contributions | <u>10,236</u> | <u>3,600</u> |
| Total emoluments | <u>£43,595</u> | <u>£46,049</u> |
| Emoluments (excluding pension contributions) of: | | |
| Chairman | <u>£Nil</u> | <u>£Nil</u> |
| Highest paid director | <u>£33,359</u> | <u>£42,449</u> |

The two other directors received no remuneration (1995: nil) except as detailed in notes 22 and 23.

PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8) INTEREST PAYABLE AND SIMILAR CHARGES

| | <u>1996</u> | <u>1995</u> |
|----------------|----------------|----------------|
| | £ | £ |
| Bank Loans | 16,656 | 24,378 |
| Finance leases | 2,275 | 4,595 |
| Other | 1,826 | 2,634 |
| | <u>£20,757</u> | <u>£31,607</u> |

9) PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

| | £ | £ |
|--|--------------|---------------|
| The profit/(loss) on ordinary activities before taxation is stated after charging: | | |
| Research and development | 48,502 | 65,792 |
| Depreciation: | | |
| Tangible owned fixed assets | 7,767 | 7,858 |
| Tangible fixed assets under finance leases | 17,105 | 16,014 |
| Loss on disposal of fixed assets | - | 2,567 |
| Auditors' remuneration | 5,000 | 5,000 |
| Hire of plant and machinery - operating leases | 5,735 | 5,214 |
| Hire of other assets - operating leases | <u>8,194</u> | <u>12,576</u> |

10) TAXATION

No corporation tax liability arises in respect of the company's results for the year. There are losses available for relief against future trading profits of approximately £2.9 m (1995: £3.0 m), subject to agreement with the Inland Revenue.

PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11) TANGIBLE FIXED ASSETS

| | <u>Motor Vehicles</u> £ | <u>Furniture, Fixtures & Fittings</u> £ | <u>Computers & Equipment</u> £ | <u>Total</u> £ |
|-----------------------|--------------------------------|--|---|-------------------|
| COST | | | | |
| At 1 January 1996 | 73,630 | 8,571 | 98,123 | 180,324 |
| Additions | - | 530 | 17,192 | 17,722 |
| At 31 December 1996 | <u>73,630</u> | <u>9,101</u> | <u>115,315</u> | <u>198,046</u> |
| DEPRECIATION | | | | |
| At 1 January 1996 | 19,085 | 7,703 | 87,840 | 114,628 |
| Charge for year | <u>17,105</u> | <u>437</u> | <u>7,330</u> | <u>24,872</u> |
| At 31 December 1996 | <u>36,190</u> | <u>8,140</u> | <u>95,170</u> | <u>139,500</u> |
| NET BOOK VALUE | | | | |
| At 31 December 1996 | <u>£37,440</u> | <u>£961</u> | <u>£20,145</u> | <u>£58,546</u> |
| At 31 December 1995 | <u>£54,545</u> | <u>£868</u> | <u>£10,283</u> | <u>£65,696</u> |

All motor vehicles are held under lease purchase contracts.

12) FIXED ASSET INVESTMENTS

| | <u>Interests in Group Undertakings</u> £- |
|--|--|
| NET BOOK VALUE | |
| At 31 December 1996 and 31 December 1995 | <u>£-</u> |

The company owns 100% of the ordinary share capital of PACS Limited, a dormant company, which has never traded.

13) STOCKS

| | <u>1996</u> £ | <u>1995</u> £ |
|-------------------------------|------------------|------------------|
| Raw materials and consumables | 204,164 | 114,657 |
| Work in progress | <u>15,177</u> | <u>300</u> |
| | <u>£219,341</u> | <u>£114,957</u> |

PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14) DEBTORS

| | <u>1996</u> | <u>1995</u> |
|--------------------------------------|-----------------|-----------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade debtors | 358,408 | 370,371 |
| Prepayments and accrued income | 6,996 | 225 |
| Other debtors | 6,555 | 3,000 |
| | <u>£371,959</u> | <u>£373,596</u> |

Included in other debtors is a balance of £1,998 (1995: £Nil) due from M Brookes, a director. This was the maximum amount outstanding during the year.

15) CREDITORS: Amounts falling due within one year

| | <u>1996</u> | <u>1995</u> |
|--|-----------------|-----------------|
| | £ | £ |
| Bank loans and overdrafts | 86,329 | 132,766 |
| Trade creditors | 218,891 | 241,578 |
| Other taxation and social security payable | 41,817 | 39,561 |
| Accruals and deferred income | 6,262 | 14,672 |
| Net obligations under finance leases | 21,758 | 20,091 |
| | <u>£375,057</u> | <u>£448,668</u> |

The bank loans and overdrafts are secured by a fixed charge over all book and other debts, goodwill and intellectual property rights and a floating charge over all other assets.

16) CREDITORS: Amounts falling due after more than one year

| | <u>1996</u> | <u>1995</u> |
|--------------------------------------|----------------|----------------|
| | £ | £ |
| Net obligations under finance leases | 4,546 | 22,898 |
| Bank loans | 43,292 | 58,796 |
| | <u>£47,838</u> | <u>£81,694</u> |

The company has bank loans amounting to £57,733 in aggregate at 31 December 1996 (1995: £76,906).

A loan of £50,000 advanced in February 1992 is repayable by 60 monthly instalments of £1,020 (principal and interest). The balance outstanding at 31 December 1996 was £5,443 (1995: £16,452).

PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16) CREDITORS: Amounts falling due after more than one year (continued)

A loan of £70,000 advanced in August 1994 is repayable by 84 monthly instalments of £1,142 (principal and interest). The balance outstanding at 31 December 1996 was £52,290 (1995: £60,454).

The bank loans are secured by a fixed charge over all book and other debts, goodwill and intellectual property rights and a floating charge over all other assets. Interest is charged at 3% above LIBOR.

Obligations under hire purchase contracts are secured on the assets concerned.

The company is committed to the following repayments:-

| | Finance <u>Leases</u> £ | Bank <u>Loans</u> £ | 1996 <u>Total</u> £ | 1995 <u>Total</u> £ |
|------------------------------|-------------------------------|---------------------------|---------------------------|---------------------------|
| Due within one year | 21,758 | 14,441 | 36,199 | 38,201 |
| Due within one to two years | 4,546 | 9,808 | 14,354 | 31,554 |
| Due within two to five years | - | 33,484 | 33,484 | 44,075 |
| Due in more than five years | - | - | - | 6,065 |
| Total net obligations | <u>£26,304</u> | <u>£57,733</u> | <u>£84,037</u> | <u>£119,895</u> |

17) PENSION AND SIMILAR OBLIGATIONS

The company contributes to individual defined contribution schemes run by Equitable Life. The charge for the year was £30,341 (1995: £21,309) and an accrual of £nil (1995: £nil) exists at the balance sheet date.

18) CALLED UP SHARE CAPITAL

| | <u>1996</u> | <u>1995</u> |
|--|-----------------|-----------------|
| Authorised: 14,000,000 (1995: 14,000,000) ordinary shares of 5p each | <u>£700,000</u> | <u>£700,000</u> |
| Allotted, issued and fully paid: 9,232,870 (1995: 5,932,870) ordinary shares of 5p each | <u>£461,644</u> | <u>£296,644</u> |

Shares issued during the year:

| | <u>Number</u> | <u>Aggregate Nominal Value</u> | <u>Consideration</u> |
|-----------------------|------------------|--|----------------------|
| Ordinary shares of 5p | <u>3,300,000</u> | <u>£165,000</u> | <u>£165,000</u> |

PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19) SHARE PREMIUM ACCOUNT AND RESERVES

| | Capital Redemption <u>Reserve</u> £ | Share Premium <u>Account</u> £ | Profit and Loss <u>Account</u> £ |
|------------------------------|--|---|---|
| At 1 January 1996 | 309,071 | 2,961,662 | (3,543,490) |
| Retained profit for the year | - | - | 38,064 |
| At 31 December 1996 | <u>£309,071</u> | <u>£2,961,662</u> | <u>£(3,505,426)</u> |

20) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | <u>1996</u> £ | <u>1995</u> £ |
|-------------------------------------|------------------|------------------|
| Opening shareholders' funds | 23,887 | 100,844 |
| Retained profit/(loss) for the year | 38,064 | (126,957) |
| New share capital issued | 165,000 | 50,000 |
| Closing shareholders' funds | <u>£226,951</u> | <u>£23,887</u> |

21) FINANCIAL COMMITMENTS

At 31 December 1996 the company has annual commitments under non-cancellable operating leases as follows:-

| | <u>1996</u> | | <u>1995</u> | |
|------------------------------------|------------------------------------|-------------------|------------------------------------|-------------------|
| | <u>Land and Buildings</u> £ | <u>Other</u> £ | <u>Land and Buildings</u> £ | <u>Other</u> £ |
| Expiring in one to two years | 31,500 | - | - | - |
| Expiring within two and five years | - | - | 11,500 | - |
| | <u>£31,500</u> | <u>£-</u> | <u>£11,500</u> | <u>£-</u> |

22) TRANSACTIONS WITH DIRECTORS

B D Neve is a director of BDN Consultants Limited which provides consultancy services on an arm's length basis to the company. £10,603 was charged in 1996 in respect of these services (1995: £16,030).

G G Wood also provides consultancy services on an arm's length basis to the company. £1,042 was charged in 1996 in respect of these services (1995 : £Nil).

PROCESS AUTOMATION AND COMPUTER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

23) ULTIMATE HOLDING COMPANY

The company is controlled by Euroventures SA. Fees of £4,341 were charged during the year by Euroventures SA, relating to expenses for attendance by L Hawrylyshyn (a director) at Board Meetings of the company.