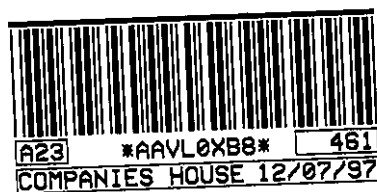


COMPANY NUMBER 1949601

DATARANGE
COMMUNICATIONS PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 1997



DATARANGE COMMUNICATIONS PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

Company Registration Number:

1949601

Registered Office:

Kingsmead House
Abbey Barn Road
High Wycombe
Bucks
HP11 1XG

Directors:

D J Basey
Dr W C Moyer
J D Robinson

Secretary:

A Johnston

Bankers:

Barclays Bank Plc
Cardinal Point
Newall Road
Heathrow Airport
Hounslow
TW6 2AH

Solicitors:

Crowell & Moring
180 Fleet Street
London
EC4A 2HD

Auditors:

Grant Thornton
Chartered Accountants
Edinburgh House
Windsor Road
Slough
Berks
SL1 2EE

DATARANGE COMMUNICATIONS PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

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DATARANGE COMMUNICATIONS PLC

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 March 1997.

Principal activities

The company's principal activity during the period was the supply, integration and associated technical support services for complex enterprise wide local and wide area networks for major corporate users.

Results and dividends

The directors do not recommend payment of a dividend and all retained profits were transferred to reserves.

Business review

During the year Datarange continued to focus on corporate enterprise networking as a leading UK systems integrator for IBM and Bay Networks, producing record turnover and profits.

Turnover for the year was up by 17% at £13.2 million, led by an increase in major system orders, while profit before tax grew by more than 44% as Datarange's consultancy and maintenance income streams continued to climb. The company begins the new financial year with a best ever order book of over £4 million and a cash balance of £1 million which provides the financial stability necessary to match our considerable technical strengths.

The year saw a number of new contracts in the areas of petrochemical, media, legal and the public sector while maintaining a loyal existing customer base with an installed equipment value in excess of £45 million. A recurring feature of Datarange's activities during 1996/97 was the supply and support of network hardware outside the UK. New projects were won Europe-wide and beyond. In one a global pharmaceutical company has renewed a contract under which Datarange provides and is responsible for maintaining Bay hardware in more than 40 countries throughout the EMEA region.

Now in its 12th year Datarange maintains its commitment to quality with accreditation to BS EN ISO 9001, for the supply, design and maintenance activities of the company. The company has strong strategic relationships and partnerships with two of the world's leading technology manufacturers, Bay Networks and IBM. It has customers in all sectors of industry and commerce, with a particular focus on finance and the media, as well as public service organisations and academic institutions.

The year ahead is viewed with considerable confidence for our continued success, based on our strong order book, increasing opportunities in the market and the support of our team of highly skilled and dedicated people at Datarange.

DATARANGE COMMUNICATIONS PLC

REPORT OF THE DIRECTORS

Directors

The directors in office during and at the end of the year are listed below.

The interests of the directors and their families in the shares of the parent company at 1 April 1996 and at 31 March 1997 were as follows:

	Ordinary shares	
	1997	1996
D J Basey	3,000	3,000
Dr W C Moyer	54,196	50,099
J D Robinson	4,500	1,500
R E A French (resigned 7 October 1996)	-	250

No director had, during or at the end of the year, any material interest in a contract which was significant in relation to the company's business.

Payment policy

The company's policy with regard to the payment of suppliers is to agree terms and conditions for transactions with suppliers.

Payment is generally made on these terms, providing the suppliers meet their obligations to the company's satisfaction.

Directors' responsibilities for the financial statements

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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

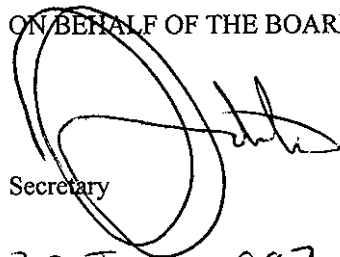
DATARANGE COMMUNICATIONS PLC

REPORT OF THE DIRECTORS

Auditors

Grant Thornton were appointed auditors by the directors on 20 January 1997. Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

A large, stylized handwritten signature in black ink, consisting of a large loop and a trailing flourish.

Secretary

30 June 1997

REPORT OF THE AUDITORS TO THE MEMBERS OF

DATARANGE COMMUNICATIONS PLC

We have audited the financial statements on pages 5 to 16 which have been prepared under the accounting policies set out on pages 5 and 6.

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 the company's affairs at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
THAMES VALLEY OFFICE
SLOUGH**

3 May 1997

DATARANGE COMMUNICATIONS PLC

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives.

The rates generally applicable are:

Leasehold premises and improvements	straight line over the term of the lease
Motor vehicles	25% straight line
Office fixtures and fittings	15% reducing balance/25% straight line
Computer equipment and demonstration equipment	between 20% and 33 1/3% dependent on equipment type

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

Deferred tax

Deferred tax is the tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements.

Deferred tax is provided to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Deferred tax is computed under the liability method using the rates at which it is estimated that the tax will be paid (or recovered) when the timing differences reverse.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences relate from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the difference arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss.

DATARANGE COMMUNICATIONS PLC

PRINCIPAL ACCOUNTING POLICIES

Leased assets

Where assets are financed by leasing agreements which give risk and rewards approximate to ownership ("finance leases") they are treated as if they had been purchased outright on credit. They are therefore initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element which reduces the outstanding liability and an interest charge (calculated using the "rule of 78").

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Contributions to pension funds

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

DATARANGE COMMUNICATIONS PLC**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MARCH 1997**

	Note	1997 £	1996 £
Turnover	1	13,195,567	11,280,035
Cost of sales		<u>(7,950,533)</u>	<u>(6,592,165)</u>
Gross Profit		5,245,034	4,687,870
Administrative expenses		(4,784,409)	(4,398,566)
Other operating income	1	<u>29,146</u>	<u>34,598</u>
Operating profit		489,771	323,902
Other interest receivable and similar income	1	25,100	45,273
Interest payable and similar charges	2	<u>(13,361)</u>	<u>(21,437)</u>
Profit on ordinary activities before taxation	1	501,510	347,738
Tax on profit on ordinary activities	5	<u>(211,960)</u>	<u>(141,221)</u>
Profit for the financial year retained		<u><u>289,550</u></u>	<u><u>206,517</u></u>

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

DATARANGE COMMUNICATIONS PLC

BALANCE SHEET AT 31 MARCH 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	6		518,601		625,638
Current assets					
Stocks	7	1,241,678		1,133,375	
Debtors	8	3,450,915		3,265,027	
Cash at bank and in hand		<u>1,064,608</u>		<u>450,436</u>	
		5,757,201		4,848,838	
Creditors: amounts falling due within one year					
Creditors (excluding deferred income)	9	(3,073,887)		(2,798,047)	
Deferred income	9	<u>(1,792,618)</u>		<u>(1,551,612)</u>	
		(4,866,505)		(4,349,659)	
Net current assets			<u>890,696</u>		<u>499,179</u>
Total assets less current liabilities			1,409,297		1,124,817
Creditors: amounts falling due after more than one year	10		<u>(22,887)</u>		<u>(27,957)</u>
			<u>1,386,410</u>		<u>1,096,860</u>
Capital and reserves					
Called up share capital	12		300,000		300,000
Profit and loss account	12		<u>1,086,410</u>		<u>796,860</u>
Equity shareholders' funds			<u>1,386,410</u>		<u>1,096,860</u>

The financial statements were approved by the Board of Directors on: 30 June 1997

Director

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

DATARANGE COMMUNICATIONS PLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1997

	Note	£	1997 £	£	1996 £
Net cash inflow from operating activities	13		1,001,375		328,405
Returns on investments and servicing of finance					
Interest received		25,100		28,094	
Interest paid		(4,185)		(14,785)	
Interest element on hire purchase contracts		<u>(9,176)</u>		<u>(6,614)</u>	
Net cash inflow from returns on investments and servicing of finance			11,739		6,695
Taxation					
UK corporation tax paid			(141,221)		(82,642)
Capital expenditure & financial investment					
Purchase of tangible fixed assets		(112,571)		(143,939)	
Receipts from sale of tangible assets		<u>14,170</u>		<u>29,606</u>	
Net cash outflow from investing activities			<u>(98,401)</u>		<u>(114,333)</u>
Net cash inflow before financing			773,492		138,125
Financing					
Repayment of other long term loans		(90,000)		(50,000)	
Repayment of capital on hire purchase contracts		<u>(69,320)</u>		<u>(55,753)</u>	
Net cash outflow from financing	14		<u>(159,320)</u>		<u>(105,753)</u>
Increase in cash	14		<u><u>614,172</u></u>		<u><u>32,372</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

DATARANGE COMMUNICATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit before taxation are attributable to one activity, which is carried on in the following geographical markets:

	1997 £	1996 £
United kingdom	12,294,992	11,081,723
Rest of Europe	596,938	34,418
United States of America	303,637	163,894
	<u>13,195,567</u>	<u>11,280,035</u>

The profit on ordinary activities is stated after:

	1997 £	1996 £
Auditors' remuneration		
- audit services	9,300	9,000
- non audit services	800	-
Depreciation of tangible fixed assets	226,065	216,794
Operating leases		
- land and buildings	244,897	243,589
- equipment and motor vehicles	299,549	228,584
Rents receivable	(29,146)	(34,598)
Interest receivable from group undertakings	(3,726)	(17,179)
	<u></u>	<u></u>

2 INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
On bank loans and overdrafts	3,137	11,663
Finance charges in respect of finance leases	9,176	6,614
Other loans	1,048	3,160
	<u>13,361</u>	<u>21,437</u>

DATARANGE COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

3 DIRECTORS AND EMPLOYEES

The average number of employees of the company during the year and their aggregate emoluments are shown below:

	1997 £	1996 £
Wages and salaries	2,422,407	2,155,214
Social security	253,514	218,841
Pension costs	17,156	13,778
	<u>2,693,077</u>	<u>2,387,833</u>

The average number of employees of the company during the year was

	1997	1996
Office management	16	14
Sales, technical and distribution	<u>56</u>	<u>53</u>
	<u>72</u>	<u>67</u>

Staff costs include remuneration in respect of directors, as follows:

	1997 £	1996 £
Remuneration for management services (including pension contributions)	<u>167,151</u>	<u>122,873</u>

4 PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable by the company amounted to £17,156 (1996 : £13,778). All contributions were paid in the year.

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and represents:

	1997 £	1996 £
United Kingdom corporation tax @ 33% (1996 : 33%)	<u>211,960</u>	<u>141,221</u>

DATARANGE COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

6 TANGIBLE FIXED ASSETS

	Leasehold property and improvements £	Computer and demonstration equipment £	Office fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 April 1996	220,001	818,385	91,304	104,251	1,233,941
Additions	14,186	104,269	926	45,720	165,101
Disposals	-	(62,041)	-	(34,900)	(96,941)
At 31 March 1997	<u>234,187</u>	<u>860,613</u>	<u>92,230</u>	<u>115,071</u>	<u>1,302,101</u>
Depreciation					
At 1 April 1996	104,653	422,728	45,831	35,091	608,303
Provided in the year	22,734	167,170	7,382	28,779	226,065
Disposals	-	(23,268)	-	(27,600)	(50,868)
At 31 March 1997	<u>127,387</u>	<u>566,630</u>	<u>53,213</u>	<u>36,270</u>	<u>783,500</u>
Net book value					
At 31 March 1997	<u>106,800</u>	<u>293,983</u>	<u>39,017</u>	<u>78,801</u>	<u>518,601</u>
Net book value					
At 31 March 1996	<u>115,348</u>	<u>395,657</u>	<u>45,473</u>	<u>69,160</u>	<u>625,638</u>

The figures stated above include assets held under finance leases as follows:

	Total £	Computer equipment £	Motor vehicles £
Net book value at 31 March 1997	<u>87,378</u>	<u>34,771</u>	<u>52,607</u>
Net book value at 31 March 1996	<u>114,382</u>	<u>64,832</u>	<u>49,550</u>
Depreciation charge for year in respect of leased assets at 31 March 1997	<u>35,494</u>	<u>17,308</u>	<u>18,186</u>
Depreciation charge for year in respect of leased assets at 31 March 1996	<u>36,563</u>	<u>25,043</u>	<u>11,520</u>

7 STOCKS

	1997 £	1996 £
Finished goods and goods for resale	<u>1,241,678</u>	<u>1,133,375</u>

DATARANGE COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

8 DEBTORS

	1997 £	1996 £
Trade debtors	3,238,143	3,042,450
Amounts owed by group undertakings	3,693	54,409
Other debtors	53,568	4,552
Prepayments and accrued income	155,511	163,616
	<u>3,450,915</u>	<u>3,265,027</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank loans and overdrafts	-	90,000
Trade creditors	2,162,172	1,646,405
Amounts owed to group undertakings	73,850	-
Current taxation	211,960	141,221
Other taxes and social security costs	302,870	260,198
Accruals	277,187	602,655
Deferred income	1,792,618	1,551,612
Amounts due under finance leases (net of finance charges allocated to future periods)	<u>45,848</u>	<u>57,568</u>
	<u>4,866,505</u>	<u>4,349,659</u>

Deferred income relates to revenue received in advance in respect of maintenance contracts taken out during the year.

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £	1996 £
Amounts due under finance leases (net of finance charges allocated to future periods)	<u>22,887</u>	<u>27,957</u>

The bank loans are secured by a fixed and floating charge over all the assets of the company and by cross-guarantees given by group undertakings.

DATARANGE COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

11 BORROWINGS

Borrowings are repayable as follows:

	1997 £	1996 £
Bank loans		
In one year, or less or on demand	-	90,000

Net obligations under finance leases and hire purchase contracts are repayable as follows:

	1997 £	1996 £
Between one and two years	20,500	26,557
Between two and five years	2,387	1,400
	<u>22,887</u>	<u>27,957</u>

12 SHAREHOLDERS' FUNDS

	Share capital £	Profit and loss account £	Total £
At 1 April 1995	300,000	590,343	890,343
Profit for the financial year	-	206,517	206,517
At 31 March 1996	300,000	796,860	1,096,860
Profit for the financial year	-	289,550	289,550
At 31 March 1997	<u>300,000</u>	<u>1,086,410</u>	<u>1,386,410</u>

The share capital consists of 1,000,000 authorised, ordinary shares of £1 each, of which 300,000 are allotted, called up and fully paid.

13 NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £	1995 £
Operating profit	489,771	323,902
Depreciation	226,065	216,794
Loss on sale of tangible fixed assets	23,547	2,551
Increase in stocks	(108,303)	(550,865)
Increase in debtors	(177,532)	(799,606)
Increase in creditors	547,827	1,135,629
Net cash inflow from operating activities	<u>1,001,375</u>	<u>328,405</u>

DATARANGE COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

14 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1996 £	Cash flows £	Other charges £	At 31 March 1997 £
Cash in hand at bank	450,436	614,172	-	1,064,608
Bank loans	(90,000)	90,000	-	-
HP/finance lease debt	(85,525)	69,320	(52,530)	(68,735)
	<u>274,911</u>	<u>773,492</u>	<u>(52,530)</u>	<u>995,873</u>

15 CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 1997 or 31 March 1996.

16 CONTINGENT LIABILITIES

The following contingent liabilities existed at 31 March 1997 or 31 March 1996. An outstanding forward option currency contract for £617,665 (US\$ 1,000,000) put in place as a hedge against the company's liabilities denominated in the same currency.

A negotiation of foreign currency cheques payable abroad balance of £111,974.

17 PENSIONS

Defined contribution scheme

The company operates a defined contribution pension scheme for the benefit of the directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

18 LEASING COMMITMENTS

Operating lease payments amounting to £367,047 (1996 : £438,857) are due within one year. The leases to which these amounts relate expire as follows:

	1997		1996	
	Land and building £	Other £	Land and building £	Other £
In one year or less	61,148	66,407	51,446	42,347
Between two and five years	-	69,492	186,000	159,064
In more than five years	170,000	-	-	-
	<u>231,148</u>	<u>135,899</u>	<u>237,446</u>	<u>201,411</u>

DATARANGE COMMUNICATIONS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

19 RELATED PARTY TRANSACTIONS

The directors of the company had an interest in the following transactions by virtue of their shareholdings in the parent company SFA Inc:

SFA Datacomm

Purchases in the year amounted to £108,893 and there was a balance due to SFA Datacomm outstanding at the year end of £73,850.

The transactions related to arms length purchases of equipment for resale as trading stock in Datarange.

SFA Inc

Management charges of £168,000 were incurred in the year and there was a balance due from SFA Inc. of £3,693.

The transactions in the year comprised of management charges levied by and recharges of expenses incurred by Datarange to the parent company.

20 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is SFA Inc., a company incorporated in the State of Maryland, in the United States of America. Datarange Communications PLC is a wholly owned subsidiary of that company.