

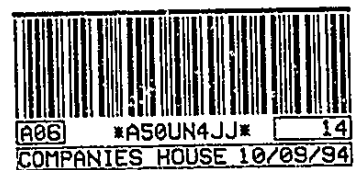
ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO. SC

Paramount Computer Rentals Limited

Financial statements 31 December 1993
together with directors' and auditors' reports

Registered number: 2268398



Directors' report

For the year ended 31 December 1993

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 1993.

Principal activity and business review

The principal activity of the company is the rental and supply of computer equipment.

There has been a significant increase in the level of business activity in the latter half of the year and the directors expect this to continue in the coming year.

Turnover for the year was £1,204,196 (1992 - £1,964,543) and the profit for the year was £39,758 (1992 - £287,084).

Results and dividends

Results and dividends are as follows:

	£
Retained profit at 1 January 1993	296,691
Profit for the financial year	39,758
Retained profit at 31 December 1993	<u>336,449</u>

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year are shown below:

P.A. Mitchell

N.J. Moulton (appointed 20 September 1993)

M.C. Butterfield (appointed 20 September 1993)

J.E. Taylor (appointed 20 September 1993)

Directors' interests

None of the directors who held office at 31 December 1993 had a beneficial interest in the shares of the company. The directors' interests in the shares of Paramount Capital Limited, the company's ultimate parent company, are disclosed in the financial statements of that company.

Directors' report (continued)

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; and
- 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.

Fixed assets

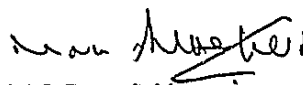
Information relating to changes in tangible fixed assets is given in note 7 to the financial statements.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Calvert House
5 Calvert Avenue
London
E2 7JP

By order of the Board,


M.C. Butterfield

Secretary

29 March 1994

Auditors' report

London

To the Shareholders of Paramount Computer Rentals Limited:

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

Respective responsibilities of directors and auditors

As described in their report the company's directors are responsible for the preparation of the 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

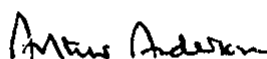
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

The company is exempt from the requirement of FRS1 to include a cash flow statement as part of its financial statements as it is entitled to the exemptions available in Sections 246 to 249 of the Companies Act 1985 for small companies when filing financial statements with the Registrar of Companies.

Opinion

In our opinion the financial statements give a true and fair view of the company's state of affairs at 31 December 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

29 March 1994

Profit and loss account

For the year ended 31 December 1993

	Notes	1993 £	1992 £
Turnover	2	1,204,196	1,964,543
Cost of sales		(589,849)	(1,231,525)
Gross profit		614,347	733,018
Administrative expenses		(603,595)	(558,838)
Other operating income		192,922	300,521
Operating profit		203,674	474,701
Interest payable and similar charges	3	(5,827)	(34,306)
Payments under management contract		(409,000)	(41,000)
(Loss) profit on ordinary activities before taxation	4	(211,153)	399,395
Tax on (loss) profit on ordinary activities	6	250,911	(112,311)
Profit for the financial year		39,758	287,084
Retained profit (accumulated deficit), beginning of year		296,691	(234,518)
Negative goodwill credited to reserves		-	244,125
Retained profit, end of year		336,449	296,691

The accompanying notes are an integral part of this profit and loss account.

The company has no recognised gains or losses other than the profit for the year and the negative goodwill credited to reserves.

Balance sheet

31 December 1993

	Notes	1993 £	1992 £
Fixed assets			
Tangible assets	7	1,470,714	431,501
Investment	8	100	100
		<u>1,470,814</u>	<u>431,601</u>
Current assets			
Debtors	9	563,470	366,016
Cash at bank and in hand		38,726	259,991
		<u>602,196</u>	<u>626,007</u>
Creditors: Amounts falling due within one year	10	(1,137,422)	(530,915)
Net current (liabilities) assets		<u>(535,226)</u>	<u>95,092</u>
Total assets less current liabilities		<u>935,588</u>	<u>526,693</u>
Creditors: Amounts falling due after more than one year	11	(599,137)	(230,000)
Net assets		<u>336,451</u>	<u>296,693</u>
Capital and reserves			
Called-up share capital	13	2	2
Profit and loss account		336,449	296,691
Total capital employed	14	<u>336,451</u>	<u>296,693</u>

Signed on behalf of the Board

P.A. Mitchell

Director

29 March 1994

The accompanying notes are an integral part of this balance sheet.

Notes to financial statements

31 December 1993

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

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

b) Cash flow statement

Under the provisions of Financial Reporting Standard No. 1, the company has not prepared a cash flow statement because it is entitled to the exemptions available in Sections 246 to 249 of the Companies Act 1985 for small companies when filing financial statements with the Registrar of Companies.

c) Tangible fixed assets

Tangible fixed assets are shown at original historical cost less accumulated depreciation. The directors regularly review the useful economic lives of assets, and where necessary, adjust the expected useful life.

Depreciation is provided at rates calculated to write off the cost of each asset on a systematic basis over its expected useful life as follows:

Equipment for hire

- acquired on 16 January 1992 - up to 36 months (1992 - 18 months)

- acquired thereafter - up to 36 months

Fixtures and fittings 5 years

Profits or losses on the disposal of fixed assets are included in the calculation of operating profit.

d) Investment

Investment in subsidiary undertaking is stated at cost less amounts written off.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences to the extent that they are likely to reverse, and thus crystallise a tax liability in the future at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

Notes to financial statements (continued)

1 Accounting policies (continued)

f) *Deferred income*

Deferred income, which arises when income from rental contracts is invoiced in advance, is credited to the profit and loss account over the life of the contract.

g) *Turnover*

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services in the normal course of business, including income relating to equipment on hire.

h) *Leases*

The company enters into operating leases and hire purchase contracts as described in note 15.

Rentals under operating leases are charged on a straight-line basis over the lease term. Assets held under hire purchase contracts are accounted for on a basis similar to finance leases and are initially reported at the fair value of the assets, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate. Further information on charges in the year and future commitments is given in note 15.

i) *Negative goodwill*

Negative goodwill, being the excess of the aggregate of the fair value of net assets acquired during the year over the fair value of the consideration given, is credited directly to reserves.

2 Segment information

Contributions to turnover by activity were as follows:

	1993 £	1992 £
Equipment rentals	1,143,594	1,898,790
Other	60,602	65,753
	<u>1,201,196</u>	<u>1,964,543</u>

Turnover arises principally within the United Kingdom.

Notes to financial statements (continued)

3 Interest payable and similar charges

	1993 £	1992 £
On loans from group undertakings	-	34,306
On all other loans	5,827	-
	<u>5,827</u>	<u>34,306</u>

4 (Loss) profit on ordinary activities before taxation

(Loss) profit on ordinary activities before taxation is stated after crediting:

	1993 £	1992 £
Profit on sale of equipment	<u>192,922</u>	<u>300,521</u>
and after charging:		
a) Depreciation		
i. on owned tangible fixed assets	190,070	725,403
ii. on tangible fixed assets acquired under hire purchase contracts	90,731	-
b) Operating lease rentals		
i. computer equipment	37,536	133,078
ii. other	30,563	16,710
c) Auditors' remuneration		
i. audit services	32,000	14,000
ii. non audit fees	11,360	-
d) Staff costs	3,972	-
e) Management fees		
i. fees for provision of personnel	248,904	230,070
ii. fees payable to other group undertakings	122,996	100,000
iii. other fees payable	<u>409,000</u>	<u>41,000</u>

During the year the company paid management fees of £65,996 to Paramount Capital Limited and £57,000 to DDLP Limited. During 1992 the company paid management fees of £100,000 to Baltic Management Services, a fellow subsidiary of its former parent, Baltic Plc. Under the terms of a management agreement dated 24 November 1992 between the company and Rental Direct Limited ('RDL'), RDL provided certain management services to the company for the year to December 1993. Fees payable to RDL in 1993 were £409,000 (1992 - £41,000).

From 1 January 1994 the company has employed its own staff and has not entered into an agreement for the provision of management services with RDL or any other company.

Notes to financial statements (continued)

5 Directors' emoluments and employee information

The company has no employees (1992 - nil). During the year the company has been charged £42,902 by Paramount Capital Limited and £206,002 (1992 - £20,598) by RDL in respect of the provision of personnel to the company. During 1992 the company was charged £209,472 by a fellow subsidiary of its former parent, Baltic Plc.

Directors' remuneration:

Directors' remuneration in respect of directors of the company was as follows:

	1993 £	1992 £
Other emoluments (including pension contributions)	3,972	-
	<u>3,972</u>	<u>-</u>

The directors' remuneration shown above (excluding pensions and pension contributions) included:

	£	£
Chairman	1,110	-
Highest paid director	<u>1,168</u>	<u>-</u>

Analysis of directors' emoluments:

	Number	Number
Up to £5,000	<u>4</u>	<u>-</u>

6 Tax on (loss) profit on ordinary activities

The tax (credit) charge is based on the (loss) profit for the year and comprises:

	1993 £	1992 £
Corporation tax at 33%	-	250,911
Credit arising from the carry back of tax losses	(250,911)	-
Deferred taxation	-	(138,600)
	<u>(250,911)</u>	<u>112,311</u>

Notes to financial statements (continued)

7 Tangible fixed assets

The net book value of tangible fixed assets and the movements in the year are as follows:

	Assets under hire purchase contracts £.	Equipment (or hire £	Fixtures and fittings £	Total £
Cost				
Beginning of year	-	918,075	2,439	920,514
Additions	1,000,747	421,941	12,155	1,434,843
Disposals	-	(448,945)	-	(448,945)
End of year	<u>1,000,747</u>	<u>891,071</u>	<u>14,594</u>	<u>1,906,412</u>
Depreciation				
Beginning of year	-	488,973	40	489,013
Charge	90,731	186,274	3,796	280,801
Disposals	-	(334,116)	-	(334,116)
End of year	<u>90,731</u>	<u>341,131</u>	<u>3,836</u>	<u>435,698</u>
Net book value				
Beginning of year	-	429,102	2,399	431,501
End of year	<u>910,016</u>	<u>549,940</u>	<u>10,758</u>	<u>1,470,714</u>

8 Fixed asset investments

	1993 £	1992 £
Subsidiary undertaking	<u>100</u>	<u>100</u>

The company owns 100% of the share capital of DDLP Holdings Limited ('DDLPH'), which was acquired in November 1992. DDLPH is a dormant company incorporated in England and Wales.

Notes to financial statements (continued)

9 Debtors

The following are included in the net book value of debtors:

	1993 £	1992 £
Amounts falling due within one year:		
Trade debtors	271,736	337,428
Amounts owed by group undertakings	112,488	15,630
VAT	145,127	-
Other debtors	34,119	12,958
	<u>563,470</u>	<u>366,016</u>

10 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1993 £	1992 £
Short-term loan	105,169	-
Obligations under hire purchase contracts	440,862	-
Bank overdraft (secured)	118,666	-
Trade creditors	307,992	45,720
Amounts owed to group undertakings	-	43,166
Other creditors:		
- UK corporation tax payable	-	250,911
- VAT	-	48,445
Accruals and deferred income	364,733	142,673
	<u>1,137,422</u>	<u>530,915</u>

The bank overdraft is secured by the lender on the assets of the group headed by Paramount Capital Limited, of which the company is part.

11 Creditors: Amounts falling due after more than one year

	1993 £	1992 £
Obligations under hire purchase contracts	419,135	-
Amounts owed to ultimate parent company	180,002	230,000
	<u>599,137</u>	<u>230,000</u>

The loan from the ultimate parent company is unsecured and interest free.

All obligations under hire purchase contracts fall due within five years.

Notes to financial statements (continued)

12 Provisions for liabilities and charges

Deferred tax

	1993 £	1992 £
Beginning of year	-	-
Arising on purchase of fixed assets	-	138,600
Credit for the year	-	(138,600)

Deferred tax unprovided during the year was £52,530, on a full provision basis. The directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is improbable that any liability will crystallise.

The amount of unprovided deferred taxation are as follows:

	1993 £	1992 £
Accelerated capital allowances	59,801	-
Other timing differences related to current assets and liabilities	(7,271)	-
	<u>52,530</u>	<u>-</u>

13 Called-up share capital

Authorised

1,000 ordinary shares of £1 each

Allotted, called-up and fully-paid

2 ordinary shares of £1 each

14 Reconciliation of movement on shareholders' funds

Opening shareholders' funds

Negative goodwill credited to reserves

Profit for the financial year

Closing shareholders' funds

	1993 £	1992 £
Authorised	<u>1,000</u>	<u>1,000</u>
Allotted, called-up and fully-paid	<u>2</u>	<u>2</u>
Opening shareholders' funds	296,693	(234,516)
Negative goodwill credited to reserves	-	244,125
Profit for the financial year	<u>39,758</u>	<u>287,084</u>
Closing shareholders' funds	<u>336,451</u>	<u>296,693</u>

Notes to financial statements (continued)

15 Guarantees and other financial commitments

a) Capital commitments

The company has contracted to purchase equipment for hire to the value of £83,463 (1992 - nil).

b) Guarantees

The company has entered into an unconditional and irrevocable guarantee on behalf of other group companies with respect to leasing agreements. Amounts outstanding under the terms of the guarantee at 31 December 1993 were £nil.

c) Lease commitments

The company has entered into non-cancellable operating leases in respect of motor vehicles, computer equipment and premises, the payments for which extend over a period of up to 3 years. The total annual rental for 1993 was £68,099 (1992 - £149,788). The minimum future annual rentals under the foregoing leases which expire in the following periods are:

	Motor vehicles £	Premises £	Total £
Within 1 year	5,813	1,628	7,441
Within 2 to 5 years	25,468	9,415	34,883
	<u>31,281</u>	<u>11,043</u>	<u>42,324</u>

The company has entered into hire purchase contracts to acquire equipment for rental. The total payments under such contracts were £90,838 (1992 - nil). The future obligations under such contracts are detailed below:

	Equipment for rental £
Within 1 year	440,862
Within 2 to 5 years	419,135
	<u>859,997</u>

Notes to financial statements (continued)

16 Transactions with related parties

Under the terms of a management agreement dated 24 November 1992 and a variation to that agreement dated 2 March 1993 between the company and Rental Direct Limited ("RDL"), RDL provided certain management services to the company for the year to 31 December 1993. Fees paid to RDL included a monthly payment for the services of employees of RDL plus additional amounts comprising a fixed charge and a payment dependent upon certain targets included within the agreement as revised.

On 20 September 1993 N.J. Moulton, M.C. Butterfield and J.E. Taylor, controlling shareholders of RDL, were appointed as directors of the company. N.J. Moulton is also a director of RDL.

During the year the company was charged by RDL £206,002 (1992 - £20,598) for the services of employees of RDL plus £409,000 (1992 - £41,000) for other management services.

17 Ultimate parent company

The company's ultimate parent company is Paramount Capital Limited, a company registered in England and Wales. Paramount Capital Limited is not required to prepare consolidated financial statements as it has taken advantage of the exemption provided by Section 248 of the Companies Act 1985.