

Registrar  
Copy

**COMPUTER PARTS INTERNATIONAL  
PLC**

**Report and Financial Statements**

**30 June 1999**

**Deloitte & Touche**  
1 Woodborough Road  
Nottingham  
NG1 3FG



**REPORT AND FINANCIAL STATEMENTS 1999**

| <b>CONTENTS</b>                             | <b>Page</b> |
|---|-------------|
| <b>Directors' report</b>                    | <b>1</b>    |
| <b>Auditors' report to the members</b>      | <b>3</b>    |
| <b>Consolidated profit and loss account</b> | <b>4</b>    |
| <b>Consolidated balance sheet</b>           | <b>5</b>    |
| <b>Company balance sheet</b>                | <b>6</b>    |
| <b>Group cash flow statement</b>            | <b>7</b>    |
| <b>Notes to the accounts</b>                | <b>8</b>    |

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 June 1999.

**ACTIVITIES**

Last year, the group carried on the business of sale of new and second user spares and equipment to end users, installation and de-installation of computer parts and spares, provision of contract spares to maintenance houses, computer brokerage and computer training services

In addition, it acted as a software house, developing software primarily in access control with time and attendance systems.

As a result of acquisitions during the year, the group is also involved in the repair of computers, provision of Internet services and runs a same day carrier business.

**REVIEW OF DEVELOPMENTS**

During the year, both turnover and profit grew significantly.

The company acquired 75% of Gale Force (UK) Limited to secure control over the whole logistics service it provides. Open Integration Limited, a DEC systems provider, was acquired towards the end of the financial year, as part of our strategic objective of extending our supply platform beyond IBM.

Looking forward, we predict the market becoming very slow towards the last quarter of 1999, due mainly to budgets being held back in case of millennium related problems. Once the new year commences, we hope to see a return to strong growth.

**PAYMENT TERMS**

The group agrees payment terms and credit limits with each of its major suppliers and abides by these terms, subject to satisfactory performance. Approved amounts owed to other suppliers are paid by the end of the month following the month of invoice.

The normal trade creditor days for the year ending 30 June 1999 was 68 (1998: 66).

**YEAR 2000**

The directors consider that the year 2000 issue is only likely to have a positive impact of the business. Action has been taken to update the relevant hardware and software as appropriate to ensure year 2000 compliance. Costs associated with ensuring that all systems are millennium compatible are unlikely to be significant.

**DIVIDENDS AND TRANSFERS TO RESERVES**

Dividends in the year amounted to £416,000 (1998 - £158,000).

Retained profits of £724,000 (1998 - £673,000) have been transferred to reserves.



## **DIRECTORS' REPORT**

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year and their beneficial and family interests in the shares of the company were as follows:

|                |                            | <b>Ordinary shares of £1 each</b> |             |
|----------------|----------------------------|-----------------------------------|-------------|
|                |                            | <b>1999</b>                       | <b>1998</b> |
| D F Ashby      |                            | 44,095                            | 44,100      |
| H M Ashby      |                            | 44,095                            | 44,100      |
| M Kirkman      |                            | 4,739                             | 4,739       |
| D H Groves     | - (appointed 22 June 1999) | 550                               | 550         |
| E Hough        | - (appointed 22 June 1999) | -                                 | -           |
| J W H Trahearn | - (appointed 22 June 1999) | -                                 | -           |

D H Groves was granted an option in June 1998, to acquire 500 ordinary shares at £22.50, exercisable on or after 15 June 2001.

### **DIRECTORS' STATEMENT OF 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 the group as at the end of the financial year and of the profit or loss of the group 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; 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

X

D F ASHBY  
Managing Director



## COMPUTER PARTS INTERNATIONAL PLC

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 4 to 24 which have been prepared under the accounting policies set out on pages 8 and 9.

#### 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 circumstances of the company and the group, 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 affairs of the company and of the group as at 30 June 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Chartered Accountants and  
Registered Auditors

8th December 1999


**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 30 June 1999**

|  | Note | 1999<br>£'000 | 1998<br>£'000 |
|--|------|---------------|---------------|
| <b>TURNOVER</b>  |      |               |               |
| Continuing operations                                    |      | 11,712        | 8,212         |
| Acquisitions   |      | 2,246         | -             |
| Total turnover   | 3,4  | 13,958        | 8,212         |
| Cost of sales  |      | (9,810)       | (5,734)       |
| Gross profit   |      | 4,148         | 2,478         |
| Administrative expenses                                  |      | (2,396)       | (1,268)       |
| <b>OPERATING PROFIT</b>                                  |      |               |               |
| Continuing operations                                    |      | 1,517         | 1,210         |
| Acquisitions   |      | 235           | -             |
| Total operating profit                                   | 4,6  | 1,752         | 1,210         |
| Interest receivable                                      | 7    | 2             | 3             |
| Interest payable   | 8    | (84)          | (16)          |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> |      |               |               |
| Tax on profit on ordinary activities                     | 9    | (526)         | (362)         |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>AFTER TAXATION</b>  |      |               |               |
| Equity minority interests                                |      | 1,144         | 835           |
|  |      | (4)           | (4)           |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                     |      |               |               |
| Dividends paid and proposed                              | 11   | (416)         | (158)         |
| <b>RETAINED PROFIT FOR THE YEAR</b>                      | 23   | 724           | 673           |

There are no recognised gains and losses other than the profit for the financial year and prior year. Accordingly, no statement of total recognised gains and losses is given. A reconciliation of the movements in shareholders' funds is given at note 24 to the accounts.


**CONSOLIDATED BALANCE SHEET**  
**30 June 1999**

|  | Note | 1999<br>£'000 | 1998<br>£'000 |
|--|------|---------------|---------------|
| <b>FIXED ASSETS</b>  |      |               |               |
| Intangible assets  | 12   | 2,537         | -             |
| Tangible assets  | 13   | 920           | 421           |
|  |      | <u>3,457</u>  | <u>421</u>    |
| <b>CURRENT ASSETS</b>  |      |               |               |
| Stocks   |      | 3,452         | 1,280         |
| Debtors  | 15   | 3,510         | 1,715         |
| Investments  | 16   | 350           | -             |
| Cash at bank and in hand   |      | 111           | 12            |
|  |      | <u>7,423</u>  | <u>3,007</u>  |
| <b>CREDITORS: amounts falling due<br/>within one year</b>          | 17   | (5,179)       | (2,080)       |
| <b>NET CURRENT ASSETS</b>  |      | <u>2,244</u>  | <u>927</u>    |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b>                   |      | 5,701         | 1,348         |
| <b>CREDITORS: amounts falling due<br/>after more than one year</b> | 18   | (1,958)       | (65)          |
| <b>PROVISIONS FOR LIABILITIES AND<br/>CHARGES</b>                  | 21   | (29)          | (17)          |
|  |      | <u>3,714</u>  | <u>1,266</u>  |
| <b>CAPITAL AND RESERVES</b>  |      |               |               |
| Called up share capital  | 22   | 62            | 50            |
| Share premium  | 23   | 1,794         | 86            |
| Capital redemption reserve   | 23   | 1             | 1             |
| Profit and loss account  | 23   | 1,849         | 1,125         |
| <b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>                            |      | <u>3,706</u>  | <u>1,262</u>  |
| <b>Equity minority interest</b>                                    |      | <u>8</u>      | <u>4</u>      |
|  |      | <u>3,714</u>  | <u>1,266</u>  |

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors

8/12/99

X

D F ASHBY

Director

D. Ashby


**COMPANY BALANCE SHEET  
30 June 1999**

|  | Note | 1999<br>£'000  | 1998<br>£'000  |
|--|------|----------------|----------------|
| <b>FIXED ASSETS</b>  |      |                |                |
| Tangible assets  | 13   | 526            | 408            |
| Investments  | 14   | 3,561          | 8              |
|  |      | <u>4,087</u>   | <u>416</u>     |
| <b>CURRENT ASSETS</b>  |      |                |                |
| Stocks   |      | 1,942          | 1,278          |
| Debtors  | 15   | 1,946          | 1,691          |
| Investments  | 16   | 350            | -              |
| Cash at bank and in hand   |      | 57             | 12             |
|  |      | <u>4,295</u>   | <u>2,981</u>   |
| <b>CREDITORS: amounts falling due<br/>within one year</b>          | 17   | <u>(2,869)</u> | <u>(2,060)</u> |
| <b>NET CURRENT ASSETS</b>  |      | <u>1,426</u>   | <u>921</u>     |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b>                   |      | 5,513          | 1,337          |
| <b>CREDITORS: amounts falling due<br/>after more than one year</b> | 18   | (1,934)        | (62)           |
| <b>PROVISIONS FOR LIABILITIES AND<br/>CHARGES</b>                  | 21   | <u>(28)</u>    | <u>(17)</u>    |
|  |      | <u>3,551</u>   | <u>1,258</u>   |
| <b>CAPITAL AND RESERVES</b>  |      |                |                |
| Called up share capital  | 22   | 62             | 50             |
| Share premium  |      | 1,794          | 86             |
| Capital redemption reserve   |      | 1              | 1              |
| Profit and loss account  |      | 1,694          | 1,121          |
| <b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>                            |      | <u>3,551</u>   | <u>1,258</u>   |

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors

8/12/99

D F ASHBY  
Director

*D. Ashby*




**GROUP CASH FLOW STATEMENT**
**Year ended 30 June 1999**

|  | Note | £'000   | 1999<br>£'000 | £'000 | 1998<br>£'000 |
|--|------|---------|---------------|-------|---------------|
| <b>Net cash inflow from operating activities</b>                                 | 25   |         | 973           |       | 280           |
| <b>Returns on investments and servicing of finance</b>                           |      |         |               |       |               |
| Interest paid in respect of finance leases                                       |      | (13)    |               | (8)   |               |
| Bank interest paid   |      | (68)    |               | (8)   |               |
| Capitalised interest paid  |      | (3)     |               | -     |               |
| Interest received  |      | 2       |               | 3     |               |
|  |      |         |               |       |               |
| <b>Net cash outflow from returns on<br/>investments and servicing of finance</b> |      |         | (82)          |       | (13)          |
| <b>Taxation</b>  |      |         |               |       |               |
| Corporation tax paid   |      | (363)   |               | (124) |               |
|  |      |         |               |       |               |
| <b>Tax paid</b>  |      |         | (363)         |       | (124)         |
| <b>Capital expenditure and financial investment</b>                              |      |         |               |       |               |
| Payments to acquire intangible fixed assets                                      |      | (20)    |               | -     |               |
| Payments to acquire tangible fixed assets  |      | (298)   |               | (198) |               |
| Receipts from sale of tangible fixed assets                                      |      | 21      |               | 7     |               |
|  |      |         |               |       |               |
| <b>Net cash outflow from capital expenditure and financial investment</b>        |      |         | (297)         |       | (191)         |
| <b>Acquisitions and disposals</b>  |      |         |               |       |               |
| Payment to acquire investments in subsidiaries                                   |      | (3,930) |               | -     |               |
| Net overdraft acquired with subsidiary   |      | (660)   |               | -     |               |
|  |      |         |               |       |               |
| <b>Net cash outflow from acquisitions and disposals</b>                          |      |         | (4,590)       |       | -             |
| <b>Equity dividends paid</b>   |      |         | (29)          |       | (158)         |
| <b>Net cash outflow before use of liquid resources and<br/>financing</b>         |      |         | (4,388)       |       | (206)         |
| <b>Financing</b>   |      |         |               |       |               |
| Issue of ordinary share capital  |      | 1,500   |               | 21    |               |
| Debt due within one year:  |      |         |               |       |               |
| New loans (net)  |      | 278     |               | -     |               |
| Debts due after one year   |      |         |               |       |               |
| New loans (net)  |      | 1,914   |               |       |               |
| Capital element of finance lease rentals   |      | (71)    |               | (36)  |               |
|  |      |         |               |       |               |
| <b>Net cash inflow/outflow from financing</b>                                    |      |         | 3,621         |       | (15)          |
| <b>Decrease in cash</b>  |      |         | (767)         |       | (221)         |

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, except to the extent that, where subsidiaries are held exclusively for resale, they are excluded from consolidation and are recorded as current assets at their estimated net proceeds of sale.

**Acquisitions and disposals**

On the acquisition of a business, fair values are attributed to the group's share of separable net assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and, following the implementation of FRS 10, is capitalised in the group balance sheet in the year of acquisition.

The results and cash flows relating to an acquired business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition or up to the date of disposal.

**Goodwill and intangible fixed assets**

Purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years.

**Tangible fixed assets**

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

|                                  |                               |
|----------------------------------|-------------------------------|
| Warehouse and workshop equipment | 20% per annum                 |
| Office equipment                 | Between 10% and 33% per annum |
| Motor vehicles                   | Between 20% and 33% per annum |
| Fixtures and fittings            | 33% per annum                 |
| Land and buildings               | Between 4% and 20% per annum  |
| Property improvements            | 20% per annum                 |

**Investments**

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

**Stocks**

Stocks are stated at the lower of cost, being actual invoice price plus direct costs attributable in bringing the stock to its present location and condition, and net realisable value.

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Provision is only made to the extent that it is probable that a liability or asset will crystallise in the future.



## **NOTES TO THE ACCOUNTS**

**Year ended 30 June 1999**

### **1. ACCOUNTING POLICIES (Continued)**

#### **Hire purchase contracts and leases**

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

#### **Pension costs**

The group operates a money purchase scheme covering the directors. Costs are charged to the profit and loss account as they are incurred.

#### **Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

### **2. ACQUISITIONS AND GOODWILL**

The entire share capital of XB Data Spares Limited was acquired on 16 November 1998 for a consideration of £255,000. The acquisition has been accounted for by the acquisition method of accounting. Goodwill of £138,000 arose as a result of the acquisition.

All the share capital of Open Integration Limited, including subsidiaries, was acquired on 4 May 1999, for a consideration of £3,675,000. The acquisition has been accounted for by the acquisition method of accounting. Goodwill of £2,448,000 arose as a result of the acquisition.

75% of the share capital of Gale Force (UK) Limited was acquired on 1 February 1999 at its nominal value of £75. The acquisition has been accounted for by the acquisition method of accounting. Gale Force (UK) Limited then acquired the unincorporated business of the minority shareholder. Goodwill of £20,000 arose as a result of the acquisition.

Further information on acquisitions and goodwill is provided in notes 31 to 33 to these financial statements.

### **3. TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the group's activities after deduction of trade discounts and value added tax.

|                | 1999<br>£'000 | 1998<br>£'000 |
|----------------|---------------|---------------|
| United Kingdom | 10,618        | 6,452         |
| Rest of Europe | 2,118         | 1,515         |
| Rest of World  | 1,222         | 245           |
|                | <u>13,958</u> | <u>8,212</u>  |


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999**
**4. ANALYSIS OF CONTINUING ACTIVITIES AND ACQUISITIONS**

|                         | 1999<br>Continuing<br>£'000 | 1999<br>Acquisitions<br>£'000 | 1999<br>Total<br>£'000 | 1998<br>Continuing<br>£'000 | 1998<br>Acquisitions<br>£'000 | 1998<br>Total<br>£'000 |
|-------------------------|-----------------------------|-------------------------------|------------------------|-----------------------------|-------------------------------|------------------------|
| Turnover                | 11,712                      | 2,246                         | 13,958                 | 8,212                       | -                             | 8,212                  |
| Cost of sales           | (8,523)                     | (1,287)                       | (9,810)                | (5,734)                     | -                             | (5,734)                |
| <b>Gross profit</b>     | <b>3,189</b>                | <b>959</b>                    | <b>4,148</b>           | <b>2,478</b>                | <b>-</b>                      | <b>2,478</b>           |
| Net operating expenses  |                             |                               |                        |                             |                               |                        |
| Administrative          | (1,672)                     | (724)                         | (2,396)                | (1,268)                     | -                             | (1,268)                |
| <b>Operating profit</b> | <b>1,517</b>                | <b>235</b>                    | <b>1,752</b>           | <b>1,210</b>                | <b>-</b>                      | <b>1,210</b>           |

**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

|   | 1999<br>£      | 1998<br>£      |
|---|----------------|----------------|
| <b>Directors' emoluments</b>  |                |                |
| Management remuneration   | 238,841        | 195,699        |
| Pension costs   | 11,462         | 11,462         |
|   | <b>250,303</b> | <b>207,161</b> |
| Emoluments of highest paid director (includes<br>£6,000 pension contributions)  | <b>100,264</b> | <b>116,658</b> |
| <b>Number of directors who are members of a<br/>defined contribution scheme</b> | <b>3</b>       | <b>3</b>       |
| <b>Average number of persons employed</b>                                       | <b>No</b>      | <b>No</b>      |
| Production  | 60             | 28             |
| Administration  | 27             | 15             |
| Sales   | 17             | 13             |
|   | <b>104</b>     | <b>56</b>      |
|   | <b>£'000</b>   | <b>£'000</b>   |
| <b>Staff costs during the year (including directors)</b>                        |                |                |
| Wages and salaries  | 1,776          | 946            |
| Social security costs   | 193            | 97             |
| Pension costs   | 36             | 15             |
|   | <b>2,005</b>   | <b>1,058</b>   |

There were no outstanding pension contributions at the balance sheet date.


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999**
**6. OPERATING PROFIT**

|  | 1999<br>£'000     | 1998<br>£'000     |
|--|-------------------|-------------------|
| <b>Operating profit is after charging:</b> |                   |                   |
| Depreciation and amortisation              |                   |                   |
| Owned assets                               | 94                | 52                |
| Leased assets                              | 64                | 34                |
| Goodwill                                   | 27                | -                 |
| Impairment of goodwill                     | 42                | -                 |
| Rentals under operating leases             |                   |                   |
| Hire of plant and machinery                | 10                | 4                 |
| Other operating leases                     | 186               | 90                |
| Auditors' remuneration                     | 42                | 7                 |
|  | <u>          </u> | <u>          </u> |

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

|               |                   |                   |
|---------------|-------------------|-------------------|
| Bank interest | 2                 | 3                 |
|               | <u>          </u> | <u>          </u> |

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

|  |                   |                   |
|--|-------------------|-------------------|
| Bank interest                              | 68                | 8                 |
| Amortisation of loan origination fees      | 3                 | -                 |
| Finance leases and hire purchase contracts | 13                | 8                 |
|  | <u>          </u> | <u>          </u> |
|  | 84                | 16                |
|  | <u>          </u> | <u>          </u> |

**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

|  |                   |                   |
|--|-------------------|-------------------|
| United Kingdom corporation tax at 30.75% (1998 - 31%) based on the profit for the year | 507               | 349               |
| Deferred taxation  | 18                | 17                |
| Adjustments to prior years' tax provisions   |                   |                   |
| Corporation tax  | 1                 | (4)               |
| Deferred taxation  | (8)               | -                 |
| Other  | 8                 | -                 |
|  | <u>          </u> | <u>          </u> |
|  | 526               | 362               |
|  | <u>          </u> | <u>          </u> |


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999**
**10. PROFIT OF PARENT COMPANY**

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £989,000 (1998 - £827,000).

**11. DIVIDENDS**

|   | 1999<br>£'000 | 1998<br>£'000 |
|---|---------------|---------------|
| Interim paid - £5 per ordinary share (1998 - £2)                      | 250           | 98            |
| Final paid - £2.85 per ordinary and 'A' ordinary share (1998 - £1.20) | 166           | 60            |
|   | <u>416</u>    | <u>158</u>    |

D F Ashby waived his right to the interim dividend, in exchange for 5,550 'A' ordinary shares issued as a bonus on 30 November 1998.

**12. INTANGIBLE FIXED ASSETS**

|                                 | Goodwill<br>£'000 |
|---------------------------------|-------------------|
| <b>Cost</b>                     |                   |
| At 1 July 1998                  | -                 |
| Additions in the year           | 2,606             |
|                                 | <u>2,606</u>      |
| At 30 June 1999                 | <u>2,606</u>      |
| <b>Accumulated amortisation</b> |                   |
| At 1 July 1998                  | -                 |
| Charge for the year             | 27                |
| Impairment loss in the year     | 42                |
|                                 | <u>69</u>         |
| At 30 June 1999                 | <u>69</u>         |
| <b>Net book value</b>           |                   |
| At 30 June 1999                 | <u>2,537</u>      |
| At 30 June 1998                 | <u>-</u>          |



**NOTES TO THE ACCOUNTS**

**Year ended 30 June 1999**

**13. TANGIBLE FIXED ASSETS**

**GROUP**

|                                 | <b>Motor<br/>vehicles<br/>£'000</b> | <b>Warehouse<br/>and<br/>workshop<br/>equipment<br/>£'000</b> | <b>Office<br/>equipment<br/>£'000</b> | <b>Fixtures<br/>and fittings<br/>£'000</b> | <b>Land and<br/>buildings<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---------------------------------|-------------------------------------|---|---------------------------------------|--|---|------------------------|
| <b>Cost</b>                     |                                     |   |                                       |  |   |                        |
| At 1 July 1998                  | 213                                 | 114   | 217                                   | 39   | 103                                     | 686                    |
| Subsidiaries acquired           | 40                                  | 140   | 158                                   | 69   | 246                                     | 653                    |
| Additions                       | 54                                  | 18  | 90                                    | 10   | 172                                     | 344                    |
| Disposals                       | (64)                                | -   | -                                     | -  | -                                       | (64)                   |
| At 30 June 1999                 | 243                                 | 272   | 465                                   | 118  | 521                                     | 1,619                  |
| <b>Accumulated depreciation</b> |                                     |   |                                       |  |   |                        |
| At 1 July 1998                  | 59                                  | 80  | 82                                    | 25   | 19                                      | 265                    |
| Subsidiaries acquired           | 9                                   | 99  | 106                                   | 41   | 61                                      | 316                    |
| Charge for the year             | 67                                  | 24  | 30                                    | 8  | 29                                      | 158                    |
| Disposals                       | (40)                                | -   | -                                     | -  | -                                       | (40)                   |
| At 30 June 1999                 | 95                                  | 203   | 218                                   | 74   | 109                                     | 699                    |
| <b>Net book value</b>           |                                     |   |                                       |  |   |                        |
| At 30 June 1999                 | 148                                 | 69  | 247                                   | 44   | 412                                     | 920                    |
| At 1 July 1998                  | 154                                 | 34  | 135                                   | 14   | 84                                      | 421                    |

Included within the total are assets with a net book value of £134,000 (1998 - £154,000) held under hire purchase contracts.


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999**
**13. TANGIBLE FIXED ASSETS (Continued)**  
**COMPANY**

|                                 | Motor<br>vehicles<br>£'000 | Warehouse<br>and<br>workshop<br>equipment<br>£'000 | Office<br>equipment<br>£'000 | Fixtures<br>and fittings<br>£'000 | Property<br>improvements<br>£'000 | Total<br>£'000 |
|---------------------------------|----------------------------|--|------------------------------|-----------------------------------|-----------------------------------|----------------|
| <b>Cost</b>                     |                            |  |                              |                                   |                                   |                |
| At 1 July 1998                  | 200                        | 114  | 218                          | 36                                | 103                               | 671            |
| Additions                       | 36                         | 12   | 77                           | 8                                 | 148                               | 281            |
| Disposals                       | (60)                       | -  | -                            | -                                 | -                                 | (60)           |
| Transfers to group<br>companies | (49)                       | -  | -                            | -                                 | -                                 | (49)           |
| At 30 June 1999                 | 127                        | 126  | 295                          | 44                                | 251                               | 843            |
| <b>Accumulated depreciation</b> |                            |  |                              |                                   |                                   |                |
| At 1 July 1998                  | 57                         | 80   | 82                           | 25                                | 19                                | 263            |
| Charge for the year             | 53                         | 13   | 24                           | 5                                 | 23                                | 118            |
| Disposals                       | (40)                       | -  | -                            | -                                 | -                                 | (40)           |
| Transfer to group<br>companies  | (24)                       | -  | -                            | -                                 | -                                 | (24)           |
| At 30 June 1999                 | 46                         | 93   | 106                          | 30                                | 42                                | 317            |
| <b>Net book value</b>           |                            |  |                              |                                   |                                   |                |
| At 30 June 1999                 | 81                         | 33   | 189                          | 14                                | 209                               | 526            |
| At 1 July 1998                  | 143                        | 34   | 136                          | 11                                | 84                                | 408            |

Included within the total are assets with a net book value of £103,000 (1998 - £143,000) held under hire purchase contracts.

**14. INVESTMENTS HELD AS FIXED ASSETS**

|                 | 1999<br>£'000 | 1998<br>£'000 |
|-----------------|---------------|---------------|
| Shares at cost  | 3,689         | 110           |
| Less provisions | (128)         | (102)         |
|                 | 3,561         | 8             |




**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999**
**15. DEBTORS - all due within one year**

|                                    | Group         |               | Company       |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 1999<br>£'000 | 1998<br>£'000 | 1999<br>£'000 | 1998<br>£'000 |
| Trade debtors                      | 3,339         | 1,512         | 1,679         | 1,488         |
| Amounts owed by group undertakings | -             | -             | 213           | -             |
| Other debtors                      | 46            | 203           | 19            | 203           |
| Prepayments and accrued income     | 125           | -             | 35            | -             |
|                                    | <u>3,510</u>  | <u>1,715</u>  | <u>1,946</u>  | <u>1,691</u>  |

**16. INVESTMENTS HELD AS CURRENT ASSETS**

|                | Group         |               | Company       |               |
|----------------|---------------|---------------|---------------|---------------|
|                | 1999<br>£'000 | 1998<br>£'000 | 1999<br>£'000 | 1998<br>£'000 |
| Shares at cost | <u>350</u>    | <u>-</u>      | <u>350</u>    | <u>-</u>      |

**17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 1999<br>£'000 | 1998<br>£'000 | 1999<br>£'000 | 1998<br>£'000 |
| Bank loans and overdrafts (see note 19)   | 1,564         | 398           | 785           | 398           |
| Capitalised loan issue cost               | (20)          | -             | (20)          | -             |
| Other loans                               | 9             | 11            | 3             | 11            |
| Obligations under hire purchase contracts | 59            | 53            | 45            | 48            |
| Trade creditors                           | 2,030         | 873           | 952           | 858           |
| Amounts owed to group undertakings        | -             | -             | 102           | -             |
| Group relief                              | -             | -             | 1             | -             |
| ACT payable                               | -             | 39            | -             | 39            |
| Current corporation tax                   | 678           | 309           | 441           | 317           |
| Other taxes and social security           | 331           | 103           | 75            | 98            |
| Accruals and deferred income              | 362           | 294           | 319           | 291           |
| Dividends                                 | 166           | -             | 166           | -             |
|   | <u>5,179</u>  | <u>2,080</u>  | <u>2,869</u>  | <u>2,060</u>  |

**18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 1999<br>£'000 | 1998<br>£'000 | 1999<br>£'000 | 1998<br>£'000 |
| Bank loans and overdrafts (see note 19)   | 2,000         | -             | 2,000         | -             |
| Capitalised loan issue costs              | (99)          | -             | (99)          | -             |
| Other loans                               | 13            | -             | -             | -             |
| Obligations under hire purchase contracts | 44            | 65            | 33            | 62            |
|   | <u>1,958</u>  | <u>65</u>     | <u>1,934</u>  | <u>62</u>     |


**NOTES TO THE ACCOUNTS**
**Year ended 30 June 1999**
**19. BANK LOANS AND OVERDRAFTS**

|                | <b>Group</b> |              | <b>Company</b> |              |
|----------------|--------------|--------------|----------------|--------------|
|                | <b>1999</b>  | <b>1998</b>  | <b>1999</b>    | <b>1998</b>  |
|                | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b> |
| Bank overdraft | 1,264        | 398          | 485            | 398          |
| Bank loans     | 2,300        | -            | 2,300          | -            |
|                | <u>3,564</u> | <u>398</u>   | <u>2,785</u>   | <u>398</u>   |

The bank loans and overdraft are secured by a fixed and floating charge over all assets of the group. The bank loans bear interest at a rate of 2% above the National Westminster Bank PLC base rate.

**20. TOTAL BORROWINGS**

|  | <b>Group</b> |              | <b>Company</b> |              |
|--|--------------|--------------|----------------|--------------|
|  | <b>1999</b>  | <b>1998</b>  | <b>1999</b>    | <b>1998</b>  |
|  | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b> |
| <b>Due within one year or on demand:</b> |              |              |                |              |
| Bank loans and overdrafts                | 1,564        | 398          | 785            | 398          |
| Hire purchase contracts                  | 59           | 53           | 45             | 48           |
| Other loans                              | 9            | 11           | 3              | 11           |
|  | <u>1,632</u> | <u>462</u>   | <u>833</u>     | <u>457</u>   |
| <b>Due within one to two years:</b>      |              |              |                |              |
| Bank loans                               | 400          | -            | 400            | -            |
| Hire purchase contracts                  | 43           | 65           | 32             | 62           |
| Other loans                              | 13           | -            | -              | -            |
|  | <u>2,088</u> | <u>527</u>   | <u>1,265</u>   | <u>519</u>   |
| <b>Due within two to five years:</b>     |              |              |                |              |
| Bank loans                               | 1,200        | -            | 1,200          | -            |
| Hire purchase contracts                  | 1            | -            | 1              | -            |
|  | <u>3,289</u> | <u>527</u>   | <u>2,466</u>   | <u>519</u>   |
| <b>Due after five years:</b>             |              |              |                |              |
| Bank loans and overdrafts                | 400          | -            | 400            | -            |
|  | <u>3,689</u> | <u>527</u>   | <u>2,866</u>   | <u>519</u>   |

The hire purchase liabilities are secured on the assets to which they relate and carry interest at market rates.


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999**
**21. PROVISIONS FOR LIABILITIES AND CHARGES**

|                          | <b>Group</b> |              | <b>Company</b> |              |
|--------------------------|--------------|--------------|----------------|--------------|
|                          | <b>1999</b>  | <b>1998</b>  | <b>1999</b>    | <b>1998</b>  |
|                          | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b> |
| <b>Deferred taxation</b> |              |              |                |              |
| Balance at 1 July 1998   | 17           | -            | 17             | -            |
| Subsidiaries acquired    | 2            | -            | -              | -            |
| Current year charge      | 18           | 17           | 17             | 17           |
| Adjustment to prior year | (8)          | -            | (6)            | -            |
|                          | <u>29</u>    | <u>17</u>    | <u>28</u>      | <u>17</u>    |
| Balance at 30 June 1999  | 29           | 17           | 28             | 17           |

The amounts provided in the accounts and the amounts not provided are as follows:

|   | <b>Provided</b> | <b>Provided</b> | <b>Not</b>      | <b>Not</b>      |
|---|-----------------|-----------------|-----------------|-----------------|
|   | <b>1999</b>     | <b>1998</b>     | <b>Provided</b> | <b>Provided</b> |
|   | <b>£'000</b>    | <b>£'000</b>    | <b>1999</b>     | <b>1998</b>     |
|   | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>    |
| <b>Group</b>                                  |                 |                 |                 |                 |
| Capital allowances in advance of depreciation | <u>29</u>       | <u>17</u>       | <u>16</u>       | <u>-</u>        |
| <b>Company</b>                                |                 |                 |                 |                 |
| Capital allowances in advance of depreciation | <u>28</u>       | <u>17</u>       | <u>-</u>        | <u>-</u>        |

**22. CALLED UP SHARE CAPITAL**

|   | <b>1999</b>  | <b>1998</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| <b>Authorised</b>                                 |              |              |
| 87,501 (1998: 100,000) ordinary shares of £1 each | 88           | 100          |
| 12,499 (1998: 0) 'A' ordinary shares of £1 each   | <u>12</u>    | <u>-</u>     |
| <b>Called up, allotted and fully paid</b>         |              |              |
| 49,995 (1998: 50,000) ordinary shares of £1 each  | 50           | 50           |
| 12,499 (1998: 0) 'A' ordinary shares of £1 each   | <u>12</u>    | <u>-</u>     |

On 30 November 1998, 5 of the ordinary shares held by D F Ashby were reclassified as 'A' ordinary shares. On the same day, a further 5,550 'A' ordinary shares were issued as a bonus issue, to D F Ashby.

The allotted 'A' ordinary shares were increased to 12,499, by the issue of 6,944 shares, for total consideration of £1,500,000 on 4 May 1999.


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999**
**23. STATEMENT ON MOVEMENTS ON RESERVES**

| <b>The Group</b>             | <b>Share<br/>premium<br/>£'000</b> | <b>Capital<br/>redemption<br/>reserve<br/>£'000</b> | <b>Profit and<br/>loss<br/>account<br/>£'000</b> | <b>Total<br/>£'000</b> |
|------------------------------|------------------------------------|---|--|------------------------|
| Balance at 1 July 1998       | 86                                 | 1   | 1,125  | 1,212                  |
| Retained profit for the year | -                                  | -   | 724  | 724                    |
| Shares in lieu of dividend   | 215                                | -   | -  | 215                    |
| Shares issued                | 1,493                              | -   | -  | 1,493                  |
| Balance at 30 June 1999      | <u>1,794</u>                       | <u>1</u>  | <u>1,849</u>                                     | <u>3,644</u>           |
| <b>The Company</b>           |                                    |   |  |                        |
| Balance at 1 July 1998       | 86                                 | 1   | 1,121  | 1,208                  |
| Retained profit for the year | -                                  | -   | 573  | 573                    |
| Shares in lieu of dividend   | 215                                | -   | -  | 215                    |
| Shares issued                | 1,493                              | -   | -  | 1,493                  |
| Balance at 30 June 1999      | <u>1,794</u>                       | <u>1</u>  | <u>1,694</u>                                     | <u>3,489</u>           |

**24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|                                      | <b>1999<br/>£'000</b> | <b>1998<br/>£'000</b> |
|--------------------------------------|-----------------------|-----------------------|
| Profit for the financial year        | 1,140                 | 831                   |
| Dividends                            | (416)                 | (158)                 |
|                                      | <u>724</u>            | <u>673</u>            |
| New share capital subscribed         | 1,720                 | 21                    |
| Net additions to shareholders' funds | <u>2,444</u>          | <u>694</u>            |
| Opening shareholders' funds          | 1,262                 | 568                   |
| Closing shareholders' funds          | <u>3,706</u>          | <u>1,262</u>          |


**NOTES TO THE ACCOUNTS**
**Year ended 30 June 1999**
**25. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

|                                  | 1999<br>£'000 | 1998<br>£'000 |
|----------------------------------|---------------|---------------|
| Operating profit                 | 1,752         | 1,210         |
| Depreciation                     | 158           | 86            |
| Goodwill amortised               | 69            | -             |
| Loss on sale of fixed assets     | 2             | 12            |
| (Increase) in stocks             | (620)         | (579)         |
| Decrease/(increase) in debtors   | 67            | (576)         |
| (Decrease)/increase in creditors | (455)         | 127           |
|                                  | <u>973</u>    | <u>280</u>    |

**26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

|   | £'000          | 1999<br>£'000  | £'000      | 1998<br>£'000 |
|---|----------------|----------------|------------|---------------|
| Decrease in cash in the period                                  | (767)          |                | (289)      |               |
| Cash (inflow)/outflow from increase in debt and lease financing | <u>(2,121)</u> |                | <u>104</u> |               |
| <b>Change in net debt resulting from cash flows</b>             |                | (2,888)        |            | (185)         |
| Loans and finance leases acquired with subsidiary               |                | (11)           |            | -             |
| New finance leases  |                | <u>(45)</u>    |            | <u>(115)</u>  |
| <b>Movement in net debt in the period</b>                       |                | (2,944)        |            | (300)         |
| <b>Net debt at start of year</b>                                |                | <u>(515)</u>   |            | <u>(216)</u>  |
| <b>Net debt at end of year</b>                                  |                | <u>(3,459)</u> |            | <u>(516)</u>  |


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999**
**27. ANALYSIS OF CHANGES IN NET DEBT**

|                          | At<br>1 July<br>1998<br>£'000 | Cash<br>flows<br>£'000 | Acquisition<br>(excluding<br>cash and<br>overdrafts)<br>£'000 | Other<br>non-cash<br>charges<br>£'000 | At<br>30 June<br>1999<br>£'000 |
|--------------------------|-------------------------------|------------------------|---|---------------------------------------|--------------------------------|
| Cash at bank and in hand | 12                            | 99                     | -   | -                                     | 111                            |
| Overdrafts               | (398)                         | (866)                  | -   | -                                     | (1,264)                        |
|                          |                               | (767)                  |   |                                       |                                |
| Debt due after 1 year    | -                             | (1,914)                | -   | -                                     | (1,914)                        |
| Debt due within 1 year   | (11)                          | (278)                  | -   | -                                     | (289)                          |
| Finance leases           | (118)                         | 71                     | (11)  | (45)                                  | (103)                          |
|                          |                               | (2,121)                |   |                                       |                                |
| <b>Total</b>             | <b>(515)</b>                  | <b>(2,888)</b>         | <b>(11)</b>   | <b>(45)</b>                           | <b>(3,459)</b>                 |

**28. NON-CASH TRANSACTIONS**

During the year, the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £45,000 (1998 - £114,000).

**29. FINANCIAL COMMITMENTS**

The company was committed to making the following payments during the next year in respect of operating leases.

|                      | 30 June 1999                   |                | 30 June 1998                   |                |
|----------------------|--------------------------------|----------------|--------------------------------|----------------|
|                      | Land and<br>buildings<br>£'000 | Other<br>£'000 | Land and<br>buildings<br>£'000 | Other<br>£'000 |
| Leases which expire: |                                |                |                                |                |
| Within 1 to 2 years  | -                              | 17             | -                              | 3              |
| Within 2 to 5 years  | 127                            | 99             | 74                             | -              |

**30. CONTINGENT LIABILITIES**

The Company is part of a composite guarantee and debenture arrangement whereby the Company has guaranteed certain borrowings of the group. A fixed and floating charge over all current and future assets of the company exists. The potential liability under this agreement at 30 June 1999 is £779,089.



**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999**

**31. PURCHASE OF SUBSIDIARY UNDERTAKINGS - GOODWILL**

|   | <b>Open<br/>Integration<br/>And<br/>Servers<br/>and<br/>Options<br/>£'000</b> | <b>XB Data<br/>Spares<br/>£'000</b> |
|---|---|-------------------------------------|
| Goodwill  | 2,448   | 138                                 |
| <b>Net assets acquired:</b>                       |   |                                     |
| Tangible fixed assets                             | 274   | 64                                  |
| Stock   | 1,243   | 310                                 |
| Trade debtors                                     | 1,228   | 338                                 |
| Other debtors                                     | 273   | 23                                  |
| Investments                                       | 350   | -                                   |
| Cash  | 32  | 1                                   |
| Bank loans and overdrafts                         | (522)   | (171)                               |
| Hire purchase                                     | -   | (11)                                |
| Trade creditors                                   | (1,261)   | (399)                               |
| Corporation tax                                   | (201)   | 24                                  |
| Other creditors including tax and social security | (29)  | -                                   |
| Accruals and deferred income                      | (160)   | (60)                                |
| Provision for deferred tax                        | -   | (2)                                 |
|   | <u>1,227</u>  | <u>117</u>                          |
|   | <u>3,675</u>  | <u>255</u>                          |
| <b>Consideration</b>                              |   |                                     |
| Cash  | <u>3,675</u>  | <u>255</u>                          |


**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999**
**32. PURCHASE OF SUBSIDIARY UNDERTAKINGS - FAIR VALUE ADJUSTMENTS**

| <b>OPEN INTEGRATION LIMITED<br/>AND SERVERS AND OPTIONS<br/>LIMITED</b> | <b>Book<br/>amount<br/>£'000</b> | <b>Revaluation<br/>£'000</b> | <b>Fair value<br/>to the<br/>Group<br/>£'000</b> |
|---|----------------------------------|------------------------------|--|
| Tangible fixed assets   | 274                              | -                            | 274  |
| Investments   | 350                              | -                            | 350  |
| Current assets  | 2,811                            | (35)                         | 2,776  |
| Creditors and provisions  | (2,173)                          | -                            | (2,173)  |
|   | <u>1,262</u>                     | <u>(35)</u>                  | <u>1,227</u>                                     |
| Goodwill  |                                  |                              | <u>2,448</u>                                     |
|   |                                  |                              | <u>3,675</u>                                     |
| <b>XB DATA SPARES LIMITED</b>   |                                  |                              |  |
| Tangible fixed assets   | 64                               | -                            | 64   |
| Current assets  | 792                              | (96)                         | 696  |
| Creditors and provisions  | (643)                            | -                            | (643)  |
|   | <u>213</u>                       | <u>(96)</u>                  | <u>117</u>                                       |
| Goodwill  |                                  |                              | <u>138</u>                                       |
|   |                                  |                              | <u>255</u>                                       |





**NOTES TO THE ACCOUNTS**

**Year ended 30 June 1999**

**33. PURCHASE OF SUBSIDIARY UNDERTAKINGS - PRE-ACQUISITION RESULTS**

|   | <b>Open<br/>Integration<br/>and Servers<br/>and Options<br/>1 November<br/>1998 to<br/>3 May<br/>1999<br/>£'000</b> | <b>XB<br/>Data Spares<br/>1 January<br/>1998 to 15<br/>November<br/>1998<br/>£'000</b> |
|---|---|--|
| Results prior to acquisition from beginning of<br>financial period being: |   |  |
| Turnover  | 4,087   | 2,361  |
| Operating profit/(loss)   | 536   | (76)   |
| Profit/(loss) before taxation   | 512   | (112)  |
| Taxation  | 108   | (26)   |
| Profit/(loss) after taxation  | 404   | (86)   |
| Preceding financial period results:                                       |   |  |
| Profit/(loss) after taxation  | 247   | (93)   |
| Number of months  | 12  | 12   |

**34. CONTROLLING PARTY**

The ultimate controlling party is D F Ashby.



**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 1999**

**35. ADDITIONAL INFORMATION ON SUBSIDIARIES**

The company's subsidiaries were as follows:

|   | Percentage of issued<br>share capital held |                 |
|---|--|-----------------|
|   | 30 June<br>1999                            | 30 June<br>1998 |
|   | %  | %               |
| Directional Software Limited              | 75   | 75              |
| Gale Force (UK) Limited                   | 75   | -               |
| Open Integration Limited                  | 100  | -               |
| CYBERphile Limited                        | 100  | -               |
| Servers and Options International Limited | 100  | -               |
| Y2K Century Datechange Limited *          | 100  | -               |
| XB Data Spares Limited                    | 100  | -               |
| XB International Trading Limited *        | 100  | -               |

\* Non-trading

CYBERphile Limited, Servers and Options International Limited and Y2K Century Datechange Limited are wholly owned subsidiaries of Open Integration Limited.

XB International Trading Limited is a wholly owned subsidiary of XB Data Spares Limited.

The proportion of voting rights of each subsidiary held by the group is the same as the proportion of shares held.

All subsidiaries are registered and operate in England and their principal activities are as disclosed in the directors' report.

With the exception of CYBERphile Limited, all subsidiaries have been included in the consolidation. CYBERphile Limited is excluded on the grounds that it is held exclusively for resale. The investment is recorded as a current asset investment.

**CYBERphile Limited**

At 30 June 1999, CYBERphile Limited had capital and reserves of £80,338. Its retained loss for the 8 months to 30 June 1999 was £63,564.

Since acquisition on 4 May 1999, CYBERphile Limited has been involved in the following transactions with group undertakings.

|                             | Purchases<br>from group<br>undertakings<br>£ | Sales to<br>group<br>undertakings<br>£ | Amounts<br>owed to<br>group<br>undertakings<br>£ | Amounts<br>owed by<br>group<br>undertakings<br>£ |
|-----------------------------|--|--|--|--|
| Open Integration Limited    | -  | 400                                    | 71,489   | 617  |
| Servers and Options Limited | -  | -                                      | 783  | -  |
|                             | -  | 400                                    | 72,272   | 617  |