

Annual Report and Accounts
May 2000 – April 2001

**KINGSWELL COMPUTER COMPANY
LIMITED**

Registered Number 2686986



A Guardian IT plc group company

www.kingswell.co.uk



KINGSWELL COMPUTER COMPANY LIMITED

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<http://www.kingswell.co.uk>

Registered No. 2686986

Registered Office

Benchmark House
St George's Business Park
203 Brooklands Road
Weybridge
Surrey KT13 0RH

Directors

P MacLean	(appointed 6 October 2000)	Group Chairman
P Jakob	(appointed 6 October 2000)	Group Finance Director
M R King		Managing Director
G I Presswell, ACA BSc		Finance Director
C G Benham		Customer Services Director
A Stanford	(appointed 1 st August 2000)	Sales Director

Secretary

A Schroeder (appointed 20 February 2001)
G I Presswell, ACA BSc (resigned 20 February 2001)

Auditors

PricewaterhouseCoopers
Central Business Exchange
Midsummer Boulevard
Central Milton Keynes
MK9 2DF

Bankers

Barclays Bank Plc
8/12 Church Street
Walton-on-Thames
Surrey KT12 2YW

Solicitors

Kimbell & Co.
352 Silbury Court
Silbury Boulevard
Milton Keynes
MK9 2HJ

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30th April 2001.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £1,537,000 (2000: £638,000). The directors have not recommended the payment of a dividend and have transferred the profit after taxation for the year to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year was the supply and support of computer storage, storage management and data management solutions together with associated training and consultancy services.

The company has continued to focus its resources in the rapidly growing market of computer storage, back up and data archiving. The company's overall turnover grew 83% in the year and as a result, the directors are pleased to report significantly improved profits.

On 4th October 2000 Guardian iT plc, a publicly quoted company, acquired 100% of the share capital of the company and it is anticipated that membership of the Guardian iT plc group will further enhance the company's opportunities for growth in the coming year.

DIRECTORS AND THEIR INTERESTS

The directors at 30th April 2001 and their interests in the share capital of the company were as follows:

	At 30 th April 2001	At 30 th April 2000
	Ordinary Shares	Ordinary Shares
M R King	-	20,000
G I Presswell	-	15,000
C G Benham	-	17,000

Details of the options held by the directors in Guardian iT plc are as follows:

Date of Grant	Earliest exercise date	Expiry date	Exercise price	No at 1/5/ 2000	Granted in year	Exercised in year	No at 30/4/2001
M King							
10.10.2000	10.10.2003	9.10.2010	1163p	-	2,579	-	2,579
10.10.2000	10.10.2003	9.10.2007	1163p	-	18,917	-	18,917
11.4.2001	11.4.2004	10.4.2008	657p	-	9,751	-	9,751
G Presswell							
10.10.2000	10.10.2003	9.10.2010	1163p	-	2,579	-	2,579
10.10.2000	10.10.2003	9.10.2007	1163p	-	12,468	-	12,468
11.4.2001	11.4.2004	10.4.2008	657p	-	7,420	-	7,420
C Benham							
10.10.2000	10.10.2003	9.10.2010	1163p	-	2,579	-	2,579
10.10.2000	10.10.2003	9.10.2007	1163p	-	12,468	-	12,468
11.4.2001	11.4.2004	10.4.2008	657p	-	5,993	-	5,993
A Stanford							
10.10.2000	10.10.2003	9.10.2010	1163p	-	2,579	-	2,579
10.10.2000	10.10.2003	9.10.2007	1163p	-	12,468	-	12,468
11.4.2001	11.4.2004	10.4.2008	657p	-	4,281	-	4,281

The options held by P MacLean and P Jakob are disclosed in the accounts of Guardian iT plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

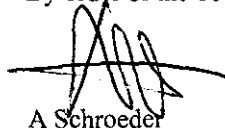
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30th April 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers as auditors will be put to the members at the Annual General Meeting.

By order of the board



A Schroeder
Secretary
16th July 2001

Auditors' report to the members of Kingswell Computer Company Limited

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 30 April 2001 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, likely belonging to a representative of PricewaterhouseCoopers.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Milton Keynes
11 July 2001

PROFIT AND LOSS ACCOUNT
for the year ended 30th April 2001

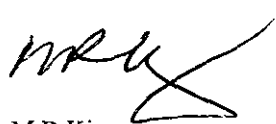
	Note	2001 £'000	2000 £'000
TURNOVER – CONTINUING OPERATIONS	3	14,019	7,644
Cost of sales		(9,467)	(4,883)
Gross profit		4,552	2,761
Distribution costs		(2,423)	(1,695)
Administrative expenses		(646)	(461)
		(3,069)	(2,156)
OPERATING PROFIT – CONTINUING OPERATIONS	4	1,483	605
Interest receivable and similar income		58	36
Interest payable and similar charges	7	(4)	(3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,537	638
Tax on profit on ordinary activities	8	(462)	(205)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,075	433
Dividends	9	-	(159)
RETAINED PROFIT FOR THE FINANCIAL YEAR	19	1,075	274

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

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

BALANCE SHEETAs at 30th April 2001

	Notes	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible assets	10	457	240
Investments	11	7	7
		<u>464</u>	<u>247</u>
CURRENT ASSETS			
Stocks	12	637	482
Debtors	13	4,392	2,828
Cash at bank and in hand		411	1,289
		<u>5,440</u>	<u>4,599</u>
CREDITORS: amounts falling due within one year	14	(3,594)	(3,822)
NET CURRENT ASSETS		<u>1,846</u>	<u>777</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,310</u>	<u>1,024</u>
CREDITORS: amounts falling due after one year	15	(323)	(114)
PROVISION FOR LIABILITIES AND CHARGES	17	(19)	(17)
NET ASSETS		<u>1,968</u>	<u>893</u>
CAPITAL AND RESERVES			
Called up share capital	18	64	64
Profit and loss account	19	1,904	829
EQUITY SHAREHOLDERS' FUNDS	19	<u>1,968</u>	<u>893</u>


 M R King

Director

11 July 2001

STATEMENT OF CASH FLOWS
 for the year ended 30th April 2001

	Notes	2001 £'000	2000 £'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	20a	(429)	906
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid	7	-	(2)
Interest element of finance lease rental payments	7	(4)	(1)
Interest received		58	36
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		54	33
TAXATION			
Corporation tax paid		(195)	(73)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(328)	(148)
Payment for shares in subsidiary company		-	(7)
Receipts from sale of assets		-	3
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(328)	(152)
EQUITY DIVIDENDS PAID	9	(57)	(189)
FINANCING			
New loans		97	-
Capital element of finance lease rental & loan payments		(20)	(11)
NET CASH (OUTFLOW) / INFLOW		(878)	514
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/ increase in cash in the period		(878)	514
Cash (inflow) / outflow from increase / (decrease) in debt and lease financing	20b	(45)	13
Change in net funds resulting from cash flows	20b	(923)	527
New finance leases	20b	(32)	-
MOVEMENT IN NET FUNDS	20b	(955)	527
NET FUNDS AT 1ST MAY	20b	1,277	750
NET FUNDS AT 30TH APRIL	20b	322	1,277

NOTES TO THE ACCOUNTSat 30th April 2001**1. ACCOUNTING POLICIES****Accounting convention**

The accounts have been prepared under the historical cost convention and are prepared in accordance with applicable accounting standards.

Group accounts

These accounts present information regarding the company as an individual undertaking and not about its group as the directors have taken advantage of the exemption to prepare group accounts under Section 248 of the Companies Act 1985.

Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties except in respect of certain short and long term contracts where turnover represents the value of the work carried out during the year. Income from maintenance and support contracts is apportioned in equal instalments over the period of the contract.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Leasehold improvements	-	over the lease term
Plant and machinery	-	4-10 years
Fixtures and fittings	-	5 years
Computer equipment	-	4 years

The carrying values of tangible fixed assets are reviewed for impairment periodically if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments in subsidiary companies are stated at cost less any provision for permanent impairment of value.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

NOTES TO THE ACCOUNTSat 30th April 2001**1. ACCOUNTING POLICIES (continued)****Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful life. The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pension costs

The company contributes to certain employee's personal contribution pension policies. Contributions are charged to the profit and loss account as they become payable.

2. RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of Guardian iT plc and is included in the consolidated financial statements of Guardian iT plc, which are publicly available. Consequently, the company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Guardian iT plc group or investees of the Guardian iT group.

3. TURNOVER

Turnover is attributable to one continuing activity, the sale and support of computer systems and sub-systems.

An analysis of turnover by geographical market is given below:

	2001 £'000	2000 £'000
United Kingdom	13,974	7,598
Rest of Europe	43	25
Other	2	21
	<hr/> 14,019 <hr/>	<hr/> 7,644 <hr/>

NOTES TO THE ACCOUNTSat 30th April 2001**4. OPERATING PROFIT**

	2001 £'000	2000 £'000
Operating profit is stated after charging:		
Auditors' remuneration	12	10
Depreciation on owned fixed assets	97	63
Depreciation of assets held under finance leases	11	6
Hire of plant and machinery	5	5
Operating lease rentals		
- plant and machinery	144	126
- land and buildings	78	59
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5. DIRECTORS' REMUNERATION

	2001 £'000	2000 £'000
Emoluments (excluding pension contributions)	558	319
	-----	-----

Pension contributions to directors' private pension schemes of £5,618 (2000: £5,255) were paid in respect of three directors (2000: three directors). The emoluments of the highest paid director were £175,509 (2000: £127,409) including pension contributions of £2,510 (2000: £2,410).

6. STAFF COSTS

	2001 £'000	2000 £'000
Wages and salaries	2,201	1,600
Social security costs	266	178
Other pension costs	13	8
	-----	-----
	2,480	1,786
	-----	-----

The average weekly number of employees during the year was as follows:

	2001 No.	2000 No.
Administration	8	7
Sales	20	18
Engineering	25	17
	-----	-----
	53	42
	-----	-----

NOTES TO THE ACCOUNTSat 30th April 2001**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	2001 £'000	2000 £'000
Other loans repayable within five years	-	2
Finance charges payable under finance leases	4	1
	-----	-----
	4	3
	-----	-----

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
Based on the profit for the year:		
Corporation tax	464	200
Deferred tax	6	6
Prior year adjustment for under/(over) provision		
- current	(4)	(1)
- deferred	(4)	-
	-----	-----
	462	205
	-----	-----

9. DIVIDENDS

	2001 £'000	2000 £'000
Ordinary shares - interim dividend paid	-	102
Ordinary shares - proposed final dividend	-	57
	-----	-----
	-	159
	-----	-----

NOTES TO THE ACCOUNTS

at 30th April 2001

10. TANGIBLE FIXED ASSETS

	Short leasehold improvements £'000	Plant & machinery £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost:					
At 1 st May 2000	50	24	108	249	431
Additions	67	-	99	162	328
Disposals	-	-	(2)	(5)	(7)
At 30 th April 2001	117	24	205	406	752
Depreciation:					
At 1 st May 2000	7	6	50	128	191
Provided during the year	10	2	31	65	108
Disposals	-	-	(2)	(2)	(4)
At 30 th April 2001	17	8	79	191	295
Net book amount:					
At 30 th April 2001	100	16	126	215	457
At 1 st May 2000	43	18	58	121	240

Included in computer equipment are assets purchased under finance leases of £25,323 which are fully depreciated. Included in fixtures & fittings are assets purchased under finance leases of £37,653 with accumulated depreciation of £6,275 giving a net book amount of £31,378.

11. FIXED ASSET INVESTMENTS

	2001 £'000	2000 £'000
Investment in subsidiary undertaking	7	7

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held
Kingswell AB	Sweden	Ordinary 100SEK	100%

The principal business activity of the subsidiary is the supply, integration and support of computer backup and archiving solutions

As stated in note 1 to the accounts, the results of the subsidiary company has not been consolidated under the provisions of Section 248 of the Companies Act 1985.

The capital and reserves of Kingswell AB at 30th April 2001 were a deficit of £321,000 and the company made a loss of £327,000 in the period to 30th April 2001.

NOTES TO THE ACCOUNTSat 30th April 2001**12. STOCKS**

	2001 £'000	2000 £'000
Finished goods and stock for resale	637	482

13. DEBTORS

	2001 £'000	2000 £'000
Trade debtors	2,152	2,318
Amounts owed by group undertakings	1,865	246
Other debtors	30	23
Prepayments and accrued income	345	241
	4,392	2,828

14. CREDITORS: amounts falling due within one year

	2001 £'000	2000 £'000
Trade creditors	773	1,628
Obligations under finance leases	13	-
Other taxes and social security costs	368	356
Current corporation tax	464	199
Other loans	25	5
Accruals	228	263
Deferred income	1,723	1,314
Dividends payable	-	57
	3,594	3,822

NOTES TO THE ACCOUNTSat 30th April 2001**15. CREDITORS: amounts falling due after one year**

	2001 £'000	2000 £'000
Deferred income	272	107
Obligations under finance leases	14	-
Other loans	37	7
	<u>323</u>	<u>114</u>

The other loan is repayable in equal monthly instalments of £2027.

16. OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

	2001 £	2000 £
Amounts payable:		
within one year	14	-
within two to five years	17	-
	<u>31</u>	<u>-</u>
Less: finance charges allocated to future periods	(4)	-
	<u>27</u>	<u>-</u>
Finance leases are analysed as follows:		
Current obligations	13	-
Non-current obligations	14	-
	<u>27</u>	<u>-</u>

NOTES TO THE ACCOUNTSat 30th April 2001**17. PROVISION FOR LIABILITIES AND CHARGES**

Deferred taxation

	£'000
At 30 th April 2000	17
Charged in the year	6
Under/(over) provision in respect prior year	(4)
At 30 th April 2001	19

Deferred taxation provided and unprovided in the accounts is as follows:

	Provided 2001 £'000	Unprovided 2001 £'000	Provided 2000 £'000	Unprovided 2000 £'000
Capital allowances in advance of depreciation	19	-	17	-

18. CALLED UP SHARE CAPITAL

	Authorised, allotted, called up and fully paid 2001 £'000	Authorised, allotted, called up and fully paid 2000 £'000
64,000 ordinary shares of £1 each	64	64

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £'000	Profit & loss account £'000	Total £'000
At 30 th April 2000	64	829	893
Profit for the year	-	1,075	1,075
At 30 th April 2001	64	1,904	1,968

NOTES TO THE ACCOUNTSat 30th April 2001**20. NOTES TO THE STATEMENT OF CASH FLOWS**

(a) Reconciliation of operating profit to net cash (outflow) / inflow from operating activities.

	2001 £'000	2000 £'000
Operating profit	1,483	605
Depreciation	108	70
Loss/(profit) on disposal of tangible fixed assets	3	(1)
Increase in debtors	(1,564)	(1,184)
Increase in stocks	(155)	(58)
(Decrease)/increase in creditors	(304) 1,474	
Net cash (outflow)/inflow from operating activities	(429)	906

(b) Analysis of changes in net debt.

	At 1 st May £'000	Cash flow £'000	Other £'000	At 30 th April £'000
Cash at bank and in hand	1,289	(878)	-	411
Debt due within 1 year	(5)	(20)	-	(25)
Debt due after 1 year	(7)	(30)	-	(37)
Finance leases	-	5	(32)	(27)
	1,277	(923)	(32)	322

21. PENSION COMMITMENTS

The company contributes to certain employee's personal pension policies. Contributions are charged to the profit and loss account, as they become payable and amounted to £12,463 (2000: £8,225). No contributions due were outstanding at the year end.

22. FINANCIAL COMMITMENTS

At 30th April 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Operating leases which expire:				
within one year	-	3	23	21
after five years	87	57	97	87
	87	60	120	108

NOTES TO THE ACCOUNTS

at 30th April 2001

23. CONTINGENT LIABILITIES

The company has a VAT bond in favour of HM Customs and Excise for an amount of £40,000 (2000: £40,000).

24. ULTIMATE PARENT UNDERTAKING

The immediate parent company undertaking is Guardian DR Limited.

The ultimate parent company and controlling party is Guardian iT plc.

Copies of Guardian iT plc consolidated financial statements can be obtained from the Company Secretary at Benchmark House, St George's Business Centre, 203 Brooklands Road, Weybridge, Surrey, KT13 0RH.