

Company number: 2686986

REPORT AND ACCOUNTS

KINGSWELL COMPUTER COMPANY LIMITED

30th April 1999



Kingswell Computer Company Limited
Cornwell Business Park, Salhouse Road
Brackmills
Northampton
NN4 7EX
Telephone No 01604-767636

KINGSWELL COMPUTER COMPANY LIMITED

Kingswell Computer Company Limited

Cornwell Business Park, Salthouse Road, Brackmills, Northampton NN4 7EX

Registered No. 2686986

DIRECTORS

M R King (Chairman)
G I Presswell ACA BSc
C G Benham

SECRETARY

G I Presswell ACA BSc

AUDITORS

Ernst & Young
400 Capability Green
Luton
Beds
LU1 3LU

BANKERS

Barclays Bank plc
P.O. Box 23
Northampton
NN1 4YD

SOLICITORS

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

REGISTERED OFFICE

400 Capability Green
Luton
Beds
LU1 3LU

KINGSWELL COMPUTER COMPANY LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30th April 1999.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £350,289. An interim dividend of 16p per share was paid in January 1999. The directors have recommended the payment of a final dividend of 136p per share and have transferred the profit after taxation and dividends 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 8% in the year and as a result, the directors are pleased to report significantly improved profits.

The company is now established as one of the leading suppliers to end users in the specialist area of data back up and archiving and the directors feel the company is well placed to take advantage of the continuing growth in this market.

MOVEMENT IN FIXED ASSETS

The changes in fixed assets during the year are detailed in Note 9 to the accounts.

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

Company Law requires the directors to prepare accounts 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 accounts, the directors are required to :

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 accounts 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.

KINGSWELL COMPUTER COMPANY LIMITED

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors at 30th April 1999 and their interests in the share capital of the company were as follows:

	At 30th April 1999 Ordinary Shares	At 30th April 1998 Ordinary Shares
M R King	20,000	20,000
G I Presswell	15,000	15,000
C G Benham	17,000	17,000

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and the resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose Kingswell to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

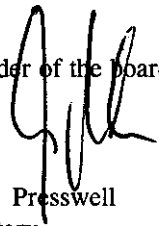
Kingswell has been aware of the Year 2000 problem for sometime and instigated a comprehensive programme to ensure that the Company's systems were compliant. All systems within the Company are now compliant.

Much of the cost of implementing the Year 2000 project has been met from within existing departmental and company budgets.

AUDITORS

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

By order of the board


G I Presswell
Secretary
30th July 1999

KINGSWELL COMPUTER COMPANY LIMITED

REPORT OF THE AUDITORS

to the members of Kingswell Computer Company Limited

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

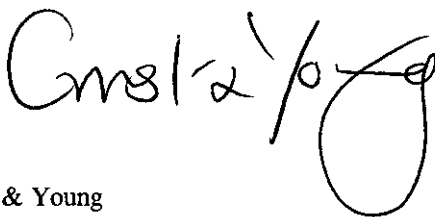
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluate the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30th April 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
Luton



23/8/99

KINGSWELL COMPUTER COMPANY LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 30th April 1999

	Notes	1999 £	1998 £
TURNOVER	2	5,649,965	5,232,797
Cost of sales		3,697,588	3,758,146
Gross profit		1,952,377	1,474,651
Distribution costs		1,211,244	905,154
Administration expenses		400,587	337,988
		1,611,831	1,243,142
OPERATING PROFIT	3	340,546	231,509
Bank interest receivable		12,739	6,202
Interest payable	6	(2,996)	(3,163)
		9,743	3,039
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		350,289	234,548
Tax on profit on ordinary activities	7	88,379	54,555
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		261,910	179,993
Dividends	8	(97,280)	(30,720)
RETAINED PROFIT FOR THE FINANCIAL YEAR		164,630	149,273

There are no other gains or losses for the year other than those already dealt with in the profit and loss account above.

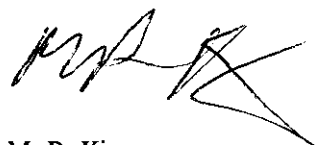
Movements on reserves are shown in note 18 to the accounts.

KINGSWELL COMPUTER COMPANY LIMITED

BALANCE SHEET

at 30th April 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	9	164,301	104,229
		-----	-----
CURRENT ASSETS			
Stocks	10	424,350	209,163
Debtors	11	1,651,877	1,759,497
Cash at bank and in hand	12	774,266	407,173
		-----	-----
		2,850,493	2,375,833
CREDITORS: amounts falling due within one year	13	2,353,455	1,991,053
		-----	-----
NET CURRENT ASSETS		497,038	384,780
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		661,339	489,009
		-----	-----
CREDITORS: amounts falling due after one year	14	29,587	29,709
PROVISION FOR LIABILITIES AND CHARGES	16	12,013	4,191
		-----	-----
		41,600	33,900
		-----	-----
		619,739	455,109
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	17	64,000	64,000
Profit and loss account	18	555,739	391,109
		-----	-----
EQUITY SHAREHOLDERS' FUNDS		619,739	455,109
		-----	-----



M R King
Director
30th July 1999

KINGSWELL COMPUTER COMPANY LIMITED

STATEMENT OF CASH FLOWS

for the year ended 30th April 1999

	Notes	1999 £	1998 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	559,016	90,458
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid	6	(1,944)	(2,111)
Interest element of finance lease rental payments	6	(1,052)	(1,052)
Interest received		12,739	6,202
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		9,743	3,039
TAXATION: Corporation tax paid		(51,055)	(17,243)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(106,838)	(61,244)
Receipts from sales of tangible fixed assets		-	3,083
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(106,838)	(58,161)
EQUITY DIVIDENDS PAID	8	(30,720)	(10,240)
FINANCING			
New loans		-	23,060
Repayments of capital element of finance leases		(13,053)	(10,360)
NET CASH INFLOW		367,093	20,553
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH			
Increase in cash		367,093	20,553
Cash used to repay capital element of finance lease		8,441	8,441
Cash received from new loans		-	(23,060)
Cash used to repay loans		4,612	1,919
MOVEMENT IN NET CASH/(DEBT)		380,146	7,853
NET CASH AT 1ST MAY		370,775	362,922
NET CASH AT 30TH APRIL	19	750,921	370,775

NOTES TO THE ACCOUNTS

at 30th April 1999

1. ACCOUNTING POLICIES

Accounting convention

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

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

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 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.

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.

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 individual defined contribution pension policies. Contributions are charged to the profit and loss account as they become payable.

NOTES TO THE ACCOUNTS

at 30th April 1999

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Income from maintenance contracts is apportioned in equal instalments over the period of the contract.

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:

	1999 £	1998 £
United Kingdom	5,595,058	5,219,276
Africa/Asia	-	6,600
Europe	54,908	6,921
	<u>5,649,966</u>	<u>5,232,797</u>

3. OPERATING PROFIT

	1999 £	1998 £
--	-----------	-----------

This is stated after charging:

Auditors' remuneration	9,750	9,300
Depreciation on owned fixed assets	40,435	23,589
Depreciation of assets held under finance leases	6,331	6,331
Hire of plant and machinery	4,908	4,185
Operating lease rentals		
- plant and machinery	107,191	70,565
- land and buildings	53,851	22,535
	<u> </u>	<u> </u>

4. DIRECTORS' REMUNERATION

	1999 £	1998 £
Emoluments (excluding pension contributions)	<u>281,878</u>	<u>217,783</u>

Pension contributions of £5,380 (1998: £4,593) were paid in respect of three directors. The emoluments of the highest paid director were £113,221 (1998: £87,610) including pension contributions of £2,336 (1998: £1,636).

KINGSWELL COMPUTER COMPANY LIMITED

NOTES TO THE ACCOUNTS

at 30th April 1999

5. STAFF COSTS

	1999 £	1998 £
Wages and salaries	1,267,118	927,872
Social security costs	128,198	90,181
Other pension costs	8,844	9,801
	-----	-----
	1,404,160	1,027,854
	-----	-----

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

	1999 No.	1998 No.
Administration	7	5
Sales	15	12
Engineering	14	11
	----	----
	36	28
	----	----

6. INTEREST PAYABLE

	1999 £	1998 £
Other loans repayable within five years	1,944	2,111
Finance charges payable under finance leases	1,052	1,052
	-----	-----
	2,996	3,163
	-----	-----

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
Based on the profit for the year:		
Corporation tax	80,642	51,140
Over provisions in prior years	(85)	(266)
Deferred taxation	7,822	3,681
	-----	-----
	88,379	54,555
	-----	-----

8. DIVIDENDS

	1999 £	1998 £
Ordinary shares - interim dividend paid	10,240	10,240
Ordinary shares - proposed final dividend	87,040	20,480
	-----	-----
	97,280	30,720
	-----	-----

KINGSWELL COMPUTER COMPANY LIMITED

NOTES TO THE ACCOUNTS

at 30th April 1999

9. TANGIBLE FIXED ASSETS

	Short Leasehold Improvements £	Plant & Machinery £	Fixtures & Fittings £	Computer Equipment £	Total £
Cost:					
At 1 st May 1998	7,041	7,288	36,098	129,253	179,680
Additions	5,713	-	54,669	46,456	106,838
	-----	-----	-----	-----	-----
At 30th April 1999	12,754	7,288	90,767	175,709	286,518
	-----	-----	-----	-----	-----
Depreciation:					
At 1 st May 1998	2,187	3,437	18,742	51,085	75,451
Provided during the year	1,152	731	13,188	31,695	46,766
	-----	-----	-----	-----	-----
At 30th April 1999	3,339	4,168	31,930	82,780	122,217
	-----	-----	-----	-----	-----
Net book value:					
At 30th April 1999	9,415	3,120	58,837	92,929	164,301
	-----	-----	-----	-----	-----
At 1 st May 1998	4,854	3,851	17,356	78,168	104,229
	-----	-----	-----	-----	-----

Included in fixtures and fittings are assets purchased by finance leases of £4,625 which are fully depreciated. Included in computer equipment are assets purchased by finance leases of £25,323 with accumulated depreciation of £14,474 giving a net book value of £10,849.

10. STOCKS

	1999 £	1998 £
Finished goods and stock for resale	424,350	209,163
	-----	-----

11. DEBTORS

	1999 £	1998 £
Trade debtors	1,433,003	1,677,286
Other debtors	20,943	18,351
ACT recoverable	7,680	7,680
Prepayments and accrued income	190,251	56,180
	-----	-----
	1,651,877	1,759,497
	-----	-----

KINGSWELL COMPUTER COMPANY LIMITED

NOTES TO THE ACCOUNTS

at 30th April 1999

12. CASH AND CASH EQUIVALENTS

	1999 £	1998 £
At 1 st May 1998	407,173	386,620
Net cash inflow	367,093	20,553
	-----	-----
At 30th April 1999	774,266	407,173
	-----	-----

13. CREDITORS : amounts falling due within one year

	1999 £	1998 £
Trade creditors	1,101,718	1,146,537
Current corporation tax	80,642	51,140
Other taxes and social security costs	181,846	214,425
Accruals	155,873	172,095
Deferred income	734,908	373,323
Obligations under finance leases	6,816	8,441
Other loans	4,612	4,612
Dividends payable	87,040	20,480
	-----	-----
	2,353,455	1,991,053
	-----	-----

14. CREDITORS: amounts falling due after one year

	1999 £	1998 £
Deferred income	17,670	6,364
Other loans	11,917	16,529
Obligations under finance leases (Note 15)	-	6,816
	-----	-----
	29,587	29,709
	-----	-----

The other loan is repayable in equal monthly installments of £384

NOTES TO THE ACCOUNTS

at 30th April 1999

15. OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

	1999 £	1998 £
Amounts payable:		
within one year	7,667	9,493
within two to five years	-	7,667
	-----	-----
	7,667	17,160
Less: finance charges allocated to future periods	(851)	(1,903)
	-----	-----
	6,816	15,257
	-----	-----
Finance leases are analysed as follows:		
Current obligations	6,816	8,441
Non-current obligations	-	6,816
	-----	-----
	6,816	15,257
	-----	-----

16. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

	£
At 30th April 1998	4,191
Charged in the year	7,822

At 30th April 1999	12,013

Deferred taxation fully provided in the accounts is as follows:

	Provided 1999 £	Provided 1998 £
Capital allowances in advance of depreciation	12,013	4,191
	-----	-----
	12,013	4,191
	-----	-----

KINGSWELL COMPUTER COMPANY LIMITED

NOTES TO THE ACCOUNTS

at 30th April 1999

17. CALLED UP SHARE CAPITAL

	Authorised, allotted, called up and fully paid 1999 £	Authorised, allotted, called up and fully paid 1998 £
Ordinary shares of £1 each	64,000	64,000

18. RECONCILIATION OF SHAREHOLDERS FUNDS

	Share Capital £	Profit & Loss account £	Total £
At 1st May 1997	64,000	241,836	305,836
Profit for the year	-	179,993	179,993
Dividend paid	-	(30,720)	(30,720)
At 30th April 1998	64,000	391,109	455,109
Profit for the year	-	261,910	261,910
Dividend paid	-	(97,280)	(97,280)
At 30th April 1999	64,000	555,739	619,739

19. NOTES TO THE STATEMENT OF CASH FLOWS

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

	1999 £	1998 £
Operating profit	340,546	231,509
Depreciation	46,766	29,920
Profit on disposal of tangible fixed assets	-	(126)
Decrease/(increase) in debtors	107,620	(1,024,559)
(Increase) in stocks	(215,187)	(25,469)
Increase in creditors	279,271	879,183
Net cash inflow from operating activities	559,016	90,458

KINGSWELL COMPUTER COMPANY LIMITED

NOTES TO THE ACCOUNTS

at 30th April 1999

19. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Analysis of changes in net debt.

	At 1 st May	Cash Flow	Other	At 30 th April
	£	£	£	£
Cash at bank and in hand	407,173	367,093	-	774,266
Debt due within 1 year	(4,612)	-	-	(4,612)
Debt due after 1 year	(16,529)	4,612	-	(11,917)
Finance Leases and hire				
Purchase contracts	(15,257)	8,441	-	(6,816)
	<u>370,775</u>	<u>380,146</u>	<u>-</u>	<u>750,921</u>

20. PENSION COMMITMENTS

The company contributes to certain employee's individual defined contribution pension policies. Contributions are charged to the profit and loss account as they become payable and amounted to £8,844 (1998: £9,801). No contributions were payable at the year end.

21. OTHER FINANCIAL COMMITMENTS

At 30th April 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1999	1998	1999	1998
	£	£	£	£
Operating leases which expire:				
within one year	-	-	8,214	9,640
within two to five years	57,000	22,535	92,641	61,278
	<u>57,000</u>	<u>22,535</u>	<u>100,855</u>	<u>70,918</u>