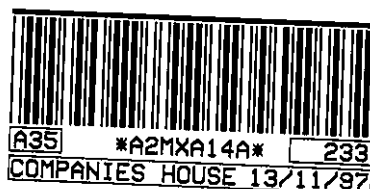


2686986

REPORT AND ACCOUNTS
KINGSWELL COMPUTER COMPANY LIMITED
30th April 1997

Kingswell Computer Company Limited
Cornwell Business Park, Salthouse 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
Chartered Accountants
400 Capability Green
Luton
Beds
LU1 3LU

BANKERS

Barclays Bank plc
P.O. Box 23
St. Giles Square
Northampton
NN1 1DB

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 1997.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £58,845. An interim dividend of 8p per share was paid in July 1996. The directors have not recommended the payment of a final dividend 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 sale and support of computer systems and sub-systems.

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 9% in the year and as a result, the directors are pleased to report 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

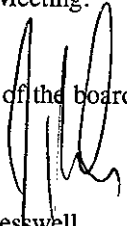
The directors at 30th April 1997 and their interests in the share capital of the company were as follows:

	At 30th April 1997 Ordinary Shares	At 30th April 1996 Ordinary Shares
M R King	20,000	20,000
G I Presswell	15,000	15,000
C G Benham	17,000	17,000

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
21st September 1997

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 14 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.

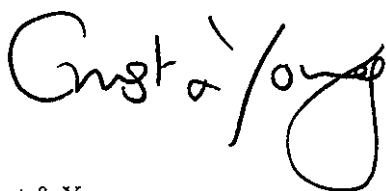
BASIS OF OPINION

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 1997 and of its result and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Luton

21st September 1997

KINGSWELL COMPUTER COMPANY LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 30th April 1997

	Notes	1997 £	1996 £
TURNOVER	2	3,779,080	3,462,087
Cost of sales		2,795,212	2,601,836
Gross profit		983,868	860,251
Distribution costs		642,646	554,030
Administration expenses		280,213	270,238
		922,859	824,268
OPERATING PROFIT	3	61,009	35,983
Bank interest receivable		2,342	2,194
Interest payable	6	(4,506)	(2,426)
		(2,164)	(232)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		58,845	35,751
Tax on profit on ordinary activities	7	16,361	10,077
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		42,484	25,674
Dividend paid	8	(5,120)	(5,120)
RETAINED PROFIT FOR THE FINANCIAL YEAR		37,364	20,554

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

The historical cost profit is as shown above.

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

KINGSWELL COMPUTER COMPANY LIMITED

BALANCE SHEET at 30th April 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	9	75,862	55,512
		-----	-----
CURRENT ASSETS			
Stocks	10	183,694	156,437
Debtors	11	734,938	730,482
Cash at bank and in hand	12	386,620	198,599
		-----	-----
		1,305,252	1,085,518
CREDITORS: amounts falling due within one year	13	1,054,648	864,822
		-----	-----
NET CURRENT ASSETS		250,604	220,696
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		326,466	276,208
		-----	-----
CREDITORS: amounts falling due after one year	14	20,120	6,112
PROVISION FOR LIABILITIES AND CHARGES	16	510	1,624
		-----	-----
		20,630	7,736
		-----	-----
		305,836	268,472
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	17	64,000	64,000
Profit and loss account	18	241,836	204,472
		-----	-----
		305,836	268,472
		-----	-----



M R King
Director
21st September 1997

KINGSWELL COMPUTER COMPANY LIMITED

STATEMENT OF CASH FLOWS
for the year ended 30th April 1997

	Notes	1997 £	1996 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	224,345	68,783
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		(5,120)	(5,120)
Interest paid	6	(4,304)	(2,426)
Interest element of finance lease rental payments	6	(202)	-
Interest received		2,342	2,194
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(7,284)	(5,352)
TAXATION			
Corporation tax paid		(10,388)	(3,154)
NET CASH OUTFLOW FROM TAXATION		(10,388)	(3,154)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(18,255)	(27,395)
Receipts from sales of tangible fixed assets		1,228	350
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(17,027)	(27,045)
NET CASH INFLOW BEFORE FINANCING		189,646	33,232
FINANCING			
Repayment of capital element of finance lease rentals		1,625	-
NET CASH INFLOW FROM FINANCING		1,625	-
INCREASE IN CASH AND CASH EQUIVALENTS	12	188,021	33,232
		189,646	33,232

KINGSWELL COMPUTER COMPANY LIMITED

NOTES TO THE ACCOUNTS

at 30th April 1997

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.

Pensions

The company operates a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

KINGSWELL COMPUTER COMPANY LIMITED

NOTES TO THE ACCOUNTS

at 30th April 1997

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:

	1997 £	1996 £
United Kingdom	3,774,961	3,358,604
Africa	2,784	100,059
Europe	1,335	3,424
	-----	-----
	3,779,080	3,462,087
	-----	-----

3. OPERATING PROFIT

	1997 £	1996 £
--	-----------	-----------

(a) This is stated after charging:

Auditors' remuneration	8,600	8,200
Depreciation on owned fixed assets	20,029	15,374
Depreciation of assets held under finance leases	2,737	925
Hire of plant and machinery	4,957	3,834
Operating lease rentals		
- plant and machinery	53,320	51,653
- land and buildings	22,535	22,033
	-----	-----

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

Operating profit	61,009	35,983
Depreciation	22,766	16,299
(Profit) on disposal of tangible fixed assets	(766)	(254)
(Increase) in debtors	(4,456)	(158,462)
(Increase)/Decrease in stocks	(27,257)	12,869
Increase in creditors	173,049	162,348
	-----	-----
	224,345	68,783
	-----	-----

4. DIRECTORS' REMUNERATION

	1997 £	1996 £
Emoluments (including pension contributions)	182,069	154,276
	-----	-----

Pension contributions of £4,593 were paid in respect of three directors, the pension contributions of the highest paid director were £1,636.

KINGSWELL COMPUTER COMPANY LIMITED**NOTES TO THE ACCOUNTS**

at 30th April 1997

5. STAFF COSTS

	1997 £	1996 £
Wages and salaries	706,065	545,192
Social security costs	70,774	57,242
Other pension costs	9,135	26,810
	-----	-----
	785,974	629,244
	-----	-----

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

	1997 No.	1996 No.
Administration	5	5
Sales	10	9
Engineering	9	8
	---	---
	24	22
	---	---

6. INTEREST PAYABLE

	1997 £	1996 £
Other loans repayable within five years	4,304	2,426
Finance charges payable under finance leases	202	-
	-----	-----
	4,506	2,426
	-----	-----

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
Based on the profit for the year:		
Corporation tax at 24%	17,509	10,467
Over provisions in prior years	(98)	-
Deferred taxation	(1,050)	(390)
	-----	-----
	16,361	10,077
	-----	-----

8. DIVIDENDS

	1997 £	1996 £
Ordinary shares - interim dividend paid	5,120	5,120
	-----	-----

KINGSWELL COMPUTER COMPANY LIMITED

NOTES TO THE ACCOUNTS, at 30th April 1997

9. TANGIBLE FIXED ASSETS

	Short Leasehold Improvements £	Plant & Machinery £	Fixtures & Fittings £	Computer Equipment £	Total £
Cost:					
At 30th April 1996	7,041	7,388	22,448	56,662	93,539
Additions	-	-	5,185	38,393	43,578
Disposals	-	-	-	(7,722)	(7,722)
At 30th April 1997	7,041	7,388	27,633	87,333	129,395
Depreciation:					
At 30th April 1996	779	2,015	9,458	25,775	38,027
Provided during the year	704	741	5,330	15,991	22,766
Disposals	-	-	-	(7,260)	(7,260)
At 30th April 1997	1,483	2,756	14,788	34,506	53,533
Net book value:					
At 30th April 1997	5,558	4,632	12,845	52,827	75,862
At 30th April 1996	6,262	5,373	12,990	30,887	55,512

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 £1,812 giving a net book value of £23,511.

10. STOCKS

	1997 £	1996 £
Finished goods and stock for resale	183,694	156,437

11. DEBTORS

	1997 £	1996 £
Trade debtors	672,078	656,375
Other debtors	11,592	7,954
ACT recoverable	1,280	1,280
Prepayments and accrued income	49,988	64,873
	734,938	730,482

KINGSWELL COMPUTER COMPANY LIMITED**NOTES TO THE ACCOUNTS**

at 30th April 1997

12. CASH AND CASH EQUIVALENTS

	1997 £	1996 £
At 30th April 1996	198,599	165,367
Net cash inflow	188,021	33,232
	-----	-----
At 30th April 1997	386,620	198,599
	-----	-----

13. CREDITORS : amounts falling due within one year

	1997 £	1996 £
Trade creditors	729,412	589,565
Current corporation tax	17,509	10,423
Other taxes and social security costs	103,442	59,394
Accruals	58,712	70,869
Deferred income	137,132	134,571
Obligations under Finance Leases	8,441	0
	-----	-----
	1,054,648	864,822
	-----	-----

14. CREDITORS: amounts falling due after one year

	1997 £	1996 £
Deferred income	4,863	6,112
Obligations under Finance Leases (Note 15)	15,257	0
	-----	-----
	20,120	6,112
	-----	-----

KINGSWELL COMPUTER COMPANY LIMITED

NOTES TO THE ACCOUNTS

at 30th April 1997

15. OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

	1997 £
Amounts payable:	
within one year	9,493
within two to five years	17,160

	26,653
Less: finance charges allocated to future periods	(2,955)

	23,698

Finance leases are analysed as follows:	
Current obligations	8,441
Non-current obligations	15,257

	23,698

Analysis of changes in finance leases during the current and previous years:

	1997 £
At 30th April 1996	0
Inception of finance lease contracts	25,323
Capital element of finance lease rental payments	(1,625)

	23,698

16. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation	£
At 30th April 1996	1,624
Released in the year	(1,114)

At 30th April 1997	510

Deferred taxation fully provided in the accounts is as follows:

	Provided 1997 £	Provided 1996 £
Capital allowances in advance of depreciation	510	1,624
Other timing differences	-	-
	-----	-----
	510	1,624
	-----	-----

KINGSWELL COMPUTER COMPANY LIMITED

NOTES TO THE ACCOUNTS

at 30th April 1997

17. CALLED UP SHARE CAPITAL

	Authorised, allotted, called up and fully paid 1997 £	Authorised, allotted, called up and fully paid 1996 £
Ordinary shares of £1 each	64,000 -----	64,000 -----

18. RECONCILIATION OF SHAREHOLDERS FUNDS

	Share Capital £	Profit & Loss account £	Total £
At 1st May 1995	64,000	183,918	247,918
Profit for the year	-	25,674	25,674
Dividend Paid	-	(5,120)	(5,120)
	-----	-----	-----
At 30th April 1996	64,000	204,472	268,472
Profit for the year	-	42,484	42,484
Dividend paid	-	(5,120)	(5,120)
	-----	-----	-----
At 30th April 1997	64,000 -----	241,836 -----	305,836 -----

19. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

20. OTHER FINANCIAL COMMITMENTS

At 30th April 1997 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1997	1996	1997	1996
	£	£	£	£
Operating leases which expire:				
within one year	-	-	5,100	3,867
within two to five years	22,535	22,535	43,185	34,632
	-----	-----	-----	-----
	22,535	22,535	48,285	38,499
	-----	-----	-----	-----