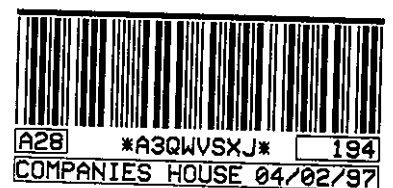


Astea Service and Distribution Systems Limited

Financial statements May 31, 1995
together with directors' and auditors' reports

Registered number: 2715377



COMPANIES HOUSE 06/01/97

| | |
|---|---|
| Director | John Keighley (appointed February 1, 1995) |
| Business address and registered office | 45 London Road Reigate Surrey RH2 9PY |
| Bankers | National Westminster Bank plc 66 High Street Maidenhead Berkshire SL6 1PY |
| Solicitors | Laytons Carmolito 50 Victoria Embankment Blackfriars London EC4Y 0LE |
| Auditors | Arthur Andersen 1 Surrey Street London WC2R 2PS |

Director's report

For the year ended May 31, 1995

The director presents his report and the financial statements for the year ended May 31, 1995.

Principal activity

The company's principal activity is that of distribution of computer software, licences and services.

Results and dividends

| | £ |
|------------------------------------|---------------|
| Retained profit as at June 1, 1994 | 987 |
| Profit for the year after taxation | <u>57,757</u> |
| Retained profit at May 31, 1995 | <u>58,744</u> |

No dividend was declared or paid in the year ended May 31, 1995 (1994 - nil).

Directors

The directors who served during the period were:

Evert Cornelis Veldhuizen (resigned February 1, 1995)

John Keighley (appointed February 1, 1995)

The company is a wholly owned subsidiary of Astea Service and Distribution Systems B.V., a company registered in the Netherlands. The ultimate holding company is Astea International Inc., a company registered in the United States of America.

Statement of director's responsibilities

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Director's report (continued)

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

Fixed assets

Details of movements in fixed assets are set out in note 6 to the financial statements.

Auditors

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

Signed on behalf of the director

J Keighley



December 20, 1996

Auditors' report

London

To the Shareholders of Astea Services and Distribution Systems Limited:

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

The company is exempt from the requirement of Financial Reporting Standard No. 1 to include a cash flow statement in its financial statements on the grounds that it is a small company as defined by the Companies Act 1985.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at May 31, 1995 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985, applicable to small companies.



Arthur Andersen

Registered Auditors and Chartered Accountants

1 Surrey Street
London
WC2R 2PS

December 20, 1996

Profit and loss account

For the year ended May 31, 1995

| | Notes | 1995 £ | 1994 £ |
|---|-------|-----------|-----------|
| Turnover | | 899,597 | 443,330 |
| Cost of sales | | (538,498) | (248,327) |
| Gross profit | | 361,099 | 195,003 |
| Net operating expenses | | (283,945) | (167,048) |
| Operating profit | 2 | 77,154 | 27,955 |
| Interest payable | 3 | (1,401) | (236) |
| Profit on ordinary activities before taxation | | 75,753 | 27,719 |
| Taxation | 4 | (17,996) | (172) |
| Profit on ordinary activities after taxation | | 57,757 | 27,547 |
| Retained profit/ Accumulated (losses) brought forward | | 987 | (26,560) |
| Retained profits carried forward | | 58,744 | 987 |

There were no recognised gains and losses other than those recognised in the Profit and Loss account.

Turnover and operating profit derive entirely from continuing operations.

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

Balance sheet

May 31, 1995

| | Notes | 1995 £ | 1994 £ |
|---|-------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 6 | 3,983 | 5,175 |
| Current assets | | | |
| Debtors | 7 | 231,286 | 154,029 |
| Cash at bank and in hand | | 196 | 196 |
| | | <u>231,482</u> | <u>154,225</u> |
| Creditors - amount falling due within one year | 8 | <u>(176,719)</u> | <u>(158,411)</u> |
| Net current assets (liabilities) | | <u>54,763</u> | <u>(4,186)</u> |
| Net assets | | <u>58,746</u> | <u>989</u> |
| Capital and Reserves | | | |
| Called up equity share capital | 9 | 2 | 2 |
| Profit and loss account | | <u>58,744</u> | <u>987</u> |

Approved by the director on December 20, 1996. In preparing the company's annual financial statements the director has taken advantage of special exemptions applicable to small companies conferred by Schedule 8 to the Companies Act 1985, and has done so on the grounds that, in his opinion, the company is entitled to the exemptions as a small company.

Signed on behalf of the Board

J Keighley

Director

December 20, 1996

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

Notes to financial statements

May 31, 1995

1 Accounting policies

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

a) Basis of accounting

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The company has taken advantage of the exemption in Financial Reporting Standard Number 1 from producing a cashflow statement on the grounds that it is a small company.

b) Depreciation

The cost of fixed assets is written off in annual instalments over their expected useful lives as follows:

| | |
|--------------------|-------------------------|
| Computer Equipment | 33% straight line basis |
| Office Equipment | 20% straight line basis |

c) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences other than those which are expected with reasonable probability to continue in the foreseeable future.

d) Turnover

Turnover comprises the invoiced value of services supplied by the company, excluding value added tax.

e) Operating leases

Payments made under operating leases have been charged against profits in accordance with Statement of Standard Accounting Practice Number 21.

2 Operating profit

| | 1995 £ | 1994 £ |
|--|-----------|-----------|
| Operating profit is stated after charging: | | |
| Depreciation of tangible fixed assets | 1,192 | 2,433 |
| Auditors remuneration | 9,630 | 3,000 |

3 Interest payable and similar charges

| | 1995 £ | 1994 £ |
|-------------------------|--------------|------------|
| Bank overdraft interest | <u>1,401</u> | <u>236</u> |

Notes to financial statements (continued)

4 Tax on profit (loss) on ordinary activities

| | 1995 £ | 1994 £ |
|--|---------------|------------|
| The tax charge is based on the profits for the year and comprises: | | |
| UK corporation tax at 33 % (1994 - 25%) | <u>17,996</u> | <u>172</u> |

There is no deferred tax liability

5 Staff Costs

| | 1995 | 1994 |
|---|----------------|---------------|
| Average weekly number of employees (including executive directors): | | |
| Sales | <u>3</u> | <u>3</u> |
| | <u>3</u> | <u>3</u> |
| The aggregate remuneration comprises: | 1995 £ | 1994 £ |
| Wages and salaries | 116,217 | 86,937 |
| Social security costs | 13,212 | 9,841 |
| Other pension costs | <u>-</u> | <u>-</u> |
| | <u>129,429</u> | <u>96,778</u> |

6 Tangible assets

| | Computer Equipment £ | Office Equipment £ | Total £ |
|---------------------|----------------------------|-----------------------|--------------|
| Cost | | | |
| At June 1, 1994 | 6,428 | 1,449 | 7,877 |
| Additions | <u>-</u> | <u>-</u> | <u>-</u> |
| At May 31, 1995 | <u>6,428</u> | <u>1,449</u> | <u>7,877</u> |
| Depreciation | | | |
| At June 1, 1994 | 2,412 | 290 | 2,702 |
| Charge for the year | <u>902</u> | <u>290</u> | <u>1,192</u> |
| At May 31, 1995 | <u>3,314</u> | <u>580</u> | <u>3,894</u> |

Notes to financial statements (continued)

Net book values

| | | | |
|-----------------|-------|-------|-------|
| At May 31, 1994 | 4,016 | 1,159 | 5,175 |
| At May 31, 1995 | 3,114 | 869 | 3,983 |

7 Debtors

| | 1995 £ | 1994 £ |
|------------------------------------|----------------|----------------|
| Trade debtors | 52,866 | 85,394 |
| Amounts owed by group undertakings | 150,000 | - |
| Other debtors | - | 711 |
| Prepayments and accrued income | 28,420 | 67,924 |
| | <u>231,286</u> | <u>154,029</u> |

8 Creditors

| | 1995 £ | 1994 £ |
|------------------------------------|----------------|----------------|
| Bank overdraft | 5,689 | 16,202 |
| Trade creditors | 12,315 | 4,361 |
| Amounts owed to group undertakings | 81,058 | - |
| UK corporation tax | 18,168 | 172 |
| Other taxation and social security | 16,730 | 16,644 |
| Other creditors | - | 54,598 |
| Accruals and deferred income | 42,759 | 66,434 |
| | <u>176,719</u> | <u>158,411</u> |

9 Called-up equity share capital

| | 1995 £ | 1994 £ |
|---|-----------|-----------|
| <i>Authorised</i> | | |
| 2 Ordinary shares of £1 each | <u>2</u> | <u>2</u> |
| <i>Allotted, called-up and fully-paid</i> | | |
| 2 Ordinary shares of £1 each | <u>2</u> | <u>2</u> |

Notes to financial statements (continued)

10 Reconciliation of movements in shareholders' funds

| | 1995 £ | 1994 £ |
|-------------------------------------|---------------|------------|
| Profit for the year | 57,757 | 27,547 |
| Shareholder's funds at June 1, 1994 | 989 | (26,558) |
| Shareholder's funds at May 31, 1995 | <u>58,746</u> | <u>989</u> |

11 Parent company and ultimate holding company

The company is a wholly owned subsidiary of Astea Service and Distribution Systems B.V., a company registered in the Netherlands. The ultimate holding company is Astea International Inc., a company registered in the United States of America.