

Astea Service and Distribution Systems Limited

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

Registered number: 2715377



COMPANIES HOUSE 06/01/97

Director

John Keighley

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 period ended December 31, 1995

The director presents his report and the financial statements for the period ended December 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 1995	58,744
Loss for the period after taxation	<u>(25,297)</u>
Retained profit as at December 31, 1995	<u>33,447</u>

No dividend was declared or paid in the period ended December 31, 1995 (year ending May 31, 1995 - nil)

Directors

The director who served during the period was:

John Keighley

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.

The director is 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 director is 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.

Director's report (continued)

Fixed assets

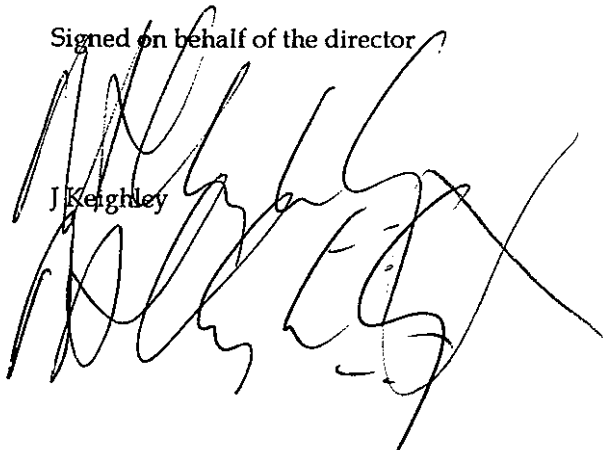
Details of movements in fixed assets are set out in note 6 to the financial statements.

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 Kerghley

A large, stylized handwritten signature in black ink, appearing to be 'J Kerghley', is written over the printed name.

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 page 1 the company director is 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 director 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 December 31, 1995 and of its loss for the period 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 7 months period ended December 31, 1995

	Notes	7 months ended December 31, 1995 £	Year ended May 31, 1995 £
Turnover		222,219	899,597
Cost of sales		(83,922)	(538,498)
Gross profit		138,297	361,099
Net operating expenses		(162,774)	(283,945)
Operating (loss) profit	2	(24,477)	77,154
Interest payable	3	(820)	(1,401)
(Loss) profit on ordinary activities before taxation		(25,297)	75,753
Taxation	4	-	(17,996)
(Loss) profit on ordinary activities after taxation		(25,297)	57,757
Retained profit brought forward		58,744	987
Retained profits carried forward		33,447	58,744

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

Turnover and operating (loss) profit derive entirely from continuing operations.

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

Balance sheet

December 31, 1995

	Notes	December 31, 1995 £	May 31, 1995 £
Fixed assets			
Tangible assets	6	2,264	3,983
Current assets			
Debtors	7	296,744	231,286
Cash at bank and in hand		196	196
		<u>296,940</u>	<u>231,482</u>
Creditors - amount falling due within one year	8	<u>(265,755)</u>	<u>(176,719)</u>
Net current assets		<u>31,185</u>	<u>54,763</u>
Net assets		<u>33,449</u>	<u>58,746</u>
Capital and Reserves			
Called up equity share capital	9	2	2
Profit and loss account		<u>33,447</u>	<u>58,744</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

December 31, 1995

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period and the proceeding 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 (loss) profit

	7 months Period ended December 31, 1995 £	Year ended May 31, 1995 £
Operating (loss) profit is stated after charging:		
Depreciation of tangible fixed assets	1,719	1,192
Auditors remuneration	5,293	9,630

Notes to financial statements (continued)

3 Interest payable and similar charges

	7 months Period ended December 31, 1995 £	Year ended May 31, 1995 £
Bank overdraft interest	<u>820</u>	<u>1,401</u>

4 Tax on (loss) profit on ordinary activities

	7 months period ended December 31, 1995 £	Year ended May 31, 1995 £
The tax charge is based on the (loss) profit for the period and comprises:		
UK corporation tax at 33% (1995 - 33%)	<u>-</u>	<u>17,996</u>

There is no deferred tax liability.

5 Staff Costs

	December 31, 1995	May 31, 1995
Average weekly number of employees (including executive directors):		
Sales	<u>4</u>	<u>3</u>
	<u>4</u>	<u>3</u>
	7 months period ended December 31, 1995 £	Year ended May 31, 1995 £
The aggregate remuneration comprises:		
Wages and salaries	85,606	116,217
Social security costs	14,656	13,212
Other pension costs	<u>-</u>	<u>-</u>
	<u>100,262</u>	<u>129,429</u>

Notes to financial statements (continued)

6 Tangible assets

	Computer Equipment £	Office Equipment £	Total £
Cost			
At June 1, 1995	6,428	1,449	7,877
Additions	-	-	-
At December 31, 1995	<u>6,428</u>	<u>1,449</u>	<u>7,877</u>
Depreciation			
At June 1, 1995	3,314	580	3,894
Charge for the year	1,429	290	1,719
At December 31, 1995	<u>4,743</u>	<u>870</u>	<u>5,613</u>
Net book values			
At December 31, 1995	<u>1,685</u>	<u>579</u>	<u>2,264</u>
At May 31, 1995	<u>3,114</u>	<u>869</u>	<u>3,983</u>

7 Debtors

	December 31, 1995 £	May 31, 1995 £
Trade debtors	127,399	52,866
Amounts owed by group undertakings	136,345	150,000
Prepayments and accrued income	33,000	28,420
	<u>296,744</u>	<u>231,286</u>

8 Creditors

	December 31, 1995 £	May 31, 1995 £
Bank overdraft	4,251	5,689
Trade creditors	17,475	12,315
Amounts owed to group undertakings	133,896	81,058
UK corporation tax	18,168	18,168
Other taxation and social security	16,592	16,730
Accruals and deferred income	75,373	42,759
	<u>265,755</u>	<u>176,719</u>

Notes to financial statements (continued)

9 Called-up equity share capital

	December 31, 1995 £	May 31, 1995 £
<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>

10 Reconciliation of movements in shareholders' funds

	7 months Period Ended December 31, 1995 £	Year Ended May 31, 1995 £
(Loss) profit for the period	(25,297)	57,757
Shareholder's funds at 1 June 1995	<u>58,746</u>	<u>989</u>
Shareholder's funds at 31 December 1995	<u>33,449</u>	<u>58,746</u>

11 Annual commitments under non-cancellable operating leases are as follows:

	December 31, 1995 £	May 31, 1995 £
<i>Expiring:</i>		
Within one year	12,168	-
Between two and five years	33,462	-
After five years	-	-

12 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.