



**CHEMWARE SYSTEMS LIMITED**

**Report and Financial Statements**

**28 February 1997**

**Deloitte & Touche**  
Leda House  
Station Road  
Cambridge CB1 2RN





**REPORT AND FINANCIAL STATEMENTS 1997**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Notes to the accounts</b>	<b>7</b>



**REPORT AND FINANCIAL STATEMENTS 1997**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

S Barton  
N S Willcox  
G W Brooks  
M Gynane

**SECRETARY**

G W Brooks

**REGISTERED OFFICE**

Newark Close  
York Way  
Royston  
Hertfordshire SG8 5HL

**BANKERS**

Barclays Bank Plc  
Chesterton Business Centre  
28 Chesterton Road  
Cambridge CB4 3AZ

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Leda House  
Station Road  
Cambridge CB1 2RN

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 28 February 1997.

### **ACTIVITY**

The company's principal activity is that of providing computer software and consultancy services to the chemical industry.

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

Chemware Systems Limited had a successful year in the context of the on-going development of the new Client/Server application, Tantalus.

This development will continue throughout 1997/98, with the full benefits of the release planned for 1998/99.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

The directors do not recommend the payment of a dividend. The loss for the year of £39,097 has been transferred to reserves.

### **RESEARCH AND DEVELOPMENT**

The company continues an active programme of research and development, the costs of which in the year amounted to £177,378.

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year, together with their beneficial interests in the ordinary shares of the company, are as follows:

	Ordinary shares of £1 each	
	28 February 1997	29 February 1996 or date of appointment
	No	No
S Barton	340	340
N S Willcox	319	319
G W Brooks	-	-
M Gynane (appointed 26 November 1996)	-	-

G W Brooks is also a director and shareholder in Episys Group Limited the ultimate parent company. His interest in the shares of this company is disclosed in its accounts.

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

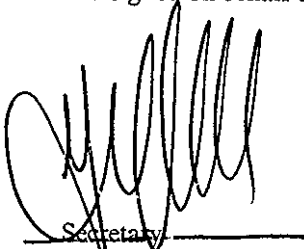
**DIRECTORS' REPORT****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are 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;
- prepare the financial statements 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 financial statements comply with the Companies Act. 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.

Approved by the Board of Directors  
and signed on behalf of the Board

  
Secretary

18 December 1997



## Chartered Accountants

Deloitte & Touche  
Leda House  
Station Road  
Cambridge CB1 2RN

Telephone: National 01223 460222  
International +44 1223 460222  
Fax (Gp. 3): 01223 350839  
DX 5812

## CHEMWARE SYSTEMS LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 7.

#### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of 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.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 February 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

14 December 1997

**PROFIT AND LOSS ACCOUNT**  
**Year ended 28 February 1997**

	Note	Year to 28 February 1997 £	8 months to 29 February 1996 £
<b>TURNOVER: continuing operations</b>	2	466,710	144,119
Cost of sales		7,045	10,638
Gross profit		459,665	133,481
Administrative expenses		492,544	151,260
<b>OPERATING LOSS: continuing operations</b>	4	(32,879)	(17,779)
Investment income	5	-	4,928
Interest receivable and similar income		485	-
Interest payable and similar charges	6	(6,903)	-
		(6,418)	4,928
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(39,297)	(12,851)
Tax on loss on ordinary activities	7	200	3,297
<b>LOSS FOR THE FINANCIAL YEAR</b>		(39,097)	(9,554)
(Accumulated losses) retained profit brought forward		(4,986)	4,568
<b>Accumulated losses carried forward</b>		(44,083)	(4,986)

There are no recognised gains or losses for the current financial year and the preceding financial period other than as stated in the profit and loss account.

**BALANCE SHEET**  
**28 February 1997**

	Note	28 February 1997 £	29 February 1996 £
<b>FIXED ASSETS</b>			
Tangible assets	8	63,571	30,092
<b>CURRENT ASSETS</b>			
Stocks	9	1,631	1,322
Debtors	10	144,114	28,109
Cash at bank and in hand		12,488	13,261
		158,233	42,692
<b>CREDITORS: amounts falling due within one year</b>	11	247,363	64,250
<b>NET CURRENT LIABILITIES</b>		(89,130)	(21,558)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(25,559)	8,534
<b>CREDITORS: amounts falling due after more than one year</b>	12	(5,004)	-
		(30,563)	8,534
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	2,000	2,000
Share premium account		11,520	11,520
Profit and loss account		(44,083)	(4,986)
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		(30,563)	8,534

These financial statements were approved by the Board of Directors on 18 December 1997

Signed on behalf of the Board of Directors

*MJS Gynae.*

Director



**NOTES TO THE ACCOUNTS**  
**Year ended 28 February 1997**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Turnover and income recognition**

Turnover represents the invoiced amounts of goods and services sold and provided, net of value added tax.

Support and maintenance income is invoiced annually in advance and is recognised as income over the period of the contract. Where elements of such annual maintenance contracts are subcontracted to external hardware specialists, then these costs are also spread over the period of the contract.

**Research and development**

All expenditure on research and development is charged to the profit and loss account as incurred.

**Tangible fixed assets**

Provision is made for depreciation on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures and fittings	33% per annum on cost
Computer equipment	33% per annum on cost
Motor vehicles	25% per annum on cost

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

**Leases**

Assets obtained under hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease rentals in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

**2. TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

**NOTES TO THE ACCOUNTS**  
**Year ended 28 February 1997**

**2. TURNOVER (continued)**

The turnover and pre-tax loss are attributable to the company's principal activity.

	Year to 28 February 1997 £	8 months to 29 February 1996 £
<b>Geographical analysis of turnover</b>		
United Kingdom	184,672	144,119
Europe	130,865	-
Rest of the World	151,173	-
	<u>466,710</u>	<u>144,119</u>

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	Year to 28 February 1997 £	8 months to 29 February 1996 £
<b>Directors' emoluments</b>		
Fees	-	-
Other emoluments	79,367	30,384
Benefits in kind	969	-
	<u>80,336</u>	<u>30,384</u>
 Remuneration of the Chairman	 -	 -
Remuneration of the highest paid director	<u>33,217</u>	<u>14,442</u>
 Scale of directors' remuneration, including Chairman and highest paid director	 No	 No
£ 0 - £ 5,000	1	2
£ 10,001 - £ 15,000	1	2
£ 15,001 - £ 20,000	-	-
£ 30,001 - £ 35,000	2	-
	<u>7</u>	<u>4</u>
 <b>Average number of persons employed</b>		
Office and management	3	3
Software	4	1
	<u>7</u>	<u>4</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	241,688	73,062
Social security costs	21,207	6,552
	<u>262,895</u>	<u>79,614</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 28 February 1997**

**4. OPERATING LOSS**

	Year to 28 February 1997 £	8 months to 29 February 1996 £
Operating loss is after charging (crediting):		
Depreciation		
Owned assets	20,052	6,551
Leased assets	5,451	-
Profit on disposal of fixed assets	(4,082)	-
Rentals under operating leases		
Other operating leases	3,239	8,292
Auditors' remuneration	3,000	1,600
	<u>          </u>	<u>          </u>

**5. INVESTMENT INCOME**

	Year to 28 February 1997 £	8 months to 29 February 1996 £
Profit on sale of investments	-	4,928
	<u>          </u>	<u>          </u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	Year to 28 February 1997 £	8 months to 29 February 1996 £
Hire purchase contracts	827	-
Interest paid on overdue tax	55	-
Group loan interest	6,021	-
	<u>          </u>	<u>          </u>
	6,903	-
	<u>          </u>	<u>          </u>

**NOTES TO THE ACCOUNTS**  
**Year ended 28 February 1997**

**7. TAX ON LOSS ON ORDINARY ACTIVITIES**

	Year to 28 February 1997 £	8 months to 29 February 1996 £
Corporation tax repayable	(200)	(3,297)

The company has tax losses of approximately £38,000 available to offset against future profits from the same trade.

**8. TANGIBLE FIXED ASSETS**

	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 March 1996	4,549	43,546	-	48,095
Additions in year	5,912	30,203	24,536	60,651
Disposals in year	-	-	(3,203)	(3,203)
At 28 February 1997	10,461	73,749	21,333	105,543
<b>Accumulated depreciation</b>				
At 1 March 1996	1,377	16,626	-	18,003
Charge in year	2,708	17,344	5,451	25,503
Disposals in year	-	-	(1,534)	(1,534)
At 28 February 1997	4,085	33,970	3,917	41,972
<b>Net book value</b>				
At 28 February 1997	6,376	39,779	17,416	63,571
At 29 February 1996	3,172	26,920	-	30,092

All motor vehicles are held under hire purchase contracts.

**NOTES TO THE ACCOUNTS**  
**Year ended 28 February 1997**

**9. STOCKS**

	28 February 1997 £	29 February 1996 £
Consumables	1,631	1,322

**10. DEBTORS**

	28 February 1997 £	29 February 1996 £
Trade debtors	114,399	23,014
Other debtors	9,136	3,297
Prepayments and accrued income	17,082	1,798
Corporation tax recoverable	3,497	-
	<u>144,114</u>	<u>28,109</u>

All amounts are due within one year.

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	28 February 1997 £	29 February 1996 £
Obligations under hire purchase contracts	7,406	-
Trade creditors	33,957	600
Amounts owed to parent undertakings	144,455	17,461
Directors' current accounts	-	5,000
Corporation tax	-	3,521
Other taxes and social security	8,526	2,484
Other creditors	35,426	16,035
Accruals and deferred income	17,593	19,149
	<u>247,363</u>	<u>64,250</u>

**NOTES TO THE ACCOUNTS**

Year ended 28 February 1997

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	28 February 1997 £	29 February 1996 £
Obligations under hire purchase contracts	5,004	-

**13. BORROWINGS**

	28 February 1997 £	29 February 1996 £
Analysis of hire purchase contract repayments net of future finance charges:		
Within one year or on demand	7,406	-
Between one and two years	4,431	-
Between two and five years	573	-
	12,410	-

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

The amounts of deferred taxation provided and unprovided in the accounts are:

	28 February 1997		29 February 1996	
	Provided £	Not provided £	Provided £	Not provided £
Depreciation in advance of capital allowances	-	(239)	-	(321)
Revenue trading losses	-	(8,080)	-	-
	-	(8,319)	-	(321)

**15. CALLED UP SHARE CAPITAL**

	28 February 1997 £	29 February 1996 £
Authorised		
10,000 ordinary shares of £1 each	10,000	10,000
Called up, allotted and fully paid		
2,000 ordinary shares of £1 each	2,000	2,000

**NOTES TO THE ACCOUNTS**  
**Year ended 28 February 1997**

**16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	28 February 1997 £	29 February 1996 £
Loss attributable to members of the company	(39,097)	(9,554)
Opening shareholders' funds	8,534	18,088
Closing shareholders' funds	<u>(30,563)</u>	<u>8,534</u>

**17. FINANCIAL COMMITMENTS**

**Operating lease commitments**

At 28 February 1997 the company was committed to making the following payments during the next year in respect of operating leases:

	<b>Land and buildings £</b>
Leases which expire:	
Between one and two years	<u>19,600</u>

**18. ULTIMATE PARENT COMPANY**

The ultimate parent company and ultimate controlling party is Episys Group Limited, a company registered in England and Wales. Group financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The immediate parent company and immediate controlling party is Episys Limited.

**19. RELATED PARTY TRANSACTIONS**

Intercompany transactions and balances between the company, its immediate parent Episys Limited and its ultimate parent Episys Group Limited are as follows:

	<b>Episys Limited £</b>	<b>Episys Group Limited £</b>
<b>Transactions</b>		
Purchase of software product (cost of sale)	650	-
Management charges incurred	24,550	48,974
Loan interest incurred	-	6,021
Fixed asset purchases	<u>12,536</u>	<u>-</u>
<b>Balances</b>		
Amount due from Chemware Systems Limited	<u>35,782</u>	<u>108,673</u>