

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

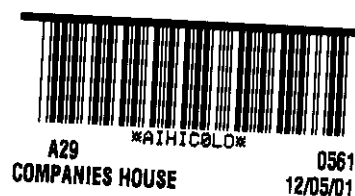
31 OCTOBER 2000

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REGISTERED NUMBER 3009356



IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

COMPANY INFORMATION

DIRECTORS	G. Gutteridge M. Leaper H. Williams
SECRETARY	N. Donaldson
AUDITORS	BDO Stoy Hayward Barclays House 9-10 Victoria Street Basingstoke Hampshire RG21 3BT
BANKERS	Barclays Bank Plc. Thames Valley Corp. Centre 60 Queens Road Reading RG1 4XX
REGISTERED OFFICE	Seven Old Yard Rectory Lane Brasted Westerham Kent TN16 1JP
REGISTERED NUMBER	3009356

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 October 2000.

CHANGE OF NAME

The company changed its name from Integralis Retail Limited to Ideal Solutions Retail Limited on 3 April 2000.

PRINCIPAL ACTIVITIES

The principal activities of the group during the year continued to be the provision of electronic point of sale, hardware, software, services and consultancy to both small and major retailers

BUSINESS REVIEW

There was a profit for the year after taxation and minority interest of £304,004 (1999: loss £186,713). The directors recommend payment of dividends of £20,829 (1999: £11,708), this is in addition to the £10,156 paid to the minority shareholders of Vista Retail Support Limited.

Since its inception in 1995 IS Retail has built an infrastructure capable of supporting the varied needs of its diverse client base within the retail market. The last twelve months have built on the investments seen in previous years in IS Retail in Canada and Vista Retail Support in Cardiff such that the group is now able to provide the complete EPOS integrated solution.

This has been evident in the shift away from our tradition hardware dominated activities towards a more diverse business that now includes high levels of income from our services, maintenance and software divisions. In two years IS Retail has moved from around 80% of sales based on hardware, to just over 50% in this year, with services and maintenance now accounting for more than 20% each. The benefits to the business of these changes are reflected in the higher margins gained from non-hardware revenues, being able to provide an in-house integrated solution and a more diverse customer base.

October 2000 saw the acquisition of the remaining 49% of Vista Retail Support.

DIRECTORS

The directors who held office during the year and their beneficial interests in the shares of the company at 31 October 2000 and 1 November 1999 as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985, were as follows:

	<u>Ordinary shares</u>	
	<u>1p</u>	<u>£1</u>
	2000	1999
G. Gutteridge	1,440,000	14,400
M. Leaper (appointed 8 November 1999)	276,495	-

D. Billingshurst resigned as a director on 3 August 2000. H. Williams was appointed a director on 7 December 2000.

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS
(Continued)

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 and group and of the profit and loss of the group for that period. In preparing those financial statements, the directors are required to:

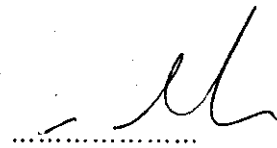
- i. select suitable accounting policies and then apply them consistently;
- ii. make judgements and estimates that are reasonable and prudent;
- iii. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- iv. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

BDO Stoy Hayward who were appointed auditors during the year have signified their willingness to continue in office as auditors. A resolution proposing their appointment will be submitted to the annual general meeting.

Approved by the Board and signed on behalf of the Board on 27/4/01



.....
Secretary

N. DONALDSON



BDO Stoy Hayward
Chartered Accountants

Barclays House 9-10 Victoria Street
Basingstoke Hampshire RG21 3BT
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IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

REPORT OF THE AUDITORS
TO THE MEMBERS OF
IDEAL SOLUTIONS RETAIL LIMITED

We have audited the financial statements on pages 5 to 20 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

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 affairs of the company and of the group as at 31 October 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

30 April 2001

BDO Stoy Hayward

BARCLAYS HOUSE
9-10 VICTORIA STREET
BASINGSTOKE, HAMPSHIRE

BDO STOY HAYWARD
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 2000

	Notes	2000 £	As restated 1999 £
<u>TURNOVER</u>	1	8,227,103	6,909,344
Cost of sales		4,426,158	4,485,985
Gross profit		3,800,945	2,423,359
Distribution cost		103,315	72,121
Administrative expenses		3,083,439	2,403,882
<u>OPERATING PROFIT</u>	2	614,191	(52,644)
Interest receivable		5,777	1,439
Interest payable	5	(25,176)	(9,011)
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		594,792	(60,216)
Tax on profit on ordinary activities	6	197,423	82,694
Profit on ordinary activities after taxation		397,369	(142,910)
Minority interest		93,365	43,803
Profit for the financial year		304,004	(186,713)
Dividends	7	30,985	11,708
<u>PROFIT RETAINED FOR THE FINANCIAL YEAR</u>	8	273,019	(198,421)
 <u>TOTAL RECOGNISED GAINS AND LOSSES</u>			
	Notes	2000 £	As restated 1999 £
Profit for the financial year and total recognised gains for the year		304,004	(186,713)
Prior year adjustment	17	(256,173)	-
<u>TOTAL RECOGNISED GAINS SINCE LAST FINANCIAL STATEMENTS</u>		47,831	(186,713)

NOTE OF THE HISTORICAL COST PROFITS AND LOSSES

There is no material difference between the reported profit and the historical cost profit.

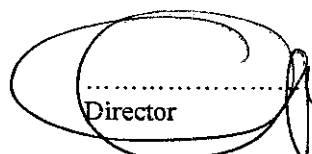
The notes on pages 9 to 20 form part of these financial statements.

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET
AS AT 31 OCTOBER 2000

	Notes	2000 £	As restated 1999 £
<u>FIXED ASSETS</u>			
Intangible assets - Negative goodwill	9	(749,746)	(12,280)
- Intellectual property rights	9	1,125,000	-
Tangible assets	10	95,407	100,335
		<u>470,661</u>	<u>88,055</u>
<u>CURRENT ASSETS</u>			
Stocks	12	530,895	569,121
Debtors	13	1,763,422	1,852,569
Cash at bank and in hand		139,251	130,231
		<u>2,433,568</u>	<u>2,551,921</u>
<u>CREDITORS:</u>			
Amounts falling due within one year	14	2,191,277	2,126,280
<u>NET CURRENT ASSETS</u>			
		<u>242,291</u>	<u>425,641</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			
		<u>712,952</u>	<u>513,696</u>
<u>CREDITORS:</u>			
Amounts falling due after more than one year	15	(4,523)	(14,563)
		<u>708,429</u>	<u>499,133</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	16	72,391	60,000
Share premium account		20,000	20,000
Profit and loss account	17	616,038	343,019
<u>TOTAL SHAREHOLDERS' FUNDS</u>			
(including non-equity interests)	18	708,429	423,019
Minority interests		-	76,114
<u>CAPITAL EMPLOYED</u>			
		<u>708,429</u>	<u>499,133</u>

The financial statements were approved by the board on 27 April 2001


Director

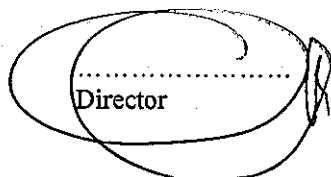
G. GUTTERIDGE

The notes on pages 9 to 20 form part of these financial statements.

IDEAL SOLUTIONS RETAIL LIMITEDBALANCE SHEET
AS AT 31 OCTOBER 2000

	<u>Notes</u>	<u>2000</u> <u>£</u>	<u>As restated</u> <u>1999</u> <u>£</u>
<u>FIXED ASSETS</u>			
Tangible assets	10	39,364	63,585
Investments	11	733,801	20,473
		<u>773,165</u>	<u>84,058</u>
<u>CURRENT ASSETS</u>			
Stocks	12	458,794	512,999
Debtors	13	1,312,789	1,513,340
Cash at bank and in hand		104,876	2,654
		<u>1,876,459</u>	<u>2,028,993</u>
<u>CREDITORS:</u>			
Amounts falling due within one year	14	1,950,030	1,736,500
<u>NET CURRENT LIABILITIES</u>			
		<u>(73,571)</u>	<u>292,493</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			
		<u>699,594</u>	<u>376,551</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	16	72,391	60,000
Share premium account		20,000	20,000
Profit and loss account	17	607,203	296,551
<u>TOTAL SHAREHOLDERS' FUNDS</u>			
<u>(including non-equity interests)</u>	18	<u>699,594</u>	<u>376,551</u>

The financial statements were approved by the board on 27 April 2001



.....
Director

G. GUTTERIDGE

The notes on pages 9 to 20 form part of these financial statements.

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2000

	<u>Notes</u>	<u>2000</u> £	<u>As restated</u> <u>1999</u> £
<u>Reconciliation of operating profit to net cash inflow from operating activities</u>			
Operating profit		614,191	(52,644)
Exchange adjustment re fixed assets		(2,909)	-
Depreciation and amortisation charges		126,679	53,271
Profit on sale of tangible fixed assets		-	10,258
Decrease in stocks		38,226	(23,490)
Increase in debtors		(111,365)	229,486
Decrease in creditors		(168,391)	60,423
<u>Net cash inflow from operating activities</u>		<u>496,431</u>	<u>277,304</u>
<u>CASH FLOW STATEMENT</u>			
Net cash inflow from operating activities		496,431	277,304
Returns on investments and servicing of finance	22	(19,399)	(7,572)
Dividends to minority interests		(10,156)	-
Equity dividends		(5,854)	(58,473)
Non-equity dividends		(5,854)	(58,473)
Taxation		(133,317)	(178,408)
Capital expenditure	22	(26,280)	(10,288)
Acquisitions	22	(177,671)	73,690
		<u>117,900</u>	<u>37,780</u>
Financing	22	(10,040)	(6,029)
<u>Increase in cash for the period</u>		<u>107,860</u>	<u>31,751</u>
<u>Reconciliation of net cash flow to movement in net funds</u>			
	23		
Increase in cash in the period		107,860	31,751
Cash inflow from decrease in debt and lease financing		10,040	6,029
		<u>117,900</u>	<u>37,780</u>
Movement in net funds in the period		6,788	(30,992)
Net funds at 1 November 1999			
		<u>124,688</u>	<u>6,788</u>
Net funds at 31 October 2000			

The notes on pages 9 to 20 form part of these financial statements.

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS
AT 31 OCTOBER 2000

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

These accounts have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 October 2000. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which existed at the date of acquisition are recorded at their fair values reflecting their condition at that date.

DEPRECIATION

Depreciation is provided 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:

Leasehold improvements	- over the remaining term of the lease
Plant and equipment	- 33% of cost per annum
Fixtures and fittings	- 20% of cost per annum
Motor vehicles	- 25% of cost per annum

INTANGIBLE FIXED ASSETS

Negative goodwill arising on consolidation representing the excess of the fair values of the identifiable net assets acquired over the fair value of the consideration given is written back to profit and loss account over 10 years.

Intellectual property rights are amortised over their estimated useful life of 10 years.

INVESTMENTS

Investments are stated at cost less amounts written off.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are stated at the lower of cost and net realisable value.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

TURNOVER

Turnover is the total amount receivable by the group from outside customer for goods supplied and for services provided, excluding VAT and trade discounts.

LEASES

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. Rentals under operating leases are charged to the profit and loss account as incurred.

PENSIONS COSTS

The group makes payments to the personal pension scheme of some employees. All contributions are charged to the profit and loss account in the year in which they are incurred. There were no outstanding pension contributions at the year end.

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS
(CONTINUED)

2. OPERATING PROFIT

	<u>2000</u>	<u>1999</u>
	£	£
This is stated after charging/(crediting):		
Auditors' fees	14,000	18,452
Depreciation of owned assets	53,943	46,591
Depreciation of assets held under hire purchase contracts	13,105	7,096
Amortisation of intangible assets	125,000	-
Negative goodwill released	(65,369)	(877)
Rentals under operating leases		
- hire of plant and machinery	123,658	65,265
- property	42,000	68,000
Profits on foreign exchange	(52,308)	-
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3. STAFF COSTS

	<u>2000</u>	<u>1999</u>
	£	£
Wages and salaries	1,899,386	1,338,393
Social security costs	181,230	142,961
Other pension costs	6,497	1,837
	<hr/>	<hr/>
	2,087,113	1,483,191
	<hr/>	<hr/>

The average number of employees during the year was 73 (1999 - 54).

4. DIRECTORS' REMUNERATION

	<u>2000</u>	<u>1999</u>
	£	£
Management remuneration	185,608	210,332
Pension contributions	-	-
Compensation for loss of office	46,000	-
	<hr/>	<hr/>
	231,608	210,332
	<hr/>	<hr/>
Highest paid director:		
Management emolument	122,026	121,565
	<hr/>	<hr/>

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS
(CONTINUED)

5. INTEREST PAYABLE

	<u>2000</u>	<u>1999</u>
	£	£
Bank loans and overdrafts	14,708	6,158
Interest on finance leases	4,281	2,853
Other interest	6,187	-
	<u>25,176</u>	<u>9,011</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2000</u>	<u>1999</u>
	£	£
Based on the profit for the year:		
UK Corporation tax at 24% (1999 - 22%)	231,782	82,694
Over provision in previous years	(34,359)	-
	<u>197,423</u>	<u>82,694</u>

7. DIVIDENDS

	<u>2000</u>	<u>1999</u>
	£	£
Dividends to minority interests	10,156	-
Non-equity dividends	20,829	5,854
Equity dividends	-	5,854
	<u>30,985</u>	<u>11,708</u>

8. PROFIT FOR THE FINANCIAL YEAR

The company has taken advantage of the exemption available under Section 230 of the Companies Act 1985 and not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after taxation and before dividends of £331,481 (1999 - loss £233,181) which is dealt with in the financial statements of the parent company.

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS
(CONTINUED)

9. INTANGIBLE FIXED ASSETS

<u>GROUP</u>	<u>Intellectual property rights</u>	<u>Negative goodwill on consolidation</u>	<u>Total</u>
	£	£	£
Cost:			
At 1 November 1999	-	(13,157)	(13,157)
Subsidiary undertaking acquired	1,250,000	-	1,250,000
Additions	-	(802,835)	(802,835)
At 31 October 2000	<u>1,250,000</u>	<u>(815,992)</u>	<u>434,008</u>
Amortisation:			
At 1 November 1999	-	(877)	(877)
Charge for the year	125,000	(65,369)	59,631
At 31 October 2000	<u>125,000</u>	<u>(66,246)</u>	<u>58,754</u>
Net book value:			
At 31 October 2000	<u>1,125,000</u>	<u>(749,746)</u>	<u>375,254</u>
At 31 October 1999	<u>-</u>	<u>(12,280)</u>	<u>(12,280)</u>

Negative goodwill relates to the acquisition of Vista Retail Support Limited and IS Retail Inc. at cost below fair value.

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS
(CONTINUED)

10. TANGIBLE FIXED ASSETS

<u>GROUP</u>	<u>Leasehold improvements</u>	<u>Plant and equipment</u>	<u>Motor vehicles</u>	<u>Fixtures and fittings</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cost:					
At 1 November 1999	-	116,925	52,300	29,507	198,732
Subsidiary undertaking acquired	1,623	28,987	-	8,988	39,598
Additions	-	20,825	-	7,373	28,198
Disposals	-	(16,348)	-	(1,143)	(17,491)
Exchange adjustment	143	2,561	-	794	3,498
At 31 October 2000	1,766	152,950	52,300	45,519	252,535
Depreciation:					
At 1 November 1999	-	55,017	27,589	15,791	98,397
Subsidiary undertaking acquired	157	5,636	-	874	6,667
Charge for the year	294	42,447	13,105	11,202	67,048
Released on disposal	-	(14,430)	-	(1,143)	(15,573)
Exchange adjustment	14	498	-	77	589
At 31 October 2000	465	89,168	40,694	26,801	157,128
Net book value:					
At 31 October 2000	1,301	63,782	11,606	18,718	95,407
At 31 October 1999	-	61,908	24,711	13,716	100,335

The motor vehicles are held under hire purchase contracts.

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS
(CONTINUED)

10. TANGIBLE FIXED ASSETS (continued)

<u>PARENT UNDERTAKING</u>	Plant and equipment	Fittings and fittings	Total
	£	£	£
Cost:			
At 1 November 1999	111,341	19,315	130,656
Additions	10,049	3,191	13,240
Disposals	(16,348)	(1,143)	(17,491)
At 31 October 2000	105,042	21,363	126,405
Depreciation:			
At 1 November 1999	54,165	12,906	67,071
Charge for the year	28,231	7,312	35,543
Released on disposal	(14,430)	(1,143)	(15,573)
At 31 October 2000	67,966	19,075	87,041
Net book value:			
At 31 October 2000	37,076	2,288	39,364
At 31 October 1999	57,176	6,409	63,585

11. INVESTMENTS

PARENT UNDERTAKING

Investments in subsidiary undertakings

	Shares	Loans	Total
	£	£	£
Cost:			
At 1 November 1999	20,473	-	20,473
Additions (note 21)	458,391	254,937	713,328
At 31 October 2000	478,864	254,937	733,801

The directly owned subsidiaries of Ideal Solutions Retail Limited at 31 October 2000 are:

Subsidiary:	Country of incorporation	Type of shares held	Percentage of ordinary shares held by the group %
Vista Retail Support Limited	England and Wales	£1 ordinary	100
IS Retail Inc.	Canada	\$1 ordinary	100

The above companies are engaged in the provision of electronic point of sale, hardware, software, services and consultancy to both small and major retailers.

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS
(CONTINUED)

12. STOCKS

	<u>GROUP</u>		<u>PARENT UNDERTAKING</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Raw materials	72,101	56,122	-	-
Finished goods and goods for resale	458,794	512,999	458,794	512,999
	<u>530,895</u>	<u>569,121</u>	<u>458,794</u>	<u>512,999</u>

13. DEBTORS

	<u>GROUP</u>		<u>PARENT UNDERTAKING</u>	
	<u>2000</u>	<u>As restated 1999</u>	<u>2000</u>	<u>As restated 1999</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Trade debtors	1,650,657	1,592,495	973,522	1,134,518
ACT recoverable	-	15,000	-	-
Amounts due from subsidiary undertaking	-	-	-	160,231
Other debtors	43,336	-	43,038	-
Prepayments and accrued income	69,429	245,074	296,229	218,591
	<u>1,763,422</u>	<u>1,852,569</u>	<u>1,312,789</u>	<u>1,513,340</u>

14. CREDITORS

	<u>GROUP</u>		<u>PARENT UNDERTAKING</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due within one year:				
Bank overdraft	-	98,480	-	98,480
Amounts owed to subsidiary undertaking	-	-	449,182	215,331
Trade creditors	565,131	720,155	303,121	568,141
Taxation and social security	97,342	226,547	20,612	93,980
Hire purchase and finance leases	10,040	10,040	-	-
Corporation tax	197,424	148,318	120,641	107,010
Proposed dividend	20,829	11,708	20,829	11,708
Other creditors	31,028	61,299	-	2,339
Accruals and deferred income	1,269,483	849,733	1,035,645	639,511
	<u>2,191,277</u>	<u>2,126,280</u>	<u>1,950,030</u>	<u>1,736,500</u>

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS
(CONTINUED)

15. CREDITORS

	<u>GROUP</u>		<u>PARENT UNDERTAKING</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due after one year:				
Hire purchase and finance leases	4,523	14,563	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The hire purchase and finance lease liabilities are secured on the assets concerned.

16. CALLED UP SHARE CAPITAL

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Authorised, allotted, called up and fully paid		
6,202,298 ordinary shares of 1p each (1999 – 30,000 shares of £1 each)	62,023	30,000
1,036,832 A ordinary shares of 1p each (1999 – 30,000 shares of £1 each)	10,368	30,000
	<u>72,391</u>	<u>60,000</u>

The shares issued in the year related to part/full consideration for the whole of the share capital of IS Retail Inc./the remaining share capital of Vista Support Retail Limited.

The A-ordinary shares carry an entitlement to a participating cumulative preferential dividend of 4% of the net profit and a cumulative preferential dividend equal to the aggregate of any dividend paid on the ordinary shares and the emoluments paid to the directors in excess of £300,000 in the aggregate.

All shares carry one vote.

Holders of A-ordinary shares have the right on a winding-up to receive, in priority to the ordinary shares, the subscription price paid per share together with a sum equal to any arrears of the dividends calculated up to the date of winding-up. They do not have a right to participate further in any surplus on a winding-up.

However the holders of the A-ordinary shares may at any time convert the whole of their shares into a like number of ordinary shares.

IDEAL SOLUTIONS RETAIL LIMITED
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NOTES TO THE ACCOUNTS
(CONTINUED)

17. PROFIT AND LOSS ACCOUNT

	<u>GROUP</u> £	<u>PARENT UNDERTAKING</u> £
Balance at 1 November 1999	599,192	552,724
Prior year adjustment	(256,173)	(256,173)
As restated	<u>343,019</u>	<u>296,551</u>
Retained profit for the financial year	273,019	310,652
Balance at 31 October 2000	<u>616,038</u>	<u>607,203</u>

The prior year adjustment relates to the removal from prepayments in the prior year, costs which should have been expensed in that year.

18. RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS

	<u>GROUP</u>	<u>PARENT UNDERTAKING</u>
	As restated	As restated
	2000	2000
	£	£
Profit on ordinary activities after taxation and minority interest	304,004	(186,713)
Dividends	(30,985)	(11,708)
	<u>273,019</u>	<u>310,652</u>
Nominal value of ordinary shares issued for the acquisition of subsidiaries	12,391	12,391
	<u>285,410</u>	<u>323,043</u>
Net addition to shareholders' funds	285,410	(198,421)
Opening shareholders' funds (originally £679,192 / £632,724 before deducting prior year adjustment of £256,173)	423,019	621,440
Closing shareholders' funds	<u>708,429</u>	<u>699,594</u>
Equity	698,061	393,019
Non-equity	10,368	30,000
	<u>708,429</u>	<u>699,594</u>

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS
(CONTINUED)

19. FINANCIAL COMMITMENTS

	<u>GROUP</u>	
	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Annual commitments under non-cancellable operating leases at 31 October 2000 were:		
Land and buildings:		
Leases expiring between two and five years	42,000	42,000
Other:		
Leases expiring within one year	19,165	17,109
Leases expiring between two and five year	168,458	148,658
	<u>187,623</u>	<u>165,767</u>
	<u>229,623</u>	<u>207,767</u>

20. RELATED PARTY TRANSACTIONS

During the year the company was supplied with marketing services by J&J (Europe) Limited, a company partly owned by the wife of G. Gutteridge, totalling £125,449 (1999: £89,527). At the year end £5,359 (1999: £8,980) was payable to this company.

21. ACQUISITIONS

The group purchased the whole of the share capital of IS Retail Inc. (a company incorporated in Canada) on 8 November 1999. The fair value of the assets of the company at that date were (based on the accounts to 31 October 1999):

	<u>£</u>
Intangible fixed assets	1,250,000
Tangible fixed assets	32,931
Debtors	8,387
Cash	7,471
Creditors	(207,042)
	<u>1,091,747</u>
Negative goodwill	(640,530)
Consideration	<u>451,217</u>
Consideration satisfied by:	
Cash/creditor	446,000
Shares issued	5,217
	<u>451,217</u>

Of the cash/creditor consideration £260,858 was still outstanding at 31 October 2000.

IDEAL SOLUTIONS RETAIL LIMITED
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NOTES TO THE ACCOUNTS
(CONTINUED)

21. ACQUISITIONS (continued)

The group also acquired the remaining share capital of Vista Retail Support Limited on 31 October 2000. The assets acquired comprised the minority interest in that company at that date, no adjustment is required to this to reflect the fair value acquired:

	<u>£</u>
Minority interest	169,479
Negative goodwill	(162,305)
	<u>7,174</u>
Consideration satisfied by shares issued	<u>7,174</u>

22. NOTES TO THE CASH FLOW STATEMENT

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
<u>GROSS CASH FLOWS</u>		
<u>Returns on investments and servicing of finance:</u>		
Interest received	5,777	1,439
Interest paid	(20,895)	(6,158)
Interest element of finance lease rental repayments	(4,281)	(2,853)
	<u>(19,399)</u>	<u>(7,572)</u>
<u>Capital expenditure:</u>		
Payments to acquire tangible fixed assets	(28,198)	(25,608)
Receipts from sales of tangible fixed assets	1,918	15,320
	<u>(26,280)</u>	<u>(10,288)</u>
<u>Acquisitions:</u>		
Cash paid to acquire subsidiary	(185,142)	(20,473)
Cash acquired with subsidiary	7,471	94,163
	<u>(177,671)</u>	<u>73,690</u>
<u>Financing:</u>		
Capital element of finance lease rentals	(10,040)	(6,029)

IDEAL SOLUTIONS RETAIL LIMITED
AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS
(CONTINUED)

23. ANALYSIS OF CHANGES IN NET FUNDS

	<u>1999</u>	<u>Cashflows</u>	<u>2000</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Cash at bank and in hand	130,231	9,020	139,251
Overdrafts	(98,840)	98,840	-
	<u>31,391</u>	<u>107,860</u>	<u>139,251</u>
Hire purchase and finance leases	(24,603)	10,040	(14,563)
	<u>6,788</u>	<u>117,900</u>	<u>124,688</u>
Total	<u>6,788</u>	<u>117,900</u>	<u>124,688</u>