

**INTEGRALIS COMPUTER
SOLUTIONS LIMITED**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 OCTOBER 1996**

Company No: 3009356

INTEGRALIS COMPUTER SOLUTIONS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1996

Company Registration Number:

3009356

Registered Office:

Apex Plaza
Forbury Road
Reading
RG1 1AX

Directors:

A Venables
D Billingham
G Gutteridge

Secretary:

M Webster

Bankers:

Barclays Bank Plc
29/30 High Street
Windsor
Berks
SL4 1PQ

Solicitors:

Cole and Cole
Apex Plaza
Forbury Road
Reading
RG1 1AX

Auditors:

Grant Thornton
Registered Auditors
Chartered Accountants
London

INTEGRALIS COMPUTER SOLUTIONS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1996

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INTEGRALIS COMPUTER SOLUTIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 October 1996.

Principal activities

The company is principally engaged in the sale of digital hardware.

Business review

The company made a profit for the year after taxation of £39,701 (1995 £41,007). Dividends of £24,000 were proposed during the year (1995 £nil), of which £12,000 were waived by the shareholders leaving dividends of £12,000 paid. The remaining profit of £27,701 (1995 £41,007) has been added to reserves.

During the year, the 'B' ordinary shares owned by the holding company, Integralis Limited, were converted into 'A' ordinary shares. In addition, the long term loan of £30,000 due to the parent company was converted into 'A' ordinary shares by the issue of 10,000 shares at a nominal value of £1 and premium of £2.

Directors

The directors in office during and at the end of the period are listed below.

The interests of the directors and their families in the shares of the company at 31 October 1996 and at 31 October 1995 were as follows:

	1996	1995
	Ordinary shares	
D Billingham	10,000	15,000
A Venables	10,000	15,000
G Gutteridge	10,000	-

None of the directors have an interest in the shares of Integralis Limited, the parent company.

Directors' responsibilities for the financial statements

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 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 subject to any material departures disclosed and explained in the financial statements;

INTEGRALIS COMPUTER SOLUTIONS LIMITED

REPORT OF THE DIRECTORS

- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

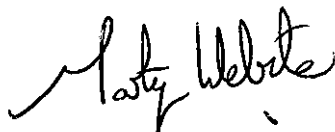
Fixed assets

The principal items of capital expenditure were computer equipment costing £11,554 and fixtures and fittings costing £1,372.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



M Webster
Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
INTEGRALIS COMPUTER SOLUTIONS LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 1 and 2 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 at 31 October 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON**

7 April 1997

INTEGRALIS COMPUTER SOLUTIONS LIMITED

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historic cost convention in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives.

The rates generally applicable are:

Computer equipment	3 years
Fixtures and fittings	6 years

Stocks

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

Deferred tax

Deferred tax is the tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements.

Deferred tax is provided to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Deferred tax is computed under the liability method using the rates at which it is estimated that the tax will be paid (or recovered) when the timing differences reverse.

INTEGRALIS COMPUTER SOLUTIONS LIMITED

PRINCIPAL ACCOUNTING POLICIES

Leased assets

Where assets are financed by leasing agreements which give rights and rewards approximate to ownership ("finance leases") they are treated as if they had been purchased outright on credit. They are therefore initially recorded as a fixed asset and liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element which reduces the outstanding liability and an interest charge.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, exchange differences are dealt with through the profit and loss account.

INTEGRALIS COMPUTER SOLUTIONS LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 OCTOBER 1996**

	Note	12 months ended 31 October 1996 £	7 months ended 31 October 1995 £
Turnover	1	1,754,295	904,785
Cost of sales		<u>(1,138,698)</u>	<u>(656,615)</u>
Gross profit		615,597	248,170
Distribution costs		(20,747)	(14,188)
Administrative expenses		<u>(540,229)</u>	<u>(178,875)</u>
Operating profit		54,621	55,107
Interest receivable and similar income		<u>658</u>	<u>-</u>
Profit on ordinary activities before taxation	1	55,279	55,107
Tax on profit on ordinary activities	3	<u>(15,578)</u>	<u>(14,100)</u>
Profit on ordinary activities after taxation		39,701	41,007
Dividends paid	4	<u>(12,000)</u>	<u>-</u>
Profit for the financial year transferred to reserves	11,12	<u>27,701</u>	<u>41,007</u>

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

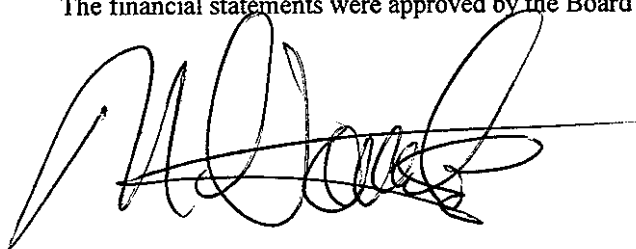
INTEGRALIS COMPUTER SOLUTIONS LIMITED

BALANCE SHEET AT 31 OCTOBER 1996

	Note	1996 £	1995 £
Fixed assets			
Tangible assets	5	<u>17,747</u>	<u>10,384</u>
Current assets			
Stocks	6	14,964	-
Debtors	7	644,523	489,184
Cash at bank and in hand		<u>-</u>	<u>28,937</u>
		659,487	518,121
Creditors: amounts falling due within one year	8	<u>(528,526)</u>	<u>(407,498)</u>
Net current assets		<u>130,961</u>	<u>110,623</u>
Total assets less current liabilities		148,708	121,007
Creditors: amounts falling due after more than one year	9	<u>-</u>	<u>(30,000)</u>
		<u>148,708</u>	<u>91,007</u>
Capital and reserves			
Called up share capital	11	60,000	50,000
Share premium account	12	20,000	-
Profit and loss account	12	<u>68,708</u>	<u>41,007</u>
Shareholders' funds	12	<u>148,708</u>	<u>91,007</u>
Equity		108,708	71,007
Non equity		<u>40,000</u>	<u>20,000</u>
Shareholders' funds		<u>148,708</u>	<u>91,007</u>

The financial statements were approved by the Board of Directors on:

7th April '97



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

INTEGRALIS COMPUTER SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1996

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit before taxation are attributable to the company's principal activity, which is carried on within the United Kingdom.

The profit on ordinary activities is stated after:

	12 months ended 31 October 1996 £	7 months ended 31 October 1995 £
Auditors' remuneration	3,400	2,700
Depreciation of tangible fixed assets		
- owned	4,749	1,066
Operating lease rentals	<u>12,710</u>	<u>3,640</u>

2 DIRECTORS AND EMPLOYEES

The average number of employees of the company during the year and their aggregate emoluments are shown below:

	12 months ended 31 October 1996 £	7 months ended 31 October 1995 £
Wages and salaries	275,263	107,523
Social security	<u>27,897</u>	<u>9,426</u>
	<u>303,160</u>	<u>116,949</u>

The average number of employees of the company during the year was 8 (1995: 6).

Staff costs include remuneration in respect of directors, as follows:

	12 months ended 31 October 1996 £	7 months ended 31 October 1995 £
Directors' fees	<u>169,787</u>	<u>46,783</u>

INTEGRALIS COMPUTER SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1996

Directors emoluments, excluding pension contributions, were as follows:

	12 months ended 31 October 1996 £	7 months ended 31 October 1995 £
Highest paid director	<u>57,680</u>	<u>23,613</u>

Other directors fell within the bands:

	Number	Number
£20,001 to £25,000	-	1
£50,001 to £55,000	1	-
£55,001 to £60,000	<u>1</u>	<u>-</u>

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the period and represents:

	12 months ended 31 October 1996 £	7 months ended 31 October 1995 £
United Kingdom corporation tax @ 25%	14,700	14,100
Under provision in respect of prior years	878	-
	<u>15,578</u>	<u>14,100</u>

4 DIVIDENDS

	12 months ended 31 October 1996 £	7 months ended 31 October 1995 £
Equity: Dividends paid and proposed	<u>12,000</u>	<u>-</u>
Non equity: Dividends proposed but waived by the shareholder	<u>12,000</u>	<u>-</u>

INTEGRALIS COMPUTER SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1996

5 TANGIBLE FIXED ASSETS

	Plant & equipment £	Fixtures & fittings £	Total £
Cost			
At 1 November 1995	9,644	1,805	11,449
Additions at cost	11,554	1,372	12,926
Disposals	(945)	-	(945)
At 31 October 1996	<u>20,253</u>	<u>3,177</u>	<u>23,430</u>
Depreciation			
At 1 November 1995	940	125	1,065
Provided in the year	4,432	317	4,749
Disposals	(131)	-	(131)
At 31 October 1996	<u>5,241</u>	<u>442</u>	<u>5,683</u>
Net book value			
At 31 October 1996	<u>15,012</u>	<u>2,735</u>	<u>17,747</u>
Net book value			
At 31 October 1995	<u>8,704</u>	<u>1,680</u>	<u>10,384</u>

6 STOCK

	1996 £	1995 £
Finished goods and goods for resale	<u>14,964</u>	<u>-</u>

7 DEBTORS

	1996 £	1995 £
Trade debtors	635,385	484,130
Other debtors	355	2,320
Prepayments and accrued income	8,783	2,736
	<u>644,523</u>	<u>489,186</u>

Included in the balance for other debtors is an amount of £355 owed by a director, G Gutteridge. The loan is interest free and has been repaid since the year end. The maximum balance outstanding during the year was £1,000.

INTEGRALIS COMPUTER SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1996

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank overdraft	9,697	-
Trade creditors	184,192	107,256
Amounts owed to group undertakings	44,182	35,769
Current taxation	11,700	14,100
Social security and other taxes	70,408	33,809
Other creditors	-	4,700
Accruals and deferred income	208,347	211,864
	<u>528,526</u>	<u>407,498</u>

The company has executed fixed and floating charge, dated 1 July 1996 over all present and future undertakings, property and assets, including goodwill, in favour of the company's bankers in respect of any amount owing by the company.

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
Amounts due to group undertaking	-	30,000

On 1 November 1995 this debt was converted into 10,000 'A' ordinary shares of £1 each subscribed for at a premium of £2 per share which has been credited to the share premium account.

10 DEFERRED TAX

Deferred tax provided for and not provided for in the financial statements is set out below. The amount unprovided represented a contingent liability at the balance sheet date and is calculated using a tax rate of 25%.

	Amount provided £	1996 Potential liability £	Amount provided £	1995 Potential liability £
Accelerated capital allowances	-	320	-	449

No provision has been made for this liability as, in the opinion of the directors, there is no likelihood of it crystallising within the foreseeable future.

INTEGRALIS COMPUTER SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1996

11 SHARE CAPITAL

	1996 £	1995 £
Authorised, issued and fully paid		
30,000 A ordinary shares of £1 each	30,000	10,000
B ordinary shares of £1 each	-	10,000
30,000 ordinary shares of £1 each	30,000	30,000
	<u>60,000</u>	<u>50,000</u>

On 1 November 1995, an additional 10,000 'A' ordinary shares were authorised by way of a deed of variation and allotted to the parent company as consideration for the conversion of its debt. The 10,000 'B' ordinary shares held by the parent company were converted into 10,000 'A' ordinary shares.

The 'A' ordinary shares carry an entitlement to a participating cumulative preferential dividend of 8% 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 for every £1 in nominal amount of shares.

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 down to the date of winding-up.

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

Due to the limitations in the rights of the shares outlined above, the 'A' ordinary shares have been classified as non equity.

This transaction was effected to strengthen the company's balance sheet and highlight the holding company's commitment to the future prosperity of the company.

INTEGRALIS COMPUTER SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1996

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £	Profit and loss account £	Share premium account £	Total £
Equity				
At 18 April 1995				30,000
Issue of shares	30,000	-	-	30,000
Profit for the financial period	-	41,007	-	41,007
At 30 October 1995	30,000	41,007	-	71,007
Profit for the financial year	-	39,701	-	39,701
Dividends paid	-	(12,000)	-	(12,000)
Premium on share issue	-	-	10,000	10,000
At 30 October 1996	30,000	68,708	10,000	108,708
Non equity				
At 18 April 1995				20,000
Issue of shares	20,000	-	-	20,000
At 30 October 1995	20,000	-	-	20,000
Share issue and premium	10,000	-	10,000	20,000
At 30 October 1996	30,000	-	10,000	40,000
Shareholders' funds	60,000	68,708	20,000	148,708

13 CAPITAL COMMITMENTS

The company had no capital commitments at 31 October 1996 or at 31 October 1995.

14 CONTINGENT LIABILITIES

The company has made import duty and value added tax guarantees to HM Customs & Excise of £20,000 (1995 £20,000).

There were no other contingent liabilities at 31 October 1996 or at 31 October 1995 except in respect of deferred tax (see Note 10) and bank security (see note 8).

INTEGRALIS COMPUTER SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1996

15 LEASING COMMITMENTS

Operating lease payments amounting to £11,292 (1995 £nil) are due within one year. The leases to which these amounts relate expire as follows:

	1996 Other £	1995 Other £
Between two and five years	<u>11,292</u>	<u>-</u>

16 PARENT COMPANY

The directors consider that the ultimate parent company of this company is Integralis Limited, a company registered in England and Wales.