ITnet Holdings Limited
Formerly Ingleby (812) Limited

Accounts - 30 December 1995
together with Directors' and Auditors' reports

Registered number: 3036256
ITnet Holdings Limited
(Formerly Ingleby (812) Limited)

Board of Directors

Lord Crickhowell - Non Executive Chairman
B P Blow - Managing Director
R A Catto. D Howe. R J Watts. B R Wells. P J Williamson
R H Lawson - Non Executive
S A Ricketts - Non Executive

Secretary

B R Wells

Registered Office

Laburnum House, Laburnum Road, Birmingham, B30 2BD

Auditors

Price Waterhouse, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT

Directors' report
For the 40 week period ended 30 December 1995

The Directors submit their report and the audited accounts for the 40 week period from 22 March 1995 to 30 December 1995.

Results and dividends

The loss on ordinary activities of the Group for the financial period, after taxation, was £30,000. Preference dividends of £82,000 and cumulative preferential dividends of £4,000 have been accrued. The Directors do not recommend the payment of any further ordinary dividends.

Review of business and future developments

Ingleby (812) Limited was incorporated on 22 March 1995 and changed its name to ITnet Holdings Limited on 9 November 1995.

On 16 November 1995 ITnet Holdings Limited announced a management led employee buy-out of ITnet Limited from Cadbury Schweppes plc. The results of ITnet Limited from this date have been consolidated in the accounts of ITnet Holdings Limited using acquisition accounting.

The principal activity of the Group is the provision of outsourcing services in three main sectors; local government, central government and commercial.

Fixed assets

Details of changes in tangible fixed assets are given in note 9 to the accounts.

Directors and their interests

The Directors at the date of this report are as stated on page 1.

The Directors who held office throughout the year were as follows:-

B P Blow (Appointed 10 November 1995)
R A Catto (Appointed 19 January 1996)
Lord Crickhowell - Non Executive Chairman (Appointed 12 December 1995)
D Howe (Appointed 10 November 1995)
R H Lawson (Appointed 12 December 1995)
S A Ricketts (Appointed 12 December 1995)
R J Watts (Appointed 10 November 1995)
B R Wells (Appointed 10 November)
P J Williamson (Appointed 10 November 1995)
Ingleby Nominees (Resigned 10 November 1995)

The Directors' interests, either directly or indirectly, in the share capital of the Company are as follows:

	Ordinary Class B 10p Shares Number
B P Blow	413,200
R A Catto	103,290
D Howe	309,900
R J Watts	309,900
B R Wells	103,300
P J Williamson	309,900

R H Lawson is a Director of 3i plc, whose parent undertaking is the beneficial owner of 9,450,000 1p Preference Shares and 200,000 10p Ordinary Shares.

S A Ricketts is a Director of various Cadbury Schweppes Group companies, whose parent undertaking is the beneficial owner of 771,653 10p Ordinary Shares.

At no time during the period has any Director been materially interested in any contract with the Group which was significant in relation to its business (other than the Directorship of S A Ricketts in companies serviced by ITnet Limited).

Directors' and Officers' liability insurance

The Group has maintained insurance to cover Directors' and Officers' liability as allowed by s310(3)(a) of the Companies Act 1985 (as amended).

Charitable and political donations

No charitable or political donations have been made by the Group during the period.

Disabled persons

The Group always carefully considers any application for employment by registered disabled persons. In the event of any employee becoming disabled, it is standard practice to offer other employment in all but the most extreme circumstances, with the appropriate training where necessary. The Group's training, development and promotion policies provide equal opportunities for minority groups, including the disabled.

Employee involvement

The policy of informing and consulting with employees is maintained by means of regular newsletters and meetings, and employees are encouraged to present their views and suggestions in respect of the Group's performance. Following the management led employee buy-out (MEBO) all staff were offered one share in ITnet Holdings Limited. An employee share ownership trust was introduced, and as a result of this, 80% of employees were allocated shares in ITnet Holdings Limited

Post balance sheet events

No circumstances have arisen or events occurred since the balance sheet date in respect of matters which would require adjustment to or disclosure in the accounts.

Auditors

During the period Price Waterhouse were appointed as Auditors.

A resolution to reappoint Price Waterhouse as Auditors will be put to the members at the Annual General Meeting.

Statement of Directors' responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts 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.

Signed on Behalf of the Board

B P Blow Managing Director

3 June 1996

Laburnum House, Laburnum Road, Birmingham, B30 2BD

Auditors' report

To the Shareholders of ITnet Holdings Limited.

We have audited the accounts on pages 6 to 25 which have been prepared under the historical cost convention accounting policies set out in pages 10 and 11.

Respective responsibilities of Directors and Auditors

As described on page 4 above, the Company's Directors are responsible for the preparation of the accounts and it is our responsibility to form an independent opinion, based on our audit, on those accounts and 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the Company and Group'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 accounts 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 December 1995 and of the loss and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants and Registered Auditors

3 June 1996

Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT

ITnet Holdings Limited
(Formerly Ingleby (812) Limited)
Group profit and loss account
For the 40 week period ended 30 December 1995

	Notes	22 March to 30 December 1995 £'000
Turnover		7,919
Cost of sales		(6,939)
Gross profit		980
Other operating expenses	2	(671)
Operating profit		309
Interest receivable	3	5
Interest payable and similar charges	4	(230)
Profit on ordinary activities before taxation	5	84
Tax on profit on ordinary activities	7	(114)
Loss for the financial year		(30)
Dividends paid and proposed (including non equity interests)	8	(86)
Retained loss for the financial year	19	(116)

The accompanying notes are an integral part of this profit and loss account.
All activities are continuing operations and derive from the acquisition of ITnet Limited.

The Company loss after taxation for the financial period is £198,000.

There are no recognised losses other than the loss for the period for the Company or the Group.

There is no material difference between the profit and loss account and the results on an unmodified historical cost basis for the Company or the Group.

ITnet Holdings Limited
(Formerly Ingleby (812) Limited)
Group Balance Sheet
30 December 1995

	Notes	1995 £000
Fixed assets		
Tangible assets	9	5,106
Current assets		
Stocks	12	142
Debtors	13	15,962
Investments	11	100
Cash at bank and in hand		961
		17,165
Creditors: Amounts falling due within one year	14	(17,056)
Net current assets		109
Total assets less current liabilities		5,215
Creditors: Amounts falling due after more than one year	15	(14,698)
Provisions for liabilities and charges	16	(539)
Net liabilities		(10,022)
Capital and reserves		
Called-up share capital	18	501
Share premium account	19	9,416
Profit and loss account	19	(116)
Total shareholders' funds - gross		9,801
Goodwill written off	19	(19,823)
Total shareholders' funds - net	20	(10,022)
Equity		(19,148)
Non equity		9,126
Total shareholders' funds - net	20	(10,022)

Signed on behalf of the Board

B P Blow Director

R A Catto Director 3 June 1996

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

ITnet Holdings Limited
(Formerly Ingleby (812) Limited
Company Balance Sheet
30 December 1995

	Notes	1995 £000
Fixed assets		
Investments	10	26,342
Current assets		
Debtors	13	2,094
Investments	11	300
Cash at bank and in hand		49
		2,443
Creditors: Amounts falling due within one year	14	(4,454)
Net current liabilities		(2,011)
Total assets less current liabilities		24,331
Creditors: Amounts falling due after more than one year	15	(14,698)
Net assets		9,633
Capital and reserves		
Called-up share capital	18	501
Share premium account	19	9,416
Profit and loss account	19	(284)
Total shareholders' funds	20	9,633
Equity		507
Non equity		9,126
Total shareholders' funds	20	9,633

Signed on behalf of the Board

B P Blow Director

R A Catto Director

3 June 1996

The accompanying notes are an integral part of this balance sheet

ITnet Holdings Limited
(Formerly Ingleby (812) Limited)
Group Cash Flow Statement
30 December 1995

	Notes	1995 £000
Net cash inflow from operating activities	21	2,203
Returns on investments and servicing of finance		
Interest received		3
Interest paid		(87)
Net cash outflow from returns on investments and servicing of finance		(84)
Investing activities		
Payments to acquire tangible fixed assets		(945)
Purchase of subsidiary undertaking (net of cash and cash equivalents)	21	(25,340)
Purchase of own shares through ITnet Employee Benefit Trust		(300)
Net cash outflow from investing activities		(26,585)
Net cash outflow before financing		(24,466)
Financing		
Issue of ordinary share capital		(733)
Issue of preference share capital		(9,044)
New long term loans		(15,650)
Net cash inflow from financing		(25,427)
Increase in cash and cash equivalents	21	961
		(24,466)

Notes to accounts

For the 40 week period ended 30 December 1995

1. Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the period are as follows:

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Financial year

The financial statements include the results of ITnet Holdings Limited and its subsidiary undertaking. The results of the subsidiary undertaking acquired are included from the date of acquisition.

The annual accounts are made up to the Saturday nearest to 31 December. The profit and loss account covers the 40 weeks from 22 March 1995 to 30 December 1995 and the balance sheets have been drawn up at 30 December 1995.

c) Research and development expenditure

Research and development expenditure is written off in the financial period in which it is incurred.

d) Tangible fixed assets

Fixed assets are shown at cost.

Depreciation is provided on the original cost or subsequent valuation of assets on a straight-line basis over their estimated useful lives. The principal rates used are as follows:

Computer equipment	2-5 years (50%-20% per annum)
Plant	8 years (12.5% per annum)
Office furniture and fittings	8 years (12.5% per annum)

In specific cases, higher depreciation rates are used, (for example, for equipment subject to technological changes or equipment with a high obsolescence factor). Capital work-in-progress is not depreciated.

e) Stocks

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

f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Provision is made for deferred taxation, using the liability method, on the categories of timing differences listed below, except to the extent that these amounts are not regarded as likely to become payable or receivable in the foreseeable future.

Notes to accounts (continued)

1. Accounting policies (continued)

f) *Taxation (continued)*
The broad categories of timing differences are:

(a) The excess of book value of tangible fixed assets over their tax written down value; and

(b) Income and expenditure in the accounts of the current period dealt with in other periods for taxation purposes.

g) *Pension costs*
The costs of providing pensions and other termination benefits are charged to the profit and loss account on a consistent basis over the expected service lives of the employees. Such costs are calculated by reference to actuarial valuations, and variations from such regular costs are spread over the remaining service lives of the current employees.

h) *Fixed assets held under leases*
Where assets are financed by leasing agreements which give rights approximating to ownership ('finance leases') the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the profit and loss account on the same basis as shown above. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account.

All other leases are operating leases and the relevant annual rentals are charged wholly to the profit and loss account.

i) *Turnover*
Turnover comprises the invoiced value of sales, excluding VAT and trade discounts, of goods and services provided in the normal course of business.

j) *Investments*
Investments are stated at cost less any permanent diminution in value. Current asset investments are valued at the lower of cost and net realisable value.

k) *Goodwill*
Goodwill is written off to reserves in the year of acquisition.
Goodwill represents the difference between the cost of acquisition and the fair value of the net tangible assets acquired.

Notes to the accounts (continued)

2. Other operating expenses

	22 March to 30 December 1995 £000
Distribution costs including marketing	291
Administration expenses	380
	671

3. Interest receivable

	22 March to 30 December 1995 £000
Bank interest	5

Interest is receivable on loans wholly repayable within five years

4. Interest payable and similar charges

	22 March to 30 December 1995 £000
Interest payable is on bank loans and overdrafts and other loans repayable as follows:	
- Within one to five years	77
- After more than five years	146
Finance charges	7
	230

Notes to accounts (continued)

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:-

	22 March to 30 December 1995 £000
Reorganisation costs	(21)
Depreciation on tangible fixed assets	
- owned	330
Depreciation on own shares	200
Operating lease rentals	
- properties	157
- computer equipment	261
Auditors' remuneration	25
Staff costs (see note 6)	2,877

Price Waterhouse, the auditors, were also paid £560,000 during the period for work undertaken in respect of the management led employee buy-out.

6. Staff costs

a) *Employee costs during the year amounted to*

	22 March to 30 December 1995 £000
Wages and salaries	2,503
Social security costs	218
Other pension costs	156
	2 ,877

b) *The average weekly number of employees including Directors during the period from the acquisition of the trading subsidiary was as follows:*

	1995 Number
Computer services and development	925
Administration	45
	970

Notes to accounts (continued)

6. Staff costs (continued)

c) Directors' remuneration -

	22 March to 30 December 1995 £000
Directors received the following remuneration (including pension contributions)	74

The Directors' remuneration shown above (excluding pensions and pension contributions) included -

Chairman	-
Highest paid Director	17

Directors received emoluments (excluding pensions and pension contributions) in the following ranges -

	1995 Number
Up to £5,000	5
£5,001 - £10,000	1
£10,001 - £15,000	3
£15,001 - £20,000	1

7. Tax on profit on ordinary activities

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

	22 March to 30 December 1995 £000
Corporation tax payable at 33%	159
Deferred taxation credit	(45)
	114

Notes to accounts (continued)

8. Dividends

	22 March to 30 December 1995 £000
Equity:	
Cumulative A shares	4
Non equity:	
Cumulative preference shares	82
	86

9. Tangible fixed assets

The movement in the year was as follows:

	Plant and Machinery £000	Capital Work in Progress £000	Total £000
Cost or valuation			
Beginning of period	-	-	-
Arising on acquisition of subsidiary	20,114	1,712	21,826
Additions	945	-	945
Transfer from capital WIP	1,437	(1,437)	-
End of period	22,496	275	22,771
Depreciation			
Beginning of period	-	-	-
Arising on acquisition of subsidiary	17,335	-	17,335
Charge	330	-	330
End of period	17,665	-	17,665
Net book value			
End of period	4,831	275	5,106
Net book value			
Beginning of period	-	-	-

Notes to accounts (continued)

10. Fixed assets - Investments

On 16 November 1995, ITnet Holdings Limited acquired 100% of the ordinary share capital of ITnet Limited, a company registered in England. The principal activity of the Company is the provision of outsourcing services.

Net assets of ITnet Limited at the date of acquisition were as follows:

	Book Value At Date of Acquisition	Revaluation	Fair Value Of Assets Acquired
	£000	£000	£000
Tangible fixed assets	4,491		4,491
Stocks	128		128
Debtors	12,026	(1,149)	10,877
Cash	878		878
Total assets	17,523	(1,149)	16,374
Creditors due within one year	(9,261)		(9,261)
Creditors due after more than one year	(1,743)	1,149	(594)
Net assets	6,519	-	6,519
Goodwill arising on acquisition and written off to reserves (note 19)			19,823
			26,342
Satisfied by cash and shares allotted:			
Cash			26,218
Shares			124
			26,342

Notes to accounts (continued)

10. Fixed assets - Investments

The profit and loss accounts of ITnet Limited for its financial period prior to acquisition, 1 January 1995 to 16 November 1995, and for the financial year to 31 December 1994 were as follows:

	1 January to 16 November 1995 £000	Year to 30 December 1994 £000
Turnover	50,641	50,543
Cost of sales	(41,711)	(41,509)
Gross profit	8,930	9,034
Other operating expenses	(5,198)	(5,511)
Operating profit	3,732	3,523
Interest receivable	370	278
Interest payable and similar charges	(4)	-
Profit on ordinary activities before taxation	4,098	3,801
Tax on profit on ordinary activities	(1,608)	(1,812)
Profit in ordinary activities after taxation	2,490	1,989
Dividends paid and proposed	(6,975)	(994)
Retained (loss) / profit for the period	(4,485)	995

11. Current assets - Investments

In November 1995, the Company established the ITnet Employee Benefit Trust (the "EBT"). The trustee of the EBT is Mourant & Co Trustees Limited (the "Trustee"), an independent professional trust company resident in Jersey.

The EBT is a discretionary trust for the benefit of employees (excluding executive directors and officers). The EBT provides for the issue of shares to the employees of ITnet Limited at the discretion of the Trustee, acting upon the recommendation of a committee comprising three executive directors.

Notes to accounts (continued)

10. Fixed assets - Investments (continued)

The EBT has purchased an aggregate of 1,543,300 Ordinary Shares of the Company. No shares were gifted to employees during the period. At 30 December 1995 the Trustee owned 1,543,300 Ordinary Shares which represented 30.9% of the issued share capital of the Company.

The assets, liabilities and costs of the EBT have been incorporated into the Company's financial statements.

	Group 1995 £000	Company 1995 £000
Own shares	300	300
Depreciation	(200)	-
Net book value at 30 December 1995	100	300

12. Stocks

	Group 1995 £000	Company 1995 £000
Consumables	142	-

13. Debtors

The following are included in debtors:

	Group 1995 £000	Company 1995 £000
Amounts falling due within one year:		
Trade debtors	12,303	-
Amounts owed by subsidiary undertaking	-	2,000
Prepayments and accrued income	2,892	-
Loans to employees	53	-
ACT recoverable	653	-
Deferred tax recoverable	45	45
Called up share capital not paid	16	16
Group relief receivable	-	33
	15,962	2,094

Notes to the accounts (continued)

14. Creditors - amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	Group 1995 £000	Company 1995 £000
Trade creditors	2,001	-
Other creditors		
- UK corporation tax payable	916	-
- VAT	1,404	-
- ACT payable	1,744	-
- other taxation & social security	606	-
Accruals and deferred income	9,340	-
Amounts owed to subsidiary undertaking	-	3,409
Other loans	959	959
Proposed dividend	86	86
	17,056	4,454

15. Creditors - amounts falling due after more than one year

	Group 1995 £000	Company 1995 £000
Loans falling due:		
Between one and two years	1,060	1,060
Between two and five years	5,520	5,520
After more than five years	8,560	8,560
	15,140	15,140
Less finance costs	(442)	(442)
	14,698	14,698

The amount repayable by instalments, any of which are repayable after the five year period, amounts to £15,140.

Notes to accounts (continued)

16. Provisions for liabilities and charges

	Group Pension £000
Arising on acquisition of subsidiary	594
Cash paid	(55)
At end of period	539

Details of the pension arrangements are set out in note 23.

17. Deferred taxation

Deferred taxation assets are as follows:

	Provided 1995 £000	Full Potential 1995 £000
Accelerated capital allowances	-	(765)
Short term timing differences	(45)	(616)
	(45)	(1,381)

18. Called-up share capital

	Authorised 1995 £000	Allotted 1995 £000
Equity:		
Ordinary class A1 shares of 1p each	23	10
Ordinary class A2 shares of 1p each	10	10
Ordinary class B shares of 10p each	155	155
Ordinary class C shares of 10p each	77	77
Ordinary class D shares of 10p each	154	154
	419	406
Non equity:		
Preference shares of 1p each, class A1	120	48
Preference shares of 1p each, class A2	59	47
	179	95
	598	501

The authorised share capital of Ingleby (812) Limited on incorporation was 1,000 Ordinary £1 Shares, of which 998 were unissued.

Notes to accounts (continued)

18. Called-up share capital (continued)

On 10 November 1995, these shares were converted into 10,000 Ordinary 10 pence Shares and on the same date a further 133,820 Ordinary 10 pence Shares were created ranking pari passu with the existing shares. These shares form part of the Ordinary Class B Share Capital.

On 16 November 1995 the authorised share capital was increased to £598,206 by the creation of:
11,950,000 Class A1 Preference Shares of 1 pence each
5,925,646 Class A2 Preference Shares of 1 pence each
2,308,785 Class A1 Ordinary Shares of 1 pence each
991,740 Class A2 Ordinary Shares of 1 pence each
1,405,670 Class B Ordinary Shares of 10 pence each
771,653 Class C Ordinary Shares of 10 pence each (may convert into Deferred Shares)
1,543,300 Class D Ordinary Shares of 10 pence each

On that date the following shares were allotted and paid up:
4,764,029 Class A1 Preference Shares of 1 pence each for £4,764,029
4,685,971 Class A2 Preference Shares of 1 pence each for £4,685,971
1,008,260 Class A1 Ordinary Shares of 1 pence each for £100,826
991,740 Class A2 Ordinary Shares of 1 pence each for £99,174
1,446,200 Class B Ordinary Shares of 10 pence each for £232,838
771,653 Class C Ordinary Shares of 10 pence each £124,236
1,543,300 Class D Ordinary Shares of 10 pence each for £300,000

On 19 January 1996, 103,290 Class B Ordinary Shares of 10 pence each were allocated for £16,632.

The preference shares carry a dividend of 7.5 pence per share per annum, payable half yearly in arrears on 31 July and 31 January. The dividend rights are cumulative.

The A1 and A2 Ordinary Shares carry a cumulative preferential net cash dividend, the "participating dividend", equal to 5% of profit on ordinary activities before taxation of the Company and subsidiaries for the financial periods from the date of subscription to 31 December 1998, and 10% thereafter.

The B,C and D Shares do not carry any right to a dividend before 31 December 1999. Thereafter a dividend may not be declared or paid unless and until the preference and participating dividends have been paid in full and all actual or contingent liabilities under the legally binding guarantees given by the former parent undertaking and owner of the Ordinary C Shares have been discharged.

Notes to accounts (continued)

18. Called-up share capital (continued)

The Board of Directors may, provided that the holders of 75% of the nominal value of the A Shares and of the C Shares agree pay a dividend on the D Shares prior to 31 December 1999.

The B, C and D Shares rank pari passu in all respects and constitute one class of share.

The Preference Shares, D Shares and Deferred Shares if any, are non-voting. The holders of the other shares are entitled to one vote per share held.

The Preference Shares are due to be redeemed, at £1 per share, in three equal instalments on 31 December 2004, 2005 and 2006.

On a winding up, the priority is:

First call -	£1 per Preference Shares and any arrears
Second call -	10 pence per A Share and any arrears
Third call -	16.1 pence per B Share
	19.4 pence per C Share
	16.1 pence per D Share
Fourth call -	£10,000 per share on each of the A, B, C and D Shares
Fifth call -	Deferred Shares at nominal value
Sixth call -	the remaining balance is to be shared equally between A, B, C and D Shares irrespective of their nominal value.

Arrears of fixed cumulative dividends for the period to 30 December 1995 amount to £82,000.

19. Reserves

	Total £000	Profit and Loss Account £000	Share Premium £000	Goodwill £000
The Group				
At start of period	-	-	-	-
Retained loss for period	(116)	(116)	-	-
Premium arising on issue of shares	9,416	-	9,416	-
Goodwill written off in current period	(19,823)	-	-	(19,823)
At end of period	(10,523)	(116)	9,416	(19,823)

Notes to accounts (continued)

19. Reserves

	Total £000	Profit and Loss Account £000	Share Premium £000
The Company			
At start of period	-	-	-
Retained loss for period	(284)	(284)	-
Premium arising on issue of shares	9,416	-	9,416
At end of period	9,132	(284)	9,416

As permitted by section 230 of the Companies Act 1985, ITnet Holdings Limited has not presented its own profit and loss account.

20. Reconciliation of movements in shareholders' funds

	Group £000	Company £000
Loss for the financial period	(30)	(198)
Dividends	(86)	(86)
	(116)	(284)
New share capital subscribed	9,917	9,917
Goodwill written off	(19,823)	-
Net movement in shareholders' funds	(10,022)	9,633
Closing shareholders' funds	(10,022)	9,633

21. Cash flow statement

a) Net cash inflow from operating activities

	1995 £000
Operating profit	309
Depreciation on fixed assets	330
Depreciation on own shares	200
Increase in debtors	(5,022)
Increase in stocks	(14)
Increase in creditors	6,455
Pension accrual payment	(55)
	2,203

Notes to accounts (continued)

21. Cash flow statement (Continued)

b) Changes in cash and cash equivalents

	Group £000
Net cash inflow	961
Balance at 30 December 1995	961

c) Analysis of the net outflow of cash and cash equivalents in respect of the purchase of the subsidiary undertaking

	Group £000
Cash consideration	26,218
Cash at bank and in hand acquired	(878)
Net cash outflow of cash and cash equivalents in respect of the purchase of subsidiary undertaking	25,340

The cash flows arising during the period derive, in all material respects, from the operations of the subsidiary undertaking.

d) Analysis of changes in financing during the period

	Share Capital (including Premium) £000	Loans and Finance Lease Obligations £000
Cash inflows from financing	9,777	15,650
Shares issued for non cash consideration	124	-
Share capital allotted not yet paid up	16	-
Allocation of finance costs	-	7
Balance at 30 December 1995	9,917	15,657

22. Guarantees and other financial commitments

a) Capital commitments

At the end of the period, capital commitments were:

	Group £000	Company £000
Contracted for but not provided for	1,895	-

Notes to accounts (continued)

22. Guarantees and other financial commitments (continued)

b) Commitments under operating leases:

During the next year, the Group is contracted to make payments under operating leases which mature as follows:

	Property 1995 £000	Plant and computer equipment 1995 £000
Within one year	-	616
Within one to five years	62	2,694
After more than five years	843	-
	905	3,310

c) Charges

The undertaking, property and assets of the Group are subject to fixed and floating charges in favour of ITnet Holdings Limited's bankers.

23. Pension arrangements

As part of the sale agreement between ITnet Holdings Limited and Cadbury Schweppes plc, arrangements were made for ITnet Limited members to continue as members of the Cadbury Schweppes Pension Scheme until no later than 1 April 1997.

ITnet Holdings Limited is setting up a new pension scheme which will be broadly similar to the Cadbury Schweppes scheme.

The Cadbury Schweppes Pension Fund's last full valuation was carried out at 5 April 1993 on the projected unit method. At this date the market value of the assets was £736m and the level of funding on an actuarial basis was 110%.

The principal assumptions on average were that the rate of return on fund assets would be 9.5%, that the rate of salary increase would be 7.0% and that past and future pensions would increase by 5%.

The total pension costs for the Group for the period were £156,000 which together with the pension costs of the Cadbury Schweppes Pension Scheme were assessed by qualified actuaries based on the latest actuarial assessment.