

COMPUTER OFFICE
SYSTEMS (COSY) LIMITED

ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31ST DECEMBER 1997



COMPUTER OFFICE SYSTEMS (COSY) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997

INCORPORATION NUMBER

3061401

INCORPORATED IN

ENGLAND AND WALES

DIRECTORS

S. A. RADEREE
I.G.M. ESSACK
R. REED
R. PRATT
Z.J. VAKIL

SECRETARY

C. SHELLEY

REGISTERED OFFICE

CITFIN HOUSE
73, GREAT EASTERN STREET
LONDON
EC2A 3HU

AUDITORS

ANDERTONS
CHARTERED ACCOUNTANTS
CHURCHILL HOUSE
142 -146 OLD STREET
LONDON EC1V 9BJ

COMPUTER OFFICE SYSTEMS (COSY) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997

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COMPUTER OFFICE SYSTEMS (COSY) LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER 1997

The Directors have pleasure in submitting to the members the Annual Report together with the Financial Statements of the company for the year ended 31st December 1997.

RESULTS AND REVIEW OF THE BUSINESS

The results for the year are as disclosed in the attached accounts.

Despite a very difficult start to the year we managed to grow the business to the targeted turnover of £600,000, at the same time we reduced the projected loss for the year. In January 1998 a further 11 classrooms were added to the London City training centre. The opportunity for growth in the computer training sector is so significant that the company is embarking on a five year plan to create a further sixteen centres in the UK, including a further five locations in London. The directors expect that as the centres mature they will perform profitably and look forward to the forthcoming years with confidence of growth and profitability. The company has issued 399,900 ordinary shares of £1 each on 31 December 1997 to finance the expansion of the business. The new shareholders have expressed their willingness to continue providing the financial support required by the business.

DIRECTORS

The Directors of the company throughout the year were :-

S. A. RANDEREE

I. G. M. ESSACK

C. SHELLEY (Resigned 01.05.98)

R. PRATT (Appointed 01.05.98)

Z.J. VAKIL (Appointed 01.05.98)

R. REED (Appointed 01.05.98)

PRINCIPAL ACTIVITIES

The principal activities of the company are those of Computer Networking and Computer Software Training.

DIRECTORS' INTERESTS

The Directors in office during the year and their beneficial interests, including family interests, in the shares of the company were as follows :-

	<u>Ordinary Shares of £ 1 each</u>	
	<u>1997</u>	<u>1996</u>
S. A. RANDEREE	100,000 =====	25 ==

COMPUTER OFFICE SYSTEMS (COSY) LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER 1997

(CONTINUED)

FIXED ASSETS

Details of significant changes in the Fixed Assets of the company during the year appear in the Notes to the Accounts.

STATE OF AFFAIRS

The state of affairs of the company at the Balance Sheet date was satisfactory.

GOING CONCERN

The Directors have assessed that the company is a going concern for the next twelve months. The parent company DCD London & Mutual Plc has guaranteed the continuation of the existing financial facilities available in the company.

DIVIDENDS

The Directors do not recommend that a dividend be declared for the year under review.

RESERVES

The Directors recommend that no formal transfer be made to the reserves for the year under review.

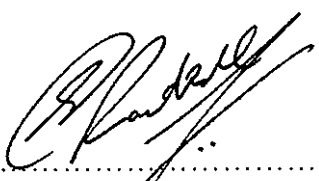
TAXATION

In the opinion of the Directors the company is a "Close Company" within the meaning of Section 414 of the Income and Corporation Taxes Act 1988.

AUDITORS

In accordance with Section 385 of the Companies Act 1985 a Resolution proposing the reappointment of Messrs Andertons as Auditors to the company will be put to the Annual General Meeting.

By order of the Board



.....
S. A. RANDEREE
CHAIRMAN

DATE 20th May 1998

COMPUTER OFFICE SYSTEMS (COSY) LIMITED

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Directors are required by company law to prepare Financial Statements which give a true and fair view of the state of affairs of the company as at the end of its financial year.

The Directors are also required to maintain adequate accounting records.

Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the accounts. Applicable accounting standards have been followed. The accounts have been prepared on a going concern basis.

The Directors are also responsible to the company for taking reasonable steps to safeguard its assets and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF
COMPUTER OFFICE SYSTEMS (COSY) LIMITED

We have audited the Financial Statements set out on pages 7 to 14 which have been prepared under the historical cost convention.

Respective Responsibilities of Directors and Auditors

As described on page 5, 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 that opinion to you.

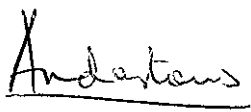
Basis of Opinion

We conducted our audit in accordance with auditing standards which 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 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 we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatements 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 financial affairs at 31st December 1997 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ANDERTONS
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS

CHURCHILL HOUSE
142 -146 OLD STREET
LONDON EC1V 9BJ

DATE 20th May 1998

COMPUTER OFFICE SYSTEMS (COSY) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1997

	<u>1997</u>	<u>1996</u>
<u>TURNOVER</u> (Note 1)	£ 657,824	£ 177,499
<u>DIRECT COSTS</u>	469,819	132,181
	-----	-----
<u>GROSS PROFIT</u>	188,005	45,318
Administrative and Selling Expenses	£ 517,533	£ 127,068
Other Operating Expenses	61,596	30,564
	-----	-----
	579,129	157,632
	-----	-----
<u>OPERATING LOSS</u> (Note 2)	(391,124)	(112,314)
<u>OTHER INCOME</u>	-	-
	-----	-----
<u>LOSS ON ORDINARY</u> <u>ACTIVITIES BEFORE TAXATION</u>	(391,124)	(112,314)
<u>TAXATION</u> (Note 3)	-	-
	-----	-----
<u>LOSS ON ORDINARY</u> <u>ACTIVITIES AFTER TAXATION</u>	(391,124)	(112,314)
<u>DIVIDENDS</u>	-	-
	-----	-----
<u>RETAINED LOSS FOR THE YEAR</u>	(391,124)	(112,314)
<u>LOSS BROUGHT FORWARD</u>	(126,693)	(14,379)
	-----	-----
<u>LOSS CARRIED FORWARD</u>	£ (517,817)	£ (126,693)
	=====	=====

There are no gains or losses for the year other than those recognised in the Profit and Loss Account.

The company did not acquire or discontinue any activities during the year.

The Notes on Pages 10 to 14 form an integral part of these Accounts.

COMPUTER OFFICE SYSTEMS (COSY) LIMITED

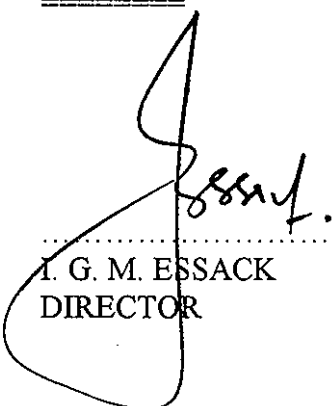
BALANCE SHEET

AT 31ST DECEMBER 1997

<u>FIXED ASSETS</u>	<u>1997</u>	<u>1996</u>
Intangible Assets (Note 4)	£ 31,846	£ -
Tangible Assets (Note 5)	470,467	53,322
	-----	-----
	502,313	53,322
 <u>CURRENT ASSETS</u>		
Stocks (Note 1)	£ 8,362	£ -
Debtors (Note 6)	311,110	115,585
Cash at Bank and in Hand	39,937	3,893
	-----	-----
	359,409	119,478
 <u>CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR</u> (Note 7)	(476,443)	(199,393)
	-----	-----
 <u>NET CURRENT LIABILITIES</u>	(117,034)	(79,915)
	-----	-----
	385,279	(26,593)
 <u>CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</u> (Note 8)	(503,096)	(100,000)
	-----	-----
	£ (117,817)	£ (126,593)
	=====	=====
 <u>CAPITAL AND RESERVES</u>		
 <u>CALLED UP SHARE CAPITAL</u> (Note 9)	£ 400,000	£ 100
<u>RESERVES</u>	(517,817)	(126,693)
	-----	-----
 <u>SHAREHOLDERS FUNDS</u> (Note 10)	£ (117,817)	£ (126,593)
	=====	=====

Approved by the board on 20th May 1998


.....
S. A. RANDEREE
DIRECTOR


.....
I. G. M. ESSACK
DIRECTOR

The Notes on pages 10 to 14 form an integral part of these Accounts.

COMPUTER OFFICE SYSTEMS (COSY) LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 1997

	<u>1997</u>	<u>1996</u>
<u>Reconciliation of operating profit to net cash inflow from operating activities</u>		
Operating loss	£ (391,124)	£ (112,314)
Depreciation charges	45,959	20,847
Increase in stocks	(8,362)	17,547
Increase in debtors	(112,205)	(41,989)
Increase in creditors	194,112	51,213
Net cash outflow from operating activities	<u>£ (271,620)</u>	<u>£ (64,696)</u>

CASH FLOW STATEMENT

Net cash outflow from operating activities	£ (271,620)	£ (64,696)
Capital expenditure (Note 11)	(578,270)	(63,616)
	<u>(849,890)</u>	<u>(128,312)</u>
Financing (Note 11)	922,131	100,098
Increase/(Decrease) in cash	<u>£ 72,241</u>	<u>£ (28,214)</u>

Reconciliation of net cash flow to movement in net debt

Increase/(Decrease) in cash in the period	£ 72,241	£ (28,214)
Cash inflow from increase in debt	(453,096)	(100,000)
Change in net debt (Note 12)	<u>(380,855)</u>	<u>£ (128,214)</u>
Net debt at 1 st January 1997	(182,304)	(54,090)
Net debt at 31 st December 1997 (Note 12)	<u>£ (563,159)</u>	<u>£ (182,304)</u>

COMPUTER OFFICE SYSTEMS (COSY) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

1. ACCOUNTING POLICIES

Basis of Preparation

These Accounts have been prepared under the historical cost convention on a going concern basis and assume the continuation of the existing financial facilities available to the company.

There have been no significant changes in the basis of preparation of the accounts during the year.

Stocks

Stocks are valued at the lower of cost and net realisable value of the individual item by the directors.

Depreciation

Depreciation is provided on fixed assets at the following annual rates which are estimated to write off their cost over their expected useful lives :

Computer Equipment	33.33% per annum of cost
Furniture, Fittings and Equipment	10% per annum of cost
Leasehold Improvements	5% per annum of cost
Intangible Asset	Over 20 Years

Turnover

Turnover represents the total invoiced value exclusive of Value Added Tax in respect of goods sold and services rendered during the year.

Foreign Currency

All transactions in foreign currencies have been converted at the rates prevailing on the date of the transactions. Current Assets and Liabilities in foreign currencies have been translated at the rates of exchange ruling at the date of the Balance Sheet.

COMPUTER OFFICE SYSTEMS (COSY) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

(CONTINUED)

Deferred Taxation

Deferred taxation is provided using the liability method, only where there is a reasonable probability that it will become payable in the foreseeable future.

2. OPERATING RESULTS

Operating results are stated after charging :

	<u>1997</u>	<u>1996</u>
Director's Emoluments	£ -	£ -
Audit Fees	3,000	-
Depreciation	45,959	20,847
	=====	=====

2.1 STAFF COSTS AND NUMBERS

Staff costs are as follows:-

	<u>1997</u>	<u>1996</u>
Wages, Salaries and Social Security Costs	£ 531,054	£ 82,417
	=====	=====

The average number of employees during the year was 37 (1996 : 18).

3. TAXATION

Corporation Tax

No provision for Corporation Tax is made as a result of sufficient taxes losses available for the year.

Deferred Taxation

The company's accounting policy in respect of deferred tax is set out in Note 1 above. No provision has been made for deferred taxation as the directors do not expect timing differences to reverse in the foreseeable future.

4. INTANGIBLE ASSETS

	<u>1997</u>	<u>1996</u>
Trademarks	£ 31,846	£ -
	=====	=====

This relates to the cost of acquiring the licence to use the 'New Horizons' trademark

COMPUTER OFFICE SYSTEMS (COSY) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

(CONTINUED)

5. FIXED ASSETS TANGIBLE ASSETS

	<u>LEASEHOLD IMPROVEMENT</u>	<u>COMPUTER EQUIPMENT</u>	<u>FURNITURE FITTINGS & EQUIPMENT</u>	<u>TOTAL</u>
<u>COST OR VALUATION</u>				
Balance at 01.01.97	£ -	£ 56,932	£ 18,729	£ 75,661
Additions	163,365	210,446	172,613	546,424
Disposals	-	(129,096)	-	(129,096)
	-----	-----	-----	-----
Balance at 31.12.97	£ 163,365	£ 138,282	£ 191,342	£ 492,989
	=====	=====	=====	=====

DEPRECIATION

Balance at 01.01.97	£ -	£ 20,363	£ 1,976	£ 22,339
Charge for the Year	8,127	25,413	12,419	45,959
Disposals	-	(45,776)	-	(45,776)
	-----	-----	-----	-----
Balance at 31.12.97	£ 8,127	£ -	£ 14,395	£ 22,522
	=====	=====	=====	=====

NET BOOK VALUE

At 31.12.97	£ 155,238	£ 138,282	£ 176,947	£ 470,467
	=====	=====	=====	=====
At 31.12.96	£ -	£ 36,569	£ 16,753	£ 53,322
	=====	=====	=====	=====

6. DEBTORS

	<u>1997</u>	<u>1996</u>
Trade Debtors and Prepayments	£ 199,518	£ 63,505
Inter Group Debtors	6,095	50,324
Other Taxation and Social Security	-	1,756
Insurance Claim Receivable (Note 6.1)	105,497	-
	-----	-----
	£ 311,110	£ 115,585
	=====	=====

- 6.1 At the date of approval of the accounts the loss assessors had not yet made their recommendation to the insurers.

COMPUTER OFFICE SYSTEMS (COSY) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

(CONTINUED)

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

	<u>1997</u>	<u>1996</u>
Trade Creditors	£ 178,050	£ 101,308
Bank Overdraft	-	36,197
Accruals	23,001	11,888
Inter Group Creditors	69,135	-
Other Taxation and Social Security	106,257	-
Other Loans	100,000	50,000
	-----	-----
	£ 476,443	£ 199,393
	=====	=====

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

	<u>1997</u>	<u>1996</u>
Shareholders Loan	£ 316,094	£ 100,000
Other Loan	162,002	-
Inter Group Loans	25,000	-
	-----	-----
	£ 503,096	£ 100,000
	=====	=====

The above loans are unsecured, interest free and with no set repayment date.

9. **CALLED UP SHARE CAPITAL**

	<u>1997</u>	<u>1996</u>
<u>Authorised</u>		
1,000,000 Ordinary Shares of £1 each	£1,000,000	£ 100
	=====	=====
<u>Issued and Fully Paid</u>		
400,000 Ordinary Shares of £1 each	£ 400,000	£ 100
	=====	=====

10. **MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>1997</u>	<u>1996</u>
Balance at 01.01.97	£ (126,593)	£ (14,377)
Retained Loss for the year	(391,124)	(112,314)
Share Capital issued	399,900	98
	-----	-----
Balance at : 31.12.97	£ (117,817)	£ (126,593)
	=====	=====

COMPUTER OFFICE SYSTEMS (COSY) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

(CONTINUED)

11. ANALYSIS OF HEADINGS NETTED IN CASH FLOW STATEMENT

	<u>1997</u>	<u>1996</u>
<u>Capital Expenditure</u>		
Payments to acquire intangible fixed assets	£ (31,846)	£ -
Payments to acquire tangible fixed assets	(546,424)	(63,616)
	<u>£ (578,270)</u>	<u>£ (63,616)</u>
	=====	=====
<u>12. Financing</u>		
Issue of share capital	£ 399,900	£ 98
New loans raised	572,231	100,000
Loan repayments	(50,000)	-
	<u>£ 922,131</u>	<u>£ 100,098</u>
	=====	=====

ANALYSIS OF CHANGES IN NET DEBT IN CASH FLOW STATEMENT

	<u>AT 1.1.97</u>	<u>CASH FLOWS</u>	<u>AT 31.12.97</u>
Cash at bank and in hand	£ 3,893	£ 36,044	£ 39,937
Overdraft	(36,197)	36,197	-
		<u>72,241</u>	
Debt due within one year	(50,000)	(50,000)	(100,000)
Debt due after one year	(100,000)	(403,096)	(503,096)
		<u>(453,096)</u>	
Total	<u>£(182,304)</u>	<u>£ (380,855)</u>	<u>£(563,159)</u>
	=====	=====	=====

13. CAPITAL COMMITMENTS

	<u>1997</u>	<u>1996</u>
Contracted	£ 477,389	£ 180,000
	=====	=====
Authorised by the directors but not contracted	£ 450,000	£ -
	=====	=====

14. ULTIMATE HOLDING COMPANY

The ultimate holding company is DCD London and Mutual Plc a company incorporated in England and Wales. The company was a 75% subsidiary of DCD London and Mutual Plc at the Balance Sheet date. However after the Balance Sheet date its shareholding in the company was diluted to 37.5%.