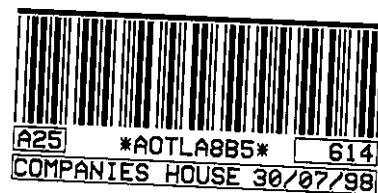


Computasoft Consulting Limited

Directors' report and financial statements

31 December 1997

Registered number 3091447



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal activities and review of business developments

The activities of the company consist of the design, development and support of microcomputer software, databases and communication systems.

Future developments

Through 1997, Computasoft Consulting built the key assets required of a premium consultancy: highly motivated people, know how, client relationships and reputation. With this solid base, 1998 will see the company capitalising on these assets. As reputation and repeat business continue to increase, the company will provide higher value services to its customers and further differentiate itself from its competitors. Steady growth of the company is planned for 1998, with the focus on retaining its reputation for skilled consultants and quality of service.

Proposed dividend and transfer to reserves

The loss transferred to reserves for the year is £97,291 (1996: £305,312). The directors do not propose to declare a dividend (1996: £Nil).

Significant changes in fixed assets

Changes in tangible fixed assets for the year are detailed in note 6 to the accounts.

Political and charitable donations

The company made no political or charitable contributions during the year.

Directors and directors' interests

The directors who held office during the year are set out below.

S Hessel	(Chairman)
T Conrad-Angel	
R Farmer	(Secretary)

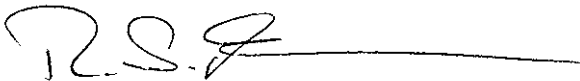
Directors' report (continued)

Directors and directors' interests (continued)

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as follows:

	Ordinary shares of 1p each	
	31 December 1997	31 December 1996
Tony Conrad-Angel	1,000,000	1,000,000

By order of the board



R Farmer

Secretary

150 Strand
London
WC2R 1JP

1998

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 year. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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London
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Auditors' report to the members of Computasoft Consulting Limited

We have audited the financial statements on pages 5 to 11.

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 affairs of the company as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

27 July 1998

Profit and loss account

for the year ended 31 December 1997

	<i>Note</i>	Year ended 31 December 1997 £	15 month period ended 31 December 1996 £
Turnover		676,649	496,656
Other operating income		54,568	104,971
Depreciation and other amounts written off tangible and intangible fixed assets	2	(36,021)	(30,199)
Other operating charges	2	(791,727)	(875,731)
Operating loss		<u>(96,531)</u>	<u>(304,303)</u>
Interest payable and similar charges	4	<u>(760)</u>	<u>(1,009)</u>
Loss on ordinary activities before and after taxation retained for the financial year	2	<u><u>(97,291)</u></u>	<u><u>(305,312)</u></u>

The turnover and operating loss for the year arose from continuing operations.

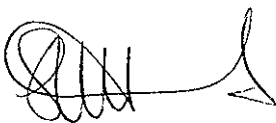
There are no recognised gains or losses in the year other than those passing through the profit and loss account.

Balance sheet

at 31 December 1997

	Note	1997 £	£	1996 £	£
Fixed assets					
Tangible assets	6		46,917		73,145
Current assets					
Debtors	7	266,568		149,572	
Cash at bank and in hand		68,466		5,946	
		<u>335,034</u>		<u>155,518</u>	
Creditors: amounts falling due within one year	8	<u>(684,554)</u>		<u>(103,975)</u>	
Net current (liabilities)/assets			<u>(349,520)</u>		<u>51,543</u>
Total assets less current liabilities			<u>(302,603)</u>		<u>124,688</u>
Creditors: amounts falling due after more than one year	9		-		(330,000)
Net liabilities			<u>(302,603)</u>		<u>(205,312)</u>
Capital and reserves					
Called up share capital	10		100,000		100,000
Profit and loss account	11		(402,603)		(305,312)
			<u>(302,603)</u>		<u>(205,312)</u>

These financial statements were approved by the board of directors on 31/7/98 and were signed on its behalf by:



S Hessel
Director

Reconciliation of movements in shareholders' funds

for the year ended 31 December 1997

	Year ended 31 December 1997 £	15 month period ended 31 December 1996 £
Loss for the financial year	(97,291)	(305,312)
New share capital subscribed	-	100,000
Net reduction in shareholders' funds	(97,291)	(205,312)
Opening shareholders' funds	(205,312)	-
Closing shareholders' funds	(302,603)	(205,312)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the company.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1, Computasoft Consulting Limited is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

The accounts have been drawn up on the going concern basis. The directors believe this to be appropriate based on continued support from Computasoft Limited. The directors have received assurance from Computasoft Limited that it will, for the next financial year make available such financial support as is necessary to enable the company to meet its liabilities as they fall due.

As 90% of the company's voting rights are controlled within the group headed by Computasoft Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Computasoft Limited, within which this company is included, can be obtained from the address given in note 12.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	-	3 years
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2 Loss on ordinary activities before taxation

	Year ended 31 December 1997	15 month period ended 31 December 1996 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	2,500	2,500
Depreciation and other amounts written off tangible fixed assets	36,021	30,199
	<u> </u>	<u> </u>

Notes (continued)

3 Remuneration of directors and staff costs

	Year ended 31 December 1997 £	15 month period ended 31 December 1996 £
Directors' emoluments	44,250	55,897

The average number of staff employed during year was 12 (1996: 8).

4 Interest payable and similar charges

	Year ended 31 December 1997 £	15 month period ended 31 December 1996 £
On bank loans, overdrafts and other loans wholly repayable within five years	760	1,009

5 Taxation

No taxation is payable in respect of the year ended 31 December 1997 as a consequence of taxable losses. No deferred tax asset has been recognised as a result of these losses due to uncertainty over ultimate recoverability against taxable profits.

Notes (continued)

6 Tangible fixed assets

	Computer equipment £
<i>Cost</i>	
At beginning of year	103,344
Additions	9,793
	<hr/>
At end of year	113,137
	<hr/>
<i>Depreciation and diminution in value</i>	
At beginning of year	30,199
Charge for year	36,021
	<hr/>
At end of year	66,220
	<hr/>
<i>Net book value</i>	
At 31 December 1997	46,917
	<hr/>
At 31 December 1996	73,145
	<hr/> <hr/>

7 Debtors

	1997 £	1996 £
<i>Amounts falling due within one year</i>		
Trade debtors	259,365	135,368
Other debtors	7,203	14,204
	<hr/>	<hr/>
	266,568	149,572
	<hr/> <hr/>	<hr/> <hr/>

8 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	75,084	19,169
Amounts owed to group undertakings	495,000	24,314
Other creditors including taxation and social security	27,136	22,422
Accruals and deferred income	87,334	38,070
	<hr/>	<hr/>
	684,554	103,975
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Amounts owed to group undertakings	-	330,000
	<u> </u>	<u> </u>

10 Called up share capital

	1997 £	1996 £
<i>Authorised</i>		
Ordinary shares of 1p each	100,000	100,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 1p each	100,000	100,000
	<u> </u>	<u> </u>

The issued share capital of the company is held by Computasoft Limited (90%) and Mr T Conrad-Angel, a director (10%).

10,000,000 1p ordinary shares were allotted, called up and fully paid in the year, in return for consideration of £100,000.

11 Reserves

	Profit and loss account £
At beginning of year	(305,312)
Retained loss for year	(97,291)
	<u> </u>
At end of year	(402,603)
	<u> </u>

12 Parent company

The parent company is Computasoft Limited, which is registered in England and Wales. The group financial statements of Computasoft Limited may be obtained from 150 The Strand, London, WC2R 1JP.