

STORM TECHNOLOGIES LIMITED**DIRECTORS' REPORT AND FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2005**

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STORM TECHNOLOGIES LIMITED

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STORM TECHNOLOGIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and the financial statements for the year ended 31 December 2005.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company's principal activity continues to be the supply of computer systems and application software.

2005 has been a pleasing year with increases in sales and the maintenance of margins. It was also a year of consolidation with changes in the structure of the company and its members which has placed the business on a strong footing for the future. There have been substantial one-off costs associated with this change, which inevitably impacted on the result for the year, but the ongoing benefits will be seen in the results for 2006. Also, significant investment was made in the infrastructure and personnel of the company the results of which will provide for a sound and profitable future.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £137,962 (2004 - £213,689).

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year and their interests in the company's issued share capital were:

	Ordinary shares of £1 each	
	31/12/05	1/1/05
J Brooker	67	67
L P Rutter (resigned 30 March 2005)	-	5
S L Dearn (appointed 30 March 2005)	10	10 *

(* held on date of appointment)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations totaling £150 (2004 £500).

STORM TECHNOLOGIES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

ACQUISITION OF OWN SHARES

The company purchased 28 ordinary £1 shares for a consideration of £112,000 when Mr N Gibson and Mr L P Rutter ceased to be members. This represented 27% of the issued share capital.

AUDITORS

The auditors, Newlyn Ware, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 4 October 2006 and signed on its behalf.



J Brooker
Secretary

STORM TECHNOLOGIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STORM TECHNOLOGIES LIMITED

We have audited the financial statements of Storm Technologies Limited for the year ended 31 December 2005 set out on pages 5 to 16. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

STORM TECHNOLOGIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STORM TECHNOLOGIES LIMITED

OPINION

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985; and



NEWLYN WARE

Chartered Certified Accountants
Registered Auditors

Haughley
Suffolk
IP14 3RF

4 October 2006

STORM TECHNOLOGIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 £
TURNOVER	1	14,751,747	12,771,210
Cost of sales		<u>(12,228,443)</u>	<u>(10,587,551)</u>
GROSS PROFIT		2,523,304	2,183,659
Administrative expenses		<u>(2,336,670)</u>	<u>(1,898,052)</u>
OPERATING PROFIT	3	186,634	285,607
Interest receivable		867	926
Interest payable	6	<u>(1,700)</u>	<u>(1,067)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		185,801	285,466
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	<u>(47,839)</u>	<u>(71,777)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u>137,962</u>	<u>213,689</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2005 or 2004 other than those included in the profit and loss account.

The notes on pages 8 to 16 form part of these financial statements.

STORM TECHNOLOGIES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £	2004 £
FIXED ASSETS			
TANGIBLE FIXED ASSETS	8	359,280	385,290
CURRENT ASSETS			
Stocks	9	207,736	270,838
Debtors	10	2,901,982	2,596,706
Cash at bank and in hand		65,223	90,129
		<u>3,174,941</u>	<u>2,957,673</u>
CREDITORS: amounts falling due within one year	11	<u>(2,916,111)</u>	<u>(2,758,403)</u>
NET CURRENT ASSETS		<u>258,830</u>	<u>199,270</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>618,110</u>	<u>584,560</u>
CREDITORS: amounts falling due after more than one year	12	(10,417)	-
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	13	<u>(21,907)</u>	<u>(24,736)</u>
NET ASSETS		<u><u>585,786</u></u>	<u><u>559,824</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	77	105
Profit and loss account	15	<u>585,709</u>	<u>559,719</u>
SHAREHOLDERS' FUNDS - All equity	16	<u><u>585,786</u></u>	<u><u>559,824</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 October 2006.


J R Brooker
Director


S L Dearn
Director

The notes on pages 8 to 16 form part of these financial statements.

STORM TECHNOLOGIES LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 £
Net cash flow from operating activities	17	185,106	443,283
Returns on investments and servicing of finance	18	(833)	(141)
Taxation		(48,951)	(152,350)
Capital expenditure and financial investment	18	(83,645)	(345,214)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		51,677	(54,422)
Financing	18	(76,583)	-
DECREASE IN CASH IN THE YEAR		(24,906)	(54,422)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005 £	2004 £
Decrease in cash in the year	(24,906)	(54,422)
Cash inflow from decrease in debt and lease financing	(35,417)	-
MOVEMENT IN NET DEBT IN THE YEAR	(60,323)	(54,422)
Net funds at 1 January 2005	90,129	144,551
NET FUNDS AT 31 DECEMBER 2005	29,806	90,129

The notes on pages 8 to 16 form part of these financial statements.

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and equipment	-	25%	reducing balance
Use for non revalued assets only	-	25%	reducing balance
Fixtures and fittings	-	25%	reducing balance
Office equipment	-	25%	reducing balance

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES (continued)

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2. TURNOVER

A geographical analysis of turnover is as follows:

	2005 £	2004 £
Sales - UK	14,725,665	12,695,087
Sales - Rest of European Union	26,082	50,929
Sales - Rest of the world	-	25,194
	<u>14,751,747</u>	<u>12,771,210</u>

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2005 £	2004 £
Depreciation of tangible fixed assets:		
- owned by the company	101,234	55,623
- held under finance leases	8,424	-
Auditors' remuneration	10,000	10,000
Operating lease rentals:		
- other operating leases	73,756	71,410
Difference on foreign exchange	(349)	2,405
	<u>193,071</u>	<u>139,438</u>

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2005 £	2004 £
Wages and salaries	1,256,383	1,145,192
Social security costs	150,928	132,966
Other pension costs	22,081	24,912
	<u>1,429,392</u>	<u>1,303,070</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2005 No.	2004 No.
Directors	2	1
Sales, admin and technical	23	20
	<u>25</u>	<u>21</u>

5. DIRECTORS' REMUNERATION

	2005 £	2004 £
Emoluments	304,385	124,365
Company pension contributions to money purchase pension schemes	8,562	7,212

During the year retirement benefits were accruing to 2 directors (2004 - 1) in respect of money purchase pension schemes.

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

The highest paid director received remuneration of £150,964 (2004 - £124,365).

The value of the company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £7,212 (2004 - £7,212).

6. INTEREST PAYABLE

	2005 £	2004 £
On bank loans and overdrafts	477	1,067
On finance leases and hire purchase contracts	1,223	-
	<u>1,700</u>	<u>1,067</u>

7. TAXATION

	2005 £	2004 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profits of the year	50,668	53,112
Deferred tax		
Origination and reversal of timing differences	(2,829)	18,665
Tax on profit on ordinary activities	<u>47,839</u>	<u>71,777</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	<u>185,801</u>	<u>285,466</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2004 - 19%)	35,302	54,239
Effects of:		
Expenses not deductible for tax purposes	27,346	14,749
Capital allowances for year in (excess) of depreciation	(11,980)	(15,876)
Current tax charge for the year (see note above)	<u>50,668</u>	<u>53,112</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

STORM TECHNOLOGIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Furniture, fittings and equipment £	Total £
Cost				
At 1 January 2005	6,809	85,250	418,791	510,850
Additions	-	58,190	39,455	97,645
Disposals	-	(18,750)	-	(18,750)
At 31 December 2005	<u>6,809</u>	<u>124,690</u>	<u>458,246</u>	<u>589,745</u>
Depreciation				
At 1 January 2005	3,993	6,656	114,911	125,560
Charge for the year	704	25,794	83,160	109,658
On disposals	-	(4,753)	-	(4,753)
At 31 December 2005	<u>4,697</u>	<u>27,697</u>	<u>198,071</u>	<u>230,465</u>
Net book value				
At 31 December 2005	<u>2,112</u>	<u>96,993</u>	<u>260,175</u>	<u>359,280</u>
At 31 December 2004	<u>2,816</u>	<u>78,594</u>	<u>303,880</u>	<u>385,290</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2005 £	2004 £
Motor vehicles	<u>49,766</u>	<u>-</u>

9. STOCKS

	2005 £	2004 £
Finished goods and goods for resale	<u>207,736</u>	<u>270,838</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

10. DEBTORS

	2005 £	2004 £
Trade debtors	2,703,656	2,528,283
Other debtors	161,352	68,423
Prepayments and accrued income	36,974	-
	<u>2,901,982</u>	<u>2,596,706</u>

Included within other debtors due within one year is a loan to Mr J R Brooker, a director, amounting to £107,042 (2004 - £1,292). The maximum amount outstanding during the year was £107,042. The loan was repaid in full during April 2006.

11. CREDITORS: Amounts falling due within one year

	2005 £	2004 £
Payments received on account	9,400	-
Net obligations under finance leases and hire purchase contracts	25,000	-
Trade creditors	1,309,706	1,205,523
Corporation tax	50,668	46,031
Social security and other taxes	79,699	78,713
Proceeds of factored debts	1,382,812	1,353,344
Other creditors	-	354
Accruals and deferred income	58,826	74,438
	<u>2,916,111</u>	<u>2,758,403</u>

Of the creditors falling due within and after more than one year, the proceeds of factored debt £1,382,812 (2004 £1,353,344) and net obligations under finance leases and hire purchase contracts totaling £35,417 (2004 £nil) are secured.

12. CREDITORS: Amounts falling due after more than one year

	2005 £	2004 £
Net obligations under finance leases and hire purchase contracts	<u>10,417</u>	<u>-</u>
Obligations under finance leases and hire purchase contracts, included above, are payable as follows:		
	2005 £	2004 £
Between one and five years	<u>10,417</u>	<u>-</u>

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

13. DEFERRED TAXATION

	2005 £	2004 £
At 1 January 2005	24,736	6,071
(Released during)/charge for the year	(2,829)	18,665
At 31 December 2005	<u>21,907</u>	<u>24,736</u>

The provision for deferred taxation is made up as follows:

	2005 £	2004 £
Accelerated capital allowances	<u>21,907</u>	<u>24,736</u>

14. SHARE CAPITAL

	2005 £	2004 £
Authorised		
105 Ordinary shares of £1 each	<u>105</u>	<u>105</u>
Allotted, called up and fully paid		
77 Ordinary shares of £1 each	<u>77</u>	<u>105</u>

15. RESERVES

	Profit and loss account £
At 1 January 2005	559,719
Profit retained for the year	137,962
Purchase of own shares	(112,000)
Share capital cancelled	28
At 31 December 2005	<u>585,709</u>

STORM TECHNOLOGIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Opening shareholders' funds	559,824	346,135
Profit for the year	137,962	213,689
Shares redeemed/cancelled during the year	(112,000)	-
Closing shareholders' funds	<u>585,786</u>	<u>559,824</u>

17. NET CASH FLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating profit	186,634	285,607
Depreciation of tangible fixed assets	109,658	58,075
(Profit)/loss on disposal of tangible fixed assets	(3)	1,124
Decrease/(increase) in stocks	63,102	(113,882)
(Increase)/decrease in debtors	(302,357)	82,895
Increase in creditors	128,072	129,464
Net cash inflow from operations	<u>185,106</u>	<u>443,283</u>

18. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2005 £	2004 £
Returns on investments and servicing of finance		
Interest received	867	926
Interest paid	(477)	(1,067)
Hire purchase interest	(1,223)	-
Net cash outflow from returns on investments and servicing of finance	<u>(833)</u>	<u>(141)</u>
	2005 £	2004 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(97,645)	(344,090)
Sale of tangible fixed assets	14,000	(1,124)
Net cash outflow from capital expenditure	<u>(83,645)</u>	<u>(345,214)</u>

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

18. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2005 £	2004 £
Financing		
Repayment of original share capital	(28)	-
Purchase of own shares net payment	(111,972)	-
New finance leases	35,417	-
Net cash outflow from financing	(76,583)	-

19. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2005 £	Cash flow £	Other non-cash changes £	31 December 2005 £
Cash at bank and in hand:	90,129	(24,906)	-	65,223
Debt:				
Finance leases	-	(35,417)	-	(35,417)
Net funds	90,129	(60,323)	-	29,806

20. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £22,081 (2004 £24,910). Contributions totaling £8,211 (2004 £2324) were payable to the fund at the balance sheet date and are included in creditors

21. OPERATING LEASE COMMITMENTS

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2005 £	2004 £
Expiry date:		
Within 1 year	98,556	72,756