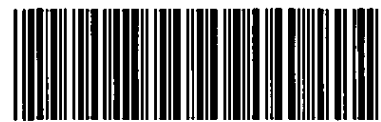


STORM TECHNOLOGIES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2006

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STORM TECHNOLOGIES LIMITED

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STORM TECHNOLOGIES LIMITED

DIRECTORS' REPORT For the year ended 31 December 2006

The directors present their report and the financial statements for the year ended 31 December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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.

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The directors are pleased to report a substantial increase in the sales revenues and profitability for the year, compared to 2005. Significant investment in personnel and infrastructure took place during the previous year and the benefit of this has resulted in the strong growth which is detailed in these accounts. The board have continued to look to the future, with recruitment of experienced sales and technical personnel being a priority. Consequently, the business has continued to grow in 2007 and an excellent result for this next year is anticipated.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £369,452 (2005 - £137,962).

An interim dividend of £200,200 was paid during the year and the directors do not recommend a final dividend.

STORM TECHNOLOGIES LIMITED

DIRECTORS' REPORT For the year ended 31 December 2006

DIRECTORS

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

	Ordinary shares of £1 each	
	31/12/06	1/1/06
J R Brooker	67	67
S L Dearn	10	10

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations totaling £1,415 (2005 £150)

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company provides a guarantee for the bank facilities of Storm Procurement Limited, a company in which both directors of Storm Technologies Limited have an interest

ACQUISITION OF OWN SHARES

In 2005 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 11 July 2007 and signed on its behalf



J R 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 2006 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

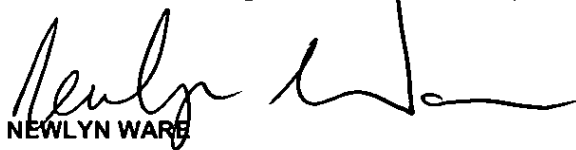
STORM TECHNOLOGIES LIMITED

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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



NEWLYN WARE

Chartered Certified Accountants
Registered Auditors

Haughley
Suffolk
IP14 3RF

11 July 2007

STORM TECHNOLOGIES LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2006

	Note	2006 £	2005 £
TURNOVER	1,2	19,835,764	14,751,747
Cost of sales		<u>(16,418,157)</u>	<u>(12,228,443)</u>
GROSS PROFIT		3,417,607	2,523,304
Administrative expenses		<u>(2,900,883)</u>	<u>(2,336,670)</u>
OPERATING PROFIT	3	516,724	186,634
Interest receivable		6,913	867
Interest payable	6	<u>(1,909)</u>	<u>(1,700)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		521,728	185,801
Tax on profit on ordinary activities	7	<u>(152,276)</u>	<u>(47,839)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u>£ 369,452</u>	<u>£ 137,962</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2006 or 2005 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 2006

	Note	£	2006 £	£	2005 £
FIXED ASSETS					
Tangible fixed assets	8		285,347		359,278
CURRENT ASSETS					
Stocks	9	1,153,782		207,736	
Debtors	10	6,583,018		2,901,984	
Cash at bank and in hand		200		65,223	
			<u>7,737,000</u>	<u>3,174,943</u>	
CREDITORS: amounts falling due within one year	11	(7,249,401)		(2,916,111)	
NET CURRENT ASSETS			<u>487,599</u>		<u>258,832</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>772,946</u>		<u>618,110</u>
CREDITORS: amounts falling due after more than one year	12		-		(10,417)
PROVISIONS FOR LIABILITIES					
Deferred tax	13		(17,908)		(21,907)
NET ASSETS			<u>£ 755,038</u>		<u>£ 585,786</u>
CAPITAL AND RESERVES					
Called up share capital	14		77		77
Profit and loss account	15		754,961		585,709
SHAREHOLDERS' FUNDS	16		<u>£ 755,038</u>		<u>£ 585,786</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 July 2007

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 2006

	Note	2006 £	2005 £
Net cash flow from operating activities	18	144,711	185,106
Returns on investments and servicing of finance	19	5,004	(833)
Taxation		10,344	(48,951)
Capital expenditure and financial investment	19	(27,885)	(83,645)
Equity dividends paid/Share capital redeemed		(200,200)	(112,000)
CASH OUTFLOW BEFORE FINANCING		(68,026)	(60,323)
Financing	19	(25,000)	35,417
DECREASE IN CASH IN THE YEAR		£ (93,026)	£ (24,906)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
For the year ended 31 December 2006

	2006 £	2005 £
Decrease in cash in the year	(93,026)	(24,906)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	25,000	(35,417)
MOVEMENT IN NET DEBT IN THE YEAR	(68,026)	(60,323)
Net funds at 1 January 2006	29,806	90,129
NET (DEBT)/FUNDS AT 31 DECEMBER 2006	£ (38,220)	£ 29,806

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 2006

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 & machinery	-	25%	reducing balance
Motor vehicles	-	25%	reducing balance
Fixtures & fittings	-	25%	reducing balance
Office equipment	-	25-50%	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 2006

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 tax 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

The whole of the turnover is attributable to the sale of Information Technology equipment and associated technical services

A geographical analysis of turnover is as follows

	2006 £	2005 £
United Kingdom	19,640,766	14,725,665
Rest of European Union	114,705	26,082
Rest of world	80,293	-
	<u>£ 19,835,764</u>	<u>£ 14,751,747</u>

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2006 £	2005 £
Depreciation of tangible fixed assets		
- owned by the company	88,776	101,234
- held under finance leases	12,441	8,424
Auditors' remuneration	10,000	10,000
Operating lease rentals		
- plant and machinery	2,435	-
- other operating leases	118,991	73,756
Difference on foreign exchange	(255)	(349)
	<u> </u>	<u> </u>

4 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2006 £	2005 £
Wages and salaries	1,693,193	1,256,383
Social security costs	216,772	150,928
Other pension costs	21,688	22,081
	<u>£ 1,931,653</u>	<u>£ 1,429,392</u>

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

	2006 No	2005 No
Directors	2	2
Sales, technical & administration	32	22
	<u>34</u>	<u>24</u>

5 DIRECTORS' REMUNERATION

	2006 £	2005 £
Emoluments	£ 515,762	£ 372,087
Company pension contributions to money purchase pension schemes	£ 8,562	£ 8,562

During the year retirement benefits were accruing to 2 directors (2005 - 2) in respect of money purchase pension schemes

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

The highest paid director received remuneration of £274,282 (2005 - £150,964)

6. INTEREST PAYABLE

	2006 £	2005 £
On bank loans and overdrafts	154	477
On finance leases and hire purchase contracts	1,755	1,223
	<u>£ 1,909</u>	<u>£ 1,700</u>

7 TAXATION

	2006 £	2005 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profits for the year	156,275	50,668
Deferred tax (see note 13)		
Origination and reversal of timing differences	(3,999)	(2,829)
Tax on profit on ordinary activities	<u>£ 152,276</u>	<u>£ 47,839</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 (30%) The differences are explained below

	2006 £	2005 £
Profit on ordinary activities before tax	<u>£ 521,728</u>	<u>£ 185,801</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	156,518	55,740
Effects of:		
Expenses not deductible for tax purposes	35,276	27,346
Capital allowances for year in excess of depreciation	(35,519)	(32,418)
Current tax charge for the year (see note above)	<u>£ 156,275</u>	<u>£ 50,668</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 2006

8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Furniture, fittings and equipment £	Total £
Cost				
At 1 January 2006	6,809	124,690	458,246	589,745
Additions	-	-	27,286	27,286
At 31 December 2006	<u>6,809</u>	<u>124,690</u>	<u>485,532</u>	<u>617,031</u>
Depreciation				
At 1 January 2006	4,697	27,698	198,072	230,467
Charge for the year	528	24,248	76,441	101,217
At 31 December 2006	<u>5,225</u>	<u>51,946</u>	<u>274,513</u>	<u>331,684</u>
Net book value				
At 31 December 2006	£ 1,584	£ 72,744	£ 211,019	£ 285,347
At 31 December 2005	£ 2,112	£ 96,992	£ 260,174	£ 359,278

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

	2006 £	2005 £
Motor vehicles	£ 37,324	£ 49,765

9. STOCKS

	2006 £	2005 £
Finished goods and goods for resale	£ 1,153,782	£ 207,736

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

10. DEBTORS

	2006 £	2005 £
Trade debtors	6,022,698	2,703,658
Other debtors	487,007	161,352
Prepayments and accrued income	73,313	36,974
	<u>£ 6,583,018</u>	<u>£ 2,901,984</u>

Included within other debtors due within one year are loans to the following directors
Mr J R Brooker £377,784 (2005 £107,042) the maximum outstanding was £377,784 and the loan was repaid in full during April 2007 Mr S L Dearn £30,525 (2005 £nil) the maximum outstanding was £30,525 and the loan was repaid in full during April 2007

11. CREDITORS

Amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	28,003	-
Payments received on account	1,139,000	9,400
Net obligations under finance leases and hire purchase contracts	10,417	25,000
Trade creditors	3,561,999	1,309,706
Corporation tax	167,234	50,668
Social security and other taxes	350,522	79,699
Proceeds of factored debts	1,574,209	1,382,812
Accruals and deferred income	418,017	58,826
	<u>£ 7,249,401</u>	<u>£ 2,916,111</u>

12 CREDITORS:

Amounts falling due after more than one year

	2006 £	2005 £
Net obligations under finance leases and hire purchase contracts	£ -	£ 10,417

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2006 £	2005 £
Between one and five years	£ -	£ 10,417

Of the creditors falling due within and after more than one year, the proceeds of factored debt £1,574,209 (2005 £1,382,812) and net obligations under finance leases and hire purchase contracts totaling £10,417 (2005 £35,417) are secured

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

13. DEFERRED TAXATION

	2006 £	2005 £
At 1 January 2006	21,907	24,736
Released during the year	(3,999)	(2,829)
At 31 December 2006	<u>£ 17,908</u>	<u>£ 21,907</u>

The provision for deferred taxation is made up as follows

	2006 £	2005 £
Accelerated capital allowances	<u>£ 17,908</u>	<u>£ 21,907</u>

14. SHARE CAPITAL

	2006 £	2005 £
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>£ 77</u>

15. RESERVES

	Profit and loss account £
At 1 January 2006	585,709
Profit retained for the year	369,452
Dividends Equity capital	(200,200)
At 31 December 2006	<u>£ 754,961</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Opening shareholders' funds	585,786	559,824
Profit for the year	369,452	137,962
Dividends/Redemption of shares (Note 17)	(200,200)	(112,000)
Closing shareholders' funds	<u>£ 755,038</u>	<u>£ 585,786</u>

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

17 DIVIDENDS AND REDEMPTION OF SHARES

	2006 £	2005 £
Dividends paid on equity capital/Ordinary Shares Redeemed	£ 200,200	£ 112,000

18 NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	516,724	186,634
Depreciation of tangible fixed assets	101,217	109,659
Loss/(profit) on disposal of tangible fixed assets	599	(3)
(Increase)/decrease in stocks	(946,046)	63,102
Increase in debtors	(3,731,087)	(302,357)
Increase in creditors	4,203,304	128,071
Net cash inflow from operations	£ 144,711	£ 185,106

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

	2006 £	2005 £
Returns on investments and servicing of finance		
Interest received	6,913	867
Interest paid	(154)	(477)
Hire purchase interest	(1,755)	(1,223)
Net cash inflow/(outflow) from returns on investments and servicing of finance	£ 5,004	£ (833)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(27,286)	(97,645)
Sale of tangible fixed assets	(599)	14,000
Net cash outflow from capital expenditure	£ (27,885)	£ (83,645)
Financing		
(Repayment of)/new finance leases	£ (25,000)	£ 35,417

STORM TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

20 ANALYSIS OF CHANGES IN NET DEBT

	1 January 2006 £	Cash flow £	Other non-cash changes £	31 December 2006 £
Cash at bank and in hand	65,223	(65,023)	-	200
Bank overdraft	-	(28,003)	-	(28,003)
	<u>65,223</u>	<u>(93,026)</u>	<u>-</u>	<u>(27,803)</u>
Debt:				
Debts due within one year	(25,000)	25,000	(10,417)	(10,417)
Debts falling due after more than one year	(10,417)	-	10,417	-
	<u>(35,417)</u>	<u>25,000</u>	<u>10,417</u>	<u>(10,417)</u>
Net funds/(debt)	<u>£ 29,806</u>	<u>£ (68,026)</u>	<u>£ -</u>	<u>£ (38,220)</u>

21 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 £21,688 (2005 - £22,081). Contributions totalling £9,819 (2005 - £8,211) were payable to the fund at the balance sheet date and are included in creditors.

22 OPERATING LEASE COMMITMENTS

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2006 £	2005 £	2006 £	Other 2005 £
Expiry date:				
Within 1 year	177,000	98,556	-	-
Between 2 and 5 years	-	-	3,654	-
	<u>177,000</u>	<u>98,556</u>	<u>3,654</u>	<u>-</u>