

# STORM TECHNOLOGIES LIMITED

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 DECEMBER 2002

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## STORM TECHNOLOGIES LIMITED

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# STORM TECHNOLOGIES LIMITED

## DIRECTORS' REPORT For the year ended 31 December 2002

The directors present their report and the financial statements for the year ended 31 December 2002.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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;
- 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 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.

The directors consider the result for the year to be satisfactory and are pleased to report that sales have continued to be strong in the new year.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £88,758 (2001 - £14,426) .

The directors do not recommend the payment of a dividend.

### DIRECTORS

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

	Ordinary shares of £1 each	
	<u>31/12/02</u>	<u>1/1/02</u>
J Brooker	67	66
L P Rutter	5	-
H B Craen (resigned 2 February 2002)	-	-

### 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 23 April 2003 and signed on its behalf.

  
**J Brooker**  
Secretary

## **STORM TECHNOLOGIES LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STORM TECHNOLOGIES LIMITED**

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We have audited the financial statements of Storm Technologies Limited for the year ended 31 December 2002 set out on pages 4 to 15. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 7.

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 auditor's 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 the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom 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.

**STORM TECHNOLOGIES LIMITED**

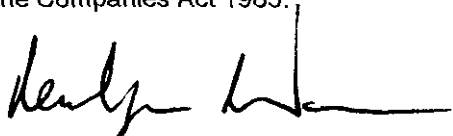
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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STORM TECHNOLOGIES LIMITED**

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**OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Newlyn Ware**

Chartered Certified Accountants  
Registered Auditors

Haughley  
Suffolk  
IP14 3RF

23 April 2003

# STORM TECHNOLOGIES LIMITED

## PROFIT AND LOSS ACCOUNT For the year ended 31 December 2002

	Note	2002 £	2001 £
<b>TURNOVER</b>	1, 2	<b>8,019,358</b>	<b>5,926,716</b>
Cost of sales		<b>(6,863,867)</b>	<b>(4,910,085)</b>
<b>GROSS PROFIT</b>		<b>1,155,491</b>	<b>1,016,631</b>
Administrative expenses		<b>(1,040,694)</b>	<b>(984,368)</b>
<b>OPERATING PROFIT</b>	3	<b>114,797</b>	<b>32,263</b>
Interest receivable		<b>7</b>	<b>84</b>
Interest payable	6	<b>(1,587)</b>	<b>(780)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>113,217</b>	<b>31,567</b>
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	7	<b>(24,459)</b>	<b>(17,141)</b>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>£ 88,758</b>	<b>£ 14,426</b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2002 or 2001 other than those included in the profit and loss account.

The notes on pages 7 to 15 form part of these financial statements.

**STORM TECHNOLOGIES LIMITED**

**BALANCE SHEET**  
**As at 31 December 2002**

		2002		2001	
	Note	£	£	£	£
<b>FIXED ASSETS</b>					
Tangible fixed assets	8		79,992		60,566
<b>CURRENT ASSETS</b>					
Stocks	9	163,384		110,633	
Debtors	10	1,239,663		748,612	
Cash at bank		3,434		2	
		<u>1,406,481</u>		<u>859,247</u>	
<b>CREDITORS:</b> amounts falling due within one year	11	<u>(1,459,441)</u>		<u>(748,134)</u>	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			<u>(52,960)</u>		<u>111,113</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>27,032</u>		<u>171,679</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	12		<u>(5,577)</u>		<u>(3,987)</u>
<b>NET ASSETS</b>			<u>£ 21,455</u>		<u>£ 167,692</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		105		100
Profit and loss account	14		21,350		167,592
<b>SHAREHOLDERS' FUNDS - All Equity</b>	15		<u>£ 21,455</u>		<u>£ 167,692</u>

The financial statements were approved by the board on 23 April 2003 and signed on its behalf.

  
**J Brooker**  
Director

  
**L P Rutter**  
Director

The notes on pages 7 to 15 form part of these financial statements.

**STORM TECHNOLOGIES LIMITED**

**CASH FLOW STATEMENT**  
For the year ended 31 December 2002

	Note	2002 £	2001 £
Net cash flow from operating activities	16	354,293	644,650
Returns on investments and servicing of finance	17	(1,580)	(696)
Taxation		(16,809)	(38,266)
Capital expenditure and financial investment	17	(36,049)	(15,641)
<b>CASH INFLOW BEFORE FINANCING</b>		<b>299,855</b>	<b>590,047</b>
Financing	17	(217,215)	(4,500)
<b>INCREASE IN CASH IN THE YEAR</b>		<b>£ 82,640</b>	<b>£ 585,547</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 18)**  
For the year ended 31 December 2002

	2002 £	2001 £
Increase in cash in the period	82,640	585,547
Cash (inflow)/outflow from decrease in debt and lease financing	(17,780)	4,500
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>64,860</b>	<b>590,047</b>
Net debt at 1 January 2002	(93,830)	(683,877)
<b>NET DEBT AT 31 DECEMBER 2002</b>	<b>£ (28,970)</b>	<b>£ (93,830)</b>

The notes on pages 7 to 15 form part of these financial statements.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002**

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**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention.

**1.2 Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, 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
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 applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

**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.

**1.7 Deferred taxation**

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

**1.8 Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the 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 differences are taken into account in arriving at the operating profit.

**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

# STORM TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2002

### 2. TURNOVER

The whole of the turnover is attributable to the supply of computer equipment and software.

A geographical analysis of turnover is as follows:

	2002 £	2001 £
Sales - UK	7,898,323	5,897,023
Sales - Rest of European Union	121,035	29,693
	<u>£ 8,019,358</u>	<u>£ 5,926,716</u>

### 3. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2002 £	2001 £
Depreciation of tangible fixed assets:		
- owned by the company	14,624	13,295
- held under finance leases	1,999	2,899
Auditors' remuneration	3,200	2,500
Operating lease rentals:		
- plant and machinery	9,841	17,629
- other operating leases	37,274	33,885
Difference on foreign exchange	(334)	-
	<u>£ 629,556</u>	<u>£ 508,599</u>

### 4. STAFF COSTS

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

	2002 £	2001 £
Wages and salaries	551,194	440,205
Social security costs	60,721	52,845
Other pension costs	17,641	15,549
	<u>£ 629,556</u>	<u>£ 508,599</u>

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

	2002	2001
Director	1	1
Sales, admin and technical	11	7
	<u>12</u>	<u>8</u>

**STORM TECHNOLOGIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**5. DIRECTORS' REMUNERATION**

	2002 £	2001 £
Emoluments	£ 108,000	£ 89,500
Company pension contributions to money purchase pension schemes	£ 7,212	£ 7,212

During the year retirement benefits were accruing to 1 director (2001 - 1) in respect of money purchase pension schemes.

**6. INTEREST PAYABLE**

	2002 £	2001 £
On bank loans and overdrafts	411	-
On other loans	-	47
On finance leases and hire purchase contracts	1,169	733
Other interest payable	7	-
	£ 1,587	£ 780

**7. TAXATION**

	2002 £	2001 £
<b>Analysis of tax charge in year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax on profits of the year	22,869	16,809
Adjustments in respect of prior periods	-	5,334
<b>Total current tax</b>	22,869	22,143
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,590	(5,002)
<b>Total deferred tax</b> (see note 12)	1,590	(5,002)
<b>Tax on profit on ordinary activities</b>	£ 24,459	£ 17,141

# STORM TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2002

### Factors affecting tax charge for year

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

	2002 £	2001 £
Profit on ordinary activities before tax	113,217	31,567
Profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 19% (2001 - 20%)	21,511	6,313
<b>Effects of:</b>		
Expenses not deductible for tax purposes	5,730	13,832
Capital allowances for period in excess of depreciation	(4,372)	(3,336)
Adjustments to tax charge in respect of prior periods	-	5,334
<b>Current tax charge for year</b> (see note above)	<b>£ 22,869</b>	<b>£ 22,143</b>

There were no factors that may affect future tax charges.

### 8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Furniture, fittings and equipment £	Total £
<b>Cost</b>			
At 1 January 2002	5,809	79,252	85,061
Additions	-	36,049	36,049
At 31 December 2002	5,809	115,301	121,110
<b>Depreciation</b>			
At 1 January 2002	726	23,769	24,495
Charge for the year	-	16,623	16,623
At 31 December 2002	726	40,392	41,118
<b>Net book value</b>			
At 31 December 2002	£ 5,083	£ 74,909	£ 79,992
At 31 December 2001	£ 5,083	£ 55,483	£ 60,566

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

	2002 £	2001 £
Furniture, fittings and equipment	£ 5,998	£ 8,696

# STORM TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2002

### 9. STOCKS

	2002 £	2001 £
Finished goods and goods for resale	£ 163,384	£ 110,633

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

### 10. DEBTORS

	2002 £	2001 £
<b>Due within one year</b>		
Trade debtors	1,130,816	703,441
Other debtors	55,314	19,844
Prepayments and accrued income	53,533	25,327
	<u>£ 1,239,663</u>	<u>£ 748,612</u>

Included within other debtors due within one year is a loan to Mr J Brooker, a director, amounting to £36,426 (2001 - £8,043). The maximum amount outstanding during the year was £36,426.

At the balance sheet date, £950,192 (2001 £703,441) of trade debtors were factored.

### 11. CREDITORS:

#### Amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts	31,700	88,226
Net obligations under finance leases and hire purchase contracts	704	5,606
Trade creditors	803,499	279,914
Corporation tax	22,869	16,809
Social security and other taxes	26,819	40,680
Proceeds of factored debts	517,569	234,574
Other creditors	-	7,427
Accruals and deferred income	56,281	74,898
	<u>£ 1,459,441</u>	<u>£ 748,134</u>

Of the creditors falling due within one year, the bank loans and overdrafts, proceeds of factored debt and net obligations under finance leases and hire purchase contracts totalling £549,973 (2001 £328,406) are secured.

# STORM TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2002

### 12. DEFERRED TAXATION

	2002 £	2001 £
At 1 January 2002	3,987	8,989
Charge for/(released during) the year	1,590	(5,002)
At 31 December 2002	<u>£ 5,577</u>	<u>£ 3,987</u>

The deferred tax provision is made up as follows:

	2002 £	2001 £
Accelerated capital allowances	5,577	3,987
	<u>£ 5,577</u>	<u>£ 3,987</u>

### 13. SHARE CAPITAL

	2002 £	2001 £
<b>Authorised, allotted, called up and fully paid</b>		
105 Ordinary shares of £1 each	<u>£ 105</u>	<u>£ 100</u>

During the period the company issued 39 ordinary £1 shares at par.

The company purchased 34 of its ordinary shares utilising the retained profits.

### 14. RESERVES

<b>Profit and loss account</b>	£
At 1 January 2002	167,592
Profit retained for the year	88,758
Purchase of share capital	(235,000)
At 31 December 2002	<u>£ 21,350</u>

**STORM TECHNOLOGIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2002 £	2001 £
Profit for the year	88,758	14,426
Shares issued during the year	5	-
Shares redeemed/cancelled during the year	(235,000)	-
	<u>(146,237)</u>	<u>14,426</u>
Opening shareholders' funds	167,692	153,266
Closing shareholders' funds	<u>£ 21,455</u>	<u>£ 167,692</u>

**16. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2002 £	2001 £
Operating profit	114,797	32,263
Depreciation of tangible fixed assets	16,623	16,120
Increase in stocks	(52,751)	(71,849)
(Increase)/decrease in debtors	(491,051)	689,092
Increase/(decrease) in creditors	766,675	(20,976)
<b>NET CASH INFLOW FROM OPERATIONS</b>	<u>£ 354,293</u>	<u>£ 644,650</u>

**17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2002 £	2001 £
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	7	84
Interest paid	(418)	(47)
Hire purchase interest	(1,169)	(733)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<u>£ (1,580)</u>	<u>£ (696)</u>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of intangible fixed assets	-	73
Purchase of tangible fixed assets	(36,049)	(15,714)
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<u>£ (36,049)</u>	<u>£ (15,641)</u>

# STORM TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2002

	2002 £	2001 £
<b>FINANCING</b>		
Net proceeds on issue of ordinary shares	5	-
Purchase of own shares	(235,000)	-
New secured loans	22,682	-
Principal payment under finance lease	(4,902)	(4,500)
<b>NET CASH OUTFLOW FROM FINANCING</b>	<b>£ (217,215)</b>	<b>£ (4,500)</b>

### 18. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2002 £	Cash flow £	Other non-cash changes £	31 December 2002 £
Cash at bank and in hand:	2	3,432	-	3,434
Bank overdraft	(88,226)	79,208	-	(9,018)
	<b>(88,224)</b>	<b>82,640</b>	<b>-</b>	<b>(5,584)</b>
<b>DEBT :</b>				
Finance leases	(5,606)	4,902	-	(704)
Debts due within one year	-	(22,682)	-	(22,682)
<b>NET DEBT</b>	<b>£ (93,830)</b>	<b>£ 64,860</b>	<b>£ -</b>	<b>£ (28,970)</b>

### 19. 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 £17,641 (2001 £15,549). Contributions totalling £2,324 (2001 £nil) were payable to the fund at the balance sheet date and are included in creditors

### 20. OPERATING LEASE COMMITMENTS

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2002 £	2001 £	2002 £	2001 £
<b>Expiry date:</b>				
Within 1 year	48,000	-	1,733	17,629
Between 2 and 5 years	-	33,885	-	-



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002**

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**21. TRANSACTIONS WITH DIRECTORS**

Mr L Rutter is a director of Potential Finance Limited to whom the company sold goods and services, on normal commercial terms, totalling £24,862 (2001 £48,405). There were no outstanding amounts at the year end (2001 £1882).