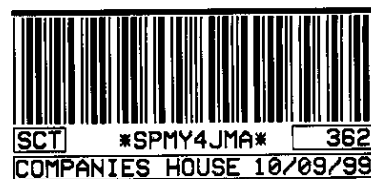


STORTEXT LIMITED

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1999



IAM.

Registration number: 96145

STORTEXT LIMITED

CONTENTS

REPORT OF THE DIRECTORS	3
REPORT OF THE AUDITORS TO THE MEMBERS OF STORTEXT LIMITED	5
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999	6
BALANCE SHEET AS AT 31 MARCH 1999	7
ACCOUNTING POLICIES	8
NOTES TO THE FINANCIAL STATEMENTS	9

STORTEXT LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 March 1999.

PRINCIPAL ACTIVITIES AND RESULTS

The company continues to trade as providers of document storage and retrieval services.

The company had a very successful year. Sales amounted to £3.158 million (1998: £2.444 million), an increase of 29%. Recurring operating profit for the year amounted to £317,000 (1998: £317,000). Profit after taxation amounted to £188,000 (1998: £200,000), of which £83,000 is payable to the holding company as dividends and £105,000 is transferred to reserves.

For the year ended 31 March 1999, as explained in the accounting policies section, the company changed its policy on revenue recognition to bring it into line with industry standards. Within these accounts, the results of the prior year have been restated to reflect the changed accounting policies.

A fuller explanation of the results is contained in the financial statements of the parent undertaking, Stortext (Holdings) Limited.

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 each 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.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year, together with their interest in the shares of the company, were as follows:

	31 March 1999		31 March 1998	
	<i>B Ordinary shares</i>	<i>Preference shares</i>	<i>B Ordinary shares</i>	<i>Preference shares</i>
A D M McDonald	22,231	-	22,231	-
J A M Orr	22,231	-	22,231	-
D B Paul	-	-	-	-
W M Ritchie	-	-	-	-
G J Scott	-	-	-	-
G A D Wallace	-	-	-	-

The shareholdings of the directors in the parent undertaking are noted in the financial statements of that company.

MILLENNIUM

The company has taken appropriate steps to cope with any software or hardware problems arising from Year 2000 and consider that the company's ability to continue as a going concern will be unaffected.

STORTEXT LIMITED

AUDITORS

A resolution to re-appoint Scott Oswald as auditors will be put to the members at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'GAD Wallace', written in a cursive style.

G A D Wallace
Director and Secretary
9 September 1999

STORTEXT LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF STORTEXT LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on these 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 March 1999 and of the results for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



Scott Oswald
Registered Auditors
Chartered Accountants
Edinburgh

9 September 1999

STORTEXT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

	NOTE	1999 £000	1998 £000
TURNOVER		3,158	2,444
NET OPERATING COSTS:			
Administrative expenses		(2,841)	(2,127)
OPERATING PROFIT	1	317	317
Interest payable	3	(77)	(82)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		240	235
Taxation on profit on ordinary activities	4	(52)	(35)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		188	200
Dividends	5	(83)	(83)
Retained profit for the financial period	12	105	117

The company has no recognised gains or losses other than the profit for the two years ended 31 March 1999.
All operations are continuing.

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 MARCH 1999

	1999 £000	1998 £000
Profit on ordinary activities before taxation	240	235
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	4	4
Historical cost profit before taxation	244	239

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 1999

	1999 £000	1998 £000
Retained profit for the financial period	105	117
Prior year adjustment	(259)	-
Total gains and losses recognised since last financial statements	(154)	117

STORTEXT LIMITED

BALANCE SHEET AS AT 31 MARCH 1999

	NOTE	1999 £000	1998 £000
FIXED ASSETS			
Tangible assets	6	1,870	1,418
CURRENT ASSETS			
Debtors	7	741	514
Cash at bank and in hand		-	24
		741	538
CREDITORS: Amounts falling due within one year	8	(906)	(680)
NET CURRENT LIABILITIES		(165)	(142)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,705	1,276
CREDITORS: Amounts falling due after more than one year	9	(729)	(594)
Amounts due to parent undertaking		(64)	(64)
		(793)	(658)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	10	(84)	(31)
TOTAL ASSETS		828	587
Financed by:			
CAPITAL AND RESERVES			
Called up share capital	11	74	74
Share premium account	12	250	250
Revaluation reserve	12	308	177
Profit and loss account	12	196	86
Shareholders' funds	13	828	587

The financial statements were approved by the Board on 9 September 1999 and signed on its behalf by

G Scott
Director

STORTEXT LIMITED

ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements are prepared in compliance with the Companies Act 1985 and under the historical cost convention, modified to include the revaluation of certain fixed assets. The company is exempt from the requirements of Financial Reporting Standard 1, as it is a subsidiary undertaking of Stortext (Holdings) Limited.

FIXED ASSETS

Provision is made for the depreciation of fixed assets in order to write off the cost or valuation of these assets over their expected useful lives. The annual depreciation rates and methods are as follows:

Heritable property	2.5% per annum straight line
Building improvements	2.5% and 10% per annum straight line
Motor vehicles	25% per annum straight line
Plant and equipment	10%, 25% and 50% per annum straight line

LEASING COMMITMENTS

Assets financed by leasing agreements ('finance leases') are capitalised in the balance sheet and are depreciated over their useful lives. The present value of the future rentals is shown as a liability.

The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under non-property operating leases are charged to the profit and loss account on a straight line basis over the lease term. Property leases typically include a short rent-free period at the start of the lease term. The lease charges in respect of such leases are charged to the profit and loss account as and when incurred.

DEFERRED TAXATION

Provision is made for deferred taxation to the extent to which liabilities are likely to arise in the foreseeable future.

TURNOVER

Turnover represents the value of sales invoiced, excluding value added tax, less a provision for amounts relating to future periods, and is derived entirely from activities within the United Kingdom.

CHANGE IN ACCOUNTING POLICY ON REVENUE RECOGNITION

For the year ended 31 March 1999, the company changed its accounting policy on revenue recognition to bring it into line with industry standards.

The policy adopted by the company in the March 1998 accounts was to treat cataloguing and archiving costs as deferred expenditure, which was released to revenue in equal instalments over a five-year period. In the March 1998 accounts, consistent with the treatment of cataloguing and archiving costs, the company recognised sales invoiced in advance, in the period in which the boxes were stored. The large majority of storage sales are invoiced one month in advance with one-month notice period.

The directors are of the view that this is not standard accounting practice and therefore believe that a more appropriate policy is to assume that cataloguing and archiving costs are expensed as and when incurred and to record sales when invoiced.

Within these accounts, the results of the prior year have been restated to reflect the changed accounting policy.

STORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. OPERATING PROFIT

Operating profit is stated after charging:

	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Depreciation - owned assets	170	143
Depreciation - leased assets	54	58
Operating lease rentals	203	177
Auditors' remuneration	7	8
Other fees to auditors	6	6
Gain on sale of fixed assets	10	8
Directors' emoluments	289	282

2. DIRECTORS' EMOLUMENTS

	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Fees and emoluments including pension contributions	289	282

Emoluments of highest paid director	101	101
-------------------------------------	-----	-----

	<i>1999</i>	<i>1998</i>
	<i>Number</i>	<i>Number</i>
The number of directors accruing benefits under defined benefit pension schemes	-	-

3. INTEREST PAYABLE

	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
On bank overdraft	8	15
On finance leases	21	16
Loans not repayable within five years	48	51
	77	82

STORTEXT LIMITED

4. TAXATION

	<i>1999</i> <i>£000</i>	<i>1998</i> <i>£000</i>
Based on the results for the year at 21% (1998: 21%)		
Corporation tax (recoverable)/payable		
- in respect of previous years	-	(2)
- in respect of current year	21	35
	<u>21</u>	<u>33</u>
Transfer to deferred taxation (note 10):		
- in respect of previous years	-	-
- in respect of the current year	31	2
	<u>31</u>	<u>2</u>
	<u>52</u>	<u>35</u>

5. DIVIDENDS

	<i>1999</i> <i>£000</i>	<i>1998</i> <i>£000</i>
Preference shares	3	3
'A' Ordinary shares	80	80
	<u>83</u>	<u>83</u>

All shareholders other than the parent undertaking waived their right to dividends for the year.

STORTEXT LIMITED

6. TANGIBLE FIXED ASSETS

	<i>Heritable property £000</i>	<i>Building improvements £000</i>	<i>Motor vehicles £000</i>	<i>Plant and equipment £000</i>	<i>Total £000</i>
COST OR VALUATION					
At 1 April 1998	974	-	68	924	1,966
Reclassification of opening fixed assets	(51)	83	-	(32)	-
Additions	49	61	-	430	540
Revaluation	(22)	-	-	-	(22)
Disposals	-	-	(43)	(113)	(156)
At 31 March 1999	950	144	25	1,209	2,328
ACCUMULATED DEPRECIATION					
At 1 April 1998	120	-	54	374	548
Reclassification of opening fixed assets	10	17	-	(27)	-
Charge for the year	28	6	12	178	224
Revaluation	(158)	-	-	-	(158)
Disposals	-	-	(43)	(113)	(156)
At 31 March 1999	-	23	23	412	458
NET BOOK VALUE					
At 1 April 1998	854	-	14	550	1,418
At 31 March 1999	950	121	2	797	1,870

The net book value at 31 March 1999 includes an amount of £411,000 (1998: £157,000) in respect of assets held under finance leases.

The properties at 10 Chestnut Street, Edinburgh and Traquair Road, Innerleithen were valued in August 1998 by DM Hall, a firm of Chartered Surveyors. Heritable property includes an amount of £700,000 in respect of long leasehold property.

For assets that have been revalued, a comparison between the present book values and the book values at which the assets would have been carried if they were on a historical cost basis is set out below:

	<i>Revalued amount £000</i>	<i>Historic cost amount £000</i>
Cost or valuation	950	778
Depreciation to date	-	(137)
Net book value	950	641

STORTEXT LIMITED

7. DEBTORS

	1999	1998
	£000	£000
Trade debtors	582	447
Prepayments and accrued income	139	54
Other debtors	20	13
	<u>741</u>	<u>514</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999	1998
	£000	£000
Bank overdraft	64	-
Bank loans	27	32
Finance leases	124	76
Trade creditors	315	172
Corporation tax	24	52
Other taxes and social security costs	111	104
Accruals and deferred income	152	138
Dividends payable to parent undertaking	82	85
ACT payable	7	21
	<u>906</u>	<u>680</u>

The bank overdraft and loans are secured by a bond and floating charge on all of the assets of the company and by a standard security over the company's heritable property at Chestnut Street, Edinburgh.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999	1998
	£000	£000
Bank loans	527	495
Finance leases	202	99
	<u>729</u>	<u>594</u>
Bank loans, repayable in:		
1 to 5 years	135	156
Over 5 years	392	339
	<u>527</u>	<u>495</u>
Finance leases, repayable in:		
1 to 5 years	201	95
Over 5 years	1	4
	<u>202</u>	<u>99</u>

Bank loans refer to a term loan drawn on 21 September 1998 which is repayable monthly over 15 years. The borrowing is secured by floating charge and by standard securities over the premises at 10 Chestnut Street, Edinburgh and Traquair Road, Innerleithen as well as by cross guarantees which exist with the parent company Stortext (Holdings) Limited.

STORTEXT LIMITED

10. DEFERRED TAXATION

	<i>1999</i> <i>£000</i>	<i>1998</i> <i>£000</i>
Accelerated capital allowances:		
At beginning	53	51
Transfer from profit and loss account (note 4)	31	2
At year end	84	53
Advance corporation tax recoverable	-	(22)
	84	31

11. SHARE CAPITAL

	<i>1999</i> <i>£000</i>	<i>1998</i> <i>£000</i>
AUTHORISED		
<u>Equity</u>		
400,154 A ordinary shares of 10p each	40	40
44,462 B ordinary shares of 10p each	4	4
<u>Non equity</u>		
30,000 10% cumulative redeemable preference shares of £1 each	30	30
	74	74
	<i>1999</i> <i>£000</i>	<i>1998</i> <i>£000</i>
ALLOTTED, ISSUED AND FULLY PAID		
<u>Equity</u>		
400,154 A ordinary shares of 10p each	40	40
44,462 B ordinary shares of 10p each	4	4
<u>Non equity</u>		
30,000 10% cumulative redeemable preference shares of £1 each	30	30
	74	74

The cumulative redeemable preference shares of £1 each are eligible for annual interest at 10% (net of tax credit) and are redeemable at the option of either party.

Subsequent to the year-end, the company redeemed the 30,000 preference shares at book value.

STORTEXT LIMITED

12. RESERVES

	SHARE PREMIUM £000	REVALUATION RESERVE £000	PROFIT AND LOSS £000	TOTAL £000
At beginning of the year as previously stated	250	177	345	772
Change in accounting policies (note 16)	-	-	(259)	(259)
As restated	250	177	86	513
Retained profit for the year	-	-	105	105
Realisation of revaluation reserve	-	(5)	5	-
Property revaluation	-	136	-	136
At end of the year	250	308	196	754

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £000	1998 £000
Profit for the financial year	188	200
Dividends	(83)	(83)
Property revaluation	136	-
Net addition to shareholders' funds	241	117
Opening shareholders' funds (originally £846,000 before deducting prior year adjustment of £259,000)	587	470
Closing shareholders' funds	828	587

14. OPERATING LEASE COMMITMENTS

The payments which the company is committed to make in the next year under operating leases are as follows:

	1999 £000	1998 £000
Land and Buildings leases expiring:		
Within 1 year	-	-
1 to 5 years	-	-
Over 5 years	178	120
	178	120
Plant and machinery leases expiring:		
Within 1 year	13	12
1 to 5 years	7	9
Over 5 years	-	-
	20	21
Motor vehicle leases expiring:		
Within 1 year	21	3
1 to 5 years	42	33
Over 5 years	-	-
	63	36
	261	177

STORTEXT LIMITED

15. CAPITAL COMMITMENTS

There were no capital commitments, authorised or contracted for, at 31 March 1999.

16. PRIOR YEAR ADJUSTMENT

The change in the company's accounting policy on revenue recognition resulted in a prior year adjustment to reverse the deferred revenue expenditure asset and the related deferred revenue income liability as follows:

	£000
Reversal of deferred revenue expenditure	(445)
Reversal of deferred revenue income	121
Pre-tax adjustment	(324)
Tax adjustment	
Deferred tax relating to deferred revenue expenditure	91
Tax on deferred revenue income	(26)
	65
Total prior year adjustment	(259)

Reconciliation of Balance Sheet as at 31 March 1998

	<i>As previously stated £000</i>	<i>Revised £000</i>
FIXED ASSETS: Tangible assets	1,418	1,418
CURRENT ASSETS		
Debtors	514	514
Deferred revenue expenditure	445	-
Cash at bank and in hand	24	24
	983	538
CREDITORS: Amounts falling due within one year	(775)	(680)
NET CURRENT ASSETS/(LIABILITIES)	208	(142)
CREDITORS: Amounts falling due after more than one year	(594)	(594)
Amounts due to parent company	(64)	(64)
	(658)	(658)
PROVISIONS FOR LIABILITIES AND CHARGES: Deferred taxation	(122)	(31)
	846	587
SHAREHOLDERS FUNDS	846	587

17. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Stortext (Holdings) Limited, a company which is registered in Scotland.