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**Auditors' Report to Arima Computer (UK) Limited**  
**Under section 247B of the Companies Act 1985**

We have examined the abbreviated financial statements set out on pages 3 to 5 together with the financial statements of the company for the period ended 31 December 1997 prepared under section 226 of the Companies Act 1985.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246(5) and (6) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

**Basis of opinion**

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

**Opinion**

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246(5) and (6) of the Companies Act 1985, and the abbreviated financial statements on pages 2 to 5 are properly prepared in accordance with those provisions.

**Other information**

On ~~24 December 1997~~ 24 December 1998 we reported as auditors to the members of the company on the financial statements prepared under section 226 of the Companies Act 1985 and our report was as follows:

'We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**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.

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**Auditors' Report to Arima Computer (UK) Limited**  
**Under section 247B of the Companies Act 1985****Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. 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 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. However, the evidence available to us was limited because we were appointed auditors on 25 September 1998 and in consequence we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of stock, appearing in the balance sheet at £620,900. Any adjustment to this figure would have a consequential significant effect on the loss for the period.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion: disclaimer on view given by financial statements.**

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 or of its loss for the period then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to stock:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.



**Hardie Caldwell**  
*Registered Auditors*  
*Chartered Accountants*



**Abbreviated Balance Sheet**  
**As at 31 December 1997**

	Note	1997 £	£
<b>Fixed assets</b>			
Tangible assets	2		30,845
<b>Current assets</b>			
Stocks		620,900	
Debtors		2,685	
Cash at bank and in hand		150,264	
		<u>773,849</u>	
<b>Creditors: amounts falling due within one year</b>		<u>(66,225)</u>	
<b>Net current assets</b>			<u>707,624</u>
<b>Total assets less current liabilities</b>			<u>738,469</u>
<b>Creditors: amounts falling due after more than one year</b>	4		<u>(688,669)</u>
			<u>49,800</u>
<b>Capital and reserves</b>			
Called up share capital	3		120,000
Profit and loss account			<u>(70,200)</u>
<b>Total shareholders' funds</b>			<u>49,800</u>

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The abbreviated financial statements on pages 3 to 5 were approved by the Board of Directors on ~~24~~ <sup>24</sup> DECEMBER 1997 and signed on its behalf by:

Chi Hsu Wu



Director

The notes on pages 4 to 5 form part of these financial statements.

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**Notes on the Abbreviated Financial Statements**  
**For the period ended 31 December 1997****1 Accounting policies****Basis of accounting**

The financial statements have been prepared under the historical cost accounting rules.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it qualifies as a small company under the Companies Act 1985.

The accounts have been prepared on the basis that the company can continue to operate as a going concern.

The company is currently being supported financially by Arima Computer Corporation, the parent undertaking. Note 4 describes the position regarding the loan.

Arima Computer Corporation will continue to provide financial support to the company to allow it to continue to trade and the directors consider it appropriate to prepare the accounts on the going concern basis.

**Turnover**

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

**Depreciation**

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Computer equipment	33% straight line
Plant and machinery	33% straight line
Motor vehicles	20% straight line
Fixtures and fittings	20% - 50% straight line

**Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

**Leases**

Rentals paid under operating leases are charged to income as incurred.

**Deferred taxation**

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

**Foreign currencies**

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

**Notes on the Abbreviated Financial Statements**  
**For the period ended 31 December 1997**

**2 Fixed assets**

	<b>Tangible fixed assets £</b>
<b>Cost</b>	
Additions	36,714
31 December 1997	<u>36,714</u>
<b>Depreciation</b>	
Charge for period	(5,869)
31 December 1997	<u>5,869</u>
<b>Net book amount</b>	
31 December 1997	<u><u>30,845</u></u>

**3 Called up share capital**

	<b>1997</b>	
	<b>Number of shares</b>	<b>£</b>
<b>Authorised</b>		
Ordinary shares of £1 each	120,000	120,000
	<u>120,000</u>	<u>120,000</u>
<b>Allotted called up and fully paid</b>		
Ordinary shares of £1 each	120,000	120,000
	<u>120,000</u>	<u>120,000</u>

The company allotted 120,000 ordinary shares of £1 each during the period and received a consideration of £120,000.

**4 Ultimate parent undertaking**

The group consists of two companies, Arima Computer Corporation, the ultimate parent undertaking and Arima Computer (UK) Limited, a wholly owned subsidiary undertaking. Arima Computer Corporation is incorporated and registered in Taiwan. Arima Computer (UK) Limited is incorporated in Scotland. The loan account of £688,669 included in creditors due after one year is with Arima Computer Corporation. The loan has been subordinated in favour of other creditors.