

Criterion Software Limited

Abbreviated financial statements

31 December 1997

Registered number 2464484



Contents

Statement of directors' responsibilities	1
Report of the auditors to Criterion Software Limited	2
Balance sheet	3
Notes	4

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Report of the auditors to Criterion Software Limited

Pursuant to Section 247B of the Companies Act 1985

We have examined the abbreviated accounts on pages 3 to 6 together with the financial statements of Criterion Software Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1997.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts 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 accounts prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the accounts 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 audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) and the abbreviated accounts are properly prepared in accordance with those provisions.

KPMG

Chartered Accountants
Registered Auditors

23rd October 1998

Balance sheet
at 31 December 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	2	227,106	236,241
Investments	3	100	100
Current assets			
Debtors		1,343,706	1,152,596
Cash at bank and in hand		351,412	109,224
		<u>1,695,118</u>	<u>1,261,820</u>
Creditors: amounts falling due within one year		<u>(590,346)</u>	<u>(582,006)</u>
Net current assets		<u>1,104,772</u>	<u>679,814</u>
Total assets less current liabilities		<u>1,331,978</u>	<u>916,155</u>
Creditors: amounts falling due after more than one year		<u>(3,000,000)</u>	<u>(2,000,000)</u>
Net liabilities		<u>(1,668,022)</u>	<u>(1,083,845)</u>
Capital and reserves			
Called up share capital	4	400,000	400,000
Profit and loss account		(2,068,022)	(1,483,845)
Equity shareholders' funds		<u>(1,668,022)</u>	<u>(1,083,845)</u>

The directors have taken advantage of the exemptions conferred by Section A of part III of Schedule 8 to the Companies Act 1985 on the basis that the company qualifies as a small company.

These financial statements were approved by the board of directors on 20 Dec 1998 and were signed on its behalf by:



DA Lau-Kee
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

The company is exempt under s229(2) from the requirement to prepare group accounts as the inclusion of its only subsidiary undertaking is not material for the purpose of giving a true and fair view. The financial statements therefore present information about Criterion Software Limited as an individual undertaking and not about its group.

The company's development programme is dependent upon the continued financial support of the Canon Group. On 5 May 1998, the authorised share capital of the company was increased to £3,400,000. The funding received from the issue of the additional share capital was used to repay the inter-company loan on 26 May 1998. The directors are confident that the company has sufficient funding to continue trading for the foreseeable future and that further funding will be made available when and as required. Accordingly, the financial statements have been prepared on the going concern basis.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly, over its expected useful life, as follows:

Short leasehold property	-	life of lease
Equipment	-	3 years

Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences are taken to the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Operating leases

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

Pension costs

The company is a member of a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employee's working lives with the company.

2 Tangible fixed assets

	Total £
Cost	
At 1 January 1996	379,537
Additions	87,760
	<hr/>
At 31 December 1997	467,297
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Depreciation	
At 1 January 1996	143,295
Charge for the year	96,896
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At 31 December 1997	240,191
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Net book value	
At 31 December 1997	227,106
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At 31 December 1996	236,241
	<hr/> <hr/>

3 Fixed asset investment

	1997 £	1996 £
£1 ordinary shares in wholly owned subsidiary company at cost	100	100
	<hr/>	<hr/>

The subsidiary undertaking, Criterion Studios Limited is incorporated in Great Britain and registered in England and Wales. The company has not traded during the year.

Notes (continued)

4 Share capital

	1997 £	1996 £
<i>Authorised</i>		
Ordinary shares of £1 each	500,000	500,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	400,000	400,000
	<u> </u>	<u> </u>

On 5 May 1998, the authorised share capital of the company was increased to £3,400,000 by the creation of 2,900,000 ordinary shares of £1 each. At 18 May 1998 the entire unissued share capital of the company was allotted, called up and fully paid.

5 Related parties

As 100% of the company's voting rights are controlled within the group headed by Canon Inc. the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Additional information can be found in note 6.

6 Ultimate holding company

The largest group of undertakings for which group accounts are drawn up is that of the company's ultimate holding company, Canon Inc. PO Box 5050 Dai Ichi Seimei Building, Shinguku, Tokyo 160, Japan and is incorporated in Japan.

The smallest group of undertakings for which group accounts are drawn up is that of Canon Europa NV, Bovenkerkerweg 59-61, 1180 EG Amstelveen, The Netherlands and is incorporated in The Netherlands.

The accounts of these companies are available to the public and may be obtained from their registered offices as stated above.