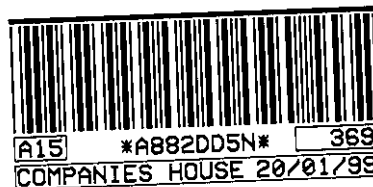


REGISTERED NUMBER : 2882777
England and Wales

**DAN NETWORK SOLUTIONS LIMITED
(FORMERLY)
PARAGON NETWORK SERVICES LIMITED**

**ACCOUNTS AND REPORT
FOR THE YEAR ENDED 31 MARCH 1998**

**PRICE MANN & CO
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS
447 KENTON ROAD
HARROW
MIDDX HA3 OXY
TELE . (0181) 204 2228
FAX (0181) 204 6425**



**DAN NETWORK SOLUTIONS LIMITED
(FORMERLY)
PARAGON NETWORK SERVICES LIMITED**

DIRECTORS

P. GAMBLE
P S HOBDA
D KIRSCHNER

SECRETARY

P S HOBDA

REGISTERED OFFICE

IRON BRIDGE CLOSE
GREAT CENTRAL WAY
LONDON
NW10 0NW

REGISTERED NUMBER

2882777

AUDITORS

PRICE MANN & CO
CHARTERED ACCOUNTANTS
447 KENTON ROAD, HARROW, MIDDX.
HA3 OXY

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 1998**

Pages

| | |
|-------|-------------------------|
| 1 | Report of the directors |
| 2 | Report of the auditors |
| 3 | Profit and loss account |
| 4 | Balance sheet |
| 5 - 7 | Notes to the accounts |

The following pages do not form part of the statutory accounts

| | |
|---|-------------------------------------|
| 8 | Schedule to profit and loss account |
|---|-------------------------------------|

DAN NETWORK SOLUTIONS LIMITED
(FORMERLY)
PARAGON NETWORK SERVICES LIMITED
REPORT OF THE DIRECTOR

Page 1

The director presents his annual report with the accounts of the company for the year ended 31 March 1998.

CHANGE OF NAME

On the 16th of June 1998 the company changed its name from Paragon Network Services Ltd to Dan Network Solutions Ltd.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review has been that of providing computer product and services.

DIRECTORS

The director in office in the year and his beneficial interest throughout the year in the company's issued ordinary share capital were as follows :

| | 1998 | 1997 |
|-----------|------|------|
| P. Gamble | 65 | 38 |

S J Elliot resigned as director in March 1998.

Mr P S Hobday and Mr D Kirschner were appointed as directors on 12th May 1998.

STATEMENTS OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director to prepare accounts 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 year. In preparing those accounts, the director is required to : -

- * select suitable accounting policies and then apply them consistently ;
- * make judgements and estimates that are reasonable and prudent ;
- * follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts ;
- * prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the accounts comply with Companies Act 1985. He is 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.

In preparing the above report, the directors have taken advantage of special exemptions applicable to small companies provided by Part 2 of Schedule 8 to the Companies Act 1985.

SIGNED ON BEHALF OF
THE BOARD OF DIRECTORS



P. GAMBLE (Director)

APPROVED BY THE BOARD :

Date : 12/01/99

AUDITORS REPORT TO THE SHAREHOLDERS OF
DAN NETWORK SOLUTIONS LIMITED
(FORMERLY)
PARAGON NETWORK SERVICES LIMITED

We have audited the accounts on pages 3 to 7 which have been prepared in accordance with the accounting policies set out on pages 5 to 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

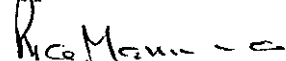
BASIS OF OPINION

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 accounts. It also includes an assessment of the significant estimates and judgements by the directors in the preparation of the accounts, and 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 accounts are free from material misstatement, forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

OPINION

In our opinion the accounts give a true and fairview of the state of the company's affairs as at 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to the small companies.



PRICE MANN & CO

Chartered Accountants and Registered Auditors

447 Kenton Road

Harrow Middx

HA3 OXY

Date : 12/01/99

DAN NETWORK SOLUTIONS LIMITED
(FORMERLY)
PARAGON NETWORK SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1998

| | Notes | £ | £ |
|--|-------|-----------|-----------|
| | | | 31.03.97 |
| TURNOVER | 1 | 893,030 | 686,288 |
| Cost of sales | | (512,883) | (423,857) |
| | | ----- | ----- |
| GROSS PROFIT | | 380,147 | 262,431 |
| Direct Expenses | | (47,749) | (37,470) |
| Administration expenses | | (217,014) | (140,277) |
| | | ----- | ----- |
| OPERATING PROFIT | 2 | 115,384 | 84,684 |
| Interest received | | 1,306 | 723 |
| Interest payable | | (962) | (609) |
| | | ----- | ----- |
| PROFIT on ordinary activities before taxation | | 115,728 | 84,798 |
| TAXATION | 3 | (24,920) | (20,484) |
| | | ----- | ----- |
| PROFIT for the financial year after taxation | | 90,808 | 64,314 |
| Dividends | 4 | (75,200) | (55,000) |
| | | ----- | ----- |
| RETAINED PROFIT brought forward | | 15,608 | 9,314 |
| | | 10,222 | 908 |
| | | ----- | ----- |
| RETAINED PROFIT at 31 March 1998 | | 25,830 | 10,222 |
| | | ===== | ===== |

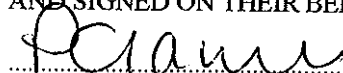
The company has no recognised gains and losses other than the profit and loss for the period.

DAN NETWORK SOLUTIONS LIMITED
(FORMERLY)
PARAGON NETWORK SERVICES LIMITED
BALANCE SHEET
AS AT 31 MARCH 1998

| | Notes | £ | £ | 31.03.97 £ |
|--|-------|-----------|--------|---------------|
| FIXED ASSETS | | | | |
| Tangible assets | 5 | | 7,117 | 6,165 |
| CURRENT ASSETS | | | | |
| stocks | | 9,881 | | 5,301 |
| debtors | 6 | 245,769 | | 234,930 |
| cash in hand | | 400 | | 200 |
| Bank Deposit Account | | 60,877 | | 22,991 |
| | | ----- | | ----- |
| | | 316,927 | | 263,422 |
| CREDITORS : amounts falling | | | | |
| due within one year | 7 | (221,540) | | (200,155) |
| Deffered Income | | (76,572) | | (59,110) |
| | | ----- | | ----- |
| | | (298,112) | | (259,265) |
| | | ----- | | ----- |
| NET CURRENT (LIABILITIES) | | | 18,815 | 4,157 |
| | | | ----- | ----- |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 25,932 | 10,322 |
| | | | ===== | ===== |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | 8 | | 102 | 100 |
| Profit and loss account | | | 25,830 | 10,222 |
| | | | ----- | ----- |
| | | | 25,932 | 10,322 |
| | | | ===== | ===== |

The directors have taken advantage of special exemptions conferred by Part 1 of Schedule 8 to the Companies Act 1985 applicable to the small companies in the preparation of the accounts and have done so on the grounds that , in their opinion, the company qualifies as a small company.

APPROVED BY ORDER OF THE BOARD
AND SIGNED ON THEIR BEHALF:



P. GAMBLE (Director)

Date : 12/01/99

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable statement of Standard Accounting Practice and Financial Reporting Standards.

Turnover

Turnover represents net invoiced sales of goods, excluding VAT.

Tangible fixed assets

Depreciation is provided, at the following annual rates in order to write off each asset over its estimated life :

Office & Computer Equipment - 25% on W.D.V.
Fixtures and Fittings - 25% on W. D. V.

Stocks

Stocks and work- in- progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow items.

Deferred taxation

The directors decided not to provide for deferred taxation attributable to timing differences between computed for taxation purposes and profit as stated in the accounts.

Cash flow

The accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 'Cash flow statements'.

TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounted to -NIL.

2 OPERATING PROFIT

The operating profit is stated after charging:

| | 1998 | 1997 |
|---------------------------------------|--------|--------|
| | £ | £ |
| Depreciation of tangible fixed assets | 1,753 | 1,282 |
| Auditors' remuneration | 1,200 | 1,000 |
| Director's emoluments - | | |
| For services as director | 26,330 | 26,000 |
| Other emoluments | - | - |

3. TAXATION

| | | |
|-------------------------------------|-------------------|-------------------|
| U K Corporation Tax charged at 21 % | 24,920 | 20,484 |
| | <u> </u> | <u> </u> |

4. DIVIDENDS

The company paid Net Dividend of £ 75,200 during the year (1997 £55,000).

5. TANGIBLE FIXED ASSETS

| | Furniture & Fittings | Officer & Computer Equipment | Total |
|---------------------|----------------------|------------------------------|---------------|
| | £ | £ | £ |
| B/Fwd | 1,638 | 7,727 | 9,365 |
| Additions | - | 3,386 | 3,386 |
| Disposal | - | (1,052) | (1,052) |
| | <u>1,638</u> | <u>10,061</u> | <u>11,699</u> |
| Depreciation | | | |
| Brought forward | 608 | 2,592 | 3,200 |
| Disposal | - | (371) | (371) |
| Charge for the year | 257 | 1,496 | 1,753 |
| | <u>865</u> | <u>3,717</u> | <u>4,582</u> |
| Net book values | | | |
| At 31 March 1998 | <u>773</u> | <u>6,344</u> | <u>7,117</u> |
| Net book values | | | |
| At 31 March 1997 | <u>1,030</u> | <u>5,135</u> | <u>6,165</u> |

6. DEBTORS

| | 1998 | 1997 |
|-----------------------------|----------------|----------------|
| | £ | £ |
| Trade debtors | 218,889 | 229,887 |
| Other Debtors & Prepayments | 26,880 | 5,043 |
| | <u>245,769</u> | <u>234,930</u> |

7. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 1998 | 1997 |
|----------------------------|----------------|----------------|
| | £ | £ |
| Bank overdraft | 67,985 | 50,155 |
| Trade creditors | 60,446 | 110,646 |
| Taxation & Social Security | 46,093 | 37,523 |
| Accruals | 8,528 | 1,690 |
| Directors Loan Account | 34,998 | - |
| Other Creditors | 3,490 | 141 |
| | <u>221,540</u> | <u>200,155</u> |

| 8. CALLED UP SHARE CAPITAL | 1998 | 1997 |
|---|-------|-------|
| | £ | £ |
| Authorised, Alloted, called up and fully paid | | |
| 100 ordinary shares of £1 each | 100 | 100 |
| Shares Issued this period | 2 | - |
| | ----- | ----- |
| | 102 | 100 |
| | ===== | ===== |

During the year 2 ordinary shares of £1 each were alloted and fully paid for cash at par.

9. CONTINGENT LIABILITY

There was no contingent liability at Balance Sheet date.

10. COMMITMENTS

There were no material commitments at Balance Sheet date.

11. TRANSACTION WITH DIRECTOR

There were no transactions with Directors.

12. HOLDING COMPANY

On 12th May 1998 Dan Network Solutions Ltd became a subsidiary of Dan Technology Holdings Plc.

13. POST BALANCE SHEET EVENTS

There were no other material Post Balance sheet Events.