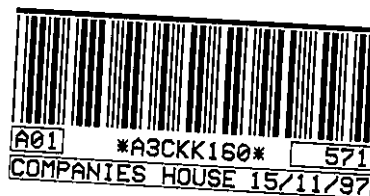


REGISTERED NUMBER : 2882777
England and Wales

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PARAGON NETWORK SERVICES LIMITED
ACCOUNTS AND REPORT
FOR THE YEAR ENDED 31 MARCH 1997

PRICE MANN & CO
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS
447 KENTON ROAD
HARROW
MIDDX HA3 OXY
TELE . (0181) 204 2228
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PARAGON NETWORK SERVICES LIMITED

DIRECTORS

S. J. ELLIOTT
P. GAMBLE

SECRETARY

P. HINDOCHA

REGISTERED OFFICE

447 KENTON ROAD
HARROW
MIDDX.
HA3 OXY

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 1997

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
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PARAGON NETWORK SERVICES LIMITED
REPORT OF THE DIRECTOR

Page 1

The directors present their annual report with the accounts of the company for the year ended 31 March 1997.

PRINCIPAL ACTIVITY

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

DIRECTORS

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

	1997	1996
S. J. Elliot	-	-
P. Gamble	38	75

In accordance with the Articles of Association, P. Gamble retires by rotation and offers himself for re-election.

STATEMENTS OF DIRECTOR'S RESPONSIBILITIES

Company law requires the directors 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 directors are 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

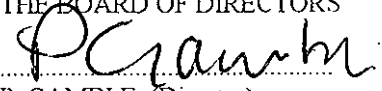
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Price Mann & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

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 : 25/09/97

AUDITORS REPORT TO THE SHAREHOLDERS OF
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.

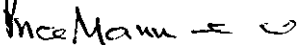
BASIS OF OPINION

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 fair view of the state of the company's affairs as at 31 March 1997 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 : 25/09/97

PARAGON NETWORK SERVICES LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 MARCH 1997

	Notes	£	£
			31.03.96
TURNOVER	1	686,288	518,788
Cost of sales		(423,857)	(280,318)
		-----	-----
GROSS PROFIT		262,431	238,470
Direct Expenses		(37,470)	(71,857)
Administration expenses		(140,277)	(105,375)
		-----	-----
OPERATING PROFIT	2	84,684	61,238
Interest received		723	727
Interest payable		(609)	(552)
		-----	-----
PROFIT on ordinary activities before taxation		84,798	61,413
TAXATION	3	(20,484)	(16,247)
		-----	-----
PROFIT for the financial year after taxation		64,314	45,166
Dividends	4	(55,000)	(45,000)
		-----	-----
RETAINED PROFIT brought forward		9,314	166
		908	742
		-----	-----
RETAINED PROFIT at 31 March 1997		10,222	908
		=====	=====

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

PARAGON NETWORK SERVICES LIMITED
BALANCE SHEET
AS AT 31 MARCH 1997

	Notes	£	£	31.03.96 £
FIXED ASSETS				
Tangible assets	5		6,165	8,945
CURRENT ASSETS				
stocks		5,301		8,906
debtors	6	234,930		84,055
cash in hand		200		-
Bank Deposit Account		22,991		56,470
		-----		-----
		263,422		149,431
CREDITORS : amounts falling				
due within one year	7	(200,155)		(125,002)
Deffered Income		(59,110)		(32,366)
		-----		-----
		(259,265)		(157,368)
		-----		-----
NET CURRENT (LIABILITIES)			4,157	(7,937)
			-----	-----
TOTAL ASSETS LESS CURRENT				
LIABILITIES			10,322	1,008
			=====	=====
CAPITAL AND RESERVES				
Called up share capital	8		100	100
Profit and loss account			10,222	908
			-----	-----
			10,322	1,008
			=====	=====

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)



S. J. ELLIOTT (Director)

Date : 25/09/97

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.
Motor Vehicles	- 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:

	1997	1996
	£	£
Depreciation of tangible fixed assets	1,282	2,982
Auditors' remuneration	1,000	1,000
Director's emoluments -		
For services as director	26,000	26,000
Other emoluments	-	-

3. TAXATION

U K Corporation Tax charged at 24 %	20,484	16,247
	=====	=====

4. DIVIDENDS

The company paid Net Dividend of £ 55,000 during the year.

5. TANGIBLE FIXED ASSETS

	Motor Vehicles	Furniture & Fittings	Officer & Computer Equipment	Total
	£	£	£	£
B/Fwd	8,600	1,171	5,355	15,126
Additions		467	3,372	3,839
Disposal	(8,600)	-	(1,000)	(9,600)
	<u>-</u>	<u>1,638</u>	<u>7,727</u>	<u>9,365</u>
Depreciation				
Brought forward	3,763	312	2,106	6,181
Disposal	(3,763)	-	(500)	(4,263)
Charge for the year	-	296	986	1,282
	<u>-</u>	<u>608</u>	<u>2,592</u>	<u>3,200</u>
Net book values				
At 31 March 1997	-	1,030	5,135	6,165
Net book values				
At 31 March 1996	4,837	859	3,249	8,945

6. DEBTORS

	1997 £	1996 £
Trade debtors	229,887	80,243
Other Debtors & Prepayments	5,043	3,812
	<u>234,930</u>	<u>84,055</u>

7. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank overdraft	50,155	38,722
Trade creditors	110,646	45,525
Taxation & Social Security	37,523	23,412
Hire Purchase Liability	-	2,328
Accruals	1,690	5,015
Other Creditors	141	10,000
	<u>200,155</u>	<u>125,002</u>

8. CALLED UP SHARE CAPITAL	1997	1996
	£	£
Authorised, Alloted, called up and fully paid		
100 ordinary shares of £1 each	100	100
	<u>=====</u>	<u>=====</u>

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 Director.

12. POST BALANCE SHEET EVENTS

There were no material Post Balance sheet Events.