

Integrated Publishing Systems Limited

Directors' report and financial statements

31 December 1996

Registered number 2844618



Integrated Publishing Systems Limited

Directors' report and financial statements

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Integrated Publishing Systems Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

Principal activity

The principal activity of the company is the provision of computer hardware, software and services to the publishing industry.

Business review

The results for the year are as follows:

	£'000
Profit on ordinary activities before taxation	43
Tax on profit on ordinary activities	(15)
	<hr/>
Retained profit for the financial year	28
	<hr/>

Dividend

The directors do not propose the payment of a dividend (1995: £Nil).

Directors and directors' interests

The directors who held office during the year were as follows:

JM Bailey (Chairman)
AB Sampson
DA Payne
PL Eales

Messrs JM Bailey and AB Sampson are directors of the ultimate parent company, Microvitec PLC, and are not required to record their interests in other group companies in the register maintained by this company.

Integrated Publishing Systems Limited

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The other directors who held office at the end of the financial year had the following interests in the ordinary shares of Microvitec PLC as recorded in the register of directors' share interests:

	5p ordinary shares of Microvitec PLC			
	31 December 1996		1 January 1996	
	Ordinary shares	Ordinary share options	Ordinary shares	Ordinary share options
DA Payne	904,189	70,000	951,983	70,000
PL Eales	25,654	55,000	25,654	55,000

At the date of appointment, Mr DA Payne held options over 25,000 shares at a price of 34p per share; Mr PL Eales also held options over 15,000 shares at a price of 34p per share. These options are exercisable between 7 April 1995 and 6 April 2002.

On 8 October 1993, Mr DA Payne was granted options over 45,000 shares at a price of 34½p per share. On the same date Mr PL Eales was granted options over 40,000 shares at a price of 34½p per share. These options are exercisable between 7 October 1996 and 6 October 2003.

By order of the board



BJ Brooks
Secretary

Futures Way
Bolling Road
Bradford
BD4 7TU

6 May 1997

Integrated Publishing Systems Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining 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 which are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Peat House
1 Commercial Street
Forster Square
Bradford BD1 4AS

Auditors' report to the members of Integrated Publishing Systems Limited

We have audited the financial statements on pages 5 to 15.

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.

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 the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

6 May 1997

Integrated Publishing Systems Limited

Profit and loss account

for the year ended 31 December 1996

	<i>Note</i>	1996 £'000	1995 £'000
Turnover	2	1,030	908
Cost of sales		(764)	(669)
Gross profit		266	239
Administrative expenses		(225)	(201)
Other operating income		2	2
Profit on ordinary activities before taxation	3	43	40
Taxation on profit on ordinary activities	6	(15)	(7)
Retained profit for the financial year	14	28	33

In both the current and preceding year, the company made no material acquisitions and had no discontinued operations.

In both the current and preceding year the company had no recognised gains or losses other than the retained profit disclosed above.

The profit and loss account is prepared on an unmodified historical cost basis.

A statement of the movements in shareholders' funds is set out in note 15 on page 14.

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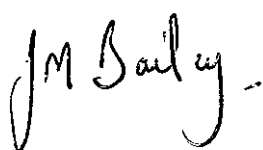
Balance sheet

at 31 December 1996

	Note	1996	1995
		£'000	£'000
Fixed assets			
Intangible assets	7	47	29
Tangible assets	8	39	42
		<u>86</u>	<u>71</u>
Current assets			
Stocks	9	9	9
Debtors	10	198	213
Cash at bank and in hand		215	223
		<u>422</u>	<u>445</u>
Creditors: amounts falling due within one year	11	(295)	(333)
		<u></u>	<u></u>
Net current assets		127	112
		<u></u>	<u></u>
Total assets less current liabilities		213	183
		<u></u>	<u></u>
Provisions for liabilities and charges	12	(12)	(10)
		<u></u>	<u></u>
Net assets		201	173
		<u></u>	<u></u>
Capital and reserves			
Called up equity share capital	13	-	-
Capital reserve		91	91
Profit and loss account	14	110	82
		<u></u>	<u></u>
Shareholders' funds - equity		201	173
		<u></u>	<u></u>

These financial statements were approved by the board of directors on 6 May 1997 and were signed on its behalf by:

JM Bailey Director



Integrated Publishing Systems Limited

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 from the requirement of Financial Reporting Standard 1 (Revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Microvitec PLC, and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost, less the estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	15%
Motor vehicles	-	25%
Fixtures and fittings	-	25%

Leased assets

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Research and development expenditure

Research expenditure is written off in the year in which it is incurred. Development costs incurred on specific projects are carried forward to the extent that they are expected to be recovered against future income from the subsequent sale of the products concerned. Deferred development expenditure is written off in line with the expected use arising from the products. All other development costs are written off against profits in the period in which they are incurred.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

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Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

2 Analysis of turnover

	1996 £'000	1995 £'000
<i>By geographical market</i>		
United Kingdom	910	908
South Africa	120	-
	<hr/> 1,030 <hr/>	<hr/> 908 <hr/>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1996 £'000	1995 £'000
Auditors' remuneration:		
Audit	4	4
Depreciation of tangible fixed assets	25	15
Amortisation of intangible fixed assets	29	17
Operating lease rentals:		
Property	36	36
Plant and machinery	25	32
	<hr/>	<hr/>

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Notes (continued)

4 Remuneration of directors

	1996 £'000	1995 £'000
Directors' emoluments:		
Remuneration as directors	102	98

The emoluments, excluding pension contributions, of the chairman were £Nil (1995: £Nil) and those of the highest paid director were £61,600 (1995: £59,600).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors	
	1996	1995
£0 - £5,000	2	2
£45,001 - £50,000	1	1
£55,001 - £60,000	-	1
£60,001 - £65,000	1	-

Details of directors' shareholdings and share options are given in the directors' report on pages 1 and 2.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1996	1995
Production	2	2
Engineering and development	13	14
Management and administration	2	2
	17	18

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Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	1996 £'000	1995 £'000
Wages and salaries	434	458
Social security costs	51	52
	<hr/> 485	<hr/> 510

6 Taxation on profit on ordinary activities

	1996 £'000	1995 £'000
UK corporation tax at 33% (1995: 33%) on the profit for the year on ordinary activities	14	2
Deferred taxation (note 12)	2	5
Adjustments to previous year:		
Corporation tax	(7)	-
Group relief	6	-
	<hr/> 15	<hr/> 7

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Notes (continued)

7 Intangible fixed assets

	Development costs £'000
<i>Cost</i>	
At 1 January 1996	57
Additions	47
	<hr/>
At 31 December 1996	104
	<hr/>
<i>Amortisation</i>	
At 1 January 1996	28
Charged in year	29
	<hr/>
At 31 December 1996	57
	<hr/>
<i>Net book value</i>	
At 31 December 1996	47
	<hr/>
At 31 December 1995	29
	<hr/>

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Notes (continued)

8 Tangible fixed assets

	Leasehold improvements	Motor vehicles	Fixtures, fittings tools and equipment	Total
	£'000	£'000	£'000	£'000
<i>Cost</i>				
At 1 January 1996	1	14	80	95
Additions	-	-	22	22
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	1	14	102	117
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 1996	1	-	52	53
Charge for year	-	4	21	25
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	1	4	73	78
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 1996	-	10	29	39
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	-	14	28	42
	<hr/>	<hr/>	<hr/>	<hr/>

9 Stocks

	1996 £'000	1995 £'000
Finished goods and goods for resale	9	9
	<hr/>	<hr/>

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Notes (continued)

10 Debtors

	1996 £'000	1995 £'000
Trade debtors	174	189
Amounts owed by fellow subsidiary undertakings	2	-
Prepayments and accrued income	22	24
	<hr/> 198	<hr/> 213

11 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000
Trade creditors	8	20
Amounts owed to parent and fellow subsidiary undertakings	153	162
Corporation tax	14	12
Other creditors including taxation and social security	55	56
Accruals and deferred income	65	83
	<hr/> 295	<hr/> 333

12 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 January 1996	10
Charge for the year in the profit and loss account (note 6)	2
	<hr/>
At 31 December 1996	12

The provision made for deferred taxation represents the full potential liability and relates to timing differences arising from the treatment of capitalised development costs.

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Notes (continued)

13 Called up equity share capital

	1996 £'000	1995 £'000
<i>Authorised</i>		
100 ordinary shares of £1 each	-	-
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	-	-
	<hr/>	<hr/>

14 Profit and loss account

	£'000
At 1 January 1996	82
Retained profit for the financial year	28
	<hr/>
At 31 December 1996	110
	<hr/>

15 Movement in shareholders' funds

	£'000
Shareholders' funds at 1 January 1996	173
Profit for the financial year	28
	<hr/>
Shareholders' funds at 31 December 1996	201
	<hr/>

16 Operating lease commitments

At 31 December 1996, annual commitments under non-cancellable operating leases were as follows:

	1996		1995	
	Land and buildings £'000	Other £'000	Land and buildings £	Other £
On leases expiring:				
Within one year	-	11	-	-
Within two to five years	36	16	36	-
	<hr/>	<hr/>	<hr/>	<hr/>
	36	27	36	-
	<hr/>	<hr/>	<hr/>	<hr/>

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Notes *(continued)*

17 **Contingent liability**

The company has entered into an unlimited multilateral guarantee and debenture to secure the bank loans and overdrafts of certain group undertakings within the Microvitec PLC group which amounted in total to £6,908,000 at 31 December 1996 (1995: £5,849,000). The debenture creates a fixed charge on book debts, goodwill and intellectual property and a floating charge over all the other assets of the company.

18 **Ultimate parent company**

Microvitec PLC which is incorporated in Great Britain and registered in England and Wales, is the parent company of Integrated Publishing Systems Limited. The financial statements of Microvitec PLC can be obtained from Futures Way, Bolling Road, Bradford, West Yorkshire, BD4 7TU.