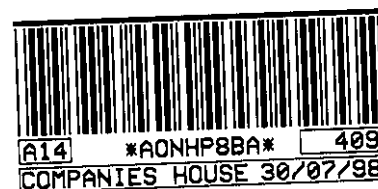


DANMERE LIMITED GROUP

REPORT AND ACCOUNTS

YEAR ENDED 30TH SEPTEMBER 1997

Company Registered Number: 2138358 (England and Wales)



DANMERE LIMITED GROUP

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1997

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DANMERE LIMITED GROUP

REPORT OF THE DIRECTORS

The directors present their report with the accounts of the company and the group for the year ended 30th September 1997.

PRINCIPAL ACTIVITY

The principal activity of the group is the provision of technical consultancy services and the supply and marketing of computer peripherals.

DIRECTORS

The directors who served during the year and their beneficial interests in the company's share capital were as follows:-

	Ordinary shares	
	30th September 1997	1st October 1996
K Austin	156,016	150,020
Mrs J A Austin (appointed 1st August 1997)	39,004	* 39,004
* At date of appointment		

DIRECTORS' 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 the group and of the profit or loss of the group for that period. 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;
- 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 the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TAXATION STATUS

The directors are advised that the group companies are 'close companies' under the provisions of the Income and Corporation Taxes Act 1988.

AUDITORS

Messrs Murray Smith have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the Board of Directors on 24th July 1998.

.....
Mrs J A Austin
Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF

DANMERE LIMITED GROUP

We have audited the accounts on pages 3 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 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 made by the directors in the preparation of the accounts, 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 accounts 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 accounts.


FUNDAMENTAL UNCERTAINTY

In forming our opinion, we have considered the adequacy of the disclosures made in note 9 to the accounts concerning the recoverability of certain debtors. Our opinion is not qualified in this respect.

OPINION

In our opinion the accounts give a true and fair view of the state of the company's and the group's affairs as at 30th September 1997 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

29th July 1998


Murray Smith
Chartered Accountants
Registered Auditors
Darland House
Winnington Hill
Northwich
Cheshire CW8 1AU

DANMERE LIMITED GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER 1997

	Note	1997 £	1996 (18 months) £
TURNOVER	2	318,741	560,270
Cost of sales		191,732	235,382
GROSS PROFIT		127,009	324,888
Administrative expenses		367,000	298,382
OPERATING (LOSS)/PROFIT	3	(239,991)	26,506
Interest receivable		4,229	-
		235,762	26,506
Interest payable		6,019	3,942
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(241,781)	22,564
TAXATION	4	1,403	10,705
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(243,184)	11,859
DIVIDENDS	5	15,000	109,234
LOSS FOR THE PERIOD		(258,184)	(97,375)
(ACCUMULATED LOSS)/RETAINED PROFIT BROUGHT FORWARD		(94,452)	2,923
ACCUMULATED LOSS CARRIED FORWARD		(352,636)	(94,452)

The notes on pages 6 to 13 form an integral part of these accounts.

DANMERE LIMITED GROUP

CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 1997

	Note	1997	1996
		£	£
FIXED ASSETS			
Tangible assets	7	63,075	64,603
Investments	8	6,000	-
		<u>69,075</u>	<u>64,603</u>
CURRENT ASSETS			
Stocks		82,736	68,547
Debtors	9	154,006	61,505
Cash at bank and in hand		398,247	7
		<u>634,989</u>	<u>130,059</u>
CREDITORS: Amounts falling due within one year	10	261,680	135,127
NET CURRENT ASSETS/(LIABILITIES)		<u>373,309</u>	<u>(5,068)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>442,384</u>	<u>59,535</u>
CREDITORS: Amounts falling due after more than one year			
Net obligations under hire purchase contracts	11	-	3,967
		<u>442,384</u>	<u>55,568</u>
CAPITAL AND RESERVES			
Called up share capital	13	300,031	150,020
Share premium reserve	14	494,989	-
Profit and loss account		(352,636)	(94,452)
Shareholders' funds		<u>442,384</u>	<u>55,568</u>

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities.

Approved by the Board of Directors on 24th July 1998, and signed on its behalf.

.....
K Austin
Director

.....
Mrs J A Austin
Director

The notes on pages 6 to 13 form an integral part of these accounts.

DANMERE LIMITED GROUP

DANMERE LIMITED BALANCE SHEET

AS AT 30TH SEPTEMBER 1997

	Note	1997	1996
		£	£
FIXED ASSETS			
Tangible assets	7	63,075	64,603
Investments	8	6,002	2
		<u>69,077</u>	<u>64,605</u>
CURRENT ASSETS			
Stocks		82,736	68,547
Debtors	9	738,537	305,698
Cash at bank and in hand		398,247	7
		<u>1,219,520</u>	<u>374,252</u>
CREDITORS: Amounts falling due within one year	10	<u>503,092</u>	<u>276,360</u>
NET CURRENT ASSETS		<u>716,428</u>	<u>97,892</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		785,505	162,497
CREDITORS: Amounts falling due after more than one year			
Net obligations under hire purchase contracts	11	-	3,967
		<u>785,505</u>	<u>158,530</u>
CAPITAL AND RESERVES			
Called up share capital	13	300,031	150,020
Share premium reserve	14	494,989	-
Profit and loss account		(9,515)	8,510
Shareholders' funds		<u>785,505</u>	<u>158,530</u>

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities.

Approved by the Board of Directors on 24th July 1998, and signed on its behalf.

.....
K Austin
Director

.....
Mrs J A Austin
Director

The notes on pages 6 to 13 form an integral part of these accounts.

DANMERE LIMITED GROUP

NOTES TO THE ACCOUNTS

AS AT 30TH SEPTEMBER 1997

1. ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(b) Basis of consolidation

The consolidated accounts include the company and all its significant subsidiary undertakings, after eliminating intra-group balances and transactions.

(c) Cash flow statement

The group companies qualify as small companies under the Companies Act 1985 and the directors have elected to take advantage of the exemption under Financial Reporting Standard 1 not to prepare a cash flow statement.

(d) Turnover

Turnover represents net invoiced work done and goods sold, excluding Value Added Tax.

(e) Tangible fixed assets

Tangible fixed assets are valued at cost less accumulated depreciation. Depreciation is provided for at the following annual rates in order to write off the cost of each asset over its estimated useful life:

Computer equipment	25% straight line
Plant and equipment	25% straight line
Motor vehicles	25% reducing balance

A proportion only of the annual figure is charged during the period of acquisition, the proportion being calculated on the number of months of ownership.

(f) Investments

Investments are valued at the lower of cost and market value.

(g) Stocks

Stocks are valued at the lower of cost and net realisable value.

(h) Hire purchase commitments

Tangible fixed assets acquired under hire purchase contracts are capitalised and depreciated over their estimated useful lives. The corresponding obligations are treated in the balance sheet as liabilities. Finance charges are allocated to accounting periods on a straight line basis over the term of the contracts.

DANMERE LIMITED GROUP

NOTES TO THE ACCOUNTS

AS AT 30TH SEPTEMBER 1997

1. ACCOUNTING POLICIES (Continued)

(i) Operating leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis.

(j) Deferred taxation

Provision is made for deferred taxation, using the liability method, for all timing differences to the extent that it is probable the liability will crystallise.

(k) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit or loss.

(l) Research and development

Expenditure on research and development is written off in the period in which it is incurred.

2. TURNOVER

During the period 36% (1996, 25%) of total turnover related to exports.

1997	1996
	(18 months)
£	£

3. OPERATING (LOSS)/PROFIT

The group operating loss (1996, profit) is stated after charging:

Operating lease rentals	15,653	10,081
Depreciation of tangible fixed assets		
- Owned by the company	10,798	5,877
- Held under hire purchase contracts	8,572	17,960
Directors' remuneration	29,976	28,629
Auditors' remuneration	1,950	1,800
	<u> </u>	<u> </u>

DANMERE LIMITED GROUP

NOTES TO THE ACCOUNTS

AS AT 30TH SEPTEMBER 1997

1997	1996
	(18 months)
£	£

4. TAXATION

The tax charge on the loss (1996, profit) on ordinary activities for the period is as follows:-

UK Corporation tax, at 21% and 24% (1996, 24% and 25%) based on the adjusted results for the period	-	10,705
Underprovision in previous years	1,403	-
	<u>1,403</u>	<u>10,705</u>

5. DIVIDENDS

On ordinary shares:

Paid £0.10 (1996, £751.04) per share	<u>15,000</u>	<u>109,234</u>
--------------------------------------	---------------	----------------

6. PROFIT ATTRIBUTABLE TO THE PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the parent undertaking's profit and loss account is not included in these accounts. Its loss for the period was £18,025 (1996, profit £5,587) after including dividends of £15,000 (1996, £109,234).

DANMERE LIMITED GROUP

NOTES TO THE ACCOUNTS

AS AT 30TH SEPTEMBER 1997

7. TANGIBLE FIXED ASSETS

THE GROUP AND THE COMPANY

	COMPUTER EQUIPMENT £	PLANT AND EQUIPMENT £	MOTOR VEHICLES £	TOTAL £
COST				
At 1st October 1996	20,041	16,959	69,059	106,059
Additions	8,702	9,140	-	17,842
	<u>28,743</u>	<u>26,099</u>	<u>69,059</u>	<u>123,901</u>
At 30th September 1997	<u>28,743</u>	<u>26,099</u>	<u>69,059</u>	<u>123,901</u>
DEPRECIATION				
At 1st October 1996	3,586	3,097	34,773	41,456
Provision for the year	5,270	5,528	8,572	19,370
	<u>8,856</u>	<u>8,625</u>	<u>43,345</u>	<u>60,826</u>
At 30th September 1997	<u>8,856</u>	<u>8,625</u>	<u>43,345</u>	<u>60,826</u>
NET BOOK VALUE				
At 30th September 1997	<u>19,887</u>	<u>17,474</u>	<u>25,714</u>	<u>63,075</u>
At 30th September 1996	<u>16,455</u>	<u>13,862</u>	<u>34,286</u>	<u>64,603</u>

The net book value of assets held under hire purchase contracts, included in the above, amounted to £25,714 (1996, £34,286).

DANMERE LIMITED GROUP

NOTES TO THE ACCOUNTS

AS AT 30TH SEPTEMBER 1997

8. INVESTMENTS

	Shares in subsidiary undertakings £	Other investments £	Total £
THE GROUP			
COST			
At 1st October 1996	-	-	-
Additions	-	6,000	6,000
	<hr/>	<hr/>	<hr/>
At 30th September 1997	-	6,000	6,000
	<hr/>	<hr/>	<hr/>
THE COMPANY			
COST			
At 1st October 1996	2	-	2
Additions	-	6,000	6,000
	<hr/>	<hr/>	<hr/>
At 30th September 1997	2	6,000	6,002
	<hr/>	<hr/>	<hr/>

The company is the beneficial owner of all the issued ordinary share capital of the following company, which is registered in England and Wales:

NAME OF COMPANY

NATURE OF BUSINESS

Danmere Technologies Limited

Marketing of computer peripherals

Other investments relate to shares held in Systolix Limited and are valued at cost.

Investments are all unlisted.

DANMERE LIMITED GROUP

NOTES TO THE ACCOUNTS

AS AT 30TH SEPTEMBER 1997

	THE GROUP		THE COMPANY	
	1997	1996	1997	1996
	£	£	£	£
9. DEBTORS				
Trade debtors	86,649	26,200	614,421	241,743
Amounts owed by group undertakings				
- Danmere Technologies Limited	-	-	56,759	28,650
Taxation	4,474	4,809	4,474	4,809
ACT recoverable	14,477	11,795	14,477	11,795
Other debtors	28,018	8,513	28,018	8,513
Prepayments	20,388	10,188	20,388	10,188
	<u>154,006</u>	<u>61,505</u>	<u>738,537</u>	<u>305,698</u>

Factored debts due to the company and the group at 30th September 1997 amounted to £62,380 (1996, £Nil).

In preparing the company's accounts the directors have assumed that amounts totalling £342,419 (net) due from its subsidiary undertaking, Danmere Technologies Limited, will be repaid. Trade negotiations are taking place with various third parties and if successfully concluded the directors consider that there will be no difficulty in achieving a full recovery in the foreseeable future.

	THE GROUP		THE COMPANY	
	1997	1996	1997	1996
	£	£	£	£
10. CREDITORS: Amounts falling due within one year				
Bank overdraft	-	2,152	-	2,152
Net obligations under hire purchase contracts (note 11)	3,967	12,434	3,967	12,434
Trade creditors	171,002	100,864	171,002	100,864
ACT payable	5,500	5,500	5,500	5,500
Social security and other taxes	13,145	3,692	13,145	3,692
Directors' loan accounts	2,102	4,561	2,102	4,561
Other creditors	45,247	-	45,247	-
Accruals	20,717	5,924	262,129	147,157
	<u>261,680</u>	<u>135,127</u>	<u>503,092</u>	<u>276,360</u>

DANMERE LIMITED GROUP

NOTES TO THE ACCOUNTS

AS AT 30TH SEPTEMBER 1997

	THE GROUP		THE COMPANY	
	1997	1996	1997	1996
	£	£	£	£
11.NET OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS				
Due within one year	3,967	12,434	3,967	12,434
Due after one but within five years	-	3,967	-	3,967
Aggregate amount (secured)	<u>3,967</u>	<u>16,401</u>	<u>3,967</u>	<u>16,401</u>

12.DEFERRED TAXATION

The amounts provided and unprovided for deferred taxation based on the liability method of calculation, at 21%, are as follows:-

	1997		1996	
	Amount provided	Amount unprovided	Amount provided	Amount unprovided
	£	£	£	£
THE GROUP				
Accelerated capital allowances	-	(3,288)	-	(3,543)
Losses carried forward	-	(50,092)	-	(3,519)
	<u>-</u>	<u>(53,380)</u>	<u>-</u>	<u>(7,062)</u>
THE COMPANY				
Accelerated capital allowances	-	(3,288)	-	(3,543)
	<u>-</u>	<u>(3,288)</u>	<u>-</u>	<u>(3,543)</u>

DANMERE LIMITED GROUP

NOTES TO THE ACCOUNTS

AS AT 30TH SEPTEMBER 1997

	1997 £	1996 £
13. CALLED UP SHARE CAPITAL		
Authorised:		
Ordinary shares of £1 each	894,989	1,000,000
'A' Ordinary shares of £1 each	105,011	-
	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, issued and fully paid:		
Ordinary shares of £1 each	195,020	150,020
'A' Ordinary shares of £1 each	105,011	-
	<u>300,031</u>	<u>150,020</u>

During the year 45,000 Ordinary shares of £1 each were issued at par and 105,011 'A' Ordinary shares of £1 each were issued at £5.71 each. Each issue was fully paid in cash.

	1997 £	1996 £
14. SHARE PREMIUM RESERVE		
THE GROUP AND THE COMPANY		
At 1st October/1st April	-	-
Arising on the issue of 'A' Ordinary shares (note 13)	494,989	-
	<u>494,989</u>	<u>-</u>
At 30th September	<u>494,989</u>	<u>-</u>

15. CONTROLLING PARTY

The group and the company are controlled by K Austin, managing director.