

ARNEL LIMITED
REGISTERED OFFICE
15 GILDREDGE ROAD, EASTBOURNE
EAST SUSSEX, BN21 4RA
Company No. 895566

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st JULY 1997



PERKINS COPELAND
Chartered Accountants
Eastbourne, East Sussex

ARNEL LIMITED

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31st JULY 1997

COMPANY INFORMATION

Registered office:

15 Gildredge Road
Eastbourne
East Sussex
BN21 4RA

Registered in England:

Company number: 895566

Directors:

R. R. Cook
G. R. Willingale

Secretary:

R. R. Cook

Auditors:

Perkins Copeland
Chartered Accountants
15 Gildredge Road
Eastbourne
East Sussex

Bankers:

Midland Bank plc.,
81 Turners Hill
Cheshunt
Hertfordshire
EN8 9BA

ARNEL LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 31st July 1997

STATE OF AFFAIRS

The company's business continued to be in the information systems market. During the year a distributor has been appointed for our software products in south east Asia. Early indications are good with a number of prospects showing interest in our solutions.

The company plans to distribute a range of keyboard products to both the retail and industrial sectors of the U.K. market place. Sales of our established products continue to develop well in both the U.K. and Europe with prospects for the coming year looking good.

The profit for the year, after taxation, was £ 65,316 (1996 £ 20,123) and is dealt with in the attached profit and loss account.

DIVIDENDS

A Dividend of £50000 was paid on 29th. July 1997.

MOVEMENT IN FIXED ASSETS

The movements in fixed assets during the year are set out in note 6 to the accounts.

DIRECTORS

The directors and their respective interests in the ordinary shares of the company as disclosed in the company's register of directors' interests were as stated below. These interests were all beneficially held except where stated otherwise.

	Ordinary shares of £1 each	
	at	at
	31/7/97	31/7/96
R. R. Cook	95	52
G. R. Willingale	5	5

COMPANY STATUS

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

AUDITOR

A resolution to re-appoint Perkins Copeland as auditors in accordance with section 384 of the Companies Act 1985 will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

.....Secretary
R. R. Cook

.23. march. 1998.....Date

ARNEL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31st JULY 1997

	<u>Note</u>	1997 £	1996 £
TURNOVER	1/2	805,696	694,385
COST OF SALES		360,060	302,828
GROSS PROFIT		445,636	391,557
Administrative expenses	3	365,675	366,910
OPERATING PROFIT	3	79,961	24,647
Interest receivable		8,686	9,603
Rental Income		1,400	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		90,047	34,250
Tax on profit on ordinary activities	5	24,731	14,127
PROFIT FOR THE FINANCIAL YEAR		65,316	20,123
Dividends paid		50,000	-
RETAINED PROFIT FOR THE YEAR		<u>£15,316</u>	<u>£20,123</u>

There are no recognised gains or losses in the year other than the profit for the year.

All results derive from continuing operations.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	£ 90,047	£ 34,250
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount.	8,900	8,900
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>£ 98,947</u>	<u>£ 43,150</u>
Historical cost profit for the year retained after taxation	<u>£ 24,216</u>	<u>£ 29,023</u>

ARNEL LIMITEDBALANCE SHEET AT 31st JULY 1997

	<u>Note</u>	1997 £	1996 £
FIXED ASSETS			
Tangible assets	6	296,243	270,368
Intangible assets	6	87,200	98,100
		<u>383,443</u>	<u>368,468</u>
CURRENT ASSETS			
Stock	7	58,485	64,060
Debtors	8	65,858	53,488
Cash at bank and in hand		168,108	143,919
		<u>292,451</u>	<u>261,467</u>
CREDITORS: amounts falling due within one year	9	212,926	174,665
NET CURRENT ASSETS		<u>79,525</u>	<u>86,802</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		462,968	455,270
CREDITORS: amounts falling due after one year, Bank loan (secured)		131,995	139,613
		<u>£ 330,973</u>	<u>£ 315,657</u>
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Share premium account	11	954	954
Revaluation reserve	12	71,200	80,100
Profit and loss account		258,719	234,503
SHAREHOLDERS' FUNDS	14	<u>£ 330,973</u>	<u>£ 315,657</u>

Approved by the Board on. 23. March. 1998.....
R. R. Cook

Directors

.....
G. R. Willingale

ARNEL LIMITED

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31st JULY 1997

1 ACCOUNTING POLICIES

a) Basis of accounting

The company prepares its accounts under the historical cost convention except for the revaluation of certain assets as disclosed.

b) Depreciation

Depreciation is provided on all tangible fixed assets and calculated so as to write down the net cost of each asset to its residual value over the period of its anticipated economic life as follows:

Freehold property	2% reducing balance basis
Fixtures and fittings	15% reducing balance basis
Computer equipment	25% reducing balance basis
Motor vehicles	25% reducing balance basis

c) Deferred taxation

Deferred taxation, calculated at the current rate of corporation tax in respect of timing differences to the extent that the directors consider that a liability may arise in the foreseeable future, is shown by note.

d) Stocks

Stocks are stated in the balance sheet at the lower of cost and net realisable value.

e) Research and development

Expenditure on development of specific computer software is carried forward and written off over the period over which that software is expected to be sold. The amount so deferred is reviewed annually and written off when the circumstances which justified deferral no longer apply.

f) Computer software

The rights to software acquired for a notional consideration were then revalued at estimated current costs. The amount so capitalised is reviewed annually and written off when the circumstances which justified revaluation no longer apply.

2 TURNOVER

Turnover represents the invoiced amounts of goods and services provided excluding value added tax.

ARNEL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st JULY 1997 (continued)

3 OPERATING PROFIT

This is stated after charging:

	1997 £	1996 £
a) Directors' remuneration (see below)	134,295	145,886
Auditor's remuneration	4,975	4,648
Depreciation -Tangible assets	35,493	31,655
-Intangible assets	10,900	10,900
b) Directors' remuneration		
Salaries and fees	105,000	99,000
Pensions - former directors	1,310	23,182
Employer's national insurance thereon	12,058	10,098
Pension contributions	13,958	12,825
BUPA	1,969	781
	<u>£134,295</u>	<u>£145,886</u>

The emoluments of the highest paid director, excluding pension contributions, were £60,000 (1996 £57,000). The emoluments of the other director fell in the range £40,001 to £45,000 (1996 £40,001 to £45,000)

4 STAFF COSTS

Wages and salaries	195,042	185,480
Social security costs	22,150	19,245
	<u>£217,192</u>	<u>£204,725</u>

The average weekly number of employees during the year was made up as follows:

	No.	No.
Salesmen	2	2
Service	4	3
Office & administration	2	2
	-	-
	8	7
	=	=

5 TAXATION ON ORDINARY ACTIVITIES

UK Corporation tax on the profits for the year (as adjusted for tax purposes) at 24%	24,731	14,127
In respect of previous year	-	-
	<u>£24,731</u>	<u>£14,127</u>

Taxation deferred by the operation of capital allowances in excess of depreciation charged amounts to approximately £585 (1996 £600). Among other items depreciation charged on property and intangible assets is not admissible for tax purposes and the taxation charge is increased for these items alone by approximately £3,520.

ARNEL LIMITED**NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31st JULY 1997 (continued)****6 FIXED ASSETS - tangible assets**

	Freehold Property £	Computer Equipment £	Fixtures/ Fittings £	Motor Vehicles £	Total £
COST					
At beginning of year	185,641	63,757	53,107	69,208	371,713
Additions	5,477	27,013	13,683	15,820	61,993
Disposals	-	-	(150)	(7,196)	(7,346)
At end of year	<u>£191,118</u>	<u>£90,770</u>	<u>£66,640</u>	<u>£77,832</u>	<u>£426,360</u>
DEPRECIATION					
At beginning of year	3,713	39,620	22,533	35,479	101,345
Charge for year	3,748	12,788	6,639	12,318	35,493
In respect of disposals	-	-	-	(6,721)	(6,721)
At end of year	<u>£7,461</u>	<u>£52,408</u>	<u>£29,172</u>	<u>£41,076</u>	<u>£130,117</u>
NET BOOK VALUES AT					
31st JULY 1997	<u>£183,657</u>	<u>£38,362</u>	<u>£37,468</u>	<u>£36,756</u>	<u>£296,243</u>
1st AUGUST 1996	<u>£181,928</u>	<u>£24,137</u>	<u>£30,574</u>	<u>£33,729</u>	<u>£270,368</u>

FIXED ASSETS - intangible assets

	Research & Development £	Computer Software £	Total £
COST/VALUATION			
At beginning & end of year	<u>£20,000</u>	<u>£89,000</u>	<u>£109,000</u>
DEPRECIATION			
At beginning of year	2,000	8,900	10,900
Charge for year	2,000	8,900	10,900
At end of year	<u>£ 4,000</u>	<u>£ 17,800</u>	<u>£ 21,800</u>
NET BOOK VALUE AT			
31st JULY 1997	<u>£ 16,000</u>	<u>£ 71,200</u>	<u>£ 87,200</u>
1ST AUGUST 1996	<u>£ 18,000</u>	<u>£ 80,100</u>	<u>£ 98,100</u>

Computer software was revalued in 1992 at its estimated current cost at that date. The directors consider that, in the light of current conditions, this should be written off over this and the next eight years.

7 STOCK

Raw materials and consumables	58,485	64,060
	<u>£ 58,485</u>	<u>£ 64,060</u>

ARNEL LIMITED

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31st JULY 1997 (continued)

8 DEBTORS	1997 £	1996 £
Trade debtors	49,807	49,893
Prepayments	2,926	2,970
Advance Corporation Tax Recoverable	12,500	-
Other	625	625
	<u>£ 65,858</u>	<u>£ 53,488</u>
9 CREDITORS: amounts falling due within one year		
Trade creditors	33,764	33,563
Current corporation tax	24,732	14,127
Taxation and social security costs	43,880	57,110
Directors' loan accounts	11,462	9,939
Accruals and deferred income	80,050	54,348
Advance Corporation Tax Payable	12,500	-
Bank loan payable within one year	6,538	5,578
	<u>£ 212,926</u>	<u>£ 174,665</u>
10 SHARE CAPITAL		
Authorised: shares of £1 each	<u>£ 10,000</u>	<u>£ 10,000</u>
Issued and fully paid	<u>£ 100</u>	<u>£ 100</u>
11 SHARE PREMIUM ACCOUNT	<u>£ 954</u>	<u>£ 954</u>
12 OTHER RESERVES		
Revaluation reserve	<u>£ 71,200</u>	<u>£ 80,100</u>

ARNEL LIMITED

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31st JULY 1997 (continued)

13 PENSIONS

a) The company pays an ex gratia pension to a former director. The amount payable is capable of annual review, is not necessarily for the life of that person, and may cease in certain circumstances. Provision was not made prior to retirement and the company's policy is to charge these costs in the years in which payments are made. Accordingly these financial statements do not comply with S.S.A.P. 24 the objective of which is to recognise such costs over the period during which the directors' services were provided.

b) The company operates money purchase schemes for its present directors the costs being charged when paid.

14 MOVEMENT IN SHAREHOLDERS FUNDS

	<u>Share Capital</u> £	<u>Share Premium</u> £	<u>Reval'n Reserve</u> £	<u>Profit & Loss</u> £	<u>Total</u> £
Balance at 1st August 1996	100	954	80,100	234,503	315,657
Profit for the year	-	-	-	15,316	15,316
Transfer of amount equivalent to additional depreciation on revalued assets	-	-	(8,900)	8,900	-
Balance at 31st July 1997	<u>£100</u>	<u>£954</u>	<u>£71,200</u>	<u>£258,719</u>	<u>£330,973</u>

ARNEL LIMITED

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 result of the Company for that period. In preparing those financial statements, the Directors are required to :-

- select suitable accounting policies and 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 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 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.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
ARNEL LIMITED**

We have audited the financial statements on pages 3 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective Responsibilities of Directors and Auditors

As described above 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

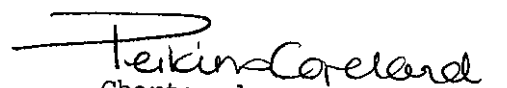
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 mis-statement, 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 at 31st July 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Date.. 26 March 1998....
15 Gildredge Road
Eastbourne


Chartered Accountants
Registered Auditor