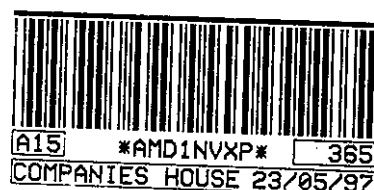


Register

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st JULY 1996



A15
COMPANIES

PERKINS COPELAND
Chartered Accountants
Eastbourne, East Sussex

ARNEL LIMITED

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31st JULY 1996

COMPANY INFORMATION

Registered office:

15 Gildredge Road
Eastbourne
East Sussex

Registered in England:

Company number: 895566

Directors:

R. R. Cook
G. R. Willingale

Secretary:

R. R. Cook

Auditor:

Perkins Copeland
Chartered Accountants
15 Gildredge Road
Eastbourne
East Sussex

Bankers:

Midland Bank plc.,
81 Turners Hill
Cheshunt
Hertfordshire

ARNEL LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 31st July 1996

STATE OF AFFAIRS

The Company's business continued to be in the information systems market. During the year a number of new accounts have been secured and the prospects for new business in the coming year are good.

A number of new products have been developed during the year, one of which in particular is showing considerable promise. Sales of company's software products in Europe has continued at satisfactory levels with a number of development contracts secured.

The company's profit for the year, after taxation, was £ 20,123. (1995 £ 20,213) and is dealt with in the attached profit and loss account.

DIVIDENDS

No dividend was paid nor is one recommended.

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
	31/7/96	31/7/95
R. R. Cook	52	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 auditor 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

.....(8/1/96)...Date

ARNEL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31st JULY 1996

	<u>Note</u>	1996 £	1995 £
TURNOVER	1/2	694,385	679,084
COST OF SALES		302,828	334,632
GROSS PROFIT		391,557	344,452
Administrative expenses	3	366,910	322,655
OPERATING PROFIT	3	24,647	21,797
Interest receivable		9,603	4,871
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		34,250	26,668
Tax on profit on ordinary activities	5	14,127	6,455
PROFIT FOR THE FINANCIAL YEAR		£ 20,123	£ 20,213

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	£ 34,250	£ 26,668
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount.	8,900	-
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	£ 43,150	£ 26,668
Historical cost profit for the year retained after taxation	£ 29,023	£ 20,213

ARNEL LIMITEDBALANCE SHEET AT 31st JULY 1996

	<u>Note</u>	1996 £	1995 £
FIXED ASSETS			
Tangible assets	6	270,368	85,362 60,936
Intangible assets	6	98,100	109,000
		<u>368,468</u>	<u>169,936</u> <u>194,362</u>
CURRENT ASSETS			
Stock	7	64,060	48,616
Debtors	8	53,488	34,232
Cash at bank and in hand		143,919	221,589
		<u>261,467</u>	<u>304,437</u>
CREDITORS: amounts falling due within one year	9	174,665	203,265
NET CURRENT ASSETS		<u>86,802</u>	<u>101,172</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		455,270	271,108
CREDITORS: amounts falling due after one year, Bank loan (secured)		139,613	-
		<u>£ 315,657</u>	<u>£ 295,534</u>
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Share premium account	11	954	954
Revaluation reserve	12	80,100	89,000
Profit and loss account		234,503	205,480
SHAREHOLDERS' FUNDS	14	<u>£ 315,657</u>	<u>£ 295,534</u>

Approved by the Board on.... (2/11/97)

.....
R. R. Cook

.....
Directors

.....
G. R. Willingale

ARNEL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st JULY 1996

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 1996 (continued)

3 OPERATING PROFIT

This is stated after charging:

	1996	1995
	£	£
a) Directors' remuneration (see below)	145,886	149,921
Auditor's remuneration	4,648	4,393
Depreciation -Tangible assets	31,655	20,569
-Intangible assets	10,900	-
b) Directors' remuneration		
Salaries and fees	99,000	114,000
Pensions - former directors	23,182	17,468
Employer's national insurance thereon	10,098	11,628
Pension contributions	12,825	6,825
BUPA	781	
	<u>£145,886</u>	<u>£149,921</u>

The emoluments of the highest paid director, excluding pension contributions, were £57,000 (1995 £57,000). The emoluments of the other director fell in the range £40,001 to £45,000 (1995 £55,001 to £60,000)

4 STAFF COSTS

Wages and salaries	185,480	184,600
Social security costs	19,245	19,211
	<u>£204,725</u>	<u>£203,811</u>

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

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

5 TAXATION ON ORDINARY ACTIVITIES

UK Corporation tax on the profits for the year (as adjusted for tax purposes) at 25%	14,127	6,455
In respect of previous year	-	-
	<u>£14,127</u>	<u>£6,455</u>

Taxation deferred by the operation of capital allowances in excess of depreciation charged amounts to approximately £600 (1995 £1850). 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 £3,650.

ARNEL LIMITED**NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31st JULY 1996 (continued)****6 FIXED ASSETS - tangible assets**

	Freehold Property £	Computer Equipment £	Fixtures/ Fittings £	Motor Vehicles £	Total £
COST					
At beginning of year	-	56,000	49,448	63,604	169,052
Additions	185,641	7,757	17,659	5,604	216,661
Disposals	-	-	(14,000)	-	(14,000)
At end of year	<u>£185,641</u>	<u>£63,757</u>	<u>£53,107</u>	<u>£69,208</u>	<u>£371,713</u>
DEPRECIATION					
At beginning of year	-	31,574	27,888	24,228	83,690
Charge for year	3,713	8,046	8,645	11,251	31,655
In respect of disposals	-	-	(14,000)	-	(14,000)
At end of year	<u>£3,713</u>	<u>£39,620</u>	<u>£22,533</u>	<u>£35,479</u>	<u>£101,345</u>
NET BOOK VALUES AT					
31st JULY 1996	<u>£181,928</u>	<u>£24,137</u>	<u>£30,574</u>	<u>£33,729</u>	<u>£270,368</u>
1st AUGUST 1995	<u>£-</u>	<u>£24,426</u>	<u>£21,560</u>	<u>£39,376</u>	<u>£85,362</u>

FIXED ASSETS - intangible assets

	Research & Development £	Revaluation Surplus £	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	-	-	-
Charge for year	<u>2,000</u>	<u>8,900</u>	<u>10,900</u>
At end of year	<u>£ 2,000</u>	<u>£ 8,900</u>	<u>£ 10,900</u>
NET BOOK VALUE AT			
31st JULY 1996	<u>£ 18,000</u>	<u>£ 80,100</u>	<u>£ 98,100</u>
1ST AUGUST 1995	<u>£ 20,000</u>	<u>£ 89,000</u>	<u>£ 109,000</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 nine years.

7 STOCK

Raw materials and consumables	64,060	48,616
	<u>£ 64,060</u>	<u>£ 48,616</u>

ARNEL LIMITED

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31st JULY 1996 (continued)

8 DEBTORS

	1996 £	1995 £
Trade debtors	49,893	22,086
Prepayments	2,970	4,275
Arnel Leasing Ltd.	-	1,642
Other	625	6,229
	<u>£ 53,488</u>	<u>£ 34,232</u>

9 CREDITORS: amounts falling due within one year

Trade creditors	33,563	18,049
Current corporation tax	14,127	6,455
Taxation and social security costs	57,110	71,953
Directors' loan accounts	9,939	9,068
Accruals and deferred income	54,348	94,380
Arnel Services Ltd.	-	3,360
Bank loan payable within one year	5,578	-
	<u>£ 174,665</u>	<u>£ 203,265</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>
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12 OTHER RESERVES

Revaluation reserve	<u>£ 80,100</u>	<u>£ 89,000</u>
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ARNEL LIMITED

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31st JULY 1996 (continued)

13 PENSIONS

a) The company paid an ex gratia pension to a former director who died in June 1996 and who held a substantial minority of the company's issued shares and also continues to pay a similar pension to another former director. The amount payable is capable of annual review, is not necessarily for the life of each 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 1995	100	954	89,000	205,480	295,534
Profit for the year	-	-	-	20,123	20,123
Transfer of amount equivalent to additional depreciation on revalued assets	-	-	(8,900)	8,900	-
Balance at 31st July 1996	<u>£100</u>	<u>£954</u>	<u>£80,100</u>	<u>£234,503</u>	<u>£315,657</u>

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 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Date... 20 May 1997
15 Gildredge Road
Eastbourne


Perkins Copeland,
Chartered Accountants
Registered Auditor