
PROCULA LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 1996



LAKIN ROSE
CHARTERED ACCOUNTANTS



PROCULA LIMITED

Company Information

Directors	Dr R G Crichton E H Murphy
Secretary	D Woods
Company Number	2640274
Registered Office	St John's Innovation Centre Cambridge CB4 4WS
Auditors	Lakin Rose 38 Station Road Cambridge CB1 2JH

PROCULA LIMITED

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PROCULA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

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

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 profit or loss of the company 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;
- 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.

Principal activities and review of business

The company's principal activity continues to be that of the provision of consultancy services for the application of technology to new ways of working. The company trades under the name of The Home Office Partnership.

Directors

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

	Ordinary shares of £1 each	
	1996	1995
Dr R G Crichton	16	16
E H Murphy	2	2

Auditors

The auditors, Lakin Rose, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

Small company exemptions

Advantage has been taken in the preparation of this report of the exemptions applicable to small companies conferred by Part II of Schedule 8 to the Companies Act 1985.

This report was approved by the board on 1/5/97 and signed on its behalf.

D Woods

D Woods
Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF PROCULA 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 on page 1 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 provisions of the Companies Act 1985 applicable to small companies.

Lakin Rose

Lakin Rose

38 Station Road
Cambridge
CB1 2JH

Chartered Accountants
Registered Auditor

Date: 7 May 1997

PROCULA LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1996

	Note	1996 £	1995 £
TURNOVER	1,2	446,979	306,123
Administrative expenses		(371,577)	(295,715)
Other operating income		220	-
OPERATING PROFIT	3	75,622	10,408
Interest receivable		632	1,354
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		76,254	11,762
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	4	(18,915)	(4,291)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		57,339	7,471
DIVIDENDS	5	-	(28,241)
RETAINED PROFIT/(LOSS) FOR THE YEAR		57,339	(20,770)
RETAINED PROFIT BROUGHT FORWARD		41,967	62,737
RETAINED PROFIT CARRIED FORWARD		£ 99,306	£ 41,967

Turnover and operating profit derive wholly from continuing operations.

There were no recognised gains and losses for 1996 or 1995 other than those included in the profit and loss account.

The notes on pages 5 to 9 form part of these financial statements.

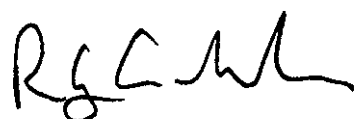
PROCULA LIMITED

BALANCE SHEET
As at 31 December 1996

	Note	£	1996 £	£	1995 £
FIXED ASSETS					
Tangible fixed assets	6		10,816		13,931
Investments	7		1,000		-
			<u>11,816</u>		<u>13,931</u>
CURRENT ASSETS					
Debtors	8	108,990		66,285	
Cash at bank and in hand		58,310		36,228	
		<u>167,300</u>		<u>102,513</u>	
CREDITORS: amounts falling due within one year	9	<u>(79,790)</u>		<u>(74,457)</u>	
NET CURRENT ASSETS			<u>87,510</u>		<u>28,056</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£ 99,326</u>		<u>£ 41,987</u>
CAPITAL AND RESERVES					
Called up share capital	11		20		20
Profit and loss account			99,306		41,967
SHAREHOLDERS' FUNDS - All equity	12		<u>£ 99,326</u>		<u>£ 41,987</u>

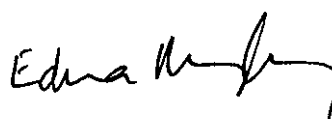
The directors have taken advantage of special exemptions conferred by Part I of Schedule 8 to the Companies Act 1985 applicable to small companies in the preparation of the financial statements and have done so on the grounds that, in their opinion, the company qualifies as a small company by virtue of section 247 of the Companies Act 1985.

The financial statements were approved by the board on 1 May 1997 and signed on its behalf



Dr R G Crichton

Director



E H Murphy

Director

The notes on pages 5 to 9 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1996

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings	-	33%	of original cost per annum
Office equipment	-	33%	of original cost per annum
Computer equipment	-	33%	of original cost per annum

1.4 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.5 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 ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.6 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

1.7 Pensions

The company pays pension contributions for its directors and employees into their personal pension schemes. The pension charge represents contributions paid into those schemes during the year.

1.8 Grants

Grants are credited to the profit and loss account to match the expenditure to which they relate.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1996

2. TURNOVER

All of the company's turnover arose within the United Kingdom.

3. OPERATING PROFIT

The operating profit is stated after charging:

	1996 £	1995 £
Depreciation of tangible fixed assets		
- owned by the company	8,749	10,032
Audit fees	2,500	2,500
Operating lease rentals		
- other	12,456	16,514
Directors' emoluments	142,477	120,327
Pension costs	1,867	-
Foreign exchange differences	12	11
	<u> </u>	<u> </u>

4. TAXATION

	1996 £	1995 £
Current year taxation		
UK Corporation Tax at 24.25% (1995 - 25%)	£ 18,915	£ 4,291
	<u> </u>	<u> </u>

5. DIVIDENDS

	1996 £	1995 £
Ordinary - interim paid	£ -	£ 28,241
	<u> </u>	<u> </u>

On 1 March 1995 the trade, assets and liabilities at a value of £28,241 relating to the activities of the company in the areas of business centre computing services and remote working products (the 'Evonet' business) were transferred to its wholly owned subsidiary, Evonet Limited.

On 17 March 1995 the entire share capital of Evonet Limited was transferred by means of a distribution to Moller and Sparrowhawk Limited, a company wholly owned by C H Moller, a former director of the company.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1996

6. TANGIBLE ASSETS

	Plant & Machinery etc £
Cost or valuation	
At 1 January 1996	43,963
Additions	5,634
	<u>49,597</u>
At 31 December 1996	
Depreciation	
At 1 January 1996	30,032
Charge for year	8,749
	<u>38,781</u>
At 31 December 1996	
Net Book Value	
At 31 December 1996	£ 10,816
	<u>£ 13,931</u>
At 31 December 1995	

7. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
Additions	1,000
	<u>1,000</u>
At 31 December 1996	
Net Book Value	
At 31 December 1996	£ 1,000

Investments include an investment in a subsidiary, Teleservice Solutions Limited, comprising a holding of 100% of its issued ordinary capital.

Teleservice Solutions Limited was dormant throughout the period.

8. DEBTORS

	1996 £	1995 £
Due within one year		
Trade debtors	71,335	45,330
Other debtors	37,655	20,955
	<u>£ 108,990</u>	<u>£ 66,285</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1996

9. CREDITORS

Amounts falling due within one year

	1996	1995
	£	£
Trade creditors	524	12,914
Amounts owed to group undertakings	1,000	-
Corporation tax	18,974	4,000
Other creditors	59,292	57,543
	<u>£ 79,790</u>	<u>£ 74,457</u>

Included within other creditors is an amount of £54,270 (1995 - £15,151) relating to social security and other taxes.

10. PROVISIONS FOR LIABILITIES AND CHARGES

No provision has been made for deferred tax (1995 : £ Nil)

The potential asset for deferred taxation not provided was as follows:

	1996	1995
	£	£
Depreciation in advance of capital allowances	<u>£ 2,287</u>	<u>£ 1,802</u>

11. CALLED UP SHARE CAPITAL

	1996	1995
	£	£
Authorised		
1,000 ordinary shares of £1 each	<u>£ 1,000</u>	<u>£ 1,000</u>
Allotted, called up and fully paid		
20 ordinary shares of £1 each	<u>£ 20</u>	<u>£ 20</u>

12. SHAREHOLDERS' FUNDS

Reconciliation of movements on shareholders' funds

	1996	1995
	£	£
Profit for the year	57,339	7,471
Dividends	-	(28,241)
	<u>57,339</u>	<u>(20,770)</u>
Opening shareholders' funds	41,987	62,757
Closing shareholders' funds	<u>£ 99,326</u>	<u>£ 41,987</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1996

13. CONTINGENT LIABILITIES

Grants received from the European Community are repayable if the company fails to meet the conditions of the grant. This contingent liability continues for two years after the final grant payment or until a European Community audit, whichever is the earlier. No provision has been provided by the company in relation to these contingent liabilities as the directors believe they have met and will continue to meet the conditions required by the grant.

14. OTHER COMMITMENTS

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1996	1995
	£	£
Expiry date:		
Between 2 and 5 years	10,500	-

15. TRANSACTIONS WITH DIRECTORS

Dr R G Crichton did not provide any services to the company during the year (1995:£71,500). Amaris Limited, a company of which Dr R G Crichton is a director, did not provide any services to the company during the year (1995:£7,267).