

GAM/N266

Company Registration No. 2750169 (England and Wales)

NUCLEUS CONSULTING LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 1997



NUCLEUS CONSULTING LIMITED

COMPANY INFORMATION

Directors	P.N. Matthews J.B. Stranger
Secretary	J.B. Stranger
Company number	2750169
Registered office	John Loftus House Summer Road Thames Ditton Surrey KT1 0RD
Business address	John Loftus House Summer Road Thames Ditton Surrey KT1 0RD
Auditors	H. W. Fisher & Company Acre House 11-15 William Road London NW1 3ER
Bankers	National Westminster Bank plc 5 Market Place Kingston-Upon-Thames Surrey KT1 1JX

NUCLEUS CONSULTING LIMITED

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NUCLEUS CONSULTING LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 1997

The directors present their report and accounts for the period ended 31 December 1997.

Principal activities

The principal activity of the company continues to be that of acting as consultants on the effective exploration of advanced telecommunications and distributed information technology.

Review of business

Both the level of business and the period end financial position were as expected in the light of current trading conditions and the directors do not anticipate any material changes in the present level of activity.

Results and dividends

The profit for the period after taxation amounted to £50,698.

The directors recommend payment of a final dividend amounting to £10,000.

Directors and their interests

The directors at 31 December 1997 and their beneficial interests in the shares of the company were:

	Ordinary £1 shares of £1 each	
	31 December 1997	1 September 1996
J.B. Stranger	20	35
P.N. Matthews	20	20

J.A. Fotheringham retired as a director on 7 February 1997.

On 11 February 1997, N.J.C. Howard was appointed a director of the company and on 20 February 1997 he resigned.

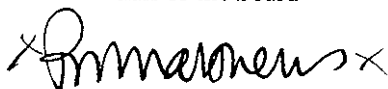
Purchase of own shares

On 3 December 1997, a special resolution was passed to buy back eighty-five shares of the company. These shares were cancelled on redemption. A capital redemption reserve was set up at the nominal value of the shares so acquired.

Auditors

H. W. Fisher & Company were appointed auditors to the company and a resolution proposing that they be reappointed will be put to the members at the next Annual General Meeting.

On behalf of the Board



P.N. Matthews

Director

Dated 27.10.98

NUCLEUS CONSULTING LIMITED

STATEMENT OF 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 of the profit or loss of the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NUCLEUS CONSULTING LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 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.

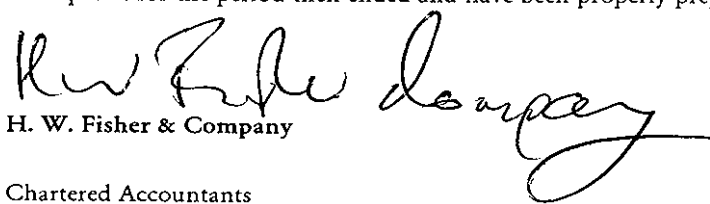
Basis of opinion

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.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


H. W. Fisher & Company

Chartered Accountants
Registered Auditor
Acre House
11-15 William Road
London
NW1 3ER

Dated:

27 Oct 1998

NUCLEUS CONSULTING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 1997

		16 months ended 31 December 1997 £	year ended 31 August 1996 £
	Notes		
Turnover	2	1,372,219	1,750,498
Cost of sales		(1,190,497)	(1,558,095)
Gross profit		181,722	192,403
Administrative expenses		(123,384)	(101,001)
Operating profit	3	58,338	91,402
Other income	6	8,187	7,660
Interest payable and similar charges	7	(531)	-
Profit on ordinary activities before taxation		65,994	99,062
Tax on profit on ordinary activities	8	(15,296)	(24,376)
Profit on ordinary activities after taxation		50,698	74,686
Dividends	9	(10,000)	(73,500)
Retained profit for the financial period		40,698	1,186
Retained profit brought forward		14,226	23,040
Purchase of own shares		(53,125)	(10,000)
Retained profit carried forward		1,799	14,226

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

NUCLEUS CONSULTING LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

	Notes	1997 £	£	1996 £	£
Fixed assets					
Tangible assets	10		10,190		6,986
Investments	11		1,272		1,272
			<u>11,462</u>		<u>8,258</u>
Current assets					
Stocks	12	6,352		128,366	
Debtors	13	391,375		559,037	
Cash at bank and in hand		223,742		99,242	
		<u>621,469</u>		<u>786,645</u>	
Creditors: amounts falling due within one year	14	(605,047)		(754,592)	
Net current assets			<u>16,422</u>		<u>32,053</u>
Total assets less current liabilities			<u>27,884</u>		<u>40,311</u>
Capital and reserves					
Called up share capital	15		40		125
Share premium account	16		25,955		25,955
Other reserves	16		90		5
Profit and loss account			1,799		14,226
Shareholders' funds - all equity interests	17		<u>27,884</u>		<u>40,311</u>

The accounts were approved by the Board on 27/10/98



P.N. Matthews
Director

NUCLEUS CONSULTING LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1997

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention.

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 represents the invoiced value of goods sold and services provided net of VAT.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25% Reducing balance
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1.4 Investments

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

1.5 Stock and work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition.

The cost of work in progress includes an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.6 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences 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 foreseeable future.

1.7 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

	1997	1996
	£	£
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets	4,631	2,327
Auditors' remuneration	3,500	3,080

NUCLEUS CONSULTING LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1997

4	Directors' emoluments	1997	1996
		£	£
	Aggregate emoluments	50,000	25,000
5	Employees		
	Number of employees		
	The average monthly number of employees during the period was:		
		1997	1996
		Number	Number
	Administration	2	3
	Employment costs		
		£	£
	Wages and salaries	50,000	25,000
	Social security costs	5,307	1,903
		55,307	26,903
6	Other income	1997	1996
		£	£
	Interest receivable and similar income	8,187	7,660
7	Interest payable and similar charges	1997	1996
		£	£
	Interest payable on:		
	Late payment of tax	531	-
8	Tax on profit on ordinary activities	1997	1996
		£	£
	U.K. Current year taxation		
	U.K. Corporation tax at 23% (1996 - 24%)	15,296	24,376

NUCLEUS CONSULTING LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1997

9	Dividends	1997 £	1996 £
	Ordinary interim paid	-	36,000
	Ordinary final proposed	10,000	37,500
		<u>10,000</u>	<u>73,500</u>

10	Tangible fixed assets	Fixtures, fittings & equipment £
	Cost	
	At 1 September 1996	12,296
	Additions	7,835
	At 31 December 1997	<u>20,131</u>
	Depreciation	
	At 1 September 1996	5,310
	Charge for the period	4,631
	At 31 December 1997	<u>9,941</u>
	Net book value	
	At 31 December 1997	<u>10,190</u>
	At 31 August 1996	<u>6,986</u>

11	Fixed asset investments	Unlisted investments £
	Cost	
	At 1 September 1996 & at 31 December 1997	<u>1,272</u>

NUCLEUS CONSULTING LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1997

12	Work in Progress	1997	1996
		£	£
	Work in progress	6,352	128,366
		<u>6,352</u>	<u>128,366</u>
13	Debtors	1997	1996
		£	£
	Trade debtors	344,756	445,855
	Advance corporation tax	5,702	9,375
	Other debtors	31,722	93,843
	Prepayments and accrued income	9,195	9,964
		<u>391,375</u>	<u>559,037</u>
14	Creditors: amounts falling due within one year	1997	1996
		£	£
	Trade creditors	513,826	662,391
	Corporation tax	11,623	24,751
	Other taxes and social security costs	12,800	10,898
	Accruals and deferred income	56,798	19,052
	Proposed dividend	10,000	37,500
		<u>605,047</u>	<u>754,592</u>
15	Share capital	1997	1996
		£	£
	Authorised		
	200 Ordinary £1 shares of £1 each	200	200
		<u>200</u>	<u>200</u>
	Allotted, called up and fully paid		
	40 Ordinary £1 shares of £1 each	40	125
		<u>40</u>	<u>125</u>

Eighty-five £1 ordinary shares were repurchased during the period for £53,125.

NUCLEUS CONSULTING LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1997

16 Statement of movements on reserves

	Share premium account	Other reserves
	£	£
Balance at 1 September 1996	25,955	5
Movement during the period	-	85
Balance at 31 December 1997	<u>25,955</u>	<u>90</u>

17 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial period	50,698	74,686
Dividends	(10,000)	(73,500)
	<u>40,698</u>	<u>1,186</u>
New share capital subscribed	-	15,000
Purchase of own shares	(53,125)	(10,000)
	<u>555</u>	<u>6,186</u>
Net (depletion in)/addition to shareholders' funds	40,311	34,125
Opening shareholders' funds	<u>27,884</u>	<u>40,311</u>
Closing shareholders' funds	<u>27,884</u>	<u>40,311</u>

18 Related party transactions

During the year J. Stranger and J. Fotheringham, directors of the company, carried out consultancy services for the company for which they invoiced on an arms length basis. The amounts for the period were as follows, J. Stranger £160,954 (1996 - £162,782) and J. Fotheringham £97,410 (1996 - £262,461).

During the year, net trading charges of £23,131 were incurred by Nucleus Design Limited, a company of which P.N. Matthews is the majority shareholder, on behalf of Nucleus Consulting Limited. At the year end, £38,672 was due to Nucleus Consulting Limited from this company, representing recharges and a loan of £25,000.