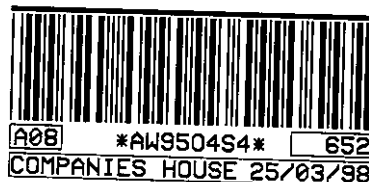


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REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24TH OCTOBER 1997
FOR
K 2 SOFTWARE LIMITED



K 2 SOFTWARE LIMITED

INDEX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24TH OCTOBER 1997

	Page
Company Information	1
Report of the Director	2
Profit and Loss Account	3
Balance Sheet	4
Notes to the Financial Statements	5
Report of the Accountants	8
Profit and Loss Account	9

K 2 SOFTWARE LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 24TH OCTOBER 1997

DIRECTOR: K Phillips

SECRETARY: Mrs K Phillips

REGISTERED OFFICE: 23 Camden Close
Grange Park
Swindon
Wiltshire

REGISTERED NUMBER: 03049739 (England and Wales)

ACCOUNTANTS: Ekins & Co (Swindon)
Chartered Accountants
31 Victoria Road
Swindon
Wiltshire

K 2 SOFTWARE LIMITED

REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 24TH OCTOBER 1997

The director presents his report with the financial statements of the company for the year ended 24th October 1997.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of computer programming consultants.

DIRECTOR

K Phillips was the sole director during the year under review.

His beneficial interest in the issued share capital of the company was as follows:

	24.10.97	25.10.96
Ordinary £1 shares	1	1

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

ON BEHALF OF THE BOARD:

K. Phillips.....

Mrs K Phillips - SECRETARY

Dated:

K 2 SOFTWARE LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE YEAR ENDED 24TH OCTOBER 1997

		Year Ended 24.10.97	Period 25.4.95 to 24.10.96
	Notes	£	£
TURNOVER	2	77,633	101,927
GROSS PROFIT		77,633	101,927
Administrative expenses		37,739	80,968
OPERATING PROFIT	3	39,894	20,959
Interest receivable and similar income	4	1,136	1,416
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		41,030	22,375
Tax on profit on ordinary activities	5	9,177	1,838
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		31,853	20,537
Dividends	6	25,600	14,400
		6,253	6,137
Retained profit brought forward		6,137	-
RETAINED PROFIT CARRIED FORWARD		£12,390	£6,137

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous period.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous period.

K 2 SOFTWARE LIMITED**BALANCE SHEET**
24TH OCTOBER 1997

		24.10.97		24.10.96	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		5,222		8,138
CURRENT ASSETS:					
Stocks	8	-		10,000	
Debtors	9	41,190		19,687	
Cash at bank		38,004		62,953	
		79,194		92,640	
CREDITORS: Amounts falling due within one year	10	72,024		94,639	
NET CURRENT ASSETS/(LIABILITIES):			7,170		(1,999)
TOTAL ASSETS LESS CURRENT LIABILITIES:			£12,392		£6,139
CAPITAL AND RESERVES:					
Called up share capital	11		2		2
Profit and loss account			12,390		6,137
Shareholders' funds	12		£12,392		£6,139

The company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the year ending 24th October 1997.

No notice has been deposited under Section 249B(2) of the Companies Act 1985 in relation to its financial statements for the financial year.

The director acknowledges his responsibilities for:

- ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:


K Phillips - DIRECTOR

Approved by the Board on18/3/98.....

The notes form part of these financial statements

K 2 SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 24TH OCTOBER 1997**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 20% on cost
Motor vehicles	- 20% on cost
Computer equipment	- 33% on cost

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the director, there is reasonable probability that the liability will not arise in the foreseeable future.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	Year Ended 24.10.97 £	Period 25.4.95 to 24.10.96 £
Depreciation - owned assets	3,141	3,506
(Profit)/Loss on disposal of fixed assets	(425)	2,400
	<u> </u>	<u> </u>
Director's emoluments and other benefits etc	13,224	37,926
	<u> </u>	<u> </u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 24.10.97 £	Period 25.4.95 to 24.10.96 £
Deposit account interest	1,136	1,416
	<u> </u>	<u> </u>

K 2 SOFTWARE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24TH OCTOBER 1997****5. TAXATION**

The tax charge on the profit on ordinary activities for the year was as follows:

	Year Ended 24.10.97 £	Period 25.4.95 to 24.10.96 £
UK Corporation Tax	9,177	1,838
	<u> </u>	<u> </u>

UK Corporation Tax has been charged at 21% (1996 - 24%).

6. DIVIDENDS

	Year Ended 24.10.97 £	Period 25.4.95 to 24.10.96 £
Equity shares:		
Final - Ordinary shares	25,600	14,400
	<u> </u>	<u> </u>

7. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST:				
At 25th October 1996	250	4,100	7,294	11,644
Additions	-	3,300	-	3,300
Disposals	-	(4,100)	-	(4,100)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 24th October 1997	250	3,300	7,294	10,844
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DEPRECIATION:				
At 25th October 1996	50	1,025	2,431	3,506
Charge for year	50	660	2,431	3,141
Eliminated on disposals	-	(1,025)	-	(1,025)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 24th October 1997	100	660	4,862	5,622
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUE:				
At 24th October 1997	150	2,640	2,432	5,222
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 24th October 1996	200	3,075	4,863	8,138
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8. STOCKS

	24.10.97 £	24.10.96 £
Work in progress	-	10,000
	<u> </u>	<u> </u>

K 2 SOFTWARE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24TH OCTOBER 1997****9. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	24.10.97	24.10.96
	£	£
Trade debtors	34,790	16,087
ACT recoverable	6,400	3,600
	<u>41,190</u>	<u>19,687</u>

**10. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	24.10.97	24.10.96
	£	£
Trade creditors	-	5,699
Directors current accounts	17,970	18,724
Other creditors	5,350	14,812
Dividend proposed	25,600	14,400
V.A.T.	5,018	16,087
Social security & other taxes	8,909	19,479
Taxation	9,177	5,438
	<u>72,024</u>	<u>94,639</u>

11. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	24.10.97	24.10.96
			£	£
100	Ordinary	£1	100	100
			<u> </u>	<u> </u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	24.10.97	24.10.96
			£	£
2	Ordinary	£1	2	2
			<u> </u>	<u> </u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	24.10.97	24.10.96
	£	£
Profit for the financial year	31,853	20,537
Dividends	(25,600)	(14,400)
	<u>6,253</u>	<u>6,137</u>
Share Capital	-	2
	<u>6,253</u>	<u>6,139</u>
NET ADDITION TO SHAREHOLDERS' FUNDS	6,253	6,139
Opening shareholders' funds	6,139	-
	<u>12,392</u>	<u>6,139</u>
CLOSING SHAREHOLDERS' FUNDS	<u>12,392</u>	<u>6,139</u>
	<u>12,392</u>	<u>6,139</u>
Equity interests	<u>12,392</u>	<u>6,139</u>