

**APPLE XEMPLAR EDUCATION LIMITED**  
**(formerly Xemplar Education Ltd.)**

FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 1998  
TOGETHER WITH DIRECTORS'  
AND AUDITORS' REPORTS

The company's registered number is 3143694



The directors present their annual report and financial statements for the year ended 31 December 1998.

Xemplar Education is engaged in the design, development and sales of information technology products, services and solutions into the UK educational sector.

Apple Computer Inc. Ltd attained full control of Xemplar Education Ltd by purchasing Acorn Computers Ltd's interest on the 8<sup>th</sup> January 1999. This change enables the company to bring its distinctive technologies to UK educational institutions wishing to participate in the Governments "National Grid for Learning" initiative. The company will also improve the service and support offered to its customers by fully utilising the capabilities and resources of the Apple Computer Group. The company has been renamed Apple Xemplar Education Ltd.

As a result of the closer integration with Apple Computer significant changes have been made to the organisation and costs of Xemplar Education in the first four months of 1999. The Company has changed name to Apple Xemplar Education Ltd. The Company has also relocated it's offices from Cambridge to Uxbridge, Middlesex and reduced the number of people directly employed to 34. This restructuring of the Company is estimated to cost £1.3m in exceptional costs during the financial year 1999.

**RESULTS AND DIVIDENDS** The profit for the period before taxation was £482,000. The Directors do not recommend the payment of a dividend

DG Lee	appointed 28/3/96	resigned 23/9/98
NP Turner	appointed 28/3/96	resigned 9/12/98
G Guyon de Chemilly (France)	appointed 28/3/96	
B O'Sullivan	appointed 11/4/97	
J Molyneux	appointed 11/4/97	resigned 30/4/99
S Boland	appointed 22/9/97	resigned 8/1/99
A Greensmith	appointed 23/9/98	resigned 8/1/99
M. Wyatt (USA) Chairman	appointed 8/6/99	
N. R. Heinen (USA)	appointed 8/6/99	
D. Piacentini (Italy)	appointed 8/6/99	
F. Anderson (USA)	appointed 8/6/99	

The directors who held office at 31 December 1997 had no interests in the ordinary share capital of Xemplar Education Ltd which require disclosure under schedule 7 of the Companies Act 1985.


**CHARITABLE AND POLITICAL CONTRIBUTIONS** No political contributions or charitable donations were made during the period.

**YEAR 2000 COMPLIANCE.** During 1999 the Company has invested in transferring its existing business and accounting systems to Year 2000 compliant computer systems and software. The Company is therefore confident that it has minimised any disruption to its business from the forthcoming change of date.

**AUDITORS** A resolution to re-appoint KPMG as auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

By Order of the Board

  
Secretary Director Date 12/7/99  
(December 7)

**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 company's state of affairs and of the profit or loss for the year then ended. 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 prudent and reasonable;
- 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## REPORT OF THE AUDITORS', KPMG, TO THE MEMBERS OF XEMPLAR EDUCATION LIMITED

We have audited the financial statements on pages 5 to 12.

### **Respective responsibilities of directors and auditors**

As described on page 3 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.

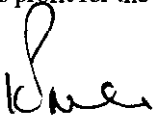
### **Basis of opinion**

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 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG  
Chartered Accountants and Registered Auditors  
37 Hills Road  
Cambridge  
CB2 1XL

Date 14 December 1999

## ACCOUNTING POLICIES

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

- a) **BASIS OF ACCOUNTING** The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.
- b) **FOREIGN EXCHANGE** Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at year-end rates of exchange or, where appropriate, at the rates of exchange in related forward exchange contracts. Any gain or loss arising from changes in exchange rates is included in the profit and loss account.
- c) **TURNOVER** Turnover represents the amounts invoiced for goods and services, excluding value added tax.
- d) **RESEARCH AND DEVELOPMENT** Research and development expenditure is written off in the year in which it is incurred.
- e) **TANGIBLE FIXED ASSETS** Fixed assets are shown at their original historical cost.

Depreciation is provided on a straight-line basis from the date of purchase at rates estimated to write off assets over the period of their expected useful lives as follows:

Leasehold Improvements	- remaining life of the lease
Plant and equipment	- 25% to 33% per annum
Exhibition stock	- 100% per annum
Fixtures and fittings	- 20% per annum

- f) **LEASES** Tangible fixed assets acquired under finance leases are capitalised at their fair value at the date of acquisition and are depreciated in the same manner as owned assets. Financing costs are allocated to accounting periods over the period of the lease. The capital element of future lease payments is included in creditors falling due within, or after, one year as appropriate.

Rentals under operating leases are charged on a straight-line basis over the lease term.

- g) **STOCKS** Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on purchase cost on a first-in, first-out basis.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

- h) **TAXATION** Corporation tax payable is provided on taxable profits at the current rate. The taxation liabilities of certain consortia companies are reduced wholly or in part by the surrender of losses by fellow consortia companies. The tax benefits arising from consortium relief are recognised in the financial statements of the surrendering and recipient companies.
- i) **PENSION COSTS** The company contributes towards a non-contributory money-purchase scheme for senior managers and to a contributory final pay scheme which is available to substantially all employees. Both schemes are operated by Acorn Computers Ltd. The assets of both schemes are held independently from those of Xemplar Education Ltd and Acorn Computers Ltd.

The profit and loss charge for the defined contribution scheme is the contributions payable in the year, and for the defined benefit scheme is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account so as to spread the pension costs over the estimated average remaining working life of scheme members. The contributions are determined by an independent qualified actuary based on triennial valuations using the projected unit method.

**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 1998**

	Notes	1998 £'000	1997 £'000
Turnover	1	30,183	28,146
Cost of Sales		(23,824)	(22,216)
Gross Profit		<u>6,359</u>	<u>5,930</u>
Distribution costs		(2,345)	(2,157)
Administrative expenses		(3,661)	(3,732)
Operating Profit/(loss)		<u>353</u>	<u>41</u>
Interest receivable	4	129	118
Profit/(loss) on ordinary activities before taxation	2	<u>482</u>	<u>159</u>
Tax on profit/(loss) on ordinary activities	5	-	-
Retained profit/(loss) for the period		<u>482</u>	<u>159</u>

There are no other recognised gains and losses for the period other than the profit attributable to shareholders of the company of £482,000.

# BALANCE SHEET

AT 31 DECEMBER 1998

	Notes	1998 £'000	1997 £'000
<i>Fixed Assets</i>			
Tangible assets	6	287	295
		<u>287</u>	<u>295</u>
<i>Current Assets</i>			
Stocks	7	1,400	3,241
Debtors	8	3,180	2,722
Cash at bank and in hand		4,044	1,795
		<u>8,624</u>	<u>7,758</u>
<i>Creditors</i>			
Amounts falling due within one year	9	(4,664)	(4,288)
		<u></u>	<u></u>
Net current assets		3,960	3,470
		<u>3,960</u>	<u>3,470</u>
Total assets less current liabilities		4,247	3,765
		<u>4,247</u>	<u>3,765</u>
Net assets			
<i>Capital and reserves</i>			
Called-up share capital	11	5,000	5,000
Profit and loss account		(753)	(1,235)
		<u></u>	<u></u>
Equity shareholders' funds	12	4,247	3,765
		<u>4,247</u>	<u>3,765</u>

These financial statements were approved by the board of directors on 11/29/99 and were signed on its behalf by:

Michael Wyatt Chairman

The accompanying notes are an integral part of these financial statements.



# CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 1998

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Net cash inflow from operating activities	13		2,317		144
Returns on investment and servicing of finance					
Interest received		129		118	
Net cash inflow from returns on investment and servicing of finance			129		118
Taxation			-		-
Capital Expenditure			(203)		(161)
Capital Disposals			6		-
Net cash inflow before financing			2,249		101
Financing					
Issue of Ordinary share capital	15	-		-	
Net cash inflow from financing			-		-
Increase in cash and cash equivalents	14		2,249		101



# NOTES TO THE FINANCIAL STATEMENTS

## 1 SEGMENT INFORMATION

All the company's turnover and profit on ordinary activities before taxation derive exclusively from the sale of electronic hardware and software to the education market in the United Kingdom.

## 2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £'000	1997 £'000
Profit/loss on ordinary activities before taxation is stated after charging:		
Staff costs (Note 3)	1,696	1,591
Research and development costs	114	363
Depreciation	205	150
Auditor's remuneration – in respect of audit work	20	25
Auditor's remuneration – in respect of other services	3	1
Hire of other assets operating leases	123	138

## 3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

### a) Employees

	1998 £'000	1997 £'000
Staff costs during the period:		
Wages and salaries	1,448	1,349
Social security costs	131	149
Other pension costs (Note 16)	117	93
	<u>1,696</u>	<u>1,591</u>
Average number of employees:	57	54

### b) Directors' remuneration

The remuneration of the directors was as follows:

	1998 £'000	1997 £'000
Directors emoluments	<u>106</u>	<u>68</u>
	106	68
Company contributions to money purchase schemes	<u>21</u>	<u>15</u>
	<u>127</u>	<u>83</u>

Retirement benefits are accruing to the following number of directors under

	1998 No	1997 No
Money purchase schemes	1	1
Defined benefit schemes	-	-
	<u>1</u>	<u>1</u>

There were no share options exercised by the directors and no shares were received or receivable under long term incentive schemes in respect of directors services.

# NOTES TO THE FINANCIAL STATEMENTS

4	INTEREST RECEIVABLE	1998 £'000	1997 £'000
	Interest receivable – bank	129	118
5	TAXATION		
	There is no tax charge for the period for the company due to losses brought forward		
6	TANGIBLE FIXED ASSETS		
		Leasehold Improvements	Fixtures, Fittings, Tools and Equipment
		£'000	£'000
	Cost	534	358
	Brought forward	203	196
	Additions	(48)	(48)
	Disposals		
	Cost at 31 December 1998	689	506
	Depreciation		
	Brought forward	239	213
	Charge for the period	205	158
	Disposals	(42)	(42)
	Depreciation at 31 December 1998	402	329
	Net book value at 31 December 1998	287	177
	Net book value at 31 December 1997	295	145
7	STOCKS	1998 £'000	1997 £'000
	Finished goods and goods for resale	1,400	3,241
8	DEBTORS	1998 £'000	1997 £'000
	Amounts falling due within one year		
	Trade debtors	2,815	2,240
	Other debtors	9	149
	Prepayments and accrued income	356	333
		3,180	2,722
9	CREDITORS: Amounts falling due within one year	1998 £'000	1997 £'000
	Trade Creditors	3,454	3,356
	Other Creditors	585	527
	Accruals and deferred income	625	405
		4,664	4,288

# NOTES TO THE FINANCIAL STATEMENTS

## 10 DEFERRED TAXATION

The amounts provided and not provided for deferred taxation are set out below

	1998		1997	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and amortisation and capital allowances	-	268	-	93
Losses	-	(281)	-	(63)
	-	(13)	-	30

## 11 CALLED-UP SHARE CAPITAL

	1998 £'000	1997 £'000
Authorised shares		
2,500,000 ordinary 'A' shares of £1 each	2,500	2,500
2,500,000 ordinary 'B' shares of £1 each	2,500	2,500
	<u>5,000</u>	<u>5,000</u>
Allotted, called-up and fully paid		
2,500,000 ordinary 'A' shares of £1 each	2,500	2,500
2,500,000 ordinary 'B' shares of £1 each	2,500	2,500
	<u>5,000</u>	<u>5,000</u>

## 12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £'000	1997 £'000
Profit/(loss) for the financial period	482	159
New share capital subscribed	-	-
	<u>482</u>	<u>159</u>
Net increase in shareholders' funds	3,765	3,606
Opening shareholder's funds	<u>4,247</u>	<u>3,765</u>

## 13 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998 £'000	1997 £'000
Operating profit/(loss) for the financial period	353	41
Depreciation charged in period	205	150
Decrease/(increase) in stocks	1,841	3,640
Decrease/(increase) in debtors	(458)	880
(Decrease)/increase in creditors	376	(4,567)
	<u>2,317</u>	<u>144</u>
Net cash inflow from operating activities		

## 14 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Overdraft £'000	Cash £'000	Net £'000
Balance at 31 December 1997	-	1,795	1,795
Balance at 31 December 1998	-	4,044	4,044
	<u>-</u>	<u>2,249</u>	<u>2,249</u>
Net Cash inflow			

# NOTES TO THE FINANCIAL STATEMENTS

## 15 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share Capital £'000
Balance at 31 December 1997	5,000
Cash inflow from financing	-
Shares issued for non-cash consideration	-
Balance at 31 December 1998	<u>5,000</u>

## 16 OTHER FINANCIAL COMMITMENTS

### a) Capital commitments

At the end of the year there were no capital commitments contracted but not provided for.

### b) Lease commitments

The company has entered into short-term lease for land and buildings. The annual rentals on this lease paid during the Period was £81,950. The rents payables are subject to review at various intervals specified in the leases. The company pays all insurance, maintenance and repair costs of those properties.

The annual commitments under non-cancelable operating leases at 31 December 1998 is as follows:

Operating leases which expire	1998 Land & Buildings £'000	1998 Other £'000	1997 Land & Buildings £'000	1997 Other £'000
-within one year	-	8	-	5
-in the second to fifth years	-	13	-	19
-after 5 years	82	-	82	-
	<u>82</u>	<u>21</u>	<u>82</u>	<u>24</u>

### b) Pension arrangements

The pension charge for the period was £ 117,000 (1997 £93,000). The most recent actuarial valuation of the Acorn final pay scheme, on 1<sup>st</sup> February 1997 showed that the market value of the scheme's assets was £4,080,000, representing 99.4% of the benefits accruing to members after allowing for future earnings increases. A 2% per annum differential between investment returns and salary increases and a 2% increase in future pensions are assumed. The contributions of the company and employees were 10.3 % and 6 % respectively.

## 17 SUMMARY OF TRANSACTIONS WITH RELATED PARTIES

The share capital of Xemplar Education Ltd was owned equally by Acorn Computers Ltd and Apple Computer Inc. Ltd. On the 8<sup>th</sup> January 1999 Apple Computer Inc. Ltd. purchased the remaining share Capital of Xemplar Education Ltd. not already under it's control.

The value of transactions with these related parties during the period was:

### a) ACORN COMPUTER GROUP

Purchase of computer hardware and software for resale	2,302
Purchase of administrative services	516
Total purchases in period	<u>2,818</u>
Balance owed to Acorn Computer Group at year end	<u>330</u>

### b) APPLE COMPUTER GROUP

Purchase of computer hardware and software for resale	<u>10,889</u>
Balance owed to Apple Computer Group at year end	<u>1,222</u>