CO HOUSE

Wright Hogg Eisen

COMPACTYPIST LIMITED

FINANCIAL STATEMENTS

31 MAY 1998

Company Registration Number 3186421

WRIGHT HOGG EISEN
Chartered Accountants & Registered Auditors
Northumberland House
Princess Square
Newcastle upon Tyne
NE1 8ER

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COMPANIES HOUSE 11/03/99

COMPACTYPIST LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 1998

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COMPACTYPIST LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MAY 1998

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 May 1998.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the provision of management services to its subsidiary Increase Computers Limited. The principal activity of the subsidiary continued to be the sale of computer systems and software.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 May 98	At 1 Jun 97
Mr P M Short	34	34
Mr A Matheson	33	33
Mr P Fairless	33	33

The directors interests in the share capital of the subsidiary company, Increase Computers Limited were as follows:

Mr P M Short	5	5
Mr A Matheson	-	-
Mr P Fairless	-	-

AUDITORS

A resolution to re-appoint Wright Hogg Eisen as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

SMALL COMPANY PROVISIONS

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

Registered office:
Gear House
Saltmeadows Road
Gateshead
Tyne and Wear

Signed by order of the directors

A MATHESON
Company Secretary

Approved by the directors on 26-01.....19.99

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COMPACTYPIST LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 MAY 1998

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 at the end of the year 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, as described on page 6, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

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. The directors 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.

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COMPACTYPIST LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 MAY 1998

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 2, the company's directors are responsible for the preparation of the 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 company's state of affairs as at 31 May 1998 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Wright Hogg Eisen

WRIGHT HOGG EISEN
Chartered Accountants
& Registered Auditors

Northumberland House
Princess Square
Newcastle upon Tyne
NE1 8ER

8 March 1999

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COMPACTYPIST LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MAY 1998

	Note	1998 £	1997 £
TURNOVER		27,563	50,284
Administrative expenses		(1,662)	6,963
OPERATING PROFIT		29,225	43,321
Interest payable		2,651	1,721
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		26,574	41,600
Tax on profit on ordinary activities	2	7,004	8,548
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		19,570	33,052
Equity dividends paid		15,294	29,000
RETAINED PROFIT FOR THE FINANCIAL YEAR		4,276	4,052
Balance brought forward		4,052	-
Balance carried forward		8,328	4,052

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 6 to 9 form part of these financial statements.

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COMPACTYPIST LIMITED

BALANCE SHEET

31 MAY 1998

	Note	1998 £	1998 £	1997 £	1997 £
FIXED ASSETS					
Investments	3		95,000		95,000
CURRENT ASSETS					
Debtors	4	-		7,250	
Cash at bank and in hand		100		1,288	
		100		8,538	
CREDITORS: Amounts falling due within one year	5	(79,929)		(75,963)	
NET CURRENT LIABILITIES			(79,829)		(67,425)
TOTAL ASSETS LESS CURRENT LIABILITIES			15,171		27,575
CREDITORS: Amounts falling due after more than one year	6		(6,743)		(23,423)
			8,428		4,152
CAPITAL AND RESERVES					
Called-up equity share capital	9		100		100
Profit and loss account	10		8,328		4,052
SHAREHOLDERS' FUNDS	11		8,428		4,152

These accounts have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors on the 20th February 1999, and are signed on their behalf by:

MR P M SHORT

The notes on pages 6 to 9 form part of these financial statements.

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1. ACCOUNTING POLICIES

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

Consolidation
In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover
The turnover shown in the profit and loss account represents amounts invoiced during the year.

Deferred taxation
Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

2. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
In respect of the year:		
Corporation tax based on the results for the year at 21% (1997 - 24%)	4,886	8,548
Adjustment in respect of previous years:		
Corporation tax	2,118	-
	7,004	8,548

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3. INVESTMENTS

Shares in subsidiary at cost

	£
COST	
At 1 June 1997 and 31 May 1998	**95,000**
NET BOOK VALUE	
At 31 May 1998	**95,000**
At 31 May 1997	95,000

The company owns 95% of the issued share capital of Increase Computers Limited, a company registered in England and Wales. Information about the subsidiary undertaking is as follows:

	£
Aggregate capital and reserves	161,410
Profit for the year	34,575

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

4. DEBTORS

	1998 £	1997 £
ACT recoverable against future taxation	-	7,250

5. CREDITORS: Amounts falling due within one year

	1998 £	1998 £	1997 £	1997 £
Bank loans and overdrafts		6,680		6,680
Other creditors including:				
Corporation tax	4,886		15,798	
Other loans	8,000		8,000	
Amounts due to group undertakings	45,513		27,732	
Directors current accounts	14,000		16,903	
		72,399		68,433
Accruals and deferred income		850		850
		79,929		75,963

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6. **CREDITORS:** Amounts falling due after more than one year

	1998 £	1997 £
Bank loans and overdrafts	6,743	23,423

7. **CREDITORS - CAPITAL INSTRUMENTS**

Creditors include finance capital which is due for repayment as follows:

	1998 £	1997 £
In one year or less, or on demand	6,680	6,680
Between two and five years	6,743	23,423
	13,423	30,103

The company's subsidiary, Increase Computers Limited has entered into a debenture with the Royal Bank of Scotland guaranteeing the borrowings of Compactypist Limited.

8. **RELATED PARTY TRANSACTIONS**

Subsidiary undertaking
During the year the company has received income from its subsidiary undertaking in the form of management services. The total income recorded in the financial statements amounted to £27,563 (1997 - £50,284).

At the year end the amount owed by the subsidiary amounted to £45,513 (1997- £27,732) and is wholly repayable within one year.

Directors
The directors of the company are also directors of the subsidiary company.

Control
The control of the company is vested in each of the three directors.

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9. SHARE CAPITAL

Authorised share capital:

	1998 £	1997 £
1,000 Ordinary shares of £1 each	1,000	1,000

Allotted, called up and fully paid:

	1998 £	1997 £
Ordinary share capital	100	100

10. PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
Balance brought forward	4,052	-
Retained profit for the financial year	4,276	4,052
Balance carried forward	8,328	4,052

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	19,570	33,052
Dividends	(15,294)	(29,000)
	4,276	4,052
Opening shareholders' equity funds	4,152	100
Closing shareholders' equity funds	8,428	4,152

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