

DISCOVERY PARTNERSHIP LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 1997



IAN

Rutherford Manson Dowds
Chartered Accountants
2 Queens Terrace
Aberdeen
AB10 1XL

DISCOVERY PARTNERSHIP LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 1997

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DISCOVERY PARTNERSHIP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors M Schonewald
M Angove

Secretary Elaine Schonewald

Registered Office 47 Albert Street
Aberdeen
AB10 1XT

Solicitors Paull & Williamsons
New Investment House
6 Union Row
Aberdeen
AB10 1DQ

Bankers Bank of Scotland
Glenrothes Branch
9 Falkland Gate
Glenrothes
Fife
KY7 5LW

Auditors Rutherford Manson Dowds
Chartered Accountants
2 Queens Terrace
Aberdeen
AB10 1XL

Company Number 140113

DISCOVERY PARTNERSHIP LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31 August 1997.

1 PRINCIPAL ACTIVITY

The principal activity of the company is the provision of management consultancy services.

2 RESULTS, DEVELOPMENTS AND FUTURE PROSPECTS

The profit for the year after tax amounted to £19,447 (1996, £55,174) The directors do not propose a dividend (1996, £48,000) and recommend that the retained profit of £19,447 (1996, £7,174) is transferred to reserves.

The directors are satisfied with the results for the year and are confident of the future prospects for the company.

3 DIRECTORS AND THEIR INTERESTS

The current membership of the Board is set out on page 1.

The directors' interests, as defined by the Companies Act 1985, in the shares of the company at 31 August 1997 and at 31 August 1996 are as follows:

	'A' ordinary redeemable shares of £1 each Number	Ordinary shares of £1 each Number
M Schonewald	50	1
M Angove	50	1

4 AUDITORS

A resolution for the re-appointment of Rutherford Manson Dowds as auditors will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

29 June 1998


Director

DISCOVERY PARTNERSHIP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit 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.



RMD Chartered Accountants

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AUDITORS' REPORT TO THE SHAREHOLDERS
OF
DISCOVERY PARTNERSHIP LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

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 August 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

29 June 1998

Chartered Accountants
Registered Auditors

- 4 -

Partners: C Rutherford AG Manson CM Dowds CI Welsh SM Cowie JD Dryburgh I Steele I Durie DMS Beveridge DJ Crawford
MC Pacitti A Allan GJ Neilly EJ Leigh GA Sheils RG Murray R Archibald DA Campbell

25 Melville Street, Edinburgh EH3 7PE, Telephone 0131 225 4727, Facsimile 0131 220 1663
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Registered to carry on audit work and authorised to carry on Investment Business by the Institute of Chartered Accountants of Scotland.

Rutherford Manson Dowds
Represented throughout Europe, North
and South America, Asia, Pacific and all
major commercial centres worldwide
through I A International.

DISCOVERY PARTNERSHIP LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 AUGUST 1997

	Note	£	1996 £
TURNOVER	2	900,086	662,501
Cost of sales		607,414	417,220
		-----	-----
GROSS PROFIT		292,672	245,281
Administrative expenses		249,276	166,683
		-----	-----
OPERATING PROFIT		43,396	78,598
Other income		(480)	(482)
Interest receivable	4	(100)	(372)
Interest payable and similar charges	5	8,689	1,923
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	35,287	77,529
Taxation on profit on ordinary activities	7	15,840	22,355
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		19,447	55,174
Dividends	8	-	48,000
		-----	-----
RETAINED PROFIT FOR THE YEAR	14	19,447	7,174
		=====	=====

There are no recognised gains or losses in the current or prior year other than those included in the profit and loss account.

DISCOVERY PARTNERSHIP LIMITED

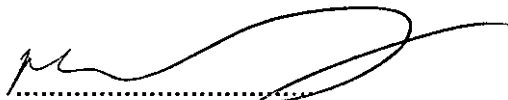
BALANCE SHEET

AT 31 AUGUST 1997

	Note	£	£	1996 £
FIXED ASSETS				
Tangible assets	9		101,060	61,728

CURRENT ASSETS				
Work in progress		28,788		-
Debtors	10	145,265		137,952
		-----		-----
		174,053		137,952
CREDITORS: Amounts falling due within one year	11	212,201		163,688
		-----		-----
NET CURRENT LIABILITIES			(38,148)	(25,736)
			-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES			62,912	35,992
CREDITORS: Amounts falling due outwith one year	12		17,837	10,364
			-----	-----
			45,075	25,628
			=====	=====
CAPITAL AND RESERVES				
Called up share capital	13		102	102
Profit and loss reserve	14		44,973	25,526
			-----	-----
SHAREHOLDERS' FUNDS	15		45,075	25,628
			=====	=====
Attributable to:				
Non-equity shareholders'			100	100
Equity shareholders'			44,975	25,528
			-----	-----
			45,075	25,628
			=====	=====

These financial statements were approved by the board of directors on 29 June 1998.


Director

DISCOVERY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 1997

1 ACCOUNTING POLICIES

a) Accounting Convention

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom under the historical cost convention.

b) Depreciation

Depreciation is provided for on a straight line basis over the assets estimated useful lives. The annual rates of depreciation are as follows:

	% per annum
Computer equipment & fixtures	25
Motor vehicles	25

c) Hire Purchase and Leasing

Assets held under hire purchase agreements and finance leases and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the agreements. The excess of payments over the recorded obligations are treated as finance charges and are amortised over the terms of the agreements.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

d) Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

2 TURNOVER

Turnover arises wholly from the principal activities of the company within the United Kingdom, and is stated net of Value Added Tax.

DISCOVERY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 1997

3 INFORMATION RELATING TO DIRECTORS AND EMPLOYEES

The average number of persons employed (including directors) by the company during the year, analysed by category, were as follows:

	Number	1996 Number
Management	7	5
Administration	5	3
Consultancy	18	9
	-----	-----
	30	17
	=====	=====

Aggregate payroll costs of these persons were:

	£	£
Wages and salaries	476,033	252,817
Social security costs	46,770	24,504
	-----	-----
	522,803	277,321
	=====	=====
Directors' remuneration		
Salaries, including benefits in kind	48,000	19,728
	=====	=====

4 INTEREST RECEIVABLE

	£	£
Bank interest receivable	(100)	(372)
	-----	-----

5 INTEREST PAYABLE AND SIMILAR CHARGES

	£	£
Bank overdraft interest and charges	4,722	960
Hire purchase interest	3,967	963
	-----	-----
	8,689	1,923
	=====	=====

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation - owned tangible fixed assets	23,840	18,816
- tangible fixed assets held under hire purchase	14,092	5,625
Auditors' remuneration	2,000	2,000
Loss on disposal of fixed tangible assets	-	256
	=====	=====

DISCOVERY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 1997

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	£	1996 £
Based on the profit for the year:		
Corporation tax at 24% (1995, 25%)	17,000	22,355
Prior year over provision	(1,160)	-
	-----	-----
	15,840	22,355
	=====	=====

The taxation charge is disproportionate to the results for the year due to the incidence of items disallowable for taxation purposes.

8 DIVIDENDS

	£	£
Ordinary interim paid	-	29,600
'A' ordinary interim paid	-	18,400
	-----	-----
	-	48,000
	=====	=====

9 TANGIBLE FIXED ASSETS

	Computer equipment £	Motor vehicles £	Fixtures & fittings £	Total £
Cost				
At 1 September 1996	31,322	22,500	43,943	97,765
Additions	55,410	-	21,854	77,264
	-----	-----	-----	-----
At 31 August 1997	86,732	22,500	65,797	175,029
	-----	-----	-----	-----
Aggregate depreciation				
At 1 September 1996	10,381	5,625	20,031	36,037
Charge for the year	17,304	5,627	15,001	37,932
	-----	-----	-----	-----
At 31 August 1997	27,685	11,252	35,032	73,969
	-----	-----	-----	-----
Net book value				
At 31 August 1997	59,047	11,248	30,765	101,060
	=====	=====	=====	=====
At 31 August 1996	20,941	16,875	23,912	61,728
	=====	=====	=====	=====

The net book value of fixed assets included £36,644 (1996, £24,429) in respect of assets held under hire purchase agreements.

DISCOVERY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 1997

10 DEBTORS

	£	1996 £
Trade debtors	107,007	125,627
Prepayments and other debtors	7,369	12,325
Directors' loan account	30,889	-
	-----	-----
	145,265	137,952
	=====	=====

The directors' loan is interest free and is repayable on demand. A dividend has been proposed by the directors in the current year to clear the loan account balance.

11 CREDITORS: Amounts falling due
within one year

	£	£
Bank overdraft	27,260	13,849
Trade creditors	43,413	30,902
Corporation tax	23,340	32,355
Other taxation and social security	75,484	55,981
Directors' loan account	-	3,311
Hire purchase creditor (note 16)	16,268	6,540
Accruals	26,436	20,750
	-----	-----
	212,201	163,688
	=====	=====

The directors' loan is interest free and is repayable on demand.

The bank overdraft is secured by a bond and floating charge over the assets of the company.

12 CREDITORS: Amounts falling due
outwith one year

	£	£
Hire purchase creditor (note 16)	17,837	10,364
	=====	=====

DISCOVERY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 1997

13 SHARE CAPITAL

	£	1996 £
Authorised		
49,900 ordinary shares of £1 each	49,900	49,900
100 'A' ordinary redeemable shares of £1 each	100	100
	-----	-----
	50,000	50,000
	=====	=====
Allotted, called up and paid		
2 ordinary shares of £1 each	2	2
100 'A' ordinary redeemable shares of £1 each	100	100
	-----	-----
	102	102
	=====	=====

The 100 'A' ordinary shares are non voting and receive dividends at the discretion of the ordinary shareholders. The shares rank pari passu with the ordinary shareholders with regard to repayment on a winding up of the company. The 'A' ordinary shares have no entitlement to any surplus on a winding up.

The 'A' ordinary shareholders can at any time require the whole of their shareholding to be redeemed, provided at least 6 months notice in writing is given to the company. The company can redeem the shares at any time.

14 PROFIT AND LOSS RESERVE

	£
At 1 September 1996	25,526
Profit for the year	19,447

At 31 August 1997	44,973
	=====

DISCOVERY PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 1997

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£	1996 £
Profit for the financial year	19,447	55,174
Dividends	-	(48,000)
Issue of 'A' ordinary redeemable shares	-	100
	-----	-----
Net movement in shareholders' funds	19,447	7,274
Opening shareholders' funds	25,628	18,354
	-----	-----
Closing shareholders' funds	45,075	25,628
	=====	=====

16 HIRE PURCHASE COMMITMENTS

	£	£
Hire purchase commitments due:		
Within one year	20,288	7,608
In the second to fifth years inclusive	32,103	12,046
	-----	-----
	52,391	19,654
Less: Finance charges allocated to future periods	18,286	2,750
	-----	-----
	34,105	16,904
	=====	=====
Shown as:		
Current obligations (note 11)	16,268	6,540
Non current obligations (note 12)	17,837	10,364
	-----	-----
	34,105	16,904
	=====	=====

The annual commitments under non-cancellable operating leases payable in the year to 31 August 1997 are as follows:

	Other £	Land & buildings £
Leases expiring in two - five years	4,125	36,190
	=====	=====

17 RELATED PARTY TRANSACTIONS

The directors have granted personal guarantees over the bank borrowings of the company (note 11).