

Datel Computing Limited

**Financial statements
Year ended 31 May 2004**

Company number 1555529



Datel Computing Limited

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Datel Computing Limited**Directors and company information**

Directors:	A K Simpson D J Preston
Secretary:	D J Preston
Registered Office:	Cinnamon Park Fearnhead Warrington WA2 0XP
Bankers:	National Westminster Bank plc 292 Garstang Road Fulwood Preston PR9 9RQ
Auditors:	Ashworth Treasure Limited Chartered Accountants 17-19 Park Street Lytham Lancashire FY8 5LU

Datel Computing Limited**Directors' report**

The directors present their report and the financial statements for the year ended 31 May 2004.

Results and dividend

The profit for the year after taxation amounted to £796,384 (2003 – £478,517). Ordinary dividends paid during the year amounted to £nil (2003 – £200,000).

Principal activity

The principal activity of the company is the retailing of computer equipment, software and programming services.

Review of the year and future developments

The directors are satisfied with the overall levels of trading and profitability of the company for the year.

It is anticipated that the current activity and profitability will continue for the ensuing year.

Directors

The directors named on page 1 had no interest in the share capital of the company during the year.

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 state of affairs of the company and of the results 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 a 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.

Auditors

The company's auditors, Ashworth Treasure Limited, are willing to continue in office and a resolution proposing their appointment and authorising the directors to fix their remuneration will be proposed at the forthcoming annual general meeting.

**Approved by the board on 20 December 2004
and signed on its behalf by**



D J Preston
Director

Datel Computing Limited**Independent Auditors' Report to the Shareholders of Datel Computing Limited**

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you, if in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom 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 May 2004 and of the result of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Ashworth Treasure Limited
Registered Auditors
Lytham

20 December 2004

Datel Computing Limited**Profit and loss account for the year ended 31 May 2004**

	Note	2 0 0 4		2 0 0 3 as restated (see note 7)	
		£	£	£	£
Turnover	2		9,131,851		9,403,695
Cost of sales			(2,968,630)		(3,180,923)
Gross profit			6,163,221		6,222,772
Selling and distribution expenses		(3,293,258)		(3,171,705)	
Administrative expenses		(2,254,277)		(2,308,137)	
			(5,547,535)		(5,479,842)
Operating profit			615,686		742,930
Interest payable	5		(82,460)		(136,011)
Profit on ordinary activities before taxation			533,226		606,919
Tax on profit on ordinary activities	6		263,158		(128,402)
Profit on ordinary activities after taxation	17		796,384		478,517
Dividends paid			-		(200,000)
Retained profit for the year			796,384		278,517
Continuing operations					
The company's activities all relate to continuing operations.					
			2 0 0 4		2 0 0 3 as restated (see note 7)
			£		£
Statement of total recognised gains and losses					
Profit for the financial year			796,384		278,517
Total recognised gains relating to the year			796,384		278,517
Prior period adjusted (see note 7)			(1,453,582)		
Capital contribution			700,000		
Total gains recognised since last Annual Report			42,802		

Datel Computing Limited**Balance sheet as at 31 May 2004**

		2 0 0 4		2 0 0 3 as restated (see note 7)	
	Note	£	£	£	£
Fixed assets					
Intangible fixed assets	8	565,321		766,891	
Tangible fixed assets	9	198,520		175,600	
		-----		-----	
			763,841		942,491
Current assets					
Stock	10	180,132		193,940	
Debtors	11	4,574,166		4,490,258	
Cash at bank and in hand		96,255		1,002	
		-----		-----	
		4,850,553		4,685,200	
Creditors (amounts due within one year)	12	(5,089,803)		(6,287,563)	
		-----		-----	
Net current (liabilities)			(239,250)		(1,602,363)
			-----		-----
Total assets less current liabilities			524,591		(659,872)
Creditors (amounts due after more than one year)	13		(74,006)		(385,927)
			-----		-----
			450,585		(1,045,799)
			=====		=====
Capital and reserves					
Called up share capital	16		25,000		25,000
Profit and loss account	17		425,585		(1,070,799)
			-----		-----
Equity shareholders' funds	18		450,585		(1,045,799)
			=====		=====

Approved by the board on 20 December 2004
and signed on its behalf by



D J Preston
Director

Datel Computing Limited

Cash flow statement for the year ended 31 May 2004

	Note	2 0 0 4		2 0 0 3 as restated (see note 7)	
		£	£	£	£
Net cash inflow from operating activities	20a)		803,547		355,839
Returns on investments and servicing of finance					
Interest paid		(514)		(9,492)	
Interest element of hire purchase finance lease rental payments		(81,946)		(126,519)	
		-----		-----	
Net cash (outflow) from returns on investments and servicing of finance			(82,460)		(136,011)
Taxation					
Corporation tax paid			(128,005)		(127,621)
Capital expenditure					
Payments to acquire tangible fixed assets		(91,710)		(25,094)	
Receipts from sales of fixed assets		859		247,890	
		-----		-----	
Net cash (outflow)/inflow for capital expenditure			(90,851)		222,796
Equity dividends paid			-		(200,000)
			-----		-----
			502,231		115,003
Financing					
Repayment of amounts borrowed		(62,500)		(62,754)	
Capital element of hire purchase and finance lease rental payments		(250,055)		(236,755)	
		-----		-----	
Net cash (outflow) from financing			(312,555)		(299,509)
Increase/(decrease) in cash	20b)		189,676		(184,506)
			=====		=====

Datel Computing Limited

Notes to the financial statements

1 Accounting policies

The company has adopted the following accounting policies which should be read in conjunction with the financial statements set out on pages 4 to 16 which have been prepared under the historical cost convention, using applicable Accounting Standards.

a) Turnover

Turnover represents the invoice value of goods and services sold, less returns and allowances, excluding value added tax.

b) Intangible fixed assets

Customer databases have been capitalised and are amortised through the profit and loss account on a straight-line basis over the estimated useful economic life of ten years.

Software licences have been capitalised and are amortised through the profit and loss account on a straight-line basis over the estimated useful economic life of five years.

c) Tangible fixed assets and depreciation

Fixed assets are stated at purchase price, less depreciation and amounts written off. Depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual values over their estimated economic useful lives at the following annual rates:-

Fixtures, fittings and equipment	15% on net book value
Motor vehicles	25% on net book value
Computer equipment	33.3% on straight line basis

d) Leased assets and obligations

Assets held under finance leases and the related lease obligations are included at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated in the same manner as owned assets. Leases are regarded as finance leased where their terms transfer to the lessee, substantially all the benefits and burdens of ownership other than the right to title.

Rentals payable under operating leases are charged to profit on a straight line basis over the term of the lease.

e) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the first in first out method.

f) Deferred taxation

Deferred taxation is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and the results as stated in the financial statements which arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable profits from which the future reversal of underlying timing differences can be deducted.

Deferred taxation is measured at the average tax rates which are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws which have been enacted or substantively enacted by the balance sheet date. Deferred taxation is measured on non-discounted basis.

Datel Computing Limited**Notes to the financial statements continued****g) Pension scheme**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charged represents contributions paid by the company to the fund.

2 Particulars of turnover and profit before taxation

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

	2004	2003
3 Particulars of staff		
The average number of persons (including directors) employed during the year was:		
Sales, distribution and programming	69	70
Office and management	20	24
	<u>89</u>	<u>94</u>
Staff costs	£	£
Wages and salaries	3,416,806	3,272,523
Social security costs	364,449	319,956
Other pension costs (defined contribution scheme)	88,722	81,261
	<u><u>3,869,977</u></u>	<u><u>3,673,740</u></u>

4 Operating profit

This is stated after charging:-

Depreciation - owned tangible fixed assets	68,680	92,777
- tangible fixed assets held under finance leases and hire purchase contracts	-	9,213
Amortisation of customer databases – owned intangible fixed assets	19,003	19,003
Amortisation of software licences – intangible fixed assets held under finance leases and hire purchase contracts	182,567	182,567
(Profit)/loss on disposal of fixed assets	(750)	3,005
Auditors remuneration	6,000	6,000
Operating lease rentals – plant and machinery	41,056	51,601
	<u>-----</u>	<u>-----</u>
Director's emoluments		
Management remuneration	<u><u>143,753</u></u>	<u><u>137,942</u></u>

Datel Computing Limited**Notes to the financial statements continued**

	2004	2003
	£	£
5 Interest payable		
Bank and group interest	433	9,000
Hire purchase and finance lease contracts	81,946	126,519
Other	81	492
	<u>82,460</u>	<u>136,011</u>

6 Tax on profit on ordinary activities**a) Analysis of charge in period****Current tax**

UK corporation tax on profits of the period	-	128,402
Adjustments in respect of previous periods	(128,402)	-
Amounts received in respect of group relief	(134,558)	-
Over provision in prior year	(198)	-
	<u>(263,158)</u>	<u>128,402</u>

b) Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%).

The differences are explained below:-

	2004	2003
	£	£
Profit on ordinary activities before tax	553,226	606,919
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 30%)	159,968	182,076
Effects of:		
Prior year adjustment	(436,075)	(49,797)
Expenses not deductible for tax purposes	41,512	7,503
Capital allowances in excess of depreciation	(7,297)	(2,099)
Small companies rates	-	(1,129)
Utilisation of tax losses	(21,207)	(8,152)
Adjustments to tax charge in respect of previous periods	(59)	-
	<u>(263,158)</u>	<u>128,402</u>

7 Prior period adjustment

The implementation of the new Application Note G in respect of the accounting standard FRS5, on 'Reporting the substance of transactions' has necessitated a restatement of prior year figures in respect of the company's recognition of income on maintenance contracts.

The comparatives have been restated to include a net addition to turnover of £100,887 and a net reduction in cost of sales of £65,103 with a net addition to profit of £165,990. The restatement required to the brought forward reserves at 1 June 2002 is a reduction of £1,619,572. The effect on the profit and loss account for the current year reported in these financial statements is a net reduction in profit of £99,219.

Datel Computing Limited**Notes to the financial statements continued****8 Intangible fixed assets**

	Customer Databases £	Software licences £	Total £
Cost			
At 1 June 2003 and as at 31 May 2004	<u>204,404</u>	<u>912,833</u>	<u>1,117,237</u>
Amortisation			
At 1 June 2003	46,051	304,295	350,346
Charge	19,003	182,567	201,570
At 31 May 2004	<u>65,054</u>	<u>486,862</u>	<u>551,916</u>
Net book value			
At 31 May 2004	<u>139,350</u>	<u>425,971</u>	<u>565,321</u>
At 31 May 2003	<u>158,353</u>	<u>608,538</u>	<u>766,891</u>

The net book value of £565,321 (2003 - £776,891) includes an amount of £425,971 (2003 - £608,538) in respect of assets held under finance leases and hire purchase contracts.

Customer databases are being amortised over a period of ten years. Software licences are being amortised over a period of five years. In the opinion of the directors, in both cases, this represents a prudent estimate of the period over which the company will derive direct economic benefit from the purchases.

	Computer equipment £	Fixtures & fittings £	Total £
9 Tangible fixed assets			
Cost			
At 1 June 2003	1,231,734	330,707	1,562,441
Additions	72,464	19,246	91,710
Disposals	(12,715)	-	(12,715)
At 31 May 2004	<u>1,291,483</u>	<u>349,953</u>	<u>1,641,436</u>
Depreciation			
At 1 June 2003	1,171,910	214,931	1,386,841
Charge	47,906	20,774	68,680
Disposals	(12,605)	-	(12,605)
At 31 May 2004	<u>1,207,211</u>	<u>235,705</u>	<u>1,442,916</u>
Net book value			
At 31 May 2004	<u>84,272</u>	<u>114,248</u>	<u>198,520</u>
At 31 May 2003	<u>59,824</u>	<u>115,776</u>	<u>175,600</u>

Capital commitments

The company had no capital commitments at the year-end.

Datel Computing Limited**Notes to the financial statements continued**

	2004	2003 as restated (see note 7)
	£	£
10 Stock and work in progress		
Goods for resale and maintenance stock	<u>180,132</u>	<u>193,940</u>
11 Debtors		
Trade debtors	3,142,025	3,368,045
Amount owed by group undertakings	72,026	44,220
Other debtors	3,724	351
Corporation tax	128,204	-
Prepayments and accrued income	1,228,187	1,077,642
	<u>4,574,166</u>	<u>4,490,258</u>
12 Creditors (amounts due within one year)		
Bank loans and overdrafts (secured)	-	94,423
Other loans	62,500	62,500
Obligations under finance leases and hire purchase contracts (note 15)	249,329	249,963
Trade creditors	1,405,501	1,095,145
Amounts owed to group undertakings	93,255	1,237,138
Corporation tax	-	128,402
Other taxes and social security	477,849	429,082
Accruals and deferred income	2,801,369	2,990,910
	<u>5,089,803</u>	<u>6,287,563</u>
The bank overdraft is secured by an unscheduled mortgage debenture dated 16 November 1990 incorporated a fixed and floating charge over all current and future assets of the company.		
13 Creditors (amounts due after more than one year)		
Other loans	15,371	77,871
Obligations under finance leases and hire purchase contracts (note 15)	58,635	308,056
	<u>74,006</u>	<u>385,927</u>
14 Analysis of debt maturity		
Amounts payable:		
In one year or less or on demand	62,500	62,500
In one to two years	15,371	62,500
In two to five years	-	15,371
	<u>77,871</u>	<u>140,371</u>

Datel Computing Limited**Notes to the financial statements continued**

	2004	2003
	£	as restated (see note 7) £
15 Obligations under finance leases and hire purchase contracts		
Amounts payable:		
In one year or less	249,329	249,963
In two to five years	58,635	308,056
	<u>307,964</u>	<u>558,019</u>
Finance leases and hire purchase liabilities are secured on the assets to which they relate.		
16 Called up share capital		
Authorised		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
Allotted, issued and fully paid		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
17 Reserves		
	Profit and loss account £	Capital reserve £
At 1 June 2003 as previously stated	382,783	-
Prior year adjustment (see note 7)	(1,453,582)	-
	<u>(1,070,799)</u>	<u>(1,070,799)</u>
At 1 June 2003 as restated	(1,070,799)	-
Transfer from profit and loss account of the year	796,384	-
Capital contribution from parent company	-	700,000
Transfer of capital contribution to profit and loss reserve	700,000	(700,000)
At 31 May 2004	<u>425,585</u>	<u>-</u>

Datel Computing Limited

Notes to the financial statements continued

	2004	2003 as restated (see note 7)
	£	£
18 Reconciliation of movements in Shareholders' funds		
Profit for the financial year	796,384	478,517
Dividends paid	-	(200,000)
Capital contribution	700,000	-
	<u>-----</u>	<u>-----</u>
Net addition to Shareholders' funds	1,496,384	278,517
Opening Shareholders' funds	(1,045,799)	(1,324,316)
	<u>-----</u>	<u>-----</u>
Closing Shareholders' funds	450,585	(1,045,799)
	<u>=====</u>	<u>=====</u>

19 Related parties

The ultimate holding company is Datel Group plc, a company registered in England and Wales.

Exemption has been taken of related party disclosures in respect of group transactions on the grounds that details of the company are included in publicly available consolidated financial statements.

	2004	2003 as restated (see note 7)
	£	£
20 Notes to the cash flow statement		
a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	615,686	742,930
Depreciation of tangible fixed assets	68,680	101,990
Amortisation of goodwill	19,003	19,003
Amortisation of software licences	182,567	182,567
(Profit)/loss on disposal of tangible fixed assets	(750)	3,005
Decrease in stocks	13,808	48,341
Decrease/(increase) in debtors	44,296	(1,137,831)
(Decrease)/increase in creditors	(139,743)	2,015,406
Prior year adjustment	-	(1,619,572)
	<u>-----</u>	<u>-----</u>
	803,547	355,839
	<u>=====</u>	<u>=====</u>

b) Analysis of change in net debt

	At 1 June 2003	Cash flows	At 31 May 2004
	£		£
Cash at bank and in hand	(93,421)	189,676	96,255
Debt due within one year	(312,463)	634	(311,829)
Debt due after one year	(385,927)	311,921	(74,006)
	<u>-----</u>	<u>-----</u>	<u>-----</u>
	(791,811)	502,231	(289,580)
	<u>=====</u>	<u>=====</u>	<u>=====</u>

Datel Computing Limited**Notes to the financial statements continued**

	2004 £	2003 £
21 Other financial commitments		
At 31 May 2004 the company was committed to make the following payments under non-cancellable operating leases in the year to 31 May 2005.		
Other		
Operating leases which expire:-		
Within one year	29,475	4,812
Within one to two years	-	39,368
Within two to five years	-	-
	----- 29,475 =====	----- 44,180 =====
22 Contingent liability		
The company has entered into a group composite guarantee structure with its bankers. The amount of indebtedness of other group companies at 31 May 2004 was £Nil.		
23 Ultimate controlling party		
The ultimate controlling party throughout the year was A K Simpson.		

Datel Computing Limited
Trading account for the year ended 31 May 2004

	2 0 0 4		2 0 0 3 as restated (see note 7)	
	£	£	£	£
Turnover		9,131,851		9,403,695
Cost of sales		(2,968,630)		(3,180,923)
Gross profit		6,163,221		6,222,772
Selling and distribution expenses				
Staff costs and consultancy	2,956,922		2,870,844	
Motor and travel	28,236		65,060	
Vehicle leasing	38,336		43,514	
Advertising and promotion	230,404		154,596	
Recruitment costs	40,110		25,473	
Depreciation of motor vehicles	-		9,213	
Loss on disposal of assets	(750)		3,005	
	3,293,258		3,171,705	
Administration expenses				
Salaries and staff costs	771,018		666,408	
Telephone	49,678		96,799	
Postage	5,618		6,580	
Printing and stationery	18,853		25,464	
Internet costs	10,712		10,228	
Sundry	109,741		95,117	
Charitable donations	2,640		3,395	
Meetings and subsistence	37,703		37,570	
Audit and accountancy	10,928		9,828	
Bad debts	47,861		107,092	
Bank charges	2,485		3,112	
Legal and professional	5,090		7,695	
Lease of equipment	2,720		8,087	
Depreciation on equipment and fixtures and fittings	68,680		92,777	
Management recharge	376,004		426,000	
Amortisation of goodwill	19,003		19,003	
Amortisation of software licences	182,567		182,567	
	1,721,301		1,797,722	
Establishment expenses				
Rent and rates	262,956		262,176	
Heat and light	25,384		27,378	
Insurance	34,880		32,483	
Repairs	67,719		51,890	
	390,939		373,927	

Datel Computing Limited**Trading account for the year ended 31 May 2004 continued**

	2 0 0 4		2 0 0 3 as restated (see note 7)	
	£	£	£	£
Finance charges				
Bank and group interest	433		9,000	
Hire purchase and finance lease interest	81,946		126,519	
Other interest	81		492	
	<u>82,460</u>		<u>136,011</u>	
Directors' remuneration				
Directors remuneration	137,763		133,741	
Pension contributions	4,274		2,747	
	<u>142,037</u>		<u>136,488</u>	
Total overhead expenses		(5,629,995)		(5,615,853)
Net profit for the year		<u><u>533,226</u></u>		<u><u>606,919</u></u>