

TENSOR PLC
FINANCIAL STATEMENTS
FOR
30TH NOVEMBER 1999

Company Registration Number 3670909

ANTHONY MEIER & CO.
Chartered Accountants & Reg
17 Green Lane
London SE20 7J



TENSOR PLC

FINANCIAL STATEMENTS

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

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TENSOR PLC

THE DIRECTORS' REPORT

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

The directors have pleasure in presenting their report and the financial statements of the company for the period from 20th November 1998 to 30th November 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company was incorporated on 20th November 1998. The principal activity of the company during the period under review was the provision of consultancy and management services to Tensor Systems Ltd.

The company also purchased an equity shareholding and advanced loans to an e-film production company, Paranoid Celluloid Ltd., as an investment.

In the future, the associated status with Tensor Systems Ltd. will be formalized into a group of high technology companies specializing in the design and manufacture of electronic and software products for the e-commerce age. The dominant position of Tensor Systems in the Time & Attendance and Access Control market will be used as a springboard for the group into providing, on a world-wide basis, a variety of e-commerce and e-business products in the areas of human resources, security and monitoring.

RESULTS AND DIVIDENDS

The trading results for the period, and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

		Ordinary Shares of £1 each	
		At 30 November 1999	At 20 November 1998
			or later date of appointment
Mr N Smith	(Appointed 20 November 1998)	49,980	-
Mr A Smith	(Appointed 20 November 1998)	<u>20</u>	<u>-</u>

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 at the end of the period and of the profit or loss for the period then ended.

TENSOR PLC

THE DIRECTORS' REPORT

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 9, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

TENSOR PLC

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

DIRECTORS' RESPONSIBILITIES *(continued)*

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.

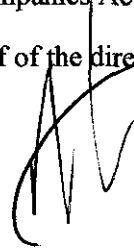
AUDITORS

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

Registered office:
19/20 Hyde Park Place
London
W2 2LP

Signed on behalf of the directors

Mr N Smith
Director



Approved by the directors on 16th June 2000

TENSOR PLC

AUDITORS' REPORT TO THE SHAREHOLDERS

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 1 to 3, 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 state of the company's affairs as at 30th November 1999 and of the profit of the company for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

17 Green Lane
London SE20 7JA

16th June 2000

ANTHONY MEIER & CO.
Chartered Accountants
& Registered Auditors

Anthony Meier & Co.

TENSOR PLC

PROFIT AND LOSS ACCOUNT

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

	Note	Period from 20 Nov 98 to 30 Nov 99 £
TURNOVER	2	230,000
Administrative expenses		(15,161)
OPERATING PROFIT	3	214,839
Tax on profit on ordinary activities	5	(55,135)
RETAINED PROFIT FOR THE FINANCIAL PERIOD		<u>159,704</u>

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

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

The notes on pages 9 to 13 form part of these financial statements.

TENSOR PLC

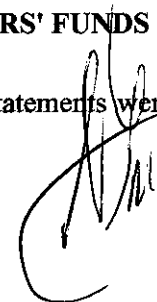
BALANCE SHEET

30TH NOVEMBER 1999

	Note	30 Nov 99	
		£	£
FIXED ASSETS			
Intangible assets	6		37,500
Investments	7		<u>12,500</u>
			50,000
CURRENT ASSETS			
Debtors	8	203,963	
Cash at bank		<u>12,681</u>	
		216,644	
CREDITORS: Amounts falling due within one year	9	<u>(56,940)</u>	
NET CURRENT ASSETS			<u>159,704</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>209,704</u>
CAPITAL AND RESERVES			
Called-up equity share capital	12		50,000
Profit and loss account			<u>159,704</u>
SHAREHOLDERS' FUNDS	13		<u>209,704</u>

These financial statements were approved by the directors on the 16th June 2000 and are signed on their behalf by:

MR N SMITH



The notes on pages 9 to 13 form part of these financial statements.

TENSOR PLC

CASH FLOW STATEMENT

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

	Period from 20 Nov 98 to 30 Nov 99	
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		25,181
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire intangible fixed assets	(50,000)	
Loans to fixed asset investments	(7,500)	
	—	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(57,500)
ACQUISITIONS AND DISPOSALS		
Acquisition of fixed asset investments	(5,000)	
	—	
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS		(5,000)
		—
CASH OUTFLOW BEFORE FINANCING		(37,319)
FINANCING		
Issue of equity share capital	50,000	
	—	
NET CASH INFLOW FROM FINANCING		50,000
		—
INCREASE IN CASH		<u>12,681</u>

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Period from 20 Nov 98 to 30 Nov 99
	£
Operating profit	214,839
Amortisation	12,500
Increase in debtors	(203,963)
Increase in creditors	1,805
	—
Net cash inflow from operating activities	<u>25,181</u>

TENSOR PLC

CASH FLOW STATEMENT *(continued)*

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	£
Increase in cash in the period	12,681
Movement in net funds in the period	<u>12,681</u>
Net funds at 30th November 1999	<u>12,681</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 20 Nov 1998 £	Cash flows £	At 30 Nov 1999 £
Net cash:			
Cash in hand and at bank	-	12,681	12,681
Net funds	<u>-</u>	<u>12,681</u>	<u>12,681</u>

TENSOR PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

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

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Intellectual property rights - straight line over four years

2. TURNOVER

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

An analysis of turnover is given below:

	Period from 20 Nov 98 to 30 Nov 99 £
United Kingdom	<u>230,000</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	Period from 20 Nov 98 to 30 Nov 99 £
Directors' emoluments	-
Amortisation	12,500
Auditors' remuneration	
- as auditors	1,500
- taxation	300
Operating lease costs:	
Land and buildings	<u>792</u>

TENSOR PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to:

	Period from 20 Nov 98 to 30 Nov 99 No.
Number of management staff	<u>3</u>

No salaries or wages have been paid to employees, including the directors, during the period.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Period from 20 Nov 98 to 30 Nov 99 £
Corporation tax based on the results for the period at 24.25%	<u>55,135</u>

6. INTANGIBLE FIXED ASSETS

	Intellectual property £
COST	
Additions	<u>50,000</u>
At 30th November 1999	<u>50,000</u>
AMORTISATION	
Charge for the period	<u>12,500</u>
At 30th November 1999	<u>12,500</u>
NET BOOK VALUE	
At 30th November 1999	<u>37,500</u>

TENSOR PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

7. INVESTMENTS

Equity shareholding and loans to unquoted company

	£
COST	
Additions	5,000
At 30th November 1999	<u>5,000</u>
LOANS	
Advanced in period	7,500
At 30th November 1999	<u>7,500</u>
NET BOOK VALUE	
At 30th November 1999	<u>12,500</u>

During the period under review the company purchased a 28% equity shareholder in The Paranoid Celluloid Company Limited represented by 2,800 ordinary shares of £1 each.

The company advanced loans totalling £7,500 to this company. These loans are secured pari passu with the other shareholders loans by a fixed and floating charge over all of the company's assets.

Although the company holds greater than 20% of the voting rights of the investment, the company does not exercise significant influence over the operating and financial policies of The Paranoid Celluloid Company Limited. As such, the transaction has been treated in accordance with Financial Reporting Standard No. 9 as an investment rather than as an associate undertaking.

The Paranoid Celluloid Company Limited prepares accounts to 31st March. The accounts to 31st March 1999 show that the company was dormant. No accounts are yet available for the year ended 31st March 2000.

In the opinion of the directors, the current value of both the equity investment and the loans are not less than their original cost.

8. DEBTORS

	30 Nov 99 £
Trade debtors	200,000
Directors current accounts	3,805
Prepayments and accrued income	158
	<u>203,963</u>

TENSOR PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

9. CREDITORS: Amounts falling due within one year

	30 Nov 99 £
Other creditors including taxation and social security:	
Corporation tax	55,135
Accruals and deferred income	1,805
	<u>56,940</u>

10. TRANSACTIONS WITH THE DIRECTORS

During the period under review Mr N Smith and Mr A Smith withdrew net sums totalling £3,805 from the company.

During the period under review Mr A Smith withdrew sums totalling £20 from the company.

Mr N Smith is a director of The Paranoid Celluloid Company Limited, a company established to produce films. During the period, Tensor plc purchased a 28% equity holding in this company for a sum of £5,000. This shareholder has been shown in the financial statements as a fixed asset investment. Tensor plc advanced £7,500 during the period to this company as loans. These sums have also been disclosed as fixed asset investments. The loans carry a rate of interest of 200% to reflect the high risk element within the film making industry. The interest is to be paid as soon as cash is available from this company's receipts and the interest is to be paid in preference to the company's other debtors after settling the costs of production. The loan is secured pari-passu with the other shareholders loans by a fixed and floating charge over all of the company's assets and is to be repaid as soon as the company's cash resources are sufficient for this purpose. After the period end a further £1,000 was advanced to The Paranoid Celluloid Company Limited.

Mr N Smith and Mr A Smith assigned intellectual property rights to the company for software they had personally developed. These rights were valued at £50,000 and the proceeds were transferred to the directors' current accounts.

Mr N Smith has a controlling interest in Tensor Systems Limited. During the period under review, Tensor plc provided software consultancy services totalling £30,000 and management services totalling £200,000 to Tensor Systems Limited.

Both Mr N Smith and Mr A Smith have not been voted any director's remuneration in order to allow the company to establish itself commercially in its first period of trading.

TENSOR PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 20TH NOVEMBER 1998 TO 30TH NOVEMBER 1999

11. RELATED PARTY TRANSACTIONS

The company was under the control of Mr N Smith throughout the current period. Mr N Smith is the managing director and majority shareholder.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8 other than those disclosed in note 10 above.

12. SHARE CAPITAL

Authorised share capital:

	30 Nov 99
	£
50,000 Ordinary shares of £1 each	<u>50,000</u>

Allotted, called up and fully paid:

	30 Nov 99
	£
Issue of ordinary shares	<u>50,000</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Period from 20 Nov 98 to 30 Nov 99	
	£	£
Profit for the financial period		159,704
New equity share capital subscribed		<u>50,000</u>
Net addition to funds		<u>209,704</u>
Closing shareholders' equity funds		<u>209,704</u>