

GREENGAGE DEVELOPMENT CORPORATION LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1993



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FOR THE YEAR ENDED 31ST DECEMBER 1993

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GREENGAGE DEVELOPMENT CORPORATION LTD  
REPORT OF THE DIRECTORS

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The directors present their report and the audited financial statements for the year ended 31st December 1993.

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 profit or loss 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.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of providers of computer software and hardware in connection with all aspects of image processing.

The company has failed to raise sufficient funds to enable trading to continue or to meet all outstanding creditors. The directors are not optimistic as to the ability of the company to continue trading, unless additional Finance can be obtained. The major products of the company have been sold since the balance sheet date, at a price of £50,000. The directors are of the opinion that these and the other assets of the Company are fairly shown in the balance sheet at 31 December 1993, at their realisable value.

DIRECTORS

The directors who served during the year and their beneficial interests in the company's share capital were:

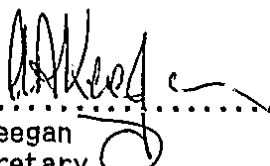
	<u>Ordinary shares of £1 each</u>	
	<u>At end of year</u>	<u>At beginning of year</u>
M W Hill (Resigned 14.6.93)	5	33
C Hill (Resigned 14.6.93)	-	33
D W Phillips (Resigned 11.7.94)	57	33
R T Webb (Appointed 14.6.93)	16	-
R N Woods (Appointed 14.6.93 & Resigned 18.9.94)		16
	<u>94</u>	<u>99</u>

AUDITORS

Messrs Atkinson, Finch & Co will not be proposed for re-appointment at the Annual General Meeting and a resolution will be proposed for the appointment of Messrs Knight Ayling & Co in their place.

This report, which has been prepared taking advantage of special exemptions applicable to small companies, was approved by the Board and signed on its behalf.

By order of the board

  
.....  
M Keegan  
Secretary

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

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

As described on page 1 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 adequate 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. However, the evidence available to us was limited because we were appointed auditors on 24 March 1994 and in consequence we were unable to carry out any auditing procedures in respect of the sales made in the US through a distributor with whom there is now a legal dispute. Any adjustment to sales in this respect would have a consequential effect on the loss for the year.

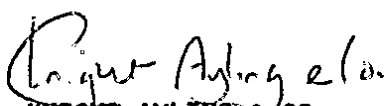
In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

Opinion - disclaimer on view given by Financial Statements.  
Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the Financial Statements give a true and fair view of the state of the company's affairs as at 31 December 1993 or of its loss for the year then ended. In all other respects the accounts have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to sales:

- o We have not obtained all of the information and explanations that we considered necessary for the purpose of our audit and,
- o We were unable to determine whether proper accounting records have been maintained.

  
KNIGHT AYLING & CO

Registered Auditors  
23 London Road, Ascot SL5 7EN

Date: 28th October 1994

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YEAR ENDED 31ST DECEMBER 1993

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PROFIT AND LOSS ACCOUNT

		<u>1993</u>		<u>1992</u>	
	<u>Note</u>	£	£	£	£
Turnover	2		544037		206582
Cost of Sales			162929		160233
			<hr/>		<hr/>
Gross Profit			381108		46349
Distribution Costs		21083		9180	
Administrative Expenses		550622		153907	
Other Operating Income		-		(13518)	
Interest Payable and Similar Charges		12269		822	
		<hr/>	583974	<hr/>	150391
Loss on ordinary activities before and after taxation	3		(202866)		(104042)
Retained loss brought forward			(201181)		(97139)
			<hr/>		<hr/>
Retained loss carried forward			(404047)		(201181)
			<hr/>		<hr/>

There were no recognised gains and losses for 1993 or 1992 other than those included in the profit & loss account.

The notes on pages 6 to 10 form part of these Financial Statements.

GREENGAGE DEVELOPMENT CORPORATION LTD  
BALANCE SHEET AT 31 DECEMBER 1993

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		<u>1993</u>	<u>1992</u>
	<u>Note</u>	<u>£</u>	<u>£</u>
<u>FIXED ASSETS</u>			
Tangible Assets	5a	9169	205
Intangible Assets	5b	50000	-
<u>CURRENT ASSETS</u>			
Stock		-	3999
Debtors	6	77805	125112
Cash at bank & In hand		2	877
		<u>77807</u>	<u>129988</u>
<u>CREDITORS</u>			
Amounts falling due within one year	7	540924	163667
Net Current Liabilities		(463117)	(33679)
Total Assets less Current Liabilities		(403948)	(33474)
<u>CREDITORS</u>			
Amounts falling due after more than one year	8	-	(167608)
<u>NET LIABILITIES</u>		(403948)	(201082)
<u>CAPITAL AND RESERVES</u>			
Called up Share Capital	10	99	99
Profit & Loss Account		(404047)	(201181)
		£ (403948)	£ (201082)

Advantage is taken in the preparation of the financial statements of the special exemptions applicable to small companies conferred by Part I of Schedule 8 to the Companies Act 1985. In the opinion of the directors, the company is entitled to those exemptions as a small company. These financial statements were approved by the Board of Directors on 28 October 1994

  
R WEBB - DIRECTOR

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's accounts.

(a) Basis of accounting

The accounts have been prepared under the historical cost convention.

The company has taken advantage of the exemption in FRS No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

(c) Tangible Fixed Assets and Depreciation

Depreciation is provided on a straight line basis so as to write off the cost, less estimated residual value, of tangible fixed assets over their estimated useful lives as follows:-

Fixtures and fittings - over 5 years

(d) Stocks

These are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

(e) Deferred Taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

(f) Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transactions.

2. TURNOVER

Turnover represents net sales, exclusive of Value Added Tax, in respect of the principal activity. In the opinion of the directors 30% of the turnover is attributable to markets outside the United Kingdom.



NOTES TO THE ACCOUNTS (CONTINUED)

3. LOSS BEFORE TAXATION 1993 1992

This is stated after charging:-

Directors emoluments including pension contributions and estimated benefits.	74863	26786
Auditors remuneration	2050	2050
Depreciation of tangible fixed assets	700	51
Depreciation of intangible fixed assets	2750	-
	=====	=====

4. TRANSACTIONS INVOLVING DIRECTORS

M W Hill, C Hill and D W Phillips are directors of Greengage Computers Ltd.

Greengage Development Corporation Limited has sold computer software to Greengage Computers Limited for resale to the end user. The charge for these goods during the current year amounted to £100,000 (1992 £16696).

These transactions were conducted in accordance with the normal conditions of trade.

5a. <u>TANGIBLE FIXED ASSETS</u>	<u>Fixtures &amp; Fittings</u>	<u>Total</u>
<u>Cost</u>		
At 1 January 1993	256	256
Additions	9664	9664
	-----	-----
At 31 December 1993	9920	9920
	-----	-----
<u>Depreciation</u>		
At 1 January 1993	51	51
Charge for Year	700	700
	-----	-----
At 31st December 1993	751	751
	-----	-----
<u>Net Book Value</u>		
At 1 December 1993	9169	9169
	-----	-----
At 31st December 1992	205	205
	-----	-----

5b. <u>INTANGIBLE FIXED ASSETS</u>	<u>Intellectual Property Rights</u>	<u>US Set-Up Costs</u>	<u>Total</u>
<u>Cost</u>			
Additions during year	50000	41399	91399
	-----	-----	-----
As at 31 December 1993	50000	41399	91399
	-----	-----	-----
<u>Depreciation</u> Charge for year	-	41399	41399
	-----	-----	-----
As at 31 December 1993	-	41399	41399
	-----	-----	-----
<u>Net Book Value</u>			
As at 31 December 1993	£ 50000	£ -	£ 50000
	-----	-----	-----

NOTES TO THE ACCOUNTS (CONTINUED)

	<u>1993</u>	<u>1992</u>
<b>6. <u>DEBTORS</u></b>		
Amounts falling due within one year:-		
Trade debtors	89930	37135
Other debtors	99	8829
Prepayments	1125	700
	<hr/>	<hr/>
	91154	46664
Due from associated company	-	78448
	<hr/>	<hr/>
	91154	125112
	<hr/>	<hr/>

The associated company which is Greengage Development Corporation Inc., is incorporated and operating in the USA. This company is treated as associated as R N Woods, RT Webb and D W Phillips are directors and shareholders of both companies, controlling the entire share capital of the associated company.

<b>7. <u>CREDITORS</u></b>	<u>1993</u>	<u>1992</u>
Amounts falling due within one year:-		
Factoring Advances	66415	-
Trade Creditors	115195	26947
Payroll tax and social security costs	24772	9590
Other creditors	25315	-
Accruals	13574	2903
Bank	5496	-
Directors Loan Accounts	100721	-
	<hr/>	<hr/>
	351988	39440
Loan due to previously associated company.	188936	124227
	<hr/>	<hr/>
	540924	163667
	<hr/>	<hr/>

The previously associated company is Greengage Computers Limited, which is incorporated and operating in England.

This company was treated as associated as M W Hill, C Hill and D W Phillips were directors and shareholders of both companies, controlling the entire share capital of the associated company.

However, in June 1993 there were major changes to the Board of Directors and the shareholdings of Greengage Development Corporation Limited, and from that date onwards the company was no longer associated with Greengage Computers Limited.

NOTES TO THE ACCOUNTS (CONTINUED)

In addition, new terms have been arranged for the repayment of the loan by instalments, together with interest thereon at 9% per annum. The loan is secured by a fixed and floating charge over the assets of the company.

	<u>1993</u>	<u>1992</u>
<b>8. <u>CREDITORS</u></b>		
Amounts falling due after more than one year:-		
Directors Loans		
ATD		
Due to associated company	-	167608
	_____	_____
	-	167608
	_____	_____

**9. DEFERRED TAXATION**

No provision has been made. The calculation of the tax on timing differences do not expect to crystallize in the foreseeable future is as follows:-

	<u>1993</u> <u>£</u>	<u>1992</u> <u>£</u>
Capital Allowances in excess of depreciation	3	3
Trading losses carried forward	(49967)	(49967)
	_____	_____
Net deferred liability (asset) for taxation	(49964)	(49964)
	_____	_____

**10. SHARE CAPITAL**

Authorised:-

500,000 Ordinary Shares of £1 each	500000	500000
	_____	_____

Allotted, issued and fully paid:-

99 Ordinary Shares of £1 each	99	99
	_____	_____

NOTES TO THE ACCOUNTS (CONTINUED)

11. CONTINGENT LIABILITIES

A dispute has arisen between the company and Timeworks Inc, a US company which has been given exclusive rights to the marketing of Greengage products in the US.

Timeworks have claimed that Greengage are in breach of the marketing agreement and have ceased making payments to Greengage. There is the possibility of a claim being made against Greengage and also of Greengage claiming against Timeworks.

At this stage it is impossible to establish the extent of Greengage's liabilities or income in the event of such claims being made. Given the size of the relevant computer software market, any claims could be substantial. However, we believe that Timeworks are in liquidation, so given the financial position of both companies, legal action is unlikely.