

CASHFAC Initiative Limited

**Annual Report
for the year ended 31 December 1997**

Registered Number: 2570541



CASHFAC Initiative Limited

Annual report
for the year ended 31 December 1997

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CASHFAC Initiative Limited**Directors and advisers****Directors**

P W Ormrod
I D Wade
I T Nicol

Registered Auditors

Coopers & Lybrand
Temple Court
35 Bull Street
Birmingham
B4 6JT

Secretary and Registered Office

A Wells
14 Austin Friars
London
EC2N 2HE

Bankers

Royal Bank of Scotland
38 Mosley Street
Manchester
M60 2BE

Lawyers

Frere Cholmeley Bischoff
4 John Carpenter Street
London
EC4Y ON11

CASHFAC Initiative Limited

Directors' report for the year ended 31 December 1997

The Directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The principal activities of the group are unchanged from last year and comprise the development, sales, administration and maintenance of bank management systems.

Review of business and future developments

The consolidated profit and loss account for the year is set out on page 6.

The company embarked on the manufacture of the Windows compatible version of its product, CASHFAC Virtual Bank Technology®. At the same time it tested markets abroad and marketing licences were sold to banks in Canada and Australia.

The directors believe that the company is well placed to increase turnover and achieve further profits in future years.

Dividends and transfer to reserves

The directors do not recommend the payment of a dividend. The profit after tax for the year of £91,895 (1996: £102,567) has reduced the deficit on reserves.

Directors

The directors of the company at 31 December 1997, all of whom have been directors for the whole of the year ended on that date, are listed below:

P W Ormrod
I D Wade - Chairman
I T Nicol

CASHFAC Initiative Limited

Directors' interests

The interests of the directors of the company in the shares of the company and other group companies at 31 December 1997 together with their interests at 1 January 1997 are as follows:

	31 December 1997 Number	1 January 1997 Number
The company		
Ordinary shares of £0.10 (1996 £1) each		
P W Ormrod	6,270	570
I D Wade	-	-
I T Nicol	-	-

CASHFAC Solutions Limited (Formerly CASHFAC Support Limited)

Ordinary shares of £1 each		
P W Ormrod	1	1

Empire Initiative Limited

Ordinary shares of £1 each		
P W Ormrod	1	1

Paul William Ormrod and Union Pension Trustees Limited exercised an option to purchase 57 shares from Albert E Sharp at a price of £1 per share on 17th January 1997.

On 14th May 1997 the ordinary shares of £1 were subdivided into shares of £0.10.

No director had any interest in the shares of the company or group at 31 December 1997 other than those shown in the table above.

I D Wade and I T Nicol are also directors of Albert E Sharp, a company which owns 40% of the ordinary share capital of CASHFAC Initiative Limited.

CASHFAC Initiative Limited

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 9 to 11 to the financial statements.

Taxation status

The company is a close company as defined by the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



A Wells
Company Secretary

16 October 1998

CASHFAC Initiative Limited

Report of the auditors to the members of CASHFAC Initiative Limited

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

As described on page 4 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.

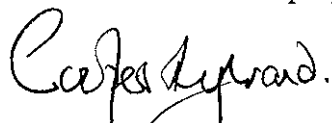
Basis of opinion

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 affairs of the company and the group at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham

26 October 1998

CASHFAC Initiative Limited

Consolidated profit and loss account for the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover - continuing operations	2	990,906	764,240
Net operating expenses - continuing operations	3	(824,969)	(642,652)
Operating profit - continuing operations		<u>165,937</u>	<u>121,588</u>
Interest receivable and similar income		1,149	2,497
Interest payable and similar charges	6	(57,103)	(21,518)
Profit on ordinary activities before taxation	7	<u>109,983</u>	<u>102,567</u>
Taxation on profit on ordinary activities	8	(18,088)	-
Retained profit for the year	16	<u><u>91,895</u></u>	<u><u>102,567</u></u>

The group has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

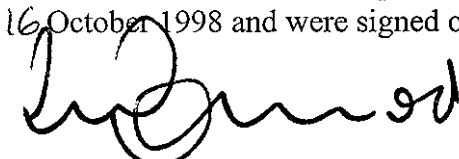
There are no differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

As permitted by Section 230 of the Companies Act 1985, the parent company's own profit and loss account has not been included in these financial statements. The parent company's turnover for the financial year was £979,286 (1996:£753,060) and its profit after tax £91,895 (1996: £102,567).

CASHFAC Initiative Limited**Balance sheets
at 31 December 1997**

	Notes	Group		Company	
		1997	1996	1997	1996
		£	£	£	£
Fixed assets					
Intangible assets	9	310,245	215,328	310,245	215,328
Tangible assets	10	100,099	46,080	100,099	46,080
Investments	11	-	-	198	198
		<u>410,344</u>	<u>261,408</u>	<u>410,542</u>	<u>261,606</u>
Current assets					
Debtors	12	341,637	118,087	342,436	118,374
Cash at bank and in hand		<u>10,486</u>	<u>517</u>	<u>9,889</u>	<u>296</u>
		352,123	118,604	352,325	118,670
Creditors: amounts falling due within one year	13	(362,046)	(371,486)	(362,448)	(371,752)
Net current liabilities		(9,923)	(252,882)	(10,123)	(253,082)
Creditors: amounts falling due after more than one year		(300,000)	-	(300,000)	-
Net assets/(liabilities)		<u>100,421</u>	<u>8,526</u>	<u>100,419</u>	<u>8,524</u>
Capital and reserves					
Called up share capital	15	76,100	76,100	76,100	76,100
Share premium account	16	116,500	116,500	116,500	116,500
Profit and loss account	16	<u>(92,181)</u>	<u>(184,076)</u>	<u>(92,181)</u>	<u>(184,076)</u>
Total shareholders' funds		100,419	8,524	100,419	8,524
Minority interests		<u>2</u>	<u>2</u>	-	-
		<u>100,421</u>	<u>8,526</u>	<u>100,419</u>	<u>8,524</u>
Analysis of shareholders' funds					
Equity		25,419	(66,476)	25,419	(66,476)
Non-equity		<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
		<u>100,419</u>	<u>8,524</u>	<u>100,419</u>	<u>8,524</u>

The financial statements on pages 6 to 17 were approved by the board of directors on 16 October 1998 and were signed on its behalf by:



P W Ormrod
Director

CASHFAC Initiative Limited

Notes to the financial statements for the year ended 31 December 1997

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and on a going concern basis.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 1997.

Purchases and sales made between group companies have been eliminated for the purposes of this consolidation.

Tangible fixed assets

The cost of purchased tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated as to write off the cost of tangible fixed assets, less their estimated residual values, on a reducing balance basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Plant & machinery	33
Fixtures & fittings	25
Leasehold Improvements	25

CASHFAC Initiative Limited

Development expenditure

Development expenditure relating to specific projects intended for commercial use in the future is capitalised in accordance with SSAP 13 and held as an intangible asset.

Amortisation is calculated so as to write off the cost of the asset, once the development is complete, over three years. This is considered to be the period over which the asset provides economic benefit.

Turnover

Turnover, which excludes the Value Added Tax, intra-group sales and trade discounts, represents the invoiced value of services supplied.

Cash flow statement

The group and the company satisfied the small company criteria as defined in the Companies Act 1985 and, under the exemption set out in Financial Reporting Standard 1 Revised, a cashflow statement has not been prepared.

Deferred taxation

Provision is made for deferred taxation, using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The group operates a defined contribution pension scheme, as defined by SSAP 24. Pension costs in the profit and loss account represent the amounts paid and payable to the scheme during the year.

2 Turnover

Turnover consists of licence fees, maintenance fees and fees for consultancy services supplied in the United Kingdom.

3 Net operating expenses

	1997	1996
	£	£
Administrative expenses - continuing operations	<u>824,969</u>	<u>642,652</u>

CASHFAC Initiative Limited

4 Directors' emoluments

	1997	1996
	£	£
Aggregate emoluments	<u>129,694</u>	<u>149,542</u>
Emoluments payable to the highest paid director are as follows:		
	1997	1996
	£	£
Aggregate emoluments, gains on share options exercised and benefits under long term incentive schemes	<u>129,694</u>	<u>149,542</u>

5 Employee information

	1997	1996
	Number	Number
The average weekly number of persons (including executive director) employed by the company during the year	13	11
	=	=

Of the above staff 7 (1996:5) are involved in mainly development type roles while the other 6 (1996:6) are involved mainly in administrative sales and consultancy roles.

CASHFAC Initiative Limited**5 Employee information (continued)**

	1997	1996
	£	£
Staff costs (for the above persons)		
Wages & salaries	521,473	395,885
Social security costs	56,020	36,422
Other pension costs	(6,000)	(432)
	<u>571,493</u>	<u>431,875</u>

6 Interest payable and similar charges

	1997	1996
	£	£
On bank loans, overdrafts and other loans repayable within 5 years, not by instalments	<u>57,103</u>	<u>21,518</u>

7 Profit on ordinary activities before taxation

	1997	1996
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
- Intangible fixed assets	108,642	91,021
- Tangible fixed assets	24,716	9,378
Auditor's remuneration	5,000	5,000
Fees paid to auditor for non-audit services	<u>3,150</u>	<u>5,775</u>

CASHFAC Initiative Limited

8 Taxation on ordinary activities

	1997	1996
	£	£
United Kingdom taxation:		
Corporation taxation 21.75% (1996 24%)	250	-
Overseas taxation	<u>17,838</u>	-
Total	<u>18,088</u>	-

Trading losses of £26,765 (1996: £87,145) have been carried forward and are available for set-off against future trading profits. No deferred tax liabilities exist at 31 December 1997.

9 Intangible fixed assets - Group & Company

	Software Development £
Cost	
At 1 January 1997	552,093
Additions	203,559
At 31 December 1997	<u>755,652</u>
Depreciation	
At 1 January 1997	336,765
Charge for the year	<u>108,642</u>
At 31 December 1997	<u>445,407</u>
Net book value	
At 31 December 1997	<u>310,245</u>
At 31 December 1996	<u>215,328</u>

Software development costs relate to costs incurred by Cashfac Initiative Limited on the continued development of the core bank management system.

The expenditure is being written off over three years, being the period over which the directors consider the development to provide economic benefit. In the directors' opinion these circumstances justify the decision not to treat the development costs as a realised revenue cost.

CASHFAC Initiative Limited**10 Tangible fixed assets - Group & Company**

	Plant & Machinery £	Fixtures & Fittings £	Leasehold Improvements £	Total £
Cost				
At 1 January 1997	63,567	9,186	-	72,753
Additions	<u>51,967</u>	<u>5,556</u>	<u>21,212</u>	<u>78,735</u>
At 31 December 1997	<u>115,534</u>	<u>14,742</u>	<u>21,212</u>	<u>151,488</u>
Depreciation				
At 1 January 1997	23,356	3,317	-	26,673
Charge for year	<u>21,708</u>	<u>1,950</u>	<u>1,058</u>	<u>24,716</u>
At 31 December 1997	<u>45,064</u>	<u>5,267</u>	<u>1,058</u>	<u>51,389</u>
Net book value				
At 31 December 1997	<u>70,470</u>	<u>9,475</u>	<u>20,154</u>	<u>100,099</u>
At 31 December 1996	<u>40,211</u>	<u>5,869</u>	<u>-</u>	<u>46,080</u>

11 Fixed assets investments - Company

	1997 £	1996 £
Interest in group undertakings	<u>198</u>	<u>198</u>

These investments comprise a 99% shareholding of the ordinary £1 shares of Cashfac Solutions Limited and Empire Initiative Limited. Both companies are registered in England and Wales.

The principal business activities of these subsidiary undertakings are:

- i) Cashfac Solutions Limited - provides administration services to Cashfac Initiative Limited and its customers in the UK. During the year the company changed its' name from Cashfac Support Limited to Cashfac Solutions Limited.
- ii) Empire Initiative Limited - provides fleet management software based administration services in the UK.

CASHFAC Initiative Limited**12 Debtors**

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Trade debtors	202,882	106,987	202,882	106,987
Amounts due from subsidiary undertakings	-	-	801	289
Other debtors	126,719	1,672	126,719	1,672
Prepayments	12,034	9,426	12,034	9,426
Called up share capital	2	2	-	-
	<u>341,637</u>	<u>118,087</u>	<u>342,436</u>	<u>118,374</u>

13 Creditors: amounts falling due within one year

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Bank overdraft	-	182,735	-	182,735
Trade creditors	55,542	9,733	55,542	9,733
Corporation tax	250	-	250	-
Amounts due from subsidiary undertakings	-	-	265	265
Other taxation and social security costs	26,571	14,412	26,571	14,412
Other creditors	65,719	21,421	65,719	21,421
Accruals and deferred income	176,549	134,032	176,549	134,033
VAT payable	37,415	9,153	37,552	9,153
	<u>362,046</u>	<u>371,486</u>	<u>362,448</u>	<u>371,752</u>

At 31 December 1996 the bank overdraft was secured by a fixed and floating charge over all present and future assets of the company which was granted to the Governor and the Company of the Bank of Scotland. On 23 May 1997 this arrangement was replaced by new facilities as described in note 14.

CASHFAC Initiative Limited**14 Creditors : amounts falling due in more than one year**

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Bank loan	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>-</u>

As of 23 May 1997 the arrangement with the Bank of Scotland (note 13) ceased and was replaced by a bank overdraft facility of £75,000 and a loan facility of £300,000. These facilities are secured by a fixed and floating charge over all present and future assets of the company granted to The Royal Bank of Scotland. The bank overdraft is repayable upon demand.

The bank loan is repayable commencing 23rd June 1999. Interest is charged at a fixed rate of LIBOR plus 3%, payable quarterly and an additional 15% per annum which will be rolled up and paid when the loan is repaid.

15 Called up share capital

	1997	1996
	£	£
Authorised		
13,100 ordinary shares of £0.10 each	1,310	1,200
75,000 redeemable preference shares of £1 each	<u>75,000</u>	<u>75,000</u>
	<u>76,310</u>	<u>76,200</u>
Allotted, called up and fully paid	£	£
11,000 ordinary shares of £0.10 each	1,100	1,100
75,000 redeemable preference shares of £1 each	<u>75,000</u>	<u>75,000</u>
	<u>76,100</u>	<u>76,100</u>

The rights attaching to the redeemable preference shares are:

- (a) The shares carry a fixed non-cumulative preferential dividend at the rate of 0.01% per annum which is payable in the event that there are sufficient profits available for distribution.
- (b) The redeemable preference shares became redeemable at par in tranches of 5,000 shares per month from 31 January 1995 (unless there are insufficient distributable reserves available). In addition the company has the right to redeem the shares on giving 30 days notice in writing. No premium is payable on redemption.

CASHFAC Initiative Limited

15 Called up share capital (continued)

- (c) In the event of a winding up the redeemable preference shares have priority over ordinary shares in the distribution of assets.
- (d) The holders of the redeemable preference shares have the right to receive notice of but not to attend or vote at any general meeting of the company other than in certain specified circumstances.
- (e) On 14th May 1997, by way of written resolution, the authorised share capital of the company was increased from £76,200, divided into 1,200 ordinary shares of £1 each and 75,000 redeemable preference shares of £1, to £76,310 by the creation of an additional 110 ordinary shares of £1 each. On the same date the 1,310 ordinary shares of £1 each were sub-divided into 13,100 ordinary shares of £0.10 each.

16 Share premium account and reserves - Group and Company

	Share premium account £	Profit and loss account £
At 1 January 1997	116,500	(184,076)
Retained profit for year	-	91,895
At 31 December 1997	<u><u>116,500</u></u>	<u><u>(92,181)</u></u>

17 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Opening shareholders' funds	8,524	(94,043)
Profit for the financial year	91,895	102,567
Closing shareholders' funds	<u><u>100,419</u></u>	<u><u>8,524</u></u>

18 Pensions and similar obligations

The group operates a defined contribution scheme, under the terms of which, a fixed contribution is paid over to the scheme each year.

Total amounts due to the scheme during the year amounted to £nil (1996: £12,000), with £nil (1996: £6,000) of this amount paid as at the year end.

CASHFAC Initiative Limited**19 Related party transactions**

The company received income from Albert E Sharp, owners of 40% of the equity share capital of the company, amounting to £52,250 (1996:£41,623) relating to maintenance fees on the use of CASHFAC software.

The company paid Albert E Sharp £11,578 (1996:£20,871) with regard principally to the rent of office space.

The company received £55,813 as a loan from Albert E Sharp during the year for the deposit on the new premises, 14 Austin Friars. This amount remains as a receivable from the Landlord and payable to Albert E Sharp at the year end.

20 Controlling party

Mr Paul Ormrod, director, is the controlling party by virtue of his controlling interest in the company's equity capital.