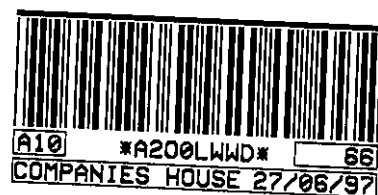


# **CASHFAC *Initiative* Limited**

**Annual Report  
for the year ended 31 December 1996**

Registered Number: 2570541



**CASHFAC *Initiative* Limited**

Annual report  
for the year ended 31 December 1996

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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  
Moor House  
119 London Wall  
London  
EC2Y 5ET

**Bankers**

Bank of Scotland  
Teviot House  
41 South Gyle Crescent  
Edinburgh  
EH11 1PZ

**Lawyers**

Frere Cholmeley Bischoff  
4 John Carpenter Street  
London  
EC4Y 0N11

**CASHFAC *Initiative* Limited****Directors' report  
for the year ended 31 December 1996**

The Directors present their report and the audited financial statements for the year ended 31 December 1996.

**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 7.

The Windows based version of the product has now been launched and a number of related enhancements have been developed and sold, most notably the telebanking function which is now being used by two major life companies.

During the year marketing licences were sold to two banking groups including a major UK clearing bank, allowing the banks to market and sell CASHFAC software products under the banks' own names.

Interest in the product has been shown by overseas markets (Canada, South Africa, Luxembourg, Holland, Denmark and Russia) for purchasing both the product and marketing licences. For example, a major Canadian bank has undertaken due diligence on the software and negotiations for the sale of a marketing licence are in progress.

The directors believe 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 £102,567 (1995: loss of £52,502) has reduced the deficit on reserves.

## **CASHFAC Initiative Limited**

### **Directors**

The directors of the company at 31 December 1996, 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

### **Directors' interests**

The interests of the directors of the company in the shares of the company and other group companies at 31 December 1996 together with their interests at 1 January 1996.

	<b>31 December 1996 Number</b>	<b>1 January 1996 Number</b>
<b>The company</b>		
Ordinary shares of £1 each		
P W Ormrod	570	570
I D Wade	-	-
I T Nicol	-	-
<b>CASHFAC Support Limited</b>		
Ordinary shares of £1 each		
P W Ormrod	1	1
<b>Empire Initiative Limited</b>		
Ordinary shares of £1 each		
P W Ormrod	1	1

P W Ormrod has an option to repurchase 57 shares owned by Albert E Sharp at a price equivalent to that at which they were originally transferred.

No director had any interest in the shares of the company or group at 31 December 1996 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 1996. 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.

**CASHFAC *Initiative* Limited****Auditors**

The company passed an elective resolution on 12 December 1991 to dispense with the obligation to appoint auditors annually.

In the absence of a notice proposing that the appointment be terminated, the auditors Coopers & Lybrand will be deemed to be re-appointed for the next financial year.

**By order of the Board**

A handwritten signature in black ink, appearing to read 'A Wells'.

**A Wells**  
**Company Secretary**

) June 1997

**CASHFAC Initiative Limited****Report of the auditors to the members of  
CASHFAC Initiative Limited**

We have audited the financial statements on pages 7 to 18.

**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.

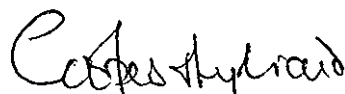
**Basis of opinion**

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 1996 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

11 June 1997

**CASHFAC Initiative Limited****Consolidated profit and loss account  
for the year ended 31 December 1996**

	Notes	1996 £	1995 £
<b>Turnover - continuing operations</b>	2	764,240	384,882
Net operating expenses - continuing operations	3	(642,652)	(418,377)
<b>Operating profit/(loss) - continuing operations</b>		<u>121,588</u>	<u>(33,495)</u>
Interest receivable and similar income		2,497	-
Interest payable and similar charges	6	(21,518)	(19,007)
<b>Profit/(loss) on ordinary activities before taxation</b>	7	<u>102,567</u>	<u>(52,502)</u>
Taxation credit on loss on ordinary activities	8	-	-
<b>Retained profit/(loss) for the year</b>	15	<u><u>102,567</u></u>	<u><u>(52,502)</u></u>

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

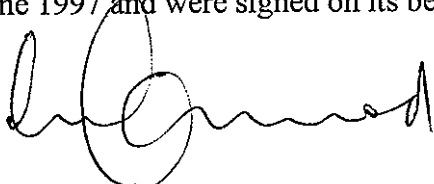
There are no differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

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 £753,060 (1995: £374,721) and its profit after tax £102,567 (1995: loss of £52,502).

**CASHFAC Initiative Limited****Balance sheets  
at 31 December 1996**

	Notes	Group		Company	
		1996 £	1995 £	1996 £	1995 £
<b>Fixed assets</b>					
Intangible assets	9	215,328	158,151	215,328	158,151
Tangible assets	10	46,080	20,005	46,080	20,005
Investments	11	-	-	198	198
		<u>261,408</u>	<u>178,156</u>	<u>261,606</u>	<u>178,354</u>
<b>Current assets</b>					
Debtors	12	118,087	47,722	118,374	47,814
Cash at bank and in hand		<u>517</u>	<u>384</u>	<u>296</u>	<u>191</u>
		118,604	48,106	118,670	48,005
<b>Creditors:</b> amounts falling due within one year	13	<u>(371,486)</u>	<u>(320,303)</u>	<u>(371,752)</u>	<u>(320,402)</u>
Net current liabilities		<u>(252,882)</u>	<u>(272,197)</u>	<u>(253,082)</u>	<u>(272,397)</u>
Net assets/(liabilities)		<u>8,526</u>	<u>(94,041)</u>	<u>8,524</u>	<u>(94,043)</u>
<b>Capital and reserves</b>					
Called up share capital	14	76,100	76,100	76,100	76,100
Share premium account	15	116,500	116,500	116,500	116,500
Profit and loss account	15	<u>(184,076)</u>	<u>(286,643)</u>	<u>(184,076)</u>	<u>(286,643)</u>
Total shareholders' funds		8,524	(94,043)	8,524	(94,043)
Minority interests		<u>2</u>	<u>2</u>	-	-
		<u>8,526</u>	<u>(94,041)</u>	<u>8,524</u>	<u>(94,043)</u>
<b>Analysis of shareholders' funds</b>					
Equity		(66,474)	(169,041)	(66,476)	(169,043)
Non-equity		<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
		<u>8,526</u>	<u>(94,041)</u>	<u>8,524</u>	<u>(94,043)</u>

The financial statements on pages 7 to 18 were approved by the board of directors on 11 June 1997 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 1996****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. Since the year end an agreement has been signed with a major UK bank providing financing of £375,000 to fund the working capital of the business.

**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 1996.

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

## **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 and fees for consultancy services supplied in the United Kingdom.

## **3 Net operating expenses**

	1996	1995
	£	£
Administrative expenses - continuing operations	<u>642,652</u>	<u>418,377</u>

## **CASHFAC Initiative Limited**

### **4 Directors' emoluments**

	1996 £	1995 £
Other emoluments (including pension contributions and benefits in kind)	<u>149,542</u>	<u>113,416</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996 £	1995 £
The chairman	<u>-</u>	<u>-</u>
The highest paid director	<u>149,542</u>	<u>100,984</u>

The emoluments of the highest paid director includes discretionary payments relating to current and prior years totalling £60,000 and was based on the availability of funds.

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number
£0 to £5,000	2	2
£100,001 to £105,000	-	1
£145,001 to £150,000	1	-

### **5 Employee information**

	1996 Number	1995 Number
The average weekly number of persons (including executive director) employed by the company during the year	11	7
	=	=

Of the above staff, 5 are involved in mainly development type roles while the other 6 are involved mainly in administrative sales and support roles.

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

	1996	1995
	£	£
<b>Staff costs (for the above persons)</b>		
Wages & salaries	395,885	249,190
Social security costs	36,422	22,607
Other pension costs	(432)	12,432
	<u>431,875</u>	<u>284,229</u>

**6 Interest payable and similar charges**

	1996	1995
	£	£
On bank loans, overdrafts and other loans repayable within 5 years, not by instalments	<u>21,518</u>	<u>19,007</u>

**7 Profit/(loss) on ordinary activities before taxation**

	1996	1995
	£	£
<b>Profit/(loss) on ordinary activities before taxation is stated after charging:</b>		
Depreciation charge for the year:		
- Intangible fixed assets	91,021	104,820
- Tangible fixed assets	9,378	6,361
Auditor's remuneration	5,000	5,000
Fees paid to auditor for non-audit services	<u>5,775</u>	<u>-</u>

**8 Taxation credit on loss on ordinary activities**

Trading losses of £87,145 (1995: £196,429) have been carried forward and are available for set-off against future trading profits. No deferred tax liabilities exist at 31 December 1996.

**CASHFAC Initiative Limited****9 Intangible fixed assets - Group & Company**

	<b>Software Development</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 1996	403,895
Additions	148,198
<b>At 31 December 1996</b>	<u><b>552,093</b></u>
<b>Depreciation</b>	
At 1 January 1996	245,744
Charge for the year	<u>91,021</u>
<b>At 31 December 1996</b>	<u><b>336,765</b></u>
<b>Net book value</b>	
<b>At 31 December 1996</b>	<u><b>215,328</b></u>
<b>At 31 December 1995</b>	<u><b>158,151</b></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**

	<b>Plant &amp; Machinery £</b>	<b>Fixtures &amp; Fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 1996	29,412	7,888	37,300
Additions	<u>34,155</u>	<u>1,298</u>	<u>35,453</u>
	<u>63,567</u>	<u>9,186</u>	<u>72,753</u>
<b>At 31 December 1996</b>			
<b>Depreciation</b>			
At 1 January 1996	15,577	1,718	17,295
Charge for year	<u>7,779</u>	<u>1,599</u>	<u>9,378</u>
	<u>23,356</u>	<u>3,317</u>	<u>26,673</u>
<b>At 31 December 1996</b>			
<b>Net book value</b>			
At 31 December 1996	<u>40,211</u>	<u>5,869</u>	<u>46,080</u>
At 31 December 1995	<u>13,835</u>	<u>6,170</u>	<u>20,005</u>

**11 Fixed assets investments - Company**

	<b>1996 £</b>	<b>1995 £</b>
Interest in group undertakings	<u>198</u>	<u>198</u>

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

The principal business activities of these subsidiary undertakings are:

- i) Cashfac Support Limited - provides administration services to Cashfac Initiative Limited and its customers in the UK.
- ii) Empire Initiative Limited - provides fleet management software based administration services in the UK.

**CASHFAC Initiative Limited****12 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>1996</b>	<b>1995</b>	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	106,987	33,870	106,987	33,870
Amounts due from subsidiary undertakings	-	-	289	94
Other debtors	1,672	7,633	1,672	7,633
Prepayments	9,426	6,217	9,426	6,217
Called up share capital	2	2	-	-
	<u>118,087</u>	<u>47,722</u>	<u>118,374</u>	<u>47,814</u>

**13 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>1996</b>	<b>1995</b>	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank overdraft	182,735	191,776	182,735	191,776
Trade creditors	9,733	932	9,733	932
Amounts due from subsidiary undertakings	-	-	265	99
Other taxation and social security costs	14,412	9,285	14,412	9,285
Other creditors	21,421	42,000	21,421	42,000
Accruals and deferred income	134,032	73,541	134,033	73,541
VAT payable	9,153	2,769	9,153	2,769
	<u>371,486</u>	<u>320,303</u>	<u>371,752</u>	<u>320,402</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.

As of 23 May 1997 the above arrangement ceased and was replaced by a bank overdraft and a loan facility totalling £375,000 which is 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.

**CASHFAC Initiative Limited****14 Called up share capital**

	1996 £	1995 £
<b>Authorised</b>		
1,200 ordinary shares of £1 each	1,200	1,200
75,000 redeemable preference shares of £1 each	<u>75,000</u>	<u>75,000</u>
	<u>76,200</u>	<u>76,200</u>
<b>Allotted, called up and fully paid</b>		
1,100 ordinary shares of £1 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.
- (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.

**CASHFAC Initiative Limited****15 Share premium account and reserves - Group and Company**

	Share premium account £	Profit and loss account £
At 1 January 1996	116,500	(286,643)
Retained profit for year	-	102,567
<b>At 31 December 1996</b>	<b><u>116,500</u></b>	<b><u>(184,076)</u></b>

**16 Reconciliation of movements in shareholders' funds**

	1996 £	1995 £
Opening shareholders' funds	(94,043)	(41,541)
Profit/(Loss) for the financial year	102,567	(52,502)
<b>Closing shareholders' funds/(deficit)</b>	<b><u>8,524</u></b>	<b><u>(94,043)</u></b>

**17 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 £12,000 (1995: £12,432), with £6,000 (1995: none) of this amount paid as at the year end.

**18 Related party transactions**

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

The company paid Albert E Sharp £20,871 with regard principally to the rent of office space.

The company received £28,000 as a loan from Albert E Sharp during the year. All amounts payable were repaid in full in May 1996 and no loan remains payable to Albert E Sharp at the year end.

**CASHFAC *Initiative* Limited****19 Controlling party**

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