

Cross Products Limited
(formerly Joindegree Limited)

Annual report
for the period ended 31 March 1995

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Directors and advisers

Executive directors

T Utsunomiya
I Oliver
J B Miller
M Shigeta
S Toyoda

Secretary and registered office

T Utsunomiya
23 The Calls
Leeds
LS2 7EH

Registered Auditors

Coopers & Lybrand
Albion Court
5 Albion Place
Leeds
LS1 6JP

Solicitors

Ford & Warren
Westgate Point
Westgate
LEEDS
LS1 2AX

Bankers

Lloyds Bank plc
6-7 Park Row
Leeds
LS1 1NX

Directors' report for the period ended 31 March 1995

The directors present their report and the audited financial statements for the period ended 31 March 1995.

The company was incorporated on 22 April 1994 as Joindegree Limited. On 9 June 1994 the company changed its name to Sega Systems Limited and on 20 June 1994 the company was renamed Cross Products Limited.

Principal activity

The principal activity of the company is the sale of computer software and ancillary products.

Review of business

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

On 17 June 1994 the company acquired the trade and assets from A S Craven Limited (formerly Cross Products Limited) and commenced trading.

Both the level of business and the period end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend in respect of the period ended 31 March 1995.

The profit for the financial period of £13,000 will be transferred to the company's reserves.

Changes in fixed assets

The movements in fixed assets during the period are set out in notes 8 and 9 to the financial statements.

Directors

The directors of the company at 31 March 1995, together with their dates of appointment, are listed below:

T Utsunomiya	(appointed 9 June 1994)
I Oliver	(appointed 1 July 1994)
J B Miller	(appointed 1 July 1994)
M Shigeta	(appointed 1 July 1994)
S Toyoda	(appointed 1 July 1994)

Instant Companies Limited was appointed a director of the company on 22 April 1994 and resigned on 9 June 1994. Mr D E Barron was appointed a director of the company on 9 June 1994 and resigned on 1 July 1994.


Directors' interests

According to the register required to be kept by section 325 of the Companies Act 1985 no director had any interests in the share capital of the company at 31 March 1995. As permitted by statutory instrument, the register does not include details of the share holdings of any director who is also a director of the parent company.

Auditors

Coopers & Lybrand were appointed first auditors of the company during the year. A resolution to reappoint Coopers & Lybrand will be proposed at the annual general meeting.

By order of the board


T Utsunomiya
Secretary

5th June 1995


Statement of 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 as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 March 1995. 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 taking reasonable steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

By order of the board


T Utsunomiya
Secretary

5th June 1995

**Report of the auditors to the members of
Cross Products Limited
(formerly Joindegree Limited)**

We have audited the financial statements on pages 6 to 16.

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.

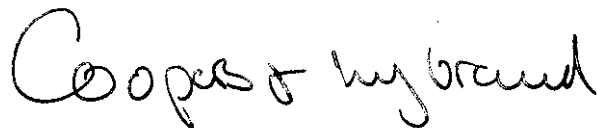
Basis of opinion

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 the company's affairs at 31 March 1995 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

Leeds

8 June 1995

**Profit and loss account
for the period ended 31 March 1995**

	Notes	11½ months ended 31 March 1995 £'000
Turnover	2	1,894
Cost of sales		(419)
Gross profit		1,475
Administrative expenses		(1,378)
Operating profit		97
Interest receivable		2
Interest payable and similar charges	5	(4)
Profit on ordinary activities before taxation	6	95
Tax on profit on ordinary activities	7	(82)
Retained profit for the period	15	13

The company commenced trading in June 1994 and all of the results above are as a result of the acquisition made in the period.

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.


There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

Balance sheet
at 31 March 1995

	Notes	£'000
Fixed assets		
Intangible assets	8	1,461
Tangible assets	9	248
		<hr/>
		1,709
		<hr/>
Current assets		
Stocks	10	255
Debtors	11	780
Cash at bank and in hand		130
		<hr/>
		1,165
Creditors: amounts falling due		
within one year	12	661
		<hr/>
Net current assets		504
		<hr/>
Total assets less current liabilities		2,213
		<hr/>
Capital and reserves		
Called up share capital	13	2,200
Profit and loss account	15	13
		<hr/>
Equity shareholder's funds	16	2,213
		<hr/>

The financial statements on pages 6 to 16 were approved by the board of directors on 5th June 1995 and were signed on its behalf by:


I Oliver
Director


T Utsunomiya
Director

Notes to the financial statements for the period ended 31 March 1995

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 is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Research and development expenditure

Expenditure relating to the research, development and enhancement of software products is written off as incurred.

Cash flow

The company is exempt from preparing a cash flow statement under FRS 1 because of its size.

Goodwill

Purchased goodwill is eliminated by amortisation through the profit and loss account over its useful economic life which is, in the opinion of the directors, 4 years.

Tangible fixed assets and technology

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

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

Leasehold improvements	25%
Computer equipment	50%
Motor vehicles	50%
Fixtures and fittings	50%
Technology	25%

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period. All foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Turnover

Turnover, which excludes value added tax represents the invoiced value of goods and services supplied.

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 company contributes towards employee personal pension plans. The pension cost is the amount of the contributions payable in respect of the accounting period. The company provides no other post retirement benefits to its employees.

2 Turnover

The analysis by geographical segment of the company's turnover is set out below:

	11½ months ended 31 March 1995 £'000
Geographical segment	
United Kingdom	226
Rest of Europe	31
North America	1,553
Asia	84
	<hr/>
	1,894
	<hr/> <hr/>

3 Directors' emoluments

	11½ months ended 31 March 1995 £'000
Salary payments (including benefits in kind)	68
Pension contributions	7
	<u>75</u>

Emoluments (excluding pension contributions) include amounts paid to:

	11½ months ended 31 March 1995
The chairman	£Nil
	<u> </u>
The highest-paid director	£68,000
	<u> </u>

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:

	11½ months ended 31 March 1995 Number
£ 0 to £ 5,000	6
£65,001 to £70,000	1
	<u> </u>

4 Employee information

The average weekly number of persons (including executive directors) employed by the company during the period was:

	11½ months ended 31 March 1995 Number
By activity	
Sales	2
Software, Hardware, Firmware, Technical Support	13
Administration	7
	<u>22</u>
	<u><u>22</u></u>
	11½ months ended 31 March 1995 £'000
Staff costs (for the above persons)	
Wages and salaries	314
Social security costs	30
Other pension costs	14
	<u>358</u>
	<u><u>358</u></u>

The pension cost charge represents contributions payable by the company to personal pension plans of employees and amounts to £13,710.

5 Interest payable and similar charges

	11½ months ended 31 March 1995 £'000
On hire purchase agreements	4
	<u>4</u>

8 Intangible fixed assets

	License £'000	Technology £'000	Goodwill £'000	Total £'000
Cost or valuation				
Additions	120	1,671	131	1,922
At 31 March 1995	120	1,671	131	1,922
Amortisation				
Charge for period	120	318	23	461
At 31 March 1995	120	318	23	461
Net book value				
At 31 March 1995	Nil	1,353	108	1,461

Goodwill arose on the purchase of the trade and assets of A S Craven Limited (formerly Cross Products Limited) (see note 14).

9 Tangible fixed assets

	Leasehold improvements £'000	Motor vehicles £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost					
Additions	38	32	222	43	335
Disposals	-	(8)	(1)	-	(9)
At 31 March 1995	38	24	221	43	326
Depreciation					
Charge for period	7	9	50	14	80
Eliminated in respect of disposals	-	(2)	-	-	(2)
At 31 March 1995	7	7	50	14	78
Net book value					
At 31 March 1995	31	17	171	29	248

10 Stocks

	1995
	£'000
Work in progress	243
Finished goods	12
	<u>255</u>

11 Debtors

	1995
	£'000
Amounts falling due within one year	
Trade debtors	121
Amounts owed by parent company and fellow subsidiary undertakings	567
Other debtors	77
Prepayments and accrued income	15
	<u>780</u>

12 Creditors: amounts falling due within one year

	1995
	£'000
Trade creditors	193
Amounts owed to parent company	307
Corporation tax payable	82
Other taxation and social security	27
Accruals and deferred income	52
	<u>661</u>

13 Called up share capital

	1995
	£'000
Authorised	
3,000,000 ordinary shares of £1 each	<u>3,000</u>
Allotted, called up and fully paid	
2,200,000 ordinary shares of £1 each	<u>2,200</u>

The company was incorporated on 22 April 1994 with 2 ordinary shares of £1 each which were issued at par. On 6 February 1995 the company issued 2,179,151 ordinary shares of £1 each at par to settle a debt with its parent company, Sega of America Inc., in full. In addition, the company issued a further 20,847 ordinary shares of £1 each at par for cash on the same day to provide additional working capital.

14 Acquisitions

On 17 June 1994 the company acquired the trade and net assets of A S Craven Limited (formerly Cross Products Limited), for a total consideration of \$2,984,500 plus legal expenses. The net assets acquired are summarised below:

	Book and fair value £'000
Intangible fixed assets	1,791
Tangible fixed assets	107
Current assets	45
Creditors	(102)
	<hr/> 1,841
Consideration	1,972
	<hr/>
Goodwill arising	131
	<hr/> <hr/>

15 Reserves

	Profit and loss account £'000
Profit for the period	13
	<hr/>
At 31 March 1995	13
	<hr/> <hr/>

16 Reconciliation of movements in shareholder's funds

	1995 £'000
Profit for the financial period	13
Shares issued during the period	2,200
	<hr/>
Closing equity shareholder's funds	2,213
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17 Capital commitments

	1995 £'000
Authorised but not contracted for	54
	<hr/> <hr/>

18 Financial commitments

At 31 March 1995 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings £'000
Expiring in over five years	73

19 Ultimate parent company

The directors regard Sega Enterprises Limited, a company incorporated in Japan as the ultimate parent company, According to the register kept by the company, Sega of America Inc., a company incorporated in the United States of America and also a wholly owned subsidiary of Sega Enterprises Limited, has a 100% interest in the equity capital of Cross Products Limited. Copies of the consolidated financial statements of Sega Enterprises Limited, may be obtained from Sega Enterprises Limited, 2-12 Haneda 1-Chome, Ohta-ku, Tokyo 144, Japan.

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