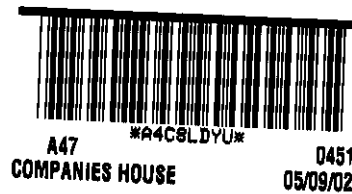


Option Systems Limited

Directors' report and financial
statements

Registered number 2446995

31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The principal activity of the company continues to be the supply and installation of software and hardware and related consulting services specific to the clothing, footwear and home textile industries.

Business review

Turnover remained strong for the year £3,056,724 (2001: £3,144,821).

Proposed dividend and transfer from reserves

The directors do not recommend the payment of a dividend for the year.

The profit for the year after taxation is £59,912 and has been added to reserves.

Research and development

The company continued to develop its products to keep pace with market changes.

Directors and directors' interests

The directors who held office during the year were as follows:

AG Parkinson
AD Russell
PN Miller-Smith

None of the directors who held office during the year had any interests in the shares or debentures of the company. Their interests in the shares of O.S.L. International Limited (Option Systems Limited's holding company) are shown in its directors report.

Political and charitable contributions

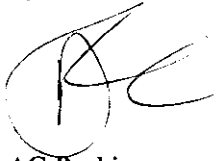
The company made no political contributions during the year. Donations to UK charities amounted to £1,635.

Directors' report *(continued)*

Auditors

KPMG were re-appointed auditors on 5 July 2001. However, since that date their business was transferred to a limited partnership, KPMG LLP. Accordingly KPMG have resigned as auditors and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



AG Parkinson
Director

OSL House
East Link
Meridian Business Park
Leicester
LE3 2XU

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



1 Waterloo Way
Leicester
LE1 6LP

Independent auditors' report to the members of Option Systems Limited

We have audited the financial statements on pages 5 to 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

29 August 2002

Profit and loss account
for the year ended 31 December 2001

	<i>Note</i>	2001 £	2000 £
Turnover	1	3,056,724	3,144,821
Cost of sales		(677,187)	(652,195)
Gross profit		2,379,537	2,492,626
Administrative expenses		(2,296,227)	(2,436,836)
Operating profit		83,310	55,790
Other interest receivable and similar income	5	8,328	8,709
Interest payable and similar charges	6	(1,954)	(6,260)
Profit on ordinary activities before taxation		89,684	58,239
Tax on profit on ordinary activities	7	(29,772)	(12,314)
Profit for the financial year	17	59,912	45,925

The notes on pages 8 to 19 form part of these accounts.

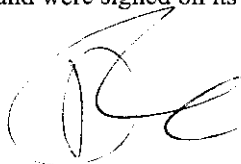
There were no recognised gains and losses other than profit for the year.

The company has made no material acquisitions and no operations have been discontinued during the current or preceding accounting periods.

Balance sheet
at 31 December 2001

	<i>Note</i>	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	8		102,812		148,805
Investment	9		6,674		6,674
			<hr/>		<hr/>
Current assets					
Stocks	10	16,081		18,242	
Debtors	11	772,584		879,570	
Cash at bank and in hand		375,795		117,404	
			<hr/>		<hr/>
		1,164,460		1,015,216	
Creditors: amounts falling due within one year					
	12	(1,020,921)		(950,857)	
			<hr/>		<hr/>
Net current assets			143,539		64,359
			<hr/>		<hr/>
Total assets less current liabilities			253,025		219,838
Creditors: amounts falling due after more than one year					
Provisions for liabilities and charges	13 15		-		(25,895)
			(1,670)		(2,500)
			<hr/>		<hr/>
Net assets			251,355		191,443
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	16		17,000		17,000
Share premium account	17		12,314		12,314
Profit and loss account	17		222,041		162,129
			<hr/>		<hr/>
			251,355		191,443
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved by the board of directors on 27/08/02 and were signed on its behalf by:



AG Parkinson
Director

Cash flow statement
for the year ended 31 December 2001

	<i>Note</i>	2001 £	2000 £
Cash inflow from operating activities	21	309,827	183,636
Returns on investments and servicing of finance	22	6,224	2,449
Taxation		(13,612)	(25,114)
Capital expenditure	22	(14,865)	(63,056)
Investment	22	-	(2,174)
		<hr/>	<hr/>
Cash inflow before financing		287,574	95,741
Financing	22	(29,183)	(17,278)
		<hr/>	<hr/>
Increase in cash in the year		258,391	78,463
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net funds/(debt)			
Increase in cash in the year	23	258,391	78,463
Cash to repay loans	23	7,590	7,456
Capital element of finance lease repaid	23	21,593	9,822
		<hr/>	<hr/>
Change in net funds resulting from cash flows		287,574	95,741
		<hr/>	<hr/>
Movement in net funds in the year	23	287,574	95,741
Net funds/(debt) at the start of the year	23	71,943	(23,798)
		<hr/>	<hr/>
Net funds at the end of the year	23	359,517	71,943
		<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Joint venture

Where the company has invested in an undertaking in which the company has a long term interest and over which it exercises joint control, the company records dividends received from the joint venture. The balance sheet reflects the cost of the company's investment in the associated company less any amounts written off.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computers	-	25% on cost
Office fixtures, fittings and equipment	-	25% on cost
Motor vehicles	-	25% on cost
Software	-	25% on cost

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress this includes an appropriate proportion of attributable overheads.

Notes *(continued)*

1 Accounting policies (continued)

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at cost incurred, less those costs transferred to the profit and loss account when agreed stages are completed, after deducting foreseeable losses and payments on account.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year from continuing activities.

Research and development costs

Research and development costs incurred within the year are written off to the profit and loss account unless they are directly attributable to specific orders in which case they are included in work in progress.

2 Profit on ordinary activities before taxation

	2001	2000
	£	£
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	4,750	4,635
Other services	1,200	1,635
Depreciation of tangible fixed assets	62,496	63,995
Research and development expenditure:		
Incurred during the year	441,008	466,832
Hire of other assets - operating leases	52,256	48,749
(Profit) on foreign exchange	(2,319)	(86)
(Profit)/loss on sale of fixed assets	(1,638)	5,528
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Notes (continued)

3 Remuneration of directors

	2001	2000
	£	£
Directors' emoluments	291,265	242,825
Company contributions to money purchase pension schemes	18,000	18,000
	309,265	260,825
	309,265	260,825

	Number of directors	
	2001	2000
Number of directors who are members of money purchase pension schemes	3	3
	3	3
	3	3

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2001	2000
Management	10	10
Development and support	21	24
Other	9	13
	40	47
	40	47

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	1,434,803	1,373,155
Social security costs	149,375	148,567
Other pension costs	22,002	19,262
	1,606,180	1,540,984
	1,606,180	1,540,984

Notes (continued)

5 Other interest receivable and similar income

	2001	2000
	£	£
Bank interest receivable	8,328	8,709
	<u>8,328</u>	<u>8,709</u>

6 Interest payable and similar charges

	2001	2000
	£	£
On bank loans and overdrafts	236	2,119
Finance charges payable in respect of finance leases and hire purchase contracts	1,718	4,141
	<u>1,954</u>	<u>6,260</u>

7 Taxation

	2001	2000
	£	£
UK corporation tax at 20% (2000 : 20%) on the profit for the year on ordinary activities	30,690	13,700
Deferred taxation	(830)	500
Adjustment relating to an earlier year	(88)	(1,886)
	<u>29,772</u>	<u>12,314</u>

Notes (continued)

8 Tangible fixed assets

	Computer equipment and software £	Office fixtures, fittings and equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At beginning of year	165,022	57,234	60,264	282,520
Additions	21,808	4,762	-	26,570
Disposals	(40,234)	(900)	(26,599)	(67,733)
At end of year	146,596	61,096	33,665	241,357
<i>Depreciation and diminution in value</i>				
At beginning of year	82,217	25,985	25,513	133,715
Charge for year	37,720	11,928	12,848	62,496
Eliminated on disposals	(40,144)	(900)	(16,622)	(57,666)
At end of year	79,793	37,013	21,739	138,545
<i>Net book value</i>				
At 31 December 2001	66,803	24,083	11,926	102,812
At 31 December 2000	82,805	31,249	34,751	148,805

Included in the total net book value of motor vehicles is £11,926 (2000 : £34,751) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £12,848 (2000: £15,066).

9 Fixed asset investments

	Investment in related company £	Investment in joint venture £	Total £
<i>Cost and net book value</i>			
At beginning of year	6,674	-	6,674
Transfer between items	(6,674)	6,674	-
At end of year	-	6,674	6,674

At 31 December 2001 Option Systems Limited owned 50% of the ordinary share capital and controlled 50% of the voting rights of OSL Europe BV a company incorporated in Holland. The activity of this company consists primarily of developing and distributing computer software.

Sales by Option Systems Limited to OSL Europe BV were £37,253 in the year to 31 December 2001. At that date OSL Europe BV owed Option Systems Limited £Nil in respect of these sales.

Notes (continued)

The following information is provided in respect of the company's investment in OSL Europe BV. The information reflects Option Systems Limited's 50% shareholding of each of the following:

	£
Turnover	138,344
Profit before tax	26,108
Taxation	(8,786)
Profit after taxation	17,322
Fixed assets	722
Current assets	63,398
Liabilities due within one year	(39,829)
Liabilities due after one year	Nil

At 31 December 2000 OSL Europe BV was being established and had not generated any significant income or incurred significant expenditure. As a consequence the investment was stated at cost. For the current year the results of this entity have been more significant, and thus the company's results have been accounted for as a joint venture.

10 Stocks

	2001 £	2000 £
Work in progress	3,960	15,287
Finished goods and goods for resale	12,121	2,955
	16,081	18,242

11 Debtors

	2001 £	2000 £
Trade debtors	739,639	833,200
Prepayments and accrued income	32,945	46,370
	772,584	879,570

Notes (continued)

12 Creditors: amounts falling due within one year

	2001		2000
	£	£	£
Bank loan		-	7,590
Obligations under finance leases and hire purchase contracts		16,278	11,976
Payments received on account		16,963	21,972
Trade creditors		262,802	255,238
Amounts owed to group company		90,000	90,000
Other creditors including taxation and social security			
Corporation tax	30,690		13,700
Other taxes and social security	101,435		90,399
	<u> </u>	132,125	<u> </u> 104,099
Accruals and deferred income		502,753	459,982
		<u> </u>	<u> </u>
		<u>1,020,921</u>	<u>950,857</u>

Notes (continued)

13 Creditors: amounts falling due after more than one year

	2001	2000
	£	£
Obligations under finance leases and hire purchase contracts	-	25,895
	<u> </u>	<u> </u>

14 Analysis of debt

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2001	2000
	£	£
Within one year	16,468	13,963
In the second to fifth years	-	26,128
	<u> </u>	<u> </u>
Less future finance charges	16,468 (190)	40,091 (2,220)
	<u> </u>	<u> </u>
	<u>16,278</u>	<u>37,871</u>

The bank loan is repayable as follows:

	2001	2000
	£	£
Within one year	-	7,590
	<u> </u>	<u> </u>

The loan was secured by a debenture held by the company's bankers. This was secured by way of a first fixed charge over leasehold property, fixtures and fixed plant and machinery and by way of a first floating charge over all other undertakings and assets of the company. The interest rate on the loan was 3% above base rate. The bank loan was repaid during the year.

Notes (continued)

15 Provisions for liabilities and charges

The movement in the provision for deferred taxation is as follows:

	2001 £	2000 £
Balance brought forward	2,500	2,000
(Credit)/charge to the profit and loss account	(830)	500
	1,670	2,500
	1,670	2,500

The provision at the year end is analysed as follows:

	2001 Provided £	2001 Unprovided £	2000 Provided £	2000 Unprovided £
Accelerated capital allowances	1,670	-	2,500	-
	1,670	-	2,500	-
	1,670	-	2,500	-

Deferred tax has been provided at the rate of 20% (2000: 20%)

16 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
Ordinary shares of 1p each	1,000,000	1,000,000
	1,000,000	1,000,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 1p each	17,000	17,000
	17,000	17,000
	17,000	17,000

17 Reserves

	Share premium account £	Profit and loss account £
At beginning of year	12,314	162,129
Profit for the year	-	59,912
	12,314	222,041
At end of year	12,314	222,041

Notes (continued)

18 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Buildings		Other	
	2001 £	2000 £	2001 £	2000 £
Operating leases which expire:				
Within one year	-	-	14,441	15,724
In the second to fifth years inclusive	97,615	97,600	-	23,843
	<u>97,615</u>	<u>97,600</u>	<u>14,441</u>	<u>39,567</u>

19 Ultimate parent company

The company is a subsidiary undertaking of OSL International Limited registered in England and Wales, and whose registered office is : OSL House, East Link, Meridan Business Park, Leicester, LE3 2XU.

20 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	59,912	45,925
Opening shareholders' funds	191,443	145,518
	<u>251,355</u>	<u>191,443</u>

21 Reconciliation of operating profit to net cash inflow from operating activities

	2001 £	2000 £
Operating profit	83,310	55,790
Depreciation charge	62,496	63,995
(Profit)/loss on sale of tangible fixed assets	(1,638)	5,528
Decrease in stocks	2,161	39,246
Decrease in debtors	106,986	65,361
Increase/(decrease) in creditors	56,512	(46,284)
	<u>309,827</u>	<u>183,636</u>

Notes (continued)

22 Analysis of cash flows shown net in cash flow statement

	2001 £	2000 £
Returns on investments and servicing of finance		
Interest received	8,328	8,709
Interest paid	(386)	(2,119)
Interest element of finance leases	(1,718)	(4,141)
	6,224	2,449
Capital expenditure		
Purchase of tangible fixed assets	(26,570)	(63,056)
Sale of tangible fixed assets	11,705	-
	(14,865)	(63,056)
Investment		
Investment in related company	-	(2,174)
Financing		
Repayments of amounts borrowed	(7,590)	(7,456)
Capital element of finance leases	(21,593)	(9,822)
	(29,183)	(17,278)

23 Analysis of net funds

	At 31 December 2000 £	Cash flow £	At 31 December 2001 £
Cash in hand and at bank	117,404	258,391	375,795
Debt due within one year	(7,590)	7,590	-
Finance leases	(37,871)	21,593	(16,278)
	71,943	287,574	359,517

Notes *(continued)*

24 Related party transactions

In accordance with FRS 8, the following disclosures relate to related party transactions during the period.

The joint landlord of the leasehold premises from which Option Systems Limited operates, is Cabot Trustees Limited and Richard Ashcroft. Richard Ashcroft is a director of OSL International Limited. Cabot Trustees Limited is the trustee company acting for the pension fund of the directors of Option Systems Limited.

During the year to 31 December 2001 Option Systems Limited paid rent of £97,615 to their landlord.

Within debtors is an amount of £19,105 owed by Micromentor Computer Consultants, a company of which Richard Ashcroft has a controlling interest. Sales to this company totalled £37,905 during the year and purchases from them totalled £Nil.

Joint Venture

Details regarding transactions and balances due to/from the joint venture with OSL Europe BV are provided in note 9.