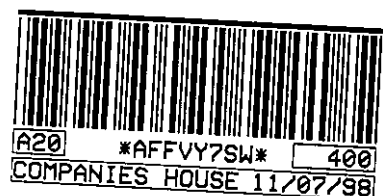


Option Systems Limited

Directors' report and financial statements

31 December 1997
Registered number 2446995



Directors' report and financial statements

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Directors' report

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

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 increased to £1,666,460 (1996 : £1,235,923). The directors are pleased with the continued growth of the company.

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 £1,128 and has been added to reserves.

Research and development

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

[Linda, Tony may wish to expand on this slightly!]

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 plc (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 £725.

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'AG Parkinson', written over a circular stamp or mark.

AG Parkinson
Director

Ashcroft House
Ervington Court
Leicester
LE3 2WL

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

Auditors' report to the members of Option Systems Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

As described on page 3 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 as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

*Chartered Accountants
Registered Auditors*

10 July 1998

Profit and loss account
for the year ended 31 December 1997

	<i>Note</i>	1997 £	1996 £
Turnover	<i>1</i>	1,666,460	1,235,923
Cost of sales		(387,890)	(309,945)
Gross profit		<u>1,278,570</u>	<u>925,978</u>
Administrative expenses		(1,263,712)	(912,243)
Operating profit		<u>14,858</u>	<u>13,735</u>
Other interest receivable and similar income	<i>5</i>	3,153	1,794
Interest payable and similar charges	<i>6</i>	(7,392)	(6,288)
Profit on ordinary activities before taxation		<u>10,619</u>	<u>9,241</u>
Tax on profit on ordinary activities	<i>7</i>	(9,491)	(7,466)
Profit for financial year		<u>1,128</u>	<u>1,775</u>
Retained profit at 1 January 1997		26,200	24,425
Retained profit at 31 December 1997		<u><u>27,328</u></u>	<u><u>26,200</u></u>

The notes on pages 8 to 18 form part of these accounts.

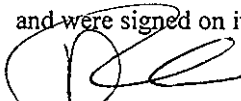
There were no recognised gains and losses other than profit for the year.

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 1997

	Note	1997		1996	
		£	£	£	£
Fixed assets					
Intangible assets	8		5,000		10,000
Tangible assets	9		92,110		73,498
			<u>97,110</u>		<u>83,498</u>
Current assets					
Stocks	10	7,652		44,827	
Debtors	11	426,264		391,142	
Cash at bank and in hand		113,014		88,205	
		<u>546,930</u>		<u>524,174</u>	
Creditors: amounts falling due within one year	12	(551,791)		(485,717)	
Net current (liabilities)/assets			(4,861)		38,457
Total assets less current liabilities			<u>92,249</u>		<u>121,955</u>
Creditors: amounts falling due after more than one year	13		(35,607)		(67,491)
Provisions for liabilities and charges					
Deferred taxation	17		-		1,050
Net assets			<u>56,642</u>		<u>55,514</u>
Capital and reserves					
Called up share capital	14		17,000		17,000
Share premium account	15		12,314		12,314
Profit and loss account	15		27,328		26,200
			<u>56,642</u>		<u>55,514</u>

These financial statements were approved by the board of directors on **3 July 1998**
 and were signed on its behalf by:


AG Parkinson
Director

Cash flow statement
for the year ended 31 December 1997

	<i>Note</i>	1997 £	1996 £
Cash flow from operating activities	21	114,377	57,572
Returns on investments and servicing of finance	22	(4,243)	(4,642)
Taxation		(5,903)	(9,496)
Capital expenditure	22	(51,231)	1,085
Equity dividends paid		-	(12,000)
		<hr/>	<hr/>
Cash inflow before financing		53,000	32,519
Financing	22	(28,191)	13,251
		<hr/>	<hr/>
Increase in cash in the period		24,809	45,770
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period	23	24,809	45,770
Cash to repay loans	23	17,910	3,500
Issue of long term bank loan		-	(48,550)
Capital element of finance lease repaid	23	10,281	31,799
		<hr/>	<hr/>
Change in net funds resulting from cash flows		53,000	32,519
New finance leases		-	(26,750)
		<hr/>	<hr/>
Movement in net funds in the period	23	53,000	5,769
Net funds/(debt) at the start of the period	23	2,350	(3,419)
		<hr/>	<hr/>
Net funds at the end of the period	23	55,350	2,350
		<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.

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

Previously capitalised development costs incurred by the company are amortised over their estimated useful economic life of 5 years.

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, after deducting foreseeable losses and payments on account not matched with turnover.

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

During 1994 the directors decided that, in the interests of showing a true and fair view, the policy of not amortising previously capitalised development costs should be changed to amortising such costs over a 5 year period.

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

	1997	1996
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	5,200	4,750
Other services	900	1,825
Depreciation of tangible fixed assets	32,615	29,953
Research and development expenditure:		
Incurred during the year	110,000	30,000
Amortisation of deferred development costs	5,000	5,000
Hire of other assets - operating leases	39,383	35,295
Loss on foreign exchange	4,929	1,007

Travelling expenses rechargeable to customers in 1997 have been included within cost of sales. In previous accounts these costs have been included in administrative expenses (1996 : £62,570). Therefore, the comparatives for 1996 have been adjusted to reflect the change in treatment of these costs.

Notes (continued)

3 Remuneration of directors

	1997	1996
	£	£
Directors' emoluments	187,927	135,145
Company contributions to money purchase pension schemes	18,000	9,200
	205,927	144,345
	205,927	144,345
	Number of directors	
	1997	1996
Number of directors who are members of money purchase pension schemes	3	4
	3	4

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	
	1997	1996
Management	5	6
Development and support	14	10
Other	9	6
	28	22
	28	22

The aggregate payroll costs of these persons were as follows:

	1997	1996
	£	£
Wages and salaries	736,879	482,359
Social security costs	74,076	52,836
Other pension costs	18,000	9,200
	828,955	544,395
	828,955	544,395

Notes (continued)

5 Other interest receivable and similar income

	1997	1996
	£	£
Bank interest receivable	3,153	1,794
	<u>3,153</u>	<u>1,794</u>

6 Interest payable and similar charges

	1997	1996
	£	£
On bank loans and overdrafts	4,060	887
Finance charges payable in respect of finance leases and hire purchase contracts	3,332	5,401
	<u>7,392</u>	<u>6,288</u>

7 Taxation

	1997	1996
	£	£
UK corporation tax at 21% (1996 : 24%) on the profit for the year on ordinary activities	6,966	4,428
Deferred taxation	1,050	1,499
Adjustment relating to an earlier year	1,475	1,539
	<u>9,491</u>	<u>7,466</u>

Notes (continued)

8 Intangible fixed assets

	Development costs £
<i>Cost</i>	
At beginning and end of year	25,160
<i>Amortisation</i>	
At beginning of year	15,160
Charged in year	5,000
At end of year	20,160
<i>Net book value</i>	
At 31 December 1997	5,000
At 31 December 1996	10,000

9 Tangible fixed assets

	Computer equipment and software £	Office fixtures, fittings and equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At beginning of year	64,812	15,891	49,529	130,232
Additions	45,325	5,956	-	51,281
Disposals	(18,883)	(2,484)	-	(21,367)
At end of year	91,254	19,363	49,529	160,146
<i>Depreciation and diminution in value</i>				
At beginning of year	34,611	8,371	13,752	56,734
Charge for year	16,042	4,189	12,384	32,615
On disposals	(18,829)	(2,484)	-	(21,313)
At end of year	31,824	10,076	26,136	68,036
<i>Net book value</i>				
At 31 December 1997	59,430	9,287	23,393	92,110
At 31 December 1996	30,201	7,520	35,777	73,498

Included in the total net book value of motor vehicles is £23,393 (1996 : £35,777) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £12,384 (1996 : £13,752).

Notes (continued)

10 Stocks

	1997	1996
	£	£
Work in progress	6,160	38,400
Finished goods and goods for resale	1,492	6,427
	<u>7,652</u>	<u>44,827</u>
	<u><u>7,652</u></u>	<u><u>44,827</u></u>

11 Debtors

	1997	1996
	£	£
Trade debtors	366,035	360,375
Amounts owed by group undertaking	-	5,000
Other debtors	1,052	4,307
Prepayments and accrued income	27,549	21,460
Amounts recoverable on contracts	31,628	-
	<u>426,264</u>	<u>391,142</u>
	<u><u>426,264</u></u>	<u><u>391,142</u></u>

None of the amounts above are due after more than one year.

12 Creditors: amounts falling due within one year

	1997		1996	
	£	£	£	£
Bank loan		6,500		8,000
Obligations under finance leases and hire purchase contracts		15,557		10,364
Payments received on account		116,232		46,353
Trade creditors		170,733		205,797
Other creditors including taxation and social security:				
Corporation tax	6,966		4,428	
Other taxes and social security	47,975		62,329	
		<u>54,941</u>		<u>66,757</u>
Accruals and deferred income		187,828		148,446
		<u><u>551,791</u></u>		<u><u>485,717</u></u>

Notes (continued)

13 Creditors: amounts falling due after more than one year

	1997	1996
	£	£
Bank loan	24,140	40,550
Obligations under finance leases and hire purchase contracts	11,467	26,941
	35,607	67,491
	35,607	67,491

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

	1997	1996
	£	£
Within one year	16,787	13,614
In the second to fifth years	11,550	28,337
	28,337	41,951
Less future finance charges	(1,313)	(4,646)
	27,024	37,305
	27,024	37,305

The bank loan is repayable as follows:

	1997	1996
	£	£
Within one year	6,500	8,000
Between one and two years	6,500	6,500
Between two and five years	17,640	34,050
	30,640	48,550
	30,640	48,550

The loan is secured by a debenture held by the company's bankers. The interest rate on the loan is 3% above base rate.

14 Called up share capital

	1997	1996
	£	£
<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

Notes (continued)

15 Reserves

	Share premium account £	Profit and loss account £
At beginning of year	12,314	26,200
Profit for the year	-	1,128
	<hr/>	<hr/>
At end of year	12,314	27,328
	<hr/> <hr/>	<hr/> <hr/>

16 Commitments

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

	Buildings		Other	
	1997 £	1996 £	1997 £	1996 £
Operating leases which expire:				
Within one year	-	-	5,299	9,738
In the second to fifth years inclusive	28,152	28,152	29,192	16,554
	<hr/>	<hr/>	<hr/>	<hr/>
	28,152	28,152	34,491	26,292
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

17 Deferred taxation

	£
At beginning of year	1,050
Charge to profit and loss account	(1,050)
	<hr/>
At end of year	-
	<hr/> <hr/>

The deferred tax asset is analysed below:

	1997		1996	
	Potential asset £	Asset provided £	Potential asset £	Asset provided £
Accelerated capital allowances	1,864	-	2,675	-
Other timing differences	-	-	-	1,050
	<hr/>	<hr/>	<hr/>	<hr/>
	1,864	-	2,675	1,050
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18 Ultimate parent company

The company is a subsidiary undertaking of OSL International PLC registered in England and Wales, and whose registered office is : Ashcroft House, Ervington Court, Leicester, LE3 2WL.

19 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	1,128	1,775
Opening shareholders' funds	55,514	53,739
	<hr/>	<hr/>
Closing shareholders' funds	56,642	55,514
	<hr/> <hr/>	<hr/> <hr/>

20 Directors loan account

	Amount outstanding		Maximum amount outstanding during the year £
	1997 £	1996 £	
PN Miller-Smith	-	3,255	3,255
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	1997 £	1996 £
Operating profit	14,858	13,735
Depreciation charge	37,615	34,953
Loss/(profit) on sale of tangible fixed assets	4	(3,940)
Decrease/(increase) in stocks	37,175	(20,228)
(Increase)/decrease in debtors	(35,122)	82,704
Increase/(decrease) in creditors	59,847	(49,652)
	<hr/>	<hr/>
Net cash inflow from operating activities	114,377	57,572
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

22 Analysis of cash flows shown net in cash flow statement

	1997	1996
	£	£
Returns on investments and servicing of finance		
Interest received	3,153	1,794
Interest paid	(4,064)	(733)
Interest element of finance leases	(3,332)	(5,703)
	<hr/>	<hr/>
Net cash flow from returns on investments and servicing of finance	(4,243)	(4,642)
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure		
Purchase of tangible fixed assets	(51,281)	(22,215)
Sale of tangible fixed assets	50	23,300
	<hr/>	<hr/>
Net cash flow from capital expenditure	(51,231)	1,085
	<hr/> <hr/>	<hr/> <hr/>
Financing		
Amounts borrowed	-	48,550
Repayments of amounts borrowed	(17,910)	(3,500)
Capital element of finance leases	(10,281)	(31,799)
	<hr/>	<hr/>
Net cash flow from financing	(28,191)	13,251
	<hr/> <hr/>	<hr/> <hr/>

23 Analysis of net funds

	At 31 December 1996	Cash flow	Other changes	At 31 December 1997
	£	£	£	£
Cash in hand and at bank	88,205	24,809	-	113,014
Debt due within one year	(8,000)	17,910	(16,410)	(6,500)
Debt due after more than one year	(40,550)	-	16,410	(24,140)
Finance leases	(37,305)	10,281	-	(27,024)
	<hr/>	<hr/>	<hr/>	<hr/>
	2,350	53,000	-	55,350
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

24 Related party transactions

There are no transactions requiring disclosure under FRS8.