

Option Systems Limited

**Directors' report and financial
statements**

Registered number 2446995

31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

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 £3,144,821 (1999 : £3,123,388) which represented a small increase on the very strong growth experienced in 1999. 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 £45,925 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 £275.

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, consisting of a large, stylized 'P' followed by a horizontal stroke and a small flourish.

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

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

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 2000 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

13 July 2001

Profit and loss account
for the year ended 31 December 2000

	<i>Note</i>	2000 £	1999 £
Turnover	<i>1</i>	3,144,821	3,123,388
Cost of sales		(652,195)	(739,217)
Gross profit		<u>2,492,626</u>	<u>2,384,171</u>
Administrative expenses		(2,436,836)	(2,276,907)
Operating profit		<u>55,790</u>	107,264
Other interest receivable and similar income	<i>5</i>	8,709	5,374
Interest payable and similar charges	<i>6</i>	(6,260)	(4,689)
Profit on ordinary activities before taxation	<i>2</i>	<u>58,239</u>	107,949
Tax on profit on ordinary activities	<i>7</i>	(12,314)	(28,285)
Profit for the financial year	<i>17</i>	<u><u>45,925</u></u>	<u><u>79,664</u></u>

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

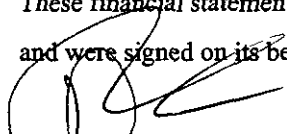
There were no recognised gains and losses other than profit for the year.

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 2000

	<i>Note</i>	2000		1999	
		£	£	£	£
Fixed assets					
Tangible assets	8		148,805		155,272
Investment	9		6,674		4,500
			<hr/>		<hr/>
Current assets					
Stocks	10	18,242		57,488	
Debtors	11	879,570		944,931	
Cash at bank and in hand		117,404		38,941	
			<hr/>		<hr/>
		1,015,216		1,041,360	
Creditors: amounts falling due within one year					
	12	(950,857)		(1,007,198)	
			<hr/>		<hr/>
Net current assets			64,359		34,162
			<hr/>		<hr/>
Total assets less current liabilities			219,838		193,934
Creditors: amounts falling due after more than one year					
	13		(25,895)		(46,416)
Provisions for liabilities and charges	15		(2,500)		(2,000)
			<hr/>		<hr/>
Net assets			191,443		145,518
			<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		162,129		116,204
			<hr/>		<hr/>
			191,443		145,518
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 5/7/2001 and were signed on its behalf by:


AG Parkanson
 Director

Cash flow statement
for the year ended 31 December 2000

	<i>Note</i>	2000 £	1999 £
Cash inflow from operating activities	21	183,636	99,397
Returns on investments and servicing of finance	22	2,449	685
Taxation		(25,114)	(7,138)
Capital expenditure	22	(63,056)	(64,462)
Investment	22	(2,174)	(4,500)
		<hr/>	<hr/>
Cash inflow before financing		95,741	23,982
Financing	22	(17,278)	(25,330)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		78,463	(1,348)
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds/(debt)			
Increase/(decrease) in cash in the year	23	78,463	(1,348)
Cash to repay loans	23	7,456	8,735
Capital element of finance lease repaid	23	9,822	16,595
New finance leases in year	23	-	(52,821)
		<hr/>	<hr/>
Change in net funds/(debt) resulting from cash flows		95,741	(28,839)
		<hr/>	<hr/>
Movement in net funds/(debt) in the year	23	95,741	(28,839)
Net (debt)/funds at the start of the year	23	(23,798)	5,041
		<hr/>	<hr/>
Net funds/(debt) at the end of the year	23	71,943	(23,798)
		<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

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

	2000	1999
	£	£
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	4,635	4,500
Other services	1,635	4,144
Depreciation of tangible fixed assets	63,995	47,615
Research and development expenditure:		
Incurred during the year	466,832	438,654
Hire of other assets - operating leases	48,749	50,762
(Profit) on foreign exchange	(86)	(2,431)
Loss/(profit) on sale of fixed assets	5,528	(4,364)
	5,528	(4,364)

Notes (continued)

3 Remuneration of directors

	2000	1999
	£	£
Directors' emoluments	242,825	230,958
Company contributions to money purchase pension schemes	18,000	129,000
	260,825	359,958
	260,825	359,958

	Number of directors	
	2000	1999
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	
	2000	1999
Management	10	10
Development and support	24	21
Other	13	11
	47	42
	47	42

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	1,373,155	1,173,409
Social security costs	148,567	125,494
Other pension costs	19,262	130,213
	1,540,984	1,429,116
	1,540,984	1,429,116

Notes (continued)

5 Other interest receivable and similar income

	2000	1999
	£	£
Bank interest receivable	8,709	5,374
	<u>8,709</u>	<u>5,374</u>

6 Interest payable and similar charges

	2000	1999
	£	£
On bank loans and overdrafts	2,119	995
Finance charges payable in respect of finance leases and hire purchase contracts	4,141	3,694
	<u>6,260</u>	<u>4,689</u>

7 Taxation

	2000	1999
	£	£
UK corporation tax at 20% (1999 : 21%) on the profit for the year on ordinary activities	13,700	27,000
Deferred taxation	500	2,000
Adjustment relating to an earlier year	(1,886)	(715)
	<u>12,314</u>	<u>28,285</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	124,893	48,542	60,264	233,699
Additions	50,964	12,092	-	63,056
Disposals	(10,835)	(3,400)	-	(14,235)
At end of year	165,022	57,234	60,264	282,520
<i>Depreciation and diminution in value</i>				
At beginning of year	52,006	15,974	10,447	78,427
Charge for year	37,216	11,713	15,066	63,995
On disposals	(7,005)	(1,702)	-	(8,707)
At end of year	82,217	25,985	25,513	133,715
<i>Net book value</i>				
At 31 December 2000	82,805	31,249	34,751	148,805
At 31 December 1999	72,887	32,568	49,817	155,272

Included in the total net book value of motor vehicles is £34,751 (1999 : £49,817) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £15,066 (1999 : £11,519).

9 Fixed asset investments

	Shares in related company £
<i>Cost</i>	
At beginning of year	4,500
Additions	2,174
At end of year	6,674
<i>Net book value</i>	
At 31 December 2000	6,674
At 31 December 1999	4,500

At 31 December 2000 Option Systems Limited owned 50% of the share capital and controlled 50% of the voting rights of OSL Europe BV a company registered in Holland. The investment is carried at cost. The activity of this company consists primarily of developing and distributing computer software.

Sales by Option Systems Limited to OSL Europe BV were £53,960 in the year to 31 December 2000. At that date OSL Europe BV owed Option Systems Limited £23,420 in respect of these sales.

Notes (continued)

10 Stocks

	2000 £	1999 £
Work in progress	15,287	3,686
Finished goods and goods for resale	2,955	53,802
	18,242	57,488
	18,242	57,488

11 Debtors

	2000 £	1999 £
Trade debtors	833,200	902,102
Prepayments and accrued income	46,370	42,829
	879,570	944,931
	879,570	944,931

12 Creditors: amounts falling due within one year

	2000		1999	
	£	£	£	£
Bank loan		7,590		6,500
Obligations under finance leases and hire purchase contracts		11,976		9,823
Payments received on account		21,972		89,314
Trade creditors		255,238		387,229
Amounts owed to group company		90,000		90,000
Other creditors including taxation and social security				
Corporation tax	13,700		27,000	
Other taxes and social security	90,399		70,059	
	104,099		97,059	
Accruals and deferred income		459,982		327,273
		950,857		1,007,198
		950,857		1,007,198

Notes (continued)

13 Creditors: amounts falling due after more than one year

	2000	1999
	£	£
Bank loan	-	8,546
Obligations under finance leases and hire purchase contracts	25,895	37,870
	25,895	46,416
	25,895	46,416

14 Analysis of debt

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

	2000	1999
	£	£
Within one year	13,963	13,963
In the second to fifth years	26,128	40,091
	40,091	54,054
Less future finance charges	(2,220)	(6,361)
	37,871	47,693

The bank loan is repayable as follows:

	2000	1999
	£	£
Within one year	7,590	6,500
Between one and two years	-	8,546
	7,590	15,046

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

Notes (continued)

15 Provisions for liabilities and charges

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

	2000 £	1999 £
Balance brought forward	2,000	-
Charge to the profit and loss account	500	2,000
	2,500	2,000

The provision at the year end is analysed as follows:

	2000 Provided £	2000 Unprovided £	1999 Provided £	1999 Unprovided £
Accelerated capital allowances	2,500	-	2,000	(363)
	2,500	-	2,000	(363)

No provision was made for the deferred tax asset in the previous year.

16 Called up share capital

	2000 £	1999 £
<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 Reserves

	Share premium account £	Profit and loss account £
At beginning of year	12,314	116,204
Profit for the year	-	45,925
	12,314	162,129
At end of year	12,314	162,129

Notes (continued)

18 Commitments

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

	Buildings		Other	
	2000 £	1999 £	2000 £	1999 £
Operating leases which expire:				
Within one year	-	-	15,724	2,491
In the second to fifth years inclusive	97,600	92,000	23,843	32,547
	<u>97,600</u>	<u>92,000</u>	<u>39,567</u>	<u>35,038</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

	2000 £	1999 £
Profit for the financial year	45,925	79,664
Opening shareholders' funds	145,518	65,854
	<u>191,443</u>	<u>145,518</u>

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

	2000 £	1999 £
Operating profit	55,790	107,264
Depreciation charge	63,995	47,615
Loss/(profit) on sale of tangible fixed assets	5,528	(4,364)
Decrease/(increase) in stocks	39,246	(37,757)
Decrease/(increase) in debtors	65,361	(224,495)
(Decrease)/increase in creditors	(46,284)	211,134
	<u>183,636</u>	<u>99,397</u>

Notes (continued)

22 Analysis of cash flows shown net in cash flow statement

	2000	1999
	£	£
Returns on investments and servicing of finance		
Interest received	8,709	5,374
Interest paid	(2,119)	(995)
Interest element of finance leases	(4,141)	(3,694)
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	2,449	685
	<hr/>	<hr/>
Capital expenditure		
Purchase of tangible fixed assets	(63,056)	(77,591)
Sale of tangible fixed assets	-	13,129
	<hr/>	<hr/>
Net cash outflow from capital expenditure	(63,056)	(64,462)
	<hr/>	<hr/>
Investment		
Investment in related company	(2,174)	(4,500)
	<hr/>	<hr/>
Financing		
Repayments of amounts borrowed	(7,456)	(8,735)
Capital element of finance leases	(9,822)	(16,595)
	<hr/>	<hr/>
Net cash outflow from financing	(17,278)	(25,330)
	<hr/>	<hr/>

23 Analysis of net funds/(debt)

	At 31 December 1999	Cash flow	At 31 December 2000
	£	£	£
Cash in hand and at bank	38,941	78,463	117,404
Debt due within one year	(6,500)	(1,090)	(7,590)
Debt due after more than one year	(8,546)	8,546	-
Finance leases	(47,693)	9,822	(37,871)
	<hr/>	<hr/>	<hr/>
	(23,798)	95,741	71,943
	<hr/>	<hr/>	<hr/>

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 2000 Option Systems Limited paid rent of £95,038 to their landlord.

Within debtors is an amount of £14,250 owed by Micromentor Computer Consultants, a company of which Richard Ashcroft has a controlling interest. Sales to this company totalled £54,725 during the year and purchases from them totalled £Nil.