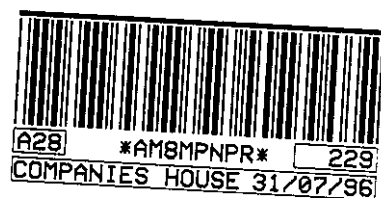


Option Systems Limited

Directors' report and financial statements

31 December 1995

Registered number 2446995



Option Systems Limited

Directors' report and financial statements

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Option Systems Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

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 £1,126,768 (1994 : £848,955), which is an increase of 32.7% on the previous year. The directors are pleased with the continued steady growth of the company.

Proposed dividend and transfer from reserves

The directors recommend the payment of a dividend of £12,000.

The profit for the year after taxation is £893. Following the dividend £11,107 has been deducted from reserves.

Significant changes in fixed assets

Movements in fixed assets are shown in note 9 to the accounts.

Research and development

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

Option Systems Limited

Directors' report

Directors and directors' interests

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

AG Parkinson
AD Russell
PN Miller-Smith
TF Forsey

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 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 £277.

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



AG Parkinson
Director

Ashcroft House
Ervington Court
Leicester
LE3 2WL

29 July 1996

Option Systems Limited

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 17.

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 1995 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 July 1996

Option Systems Limited

Profit and loss account for the year ended 31 December 1995

| | <i>Note</i> | 1995 £ | 1994 £ |
|--|-------------|----------------------|----------------------|
| Turnover | 1 | 1,126,768 | 848,955 |
| Cost of sales | | <u>(228,947)</u> | <u>(148,275)</u> |
| Gross profit | | 897,821 | 700,680 |
| Administrative expenses | | <u>(890,516)</u> | <u>(691,117)</u> |
| Operating profit | | 7,305 | 9,563 |
| Other interest receivable and similar income | 5 | 3,834 | 2,232 |
| Interest payable and similar charges | 6 | <u>(4,905)</u> | <u>(3,494)</u> |
| Profit on ordinary activities before taxation | 2 | 6,234 | 8,301 |
| Tax on profit on ordinary activities | 7 | <u>(5,341)</u> | <u>(7,562)</u> |
| Profit for financial year | | 893 | 739 |
| Dividends proposed | | (12,000) | - |
| Retained profit at 1 January 1995 | | <u>35,532</u> | <u>34,793</u> |
| Retained profit at 31 December 1995 | | <u><u>24,425</u></u> | <u><u>35,532</u></u> |

The notes on pages 8 to 17 form part of these accounts.

Option Systems Limited

Balance sheet at 31 December 1995

| | Note | 1995 | | 1994 | |
|--|------|------------------|-----------------|------------------|-----------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 8 | | 15,000 | | 20,000 |
| Tangible assets | 9 | | 74,873 | | 59,660 |
| | | | <u>89,873</u> | | <u>79,660</u> |
| Current assets | | | | | |
| Stocks | 10 | 24,599 | | 38,488 | |
| Debtors | 11 | 473,846 | | 228,497 | |
| Cash at bank and in hand | | 42,435 | | 34,568 | |
| | | <u>540,880</u> | | <u>301,553</u> | |
| Creditors: amounts falling due within one year | 12 | <u>(550,487)</u> | | <u>(292,603)</u> | |
| Total net current (liabilities)/assets | | | <u>(9,607)</u> | | <u>8,950</u> |
| Total assets less current liabilities | | | 80,266 | | 88,610 |
| Creditors: amounts falling due after more than one year | 13 | | <u>(29,076)</u> | | <u>(23,764)</u> |
| Provisions for liabilities and charges | | | | | |
| Deferred taxation | | | 2,549 | | - |
| Net assets | | | <u>53,739</u> | | <u>64,846</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 | | 24,425 | | 35,532 |
| | | | <u>53,739</u> | | <u>64,846</u> |

These financial statements were approved by the board of directors on 29 July 1996 and were signed on its behalf by:


AG Parkinson
Director

Option Systems Limited

Cash flow statement for the year ended 31 December 1995

| | <i>Note</i> | 1995 | | 1994 | |
|---|-------------|----------|-------------------|----------|-------------------|
| | | £ | £ | £ | £ |
| Net cash inflow from operating activities | 23 | | 49,296 | | 10,798 |
| Return on investments and servicing of finance | | | | | |
| Interest received | | 3,834 | | 2,232 | |
| Interest paid | | (989) | | (1,037) | |
| Interest element of finance lease rental payments | | (2,927) | | (2,456) | |
| | | | <u> </u> | | <u> </u> |
| Net cash outflow from returns on investment and servicing of finance | | | (82) | | (1,261) |
| Taxation | | | | | |
| UK corporation tax paid | | (5,080) | | (1,264) | |
| | | | <u> </u> | | <u> </u> |
| | | | (5,080) | | (1,264) |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (21,215) | | (26,095) | |
| Sale of tangible fixed assets | | - | | 1,096 | |
| | | | <u> </u> | | <u> </u> |
| Net cash outflow from investing activities | | | (21,215) | | (24,999) |
| Net cash inflow/(outflow) before financing | | | 22,919 | | (16,726) |
| Financing | | | | | |
| Repayment of bank loans | | - | | (12,000) | |
| Capital element of finance lease rental payments | | (9,052) | | (6,262) | |
| | | | <u> </u> | | <u> </u> |
| Net cash outflow from financing | | | (9,052) | | (18,262) |
| Increase/(decrease) in cash and cash equivalents | 24 | | <u>13,867</u> | | <u>(34,988)</u> |

Option Systems Limited

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 and other post-retirement benefits

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.

Option Systems Limited

Notes (continued)

1 Accounting policies (continued)

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.

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.

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.

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

| | 1995 | 1994 |
|---|--------------|------------|
| | £ | £ |
| <i>Profit on ordinary activities before taxation is stated</i> | | |
| <i>after charging</i> | | |
| Auditors' remuneration: | | |
| Audit | 4,500 | 3,000 |
| Other services | 1,000 | 1,000 |
| Depreciation and other amounts written off tangible and intangible fixed assets | 34,807 | 27,788 |
| Hire of other assets - operating leases | 31,808 | 23,477 |
| <i>after crediting</i> | | |
| Exchange gains | <u>1,872</u> | <u>978</u> |

Option Systems Limited

Notes (continued)

3 Remuneration of directors

| | 1995 | 1994 |
|------------------------|----------------|----------------|
| | £ | £ |
| Directors' emoluments: | | |
| As directors | <u>135,336</u> | <u>141,581</u> |

The emoluments, excluding pension contributions, of the highest paid director were £43,518 (1994 : £42,425). The chairman received no emoluments in his capacity as a director.

The emoluments, excluding pension contributions, of the directors (including the highest paid director) were within the following ranges:

| | Number of directors | |
|-------------------|---------------------|------|
| | 1995 | 1994 |
| £0 - £5,000 | 1 | 1 |
| £35,001 - £40,000 | 2 | 2 |
| £40,001 - £45,000 | 1 | 1 |

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 | |
|-------------------------|---------------------|-----------|
| | 1995 | 1994 |
| Management | 6 | 6 |
| Development and support | 10 | 8 |
| Other | 6 | 4 |
| | <u>22</u> | <u>18</u> |

The aggregate payroll costs of these persons were as follows:

| | 1995 | 1994 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 496,559 | 357,152 |
| Social security costs | 49,109 | 51,683 |
| Other pension costs | 9,600 | 19,511 |
| | <u>555,268</u> | <u>428,346</u> |

Option Systems Limited

Notes (continued)

| | | | |
|---|--|--------------|--------------|
| 5 | Other interest receivable and similar income | 1995 £ | 1994 £ |
| | Exchange gains on foreign currency | 1,872 | 978 |
| | Other | 1,962 | 1,254 |
| | | <u>3,834</u> | <u>2,232</u> |
| | | | |
| 6 | Interest payable and similar charges | 1995 £ | 1994 £ |
| | On bank loans, overdrafts and other loans wholly repayable within five years | 649 | 1,037 |
| | Finance charges payable in respect of finance leases and hire purchase contracts | 4,256 | 2,457 |
| | | <u>4,905</u> | <u>3,494</u> |
| | | | |
| 7 | Taxation | 1995 £ | 1994 £ |
| | UK corporation tax at 25% (1994 : 25%) on the profit for the year on ordinary activities | 7,957 | 5,147 |
| | Deferred taxation | (2,549) | - |
| | Adjustment relating to an earlier year | (67) | 2,415 |
| | | <u>5,341</u> | <u>7,562</u> |

Option Systems Limited

Notes (continued)

| | | |
|---|--------------------------------|--------------------------------|
| 8 | Intangible fixed assets | Development costs £ |
| | <i>Cost</i> | |
| | At beginning and end of year | <u>25,160</u> |
| | <i>Amortisation</i> | |
| | At beginning of year | 5,160 |
| | Charged in year | <u>5,000</u> |
| | At end of year | <u>10,160</u> |
| | <i>Net book value</i> | |
| | At 31 December 1995 | <u>15,000</u> |
| | At 31 December 1994 | <u>20,000</u> |

| | | | | | |
|---|---|--|--|---------------------------------|--------------------|
| 9 | Tangible fixed assets | Computer equipment and software £ | Office fixtures, fittings and equipment £ | Motor vehicles £ | Total £ |
| | <i>Cost</i> | | | | |
| | At beginning of year | 46,817 | 6,522 | 45,731 | 99,070 |
| | Additions | 9,809 | 11,405 | 23,806 | 45,020 |
| | Disposals | - | - | - | - |
| | At end of year | <u>56,626</u> | <u>17,927</u> | <u>69,537</u> | <u>144,090</u> |
| | <i>Depreciation and diminution in value</i> | | | | |
| | At beginning of year | 21,708 | 2,736 | 14,966 | 39,410 |
| | Charge for year | 11,935 | 3,463 | 14,409 | 29,807 |
| | On disposals | - | - | - | - |
| | At end of year | <u>33,643</u> | <u>6,199</u> | <u>29,375</u> | <u>69,217</u> |
| | <i>Net book value</i> | | | | |
| | At 31 December 1995 | <u>22,983</u> | <u>11,728</u> | <u>40,162</u> | <u>74,873</u> |
| | At 31 December 1994 | <u>25,109</u> | <u>3,786</u> | <u>30,765</u> | <u>59,660</u> |

Included in the total net book value of motor vehicles is £40,162 (1994 : £30,765) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £14,409 (1994 : £10,436).

Option Systems Limited

Notes (continued)

| | | | |
|----|-------------------------------------|---------------|---------------|
| 10 | Stocks | 1995 | 1994 |
| | | £ | £ |
| | Work in progress | 19,490 | 34,717 |
| | Finished goods and goods for resale | 5,109 | 3,771 |
| | | <u>24,599</u> | <u>38,488</u> |

| | | | |
|----|-----------------------------------|----------------|----------------|
| 11 | Debtors | 1995 | 1994 |
| | | £ | £ |
| | Trade debtors | 432,320 | 209,910 |
| | Amounts owed by group undertaking | 10,000 | - |
| | Other debtors | 3,255 | 3,156 |
| | Prepayments and accrued income | 28,271 | 15,431 |
| | | <u>473,846</u> | <u>228,497</u> |

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

| | | | |
|----|--|----------------|----------------|
| 12 | Creditors: amounts falling due within one year | 1995 | 1994 |
| | | £ | £ |
| | Bank loan | 3,500 | 6,000 |
| | Obligations under finance leases and hire purchase contracts | 17,654 | 7,337 |
| | Payments received on account | 54,730 | 41,259 |
| | Trade creditors | 200,662 | 86,993 |
| | Other creditors including taxation and social security: | | |
| | Corporation tax | 7,957 | 5,147 |
| | Other taxes and social security | 143,245 | 70,184 |
| | | <u>151,202</u> | <u>75,331</u> |
| | Proposed dividend | 12,000 | - |
| | Accruals and deferred income | 110,739 | 75,683 |
| | | <u>550,487</u> | <u>292,603</u> |

Option Systems Limited

Notes (continued)

| | | | |
|----|---|---------------|---------------|
| 13 | Creditors: amounts falling due after more than one year | 1995 | 1994 |
| | | £ | £ |
| | Bank loan | - | 3,500 |
| | Obligations under finance leases and hire purchase contracts | 24,700 | 20,264 |
| | Accruals and deferred income | 4,376 | - |
| | | <u>29,076</u> | <u>23,764</u> |

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

| | | |
|------------------------------|---------------|---------------|
| | 1995 | 1994 |
| | £ | £ |
| Within one year | 17,087 | 10,223 |
| In the second to fifth years | 30,615 | 22,444 |
| | <u>47,702</u> | <u>32,667</u> |
| Less future finance charges | (5,348) | (5,066) |
| | <u>42,354</u> | <u>27,601</u> |

| | | | |
|----|---|------------------|------------------|
| 14 | Called up share capital | 1995 | 1994 |
| | | £ | £ |
| | <i>Authorised</i> | | |
| | Ordinary shares of 1p each | <u>1,000,000</u> | <u>1,000,000</u> |
| | <i>Allotted, called up and fully paid</i> | | |
| | Ordinary shares of 1p each | <u>17,000</u> | <u>17,000</u> |

Option Systems Limited

Notes (continued)

| | | | |
|----|----------------------|--------------------------------------|------------------------------------|
| 15 | Reserves | | |
| | | Share premium account | Profit and loss account |
| | | £ | £ |
| | At beginning of year | 12,314 | 35,532 |
| | Profit for the year | - | 893 |
| | Dividends proposed | - | (12,000) |
| | | <u>12,314</u> | <u>24,425</u> |
| | At end of year | <u>12,314</u> | <u>24,425</u> |

16 Commitments

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

| | Buildings | | Other | |
|--|---------------|---------------|---------------|---------------|
| | 1995 | 1994 | 1995 | 1994 |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| Within one year | - | - | - | 2,587 |
| In the second to fifth years inclusive | <u>28,152</u> | <u>24,899</u> | <u>23,646</u> | <u>9,402</u> |
| | <u>28,152</u> | <u>24,899</u> | <u>23,646</u> | <u>11,989</u> |

17 Deferred taxation

| | |
|-----------------------------------|--------------|
| | £ |
| At beginning of year | - |
| Credit to profit and loss account | <u>2,549</u> |
| At end of year | <u>2,549</u> |

| | 1995 | | 1994 | |
|--------------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | Potential asset £ | Asset provided £ | Potential asset £ | Asset provided £ |
| Accelerated capital allowances | 3,568 | - | 1,500 | - |
| Other timing differences | - | <u>2,549</u> | - | - |
| | <u>3,568</u> | <u>2,549</u> | <u>1,500</u> | <u>-</u> |

Option Systems Limited

Notes (continued)

18 Ultimate parent company

The company is a subsidiary undertaking of OSL International PLC registered in England and Wales.

19 Statement of total recognised gains and losses

| | 1995 | 1994 as restated |
|--|------------|---------------------|
| | £ | £ |
| Profit for the financial year | 893 | 739 |
| Prior year adjustment | - | (4,695) |
| | <u>893</u> | <u>(3,956)</u> |
| Total gains and losses recognised since last annual report | <u>893</u> | <u>(3,956)</u> |

20 Reconciliation of movements in shareholders' funds

| | 1995 | 1994 |
|-------------------------------|---------------|---------------|
| | £ | £ |
| Profit for the financial year | 893 | 739 |
| Dividends proposed | (12,000) | - |
| Opening shareholders' funds | 64,846 | 64,107 |
| | <u>53,739</u> | <u>64,846</u> |
| Closing shareholders' funds | <u>53,739</u> | <u>64,846</u> |

21 Directors loan account

| | Amount outstanding | | Maximum amount outstanding during the year |
|-----------------|--------------------|--------------|--|
| | 1995 | 1994 | |
| | £ | £ | £ |
| PN Miller-Smith | <u>3,255</u> | <u>3,156</u> | <u>4,050</u> |

22 Transactions with directors

TF Forsey received fees of £12,000 (1994 : £12,000) in respect of consultancy services to the company.

Option Systems Limited

Notes (continued)

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

| | 1995 £ | 1994 £ |
|---|---------------|---------------|
| Operating profit | 7,305 | 9,563 |
| Depreciation charge | 34,807 | 27,788 |
| Profit on sale of tangible fixed assets | - | (333) |
| Decrease in stocks | 13,889 | 23,812 |
| (Increase) in debtors | (245,349) | (60,371) |
| Increase in creditors | 238,644 | 10,339 |
| | <u>49,296</u> | <u>10,798</u> |
| Net cash inflow from operating activities | | |

24 Analysis of changes in cash and cash equivalents

| | Cash | Bank loan | Net |
|-----------------------------|---------------|--------------|---------------|
| Balance at 1 January 1995 | 34,568 | (6,000) | 28,568 |
| Net cash inflow | <u>7,867</u> | <u>6,000</u> | <u>13,867</u> |
| Balance at 31 December 1995 | <u>42,435</u> | <u>-</u> | <u>42,435</u> |

25 Analysis of changes in financing during the year

| | Share capital (including premium) £ | Loans and finance lease obligations £ |
|---|--|--|
| Balance at 1 January 1994 | 29,314 | 31,287 |
| Bank loan repaid | - | (12,000) |
| Capital element of hire purchase and finance lease rental payments | - | (6,262) |
| Inception of finance lease contracts | - | 18,075 |
| | <u>29,314</u> | <u>31,100</u> |
| Balance at 31 December 1994 | | |
| Inception of finance lease contracts | - | 23,806 |
| Capital element of hire purchase and finance lease rental payments | - | (9,052) |
| | <u>29,314</u> | <u>45,854</u> |
| Balance at 31 December 1995 | | |