

Option Systems Limited

Director's report and financial
statements

Registered number 2446995

31 December 2004



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Director's report

The director presents his annual report and the audited financial statements for the year ended 31 December 2004.

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 for the year was £1,934,374 (2003: £2,375,158). The company continued to trade successfully.

Proposed dividend and transfer from reserves

The director does not recommend the payment of a dividend for the year.

The profit for the year after taxation is £12,363 and has been added to reserves.

Research and development

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

Director and director's interests

Mr A G Parkinson is the sole director of the company.

The director had no interest in the shares of the company.

The interests of Mr A G Parkinson in the shares of OSL Holdings Limited are shown in the directors' report of OSL Holdings Limited.

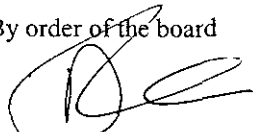
Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £125.

Auditors

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

Standards House
Meridian East
Meridian Business Park
Leicester
LE19 1WZ

Statement of director's responsibilities

Company law requires the director 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 director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 Waterloo Way
Leicester
LE1 6LP
United Kingdom

Independent auditors' report to the members of Option Systems Limited

We have audited the financial statements on pages 4 to 17.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

The director is responsible for preparing the director's report and, as described on page 2, 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 director's 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 director's 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 director 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

15 July 2005

Balance sheet
at 31 December 2004

	<i>Note</i>	2004		2003	
		£	£	£	£
Fixed assets					
Tangible assets	9		37,556		44,286
Current assets					
Stocks	11	5,422		8,015	
Debtors	12	848,616		747,154	
Cash at bank and in hand		15,445		115,711	
		<u>869,483</u>		<u>870,880</u>	
Creditors: amounts falling due within one year	13	<u>(1,009,266)</u>		<u>(1,058,089)</u>	
Net current liabilities			<u>(139,783)</u>		<u>(187,209)</u>
Total assets less current liabilities			<u>(102,227)</u>		<u>(142,923)</u>
Creditors: amounts falling due after more than one year	14		(28,333)		-
Provisions for liabilities and charges	16		-		-
Net liabilities			<u>(130,560)</u>		<u>(142,923)</u>
Capital and reserves					
Called up share capital	17		17,000		17,000
Share premium account	18		12,314		12,314
Profit and loss account	18		(159,874)		(172,237)
			<u>(130,560)</u>		<u>(142,923)</u>

These financial statements were approved and signed by the director on

13/7/05


AG Parkinson
 Director

Cash flow statement
for the year ended 31 December 2004

	<i>Note</i>	2004 £	2003 £
Cash outflow from operating activities	22	(164,445)	(26,972)
Returns on investments and servicing of finance	23	(2,522)	1,339
Taxation		37,893	-
Capital expenditure	23	(19,525)	(15,782)
		<hr/>	<hr/>
<i>Cash outflow before financing</i>		(148,599)	(41,415)
Financing	23	48,333	-
		<hr/>	<hr/>
Decrease in cash in the year	24	(100,266)	(41,415)
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year	24	(100,266)	(41,415)
Cash used to repay debt		11,667	-
New loan		(60,000)	-
		<hr/>	<hr/>
Change in net funds resulting from cash flows		(148,599)	(41,415)
		<hr/>	<hr/>
Movement in net funds in the year		(148,599)	(41,415)
Net funds at the start of the year	24	115,711	157,126
		<hr/>	<hr/>
Net (debt)/funds at the end of the year	24	(32,888)	115,711
		<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. The financial statements have been prepared on a going concern basis having regard to the current trading position of the company and the borrowing facilities available to the company over the next twelve months.

Joint ventures and associated undertakings

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 undertaking. The balance sheet reflects the cost of the company's investment in the undertaking 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 credit 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 computer software and related 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

	2004	2003
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	8,585	7,750
Other services	5,970	8,895
Depreciation of tangible fixed assets	24,658	44,838
Research and development expenditure:		
Incurred during the year	288,043	440,006
Hire of other assets - operating leases	1,753	2,278
Loss on foreign exchange	9,192	3,439
Loss on sale of fixed assets	1,597	-
	248,795	527,206

Notes (continued)

3 Exceptional administrative expenses

	2004	2003
	£	£
Termination settlements	<u>200,658</u>	<u>-</u>

The company made a number of employees redundant in the year and incurred significant costs to terminate their contracts of employment.

4 Remuneration of director

	2004	2003
	£	£
Director's emoluments	<u>103,642</u>	<u>99,832</u>

5 Staff numbers and costs

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

	Number of employees	
	2004	2003
Management	4	8
Development and support	14	26
Other	3	5
	<u>21</u>	<u>39</u>

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£	£
Wages and salaries	875,103	1,229,985
Social security costs	100,975	130,671
Other pension costs	6,375	6,935
	982,453	1,367,591
	982,453	1,367,591

6 Other interest receivable and similar income

	2004	2003
	£	£
Bank interest receivable	1,267	1,489
	1,267	1,489
	1,267	1,489

7 Interest payable and similar charges

	2004	2003
	£	£
On bank loans and overdrafts	3,789	150
	3,789	150
	3,789	150

Notes *(continued)*

8 Taxation

	2004 £	2003 £
UK corporation tax credit on the profit for the year on ordinary activities	(3,705)	-
Adjustment relating to an earlier year	-	(19,046)
	<hr/>	<hr/>
Current tax credit	(3,705)	(19,046)
Deferred taxation	-	-
	<hr/>	<hr/>
	(3,705)	(19,046)
	<hr/> <hr/>	<hr/> <hr/>
	2004	2003
	£	£
Profit on ordinary activities before tax	8,658	122,084
	<hr/> <hr/>	<hr/> <hr/>
Tax on profit on ordinary activities at standard rate of tax 19% (2003: 19%)	1,645	23,196
<i>Effect of</i>		
Expenses not deductible for tax purposes	852	503
Depreciation on ineligible	47	62
Capital allowances in excess of depreciation	886	3,023
Current period losses utilised	-	(15,317)
Provisions	-	(4,118)
Tax rate lower than 30% on (tax profit)/tax losses	695	(282)
Additional research and development relief	(7,830)	(7,067)
Adjustment to tax charge in respect of prior years	-	(19,046)
	<hr/>	<hr/>
Current tax credit for the period	(3,705)	(19,046)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Tangible fixed assets

	Computer equipment and software £	Office fixtures, fittings and equipment £	Total £
<i>Cost</i>			
At beginning of year	165,462	62,595	228,057
Additions	3,543	18,045	21,588
Disposals	(42,004)	(38,947)	(80,951)
	127,001	41,693	168,694
<i>Depreciation and diminution in value</i>			
At beginning of year	126,158	57,613	183,771
Charge for year	20,862	3,796	24,658
Eliminated on disposals	(39,255)	(38,036)	(77,291)
	107,765	23,373	131,138
<i>Net book value</i>			
At 31 December 2004	19,236	18,320	37,556
At 31 December 2003	39,304	4,982	44,286

10 Participating interests

The company has acquired a 50% equity shareholding in an investment in New Horizons Systems Inc, a company incorporated in the USA. The investment comprises of 20 US \$ capital stock.

The company has acquired a 33% equity shareholding in Option Systems Pty Limited, a company incorporated in Australia. The company owns 100 ordinary Australian \$ shares in the company.

Each of the above participating interests supplies and distributes computer software and related services as its principal activity.

The accounting reference period is the year to 31 December for each company.

Sales by Option Systems Limited to New Horizons Inc and Option Systems Pty Limited for the year to 31 December 2004 were £1,735 and £11,187 respectively.

At that date New Horizons Inc and Option Systems Pty Limited owed Option Systems Limited £nil in respect of these sales.

Notes (continued)

11 Stocks

	2004	2003
	£	£
Finished goods and goods for resale	1,172	8,015
Work in progress	4,250	-
	5,422	8,015
	5,422	8,015

12 Debtors

	2004	2003
	£	£
Trade debtors	645,790	501,810
Prepayments and accrued income	25,672	28,854
Amounts owed by ultimate parent company	173,449	178,597
Corporation tax recoverable	3,705	37,893
	848,616	747,154
	848,616	747,154

13 Creditors: amounts falling due within one year

	2004		2003	
	£	£	£	£
Bank loan		20,000		-
Payments received on account		78,460		67,103
Trade creditors		167,286		271,355
Amounts owed to group company		90,000		90,000
Other creditors including taxation and social security				
Other taxes and social security	121,519		112,524	
	121,519		112,524	
Accruals and deferred income		532,001		517,107
		1,009,266		1,058,089
		1,009,266		1,058,089

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2004	2003
	£	£
Bank loan	28,333	-
	<u>28,333</u>	<u>-</u>

15 Analysis of debt

The bank loan is repayable as follows:

	2004	2003
	£	£
Within one year	20,000	-
In the second to fifth years	28,333	-
	<u>48,333</u>	<u>-</u>

16 Provisions for liabilities and charges

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

	2004	2003
	£	£
Balance brought forward	-	-
Credit to the profit and loss account	-	-
	<u>-</u>	<u>-</u>
Balance carried forward	<u>-</u>	<u>-</u>

The provision at the year end is analysed as follows:

	2004		2003	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Accelerated capital allowances	-	61	-	(825)
Short term timing differences	-	-	-	-
Losses	-	69,386	-	69,386
	<u>-</u>	<u>69,447</u>	<u>-</u>	<u>68,561</u>

Unprovided deferred tax has been calculated at the rate of 19% (2003: 19%).

The deferred tax asset has not been recognised in the accounts.

Notes (continued)

17 Called up share capital

	2004	2003
	£	£
<i>Authorised</i>		
100,000,000 ordinary shares of 1p each	1,000,000	1,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1,700,000 ordinary shares of 1p each	17,000	17,000
	<hr/>	<hr/>

18 Reserves

	Share premium account	Profit and loss account
	£	£
At beginning of year	12,314	(172,237)
Profit for the year	-	12,363
	<hr/>	<hr/>
At end of year	12,314	(159,874)
	<hr/>	<hr/>

19 Commitments

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

	Buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	36,531	-	1,753	1,753
After five years	97,615	97,615	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	134,146	97,615	1,753	1,753
	<hr/>	<hr/>	<hr/>	<hr/>

20 Parent undertaking's company

The company is a subsidiary undertaking of OSL International Limited registered in England and Wales. The ultimate parent company is OSL Holdings Limited, a company also registered in England and Wales. The registered office of both companies is : Standards House, Meridian East, Meridian Business Park, Leicester, LE19 1WZ.

Notes (continued)

21 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year	12,363	141,130
Opening shareholders' funds	(142,923)	(284,053)
	<hr/>	<hr/>
Closing shareholders' funds	(130,560)	(142,923)
	<hr/> <hr/>	<hr/> <hr/>

22 Reconciliation of operating profit to net cash outflow from operating activities

	2004 £	2003 £
Operating profit	11,180	120,745
Depreciation charge	24,658	44,838
Loss on sale of tangible fixed assets	1,597	-
Decrease in stocks	2,593	4,398
(Increase)/decrease in debtors	(135,650)	34,010
Decrease in creditors	(68,823)	(230,963)
	<hr/>	<hr/>
Net cash outflow from operating activities	(164,445)	(26,972)
	<hr/> <hr/>	<hr/> <hr/>

23 Analysis of cash flows shown net in cash flow statement

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	1,267	1,489
Interest paid	(3,789)	(150)
	<hr/>	<hr/>
Net cash (outflow)/inflow from returns on investments and servicing of finance	(2,522)	1,339
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure		
Purchase of tangible fixed assets	(21,588)	(15,782)
Sale of tangible fixed assets	2,063	-
	<hr/>	<hr/>
Net cash outflow from capital expenditure	(19,525)	(15,782)
	<hr/> <hr/>	<hr/> <hr/>
Financing		
New loan	60,000	-
Repayment of new loan	(11,667)	-
	<hr/>	<hr/>
Net cash inflow from financing	48,333	-
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

24 Analysis of net debt

	At 31 December 2003 £	Bank loan £	Cash flow £	At 31 December 2004 £
Cash in hand and at bank	115,711	-	(100,266)	15,445
Debt due within one year	-	(31,667)	11,667	(20,000)
Debt due after more than one year	-	(28,333)	-	(28,333)
	<u>115,711</u>	<u>(60,000)</u>	<u>(88,599)</u>	<u>(32,888)</u>