

Option Systems Limited

**Director's report and financial
statements**

Registered number 2446995

31 December 2008

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Contents

Director's report	1
Statement of director's responsibilities in respect of the director's report and the financial statements	2
Independent auditors' report to the members of Option Systems Limited	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes	7

Director's report

The director presents his annual report and the audited financial statements for the year ended 31 December 2008.

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 £1,824,808 (2007: £1,577,725). 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 (2007: £nil).

The profit for the year after taxation is £276,489 (2007: £48,644) and has been added to reserves.

Research and development

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

Director

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

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £1,227.

Disclosure of information to auditors

The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 in respect of the director's report and the financial statements

The director is responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that its 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.

The director is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP
1 Waterloo Way
Leicester
LE1 6LP

Independent auditors' report to the members of Option Systems Limited

We have audited the financial statements of Option Systems Limited for the period ended 31 December 2008 which comprise the profit and loss account, the balance sheet, cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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's responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether, in our opinion, the information given in the Director's Report is consistent with the financial statements.

In addition we report to you 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 other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

Chartered Accountants
Registered Auditor

KPMG LLP

27 April 2009

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £	2007 £
Turnover	<i>1</i>	1,824,808	1,577,725
Cost of sales		(297,811)	(290,117)
Gross profit		1,526,997	1,287,608
Administrative expenses		(1,223,944)	(1,255,426)
Operating profit		303,053	32,182
Income from fixed asset investments	<i>5</i>	-	11,198
Other interest receivable and similar income	<i>6</i>	2,313	5,597
Interest payable and similar charges	<i>7</i>	(179)	(165)
Profit on ordinary activities before taxation	<i>2</i>	305,187	48,812
Tax charge on ordinary activities	<i>8</i>	(28,698)	(168)
Profit for the year		276,489	48,644

There were no recognised gains and losses other than the 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 2008

	Note	2008		2007	
		£	£	£	£
Fixed assets					
Tangible assets	9		20,535		27,163
Investment	10		-		-
Current assets					
Stocks	11	350		-	
Debtors	12	1,224,069		1,143,506	
Cash at bank and in hand		410,820		235,305	
		<u>1,635,239</u>		<u>1,378,811</u>	
Creditors: amounts falling due within one year	13	<u>(1,132,332)</u>		<u>(1,159,021)</u>	
Net current assets			<u>502,907</u>		<u>219,790</u>
Net assets			<u>523,442</u>		<u>246,953</u>
Capital and reserves					
Called up share capital	15		17,000		17,000
Share premium account	16		12,314		12,314
Profit and loss account	16		494,128		217,639
			<u>523,442</u>		<u>246,953</u>

These financial statements were approved and signed by the director on 24/04/09 and were signed on its behalf by:



AG Parkinson
 Director

Cash flow statement
for the year ended 31 December 2008

	<i>Note</i>	2008 £	2007 £
Cash inflow/(outflow) from operating activities	21	187,986	(125,511)
Returns on investments and servicing of finance	22	2,134	5,432
Taxation paid		(4,462)	(1,640)
Capital expenditure	22	(10,143)	(5,928)
Dividend paid		-	(30,000)
		<hr/>	<hr/>
Cash inflow/(outflow) before financing		175,515	(157,647)
Financing	22	-	-
		<hr/>	<hr/>
Increase in cash in the year	23	175,515	(157,647)
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year	23	175,515	(157,647)
Cash used to repay debt		-	-
		<hr/>	<hr/>
Change in net funds resulting from cash flows		175,515	(157,647)
		<hr/>	<hr/>
Movement in net funds in the year		175,515	(157,647)
Net funds at the start of the year	23	235,305	392,952
		<hr/>	<hr/>
Net funds at the end of the year	23	410,820	235,305
		<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
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.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Revenue based government grants are credited to the profit and loss account, on a systematic basis, in the same period in which the expenditure is incurred and the company is unconditionally entitled to the government grant.

2 Profit on ordinary activities before taxation

	2008	2007
	£	£
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	9,100	9,290
Other services	4,150	3,950
Depreciation of tangible fixed assets	16,223	16,208
Research and development expenditure:		
Incurred during the year	469,795	380,240
Hire of buildings – operating leases	36,531	36,531
Hire of other assets – operating leases	24,144	19,729
(Profit)/loss on foreign exchange	(13,477)	9,054
	£	£
<i>Profit on ordinary activities before taxation is stated after crediting:</i>		
Government grant income	87,358	18,165
	£	£

Notes (continued)

3 Remuneration of director

	2008	2007
	£	£
Director's emoluments	<u>136,128</u>	<u>122,248</u>

4 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	
	2008	2007
Management	4	4
Development and support	18	17
Other	3	3
	<u>25</u>	<u>24</u>

The aggregate payroll costs of these persons were as follows:

	2008	2007
	£	£
Wages and salaries	957,272	866,528
Social security costs	112,993	101,317
Other pension costs	6,839	5,699
	<u>1,077,104</u>	<u>973,544</u>

5 Income from fixed asset investments

	2008	2007
	£	£
Income from fixed asset investments:	-	11,198
	<u>-</u>	<u>11,198</u>

6 Other interest receivable and similar income

	2008	2007
	£	£
Bank interest receivable	<u>2,313</u>	<u>5,597</u>

Notes (continued)

7 Interest payable and similar charges

	2008 £	2007 £
On bank loans and overdrafts	179	165

8 Taxation

	2008 £	2007 £
UK corporation tax charge on the profit for the year on ordinary activities	20,031	1,102
Prior year adjustment	(926)	-
Prior year adjustment on foreign tax	3,360	-
Current tax charge	22,465	1,102
Deferred taxation (credit)/charge	6,233	(934)
Taxation charge	28,698	168
	2008 £	2007 £
Profit on ordinary activities before tax	305,187	48,812
Tax on profit on ordinary activities at standard rate of tax 20.75% (2007: 19.75%)	63,326	9,640
<i>Effect of</i>		
Expenses not deductible for tax purposes	2,875	1,537
Depreciation on ineligible	16	21
Capital allowances in excess of depreciation	179	561
Group relief received for no payment	(26,966)	-
Tax losses utilised	(6,727)	-
Additional research and development relief	(12,672)	(8,445)
Double tax relief on overseas distribution received	-	(2,212)
Current tax charge for the period	20,031	1,102

Notes (continued)

9 Tangible fixed assets

	Computer equipment and software £	Office fixtures, fittings and equipment £	Total £
<i>Cost</i>			
At beginning of year	123,486	57,854	181,340
Additions	8,955	1,188	10,143
Disposals	(30,168)	(4,286)	(34,454)
	<hr/>	<hr/>	<hr/>
At end of year	102,273	54,756	157,029
	<hr/>	<hr/>	<hr/>
<i>Depreciation and diminution in value</i>			
At beginning of year	109,164	45,013	154,177
Charge for year	7,844	8,379	16,223
Eliminated on disposals	(30,168)	(3,738)	(33,906)
	<hr/>	<hr/>	<hr/>
At end of year	86,840	49,654	136,494
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2008	<u>15,433</u>	<u>5,102</u>	<u>20,535</u>
	<hr/>	<hr/>	<hr/>
At 31 December 2007	<u>14,322</u>	<u>12,841</u>	<u>27,163</u>
	<hr/>	<hr/>	<hr/>

10 Participating interests

The company had acquired a 50% equity shareholding in an investment in New Horizons Systems Inc, a company incorporated in the USA. The investment comprised of 20 US \$ capital stock. This company was dissolved 29 July 2008.

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.

The above participating interest supplies and distributes computer software and related services as its principal activity.

The accounting reference period is the year to 31 December.

During the year, £123,062 of expenses were paid for by Option Systems Ltd on behalf of group undertakings. These have been recharged and are still outstanding to Option Systems Ltd at the year end.

Notes (continued)

11 Stocks

	2008 £	2007 £
Work in progress	350	-
	350	-
	350	-

12 Debtors

	2008 £	2007 £
Trade debtors	519,089	688,972
Prepayments and accrued income	12,048	34,966
Amounts owed by group companies	691,279	411,682
Deferred tax asset	1,653	7,886
	1,224,069	1,143,506
	1,224,069	1,143,506

The deferred taxation is recoverable in over one year. An analysis of the deferred tax position is given in note 14.

13 Creditors: amounts falling due within one year

	2008 £	2007 £
Payments received on account	112,857	145,158
Trade creditors	164,466	205,672
Amounts owed to group company	90,000	90,000
Other creditors including taxation and social security	137,656	138,712
Corporation tax payable	19,105	1,102
Accruals and deferred income	608,248	578,377
Dividend payable	-	-
	1,132,332	1,159,021
	1,132,332	1,159,021

Notes (continued)

14 Deferred taxation

The movement in the deferred taxation asset is as follows:

	2008 £	2007 £
Balance brought forward	7,886	6,952
(Charge)/credit to the profit and loss account	(6,233)	934
	1,653	7,886
	1,653	7,886

The deferred tax asset at the year end is analysed as follows:

	2008		2007	
	Provided £	Unprovided £	Provided £	Unprovided £
Accelerated capital allowances	1,653	-	1,402	-
Short term timing differences	-	-	-	-
Losses	-	-	6,484	-
	1,653	-	7,886	-
	1,653	-	7,886	-

The deferred tax was calculated at the rate of 21% (2007:20%).

15 Called up share capital

	2008 £	2007 £
<i>Authorised</i>		
100,000,000 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>		
1,700,000 ordinary shares of 1p each	1,000,000	17,000
	1,000,000	17,000
	1,000,000	17,000

16 Reserves

	Share premium account £	Profit and loss account £
At beginning of year	12,314	217,639
Profit for the year	-	276,489
	12,314	494,128
	12,314	494,128

Notes (continued)

17 Commitments

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

	Buildings		Other	
	2008	2007	2008	2007
	£	£	£	£
Operating leases which expire:				
Within one year	36,531	-	-	12,288
In the second to fifth years inclusive	11,500	36,531	28,684	-
After five years	-	97,615	-	-
	<u>48,031</u>	<u>134,146</u>	<u>26,684</u>	<u>12,288</u>

Option Systems Limited has undertaken a building lease to the annual rental value of £11,500 and a car lease to the annual rental value of £9,297 on behalf of group undertakings. These are recharged in the year.

18 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.

During the year the company incurred a management charge of £12,696 (2007: £18,777) from OSL Holdings Limited.

19 Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Profit for the financial year	276,489	48,644
Opening shareholders' funds	246,953	198,309
	<u>523,442</u>	<u>246,953</u>
Closing shareholders' funds	<u>523,442</u>	<u>246,953</u>

20 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the schemes and amounted to £6,839 (2007: £5,699).

There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

Notes (continued)

21 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2008	2007
	£	£
Operating profit	303,053	32,182
Depreciation charge	16,223	16,208
Loss on sale of tangible fixed assets	548	-
(Increase)/decrease in stocks	(350)	748
Increase in debtors	(86,796)	(286,348)
Increase in creditors	(44,692)	111,699
	<u>187,986</u>	<u>(125,511)</u>
Net cash inflow from operating activities	<u>187,986</u>	<u>(125,511)</u>

22 Analysis of cash flows shown net in cash flow statement

	2008	2007
	£	£
Returns on investments and servicing of finance		
Interest received	2,313	5,597
Interest paid	(179)	(165)
	<u>2,134</u>	<u>5,432</u>
Net cash inflow from returns on investments and servicing of finance	<u>2,134</u>	<u>5,432</u>
Capital expenditure		
Purchase of tangible fixed assets	(10,143)	(5,928)
	<u>(10,143)</u>	<u>(5,928)</u>
Net cash outflow from capital expenditure	<u>(10,143)</u>	<u>(5,928)</u>
Financing		
Repayment of loan	-	-
	<u>-</u>	<u>-</u>
Net cash inflow/(outflow) from financing	<u>-</u>	<u>-</u>

23 Analysis of net debt

	At 31 December 2007	Cash flow	At 31 December 2008
	£	£	£
Cash in hand and at bank	235,305	175,515	410,820
	<u>235,305</u>	<u>175,515</u>	<u>410,820</u>
	<u>235,305</u>	<u>175,515</u>	<u>410,820</u>