

Option Systems Limited

**Director's report and financial
statements**

Registered number 2446995

31 December 2006



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Director's report

The director presents his annual report and the audited financial statements for the year ended 31 December 2006

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 £1,823,120 (2005 £2,081,228) The company continued to trade successfully

Proposed dividend and transfer from reserves

The director recommended the payment of a dividend for the year of £30,000 (2005 £80,000)

The profit for the year after taxation and dividend is £61,864 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 £300

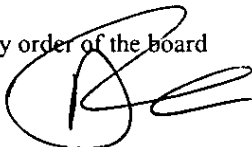
Disclosure of information to auditors

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 2006 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 2006 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.

KPMG LLP

Chartered Accountants
Registered Auditor

10 August 2007

Profit and loss account
for the year ended 31 December 2006

	<i>Note</i>	2006 £	2005 £
Turnover	<i>1</i>	1,823,120	2,081,228
Cost of sales		(261,826)	(363,214)
Gross profit		1,561,294	1,718,014
Administrative expenses		(1,462,371)	(1,386,760)
Operating profit		98,923	331,254
Other interest receivable and similar income	<i>5</i>	4,290	3,332
Interest payable and similar charges	<i>6</i>	(759)	(2,980)
Profit on ordinary activities before taxation	<i>2</i>	102,454	331,606
Tax (charge)/credit on profit on ordinary activities	<i>7</i>	(10,590)	15,399
Dividend payable		91,864 (30,000)	347,005 (80,000)
Profit for the financial year	<i>19</i>	61,864	267,005

The notes on pages 7 to 15 form part of these accounts

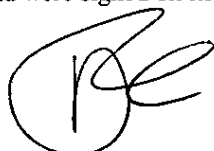
There were no recognised gains and losses other than the profit for the year

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 2006

	<i>Note</i>	2006		2005	
		£	£	£	£
Fixed assets					
Tangible assets	8		37,443		41,444
Current assets					
Stocks	10	748		-	
Debtors	11	845,026		794,625	
Cash at bank and in hand		392,952		393,769	
		<u>1,238,726</u>		<u>1,188,394</u>	
Creditors amounts falling due within one year	12	<u>(1,077,860)</u>		<u>(1,093,393)</u>	
Net current assets			<u>160,866</u>		<u>95,001</u>
Net assets			<u>198,309</u>		<u>136,445</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		168,995		107,131
			<u>198,309</u>		<u>136,445</u>

These financial statements were approved and signed by the director on 3/8/07
 and were signed on its behalf by



AG Parkinson
Director

Cash flow statement
for the year ended 31 December 2006

	<i>Note</i>	2006 £	2005 £
Cash inflow from operating activities	20	121,032	422,898
Returns on investments and servicing of finance	21	3,531	352
Taxation paid/refunded		(611)	3,813
Capital expenditure	21	(16,436)	(28,739)
Dividend paid		(80,000)	-
		<hr/>	<hr/>
Cash outflow before financing		27,516	398,324
Financing	22	(28,333)	(20,000)
		<hr/>	<hr/>
(Decrease)/increase in cash in the year	22	(817)	378,324
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the year	22	(817)	378,324
Cash used to repay debt		28,333	20,000
		<hr/>	<hr/>
Change in net funds resulting from cash flows		27,516	398,324
		<hr/>	<hr/>
Movement in net funds in the year		27,516	398,324
Net funds/(debt) at the start of the year	22	365,436	(32,888)
		<hr/>	<hr/>
Net funds at the end of the year	22	392,952	365,436
		<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.

2 Profit on ordinary activities before taxation

	2006	2005
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	9,020	8,980
Other services	4,185	6,015
Depreciation of tangible fixed assets	20,437	23,783
Research and development expenditure		
Incurred during the year	368,814	361,185
Hire of other assets - operating leases	21,043	13,538
Loss/(profit) on foreign exchange	9,773	(6,858)
Loss on disposal of fixed assets	-	1,068
	-	-

Notes (continued)

3 Remuneration of director

	2006 £	2005 £
Director's emoluments	<u>110,418</u>	<u>119,406</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	
	2006	2005
Management	4	4
Development and support	17	14
Other	3	3
	<u>24</u>	<u>21</u>

The aggregate payroll costs of these persons were as follows

	2006 £	2005 £
Wages and salaries	911,252	852,680
Social security costs	105,547	91,079
Other pension costs	6,839	5,517
	<u>1,023,638</u>	<u>949,276</u>

5 Other interest receivable and similar income

	2006 £	2005 £
Bank interest receivable	<u>4,290</u>	<u>3,332</u>

Notes (continued)

6 Interest payable and similar charges

	2006 £	2005 £
On bank loans and overdrafts	759	2,980
	<u>759</u>	<u>2,980</u>

7 Taxation

	2006 £	2005 £
UK corporation tax charge on the profit for the year on ordinary activities	1,640	611
Adjustment relating to an earlier year	-	(108)
	<u>1,640</u>	<u>503</u>
Current tax charge	1,640	503
Deferred taxation charge/(credit)	8,950	(15,902)
	<u>10,590</u>	<u>(15,399)</u>

	2006 £	2005 £
Profit on ordinary activities before tax	102,454	331,606
	<u>102,454</u>	<u>331,606</u>
Tax on profit on ordinary activities at standard rate of tax 19% (2005 19%)	19,466	63,005
<i>Effect of</i>		
Expenses not deductible for tax purposes	1,514	1,266
Depreciation on ineligibles	27	35
Capital allowances in excess of depreciation	350	507
Current period losses utilised	(9,300)	(53,926)
Tax rate lower than 30% on (tax profit)/tax losses	(181)	(828)
Additional research and development relief	(10,236)	(9,448)
Adjustment to tax charge/(credit) in respect of prior years	-	(108)
	<u>1,640</u>	<u>503</u>
Current tax charge/(credit) for the period	1,640	503
	<u>1,640</u>	<u>503</u>

Notes (continued)

8 Tangible fixed assets

	Computer equipment and software £	Office fixtures, fittings and equipment £	Total £
<i>Cost</i>			
At beginning of year	109,182	52,114	161,296
Additions	10,382	6,054	16,436
Disposals	(867)	(1,453)	(2,320)
	<hr/>	<hr/>	<hr/>
At end of year	118,697	56,715	175,412
	<hr/>	<hr/>	<hr/>
<i>Depreciation and diminution in value</i>			
At beginning of year	90,606	29,246	119,852
Charge for year	12,078	8,359	20,437
Eliminated on disposals	(867)	(1,453)	(2,320)
	<hr/>	<hr/>	<hr/>
At end of year	101,817	36,152	137,969
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2006	16,880	20,563	37,443
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2005	18,576	22,868	41,444
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9 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 2006 were £nil and £nil respectively.

Development fees paid by Option Systems Limited to Option Systems Pty Limited for the year to 31 December 2006 were £nil.

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

10 Stocks

	2006 £	2005 £
Work in progress	748	-
	<hr/>	<hr/>
	748	-
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

11 Debtors

	2006	2005
	£	£
Trade debtors	476,471	489,066
Prepayments and accrued income	29,332	36,797
Amounts owed by ultimate parent company	332,271	252,860
Deferred taxation recoverable	6,952	15,902
	845,026	794,625
	845,026	794,625

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

12 Creditors: amounts falling due within one year

	2006		2005	
	£	£	£	£
Bank loan		-		28,333
Payments received on account		52,641		32,700
Trade creditors		154,316		151,466
Amounts owed to group company		90,000		90,000
Other creditors including taxation and social security				
Other taxes and social security	126,878		107,764	
	126,878		107,764	
Corporation tax payable		1,640		611
Accruals and deferred income		622,385		602,519
Dividend payable		30,000		80,000
		1,077,860		1,093,393
		1,077,860		1,093,393

13 Analysis of debt

The bank loan is repayable as follows:

	2006	2005
	£	£
Within one year	-	28,333
In the second to fifth years	-	-
	-	28,333
	-	28,333

Notes (continued)

14 Deferred taxation

The movement in the deferred taxation asset is as follows

	2006 £	2005 £
Balance brought forward	15,902	-
(Charge)/credit to the profit and loss account	(8,950)	15,902
	6,952	15,902
Balance carried forward	6,952	15,902

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

	2006		2005	
	Provided £	Unprovided £	Provided £	Unprovided £
Accelerated capital allowances	792	-	442	-
Short term timing differences	-	-	-	-
Losses	6,160	-	15,460	-
	6,952	-	15,902	-
	6,952	-	15,902	-

The deferred tax was calculated at the rate of 19% (2005 19%)

15 Called up share capital

	2006 £	2005 £
<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	17,000	17,000
	17,000	17,000
	17,000	17,000

16 Reserves

	Share premium account £	Profit and loss account £
At beginning of year	12,314	107,131
Profit for the year	-	61,864
	12,314	168,995
At end of year	12,314	168,995

Notes *(continued)*

17 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Buildings		Other	
	2006 £	2005 £	2006 £	2005 £
Operating leases which expire				
Within one year	-	-	-	1,314
In the second to fifth years inclusive	36,531	36,531	19,729	19,729
After five years	97,615	97,615	-	-
	<u>134,146</u>	<u>134,146</u>	<u>19,729</u>	<u>21,043</u>

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.

19 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	61,864	267,005
Opening shareholders' funds	136,445	(130,560)
Closing shareholders' funds	<u>198,309</u>	<u>136,445</u>

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

	2006 £	2005 £
Operating profit	98,923	331,254
Depreciation charge	20,437	23,783
Loss on sale of tangible fixed assets	-	1,068
Increase/decrease in stocks	(748)	5,422
(Increase)/decrease in debtors	(59,351)	66,188
Increase/decrease in creditors	61,771	(4,817)
Net cash inflow from operating activities	<u>121,032</u>	<u>422,898</u>

Notes (continued)

21 Analysis of cash flows shown net in cash flow statement

	2006 £	2005 £
Returns on investments and servicing of finance		
Interest received	4,290	3,332
Interest paid	(759)	(2,980)
	3,531	352
Capital expenditure		
Purchase of tangible fixed assets	(16,436)	(28,739)
	(14,436)	(28,739)
Financing		
Repayment of loan	(28,333)	(20,000)
	28,333	(20,000)
Net cash inflow/(outflow) from financing	28,333	(20,000)

22 Analysis of net debt

	At 31 December 2005 £	Cash flow £	At 31 December 2006 £
Cash in hand and at bank	393,769	(817)	392,952
Debt due within one year	(28,333)	28,333	-
Debt due after more than one year	-	-	-
	365,436	27,516	392,952
	365,436	27,516	392,952