

Option Systems Limited

Directors' report and financial statements

31 December 1996

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 1996.

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 £1,235,923 (1995 : £1,126,768). The directors are pleased with the continued steady growth of the company.

Proposed dividend and transfer from reserves

The directors do not recommend the payment of a dividend for the year.

The profit for the year after taxation is £1,775 and has been added to reserves.

Research and development

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

Directors and directors' interests

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

AG Parkinson	
AD Russell	
PN Miller-Smith	
TF Forsey	(resigned 25 October 1996)

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's holding company) are shown in its directors report.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £275.


Option Systems Limited

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



AG Parkinson
Director

Ashcroft House
Ervington Court
Leicester
LE3 2WL

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 1996 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*

22 July 1997

Option Systems Limited

Profit and loss account
for the year ended 31 December 1996

	Note	1996 £	1995 £
Turnover	1	1,235,923	1,126,768
Cost of sales		<u>(247,375)</u>	<u>(228,947)</u>
Gross profit		988,548	897,821
Administrative expenses		<u>(974,813)</u>	<u>(890,516)</u>
Operating profit		13,735	7,305
Other interest receivable and similar income	5	1,794	3,834
Interest payable and similar charges	6	<u>(6,288)</u>	<u>(4,905)</u>
Profit on ordinary activities before taxation	2	9,241	6,234
Tax on profit on ordinary activities	7	<u>(7,466)</u>	<u>(5,341)</u>
Profit for financial year		1,775	893
Dividends proposed		-	(12,000)
Retained profit at 1 January 1996		<u>24,425</u>	<u>35,532</u>
Retained profit at 31 December 1996		<u>26,200</u>	<u>24,425</u>

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

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

The company has made no material acquisitions and no operations have been discontinued during the current or preceding accounting periods.

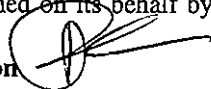
Option Systems Limited

Balance sheet at 31 December 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Intangible assets	8		10,000		15,000
Tangible assets	9		73,498		74,873
			<u>83,498</u>		<u>89,873</u>
Current assets					
Stocks	10	44,827		24,599	
Debtors	11	391,142		473,846	
Cash at bank and in hand		88,205		42,435	
		<u>524,174</u>		<u>540,880</u>	
Creditors: amounts falling due within one year	12	<u>(485,717)</u>		<u>(550,487)</u>	
Total net current assets/(liabilities)			<u>38,457</u>		<u>(9,607)</u>
Total assets less current liabilities			121,955		80,266
Creditors: amounts falling due after more than one year	13		(67,491)		(29,076)
Provisions for liabilities and charges					
Deferred taxation	17		1,050		2,549
Net assets			<u>55,514</u>		<u>53,739</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		26,200		24,425
			<u>55,514</u>		<u>53,739</u>

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

AG Parkinson
Director



9th July 1997

Option Systems Limited

Cash flow statement for the year ended 31 December 1996

	Note	1996		1995	
		£	£	£	£
Net cash inflow from operating activities	22	57,572		49,296	
Return on investments and servicing of finance					
Interest received		1,794		3,834	
Interest paid		(733)		(989)	
Interest element of finance lease rental payments		(5,703)		(2,927)	
Dividend paid		(12,000)		-	
		<u> </u>		<u> </u>	
Net cash outflow from returns on investment and servicing of finance		(16,642)		(82)	
Taxation					
UK corporation tax paid		(9,496)		(5,080)	
		<u> </u>		<u> </u>	
		(9,496)		(5,080)	
Investing activities					
Purchase of tangible fixed assets		(22,215)		(21,215)	
Sale of tangible fixed assets		23,300		-	
		<u> </u>		<u> </u>	
Net cash inflow/(outflow) from investing activities		1,085		(21,215)	
Net cash inflow before financing		32,519		22,919	
Financing					
Issue of long term bank loan	24	48,550		-	
Repayment of bank loans	24	(3,500)		-	
Capital element of finance lease rental payments	24	(31,799)		(9,052)	
		<u> </u>		<u> </u>	
Net cash inflow/(outflow) from financing		13,251		(9,052)	
Increase in cash and cash equivalents	23	45,770		13,867	
		<u> </u>		<u> </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

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

	1996	1995
	£	£
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	4,750	4,500
Other services	1,825	1,000
Depreciation and other amounts written off tangible and intangible fixed assets	34,953	34,807
Hire of other assets - operating leases	35,295	31,808
Loss on foreign exchange	1,007	-
<i>after crediting</i>		
Exchange gains	-	1,872
	<hr/>	<hr/>

Option Systems Limited

Notes (continued)

3 Remuneration of directors

	1996 £	1995 £
Directors' emoluments:		
As directors	<u>144,345</u>	<u>135,336</u>

The emoluments, excluding pension contributions, of the highest paid director were £48,920 (1995 : £43,518). 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	
	1996	1995
£0 - £5,000	1	1
£35,001 - £40,000	-	2
£40,001 - £45,000	-	1
£45,001 - £50,000	3	-

4 Staff numbers and costs

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

	Number of employees	
	1996	1995
Management	6	6
Development and support	10	10
Other	6	6
	<u>22</u>	<u>22</u>

The aggregate payroll costs of these persons were as follows:

	1996 £	1995 £
Wages and salaries	482,359	496,559
Social security costs	52,836	49,109
Other pension costs	9,200	9,600
	<u>544,395</u>	<u>555,268</u>

Option Systems Limited

Notes (continued)

5	Other interest receivable and similar income	1996 £	1995 £
	Exchange gains on foreign currency	-	1,872
	Other	1,794	1,962
		<u>1,794</u>	<u>3,834</u>
6	Interest payable and similar charges	1996 £	1995 £
	On bank loans, overdrafts and other loans wholly repayable within five years	887	649
	Finance charges payable in respect of finance leases and hire purchase contracts	5,401	4,256
		<u>6,288</u>	<u>4,905</u>
7	Taxation	1996 £	1995 £
	UK corporation tax at 24% (1995 : 25%) on the profit for the year on ordinary activities	4,428	7,957
	Deferred taxation	1,499	(2,549)
	Adjustment relating to an earlier year	1,539	(67)
		<u>7,466</u>	<u>5,341</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				10,160
	Charged in year				<u>5,000</u>
	At end of year				<u>15,160</u>
	<i>Net book value</i>				
	At 31 December 1996				<u>10,000</u>
	At 31 December 1995				<u>15,000</u>
9	Tangible fixed assets				
		Computer equipment and software	Office fixtures, fittings and equipment	Motor vehicles	Total
		£	£	£	£
	<i>Cost</i>				
	At beginning of year	56,626	17,927	69,537	144,090
	Additions	21,668	547	25,723	47,938
	Disposals	<u>(13,482)</u>	<u>(2,583)</u>	<u>(45,731)</u>	<u>(61,796)</u>
	At end of year	<u>64,812</u>	<u>15,891</u>	<u>49,529</u>	<u>130,232</u>
	<i>Depreciation and diminution in value</i>				
	At beginning of year	33,643	6,199	29,375	69,217
	Charge for year	13,405	3,460	13,088	29,953
	On disposals	<u>(12,437)</u>	<u>(1,288)</u>	<u>(28,711)</u>	<u>(42,436)</u>
	At end of year	<u>34,611</u>	<u>8,371</u>	<u>13,752</u>	<u>56,734</u>
	<i>Net book value</i>				
	At 31 December 1996	<u>30,201</u>	<u>7,520</u>	<u>35,777</u>	<u>73,498</u>
	At 31 December 1995	<u>22,983</u>	<u>11,728</u>	<u>40,162</u>	<u>74,873</u>

Included in the total net book value of motor vehicles is £35,777 (1995 : £40,162) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £13,752 (1995 : £14,409).

Option Systems Limited

Notes (continued)

10	Stocks		
		1996	1995
		£	£
	Work in progress	38,400	19,490
	Finished goods and goods for resale	6,427	5,109
		<u>44,827</u>	<u>24,599</u>

11	Debtors		
		1996	1995
		£	£
	Trade debtors	360,375	432,320
	Amounts owed by group undertaking	5,000	10,000
	Other debtors	4,307	3,255
	Prepayments and accrued income	21,460	28,271
		<u>391,142</u>	<u>473,846</u>

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

12	Creditors: amounts falling due within one year				
		1996		1995	
		£	£	£	£
	Bank loan	8,000		3,500	
	Obligations under finance leases and hire purchase contracts	10,364		17,654	
	Payments received on account	46,353		54,730	
	Trade creditors	205,797		200,662	
	Other creditors including taxation and social security:				
	Corporation tax	4,428		7,957	
	Other taxes and social security	62,329		143,245	
		<u>66,757</u>		<u>151,202</u>	
	Proposed dividend	-		12,000	
	Accruals and deferred income	148,446		110,739	
		<u>485,717</u>		<u>550,487</u>	

Option Systems Limited

Notes (continued)

13	Creditors: amounts falling due after more than one year		
		1996	1995
		£	£
	Bank loan	40,550	-
	Obligations under finance leases and hire purchase contracts	26,941	24,700
	Accruals and deferred income	-	4,376
		<u>67,491</u>	<u>29,076</u>

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

		1996	1995
		£	£
	Within one year	13,614	17,087
	In the second to fifth years	28,337	30,615
		<u>41,951</u>	<u>47,702</u>
	Less future finance charges	(4,646)	(5,348)
		<u>37,305</u>	<u>42,354</u>

14	Called up share capital		
		1996	1995
		£	£
	<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	24,425
Profit for the year	-	1,775
	<hr/>	<hr/>
At end of year	<u>12,314</u>	<u>26,200</u>

16 Commitments

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

	Buildings		Other	
	1996 £	1995 £	1996 £	1995 £
Operating leases which expire:				
Within one year	-	-	9,738	-
In the second to fifth years inclusive	28,152	28,152	16,554	23,646
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>28,152</u>	<u>28,152</u>	<u>26,292</u>	<u>23,646</u>

17 Deferred taxation

	£
At beginning of year	2,549
Charge to profit and loss account	(1,499)
	<hr/>
At end of year	<u>1,050</u>

The deferred tax asset is analysed below:

	1996		1995	
	Potential asset £	Asset provided £	Potential asset £	Asset provided £
Accelerated capital allowances	2,675	-	3,568	-
Other timing differences	-	1,050	-	2,549
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>2,675</u>	<u>1,050</u>	<u>3,568</u>	<u>2,549</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 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit for the financial year	1,775	893
Dividends proposed	-	(12,000)
Opening shareholders' funds	<u>53,739</u>	<u>64,846</u>
Closing shareholders' funds	<u>55,514</u>	<u>53,739</u>

20 Directors loan account

	Amount outstanding		Maximum amount outstanding during the year £
	1996 £	1995 £	
PN Miller-Smith	<u>3,255</u>	<u>3,255</u>	<u>3,255</u>

21 Transactions with directors

TF Forsey received fees of £50,000 (1995 : £12,000) in respect of consultancy services to the company. Mr Forsey resigned as a director of the company on 25 October 1996.

Option Systems Limited

Notes (continued)

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

	1996 £	1995 £
Operating profit	13,735	7,305
Depreciation charge	34,953	34,807
Profit on sale of tangible fixed assets	(3,940)	-
(Increase)/decrease in stocks	(20,228)	13,889
Decrease/(increase) in debtors	82,704	(245,349)
(Decrease)/increase in creditors	(49,652)	238,644
	<u>57,572</u>	<u>49,296</u>
Net cash inflow from operating activities	<u>57,572</u>	<u>49,296</u>

23 Analysis of changes in cash and cash equivalents

	Cash
Balance at 1 January 1996	42,435
Net cash inflow	<u>45,770</u>
Balance at 31 December 1996	<u>88,205</u>

24 Analysis of changes in financing during the year

	Share capital (including premium) £	Loans and finance lease obligations £
Balance at 1 January 1995	29,314	31,100
Capital element of hire purchase and finance lease rental payments	-	(9,052)
Inception of finance lease contracts	-	23,806
	<u>29,314</u>	<u>45,854</u>
Balance at 31 December 1995	29,314	45,854
Issue of long term bank loan	-	48,550
Bank loan repayment	-	(3,500)
Inception of finance lease contracts	-	26,750
Capital element of hire purchase and finance lease rental payments	-	(31,799)
	<u>29,314</u>	<u>85,855</u>
Balance at 31 December 1996	<u>29,314</u>	<u>85,855</u>