

**REGISTRAR OF
COMPANIES**

1608093

Optichrome Computer Systems Limited

Report and Financial Statements

Year Ended

30 April 1998



IBDO

BDO Stoy Hayward
Chartered Accountants

OPTICHROME COMPUTER SYSTEMS LIMITED

Annual report and financial statements for the year ended 30 April 1998

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Directors

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Directors

E Stephens
M K Godding
A R Kassas
J H Marment
R Spiers
N J Tyler

Secretary and registered office

M K Godding, 96-103 Maybury Road, Woking, Surrey, GU21 5HX

Company number

1608093

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

OPTICHROME COMPUTER SYSTEMS LIMITED

Report of the directors for the year ended 30 April 1998

The directors present their annual report together with the audited financial statements for the year ended 30 April 1998.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors recommend the payment of a dividend of £120,000 for the year under review.

Principal activities, trading review and future developments

The principal activities of the company are the development of computer software, sale of computer hardware and software and its subsequent maintenance.

The company has invested significantly in new products during the year under review. Such expenditure is written off against profits as it is incurred. The level of expenditure on product development is expected to continue in the ensuing year.

The directors are satisfied with the results for the year and are hopeful for continuing levels of profitability in the following year.

Year 2000

The directors are reviewing the likely impact of the Year 2000 issue on the company's operations. They do not consider that the business will be affected to any significant extent, nor do they anticipate any material cost being incurred in addressing the issue.

Directors

The directors of the company during the year were:

E Stephens
M K Godding
A R Kassas
J H Marment (appointed 15 May 1997)
R Spiers (appointed 1 February 1998)
N J Tyler
M F Harding (resigned 29 September 1997)

None of the directors had any interest in the ordinary share capital of the company.

The interests of E Stephens in the share capital of the parent company, Optichrome Group Limited, are shown in the financial statements of that company.

OPTICHROME COMPUTER SYSTEMS LIMITED

Report of the directors for the year ended 30 April 1998 (*Continued*)

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 of the company 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; and
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

M K Godding

Director



16 December 1998

OPTICHROME COMPUTER SYSTEMS LIMITED

Report of the auditors

To the shareholders of Optichrome Computer Systems Limited

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the 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.

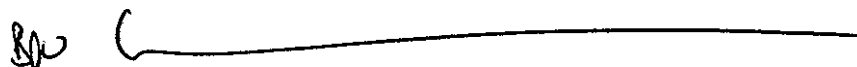
Basis of opinion

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 30 April 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
London

16 December 1998

OPTICHROME COMPUTER SYSTEMS LIMITED**Profit and loss account for the year ended 30 April 1998**

| | Note | 1998 £ | 1997 £ |
|---|------|-------------|-------------|
| Turnover | 2 | 3,357,776 | 3,516,853 |
| Cost of sales | | 2,516,756 | 2,452,646 |
| | | <hr/> | <hr/> |
| Gross profit | | 841,020 | 1,064,207 |
| Administrative expenses | | 858,048 | 796,362 |
| | | <hr/> | <hr/> |
| | | (17,028) | 267,845 |
| Other operating income | 4 | 320,006 | 297,044 |
| | | <hr/> | <hr/> |
| Operating profit | | 302,978 | 564,889 |
| Profit on disposal of investment in related companies | | - | 193,658 |
| Interest receivable | | - | 557 |
| Interest payable | | (98) | (4,973) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | 5 | 302,880 | 754,131 |
| Taxation on profit from ordinary activities | 7 | 109,955 | 141,822 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation | | 192,925 | 612,309 |
| Dividends - equity | 8 | 120,000 | 600,000 |
| | | <hr/> | <hr/> |
| Profit for the year | | 72,925 | 12,309 |
| Retained profit brought forward | | 1,246,627 | 1,234,318 |
| | | <hr/> | <hr/> |
| Retained profit carried forward | | 1,319,552 | 1,246,627 |
| | | <hr/> <hr/> | <hr/> <hr/> |

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The profit for the year represents the movement in shareholders' funds.

The notes on pages 6 to 13 form part of these financial statements

OPTICHROME COMPUTER SYSTEMS LIMITED

Balance sheet at 30 April 1998

| | Note | 1998 | | 1997 | |
|--|------|------------------|------------------|------------------|------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 9 | | 110,965 | | 80,070 |
| Investments | 10 | | <u>80,440</u> | | <u>80,440</u> |
| | | | 191,405 | | 160,510 |
| Current assets | | | | | |
| Stocks | 11 | 70,187 | | 68,195 | |
| Debtors | 12 | 2,190,420 | | 2,515,405 | |
| Cash at bank and in hand | | <u>17,289</u> | | <u>59,114</u> | |
| | | 2,277,896 | | 2,642,714 | |
| Creditors: amounts falling due within one year | 13 | <u>1,149,249</u> | | <u>1,535,177</u> | |
| Net current assets | | | <u>1,128,647</u> | | <u>1,107,537</u> |
| Total assets less current liabilities | | | 1,320,052 | | 1,268,047 |
| Creditors: amounts falling due after more than one year | 14 | - | | 3,000 | |
| Provision for liabilities and charges | | | | | |
| Deferred taxation | 15 | <u>-</u> | | <u>17,920</u> | |
| | | | <u>-</u> | | <u>20,920</u> |
| | | | 1,320,052 | | 1,247,127 |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 500 | | 500 |
| Profit and loss account | | | <u>1,319,552</u> | | <u>1,246,627</u> |
| Shareholders' funds | | | <u>1,320,052</u> | | <u>1,247,127</u> |

All amounts within shareholders' funds are equity.

These financial statements were approved by the Board on 16 December 1998

M K Godding
Director

The notes on pages 6 to 13 form part of these financial statements.

OPTICHROME COMPUTER SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998

1 Accounting policies

These financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated on the original cost of the assets at the following annual rates:

| | | |
|---|---|--------------------------|
| Plant and equipment | - | 20% - 33 $\frac{1}{3}$ % |
| Office equipment, fixtures and fittings | - | 15% |
| Motor vehicles | - | 20% - 25% |

Stocks

Stocks are valued at the lower of cost, including attributable overheads, and net realisable value.

Net realisable value is based on estimated selling price less further costs to completion.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the future.

Research and development expenditure

All such expenditure except that on capital equipment and licences to use software is written-off in the year it is incurred.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

OPTICHROME COMPUTER SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)

2 Turnover

Turnover is analysed by market below:

| | 1998 £ | 1997 £ |
|----------------|------------------|------------------|
| U.K. | 3,003,665 | 3,229,302 |
| Europe | 302,469 | 215,799 |
| Australia | 2,777 | 49,419 |
| Other overseas | 48,865 | 22,333 |
| | <u>3,357,776</u> | <u>3,516,853</u> |

3 Employees

Staff costs (including directors) consist of:

| | | |
|-----------------------|----------------|----------------|
| Wages and salaries | 736,433 | 722,540 |
| Social security costs | 72,819 | 69,104 |
| Pension costs | 8,502 | 754 |
| | <u>817,754</u> | <u>792,398</u> |

The average weekly number of employees during the year was as follows:

| | Number | Number |
|-----------|-----------|-----------|
| Full time | 31 | 28 |
| | <u>31</u> | <u>28</u> |

4 Other operating income

This includes income from fellow group undertakings of £320,000 (1997 - £273,200).

OPTICHROME COMPUTER SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998 (Continued)

5 Profit on ordinary activities before taxation

| | 1998 £ | 1997 £ |
|---|-------------------|-------------------|
| This is arrived at after charging/(crediting): | | |
| Depreciation | 39,397 | 36,306 |
| Auditors' remuneration | 20,150 | 14,000 |
| Operating lease rentals | 91,726 | 62,152 |
| Profit on disposal of investment in related companies | - | (193,658) |
| | <u> </u> | <u> </u> |

6 Directors' emoluments

| | | |
|---|-------------------|-------------------|
| Aggregate emoluments | 167,431 | 211,607 |
| Company pension contributions to money purchase schemes | 3,272 | - |
| | <u> </u> | <u> </u> |
| | 170,703 | 211,607 |
| | <u> </u> | <u> </u> |

Retirement benefits are accruing to two directors under money purchase pension schemes.

7 Taxation on profit from ordinary activities

| | 1998 £ | 1997 £ |
|--|-------------------|-------------------|
| Corporation tax based at 21% (1997 - 31%) on profits for the year | - | 175,809 |
| Payment relating to group relief | 72,420 | - |
| Under/(over) provision in prior year | 55,455 | (14,185) |
| Transfer from deferred taxation | (17,920) | (19,802) |
| | <u> </u> | <u> </u> |
| | 109,955 | 141,822 |
| | <u> </u> | <u> </u> |

8 Dividends

| | | |
|---|-------------------|-------------------|
| Interim dividends of £240 (1997 - £1,200) per share | 120,000 | 600,000 |
| | <u> </u> | <u> </u> |

OPTICHROME COMPUTER SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)

9 Tangible assets

| | Plant and equipment £ | Office equipment, fixtures and fittings £ | Motor vehicles £ | Total £ |
|-----------------------|-----------------------------|---|------------------------|------------|
| <i>Cost</i> | | | | |
| At 1 May 1997 | 158,074 | 36,593 | 27,109 | 221,776 |
| Additions | 64,332 | 5,960 | - | 70,292 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 April 1998 | 222,406 | 42,553 | 27,109 | 292,068 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | |
| At 1 May 1997 | 116,881 | 21,837 | 2,988 | 141,706 |
| Provided for the year | 28,509 | 5,466 | 5,422 | 39,397 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 April 1998 | 145,390 | 27,303 | 8,410 | 181,103 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | |
| At 30 April 1998 | 77,016 | 15,250 | 18,699 | 110,965 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 April 1997 | 41,193 | 14,756 | 24,121 | 80,070 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

OPTICHROME COMPUTER SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)

10 Investments

| | Subsidiary undertakings £ | Other investments £ | Total £ |
|------------------------------------|---------------------------------|---------------------------|------------|
| <i>Cost</i> | | | |
| At 1 May 1997 | 80,440 | 1,757 | 82,197 |
| Disposal during year | - | (1,757) | (1,757) |
| | <hr/> | <hr/> | <hr/> |
| At 30 April 1998 | 80,440 | - | 80,440 |
| | <hr/> | <hr/> | <hr/> |
| <i>Provision</i> | | | |
| At 1 May 1997 | - | 1,757 | 1,757 |
| Released on disposal | - | (1,757) | (1,757) |
| | <hr/> | <hr/> | <hr/> |
| At 30 April 1998 | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | |
| At 30 April 1997 and 30 April 1998 | 80,440 | - | 80,440 |
| | <hr/> | <hr/> | <hr/> |

The following companies were subsidiary undertakings at the end of the year:

| | Country of registration | Proportion of equity held | Nature of business |
|--|----------------------------|------------------------------|----------------------|
| Subsidiary undertakings | | | |
| Optichrome Computer Solutions Limited | England | 100% | Software development |
| Optichrome Management Information Systems Pty Limited | Queensland, Australia | 100% | Software development |
| Optichrome Computer Systems (Espana) SA | Spain | 100% | Software development |

11 Stock

| | 1998 £ | 1997 £ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 70,187 | 68,195 |
| | <hr/> | <hr/> |

OPTICHROME COMPUTER SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)

12 Debtors

| | 1998 £ | 1997 £ |
|--|------------------|------------------|
| Amounts receivable within one year | | |
| Trade debtors | 731,778 | 653,215 |
| Amount owed by parent undertakings | 1,181,554 | 1,679,008 |
| Amount owed by subsidiary undertakings | 172,430 | 84,766 |
| Other debtors | 500 | 500 |
| Prepayments and accrued income | 104,158 | 97,916 |
| | <u>2,190,420</u> | <u>2,515,405</u> |

13 Creditors: amounts falling due within one year

| | | |
|---------------------------------------|------------------|------------------|
| Bank overdraft | 122,386 | - |
| Trade creditors | 136,967 | 227,725 |
| Other creditors | 3,000 | 36,000 |
| Taxation and social security | 60,138 | 77,093 |
| Amount due to subsidiary undertakings | 12,105 | 141,719 |
| Corporation tax | - | 176,644 |
| Accruals and deferred income | 814,653 | 875,996 |
| | <u>1,149,249</u> | <u>1,535,177</u> |

14 Creditors: amounts falling due after more than one year

| | | |
|-----------------|----------|--------------|
| Other creditors | - | 3,000 |
| | <u>-</u> | <u>3,000</u> |

15 Deferred taxation

| | 1998 | | 1997 | |
|--------------------------------|-----------------|---------------------------------|-----------------|---------------------------------|
| | Unprovided £ | Provided in accounts £ | Unprovided £ | Provided in accounts £ |
| Accelerated capital allowances | 12,185 | - | - | 17,920 |
| | <u>12,185</u> | <u>-</u> | <u>-</u> | <u>17,920</u> |

OPTICHROME COMPUTER SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)

16 Share capital

| | 1998 £ | 1997 £ |
|---|------------|------------|
| <i>Authorised, allotted, called up and fully paid</i> | | |
| Ordinary shares of £1 each | 500 | 500 |
| | <u>500</u> | <u>500</u> |

17 Operating lease commitments

At 30 April 1998 the company had annual commitments in respect of operating leases as follows:

| | Other 1998 £ | Other 1997 £ |
|--------------------------------|--------------------|--------------------|
| Operating leases which expire: | | |
| Within one year | 23,494 | 3,648 |
| In two to five years | 55,644 | 59,988 |
| | <u>79,138</u> | <u>63,636</u> |

18 Parent company

The company is a wholly owned subsidiary undertaking of Optichrome Group Limited, a company registered in England.

19 Pension costs

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 pension cost charge represents contributions payable by the company to the fund and amounted to £8,502 (1997 -£754). At the 30 April 1998 there were no outstanding or prepaid contributions to the scheme.