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BUSINESS COMPUTER SYSTEMS PLC

FINANCIAL STATEMENTS

28 APR 1989 30 SEPTEMBER 1988
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BUSINESS COMPUTER SYSTEMS PLC

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the group for the year ended 30 September 1988.

Principal activity

The principal activity of the group continues to be the marketing of computer systems and software and the maintenance of computer systems and other related engineering work.

Trading results and dividend

The results for the period and the financial position of the group are shown in the annexed financial statements. The directors do not recommend the payment of a dividend.

Tangible fixed assets

Movements in tangible fixed assets are shown in note 9 to the financial statements.

Research and development

Group policy is to invest in product innovation and improvement at a level designed to enable it to retain and enhance its market position.

Directors

R J Jowitt - Chairman
P B Lindley
B R Wigley (appointed 14 June 1988)

Interests in shares

None of the directors had any interest in the shares of the company at 30 September 1988 or 30 September 1987.

Mr R J Jowitt and Mr P B Lindley are also directors of Electronic Data Processing PLC, the ultimate holding company. Their interests in the shares of Electronic Data Processing PLC are shown in the statements of that company.

None of the directors during the period had a beneficial interest in any significant contract to which the company was a party.

BUSINESS COMPUTER SYSTEMS PLC

DIRECTORS' REPORT
(continued)

Auditors

A resolution concerning the re-appointment of Peat Marwick McLintock as auditors (and their remuneration) will be submitted to the annual general meeting.

By Order of the Board

J H GREEN

Secretary

23 February 1989

AUDITORS' REPORT TO THE MEMBERS OF
BUSINESS COMPUTER SYSTEMS PLC

We have audited the financial statements on pages 4 to 16 in accordance with auditing standards.

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 30 September 1988, of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Paul Harold Rehman

Chartered Accountants

Sheffield
23 February 1989

BUSINESS COMPUTER SYSTEMS PLC

ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with s230 of and Schedule 4 to the Companies Act 1985.

The effects of events relating to the year ended 30 September 1988 which occurred before 23 February 1989, the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 30 September 1988 and of the results for the period ended on that date.

Basis of consolidation

The consolidated financial statements incorporate the accounts of Business Computer Systems PLC and all subsidiaries; such accounts are all made up to 30 September 1988. In accordance with the Companies Act 1985, s228(7), a separate profit and loss account of Business Computer Systems PLC is not presented, as the results of the company are disclosed in the consolidated profit and loss account.

Turnover

Turnover represents the sales of goods and services at invoiced value excluding both value added tax and transactions between Group companies.

Depreciation

Depreciation is provided so as to write off the cost of each fixed asset over its estimated life from the time it becomes operational at the following rates:

Computer equipment	25%
Other plant and equipment	25%
Motor vehicles	25%
Furniture and fittings	15%

Foreign currency

Amounts receivable and payable in foreign currency have been translated at the closing rate of exchange. All exchange differences are taken to the profit and loss account.

Deferred taxation

Provision is made for corporation tax deferred by timing differences only where there is a reasonable probability of such differences reversing and an actual corporation tax liability arising in the foreseeable future.

BUSINESS COMPUTER SYSTEMS PLC

ACCOUNTING POLICIES
(continued)

Research and development

Research costs and development expenditure relating to software products are written off in the year in which they are incurred. Development expenditure relating to specific hardware products and related operating systems is written off over the expected life of the product or three years, whichever is the shorter period.

Leasing transactions

Rentals received under operating lease agreements are credited to profit and loss account on a straight line basis over the period of the lease. Rentals paid under operating lease agreements are debited to profit and loss account on the same basis.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred income

Deferred income represents that portion of maintenance contracts taken out by customers but relating to a future period.

BUSINESS COMPUTER SYSTEMS PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 1988

	<u>Notes</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Turnover	1	6,394	5,933
Cost of sales		<u>(2,916)</u>	<u>(2,602)</u>
Gross profit		3,478	3,331
Distribution and marketing costs		<u>(2,204)</u>	<u>(2,135)</u>
Administration expenses		<u>(962)</u>	<u>(742)</u>
Trading profit	2-4	312	454
Interest receivable	5	10	-
Interest payable	6	<u>(45)</u>	<u>(51)</u>
Profit on ordinary activities before taxation		277	403
Taxation	7	<u>-</u>	<u>4</u>
Profit on ordinary activities after taxation	16	<u>277</u>	<u>407</u>
Amount set aside to reserves:			
The Company		272	432
Subsidiaries		<u>5</u>	<u>(25)</u>
		<u>277</u>	<u>407</u>

BUSINESS COMPUTER SYSTEMS PLC

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 1988

	<u>Notes</u>	1988	1987
		£000	£000
FIXED ASSETS			
Intangible assets	8	113	225
Tangible assets	9	<u>33</u>	<u>95</u>
		146	320
CURRENT ASSETS			
Stocks	11	740	930
Debtors	12	1,595	1,529
Cash at bank and in hand		<u>5</u>	<u>5</u>
		2,340	2,464
CREDITORS: Amounts falling due within one year	13	<u>(1,329)</u>	<u>(1,607)</u>
NET CURRENT ASSETS		<u>1,011</u>	<u>857</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,157	1,177
DEFERRED INCOME	14	<u>(786)</u>	<u>(1,083)</u>
		371	94
		*****	*****
CAPITAL AND RESERVES			
Called up share capital	15	611	611
Share premium		25	25
Profit and loss account	16	<u>(265)</u>	<u>(542)</u>
		371	94
		****	****

R J JOWITT

Director

P B LINDLEY

Director

R J Jowitt
P B Lindley

BUSINESS COMPUTER SYSTEMS PLC

COMPANY BALANCE SHEET AS AT 30 SEPTEMBER 1988

	<u>Notes</u>	1988	1987
		£000	£000
FIXED ASSETS			
Intangible assets	8	113	225
Tangible assets	9	33	95
Investments	10	<u>1</u>	<u>1</u>
		147	321
CURRENT ASSETS			
Stocks	11	319	406
Debtors	12	1,230	1,097
Cash at bank and in hand		<u>5</u>	<u>5</u>
		1,554	1,508
CREDITORS: Amounts falling due within one year	13	<u>(1,322)</u>	<u>(1,655)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>232</u>	<u>(147)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		379	174
DEFERRED INCOME	14	<u>(175)</u>	<u>(242)</u>
		204	(68)
CAPITAL AND RESERVES			
Called up share capital	15	611	611
Share premium		25	25
Profit and loss account	16	<u>(432)</u>	<u>(704)</u>
		204	(68)

R J JOWITT

Director

P B LINDLEY

Director

R J Jowitt
P B Lindley

BUSINESS COMPUTER SYSTEMS PLC

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30 SEPTEMBER 1988

	<u>1988</u> £000	<u>1987</u> £000
SOURCE OF FUNDS		
Profits on ordinary activities before taxation	277	407
Adjustments for amounts not involving the flow of funds:		
Depreciation and other amounts written off tangible and intangible fixed assets	166	207
Profit on sale of fixed assets	-	(4)
Development expenses capitalised	-	<u>(342)</u>
FUNDS GENERATED BY OPERATIONS	443	268
FUNDS FROM OTHER SOURCES		
Proceeds from disposal of fixed assets	<u>12</u>	<u>22</u>
	455	290
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	<u>(4)</u>	<u>(25)</u>
	<u>451</u>	<u>265</u>
WORKING CAPITAL MOVEMENTS		
(Decrease)/increase in stocks	(190)	52
Increase in debtors	66	254
Decrease in creditors	<u>437</u>	<u>230</u>
	313	537
MOVEMENT IN NET LIQUID FUNDS		
Decrease/(increase) in bank borrowings	138	(269)
Decrease in cash at bank and in hand	-	<u>(3)</u>
	<u>451</u>	<u>265</u>

BUSINESS COMPUTER SYSTEMS PLC

NOTES

(forming part of the financial statements)

1 **TURNOVER**

The Group's turnover is derived wholly from within the United Kingdom from the principal trading activity.

2 **TRADING PROFIT**

The profit is stated after charging:

	<u>1988</u> £000	<u>1987</u> £000
Depreciation of tangible fixed assets	54	90
Profit on sales of tangible fixed assets	-	4
Amortisation of intangible fixed assets	112	117
Vehicle leasing charges	258	328
Auditors' remuneration (including expenses)	25	20
	<u>449</u>	<u>559</u>

3 **EMPLOYEES**

Staff costs during the year were:

	<u>1988</u> £000	<u>1987</u> £000
Wages and salaries	1,930	1,990
Social security costs	189	205
Other pension costs	10	15
	<u>2,129</u>	<u>2,210</u>

The average number of persons employed by the group during the year was 160 (1987 - 167).

The number of employees, other than directors of the company, with emoluments in the period at a rate in excess of £30,000 per annum was as follows:

	<u>1988</u> Number	<u>1987</u> Number
£30,001 - £35,000	-	2
£35,001 - £40,000	1	-
	<u>1</u>	<u>2</u>

BUSINESS COMPUTER SYSTEMS PLC

NOTES
(continued)

4	DIRECTORS' REMUNERATION	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
	Emoluments (including pension contributions)	-	17
		---	---

The emoluments of the Chairman, excluding pension contributions, were £Nil (1987 - £Nil).

The emoluments of the highest paid director, excluding pension contributions, were £Nil (1987 - £17,292).

Emoluments of other directors, excluding pension contributions, were in the following ranges:

	<u>1988</u> <u>Number</u>	<u>1987</u> <u>Number</u>
Up to £5,000	1	1
	---	---

5	INTEREST RECEIVABLE	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
	Bank interest	10	-
		---	---

6	INTEREST PAYABLE	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
	Bank interest	45	51
		---	---

7	TAXATION	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
	Overprovision in respect of prior periods	-	4
		---	---

The tax charge for the year has been reduced by £119,000 as a result of tax losses. At 30 September 1988 there were tax losses available for carry forward of approximately £824,000 (1987 - £1,163,000).

Deferred taxation

The Group's potential liability for taxation deferred by accelerated capital allowances is covered by losses not utilised as follows:

BUSINESS COMPUTER SYSTEMS PLC

NOTES
(continued)

7	TAXATION (continued)	<u>1988</u> £000	<u>1987</u> £000
	At 35% (1987 - 35%)		
	Accelerated capital allowances	28	19
	Tax losses carried forward	<u>(288)</u>	<u>(407)</u>
		<u>(260)</u>	<u>(388)</u>

Accordingly no provision has been made.

Company status

The company is not a close company as defined by the Income and Corporation Taxes Act 1988.

8 FIXED ASSETS - INTANGIBLE ASSETS

<u>Group and company</u>	<u>Development expenditure</u> £000
Cost:	
At 30 September 1987 and 30 September 1988	342
Accumulated depreciation:	
At 30 September 1987	117
Provided during the year	<u>112</u>
At 30 September 1988	229
Net book value:	
At 30 September 1988	<u>113</u>
At 30 September 1987	<u>225</u>

BUSINESS COMPUTER SYSTEMS PLC

NOTES
(continued)

9 FIXED ASSETS - TANGIBLE ASSETS

<u>Group and company</u>	<u>Computer equipment</u> £000	<u>Other plant and equipment</u> £000	<u>Total</u> £000
Cost:			
At 1 October 1987	162	226	388
Additions	-	4	4
Disposals	<u>(74)</u>	<u>-</u>	<u>(74)</u>
At 30 September 1988	88	230	318
Accumulated depreciation:			
At 1 October 1987	108	185	293
Provision for the year	33	21	54
On disposals	<u>(62)</u>	<u>-</u>	<u>(62)</u>
At 30 September 1988	79	206	285
Net book value:			
At 30 September 1988	9	24	33
At 30 September 1987	54	41	95

The directors had not authorized the expenditure of any capital at the end of either year.

10 FIXED ASSETS - INVESTMENTS

	<u>1988</u> £	<u>1987</u> £
Shares in subsidiaries at cost	200	200

The company owns the whole of the called up share capital of the following subsidiaries, both of which are incorporated in Great Britain:

Business Computer Services Limited - involved in the provision of computer maintenance services

Business Computers Limited - dormant

BUSINESS COMPUTER SYSTEMS PLC

NOTES
(continued)

11	STOCKS	<u>Group</u>		<u>Company</u>	
		<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
	Finished goods and computer equipment	719	897	319	373
	Consumables	<u>21</u>	<u>33</u>	<u>21</u>	<u>33</u>
		<u>740</u>	<u>930</u>	<u>340</u>	<u>406</u>
		****	****	****	****

The replacement cost of stocks does not differ materially from the balance sheet valuation.

12	DEBTORS	<u>Group</u>		<u>Company</u>	
		<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
	Amounts falling due within one year:				
	Trade debtors	1,407	1,264	1,042	832
	Prepayments and accrued income	103	212	103	212
	Other debtors	41	53	41	53
	Amounts owed by parent	<u>44</u>	<u>-</u>	<u>44</u>	<u>-</u>
		<u>1,595</u>	<u>1,529</u>	<u>1,230</u>	<u>1,097</u>
		*****	*****	*****	*****

13	CREDITORS	<u>Group</u>		<u>Company</u>	
		<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
	Amounts falling due within one year:				
	Bank overdraft	354	492	354	492
	Trade creditors	521	587	521	587
	Amounts due to:				
	parent company	-	58	-	58
	subsidiary	-	-	23	78
	Other creditors	52	135	52	135
	Accruals	236	140	236	140
	Tax and social security	<u>166</u>	<u>195</u>	<u>136</u>	<u>165</u>
		<u>1,329</u>	<u>1,607</u>	<u>1,322</u>	<u>1,655</u>
		*****	*****	*****	*****

The bank overdraft is secured by a fixed charge over book debts and a floating charge over all other assets.

BUSINESS COMPUTER SYSTEMS PLC

NOTES
(continued)

14	DEFERRED INCOME	<u>Group</u>		<u>Company</u>	
		<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
	Due within one year	786	1,083	175	242
		***	*****	***	***

This represents that portion of maintenance contracts taken out by customers but relating to a future period.

15	CALLED UP SHARE CAPITAL	<u>1988</u>	<u>1987</u>
		<u>£000</u>	<u>£000</u>
	Authorised:		
	10,000,000 ordinary shares of 10p each	1,000	1,000
		*****	*****
	Allotted, called up and fully paid	611	611
		***	***

16	PROFIT AND LOSS ACCOUNT	<u>Group</u>	<u>Company</u>
		<u>£000</u>	<u>£000</u>
	At 30 September 1987	(542)	(704)
	Profits for the year	<u>277</u>	<u>272</u>
	At 30 September 1988	(265)	(432)
		***	***

17 LEASING COMMITMENTS

The commitment to payments within the next twelve months under operating leases is:

	<u>Company and Group</u>			
	<u>1988</u>		<u>1987</u>	
	<u>Vehicles</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Buildings</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Contracts expiring:				
Within one year	56	-	49	-
Between 2 and 3 years	70	-	133	-
After more than 3 years	-	155	-	155
	<u>126</u>	<u>155</u>	<u>182</u>	<u>155</u>
	***	***	***	***

BUSINESS COMPUTER SYSTEMS PLC

NOTES
(continued)

18 HOLDING COMPANY

The ultimate holding company is Electronic Data Processing PLC, a company incorporated in Great Britain.

Electronic Data Processing PLC has indicated its intention to continue to provide sufficient finance to the group to enable it to continue trading for a least one year from 23 February 1989.

19 CONTINGENT LIABILITIES

A High Court action is currently in progress in which the Group is pursuing an action against a former supplier and is defending a counter-claim for £116,000. Whilst the directors anticipate a favourable outcome to this action and an eventual release of the provided creditor into profit, there is a contingent liability related to costs in the event of an unfavourable outcome.