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22 JUN 1989

Telecomputing

Annual Report – 1988

Contents

Directors and Advisers

Directors	Bernard Panton Janusz Rawicz-Szczerbo (*non-executive*) Dennis Philip Taylor (*non-executive*)
Secretary	Gillian R. Panton A.C.A.
Registered Office	244 Barn's Road, Oxford OX4 3RW *Telephone:* (0865) 777755 *Telex:* 837276 G
Registered No.	1072032
Auditors	Touche Ross & Co. Hill House 1 Little New Street London EC4A 3TR
Principal Bankers	Lloyds Bank plc 1/5 High Street Oxford OX1 4AA
Solicitors	Herbert Smith Watling House 35-37 Cannon Street London EC4M 5SD
Stockbrokers	Barclays de Zoete Wedd Ebbgate House 2 Swan Lane London EC4R 3TS & The Stock Exchange

Notice of Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Telecomputing plc will be held at 244 Barn's Road, Oxford, on Tuesday, 28th February 1989 at 11.30 a.m. to transact the following business:

Ordinary Business

To receive the report of the directors and the accounts for the year ended 30th September 1988 together with the report of the auditors and to consider the following RESOLUTIONS:-

1. That the following director retiring under article 88 of the Company's articles of association be re-elected: J. Rawicz-Szczerbo;
2. That Touche Ross & Co. be re-appointed auditors to the Company and that the directors be authorised to fix their remuneration;

Special Business
Ordinary Resolution

3. That the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £93,626 provided that this authority shall expire on the date of the next Annual General Meeting after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired;

Special Resolution

4. That subject to the passing of the previous resolution the Board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited:-
   a) to the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them and
   b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £11,900

   and shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

244 Barn's Road
Oxford
27th January 1989

By order of the Board
G. R. Panton A.C.A.
Secretary

Notes

Voting

A member entitled to attend and vote at the meeting may appoint one or more proxies who may attend and, on a poll, vote on behalf of the member. A proxy need not be a member of the Company.

Proxy

A proxy form is enclosed for use at the meeting. To be effective, proxy forms and powers of attorney or other authorities under which they are executed must be deposited, duly completed and signed, at the Company's Registered Office, not less than 48 hours before the time fixed for the meeting.

When completing the proxy form, please ensure that an 'X' is inserted in the appropriate box, either 'FOR' or 'AGAINST', in respect of each numbered resolution shown, otherwise your proxy will vote or abstain as he thinks fit in relation to such resolutions.

Service Contracts

Copies of directors' service contracts with the Company will be available for inspection by members at the Company's registered office during usual business hours on any weekday (Saturday and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the meeting for 15 minutes prior to its commencement until its completion.

Chairman's Introduction

The Year

The high level of caution amongst computer users towards software emanating from Artificial Intelligence research continues and we are reporting a loss of £194,000. Most of the year's loss (£189,000) was incurred in the first half. During the period since March remedial steps have taken effect and the company achieved a virtual break-even performance in the second half-year. The loss means a reversal between last year's and this year's performance of £884,000. The major contributory factors are a fall in turnover (£300,000), increased costs due primarily to the recruitment of sales staff (£250,000), reduced contributions from government grants (£130,000) and lower capitalisation and higher amortisation of research and development costs (£195,000). The fall in turnover reflects stasis in the company's TPS user base and deflection of some consultancy staff onto product support work.

The Market

The events of the first half year led us to re-appraise the readiness of our market and our methods of gaining access to it.

The first wave of AI related products designed to operate on specialist equipment has effectively been rejected by the corporate market which has chosen to wait until the technology could be delivered on general-purpose computers using proven enabling software products. Yet pioneers have produced a number of successful commercial AI systems, generally with heavy involvement from academic research staff and substantial management sponsorship and protection during the experimental phase.

The main aim of our development programme since 1984 has been to enable the integration of one facet of this technology, knowledge-based systems, with certainty and elegance, into existing commercial information systems. Our enabling software is TOP-ONE: software distinct from vendor-driven products which, pasted with labels that are more optimistic than descriptive, have tended to devalue the terms "artificial intelligence", "expert systems" and "knowledge-based systems".

The Skills Shortage

In the development of corporate computer systems, management must deal with an intractable skills shortage. Our observation is that the market has separated into two groups. The larger group (about eighty-five percent of users) appears to have adopted a safety-first approach and to be resigned to operating within the limits set by this shortage of competent technical skills and by stereotyped software development methods. Their management has abdicated sovereignty to technocrats and information technology decisions are taken in a technical rather than a business context. This has led to a situation that the Commons Trade and Industry Committee called "deplorable" in a report on the UK information technology industry published in December 1988.

The second group comprises the fifteen percent of users who manifest the new attitudes called for in a report sponsored by the Confederation of British Industry. Urging the introduction of broad-based Government and industry policies to change conventional thinking in the information technology arena, the report stressed the need for software tools to clarify the process of developing systems. This group is characterised by executive, functional and technical management who involve themselves in information technology and recognise that the computer can be a weapon in the competitive war.

We have learnt that our efforts must be focused on enterprises where management is intrinsic to the implementation of information systems. We must defer ambitions to educate the much larger numbers who do not yet appreciate that failures and delays in developing computer-based systems are due to the industry's preoccupation with exploiting the chronic skills shortage as opposed to effecting the fundamental shift in methods that is required.

The Flaw

As long as the computer industry can thrive on exploitation of the skills shortage, it has no incentive to look deeper and identify the true underlying causes of the technological recession. Preoccupation with boosting the numbers of fingers on keyboards obscures the radical diagnosis that the problem is not scarcity of suitable people but the attenuation of rudimentary methods beyond their effective range of application.

The traditional approach to computing is to assume that there are users with an exhaustively detailed mental model of the environment within which the processes to be automated are taking place. The task is seen in terms of the translation of that perfect model from the mind of the user to the mind of a technician. The technician then expresses an appreciation of the model in examinable form and the user verifies it. The model is then expressed by the technician in terms executable by the machine. In theory, the mental model articulated by the user ought to be capable of perfect expression in computational terms. The focus of computing technology has been on improving the means of translation of the user's mental model to the machine system.

The flaw in this conventional method is in the axiom that the user can scrupulously and completely articulate a comprehensive mental model of the system that is required. Such an assumption is not supported by experience. The brain functions biochemically and is intuitive, non-linear and unreliable. Its reliability bears an inverse relationship to the level of complexity confronting it. So the development of information systems has been constrained by the limits on the feasibility of converting the user's mental model into a computational model which is non-intuitive, linear and rigorous.

Overcoming such a flaw calls for the adoption of alternative methods and tools. The results of scientific research into artificial intelligence need to be integrated into business information technology. This can be achieved by the application of logic programming, defined as a process that "combines the use of logic that is congenial to human thinking and logic that is sufficiently goal-oriented to be implemented by computer".

TOP-ONE

Over the past five years we have focused our research and development on logic programming and our task is to communicate our achievements to the fifteen percent of computer users which are directed by effective management working with competent computer professionals. We are concentrating our effort on reaching the people who are capable of putting into action three fundamental propositions:

- that translation from mental model to computational model cannot be achieved by means of rudimentary forms of expression appropriate to voluminous arithmetical tasks
- that disciplines derived from engineering applied to attenuated rudimentary methods will not bring results which such rudimentary methods are inherently incapable of producing;
- that the key to advancement in business computing lies in the absorption of alternative methods derived from scientific research into computational structures congenial to human thinking.

At the beginning of the year our marketing thrust was towards technical management in corporations using IBM or ICL mainframes. During the year we agreed with Logic Programming Associates to adapt their microcomputer-based flex product for use on IBM and ICL mainframes.

As a consequence of this work we are now able to offer general and functional management an ability to develop knowledge-based systems on microcomputer systems knowing that when appropriate their system may be readily ported to an IBM or ICL mainframe where it could support a multi-user network and an extensive database. A unique aspect of TOP-ONE developed as a consequence of our Alvey funded research project, is that logic programming tasks may be shared between microcomputer and mainframe so that whenever possible processing is carried out on a microcomputer rather than the substantially more expensive mainframe.

1989

We enter 1989 with a two-pronged marketing thrust. We shall continue to sell advanced knowledge-based systems to organisations where competent technical staff has the support of executive management. We shall also sell knowledge-based systems to functional line management, cutting through the mainframe technocrats if necessary.

We recognise that there are limits to our ability to bring forward a more general understanding of the potential of software technology underlying TOP-ONE. One positive action taken to propagate the message is the adaptation for general use of a TOP-ONE based property management system from P & O Properties.

We remain convinced that Telecomputing is well placed to exploit the explosion in the use of knowledge-based technology predicted by market researchers to occur some time during the next three years.

Bernard Panton
Oxford
24th January 1989

Special Business at the A.G.M.

Authority to Allot Shares

The Board has general authority to allot relevant securities up to the authorised capital so far unissued and authority to allot shares for cash free from pre-emption restrictions limited to allotments not exceeding £11,900 nominal of share capital which expire at the 1989 Annual General Meeting. It is considered desirable to renew these authorities. Appropriate empowering resolutions are therefore to be proposed at the Annual General Meeting. They will expire at the 1990 Annual General Meeting.

Resolutions

Your attention is drawn to the resolution set out under "Special Business" in the notice convening the Annual General Meeting on pages 3 to 4 which are to be proposed for the purpose of giving effect to the proposal described above. Your directors believe the proposal to be in the best interests of the Company and unanimously recommend all shareholders to vote in favour of the resolution as they intend to do in respect of their own beneficial holdings amounting to 1,799,342 ordinary 10p shares (representing 37.8% of the issued share capital).

Directors' Report

The directors present their report together with the audited accounts for the year ended 30th September 1988.

Activities

The principal activities of the Group are concerned with research, development and marketing of software products and the supply of consultancy and application development services associated with these products.

Development of the Business

The Group's latest range of software products deliver knowledge-based systems technology into commercial and governmental computing. Towards the end of the year the product range was extended to cover microcomputers and good progress is being made on the development of product to operate on DEC VAX computers. These developments complement our products already available for IBM and ICL mainframes.

The directors remain confident that the enabling technology supporting our TOP-ONE knowledge-based product has widespread use and will continue a programme of software product development as vigorously as revenues will prudently allow. Work is being done with P & O Properties Ltd and Keyline Shopping Ltd to build the first application products based on TOP-ONE.

Our earlier product, TPS continues to earn steady revenues from both new sales and recurring charges.

The results for the year are set out in the profit and loss account on page 11.

Directors

Bernard Panton, Janusz Rawicz-Szczerbo and Dennis Philip Taylor were directors for all of the year.

J. Rawicz-Szczerbo retires by rotation at the annual general meeting.

The interests of the directors in the shares of the company as recorded in the registers kept in accordance with the provision of the Companies Act 1985 were as follows:

	30th September 1988	*30th September 1987*
Bernard Panton	1,799,342	1,806,442

No director had any direct interest in any subsidiary or related company.

All shares held by the director are beneficially owned.

Substantial Shareholdings

So far as the directors are aware the only persons with an interest of 5% or more in the Ordinary shares of the company on 30th September 1988 were:-

Cogram N.V.	500,000
Scottish Amicable Nominees Limited	425,000

Close Company

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

24th January 1989

By order of the Board

244 Barn's Road
Oxford
OX4 3RW

G. R. Panton A.C.A.
Secretary

Telecomputing

Balance Sheets as at 30th September 1988

		Note	Group 1988 £,000	Group 1987 £,000	Company 1988 £,000	Company 1987 £,000
Fixed Assets	Intangible assets	3	706	700	706	700
	Tangible assets	3	492	364	490	364
	Investments	3	592	497	620	522
			1,790	1,561	1,816	1,586
Current Assets	Debtors: Amounts falling due within one year					
	Trade debtors		843	938	813	902
	Group companies		-	-	26	28
	Related companies		77	87	77	87
	HM Government		73	133	73	133
	Other debtors		139	85	118	80
	Prepayments and accrued income		53	47	51	47
	Investments	4	-	1	-	1
	Cash at bank and in hand		33	616	26	606
			1,218	1,907	1,184	1,884
Creditors:	Amounts falling due within one year					
	Trade creditors		242	271	235	269
	Group companies		-	-	4	4
	Taxation and social security		126	145	122	145
	Corporation tax		105	507	100	498
	Proposed dividend	8	-	40	-	40
	Other creditors		128	45	127	44
			601	1,008	588	1,000
Net Current Assets			617	899	596	884
Total Assets less Current Liabilities			2,407	2,460	2,412	2,470
Creditors:	Amounts falling due after more than one year	7	144	45	144	45
Deferred Income			261	295	261	295
			2,002	2,120	2,007	2,130
Capital and Reserves	Called up share capital	2	476	476	476	476
	Profit and loss account	5	1,526	1,644	1,531	1,654
			2,002	2,120	2,007	2,130

Approved by the Board on the
24th January 1989
Bernard Panton
Dennis Philip Taylor } Directors

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Approved by the Board on the 24th January 1989
Bernard Panton } Directors
Dennis Philip Taylor }

D. P. Taylor

Digby M Hardy

Michael Williams

Signed by us as current directors for the purposes of filing only (Mr Panton and Mr Taylor having since resigned). We were not involved in the preparation of these accounts and cannot comment on their accuracy.

Telecomputing

Consolidated Profit and Loss Account for the year ended 30th September 1988

		Note	1988 £,000	1987 £,000
Turnover		11	3,109	3,409
	Less: Cost of sales		190	138
Gross Profit			2,919	3,271
	Less: Administrative expenses		3,116	2,584
			(197)	687
	Add: Interest receivable		27	21
	Less: Interest payable and similar charges	9	21	5
			(191)	703
	Add: Related companies share of (loss)/profit		(3)	76
	Add: Profit on disposal of related companies		-	107
(Loss)/Profit on Ordinary Activities Before Taxation		9	(194)	886
	Less: Tax on (loss)/profit on ordinary activities:	10	(107)	308
(Loss)/Profit on Ordinary Activities After Taxation			(87)	578
	Less: Dividends	8	31	72
	Retained (loss)/profit	5	(118)	506
	(Loss)/earnings per ordinary share Calculated on actual tax	9	(1.83p)	12.14p

In accordance with the provisions of the Companies Act 1985, Section 228(7), no individual profit and loss account for Telecomputing plc is being presented. The amount of (loss)/profit on ordinary activities before taxation dealt with in the individual accounts of Telecomputing plc is £(211,865) (1987 £961,607 which includes the profit of £263,327 from disposal of related companies).

Consolidated Source and Application of Funds for the year ended 30th September, 1988

		1988 £,000	1987 £,000
Source of Funds	(Loss)/profit on ordinary activities before taxation	(194)	886
Adjustments for Items not Involving Movement of Funds	Depreciation	325	242
	Loss/(profit) on disposal of fixed assets	18	(1)
	Loss/(profit) on disposal of related companies	-	(107)
	Loss/(profit) retained in related companies	3	(76)
		152	944
Other Sources	Loan to related company repaid	1	2
	Sale of fixed assets	23	11
	Sale of Related Companies	-	325
Total Source of Funds		176	1282
Application of Funds	Purchase of fixed assets	498	412
	Purchase of investments	100	235
	Dividends paid	71	72
	Tax paid	289	324
Net (Outflow) Inflow of Funds		(782)	239
Increase/(Decrease) in Working Capital	Debtors	(105)	141
	Creditors - excluding taxation and proposed dividend	(94)	(126)
		(199)	15
	Cash at bank and in hand	(583)	224
		(782)	239

Notes forming part of the Accounts for the year ended 30th September 1988

1. Accounting Policies

The accounts have been prepared under the historical cost convention. The accounting policies adopted in determining the amounts to be included in respect of items shown in the balance sheet and in determining the profit are:-

Fixed Assets	:	except for Development Costs, the purchase price less a provision for depreciation calculated to write off the purchase price over the period of the asset's useful economic life:
	:	for Development Costs the Statement of Financial Accounting Standards No 86 - "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed", published by the US Financial Accounting Standards Board, has been adopted. For details see page 18;
Current Assets	:	the net realisable value;
Creditors	:	the amount due;
Deferred Income	:	fees for software supplied under licence paid in advance of the due date;
Turnover	:	in respect of software supplied under licence the amount derived by way of fees which become due during the year;
	:	in respect of software sold the amount derived from the sale;
Cost of Sales	:	includes amounts payable to third parties as a consequence of the disposition of software, any depreciation in the value of software assets and the costs of any goods sold;
Administrative Expenses	:	includes Research and Development expenditure incurred less any amount included in intangible assets as Development Costs; the cost of leasing and hiring plant and equipment as it is incurred;
Deferred Taxation	:	in principle, provision is made for deferred taxation under the liability method arising from the allocation for tax purposes of income and expenditure to periods other than those in which they are reflected in the accounts. However, no provision is made if, in the opinion of the directors, liability will not arise in the foreseeable future;
Foreign Currencies	:	the financial statements of the foreign subsidiary are translated into sterling at the closing rate of exchange. Trading results have been translated to sterling at the average rate for the year and the difference arising from the translation of the opening net investment in the subsidiary is taken direct to reserves. Other translation differences are dealt with in the profit and loss account;
Leases	:	assets held under finance leases and the related lease obligations are recorded on the balance sheet at the fair value of the leased assets at the inception of the lease. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term on a straight line basis;
	:	rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases;
Basis of Consolidation	:	the profits and losses of subsidiaries are consolidated from the date of acquisition or to the date of disposal. The proportion of profits and losses of related companies attributed to the group shareholding is included in the consolidated profit and loss account based on the latest audited or management accounts made up to 30th September;
Goodwill	:	goodwill on acquisition is written off in the year of acquisition.

2. Share Capital

a)

	1988		1987	
	Authorised	*Issued and fully paid*	*Authorised*	*Issued and fully paid*
Ordinary shares 10p	6,000,000	4,760,300	6,000,000	4,760,300

b) Contingent Right to the Allotment of Shares
Options to subscribe for ordinary shares 10p have been given for 303,434 shares as follows:

Number	*Period in which Exercisable* From	To	*Price to be paid on Allotment* p
135,000	18th June 1986	18th June 1994	60
15,000	28th Sept 1987	28th Sept 1994	137.5*
50,000	7th July 1988	6th July 1998	93
20,000	9th July 1988	9th July 1995	185 *
28,434	28th Jan 1990	27th July 1990	138 *
40,000	7th March 1990	7th March 1997	182.5*
15,000	4th July 1990	4th July 1997	75 *

* Issued under Telecomputing Sharesave Option Scheme or Telecomputing Share Option Scheme

3. Fixed Assets

I. Intangible Assets

Group & Company	*Development Costs*	*Computer Software Rights*	*Total*
Cost	£,000	£,000	£,000
As at 1st October 1987	770	113	883
Additions during the year	181	-	181
As at 30th September 1988	951	113	1,064
Depreciation			
As at 1st October 1987	97	86	183
Charge for the year	163	12	175
As at 30th September 1988	260	98	358
Net book value at 30th September 1988	691	15	706
Net book value at 30th September 1987	673	27	700

Intangible assets are written off on a product-by-product basis. Included above are assets with an original cost of £68,000 which are fully depreciated.

II. Tangible Assets

a) Group	*Plant and Machinery*	*Fixtures and Equipment*	*Total*
Cost	£,000	£,000	£,000
As at 1st October 1987	894	161	1,055
Additions during the year	314	3	317
Disposals	(246)	(4)	(250)
As at 30th September 1988	962	160	1,122
Depreciation			
As at 1st October 1987	605	86	691
Charge for the year	128	22	150
Disposals	(208)	(3)	(211)
As at 30th September 1988	525	105	630
Net book value at 30th September 1988	437	55	492
Net book value at 30th September 1987	289	75	364

b) Company	*Plant and Machinery*	*Fixtures and Equipment*	*Total*
Cost	£,000	£,000	£,000
As at 1st October 1987	894	161	1,055
Additions during the year	313	2	315
Disposals	(246)	(4)	(250)
As at 30th September 1988	961	159	1,120
Depreciation As at 1st October 1987	605	86	691
Charge for the year	128	22	150
Disposals	(208)	(3)	(211)
As at 30th September 1988	525	105	630
Net book value at 30th September 1988	436	54	490
Net book value at 30th September 1987	289	75	364

The period over which tangible assets are written off is Computer equipment 4 years; Office equipment 5 years; Plant and machinery 10 years. Motor vehicles are written off using the reducing balance method at 25% a year.

Included in the above are assets with an original cost of £347,519 (1987 £377,595) which are fully depreciated.

The net book value of the groups fixed assets includes £314,753 (1987 £101,537) in respect of assets held under finance leases.

		1988	1987
		£,000	£,000
Amount held for use in operating leases	cost	-	58
	accumulated depreciation	-	42

III. Investments

Group	1988	1987
	£,000	£,000
Shares in related companies:		
Share of net assets	(8)	(4)
	(8)	(4)
Loans to related companies	600	501
	592	497

Company	*Shares in Group Companies*	*Shares in Related Companies*	*Loans in Related Companies*	*Total*
Cost	£,000	£,000	£,000	£,000
As at 1st October 1987	18	3	501	522
Additions	-	-	100	100
Disposals	-	(1)	(1)	(2)
As at 30th September 1988	18	2	600	620

4. Current Assets

Investments
800 Shares in British Telecommunications plc were sold during the year.

5. Reserves

Profit and loss account

	Group	*Company*	*Related Companies*
	£,000	*£,000*	*£,000*
As at 1st October 1987:	1,644	1,654	(7)
Retained (loss) for the year	(118)	(123)	(3)
As at 30th September 1988	1,526	1,531	(10)

6. Contingent Liabilities and Capital Commitments

There were no material contingent liabilities outstanding on 30th September 1987 or 30th September 1988.

There were no capital commitments on 30th September 1987 but the company is committed to the purchase of plant and machinery for £140,000 during February 1989.

By virtue of timing differences on capital allowances there is a potential deferred tax liability of £331,663 (1987 £273,737).

7. Obligations under Leases

a) Finance leases:-

	1988	1987
	£,000	£,000
Minimum lease payments payable	314	101
Less: future finance charges	44	16
	270	85
Amounts: Payable within one year	126	40
Payable between two and five years	144	45
	270	85

b) Operating leases:-
At 30th September 1988 the Group was committed to the following annual payments in respect of operating leases.

	Land & Buildings
Leases which expire:	£,000
Within 1 year	-
Within 2 - 5 years	44
After 5 years	96
	140

8. Dividend

An interim dividend of 0.65p a share was paid on 14th July, 1988. The amount paid for the year was £30,942 (1987 £71,404). No final dividend is proposed.

9. (Loss)/Profit

a) (Loss)/Profit on ordinary activities before taxation is stated after charging:-

	1988	1987
	£,000	£,000
Auditors' remuneration	12	10
Finance charges - finance leases and hire purchase obligations	16	-
Interest on bank overdraft	5	-
Depreciation and other amounts written off fixed assets		
Own assets - Tangible	90	143
- Intangible	175	83
Assets held under finance leases and hire purchase contracts	60	16

b) (Loss)/earnings per ordinary share

The (loss)/earnings per share is based on the (loss)/profit on ordinary activities after taxation and before extraordinary items and on the number of shares ranking for dividends.

10. Taxation

a) Telecomputing plc

	1988 £,000	1987 £,000
Corporation tax based on the (loss)/profit for the year	(119)	270

Corporation tax based on the loss for the year has been calculated at an average rate of 35% (1987 35%)

b) Telecomputing South Africa (Pty) Ltd

	1988 £,000	1987 £,000
Tax based on the profit for the year	9	8

c) Related Companies

	1988 £,000	1987 £,000
Share of Corporation tax based on the (loss)/profit for the year	-	27

d) UK Subsidiary Companies

	1988 £,000	1987 £,000
Share of Corporation tax based on the profit for the year	3	3

11. Turnover

Turnover is attributable to the following activities:-

	1988 £,000	1987 £,000
Software products	1,735	1,722
Software consultancy	1,220	1,548
Operating lease rentals	-	24
Other	154	115
	3,109	3,409

The consultancy is related to the supply of the Group's software products and is not regarded as a separate class of business.

Overseas turnover is less than 10% of the groups total turnover.

12. Staff

Employees
The average number of employees, including non-executive directors, was 115 (1987 average 126).

Staff costs due in the year were as follows:-

	1988 £,000	1987 £,000
Salaries	1,767	1,683
Social security costs	168	170
Other pension costs	59	31
	1,994	1,884

The number of senior employees whose emoluments were greater than £30,000 were:-

	1988	1987
£30,001 - £35,000	3	0

13. Subsidiaries and Related Companies

The subsidiary companies, their place of incorporation and principal country of operation together with the percentage interest are as follows:

	Issued Share Capital	Interest %
Telecomputing (UK) Limited (England)	£100	100
Telecomputing South Africa (Pty) Limited (South Africa)	R100	100
Technopress Ltd (England)	£1,000	100

The related companies, their place of incorporation and principal country of operation together with the percentage interest are as follows:-

	Issued Share Capital	Interest %
Merrion Gates Software B.V. (inc. Holland principal country of operations Ireland)	Fl219,080	45.0
Plantech Ltd (England)	£600	33.3

14. Directors' Emoluments

	1988 £,000	1987 £,000
For services as a director	-	-
Salaries and benefits	32	80
	32	80

The directors' remuneration disclosed above includes amounts paid to the highest paid director, i.e. the Chairman of £32,272 (1987, £36,093)

The number of directors, excluding the Chairman, whose emoluments were within each of the ranges stated were:-

	1988	1987
£ 0 - £ 5,000	2	2
£10,001 - £15,000	-	1
£25,001 - £30,000	-	1

Notes on Statement of Financial Accounting Standards No. 86

(Accounting for the Costs of Computer Software to be sold, leased, or otherwise marketed)

As applied to Telecomputing plc the Standard means:-

1. All costs incurred before the technological feasibility of a computer software product is established are written-off as incurred.
2. Technological feasibility is established when a working model of the product is completed and consistency between the product design and the model is confirmed by testing.
3. Costs in producing product masters incurred subsequent to establishing technological feasibility are taken to the balance sheet as Development Costs.
4. All costs incurred after general release of the product are written-off as incurred.
5. Development Costs on the balance sheet are written-off on a product by product basis starting when the product is available for general release using the straight-line method over the remaining estimated economic life of the product.
6. If the Development Costs held on the balance sheet exceed, at the balance sheet date, the net realisable value of the product then the Development costs held on the balance sheet are written down to the net realisable value.

To the members of Telecomputing plc

We have audited the accounts and notes on pages 10 to 18 in accordance with approved Auditing Standards.

In our opinion the accounts and notes give a true and fair view of the state of affairs of the company and of the group at 30th September 1988 and of the loss and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Chartered Accountants 24th January 1989

Touche Ross & Co.
Hill House
1 Little New Street
London EC4A 3TR

Telecomputing

Form of Proxy

Telecomputing plc

I/WE ______________________________

of ______________________________

____

being (a) Member(s) of Telecomputing plc

DELETE as required

a) hereby appoint the Chairman of the Meeting as my/our proxy

OR

b) hereby appoint ______________________________

of ______________________________

as my/our Proxy, to vote for me/us on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on the 28th day of February, 1989 and at any adjournment thereof. I/We direct that my/our Proxy votes as indicated below on the Resolutions set out in the Notice of Meeting.

	FOR	AGAINST
Ordinary Resolution 1	☐	☐
Ordinary Resolution 2	☐	☐
Ordinary Resolution 3	☐	☐
Special Resolution 4	☐	☐

SIGNED this __________ day of __________ 1989

(in the case of joint holders, the signature of the first mentioned in the Register of Members of the Company is sufficient)

____

Signature of Member

Notes

1. A member entitled to attend and vote at the meeting may appoint one or more proxies who may attend and, on a poll, vote on behalf of the member. A proxy need not be a member of the Company.
2. Please indicate with "X" how you wish your vote to be cast. Unless otherwise indicated the Proxy will vote or abstain as he thinks fit.
3. In the case of a company, this form must be under its common seal or under the hand of an officer or attorney duly authorised in writing.
4. To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, should be deposited at the registered office of the Company, 244 Barn's Road, Oxford, OX4 3RW not later than 48 hours before the time fixed for the meeting.
5. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and seniority shall be determined by the order in which the names of the holders stand in the register of members.

THIRD FOLD AND TUCK IN EDGE

BUSINESS REPLY SERVICE
Licence No OF264

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Telecomputing plc
244 Barn's Road
OXFORD
OX4 3BR

FIRST FOLD

SECOND FOLD

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