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Gresham Telecomputing plc

Report and Accounts

31 OCTOBER 1993

ERNST & YOUNG

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ERNST & YOUNG

Registered No. 1072032

DIRECTORS

H Donaldson (Chairman)
S J Green (Deputy Chairman)
C Swinbank
S W Purchase
A Davies
C G Howe-Davies
P W Bickerton (Non executive)

SECRETARY

R P Middleton FCA

REGISTERED OFFICE

Mitchell House
Brook Avenue
Warsash
Southampton SO3 9ZA

PRINCIPAL OFFICES

Southampton	-	Telephone: 0489 582111
Oxford	-	Telephone: 0865 777755
Reading	-	Telephone: 0734 391155

AUDITORS

Ernst & Young
Wessex House
19 Threefield Lane
Southampton SO1 1TW

BANKERS

National Westminster Bank plc
PO Box 314
Woollen Hall
Castle Way
Southampton SO9 7UB

STOCKBROKERS

Henderson Crosthwaite Corporate Finance Limited
32 St Mary at Hill
London EC3P 4AJ

SOLICITORS

Burges Salmon
Narrow Quay House
Prince Street
Bristol BS1 4AH

REGISTRARS

Lloyds Bank plc
Registrar's Department
The Causeway
Worthing
West Sussex BN99 6DA

FINANCIAL ADVISERS

Guinness Mahon & Co Limited
32 St Mary at Hill
London EC3P 4AJ

SOLICITORS

Blake Lapthorn
1 Barnes Wallis Road
Segensworth
Fareham PO15 5UA

DIRECTORS' REPORT

The directors present their report and the group accounts for the year ended 31 October 1993.

RESULTS AND DIVIDENDS

The group trading profit for the year, after taxation, amounted to £388,000.

The directors recommend a final ordinary dividend of 0.27 pence per ordinary share amounting to £86,000 which, after preference dividends of £55,000, leaves £247,000 to be taken to reserves. Subject to the approval of the shareholders, the ordinary dividend will be paid on 11 May 1994 to holders on the register on 29 March 1994.

PRINCIPAL ACTIVITIES

The group operated in three principal areas of activity, those of sales of software products, software development and consultancy, and specialist staff recruitment.

REVIEW OF THE BUSINESS

The group has continued to develop its software products in the open systems market, whilst maintaining prominence in its traditional market place. In its continuing operations both turnover and profitability remained broadly unchanged after last year's exceptional items are removed.

The software products business has oriented marketing of its open systems products towards channel sales through third parties. Revenue from the sale of tp+ through Dun & Bradstreet continued, albeit at a lower rate than expected, with the full flow of orders still expected to be achieved. The expectation for revenue from this source remains unaltered. The staff recruitment business remained at a stable level. Two software development projects were completed for clients during the year, leaving sufficient resources for the increased research and development programme. In the last quarter a major new client conversion product was started, and will continue through the next financial year.

H Donaldson has taken over as chairman from S J Green who, following medical advice, has taken a reduced role. Since 31 October 1993, C Swinbank has been appointed managing director and C G Howe-Davies has been appointed sales director.

The financial position of the group remains satisfactory, with strong interest in both traditional and new products.

FUTURE DEVELOPMENTS

The directors consider that research and development activities will continue to identify new areas for profitable growth in the computing services industry.

POST BALANCE SHEET EVENTS

On 4 November 1993, the group purchased the freehold of the headquarters office building for £275,000. The property was previously owned by the executive directors' pension scheme and had been rented by the group.

On 5 January 1994, the group acquired the business and assets of Interwork Limited. The directors of Interwork Limited have been appointed as managing and sales directors of Gresham Telecomputing plc.

FIXED ASSETS

The changes in fixed assets during the year are summarised in the notes to the accounts. In the opinion of the directors the market value of freehold and leasehold premises is not significantly different from the book value.

RESEARCH AND DEVELOPMENT

The group actively reviews technical developments in its markets with a view to taking advantage of the opportunities available to maintain and improve its competitive position. All costs associated with product development have been written off as incurred.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

H Donaldson (appointed 15 June 1993)
S J Green
S W Purchase
A Davies
P W Bickerton
M K Whitaker (resigned 24 February 1993)

The directors of the company at 31 October 1993, together with their beneficial interests in the share capital of the company, were as follows:

	At 31 October 1993		*At 1 November 1992 or subsequent date of appointment*	
	Preference shares	*Ordinary shares*	*Preference shares*	*Ordinary shares*
S J Green	1,474,230	10,035,051	1,474,230	12,035,051
S W Purchase	765,465	4,948,969	765,465	5,948,969
A Davies	170,105	1,985,326	170,105	1,985,326
P W Bickerton	-	10,000	-	10,000

Since 31 October 1993, A Davies has sold 55,000 ordinary shares.

The disclosed shareholding of S J Green includes 154,194 preference shares and 231,443 ordinary shares held by his spouse. The disclosed shareholding of S W Purchase includes 765,465 preference shares and that of A Davies includes 170,105 preference shares held by their spouses.

P W Bickerton retires by rotation and, being eligible, offers himself for re-election. In accordance with the Articles of Association H Donaldson, C Swinbank, and C Howe-Davies retire and, being eligible, offer themselves for re-election. S J Green and S W Purchase have service contracts with the company which are terminable by twelve months' notice on or after 16 April 1994. C Swinbank, and C G Howe-Davies have service contracts with the company which are terminable by twelve months' notice on or after 5 January 1997. A Davies has a service contract with a subsidiary undertaking which is terminable by twelve months' notice. P W Bickerton and H Donaldson do not have service contracts with the company.

There are no contracts of significance in which the directors have an interest apart from their own service contracts, with the exception of that disclosed in note 28 to the accounts.

NON-EXECUTIVE DIRECTORS

Peter William Bickerton, aged 53, was appointed in April 1992. He is a management consultant with broad experience in industry and banking.

Hamish Donaldson, aged 57, was appointed in June 1993. He has extensive experience in information technology, consultancy and merchant banking.

CORPORATE GOVERNANCE

The board has endorsed the ideals and ethos behind the proposals in the Cadbury Report published during the year. Gresham Telecomputing already had in place the main elements of the recommendations in the report. Further progress has been made and the company now complies in all aspects with the Code of Best Practice so far as it has been brought into application to date with the exception of the recommended number of non-executive directors.

Cadbury proposes that all companies should appoint at least three non-executive directors. Whilst that may be appropriate for larger companies the board believes that, with two independent non-executive directors, one being the chairman, the balance is right at present.

Since 1992 the audit committee, consisting of non-executive directors and now chaired by P W Bickerton, has met with senior management and the auditors to review financial reporting at both the half and full year.

P W Bickerton is also chairman of the remuneration committee, whose other members are H Donaldson and the managing director. This committee meets to oversee all aspects of the remuneration of executive directors and their performance incentives.

The company's auditors, Ernst & Young, have reviewed this statement insofar as it relates to the specific paragraphs of the Cadbury Committee's Code of Best Practice specified for their review. The auditors have reported to the directors that, based on their review, in their opinion the statement appropriately reflects the extent of the company's compliance with the Code.

SUBSTANTIAL SHAREHOLDINGS

The directors have been notified of the following holdings in excess of 3 per cent of the issued ordinary share capital as at 13 January 1994:

	Number of ordinary shares	*Issued ordinary share capital %*
Barings Nominees Limited	2,461,408	7.5
Postel	972,000	3.0

No other person, other than the directors, has reported a holding of 3 per cent or more in the issued ordinary share capital.

SHARE CAPITAL

Resolutions will be proposed at the Annual General Meeting to renew the authorities given to the directors to allot and grant rights over the unissued share capital up to a maximum nominal amount of £545,758 representing one third of the issued ordinary share capital, and to allot and grant rights over shares for cash up to a maximum nominal amount of £81,863, representing 5% of the issued ordinary share capital, without first making a strict pro rata offer to all existing shareholders.

CLOSE COMPANY STATUS

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

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board

R P Middleton

Secretary

27 January 1994

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those accounts, 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 accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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REPORT OF THE AUDITORS
to the members of Gresham Telecomputing plc

We have audited the accounts on pages 26 to 45, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 31 and 32.

Respective responsibilities of directors and auditors
As described on page 24, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 October 1993 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor
Southampton
27 January 1994

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1993

	Notes	*1993* *£000*	*1992* *£000*
TURNOVER:	2		
Continuing operations		5,823	5,781
Discontinued operations		-	1,469
		5,823	7,250
Cost of sales	3	1,521	2,646
GROSS PROFIT		4,302	4,604
Administrative expenses - ordinary trading	3	(3,790)	(4,104)
- exceptional items	4	-	236
OPERATING PROFIT:	5		
Continuing operations		512	770
Discontinued operations		-	(34)
		512	736
Bank interest receivable		70	97
Interest payable	8	(31)	(66)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		551	767
Taxation on profit on ordinary activities	9	163	94
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	10	388	673
Dividends	11	141	136
RETAINED PROFIT FOR THE YEAR	24	247	537
Earnings per ordinary share	12	1.04p	1.94p

There are no recognised gains or losses other than the profit attributable to shareholders of the group of £388,000 in the year ended 31 October 1993 and £673,000 in the year ended 31 October 1992.

Gresham Telecomputing plc

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

for the year ended 31 October 1993

	1993	*1992*
	£000	*£000*
Profit for the financial year	388	673
Dividends (note 11)	141	136
	247	537
Legal costs incurred on capital reduction	-	(4)
Net addition to shareholders' funds	247	533
Opening shareholders' funds	1,608	1,075
Closing shareholders' funds	1,855	1,608

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GROUP BALANCE SHEET
at 31 October 1993

	Notes	1993 £000	1992 £000
FIXED ASSETS			
Intangible assets	13	230	250
Tangible assets	14	1,326	1,242
		1,556	1,492
CURRENT ASSETS			
Debtors	16	1,562	1,335
Cash at bank and in hand	17	957	1,121
		2,519	2,456
CREDITORS: amounts falling due within one year	18	2,025	2,056
NET CURRENT ASSETS		494	400
TOTAL ASSETS LESS CURRENT LIABILITIES		2,050	1,892
CREDITORS: amounts falling due after more than one year	19	195	284
		1,855	1,608
CAPITAL AND RESERVES			
Called up share capital	22	2,125	2,142
Share premium account	24	322	305
Special reserve	24	313	313
Goodwill write-off reserve	24	(528)	(528)
Profit and loss account	24	(377)	(624)
		1,855	1,608

S W Purchase)
) **Directors**
H Donaldson)

27 January 1994

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BALANCE SHEET
at 31 October 1993

	Notes	1993 £000	1992 £000
FIXED ASSETS			
Tangible assets	14	-	86
Investments	15	2,131	2,131
		2,131	2,217
CURRENT ASSETS			
Debtors	16	1,260	1,483
Cash at bank and in hand		5	-
		1,265	1,483
CREDITORS: amounts falling due within one year	18	293	608
NET CURRENT ASSETS		972	875
TOTAL ASSETS LESS CURRENT LIABILITIES		3,103	3,092
CAPITAL AND RESERVES			
Called up share capital	22	2,125	2,142
Share premium account	24	322	305
Special reserve	24	313	313
Profit and loss account	24	343	332
		3,103	3,092

S W Purchase)
) **Directors**
H Donaldson)

27 January 1994

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 October 1993

	Notes	*1993* *£000*	*1992* *£000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	5(b)	521	849
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		70	97
Interest paid		(26)	(57)
Interest element of finance lease rental payments		(5)	(9)
Dividends paid		(134)	(99)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(95)	(68)
TAXATION			
UK corporation tax paid		(148)	(263)
UK corporation tax received		8	-
TAX PAID		(140)	(263)
INVESTING ACTIVITIES			
Payments to acquire intangible fixed assets		(100)	(50)
Payments to acquire tangible fixed assets		(238)	(71)
Receipts from sale of tangible fixed assets		14	25
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(324)	(96)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(38)	422
FINANCING			
Repayment of amounts borrowed	19	63	58
Capital element of finance lease and hire purchase repayments	20	31	41
Legal costs incurred on capital reduction		-	4
NET CASH INFLOW FROM FINANCING		94	103
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	17	(132)	319
		(38)	422

NOTES TO THE ACCOUNTS

at 31 October 1993

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The results for the year apply the concepts contained in Financial Reporting Standard No.3 -"Reporting Financial Performance". Prior year figures have been restated on a comparable basis.

Basis of consolidation

The group accounts consolidate the accounts of Gresham Telecomputing plc and all its subsidiary undertakings drawn up to 31 October each year. No profit and loss account is presented for Gresham Telecomputing plc as provided by section 230 of the Companies Act 1985.

Goodwill

Goodwill represents the difference between the fair value of the consideration given for the acquisition of a business or company and the fair value of the net assets acquired. The amount so arising is written off to the goodwill write-off reserve on acquisition.

Deferred income

Deferred income represents fees for software maintenance contracts invoiced in advance of the period to which they relate.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	over 50 years
Leasehold premises	-	over the lease term
Plant, fixtures and equipment	-	over 5 to 10 years
Computer equipment	-	over 3 to 7 years
Motor vehicles	-	over 4 years

Long-term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Research and development

Research and development expenditure is written off as incurred.

1. **ACCOUNTING POLICIES** (continued)

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

Computer software rights

Purchased computer software rights are capitalised and amortised in line with expected future sales arising from the sale of related software.

Foreign currencies

Company
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group
The accounts of the overseas subsidiary undertaking are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of payments is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The group operates three defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax and relates predominantly to the United Kingdom.

The group operated in three principal areas of activity, that of sales of software products, software development and consultancy, and specialist staff recruitment.

Turnover, group profit on ordinary activities before tax and net assets are analysed as follows:

	Sales to third parties		*Inter-segmental sales*			*Total sales*
	1993	*1992*	*1993*	*1992*	*1993*	*1992*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
TURNOVER						
Continuing operations:						
Software product sales	3,757	3,189	-	119	3,757	3,308
Software development	291	799	121	-	412	799
Specialist staff recruitment	1,775	1,793	7	92	1,782	1,885
	5,823	5,781	128	211	5,951	5,992
Discontinued operations:						
Computer broking	-	1,469	-	-	-	1,469

	Profit by segment	
	1993	*1992*
	£000	*£000*
GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Continuing operations:		
Software product sales	550	670
Software development	73	208
Specialist staff recruitment	3	30
	626	908
Discontinued operations:		
Computer broking	-	(34)
	626	874
Common costs	(114)	(138)
	512	736
Net interest receivable	39	31
Profit on ordinary activities before taxation	551	767

NOTES TO THE ACCOUNTS
at 31 October 1993

2. TURNOVER AND SEGMENTAL ANALYSIS (continued)	*1993*	*1992*
	£000	*£000*
NET ASSETS		
Continuing operations:		
Software product sales	1,152	803
Software development	99	145
Specialist staff recruitment	172	156
	1,423	1,104
Discontinued operations:		
Computer broking	-	(24)
	1,423	1,080
Unallocated net assets	432	528
Total net assets	1,855	1,608

During the year the directors revised the method of allocating assets between segments and the comparatives have been restated accordingly.

Unallocated net assets now comprise:	*1993*	*1992*
	£000	*£000*
Cash at bank and in hand	957	1,121
Advance corporation tax recoverable	64	76
Bank overdrafts	-	(32)
Loans	(249)	(312)
Obligations under finance leases and hire purchase contracts	(53)	(56)
Net corporation tax liability	(146)	(135)
Proposed dividends	(141)	(134)
	432	528

An analysis of turnover and profit originating from outside of the United Kingdom and net assets outside of the United Kingdom is not reported since, in the opinion of the directors, it is not significant.

3. COST OF SALES AND ADMINISTRATIVE EXPENSES	*1993*	*1992*
	£000	*£000*
Cost of sales:		
Continuing operations	1,521	1,403
Discontinued operations	-	1,243
	1,521	2,646
Administrative expenses:		
Continuing operations	3,790	3,844
Discontinued operations	-	260
	3,790	4,104

NOTES TO THE ACCOUNTS
at 31 October 1993

4. ADMINISTRATIVE EXPENSES - EXCEPTIONAL ITEMS

	1993 £000	1992 £000
Release of provision against software licences purchased	-	100
Release of excess provisions relating to 1991 prior year adjustment	-	136
	-	236

The exceptional items related to the continuing activities of the group.

5. OPERATING PROFIT

(a) This is stated after charging:

	1993 £000	1992 £000
Auditors' remuneration - audit services	24	24
- non audit services	8	8
Depreciation of owned fixed assets	145	140
Depreciation of assets held under finance leases and hire purchase contracts	25	26
Operating lease rentals - land and buildings	178	186
- plant and machinery	178	246
Research and development expenditure	1,042	801

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	1993 £000	1992 £000
Operating profit	512	736
Exceptional items (note 4)	-	(236)
Depreciation	170	166
Amortisation	20	-
Profit on sale of tangible fixed assets	(2)	(7)
Decrease in stocks	-	42
(Increase)/decrease in debtors	(194)	757
Increase/(decrease) in creditors	15	(609)
Net cash inflow from operating activities	521	849

6. DIRECTORS' REMUNERATION

The emoluments of the directors are as follows:

	1993 £000	1992 £000
Executive directors:		
Salaries (including benefits)	216	212
Pension contributions	27	27
	243	239
Non executive directors	29	24
	272	263

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6. DIRECTORS' REMUNERATION (continued)

The former chairman, who is also the highest paid director, received emoluments as set out below:

	1993	*1992*
	£000	*£000*
Salary (including benefits)	73	71
Pension contributions	13	13
	86	84

The element of his salary earned whilst chairman was £58,000.

The new chairman received fees of £8,000.

There were no bonus schemes or share option schemes in operation for the benefit of directors during the year.

Directors' emoluments (excluding pension contributions) fell within the following ranges:

	1993	*1992*
	No.	*No.*
£Nil - £5,000	1	-
£5,001 - £10,000	-	1
£10,001 - £15,000	2	1
£70,001 - £75,000	3	3

7. STAFF COSTS

	1993	*1992*
	£000	*£000*
Wages and salaries	2,101	2,086
Social security costs	227	231
Other pension costs	90	99
	2,418	2,416

The average weekly number of employees, including executive directors, during the year was as follows:

	1993	*1992*
	No.	*No.*
Office, management and technical	96	103

The number of employees, including executive directors, at the end of the year was 99 (1992 - 96).

NOTES TO THE ACCOUNTS
at 31 October 1993

8. INTEREST PAYABLE

	1993	1992
	£000	£000
Bank loans and overdrafts and other loans wholly repayable within five years	26	57
Finance charges payable under finance leases and hire purchase contracts	5	9
	31	66

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:	1993	1992
	£000	£000
Based on the profit for the year:		
Corporation tax at 33% (1992 - 33%)	169	93
Overseas taxation	2	-
Deferred taxation	-	(6)
(Over)/under provision relating to prior years	(8)	7
	163	94

10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the accounts of the parent undertaking was £152,000 (1992 - £435,000) after accounting for dividends receivable from subsidiary undertakings of £86,000 (1992 - £80,000).

11. DIVIDENDS

	1993	1992
	£000	£000
Preference	55	56
Ordinary - final proposed	86	80
	141	136

12. EARNINGS PER ORDINARY SHARE

The calculation of the earnings per ordinary share has been based on profits, after deducting preference dividends and appropriations in respect of preference shares, of £333,000 (1992 - £617,000) and on a weighted average of 31,883,727 ordinary shares (1992 - 31,847,066 ordinary shares).

13. INTANGIBLE FIXED ASSETS

Group	*Computer software rights £000*
Cost:	
At 1 November 1992	363
Amounts fully written off	(113)
At 31 October 1993	250
Amortisation:	
At 1 November 1992	113
Provided during the year	20
Amounts fully written off	(113)
At 31 October 1993	20
Net book value at 31 October 1993	230
Net book value at 1 November 1992	250

14. TANGIBLE FIXED ASSETS

Group	*Freehold premises £000*	*Short leasehold premises £000*	*Computer equipment £000*	*Motor vehicles £000*	*Plant, fixtures & equipment £000*	*Total £000*
Cost:						
At 1 November 1992	925	11	877	244	328	2,385
Additions	-	-	45	212	9	266
Disposals	-	-	(17)	(28)	(11)	(56)
At 31 October 1993	925	11	905	428	326	2,595
Depreciation:						
At 1 November 1992	38	2	720	141	242	1,143
Provided during the year	16	1	76	53	24	170
Disposals	-	-	(17)	(16)	(11)	(44)
At 31 October 1993	54	3	779	178	255	1,269
Net book value:						
At 31 October 1993	871	8	126	250	71	1,326
At 1 November 1992	887	9	157	103	86	1,242

The net book values of motor vehicles and computer equipment include an amount of £74,000 (1992 - £78,000) relating to assets held under finance leases and hire purchase contracts.

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14. TANGIBLE FIXED ASSETS (continued)

Company

	Computer equipment £000	*Motor vehicles £000*	*Plant, fixtures & equipment £000*	*Total £000*
Cost:				
At 1 November 1992	335	144	130	609
Disposals	(17)	(18)	(11)	(46)
Transfer to subsidiary undertaking	(318)	(126)	(119)	(563)
At 31 October 1993	-	-	-	-
Depreciation:				
At 1 November 1992	271	128	124	523
Provided during the year	23	4	5	32
Disposals	(17)	(16)	(11)	(44)
Transfer to subsidiary undertaking	(277)	(116)	(118)	(511)
At 31 October 1993	-	-	-	-
Net book value at 31 October 1993	-	-	-	-
Net book value at 1 November 1992	64	16	6	86

The net book values of motor vehicles and computer equipment include an amount of £Nil (1992 - £9,000) relating to assets held under finance leases and hire purchase contracts.

15. INVESTMENTS

Investment in subsidiary undertakings:	*£000*
Cost of shares:	
At 1 November 1992 and 31 October 1993	2,131

The principal trading companies in the group are:

Name of company	*Country of registration (or incorporation) and operation*	*Holding*	*Proportion held*	*Nature of business during the year*
Gresham Computer Holdings Limited	England	Ordinary shares	100%	Divisional holding company
Gresham Computer Services Limited	England	Ordinary shares	100%*	Software products
Gresham Consultancy Services Limited	England	Ordinary shares	100%*	Specialist staff recruitment
Telecomputing South Africa (Pty) Limited	South Africa	Ordinary shares	100%	Computer software and services

*Shareholding held through a subsidiary undertaking.

ERNST & YOUNG

NOTES TO THE ACCOUNTS
at 31 October 1993

16. DEBTORS

	Group		Company	
	1993	*1992*	*1993*	*1992*
	£000	*£000*	*£000*	*£000*
Trade debtors	1,272	1,066	8	173
Amounts owed by subsidiary undertakings	-	-	1,098	1,116
Other debtors	15	44	4	8
Prepayments and accrued income	134	126	-	37
Amounts recoverable on long term contracts	32	23	-	-
Corporation tax recoverable	45	-	-	-
Advance corporation tax recoverable	64	76	64	69
Dividends receivable from subsidiary undertakings	-	-	86	80
	1,562	1,335	1,260	1,483

Advance corporation tax recoverable of £41,000 (1992 - £44,000) falls due after more than one year.

17. CASH AND CASH EQUIVALENTS

Analysis of balances shown in the group balance sheet and changes during the current and previous year:

	1993	*1992*	*Change in year*
	£000	*£000*	*£000*
Cash at bank and in hand	957	1,121	(164)
Bank overdrafts	-	(32)	32
	957	1,089	(132)

	1992	*1991*	*Change in year*
	£000	*£000*	*£000*
Cash at bank and in hand	1,121	774	347
Bank overdrafts	(32)	(4)	(28)
	1,089	770	319

18. CREDITORS: amounts falling due within one year

		Group		*Company*
	1993	*1992*	*1993*	*1992*
	£000	*£000*	*£000*	*£000*
Bank loans and overdrafts (note 19)	35	57	-	32
Other loans	41	35	-	-
Obligations under finance leases and hire purchase contracts (note 20)	31	24	-	2
Trade creditors	371	403	-	41
Current corporation tax	191	135	41	44
Other taxes and social security costs	232	278	55	57
Other creditors and accruals	242	331	56	65
Deferred income	741	659	-	233
Proposed dividends	141	134	141	134
	2,025	2,056	293	608

19. CREDITORS: amounts falling due after more than one year

		Group
	1993	*1992*
	£000	*£000*
Bank loans	150	187
Other loans	23	65
Obligations under finance leases and hire purchase contracts (note 20)	22	32
	195	284

Amounts due at 31 October 1993 are repayable as follows:

		Group
	1993	*1992*
	£000	*£000*
Bank loans:		
after five years	-	22
between two and five years	112	130
between one and two years	38	35
	150	187
within one year	35	25
	185	212

Other loans:		
between two and five years	-	23
between one and two years	23	42
	23	65
within one year	41	35
	64	100

19. CREDITORS: amounts falling due after more than one year (continued)

Bank loans are secured by fixed and floating charges over certain assets of the group and are subject to variable rates of interest at 2½ % above the bank's base rate.

Other loans at 31 October 1993 are being repaid by monthly instalments of £3,727. The capital element of these payments varies according to the interest rate prevailing at the time.

Analysis of changes in loan financing during the year:

		Group
	1993	*1992*
	£000	*£000*
At 1 November 1992	312	370
Repayments of amounts borrowed	(63)	(58)
At 31 October 1993	249	312

20. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Finance leases and hire purchase contracts are shown as:

		Group		*Company*
	1993	*1992*	*1993*	*1992*
	£000	*£000*	*£000*	*£000*
Amounts payable:				
Within one year (note 18)	31	24	-	2
Between two and five years (note 19)	22	32	-	-
	53	56	-	2

Analysis of changes in finance leases and hire purchase contracts during the year:

	1993	*1992*
	£000	*£000*
At 1 November 1992	56	30
Inception of finance lease and hire purchase contracts	28	67
Capital element of finance lease and hire purchase repayments	(31)	(41)
At 31 October 1993	53	56

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

Group		*1993*		*1992*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	-	45	-	18
Within two to five years	-	78	-	141
Over five years	178	26	178	26
	178	149	178	185

20. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS (continued)

Company		*1993*		*1992*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within two to five years	-	-	-	1
Over five years	118	-	96	-
	118	-	96	1

21. DEFERRED TAXATION

Neither the group nor the company has any deferred tax liability.

Deferred taxation has not been provided on the revaluation surplus in a subsidiary undertaking as the liability is not expected to crystallise. The unprovided tax amounts to £32,000 (1992 - £47,000).

22. SHARE CAPITAL

		Authorised		*Allotted, called up and fully paid*
	1993	*1992*	*1993*	*1992*
	£000	*£000*	*£000*	*£000*
Ordinary shares of 5p each	2,600	2,600	1,598	1,592
13% gross cumulative convertible redeemable preference shares of 20p each	550	550	527	550
	3,150	3,150	2,125	2,142

Each 13% gross cumulative convertible redeemable preference share is convertible, at the option of the shareholders, into one ordinary share of 5p each during certain periods each year up to 30 September 2001. In the event of conversion of 75 per cent or more the company has the right compulsorily to convert the balance outstanding, although shareholders will have the right at the same time to elect to have their holdings redeemed at par value. The outstanding 13% gross cumulative convertible redeemable preference shares will be redeemed by the company on 30 September 2001 at par value. During the year 113,400 13% gross cumulative convertible redeemable preference shares were converted into ordinary shares.

Analysis of changes in share capital during the year	*1993*	*1992*
	£000	*£000*
At 1 November 1992	2,142	2,459
Ordinary shares issued on conversion of preference shares	6	-
Preference shares converted	(23)	-
Capital reduction	-	(317)
At 31 October 1993	2,125	2,142

23. **SHARE OPTIONS**

As at 31 October 1993, the following options over the company's ordinary shares had been granted and were still outstanding:

	Number of shares	*Number of option holders*	*Subscription price*	*Dates normally exercisable*
Executive share option scheme	9,177	3	178.98p	Mar 1990 - Mar 1997
	6,969	7	91.21p	Feb 1992 - Feb 1999
Other options	180,000	1	54.25p	Feb 1989 - Feb 1999

24. **RESERVES**

Group	*Share premium account* £000	*Special reserve* £000	*Goodwill write-off reserve* £000	*Profit and loss account* £000
At 1 November 1992	305	313	(528)	(624)
Reserves arising on conversion of preference shares	17	-	-	-
Retained profit for the year	-	-	-	247
At 31 October 1993	322	313	(528)	(377)

The special reserve arose on the cancellation of deferred ordinary shares in June 1992.

The cumulative amount of goodwill written off at 31 October 1993 is £2,075,000 (1992 - £2,075,000).

Company	*Share premium account* £000	*Special reserve* £000	*Profit and loss account* £000
At 1 November 1992	305	313	332
Reserves arising on conversion of preference shares	17	-	-
Retained profit for the year	-	-	11
At 31 October 1993	322	313	343

25. **CAPITAL COMMITMENTS**

Amounts contracted for but not provided in the accounts amounted to £298,000 (1992 - £Nil) for the group. Amounts authorised by the directors but not contracted for amounted to £23,000 (1992 - £Nil) for the group.

The company had no capital commitments either contracted or authorised by the directors.

NOTES TO THE ACCOUNTS
at 31 October 1993

26. PENSION COMMITMENTS

The group operates three defined contribution pension schemes for staff and directors. The assets of the schemes are held separately from those of the group in independently administered funds. At the balance sheet date there were accrued liabilities of £20,000 (1992 - £17,000).

27. CONTINGENT LIABILITIES

The company was party to an agreement dated 14 February 1986 between Merrion Gates Software BV (then a related undertaking, now liquidated) and the Industrial Development Authority of Ireland (IDA) whereby the company acted as a guarantor in the event that employment and capital expenditure grants paid by the IDA to Merrion Gates Software BV became repayable.

The company was informed by the IDA that repayment of the full grant advanced was due. As at 31 October 1993 IR£170,000 was still outstanding.

The balance is repayable contingent on the future profits of the operational activities of Gresham Telecomputing plc existing as at the date of a subsequent agreement, 21 February 1991. This agreement states that should pre-tax profits reach £150,000 in any accounting period, Gresham Telecomputing plc will pay to the IDA IR£30,000 or 25% of the pre-tax profits in excess of £150,000, whichever is the greater. Profits relating to the operations of Gresham Computer Holdings Limited and its subsidiary undertakings are not subject to the agreement.

The directors are of the opinion that the relevant profits are unlikely to exceed £150,000 and that the correct accounting treatment is to treat future amounts payable, if any, as a contingent liability of the company.

28. RELATED PARTY TRANSACTIONS

During the year the company rented a property on an arm's length basis which was owned by the directors' pension scheme. The annual rent paid was £24,000. The directors who are members of that scheme are S J Green, S W Purchase and A Davies. The freehold of that property was acquired by the group on 4 November 1993 on an arm's length basis following an independent valuation for £275,000.

29. POST BALANCE SHEET EVENT

On 5 January 1994, the company acquired all of the issued share capital of Interwork Limited from its directors, together with Interwork's business and assets. Interwork's principal activity is the provision of consultancy advice concentrating on the strategic planning of network systems.

The directors of Interwork Limited, C Swinbank and C G Howe-Davies, have been appointed managing director and sales director respectively of Gresham Telecomputing plc. Their service contracts with the company are terminable on or after 5 January 1997 by twelve months' notice.

The consideration for the acquisition of Interwork Limited comprises 700,000 new ordinary shares, together with options over a further 400,000 new ordinary shares. The options are exercisable at £1.08 per share during the four years beginning 5 January 1997 provided that, at the date of exercise, the growth in earnings per share of the company has exceeded that of the Retail Price Index during the preceding three financial years.

On the basis of the latest audited accounts, Interwork Limited had net assets of £21,000 at 31 March 1993 and recorded a profit before tax of £26,000 on turnover of £45,000 for the period from 1 July 1992 to 31 March 1993.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Gresham Telecomputing plc will be held at the Forte Posthouse Hotel, Cartwright Drive, Titchfield, Fareham, Hampshire PO15 5RJ on Thursday 31 March 1994 at 10 a.m. for the following purposes:

To conduct the following ordinary business:

Ordinary Business

A. To consider and, if thought appropriate, to approve the company's accounts and the reports of the directors and auditors for the year ended 31 October 1993, and to declare a dividend.

B. To elect Hamish Donaldson, having been appointed as a director since the conclusion of the last Annual General Meeting.

C. To elect Christopher Swinbank, having been appointed as a director since the conclusion of the last Annual General Meeting.

D. To elect Christopher George Howe-Davies, having been appointed as a director since the conclusion of the last Annual General Meeting.

E. To re-elect Peter William Bickerton, a director retiring by rotation under Article 87 of the company's Articles of Association.

F. To re-appoint Ernst & Young as auditors of the company to hold office until the conclusion of the next general meeting at which accounts are laid before the company and to authorise the directors to fix their remuneration.

And thereafter to conduct the following special business, namely to consider and, if thought fit, to pass the following resolutions, number 1 being proposed as an ordinary resolution and number 2 being proposed as a special resolution.

Special Business

1. That the directors be and they are hereby authorised, in addition to any authority previously conferred on them, generally and unconditionally pursuant to section 80(1) of the Companies Act 1985 to exercise all the powers of the company to allot relevant securities (as defined in sub-section (2) of section 80) up to an aggregate nominal amount of £545,758 during the period commencing on the date of the passing of this resolution and ending on the earlier of 30 June 1995 and the close of the next Annual General Meeting of the company, save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after the date of expiry of this authority and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

2. That the directors be and are hereby empowered to allot, pursuant to the authority conferred by resolution 1 above, equity securities (as defined in section 94(2) of the Companies Act 1985) for cash as if section 89(1) of the Act did not apply to any such allotment provided that such power shall expire at the close of the next Annual General Meeting or on 30 June 1995, whichever is the earlier, and shall be limited:

   (i) to the allotment of equity securities in connection with any rights issue in favour of, or general offer to, ordinary shareholders or preference shareholders (at a date selected by the directors) where the offers of such allotments are proportionate (as nearly as may be) to the respective numbers of ordinary shares or preference shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with problems under the laws of any territory or in connection with fractional entitlements, record dates or otherwise;

NOTICE OF ANNUAL GENERAL MEETING

Special Business (continued)

(ii) the allotment of equity securities which are not offered to ordinary shareholders or preference shareholders pursuant to any such offer as aforesaid by virtue of them being resident outside the United Kingdom or which may represent fractional interests arising in connection with any such offer; and

(iii) to the allotment (otherwise than pursuant to paragraph (i) above) of equity securities (as defined in section 94(2) of the Act) up to an aggregate nominal value of £81,863.

By order of the Board

R P Middleton
Secretary
27 January 1994

Registered office:
Mitchell House
Brook Avenue
Warsash
Southampton
SO3 9ZA

Registered No.
1072032

Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the company.

2. To be valid, the Form of Proxy and the authority (if any) under which it is signed or a certified copy of such authority must be deposited at the company's registered office not less than 48 hours before the time fixed for the meeting. A Form of Proxy and a reply paid envelope are enclosed.

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

4. Holders of the preference shares are entitled to receive notice of and to attend and speak at general meetings of the company. They have no right to vote at this meeting.

5. Copies of the service contracts of the directors will be available for inspection at the company's registered office during the usual business hours on any weekday (Saturdays and bank holidays excluded) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for fifteen minutes prior to and during the meeting.

NOTICE OF MISSING PAGES

FROM THE MICROFICHE RECORD

Companies House regrets that pages are missing from documents on this company's microfiche record.

This has been noted but unfortunately steps taken to rectify this were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.