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NOTICE OF ILLEGIBLE DOCUMENTS

Companies House regrets that documents in this company's microfiche record have pages which are illegible.

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.

COMPANY INFORMATION SUPPLIED BY COMPANIES HOUSE

Research Machines develops, manufactures and supplies microcomputer network systems and computer solutions. The Company operates from four sales divisions, each responsible for a particular market or application area. A fifth division delivers associated services. The divisions are:

Schools:
primary, secondary and independent schools

Further and Higher Education:
colleges, polytechnics and universities

RM Technology:
Computer Aided Engineering (CAE) systems

RM Network Systems:
commercial network systems and services

RM Services:
cabling, consultancy, installations, maintenance, technical support and training

Research Machines was established in 1973 and has grown without acquisitions to become a leading microcomputer network information systems company, both in terms of sales of its RM Nimbus systems and in its application of advanced technology. The Company is the leading supplier of information systems by value to the UK education market, the majority of these being installed in networks.

RM's product range covers industry standard networks with additional features designed to meet the needs of the Company's markets. It designs and manufactures a competitive range of high performance Intel 486 and 386 network servers and workstations as well as two ranges of lower cost personal computers optimised for network use. Increasingly, customer services are being further developed both for supply in support of the Company's hardware and software sales, but also as a profitable business in its own right.

- **Research Machines currently has 550 permanent staff, mostly based in Oxford and Milton Park, Abingdon, with sales and support staff also operating from Stockport and Glasgow.**
- **In the last ten years the Company's turnover has grown from £5m to over £60m.**

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245

At the interim stage, I indicated that the current economic downturn was affecting the company's trading; orders and results for the half year were lower than those for the corresponding period and we anticipated that the full year's profits would be lower than in 1990. Market conditions last year were the most difficult for some years and margins came under pressure due to intense competition and much less buoyant demand. In the event, for the year as a whole orders were fractionally ahead of last year, sales were maintained at close to the 1990 level and I believe the company has responded well by limiting the fall in pre-tax profits to a 37% decline. It is also notable that our balance sheet, already strong, has again showed a year-on-year improvement, with net gearing at the year end of approximately 1%.

Turnover at £62.2m was down 1% (1990: £62.9m), but gross margin fell 4% to 31% and operating profits were down 40% from £4.306m to £2.593m. The improved balance sheet resulted in lower interest costs of £333,000 (1990: £1.052m) and before deducting exceptional costs of £209,000, profit before tax was £2.260m, 31% down from 1990. After deducting the exceptional item, profit before tax was 37% lower at £2.051m (1990: £3.254m). Earnings per share (fully diluted) were 8.1p, a fall of 38% when compared to 13.0p in 1990.

As shown in the new cash flow statement included in advance of the accounting requirement, the net cash inflow from operating activities was £6.7m. At the year end, cash balances were £3.5m and after taking into account a £2.5m medium term loan and finance leases of £1.1m, net borrowings were £144,000 and gearing 1%, compared to £2.3m and 15% a year earlier.

PRINCIPAL MARKETS

All our markets were subject to increased competition in the year. Against this background, our policy remained to defend or improve our market share in each market. Orders were higher in primary schools, independent schools and for services across all sectors; but there were reductions, as a result of lower overall demand rather than from any reduction in market share, in secondary schools and in the CAE market. The Company's sales and marketing activity has responded well to Local Management of Schools (LMS), with the requirement to address each school individually rather than predominantly through the LEA as before. However, secondary schools were apprehensive about the possibility of future cuts and generally underspent their newly delegated budgets.

As I reported in my interim statement, the Company won a £4m order in the first half of the year for educational administration systems in Northern Ireland. A similar size order was won in the second half to supply network systems and services to Kuwait's secondary schools. In tendering for and handling these two orders, the Company has been able to bring to the customer project management skills and an ability to provide total solutions for schools management as well as for the curriculum.

SERVICES AND NEW PRODUCTS

Revenue from services grew by over 100% this year and the division now contributes over 20% of the value added of the Company. Services constituted an essential element of the two major contracts mentioned above, and grew particularly rapidly in the Further and Higher Education and RM Network Systems divisions. Much of the services business, such as cabling and installation, capitalises on the Company's experience and expertise in the field of networking.

Investment in new products can be broadly grouped into three areas. Firstly, the development of products and services which enhance the Company's position as a specialist supplier to education markets, examples are the range of CD ROM products, and materials which support the use of the Company's systems in the national curriculum. Other investment has been designed to achieve major cost reductions — savings of around a quarter on our best-selling PC-386 systems are being achieved and price reductions have already been passed on to our customers. Finally, investment has been maintained in the development of major products and services for introduction in future years.

OPERATIONS AND STAFF

Operating expenses were 6% lower than in the previous year, largely achieved by a strict constraint on overall staffing levels. Apart from the services division, where permanent staff continue to increase, only some of the departures through normal labour turnover are being replaced. The Company's staff have shown outstanding commitment, flexibility and resilience in what remains an extremely difficult environment, and I should like to thank them on shareholders' behalf for rising to the challenge.

Manufacturing, with several other departments, has since the year end moved into a 55,000 sq ft purpose built facility at Milton Park, Abingdon, which brings all materials handling on to one site. The quality of preparation was such that computer systems were being built and despatched within a week of the move.

OUTLOOK

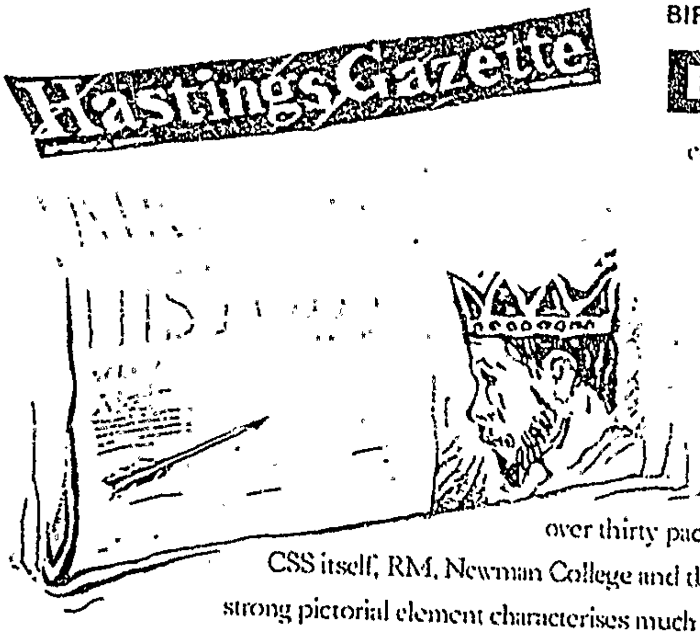
The competitive environment remains extremely tough with little sign of recovery from the recession, and the Company's budgets for the current year do not assume that there will be any real growth in the size of its main markets from the reduced levels seen last year. However, we are confident that the quality of our products, support and customer service, together with our focus on networking and vertical markets, are such that we are increasingly clearly differentiated from the commodity PC markets. The contribution to profits made by software and services will continue to rise, and I believe that the direct customer contact that we enjoy will position the Company well as the industry evolves over the next few years.

DIVIDEND

In view of the results which the directors regard as satisfactory in the current economic climate, and of the strong balance sheet, the directors are recommending a final dividend of 0.97p net (0.867p net last year after adjusting for the 9 for 1 bonus issue) making a total of 1.3p net, an increase of 8.3% on last year.

Mike Fischer Mike Fischer

Mike Fischer
Chairman and Chief Executive



BIRMINGHAM LEA

Birmingham's Curriculum Support Service (CSS) has recently installed 500 specially configured RM Nimbus microcomputer systems across the city's nursery, primary and special schools. The CSS specified a large library of cross-curricular software for RM to supply pre-installed on the hard-disk computers: this project is an example of the 'tailored system' service that RM provides many LEAs.

The Birmingham software library includes over thirty packages from a number of sources, including the CSS itself, RM, Newman College and the Microsoft Windows 3 library of utilities. A strong pictorial element characterises much of the software, some of which was written for use with the Concept Keyboard, an easy-to-use alternative to the conventional alphanumeric keyboard. A typical classroom application would be for pupils to desktop publish an imagined newspaper report depicting a major historical event.

CHAUCER TECHNOLOGY SCHOOL

The Chaucer Technology School in Canterbury was set up by the local authority in Kent in Autumn, 1990 to be a centre of excellence in technological education. To provide a suitable IT service, Chaucer has installed, for both curriculum and administrative purposes, five RM network servers with over 130 RM Nimbus M Series stations. RM also designed and installed the network cabling across the school.

On the decision to choose RM networks, Jim Wynn, deputy headteacher with responsibility for IT, comments: "We wanted IBM compatible systems so that we could relate to industrial and professional practice. We chose RM because their network really supports the curriculum. The licensing of key applications was provided at lower costs and the software was suitable for children at different levels of ability. It was a curriculum-driven choice."

CLASS PROJECT – SCHOOL ADMINISTRATION IN NORTHERN IRELAND

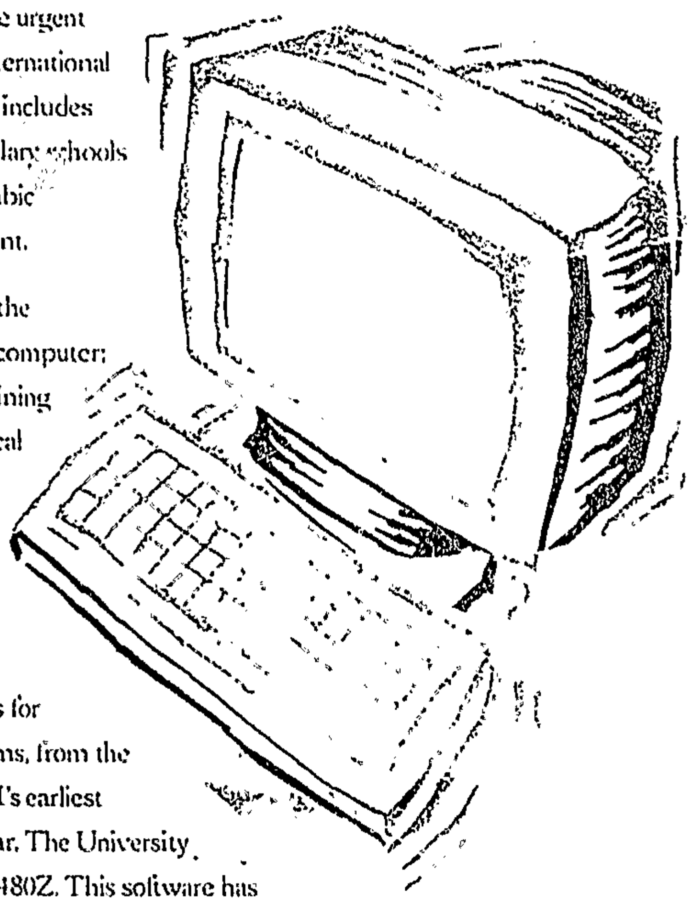
CLASS (Computerised Local Administration Systems for Schools) is a large collaborative project – when completed in three years time, all the 2[illegible] post primary schools in Northern Ireland, including voluntary grammar schools, will be running the same computerised administration system. Tom McMullan, the project director, says that, "CLASS is not so much a computerisation project, as a system for educational management which uses computers as the vehicle for change."

The procurement was a full CCTA exercise attracting interest from over 120 companies. RM won the £4m contract and as well as supplying RM Nimbus systems on local area networks, the Company is responsible for all the software and for the site surveys, network cabling, installations, training and ongoing support. The project has gone very well to date and is ahead of the original schedule.

KUWAITI SCHOOLS

Following the Iraqi occupation of Kuwait and the Gulf War, there were no computers left in Kuwaiti schools. As part of the urgent programme to re-equip the schools, and after strong international competition, RM was awarded a £3.9m contract. This includes the supply of an RM network to each of the 102 secondary schools in Kuwait. RM integrated the required English and Arabic applications and these are pre-installed prior to shipment.

Amongst RM's responsibilities are the cabling for the networks; the installation and commissioning of every computer; and the training of the Kuwaiti staff who are in turn training teachers in every school. In collaboration with RM's local partner, the company is also responsible for the on-site maintenance and ongoing technical support of the systems.



UNIVERSITY OF NEWCASTLE

Newcastle University has been using RM systems for over 11 years and now runs over 700 RM systems, from the very latest M Series and 486 computers to some of RM's earliest microcomputers; £300,000 was spent with RM last year. The University developed its terminal emulation software for the RM 480Z. This software has since been migrated across systems and is still in use today on their latest PCs.

Most of the systems are spread across 15 teaching departments. Others are located in the Computer Service, including 30 systems provided in the Old Library for student access 24 hours a day and many others spread throughout the campus. Over the years, Newcastle's reliance on and commitment to RM's open protocols has allowed them to integrate successfully many different network types.

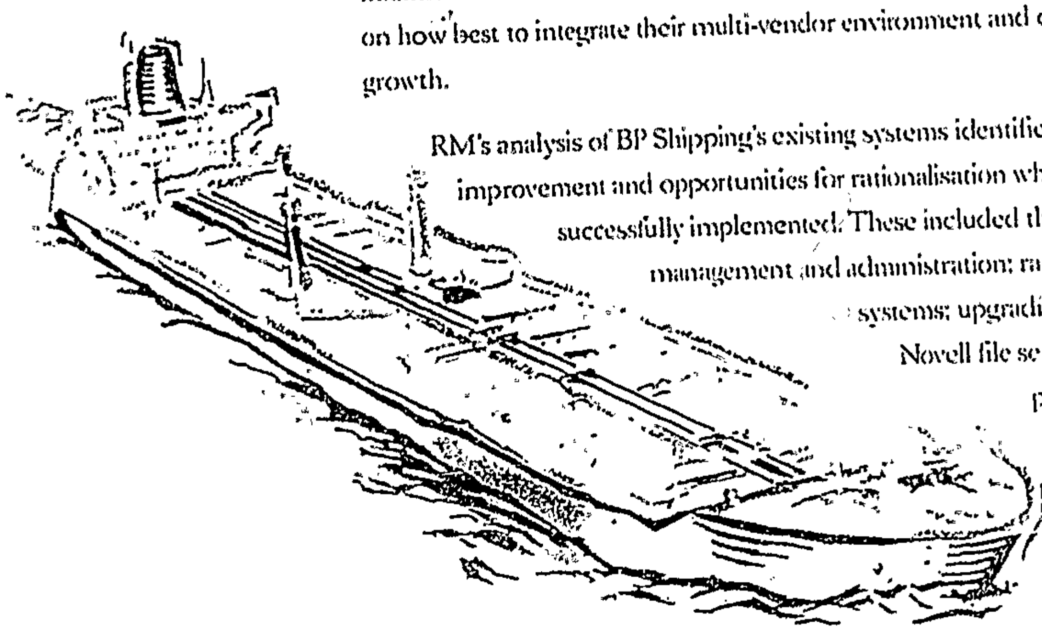
AUTOCIM – VALUE ADDED RESELLER TO THE CAD MARKET

Autocim are one of the largest value added resellers (VARs) to the UK Computer Aided Design market. They specialise in providing business solutions based on *AutoCAD* software, and on a number of complementary packages that focus on specific vertical markets. Example applications are the design of a car component; the design and production of plans for a building; or the layout of an electrical switching system for the environmental control of new offices.

RM's relationship with Autocim has developed far beyond being a simple supplier of high specification computers. As an integral part of the company's production process, RM now configures and tests complete CAD systems to Autocim's individual specification. This saves both companies significant time and costs, and also minimises the possibility of failures.

BP SHIPPING

BP Shipping is a wholly owned subsidiary of BP and, like many organisations, they have a variety of different IT systems: PC local area networks, HP minicomputers and mainframe-based mail services. BP Shipping turned to RM Network Systems for consultancy on how best to integrate their multi-vendor environment and develop a strategy for IT growth.



RM's analysis of BP Shipping's existing systems identified a number of areas for improvement and opportunities for rationalisation which RM themselves later successfully implemented. These included the centralisation of network management and administration; rationalisation of the cabling systems; upgrading and optimisation of the Novell file server; the cost-effective sharing of printers; improvement in the access and speed of data interchange; e-mail connection to the rest of the BP organisation; and creation of remote access to the network.

Registered office:	Research Machines plc Mill Street OXFORD OX2 0BW	
	Telephone 0865 791234 Telex 837203 RML OXG Fax. 0865 796279	
	Registered in England Company number 1749877	
Directors:	M.D. Fischer	Chairman and Chief Executive
	R.A.G. Girling	Technical Director
	M.D. Greig	Finance Director
	J.R. Netherton	Sales and Marketing Director
	P.J. Perkin	Director - RM Services
	K.A. Spence	Manufacturing Director
	J.E. Wells	Personnel Director
	M.R.H.J. O'Regan	Director
	D.A.V. Quysner	Independent Director
	M.D.C. Smith	Independent Director
	P.S.S. Macpherson	Independent Director
Secretary:	C.A. Meyer	
Bankers:	Barclays Bank PLC 92/93 High Street OXFORD OX1 3HS	
Locations:	Oxford - 0865 791234 Milton Park, Abingdon - 0235 826000 Stockport - 061 477 1538 Glasgow - 041 332 8889	

REPORT OF THE AUDITORS TO THE MEMBERS OF RESEARCH MACHINES plc

We have audited the financial statements on page 10 to 24 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 30th September 1991, and of the Group profit and cash flow for the year then ended, and have been properly prepared in accordance with the Companies Act 1985

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO
Chartered Accountants and Registered Auditor

Abbots House
Abbey Street
READING
RG1 3BD

20th November 1991

The Directors present their report on the affairs of the Group together with the consolidated accounts and auditors' report for the year ended 30th September 1991. In these accounts the 'Group' refers to Research Machines plc together with its subsidiary and 'Company' refers to Research Machines plc alone. Following the passing of a Special Resolution at an Extraordinary General Meeting held on 28th November 1990, the Company was re-registered as a public limited company by the Registrar of Companies on 5th December 1990.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group throughout the year were the design, manufacture, sale and service of networked and stand-alone microcomputer systems, both directly to selected markets and through third parties to other markets. A review of the activities and the development of the Group is given in the Chairman's Statement set out on pages 2 and 3.

2. RESULTS AND DIVIDENDS

The Group's profit for the year, after taxation, was £1,326,000 (1990: £2,034,000). The Directors recommend the payment of a final dividend of 0.97p (net) bringing the total dividend for the year to 1.3p (net) per share. The final dividend is payable on 3rd April 1992 to shareholders on the register on 20th November 1991. The total dividend is 8.3% higher than that for last year after adjusting for the effects of the 9 for 1 bonus issue. Movements in reserves are dealt with in the notes to the accounts.

3. RESEARCH AND DEVELOPMENT

The Group undertakes a programme of research and development which is designed to extend its capability in microcomputers, networks and related businesses, and to enhance future applications and access to potential new markets. All research and development costs are written off in the year in which they are incurred.

4. DIRECTORS AND THEIR INTERESTS

The Directors of the Company and their interests in the share capital of the Company as recorded in the register maintained in accordance with the provisions of the Companies Act at the end of the year were as follows:

	30th September 1991		30th September 1990	
	Ordinary Shares of 10p each	Shares subject to option	Ordinary Shares of 10p each	Shares subject to option
M.D. Fischer	3,247,271	Nil	324,630	Nil
M.R.H.J. O'Regan	2,388,791	Nil	272,090	Nil
R.A.G. Girling	9,351	162,500	838	13,750
M.D. Greig	971	100,000	Nil	10,000
J.R. Netherton	6,151	525,000	518	50,000
P.J. Perkin	9,851	600,000	888	60,000
K.A. Spence	1,691	100,000	72	10,000
J.E. Wells	4,261	125,000	329	10,000
D.W. Quysner	Nil	Nil	Nil	Nil
M.D.C. Smith	2,100	Nil	210	Nil
P.S.S. Macpherson	Nil	Nil	Nil	Nil

No directors exercised options during the year. Further details of shares subject to option appear in note 16.

M.D. Fischer, M.R.H.J. O'Regan and J.E. Wells have a non beneficial interest as trustees of the RML Staff Share Scheme in 494,191 shares.

5. SUBSTANTIAL SHAREHOLDINGS

On 21st November 1991 the following were registered as being interested in 3% or more of the Company's ordinary share capital

	Number of Shares	Percentage Held
M D Fischer	3,247,271	21.4%
M R H J O'Regan	2,388,791	15.8%
Abingworth p l c	2,236,700	14.8%
Citicorp Capital Investors Europe Limited	2,227,700	14.7%
3i plc	940,000	6.2%
Bisgenus Nominees Limited	800,000	5.3%
Frank Nominees Limited	460,000	3.0%

6. CHARITABLE DONATIONS

During the year the Group made various charitable donations totalling £2,000 (1990: £15,000). A further £27,000 (1990: £31,000) was given to other locally based community support projects.

7. DISABLED EMPLOYEES

Applications for employment from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identified with that of other employees.

8. EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors impacting the performance of the Group. This is achieved through formal and informal meetings and the dissemination of written communications directly or via notice boards. The RML Staff Share Scheme, an Inland Revenue approved employee share scheme, was established in 1985. It is open to all employees, subject to length of service, and its stated purposes include involvement and participation in success as well as financial reward.

9. SHARE CAPITAL

A Special Resolution was passed at an Extraordinary General Meeting on 28th November 1990 whereby a bonus issue of new ordinary shares was approved in the proportion of nine new shares for each ordinary share held on 28th November 1990. Further details of share capital and movements thereon appear in note 16 to the accounts.

10. FIXED ASSETS

An analysis of the movement in fixed assets appears in note 10 to the accounts.

11. AUDITORS

The Directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen & Co. as auditors for the ensuing year.

By Order of the Board

C.A. Meyer

C.A. Meyer
Secretary
Research Machines plc
Mill Street
OXFORD
OX2 0BW

20th November 1991

	NOTE	1991 £000	1990 £000
TURNOVER	2	62,200	62,929
Cost of sales		(42,883)	(40,865)
GROSS PROFIT		19,317	22,064
Operating expenses			
– Selling & Distribution		(9,017)	(9,174)
– Research & Development		(4,490)	(4,533)
– Administration		(3,217)	(4,051)
		(16,724)	(17,758)
OPERATING PROFIT	3	2,593	4,306
Net interest payable	6	(333)	(1,052)
PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEM AND TAXATION		2,260	3,254
Exceptional item	4	(209)	–
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,051	3,254
Tax on profit on ordinary activities	7	(725)	(1,220)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION, BEING PROFIT FOR THE FINANCIAL YEAR		1,326	2,034
Dividends paid and proposed	8	(197)	(180)
RETAINED PROFIT FOR THE YEAR		1,129	1,854
Earnings per share	9		
Basic		8.8p	15.1p
Fully diluted		8.1p	13.0p

A statement of movements on reserves is given in note 17.

The accompanying notes are an integral part of these financial statements

	NOTE	1991 £000	1990 £000
FIXED ASSETS			
Tangible fixed assets	10	7,757	6,766
CURRENT ASSETS			
Stocks	12	9,996	11,039
Debtors	13	17,133	13,507
Cash at bank and in hand		3,484	1,947
		30,613	26,493
CREDITORS			
Amounts falling due within one year	14	(17,364)	(13,847)
NET CURRENT ASSETS		13,249	12,646
TOTAL ASSETS LESS CURRENT LIABILITIES		21,006	19,412
CREDITORS			
Amounts falling due after more than one year	14	(3,755)	(3,426)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(390)	(393)
		16,861	15,593
CAPITAL AND RESERVES			
Called up share capital	16	1,516	149
Share premium account	17	4,214	5,442
Revaluation reserve	17	1,338	1,338
Profit and loss account	17	9,793	8,664
		16,861	15,593

These financial statements were approved by the Board of Directors on 20th November 1991.

M.D. Fischer
DIRECTOR

M D Greig
DIRECTOR

M. D. Fischer

The accompanying notes are an integral part of these financial statements

	NOTE	1991 £000	1990 £000
FIXED ASSETS			
Tangible fixed assets	10	7,757	6 766
Investment in subsidiary	11	1,487	1,487
		9,244	8 253
CURRENT ASSETS			
Stocks	12	9,996	11,039
Debtors	13	17,133	13,507
Cash at bank and in hand		3,484	1,947
		30,613	26,493
CREDITORS			
Amounts falling due within one year	14	(17,364)	(13,847
Amounts owed to subsidiary		(4,182)	(4,182
		(21,546)	(18,029
NET CURRENT ASSETS		9,067	8,464
TOTAL ASSETS LESS CURRENT LIABILITIES		18,311	16,717
CREDITORS			
Amounts falling due after more than one year	14	(3,755)	(3,426
PROVISIONS FOR LIABILITIES AND CHARGES	15	(390)	(393
		14,166	12,898
CAPITAL AND RESERVES			
Called up share capital	16	1,516	149
Share premium account	17	4,214	5,447
Revaluation reserve	17	1,338	1,338
Profit and loss account	17	7,098	5,969
		14,166	12,898

These financial statements were approved by the Board of Directors on 20th November 1991

M D Fischer
DIRECTOR

M D Greig
DIRECTOR

M. D. Fischer

MD Greig

The accompanying notes are an integral part of these financial statements

	NOTE	1991 £000	1990 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18	6,705	7,052
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		332	124
Interest paid		(689)	(1,176)
Dividends paid		(180)	(50)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(537)	(1,102)
TAXATION			
Corporation tax paid (including advance corporation tax)		(1,381)	(1,773)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(2,971)	(2,751)
(Reduction)/increase in long term lease financing		(540)	222
Receipts from sales of tangible fixed assets		224	656
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(3,287)	(1,873)
NET CASH INFLOW BEFORE FINANCING		1,500	2,304
FINANCING			
Issue of ordinary share capital		139	4,082
Loan stock repayment		(102)	(102)
Expenses paid in connection with share issues		-	(244)
NET CASH INFLOW FROM FINANCING		37	3,736
INCREASE IN CASH AND CASH EQUIVALENTS	18	1,537	6,040

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of land and buildings and in accordance with applicable accounting standards

(b) Basis of Consolidation

The Group accounts consolidate the accounts of Research Machines plc and its subsidiary made up to 30th September 1991. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on consolidation. In the Company's accounts the investment in the subsidiary is stated at cost

(c) Turnover

Turnover represents the net value of goods supplied and services provided to third parties. Advance payments received under maintenance contracts are credited to deferred income and included in turnover in the period to which they relate.

(d) Tangible Fixed Assets

Land and buildings are shown at original historical cost or subsequent valuation, less accumulated depreciation. Other tangible fixed assets are shown at cost less depreciation.

Depreciation is provided on all tangible fixed assets except freehold land, at rates calculated to write off the cost or valuation less estimated residual value, evenly over each asset's expected useful economic life as follows:

Freehold Buildings	20-50 years
Plant & Equipment	4-5 years
Computers	3 years
Motor Vehicles	4 years

Research Machines computer units used for the purposes of administration, research and development and customer demonstrations are capitalised at cost.

(e) Research and Development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value

Costs include all direct costs incurred in bringing stocks to their present state and location, including an appropriate proportion of manufacturing overheads.

(g) Deferred Taxation

Provision is made on the liability method for deferred taxation arising from the excess of capital allowances over depreciation charged and from all other timing differences.

(h) Foreign Currency

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date or, where appropriate, at the rate of exchange in a related forward contract. Foreign currency transactions are translated at the rates ruling on the date of the transaction or, where appropriate, at the rate in a related foreign currency contract. Exchange gains and losses are charged to or credited to profit and loss as they occur.

(i) Leases

The Company enters into operating and finance leases

Assets held under finance leases are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to operating charges as appropriate

Rentals under operating leases are charged on a straight-line basis over the lease term

(j) Pension Costs

It is the general policy of the Company to provide for and fund pension liabilities on the advice of external actuaries, by payment to independent trusts. Independent actuarial valuations are carried out every three years. The amount charged to the profit and loss account (the regular pension cost) is calculated so as to produce a substantially level percentage of current and future pensionable payroll. Variations from regular costs are allocated to the profit and loss account over the average remaining service lives of current employees.

Any difference between amounts charged in the profit and loss account and paid to the pension funds is shown in the balance sheet as a liability or asset. The pension costs for the year are shown in note 19 to the accounts.

2. SEGMENT INFORMATION

All of the Group's turnover and profit arose from the Group's principal activities which are based wholly in the United Kingdom. Export sales of £716,000 (1990: £1,769,000) were made in Europe, and £2,125,000 (1990: NIL) made to the Middle East.

3. OPERATING PROFIT IS STATED AFTER CHARGING:

	1991 £000	1990 £000
Staff costs (see Note 5)	13,709	11,957
Depreciation	1,713	1,643
Rental costs relating to operating leases, including plant and equipment hire of £420,000 (1990: £375,000)	999	819
Auditors remuneration	49	47

4. EXCEPTIONAL ITEM

The exceptional item of £209,000 (1990: NIL) represents one-off professional costs, the majority of which relate to a detailed review of the Company's business plans and employee benefits in contemplation of a proposed Listing of the Company's shares on the London Stock Exchange

5. STAFF COSTS

	1991 £000	1990 £000
Staff costs comprise		
Wages and salaries	11,965	10,420
Social Security costs	1,012	904
Other pension costs	682	528
Employee Share Scheme	50	105
	13,709	11,957

The average monthly number of persons employed by the Group during the period was as follows.

	1991 Number Employed	1990 Number Employed
Sales and Marketing	157	129
Services	86	29
Finance and Administration	59	86
Product Development	110	107
Manufacturing	123	131
Personnel	15	17
Total	550	499

Directors remuneration.

Staff costs include the following remuneration in respect of Directors:	1991 £000	1990 £000
Directors salaries	684	695
Fees as Directors	29	17
Other emoluments (including pensions)	97	107
Payments to former Directors	–	35
	810	854

The Directors remuneration shown above (excluding pension contributions) includes:	1991 £	1990 £
Chairman	130,142	103,882

In 1991 the Chairman was also the highest paid Director. In 1990 the highest paid Director received remuneration of £113,925.

The emoluments (excluding pension contributions) of the other Directors fell within the following ranges

£		£	1991 Number	1990 Number
0	to	5,000	-	1
5,001	to	10,000	2	2
10,001	to	15,000	1	-
40,001	to	45,000	-	1
45,001	to	50,000	1	-
65,001	to	70,000	1	4
75,001	to	80,000	2	-
85,001	to	90,000	1	-
90,001	to	95,000	-	1
100,001	to	105,000	1	-
110,001	to	115,000	-	2
125,001	to	130,000	1	-

6. NET INTEREST PAYABLE

	1991 £000	1990 £000
On bank loans and overdrafts:		
- Repayable within 5 years	(384)	(856)
Interest payable under finance leases	(274)	(302)
Loan stock interest	(7)	(18)
	(665)	(1,176)
Less: Interest receivable and similar income	332	124
	(333)	(1,052)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1991 £000	1990 £000
United Kingdom Corporation tax on profit for the year at 33.5% (1990: 35%)	(703)	(1,257)
Deferred taxation arising from.		
Capital allowances	(69)	6
Other timing differences	(19)	4
	(791)	(1,247)
Adjustments in respect of previous years:		
Corporation tax	24	(231)
Deferred tax	42	258
	(725)	(1,220)

8. DIVIDENDS PAID AND PROPOSED

	1991 £000	1990 £000
Ordinary:		
- interim paid of 0.33p per share (1990: 3.33p per share [prior to 9 for 1 bonus issue])	50	50
- final proposed of 0.97p per share (1990: 8.67p per share [prior to 9 for 1 bonus issue])	147	130
	197	180

9. EARNINGS PER ORDINARY SHARE

Basic earnings per share are based on a group profit after tax of £1,326,000 (1990: £2,034,000) and on 15,097,817 ordinary shares being the weighted average number of shares in issue during the year

Earnings per share on a fully diluted basis take into account shares subject to option of 2,344,800

Last year, after adjusting for the effects of the 9 for 1 bonus issue, the weighted average number of shares in issue during the year was 13,701,510 and the number of shares subject to option was 2,297,300

10. TANGIBLE FIXED ASSETS

	Total £000	Land & Buildings £000	Plant & Equipment £000	Computers £000	Vehicles £000	Construction-in-progress £000
Cost or Valuation						
At 1/10/90	9,418	2,800	1,926	2,582	1,860	250
Additions	2,971	-	363	591	462	1,555
Disposals	1,248	-	(190)	(746)	(312)	-
At 30/9/91	11,141	2,800	2,099	2,427	2,010	1,805
Depreciation:						
At 1/10/90	2,652		832	1,380	440	-
Charged in year	1,713	78	448	713	474	-
Disposals	(981)	-	(171)	(680)	(130)	-
At 30/9/91	3,384	78	1,109	1,413	784	-
Net book amount at 30/9/91	7,757	2,722	990	1,014	1,226	1,805
Net book amount at 30/9/90	6,766	2,800	1,094	1,202	1,420	250

Freehold Land and Buildings were valued on an open market existing use basis by Chartered Surveyors as at 30th September 1990.

The gross value of land and buildings includes £875,000 (1990: £875,000) in respect of freehold land on which no depreciation has been provided.

The original cost and the aggregate depreciation based on cost of freehold land and buildings included at valuation were:

	1991 £000	1990 £000
Original cost	2,041	2,041
Depreciation based on cost	(655)	(577)
	1,386	1,464

Construction-in-progress comprises costs incurred to date related to new long leasehold premises for the Company's manufacturing, distribution, sales and administration operations.

Plant and Equipment, Computers and Vehicles include the following assets which are held under finance leases

	30th Sept 1991		
	Plant & Equipment £000	Computers £000	Vehicles £000
Cost	210	502	1,876
Accumulated depreciation	(189)	(335)	(757)
Net Book Amount:	21	167	1,119

	30th Sept 1990		
	Plant & Equipment £000	Computers £000	Vehicles £000
Cost:	248	502	1,803
Accumulated depreciation:	(169)	(167)	(423)
Net Book Amount:	79	335	1,380

11. INVESTMENT IN SUBSIDIARY

Research Machines (Finance) Limited is a subsidiary undertaking which is wholly owned, dormant and registered in England.

12. STOCKS	1991 £000	1990 £000
Components	7,037	7,660
Work in progress	1,580	1,448
Finished goods	1,379	1,931
	9,996	11,039

The Directors consider that there is no material difference between the balance sheet value and replacement cost of stocks.

13. DEBTORS	1991 £000	1990 £000
Trade debtors	16,564	12,856
Other debtors	322	332
Prepayments and accrued income	247	259
ACT recoverable	-	60
	17,133	13,507

14. CREDITORS

– Due within one year	1991	1990
	£000	£000
Obligations under finance leases	742	720
Current portion of loan stock	-	102
Trade creditors	10,783	6,754
Other creditors		
– UK Corporation tax payable	636	1,355
– ACT on dividends	66	60
– Social Security and PAYE	370	283
– VAT	1,210	1,233
– Other	386	382
Proposed dividends	147	130
Accruals and deferred income	3,024	2,828
	17,364	13,847

– Due after more than one year:	1991	1990
	£000	£000
Obligations under finance leases	386	926
Bank loan (secured)	2,500	2,500
Accruals and deferred income	869	-
	3,755	3,426

Obligations under finance leases comprise:	1991	1990
	£000	£000
Due within one year	841	931
Due within two to five years	410	1,030
Total obligations	1,251	1,961
Finance charges allocated to future periods	(123)	(315)
Capital element of obligations under finance leases	1,128	1,646

Shown as follows:		
Creditors due within one year	742	720
Creditors due after more than one year	386	926
	1,128	1,646

There are no creditors due after more than five years (1990: NIL).

Interest on the Bank loan is payable at a variable rate based on LIBOR. The loan is repayable within two years. The loan is secured by a fixed charge over the freehold land and buildings and by a cross guarantee with the subsidiary company

15. PROVISION FOR LIABILITIES AND CHARGES

	1991 £000	1990 £000
Provisions for liabilities and charges comprise deferred taxation as follows		
Excess of tax allowances over book depreciation of fixed assets	476	435
Short term timing differences	(37)	(42)
ACT recoverable	(49)	-
	390	393

There is no unprovided deferred taxation

The movement on deferred taxation comprises	1991 £000	1990 £000
Beginning of year	393	174
Charged/(credited) to profit and loss in respect of:		
– Capital allowances	41	126
– Other timing differences	5	93
ACT recoverable	(49)	-
End of year	390	393

16. SHARE CAPITAL

	1991 £000	1990 £000
Authorised: 22,300,000 Ordinary Shares of 10p each (1990: 2,230,000)	2,230	223
Allotted and fully paid: 15,163,511 Ordinary Shares of 10p each (1990: 1,491,291)	1,516	149

On the 28th November 1990 the Authorised Share Capital was increased by the creation of an additional 20,070,000 shares at 10p each.

	Number of Shares	Premium Arising £000
During the year the following ordinary shares of 10p each were allotted for cash:		
– Issued to the Staff Share Scheme	94,301	75
– Issued on exercise of options	29,130	52
	123,431	127
and the following ordinary shares were allotted under the terms of a 9 for 1 bonus issue	13,548,789	(1,355)
Total	13,672,220	(1,228)

RML Staff Share Scheme

The RML Staff Share Scheme is an Inland Revenue approved employee share scheme constituted under a trust deed. As at 30th September 1991, the trustees of the scheme held 494,191 shares on behalf of employees.

The Research Machines Limited 1984 Share Option Scheme

At 30th September 1991, the following options granted under the Research Machines Limited 1984 Share Option Scheme were outstanding

	Year of Issue	Number of Shares	Period of Option	Price per Share
Ordinary shares of 10p each	1984	413,100	10 years	£0.40
Ordinary shares of 10p each	1985	17,500	10 years	£0.40
Ordinary shares of 10p each	1986	1,079,700	10 years	£0.32
Ordinary shares of 10p each	1987	172,000	10 years	£0.40
Ordinary shares of 10p each	1988	32,500	10 years	£0.50
Ordinary shares of 10p each	1989	205,000	10 years	£0.80
Ordinary shares of 10p each	1989	232,500	10 years	£0.85
Ordinary shares of 10p each	1990	192,500	10 years	£1.30
Total		2,344,800		

17. RESERVES

The Company has taken advantage of section 230 of the Companies Act 1985 and not presented its own profit and loss account. £1,129,000 (1990: £1,854,000) of the consolidated profit attributable to the shareholders of Research Machines plc has been dealt with in the accounts of that company.

Group:	Profit and Loss Account £000	Revaluation Reserve £000	Share Premium Account £000
Beginning of year	8,664	1,338	5,442
Retained profit for the year	1,129	-	-
Utilised for 9 for 1 bonus issue	-	-	(1,355)
Premium on shares issued during the year	-	-	127
End of the year	9,793	1,338	4,214

Company:	Profit and Loss Account £000	Revaluation Reserve £000	Share Premium Account £000
Beginning of year	5,969	1,338	5,442
Retained profit for the year	1,129	-	-
Utilised for 9 for 1 bonus issue	-	-	(1,355)
Premium on shares issued during the year	-	-	127
End of the year	7,098	1,338	4,214

The revaluation reserve arises on the revaluation of the freehold land and buildings. Of the reserves shown above only the Profit and Loss account is distributable.

18. NOTES TO THE CASH FLOW STATEMENT

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

	1991 £000	1990 £000
Operating profit	2,593	4,306
Exceptional item	(209)	-
Depreciation charges	1,713	1,643
Loss on sale of tangible assets	43	29
Decrease/(increase) in stock	1,043	(4,493)
(Increase)/decrease in debtors	(3,686)	7,388
Increase/(decrease) in creditors	5,208	(1,821)
Net cash inflow from operating activities	6,705	7,052

(b) Analysis of changes in cash at bank and in hand

	1991 £000	1990 £000
Balance at 1st October	1,947	(4,093)
Net cash inflow	1,537	6,040
Balance at 30th September	3,484	1,947

(c) Analysis of changes in financing during the year

Share Capital

	1991 £000	1990 £000
Balance at 1st October	5,591	1,753
Cash inflow from financing	139	3,838
Balance at 30th September	5,730	5,591

19. PENSION SCHEME

The Company's principal pension scheme provides benefits based either on final pensionable pay or the value of the pensionable individual's accumulated fund, whichever is the higher. The assets of the scheme are held separately from those of the Company in a trustee administered fund. A valuation of the scheme was carried out by qualified independent actuaries as at 1st June 1989 using the Projected Unit Method. It was assumed that future investment returns would exceed future salary increases by, on average, 1% per annum and that pension increases would average 3% per annum. The valuation showed the fund to be in surplus at 1st June 1989 and in accordance with the actuarial valuation the contribution rate was reduced to 9.8% of pensionable salaries. This represents a reduction in the normal contribution rate to 10.2% and a further reduction of 0.4% to utilise the surplus. Employees continue to contribute 4% of pensionable salaries.

In addition the Company maintains a defined contribution pension scheme on behalf of certain founder members of the Company. The assets of this scheme are also held separately from those of the Company in an independently administered fund.

The pension charge for the period was as follows:	1991 £000	1990 £000
Defined benefits pension scheme opened on 6th June 1988	665	515
Founders pension scheme	17	13
	682	528

Included in creditors falling due within one year are outstanding pension contributions of £120,000 (1990: £192,000).

20. CONTINGENCIES AND COMMITMENTS

(a) Commitments under operating leases

The Company leases certain assets under operating leases, the terms of which are subject to renegotiation at various intervals as specified in the lease agreements.

The Company is committed to the following payments in the coming year in respect of operating leases:

	Land & Buildings £000	Others £000	Total £000
Leases expiring within 1 year	5	11	16
Leases expiring within 2-5 years	289	357	646
Leases expiring after more than 5 years	642	11	653

(b) Capital commitments

The Company has the following capital expenditure commitments:	1991 £000	1990 £000
Authorised, not yet contracted for	502	1,923
Authorised and contracted for	238	325

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RESEARCH MACHINES

FIVE YEAR SUMMARY

£000 (except where stated)	30 Sept 1987	30 Sept 1988	30 Sept 1989	30 Sept 1990	30 Sept 1991
TURNOVER	22,702	38,966	53,371	62,929	62,200
OPERATING PROFIT	1,392	2,383	3,232	4,306	2,593
PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS AND TAXATION	1,257	1,903	2,314	3,254	2,260
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,257	2,120	3,022	3,254	2,051
PROFIT AFTER TAXATION	808	1,253	1,912	2,034	1,326
EARNINGS PER SHARE (Fully diluted)*					
Including exceptional items	6.2p	9.4p	14.2p	13.0p	8.1p
Excluding exceptional items	6.2p	8.5p	10.8p	13.0p	8.8p
DIVIDENDS PER SHARE (net)*	–	–	–	1.2p	1.3p
CAPITAL EMPLOYED:					
– Shareholders funds	5,277	8,175	10,163	15,593	16,861
– Net borrowings (including finance leases)	3,200	5,520	8,037	2,301	144
TOTAL	8,477	13,695	18,200	17,894	17,005
OPERATING PROFIT AS A PERCENTAGE OF:					
– Turnover	6.1%	6.1%	6.1%	6.8%	4.2%
– Average Capital Employed	21.4%	21.5%	20.3%	23.9%	14.9%
NET BORROWINGS AS A PERCENTAGE OF SHAREHOLDERS FUNDS	60.6%	67.5%	79.1%	14.8%	0.9%

* Prior years have been adjusted to reflect the 9 for 1 bonus issue.