IS Solutions PLC

Directors' report and consolidated financial statements

31 December 1994

Registered number 1892751

IS Solutions PLC

Directors' report and consolidated financial statements

Contents

IS Solutions PLC

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1994.

Principal activity

The group is principally engaged in the distribution, design and installation of computer hardware and software systems.

Business review

The profit after taxation for the year amounted to £296,895 *(1993: £182,579)*. The directors do not recommend payment of a dividend and the profit has therefore been transferred to reserves.

Fixed assets

The movements in fixed assets during the year are shown in notes 7 and 8.

Directors and directors' interests

The directors who held office during the year were as follows:

PJ Kear
J Lythall
RJC Simons
Venture Capital Funding Limited

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company as recorded in the register of directors' share and debenture interests:

	Class of shares	Interest at end of year	Interest at beginning of year or date of appointment
PJ Kear	Ordinary 10p	83,750	83,750
J Lythall	Ordinary 10p	94,000	94,000
RJC Simons	Ordinary 10p	10,000	10,000

IS Solutions PLC

Directors' report *(continued)*

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985 a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

MLS Tinling
Secretary

Admiral Hawke House
Green Street
Sunbury on Thames
TW16 6RA

IS Solutions PLC

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

1 Forest Gate
Brighton Road
Crawley
West Sussex RH11 9PT

Auditors' report to the members of IS Solutions PLC

We have audited the financial statements on pages 5 to 22.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

5 July 1995

KPMG
Chartered Accountants
Registered Auditors

IS Solutions PLC

Consolidated profit and loss account
for the year ended 31 December 1994

	Note	1994 £	1993 £
Turnover	*1*	**8,282,485**	5,559,628
Cost of sales		**6,056,838**	(4,014,844)
Gross profit		**2,225,647**	1,544,784
Distribution expenses		**(905,635)**	(582,883)
Administrative expenses		**(837,332)**	(678,867)
Operating profit		**482,680**	283,034
Interest receivable and similar income		**8,798**	4,332
Interest payable and similar charges	*5*	**(30,249)**	(25,027)
Profit on ordinary activities before taxation	*2-4*	**461,229**	262,339
Tax on profit on ordinary activities	*6*	**(163,093)**	(78,944)
Profit on ordinary activities after taxation		**298,136**	183,395
Minority interests	*18*	**(1,241)**	(816)
Retained profit for the financial year		**296,895**	182,579

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

IS Solutions PLC

Consolidated balance sheet
at 31 December 1994

	Note	1994		1993	
		£	£	£	£
Fixed assets					
Tangible assets	7		**218,326**		256,794
Current assets					
Stocks	9	**311,637**		203,083	
Debtors	10	**1,907,338**		1,349,791	
Cash at bank and in hand		**443,487**		692,853	
		2,662,462		2,245,727	
Creditors: amounts falling due within one year	11	**(2,138,108)**		(2,026,477)	
Net current assets			**524,354**		219,250
Total assets less current liabilities			**742,680**		476,044
Creditors: amounts falling due after more than one year	12		**(8,265)**		(35,190)
Net assets			**734,415**		440,854
Capital and reserves					
Called up share capital	13		**50,000**		50,000
Share premium account	17		**175,057**		175,057
Profit and loss account	17		**518,083**		225,763
Shareholders' funds			**743,140**		450,820
Minority interests	18		**(8,725)**		(9,966)
			734,415		440,854

These financial statements were approved by the board of directors on 27 June 1995 and were signed on its behalf by:

J. Lythall.

J Lythall
Director

IS Solutions PLC

Company balance sheet
at 31 December 1994

	Note	1994		1993	
		£	£	£	£
Fixed assets					
Tangible assets	7		**195,453**		256,159
Investments	8		**170,833**		37,500
			366,286		293,659
Current assets					
Stocks	9	**281,227**		203,083	
Debtors	10	**1,864,336**		1,349,791	
Cash at bank and in hand		**389,510**		678,690	
		2,535,073		2,231,564	
Creditors: amounts falling due within one year	11	**(2,016,585)**		(1,964,342)	
Net current assets			**518,488**		267,222
Total assets less current liabilities			**884,774**		560,881
Creditors: amounts falling due after more than one year	12		**(8,265)**		(35,190)
Net assets			**876,509**		525,691
Capital and reserves					
Called up share capital	13		**50,000**		50,000
Share premium account	17		**175,057**		175,057
Profit and loss account	17		**651,452**		300,634
			876,509		525,691

These financial statements were approved by the board of directors on 27 June 1995 and were signed on its behalf by:

J. Lythall.

J Lythall
Director

IS Solutions PLC

Statement of total recognised gains and losses

	1994	1993
	£	£
Profit for the financial year	**296,895**	182,579
Currency translation differences on overseas investments	**(4,575)**	-
Total recognised gains and losses relating to the year	**292,320**	182,579

IS Solutions PLC

Consolidated cash flow statement
for the year ended 31 December 1994

	Note	1994 £	1994 £	1993 £	1993 £
Net cash inflow from operating activities	22		**62,131**		777,678
Returns on investment and servicing of finance					
Interest received		**8,798**		4,332	
Interest paid		**(28,784)**		(24,045)	
Finance lease interest payments		**(5,948)**		(4,484)	
Net cash outflow from returns on investment and servicing of finance			**(25,934)**		(24,197)
Taxation					
UK corporation tax (paid)/repaid			**(75,340)**		2,956
Investing activities					
Purchase of tangible fixed assets		**(57,526)**		(69,235)	
Sale of tangible fixed assets		**-**		18,500	
Net cash outflow from investing activities			**(57,526)**		(50,735)
Net cash (outflow)/inflow before financing			**(96,669)**		705,702
Financing					
(Repayment)/drawdown of loan	24	**(115,000)**		15,000	
Capital element of finance lease rental payments	24	**(33,122)**		(53,617)	
Net cash outflow from financing			**(148,122)**		(38,617)
(Decrease)/increase in cash and cash equivalents	23		**(244,791)**		667,085

IS Solutions PLC

Notes

(forming part of the financial statements)

1 **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Basis of consolidation

The group accounts consolidate the accounts of IS Solutions PLC and all its subsidiary undertakings. These accounts are made up to 31 December 1994.

In the company's accounts, investments in subsidiary undertakings are stated at cost. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985 IS Solutions PLC is exempt from the requirement to present its own profit and loss account.

Fixed assets and depreciation

The group makes provision for depreciation so that the costs less estimated residual values of tangible fixed assets are written off by equal instalments over their estimated useful economic lives as follows:

Furniture, fixtures and fittings	-	4 to 10 years
Leasehold improvements	-	10 years
Computer equipment	-	up to 4 years
Plant and equipment	-	2 to 5 years
Motor vehicles	-	3 to 4 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Exchange differences arising on these translations are taken to reserves.

1 **Accounting policies** (continued)

Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the FIFO method is used. Cost means purchase price including transport and handling costs, less trade discounts. Net realisable value means estimated selling price (less trade discounts) less all further costs to completion.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts excluding value added tax derived from the provision of goods and services to third party customers during the year.

IS Solutions PLC

Notes *(continued)*

2 **Profit on ordinary activities before taxation**

	1994	1993
	£	£
Profit on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration:		
Audit	**13,000**	12,000
Other services	**4,400**	2,700
Depreciation and other amounts written off tangible fixed assets:		
Owned	**62,940**	45,153
Leased	**33,054**	25,432
Hire of plant and machinery - rentals payable under operating leases	**44,716**	43,156
Land and buildings - operating leases	**94,682**	50,091
after crediting		
Exchange gain	**25,446**	4,105

3 **Remuneration of directors**

	1994	1993
	£	£
Directors' emoluments:		
As directors	**10,500**	10,000
Remuneration as executives	**152,849**	103,898
Other pension costs	**8,043**	6,003
Benefits in kind	**19,619**	7,697
	191,011	127,598

The emoluments, excluding pension contributions, of the highest paid director were £65,731 *(1993: £61,032).*

The emoluments, excluding pension contributions, of the directors (including the highest paid director) were within the following ranges:

			Number of directors	
			1994	1993
£ 5,001	-	£10,000	**-**	2
£10,001	-	£15,000	**1**	-
£45,001	-	£50,000	**1**	1
£60,001	-	£65,000	**1**	1
£65,001	-	£70,000	**1**	-

4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1994	1993
Sales	**11**	6
Engineering	**10**	8
Administration	**9**	11
	30	25

The aggregate payroll costs of these persons were as follows:

	1994	1993
	£	£
Wages and salaries	**864,022**	633,769
Social security costs	**92,674**	64,477
Other pension costs (see note 21)	**27,628**	27,441
	984,324	725,687

5 Interest payable and similar charges

	1994	1993
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	**24,301**	20,543
Finance charges payable in respect of finance leases and hire purchase contracts	**5,948**	4,484
	30,249	25,027

IS Solutions PLC

Notes *(continued)*

6 Taxation

	1994	1993
	£	£
UK corporation tax at 33% *(1993: 33%)* on the profit for the year on ordinary activities	**165,000**	78,944
Overprovision in prior year	**(1,907)**	-
	163,093	78,944

7 Tangible fixed assets

Group	Leasehold improvements	Plant and machinery	Fixtures fittings furniture & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At beginning of year	75,516	17,989	208,345	132,609	434,459
Additions	-	445	27,796	29,285	57,526
Disposals	-	-	(22,000)	-	(22,000)
At end of year	75,516	18,434	214,141	161,894	469,985
Depreciation					
At beginning of year	12,303	14,559	116,521	34,282	177,665
Charge for year	7,551	1,818	44,655	41,970	95,994
On disposals	-	-	(22,000)	-	(22,000)
At end of year	19,854	16,377	139,176	76,252	251,659
Net book value					
At 31 December 1994	**55,662**	**2,057**	**74,965**	**85,642**	**218,326**
At 31 December 1993	63,213	3,430	91,824	98,327	256,794

Notes *(continued)*

7 **Tangible fixed assets** *(continued)*

Company	Leasehold improvements	Plant and machinery	Fixtures fittings furniture & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At beginning of year	75,516	17,989	207,052	132,609	433,166
Additions	-	445	17,795	12,501	30,741
Disposals	-	-	(22,000)	-	(22,000)
At end of year	75,516	18,434	202,847	145,110	441,907
Depreciation					
At beginning of year	12,303	14,559	115,863	34,282	177,007
Charge for year	7,551	1,818	43,255	38,823	91,447
On disposals	-	-	(22,000)	-	(22,000)
At end of year	19,854	16,377	137,118	73,105	246,454
Net book value					
At 31 December 1994	**55,662**	**2,057**	**65,729**	**72,005**	**195,453**
At 31 December 1993	63,213	3,430	91,189	98,327	256,159

Group and Company

Included in the total net book value of motor vehicles is £70,130 *(1993: £98,327)* in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £33,054 *(1993: £25,432).*

IS Solutions PLC

Notes *(continued)*

8 **Fixed asset investments**

Company	**Shares in subsidiary undertakings**
	£
Cost	
At 31 December 1993	37,500
Investments during the year	133,333
At 31 December 1994	**170,833**

The principal companies in which the company's interest is more than 10% are as follows:

Name	**Country of registration**	**Principal activity**	**Class and percentage of shares held**
QS Solutions Limited	England and Wales	Distribution, design and installation of computer software systems	79% of the issued share capital
IS Solutions Inc.	USA	Distribution, design and installation of computer hardware and software systems	100% of the issued share capital

9 **Stocks**

	Group		**Company**	
	1994	1993	**1994**	1993
	£	£	£	£
Goods for resale	**311,637**	203,083	**281,227**	203,083

There was no material difference between the replacement cost of stocks and their balance sheet amounts.

IS Solutions PLC

Notes *(continued)*

10 **Debtors**

	Group		Company	
	1994	1993	**1994**	1993
	£	£	**£**	£
Amounts falling due within one year				
Trade debtors	**1,771,344**	1,203,509	**1,688,711**	1,203,509
Amounts owed by subsidiary undertaking	**-**	-	**47,304**	-
Corporation tax recoverable	**-**	1,697	**-**	1,697
Other debtors	**12,569**	8,902	**12,569**	8,902
Prepayments and accrued income	**123,425**	135,683	**115,752**	135,683
	1,907,338	1,349,791	**1,864,336**	1,349,791

11 **Creditors: amounts falling due within one year**

	Group		Company	
	1994	1993	**1994**	1993
	£	£	**£**	£
ULS loan stock	**-**	115,000	**-**	115,000
Obligations under finance leases and hire purchase contracts (see note 12)	**28,048**	34,245	**28,048**	34,245
Trade creditors	**1,448,317**	1,150,775	**1,354,629**	1,131,668
Amounts owed to subsidiary undertaking	**-**	-	**4,673**	90,773
Other creditors including taxation and social security:				
Corporation tax	**165,000**	78,944	**165,000**	78,944
Social security and other taxes	**62,526**	117,010	**38,418**	75,609
Accruals and deferred income	**434,217**	530,503	**425,817**	438,103
	2,138,108	2,026,477	**2,016,585**	1,964,342

12 **Creditors: amounts falling due after more than one year**

	Group		Company	
	1994	1993	**1994**	1993
	£	£	**£**	£
Obligations under finance leases and hire purchase contracts	**8,265**	35,190	**8,265**	35,190

12 Creditors: amounts falling due after more than one year *(continued)*

The maturity of obligations under hire purchase contracts is as follows:

Group and Company

	1994	1993
	£	£
Within one year	**32,054**	39,071
In the second to fifth years	**9,426**	39,951
	41,480	79,022
Less future finance charges	**(5,167)**	(9,587)
	36,313	69,435

13 Called up share capital

	1994	1993
	£	£
Authorised, allotted, called up and fully paid		
Ordinary shares of 10p each	**30,000**	30,000
Convertible preferred ordinary shares of 10p each	**20,000**	20,000
	50,000	50,000

14 Conversion rights

Fleming Ventures Limited, the holders of the convertible preferred ordinary shares, are entitled at any time to convert the whole of their shares into ordinary shares. Conversion into ordinary shares will also occur in any of the following circumstances:

(a) The grant of listing of any of the shares of the company on the Stock Exchange;

(b) The grant of permission for any of the shares of the company to be dealt in the Unlisted Securities Market;

(c) The making of an over-the-counter market of any of the shares of the company.

Notes *(continued)*

15 Contingent rights to the allotment of shares

The company has granted an option to Fleming Ventures Limited to subscribe for ordinary shares in the company at their nominal value upon the happening of any of the events specified in note 14 under conversion rights. The option is in relation to such number of ordinary shares as shall result in Fleming Ventures Limited holding a minimum of 40% and subject to certain conditions up to a maximum of 60% of the total ordinary shares in issue at the date of exercise of the option.

16 Deferred taxation

The amounts not provided for deferred taxation are set out below:

	1994 Unprovided £	1993 Unprovided £
Difference between accumulated depreciation and capital allowances	8,329	18,509
Other timing differences	(3,445)	(4,924)
	4,884	13,585

17 Share premium and reserves

	Group	
	Share premium account £	**Profit and loss account £**
At beginning of year	175,057	225,763
Retained profit for year	-	296,895
Foreign exchange difference	-	(4,575)
At end of year	175,057	518,083

	Company	
	Share premium account £	**Profit and loss account £**
At beginning of year	175,057	300,634
Retained profit for year	-	350,818
At end of year	175,057	651,452

18 Minority interests

	Group 1994	1993
	£	£
At beginning of year	**(9,966)**	(10,782)
Movement in year	**1,241**	816
At end of year	**(8,725)**	(9,966)

19 Reconciliations of movements in shareholders' funds

	Group		Company	
	1994	1993	**1994**	1993
	£	£	£	£
Opening shareholders' funds	**450,820**	268,241	**525,691**	346,173
Profit for the financial year	**296,895**	182,579	**334,818**	179,518
Other recognised losses	**(4,575)**	-	-	-
Closing shareholders' funds	**743,140**	450,820	**860,509**	525,691

20 Commitments

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

	1994		1993	
	Land and buildings	**Other**	Land and buildings	Other
Group	£	£	£	£
Operating leases which expire:				
Within one year	-	**12,954**	-	-
In the second to fifth years inclusive	**25,169**	**30,722**	-	53,954
Over five years	**80,000**	-	80,000	-
	105,169	**43,676**	80,000	53,954

Notes *(continued)*

21 **Commitments** *(continued)*

	1994		1993	
	Land and Buildings	Other	Land and Buildings	Other
Company	£	£	£	£
Operating leases which expire:				
Within one year	-	9,834	-	-
In the second to fifth years inclusive	-	30,772	-	46,052
Over five years	80,000	-	80,000	-
	80,000	40,606	80,000	46,052

The operating lease payments for land and buildings are subject to five yearly reviews.

21 **Pension scheme**

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the fund and amounted to £27,628 *(1993: £27,441)*.

22 **Reconciliation of operating profit to net cash inflow from operating activities**

	1994	1993
	£	£
Operating profit	**482,680**	283,034
Depreciation charge	**95,994**	70,585
Increase in stocks	**(108,554)**	(8,601)
Increase in debtors	**(559,244)**	(460,209)
Increase in creditors	**151,255**	892,869
Net cash inflow from operating activities	**62,131**	777,678

23 Analysis of changes in cash and cash equivalents

	£
Balance at 31 December 1993	692,853
Net cash outflow	(244,791)
Effect of foreign exchange difference	(4,575)
Balance at 31 December 1994	443,487

24 Analysis of changes in financing

	Loan	Finance lease obligations
	£	£
Balance at 31 December 1993	115,000	69,435
Cash outflow from financing	(115,000)	(33,122)
Balance at 31 December 1994	-	36,313