3187528

THE COURT TRUST LIMITED
AND ITS SUBSIDIARIES

ANNUAL REPORT
AND
FINANCIAL STATEMENTS
31st DECEMBER,1996

HAYLES & PARTNERS
CHARTERED ACCOUNTANTS
39 CASTLE STREET
LEICESTER LE1 5WN

THE COURT TRUST LIMITED

INDEX

REGISTERED IN ENGLAND NO: 3187528

Chairman	C.C. Powell
Directors	J.M. Waller J.J.J. Thompson
Secretary	J.M. Waller
Registered Office	Pennant Court Staverton Technology Park Cheltenham Gloucestershire GL51 6TL
Auditors	Hayles & Partners Chartered Accountants Registered Auditors 39 Castle Street Leicester LE1 5WN
Bankers	Barclays Bank plc 128 High Street Cheltenham Gloucestershire GL50 1EL Midland Bank plc 109 Bath Road Cheltenham Gloucestershire GL53 7RA Lloyds Bank plc 7 High Street Leicester LE1 9FS

DIRECTORS' REPORT
PERIOD ENDED 31st DECEMBER,1996

The directors present their report and group financial statements for the period ended 31st December,1996.

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 group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

* select suitable accounting policies and then apply them consistently;
* make judgments 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 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 financial statements 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.

Date of Incorporation

The company was incorporated on 18th April 1996, and commenced to trade on 28th May 1996.

The company changed its name from The Court Trust (1996) Limited on 6th June 1996.

Principal activities

The principal activity of the company is the provision of management services to the group.

The principal activities of the group during the period were the design, development, manufacture and support of systems and products for training and education.

Results, dividends and review of business

There was a group profit on ordinary activities for the period of £121,732 which has been transferred to reserves. The directors recommend payment of dividends of £115,857.

The directors consider the state of affairs of the group and company at 31st December 1996 to be satisfactory.

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DIRECTORS' REPORT
PERIOD ENDED 31st DECEMBER,1996

..../Contd

Directors

The directors in office at the end of the period are listed below and served on the Board since the date of incorporation.

In accordance with the Articles the directors do not retire by rotation.

The beneficial interests of the directors in the ordinary shares of the company at the date of appointment and 31st December,1996 as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985 were:

	£1 Ordinary Shares	£1 'C' Preference Shares
C.C. Powell	506,250	77,920
J.M. Waller	84,375	11,040
J.J.J. Thompson	84,375	11,040

Fixed assets

Movements in fixed assets during the period are recorded in the notes to the financial statements.

In the opinion of the directors, the market value of the group's freehold land and buildings is not significantly different to its book value.

Auditors

The auditors, Hayles & Partners, were appointed by the directors during the period and have indicated their willingness to continue in office. A resolution to approve their appointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
J.M. WALLER

11th July,1997

Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS
PERIOD ENDED 31st DECEMBER,1996

We have audited the financial statements on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 2 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 judgments 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 the company's and the group's affairs as at 31st December 1996 and of the group's profit for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Hayles . Partners

HAYLES & PARTNERS
Chartered Accountants
Registered Auditors
39 Castle Street
LEICESTER LE1 5WN

11th July,1997

GROUP TRADING AND PROFIT AND LOSS ACCOUNT
PERIOD ENDED 31st DECEMBER,1996

	Note	
Turnover	2	2,218,660
Cost of sales		1,024,173
Gross profit		1,194,487
Administration expenses		974,202
Operating profit	3	220,285
Interest receivable		286
Interest payable	5	(49,319)
Profit on ordinary activities before taxation		171,252
Taxation	6	49,520
Profit on ordinary activities after taxation attributable to members of the parent undertaking (of which a profit of £116,977 is dealt with in the company)		121,732
Dividends	7	115,857
Retained profit for the period	16	£ 5,875

There are no recognised gains or losses other than as disclosed above and there have been no discontinued activities in the current period.

The notes on pages 9 to 19 form part of these financial statements.

GROUP BALANCE SHEET
AT 31st DECEMBER,1996

	Note		
Fixed assets			
Intangible assets	8		94,305
Tangible assets	9		1,813,050
Investments	10		6,135
			1,913,490
Current assets			
Stocks	11	666,433	
Debtors	12	214,734	
Cash at bank and in hand		138,733	
		1,019,900	
Creditors: amounts falling due within one year	13	949,429	
Net current assets			70,471
Total assets less current liabilities			1,983,961
Creditors: amounts falling due after more than one year	14		493,050
			£ 1,490,911
Capital and reserves			
Called up share capital	15		1,400,000
Profit and loss account	16		5,875
Capital reserve on consolidation	16		85,036
	17		£ 1,490,911

C.C. POWELL)
) DIRECTORS
J.M. WALLER)

J M Waller

These financial statements were approved by the Board on 11th July,1997.

The notes on pages 9 to 19 form part of these financial statements.

BALANCE SHEET
AT 31st DECEMBER,1996

	Note		
Fixed assets			
Investments	10		3,157,963
Current assets			
Debtors	12	180,638	
Creditors: amounts falling due within one year	13	1,937,481	
Net current liabilities			(1,756,843)
Total assets less current liabilities			£1,401,120
Capital and reserves			
Called up share capital	15		1,400,000
Profit and loss account	16		1,120
			£ 1,401,120

C.C. POWELL)
) DIRECTORS
J.M. WALLER)

J M Waller

These financial statements were approved by the Board on 11th July,1997.

The notes on pages 9 to 19 form part of these financial statements.

GROUP CASH FLOW STATEMENT
AT 31st DECEMBER,1996

	Note		
Net cash inflow from operating activities	21a		542,317
Returns on investments and servicing of finance			
Interest received		286	
Interest paid		(49,319)	
Dividends paid		(115,857)	
Net cash outflow from returns on investments and servicing of finance			(164,890)
Taxation			
Corporation tax paid			(6,517)
Investing activities			
Purchase of investments		(6,135)	
Purchase of tangible fixed assets		(213,053)	
Disposal of tangible fixed assets		5,930	
Purchase of subsidiary undertakings (net cash and overdraft acquired)	22	169,308	
Net cash outflow from investing activities			(43,950)
Net cash inflow before financing			326,960
Financing			
Net loans repaid		(198,649)	
Net cash outflow from financing			(198,649)
Increase in cash and cash equivalents	21b		£ 128,311

NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31st DECEMBER,1996

1. Accounting policies

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

The principal accounting policies of the Group adopted in the preparation of the financial statements are set out below.

1.1 Basis of consolidation

The Group accounts consolidate the accounts of The Court Trust Limited and all of its trading subsidiaries made up to 31st December,1996 and to the extent of Group ownership after eliminating inter-group transactions.

Acquisitions are accounted for on an acquisition basis of accounting and earnings are included only from the date of acquisition.

No profit and loss account is provided for The Court Trust Limited as provided by S.230 of the Companies Act 1985.

1.2 Depreciation

Depreciation is calculated to write down the cost or valuation of tangible fixed assets over their expected useful lives at the following rates per annum:-

Freehold land	Nil
Freehold buildings	1% of valuation
Fixtures, fittings, plant and equipment	10% of written down value
Computers	20% of written down value/cost
Motor vehicles	25% of written down value

1.3 Leasing

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges are included in creditors.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

1.4 Development expenditure

Development expenditure on specific commercially viable products is capitalised, and amortised in equal instalments over the five years following that in which the expenditure is incurred. The expenditure has been capitalised on the grounds that the principal benefit is expected to be obtained during that period.

1.5 Stocks

Stock and work in progress other than long term contracts are valued at the lower of cost and net realisable value. Cost is represented by raw materials and direct labour together with a relevant proportion of fixed and variable overheads. Net realisable value is estimated selling price less costs to completion.

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1.6 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.

1.7 Deferred taxation

Deferred taxation is provided on the liability method to take account of timing differences between profits computed for taxation purposes and profits as stated in the financial statements and has been provided for in full except for those amounts that are not expected to crystallise in the foreseeable future.

1.8 Pensions

The pension premiums are payable in respect of a fully insured defined contribution scheme. The annual instalments are charged to the profit and loss account. The company has no potential liability other than the payment of those instalments.

1.9 Goodwill

Goodwill arising on consolidation is written off against reserves.

1.10 Investments

Investments in related undertakings are stated in the Group Balance Sheet at cost.

Investments in subsidiary undertakings and related undertakings are stated in the Company Balance Sheet at cost less amounts written off for permanent diminution in value.

2. Turnover and results

The group's turnover represents the value, excluding value added tax of goods and services supplied to customers during the period.

The geographical analysis of turnover is as follows:

United Kingdom	2,144,618
Australasia	74,042
	£ 2,218,660

NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31st DECEMBER,1996

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3. **Operating profit**

The operating profit is stated after charging:

Depreciation of tangible fixed assets	73,642
Staff costs (note 4)	869,858
Operating leases - plant and equipment	1,220
Auditors' remuneration	6,151
Amortisation of intangible fixed assets	32,660

4. **Staff costs**

Wages and salaries	780,225
Social security costs	66,077
Other pension costs	23,556
	£ 869,858

The average number of employees was as follows:	
Office and management	15
Production	48
Selling and distribution	4
	67

Remuneration in respect of directors of the company was as follows:	
Management remuneration (including the cash value of benefits in kind)	108,500
Pension premium	3,294
	£ 111,794

Particulars of individual directors' emoluments (excluding pension scheme contributions) are shown below:	
Chairman	£ -
Highest paid director	£ 54,300

The emoluments of the directors including the above were within the following bands:	
£0 - £5,000	1
£50,001 - £55,000	2

Included in administration expenses is £72,100 in respect of consultancy fees payable to a partnership in which Mr C.C. Powell has an interest.

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5. Interest payable

On bank loans and overdrafts repayable within five years	25,211
On other loans repayable after five years	17,485
On hire purchase and finance lease	6,333
On insurance premiums	290
	£ 49,319

6. Taxation

The taxation charge based on the results on ordinary activities is made up as follows:

Corporation tax at 26.4%	£ 49,520

7. Dividends

Dividends paid:

Ordinary shares of £1 each	52,590
'B' Ordinary shares of £1 each	25,306
'B' Preference shares of £1 each	28,461
'C' Preference shares of £1 each	9,500
	£ 115,857

8. Intangible fixed assets

The Group	Development Expenditure
Cost	
On acquisition of subsidiaries and at 31st December,1996	197,476
Amortisation	
On acquisition of subsidiaries	70,511
Charge for the period	32,660
At 31st December,1996	103,171
Net book amount	
At 31st December,1996	£ 94,305

The Company - NIL

NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31st DECEMBER,1996

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9. Tangible fixed assets

	Freehold land and buildings	Plant, equipment, fixtures and fittings	Motor Vehicles	Total
The Group				
Cost or valuation				
On acquisition of subsidiaries	1,197,454	1,092,886	236,340	2,526,680
Additions	-	184,775	28,278	213,053
Disposals	-	(2,940)	(11,095)	(14,035)
At 31st December,1996	1,197,454	1,274,721	253,523	2,725,698
Depreciation				
On acquisition of subsidiaries	96,990	661,678	87,354	846,022
Charge for period	3,685	45,473	24,484	73,642
On disposals	-	(1,844)	(5,172)	(7,016)
At 31st December,1996	100,675	705,307	106,666	912,648
Net book value				
At 31st December,1996	£ 1,096,779	£ 569,414	£ 146,857	£ 1,813,050

Included in the above are assets held under hire purchase agreements, the aggregate net book value is £58,361 for plant, equipment, fixtures and fittings and £140,332 for motor vehicles. Depreciation charged on these assets amounted to £24,368.

The directors consider that the open market value of the company's freehold land and buildings is not significantly different to its book value.

Included in freehold land and buildings is a non depreciable asset of £101,789.

Included in freehold land and buildings is a revalued asset owned by a subsidiary. The amounts determined according to the historical cost convention are as follows:

Cost	510,894
Depreciation	53,870
Net book value	£ 457,024

The Company Nil

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NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31st DECEMBER,1996

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10. **Investments**

	Note	
The Group		
Quoted	10a	6,135
Unquoted	10b	-
		£ 6,135
The Company		
Unquoted - Group undertakings	10c	
Additions		
and at 31st December,1996		£ 3,157,963

10a. Quoted
The group holds the following shares in Quadrant Group plc

	Number of Shares	Holdings	Market value at 31.12.96
Ordinary shares of 10p each	50,000	0.13%	£ 5,750

10b. The Group holds shares in Atlantic Computers plc

'AB' ordinary shares of 10p each	1,646,062	1.57%	£ -

10c. Subsidiary undertakings

Name of Undertaking	Country of Incorporation	Class of Shares	Proportion Held	Nature of Business
Old Court Trust PLC (formerly The Court Trust PLC)	England	Ordinary	100%	Investments and the provision of management services.
Pennant International Limited	England	Ordinary	100%	Design, development, manufacture and support of systems and products for training and education.
Bettertrain Ltd (subsidiary of Old Court Trust PLC)	England	Ordinary	70%	Provision of management services.
The Global Investment House Ltd (subsidiary of Old Court Trust PLC)	England	Ordinary	100%	Investments.

The aggregate amount of the total investments in the shares of subsidiary undertakings stated by way of the equity method was £3,256,500.

NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31st DECEMBER,1996

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11. **Stocks**

The Group

Raw materials and consumables	139,990
Work in progress	401,677
Long term contracts	129,385
Finished goods	381
	671,433
Payments on account relating to long term contracts	(5,000)
	£ 666,433

The Company - Nil

12. **Debtors**

The Group

Trade debtors	176,484
Other debtors	733
Prepayments	37,517
	£ 214,734

The Company

Amounts owed by subsidiary undertaking	£ 180,638

13. **Creditors: amounts falling due within one year**

The Group

Bank overdrafts (note 14.1)	10,422
Current instalments due on bank and other secured loans (notes 14.2 & 14.3)	123,650
Trade creditors	239,359
Corporation tax	52,135
Social security and other taxes	99,807
Hire purchase and finance lease	73,392
Payments received on account	168,094
Other creditors	154,132
Accruals	28,438
	£ 949,429

The Company

Amounts owed to subsidiary undertakings	1,904,475
Corporation tax	31,806
Accruals	1,200
	£ 1,937,481

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14. **Creditors: amounts falling due after more than one year**

The Group

Bank loans wholly repayable over five years (note 14.2)	220,000
Other secured loans (note 14.2)	133,450
Other secured loans (note 14.3)	75,000
Hire purchase and finance lease	64,600
	£ 493,050

The Company - Nil

Notes:

1) Bank overdraft of £10,422 is secured by a fixed and floating charge over the assets of Pennant International Limited.

2) Bank and other secured loans of £447,100 are secured by fixed and floating charges over Pennant International Limited assets. They are repayable by instalments of which £66,850 is due more than five years after 31st December,1996. Interest is payable at 2 1/2% and 2 3/4% above bank base rate on £280,000 and at fixed rates of 9½% and 10% on £167,100.

3) The other secured loan is secured by a floating charge over the assets of Old Court Trust PLC Group.

15. **Share capital**

	Authorised, allotted, called up and fully paid
Ordinary Shares of £1 each	675,000
'B' Ordinary Shares of £1 each	325,000
'B' Preference Shares of £1 each	300,000
'C' Preference Shares of £1 each	100,000
	£ 1,400,000

The shares were issued on 28th May 1996 to provide the initial working capital of the company.

The rights attaching to the respective class of shares are as follows:

B Preference	9½% fixed cumulative dividend
C Preference	9½% fixed cumulative dividend
B Ordinary	A total dividend of upto 9% of the net profit before tax being a fixed cumulative dividend of 4 5/13p per share together with a balancing participating dividend where required.

The 'B' Preference shares are redeemable by annum instalments of £15,000 commencing 31st December 1998 until 31st December 2009, the 'C' Preference shares are redeemable at the company's discretion subject to the 'B' Preference holders rights. The 'B' Ordinary shares are convertible to Ordinary shares at the class shareholder's discretion.

In the case of a winding up of the company, the 'B' Preference shareholders are entitled to £3 per share and the 'C' Preference shareholders are entitled to £1 per share. The Preference shares hold no voting right.

NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31st DECEMBER,1996

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16. **Reserves**

	Capital reserve on consolidation	Profit and Loss Account
The Group		
Retained profit for the period	-	121,732
Dividends	-	(115,857)
Arising on acquisition of subsidiaries	85,036	-
Balance at 31st December,1996	£ 85,036	£ 5,875

	Profit and Loss Account
The Company	
Profit for the year	116,977
Dividends	(115,857)
Balance at 31st December,1996	£ 1,120

17. **Reconciliation of movements in shareholders funds**

Profit for the financial year	121,732
Dividends	(115,857)
	5,875
Issue of share capital	1,400,000
Capital reserve arising on consolidation	85,036
Closing shareholders' funds	£ 1,490,911
Closing shareholders' funds attributable to:	
Equity shareholders	1,090,911
Non-equity shareholders	400,000
	£ 1,490,911

18. **Capital commitments**
The Group and The Company
There were no capital commitments at 31st December,1996.

19. **Contingent liabilities**
The Group
Deferred taxation has not been provided on the revaluation of the freehold property because there is little possibility of the property being sold in the foreseeable future. If the property was realised at its book value, however, the tax liability would be approximately £88,000.

No deferred taxation has been provided on the timing differences between profits computed for taxation purposes and profits as stated in the financial statements (accounting policy note 1.7) as the directors consider that there is little possibility of the tax crystalising, however the tax liability would be approximately £99,000.

The Company
Nil

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20. **Leasing commitments**

The Group

At 31st December,1996 the Group had annual commitments under non-cancellable operating leases as detailed below:

	Land and Buildings
Operating leases which expire:	
Within two to five years	£ 28,000

The Company - Nil

21. **Notes to the cash flow statement**

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

Operating profit	220,285
Depreciation	73,642
Loss on sale of tangible fixed assets	1,798
Amortisation of intangible fixed assets	32,660
Decrease in stocks	145,836
Increase in debtors	(49,252)
Decrease in creditors	117,348
Net cash inflow from operating activities	£ 542,317

b) Analysis of changes in cash and cash equivalents during the period

Net cash inflow and at 31st December,1996	£ 128,311

c) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1996	Change in period
Cash at bank and in hand	138,733	138,733
Bank overdraft	(10,422)	(10,422)
	£ 128,311	£ 128,311

d) Analysis of changes in financing during the year

	Capital Reserve	Share Capital	Loans
Acquisition of subsidiary	85,036	1,400,000	750,749
Cash outflow from financing	-	-	(198,649)
Balance at 31st December,1996	£ 85,036	£ 1,400,000	£ 552,100

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22. **Acquisition of subsidiary undertakings**

Net assets acquired:

Intangible fixed assets	126,965
Tangible fixed assets	1,680,659
Stock	812,269
Debtors	165,482
Cash	169,308
Creditors	(1,469,647)
	1,485,036
Capital reserve on acquisition	85,036
	£ 1,400,000

Discharged by:

Issue of share capital	£ 1,400,000

The audited financial statements of The Court Trust PLC (now Old Court Trust PLC) for the year ended 31st December 1995 showed a profit after tax of £245,408.

The unaudited management accounts for the period from 1st January 1996 to 29th May 1996, being the date of acquisition, are summarised as follows:

Turnover	£ 1,460,825
Operating profit	161,592
Profit on sale of fixed assets	249,069
Interest payable	(43,969)
Profit before taxation	366,692
Taxation	5,918
Retained profit	£ 360,774

There were no recognised gains or losses during the period other than as disclosed above and there have been no discontinued activities or acquisitions.