

ANNUAL REPORT AND FINANCIAL STATEMENTS 1984



BCL

Business Computer Systems PLC

887467
/ 97

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS
BUSINESS COMPUTER SYSTEMS PLC
31 DECEMBER 1984**



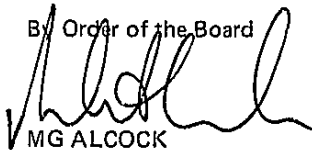
BUSINESS COMPUTER SYSTEMS PLC

NOTICE OF MEETING

Notice is hereby given that the nineteenth Annual General Meeting of Business Computer Systems PLC will be held at the registered office of the company at Sunrise Parkway, Linford Wood, Milton Keynes on 18 September 1985 at 2.30 pm to consider and, if thought fit, to pass the resolutions set out below:

- 1 That the report of the directors and the financial statements for the year ended 31 December 1984 be and are hereby adopted.
- 2 That Mr. REW Newman be re-elected as a director.
- 3 That Price Waterhouse be re-appointed as auditors and that the directors be authorised to fix their remuneration.

By Order of the Board



MG ALCOCK

Secretary

Sunrise Parkway
Linford Wood
Milton Keynes
MK14 6LJ

19 August 1985

The following documents will be available for inspection at the Annual General Meeting and at the registered office during the period of this notice:

- 1 A statement of all transactions of each director, and of their family interests, in the ordinary shares of the company.
- 2 Copies of all contracts of service whereunder directors of the company are employed by the company at the date of this notice.

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member.

BUSINESS COMPUTER SYSTEMS PLC

Directors	RAYMOND EDWARD WILFRED NEWMAN Chairman
	MICHAEL PATRICK MUNNELLY Managing Director
	MARTIN GERALD ALCOCK, MBCS Systems Director
	ERIC THOMAS GILLILAND Sales and Marketing Director
	GODFREY JOHN CHANDLER Non-executive Director
	GEORGE DEREK ROYLE, C Eng, MIEE Non-executive Director
Secretary	MARTIN GERALD ALCOCK, MBCS
Registered Office	Sunrise Parkway Linford Wood Milton Keynes MK14 6LJ
Registrars and Transfer Office	BARCLAYS BANK PLC Registration Department Radbroke Hall Knutsford Cheshire WA16 9EU
Bankers	BARCLAYS BANK PLC
Stockbrokers	CAZENOVE & CO
Auditors	PRICE WATERHOUSE
Solicitors	CLIFFORD-TURNER

BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

CHAIRMAN'S STATEMENT

Shareholders will be aware of the announcement in April that I had accepted the appointment as Chairman of your Company in place of Godfrey Chandler, who remains on the Board. In the light of the conditions facing the Company and the industry, your Directors felt that the appointment of a part-time executive Chairman was desirable.

It is extremely disappointing to report that the year 1984 represented a major setback for the Company. The results for the year show a loss of £1,362,000 before tax compared with a profit before tax of £502,000 reported in the previous year. However, the losses for 1984 may have been affected by difficulties in evaluating whether certain sales previously accounted for in 1983 should have been included in the 1984 Accounts. The losses for the year have been caused by a number of factors, the most important of which are detailed below:-

The micro-computer industry suffered major problems in 1984 arising from a slow-down in the rate of growth of the industry and increasing competition. Consequently, the Company's turnover fell from £8.5 million in 1983 to £6.7 million in 1984.

The Company experienced considerable difficulty in obtaining supplies of new top-selling ranges of hardware with the result that orders, which we would normally have expected to secure, were lost.

The exchange rate adversely affected the margins that were obtained on hardware imported from the USA. The resulting cost increases could not be compensated for by higher sales prices due to the difficult market conditions prevailing in that period.

In view of the introduction of new hardware products, it was necessary to make substantial provisions against stocks of obsolescent products, some of which related to the previous year.

Increasing difficulties in collecting debts outstanding from previous years required the need for further provisions. In addition, the Company experienced an above-average failure rate amongst its dealer customers.

I regret that I have to report this setback in my first statement as your Chairman. However, vigorous action has been taken to retrieve the situation and return the Company to profitability. Steps taken include:-

A major cost reduction exercise embarked upon in 1984 and continued into 1985.

The introduction of a new organisation structure to focus management's efforts on achieving profitable trading for each of the Company's activities rather than price-cutting to compete for sales orders.

Increased emphasis being placed upon the marketing of software and the development of our engineering and maintenance activities. These activities have remained reasonably buoyant in spite of the problems in the rest of the industry.

BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

CHAIRMAN'S STATEMENT (continued)

More attention being paid to the supply of hardware to ensure that products are available when required.

Changes in product sourcing to make the Company less vulnerable to adverse movements in exchange rates.

The continued development of the Company's present range of software products. This independent packaged software which is now being marketed separately can be used with a wide variety of hardware, and the Directors believe that your Company now leads the field in packaged software for the distribution industry.

The improvement of financial controls, credit control and general administration within the Company.

I am pleased to report that the above action, together with less significant changes, have begun to have a positive impact on the Company's trading position. Unaudited management accounts show that the Company is now trading profitably and although it would not be prudent at this early stage for the Directors to forecast the likely outcome for 1985, it is hoped that the current year will show a significant recovery from the difficulties and problems of 1984.

In May, Mr. AG Cunningham, the Financial Director, left the Company and we have appointed a new Head of Finance. The introduction of a new organisation structure will result in a number of new appointments in the near future.

The Company's bankers are aware of the 1984 results and the management figures to date for 1985. They have indicated their willingness to continue to provide support on normal terms.

In the circumstances, the Directors cannot recommend the payment of a dividend for the year. The restoration of the dividend will depend on the Company's future performance, but I consider it unlikely that the dividend can be restored for 1985.

REW NEWMAN
Chairman

BUSINESS COMPUTER SYSTEMS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1984

The directors present their report and the audited financial statements of the group for the year ended 31 December 1984.

PRINCIPAL ACTIVITY

The principal activity of the group continues to be the marketing of computer systems and software and the maintenance of computer systems and other related engineering work. A review of the group's business including significant developments and prospects is contained in the Chairman's Statement.

TRADING RESULTS AND DIVIDEND

The results for the year and the financial position of the group are shown in the annexed financial statements. The directors do not recommend the payment of a dividend.

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets are shown in note 9 to the financial statements.

RESEARCH AND DEVELOPMENT

The group has a continuing commitment to a high level of research and development. The expenditure is directed towards creating new software products and updating and refining existing products to meet identified customer requirements in the group's specific markets. It is the group's normal policy to write off this type of expenditure as incurred. However, costs of £75,000 in respect of development of the product-independent Fairway software packages have been capitalised during the year and are being amortised over a four year period.

DIRECTORS

Mr. REW Newman was appointed a director on 10 April 1985, and was elected Chairman on the same day. He retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Mr. AG Cunningham resigned as a director on 24 June 1985.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 1984 (continued)**

INTERESTS IN SHARES

The interests of the directors, including those of their families, in the shares of the company were as follows:

	<u>31 December 1984</u>		<u>31 December 1983</u>	
MG Alcock	619,754	(10.6%)	643,754	(11.0%)
GJ Chandler	6,000		6,000	
AG Cunningham	91,000		101,680	
ET Gilliland	758,003	(12.9%)	758,003	(12.9%)
MP Munnely	768,043	(13.1%)	778,043	(13.3%)
GD Royle	15,010		15,010	

At 31 December 1984, Mr. AG Cunningham had an option under the Business Computer Systems PLC Share Option Scheme in respect of 235,000 ordinary shares. This option lapsed on his leaving the company on 29 May 1985.

In the period from 1 January 1985 to 31 July 1985, Mr. MP Munnely disposed of 5,000 shares and Mr. ET Gilliland disposed of 2,500 shares. During the period from 1 January 1985 until his resignation as a director on 24 June 1985, Mr. AG Cunningham disposed of 6,000 shares. There were no other changes in directors' interests, including family interests, in the shares of the company during the period to 31 July 1985.

None of the directors during 1984 had a beneficial interest in any significant contract to which the company was a party.

Apart from the directors' shareholdings as shown above, and the company having been informed that International Aeradio Limited and a subsidiary held 799,990 ordinary shares (13.6%) of the company as at 31 July 1985, the directors are not aware of any other shareholdings which amount to 5 per cent or more of the allotted share capital of the company.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to be re-appointed and a resolution concerning this will be proposed at the Annual General Meeting.

By Order of the Board


MG ALCOCK
Secretary

19 August 1985

BUSINESS COMPUTER SYSTEMS PLC

AUDITORS' REPORT TO THE MEMBERS OF BUSINESS COMPUTER SYSTEMS PLC

We have audited the accounts on pages 8 to 18, in accordance with approved Auditing Standards, except that the scope of our work was limited by the matters referred to below.

As explained in note 1 to the accounts, during 1985 it has been discovered that the company's accounting records relating to sales and stocks at 31 December 1983 and 1984 were not properly kept. Adjustments have been made to correct the accounting records at 31 December 1984 but information is no longer available to enable corrections to be made to the position at 31 December 1983. It is probable however, that part of the loss shown in the accounts for the year ended 31 December 1984 relates to the previous year.

In our opinion the accounts show a true and fair view of the state of affairs of the company and of the group at 31 December 1984. In view of the circumstances described above we are unable to express an opinion on the results shown by the profit and loss account for the year then ended and for the preceding year.

Except for the uncertainty regarding the allocation of sales and profit between 1983 and 1984, in our opinion the accounts comply with the Companies Act 1985.


PRICE WATERHOUSE

Chartered Accountants

Nottingham

19 August 1985

BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

ACCOUNTING POLICIES

Basis of consolidation

The financial statements of the parent company and its subsidiaries are included in the group financial statements and are prepared under the historical cost convention.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated on a straight line basis at rates estimated to write off the cost of the relevant assets over their anticipated useful lives. The principal annual rates used are as follows:

Computer equipment	25%
Other plant and equipment	25%
Motor vehicles	25%
Furniture and fittings	15%

Intangible fixed assets and amortisation

Certain costs specific to the development of the product-independent Fairway software packages are capitalised and amortised over a four year period.

General development expenditure

General development expenditure is written off as incurred.

Stocks

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

Deferred taxation

Provision is made for corporation tax deferred by timing differences only where there is a reasonable probability of such differences reversing and an actual corporation tax liability arising in the foreseeable future.

BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1984

	Note	1984 £000	1983 £000
TURNOVER	2	6,661	8,474
Cost of Sales		<u>(3,026)</u>	<u>(3,957)</u>
GROSS PROFIT		3,635	4,517
Distribution and marketing costs		(3,428)	(2,959)
Doubtful debts and other irrecoverable amounts		(512)	(117)
Administrative expenses		<u>(965)</u>	<u>(911)</u>
OPERATING (LOSS)/PROFIT	3	(1,270)	530
Interest payable	4	<u>(92)</u>	<u>(28)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,362)	502
Taxation credit/(charge)	7	<u>205</u>	<u>(150)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1,157)	352
Proposed final dividend		<u>-</u>	<u>(59)</u>
AMOUNT (WITHDRAWN FROM)/ SET ASIDE TO RESERVES	16		
Company		(1,218)	187
Subsidiaries		<u>61</u>	<u>106</u>
		<u>(1,157)</u>	<u>293</u>
(Deficit)/earnings per share	8	(19.7p)	6.0p

BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

GROUP BALANCE SHEET - 31 DECEMBER 1984

	Note	1984 £000	1983 £000
FIXED ASSETS			
Tangible assets	9	695	705
Intangible assets	10	<u>65</u>	<u>-</u>
		760	705
CURRENT ASSETS			
Stocks	12	1,643	1,861
Debtors	13	2,204	4,050
Cash at bank and in hand		<u>11</u>	<u>11</u>
		3,858	5,922
CREDITORS - amounts falling due within one year	14	<u>(4,069)</u>	<u>(4,911)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(211)</u>	<u>1,011</u>
		549	1,716
DEFERRED TAXATION	7	<u>-</u>	<u>(10)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>549</u>	<u>1,706</u>
CAPITAL AND RESERVES			
Called up share capital	15	587	587
Profit and loss account	16	<u>(38)</u>	<u>1,119</u>
		549	1,706

Approved by the Board 19 August 1985

REW NEWMAN
MP MUNNELLY

Directors



BUSINESS COMPUTER SYSTEMS PLC

COMPANY BALANCE SHEET - 31 DECEMBER 1984

	Note	1984 £000	1983 £000
FIXED ASSETS			
Tangible assets	9	191	347
Intangible assets	10	65	-
Investments	11	<u>1</u>	<u>1</u>
		257	348
CURRENT ASSETS			
Stocks	12	1,545	1,786
Debtors	13	1,977	4,329
Cash at bank and in hand		<u>11</u>	<u>11</u>
		3,533	6,126
CREDITORS - amounts falling due within one year	14	<u>(3,420)</u>	<u>(4,911)</u>
NET CURRENT ASSETS		<u>113</u>	<u>1,215</u>
		370	1,563
DEFERRED TAXATION	7	<u>-</u>	<u>25</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>370</u>	<u>1,588</u>
CAPITAL AND RESERVES			
Called up share capital	15	587	587
Profit and loss account	16	<u>(217)</u>	<u>1,001</u>
		<u>370</u>	<u>1,588</u>

Approved by the Board 19 August 1985

REW NEWMAN
MP MUNNELLY Directors

[Handwritten signature]
[Handwritten signature]



BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1984

	1984 £000	1983 £000
(Loss)/profit on ordinary activities before taxation	(1,362)	502
Depreciation and other amounts written off tangible and intangible fixed assets	<u>290</u>	<u>189</u>
FUNDS (ABSORBED BY)/GENERATED FROM OPERATIONS	(1,072)	691
FUNDS FROM OTHER SOURCES		
Proceeds from disposal of fixed assets	<u>100</u>	<u>71</u>
	(972)	762
APPLICATION OF FUNDS		
Purchase of tangible and intangible fixed assets	(445)	(430)
Taxation paid	(103)	-
Dividend paid	<u>(59)</u>	<u>(36)</u>
	<u>(607)</u>	<u>(466)</u>
	(1,579)	296
WORKING CAPITAL MOVEMENTS		
Decrease/(increase) in stocks	218	(590)
Decrease/(increase) in debtors	1,846	(765)
(Decrease)/increase in creditors	<u>(828)</u>	<u>629</u>
	<u>1,236</u>	<u>(726)</u>
INCREASE IN BANK BORROWINGS	<u>(343)</u>	<u>(430)</u>

BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

NOTES TO THE 1984 FINANCIAL STATEMENTS

1 ACCOUNTING RECORDS

During 1985 it has been discovered that the company's records relating to sales and stocks at 31 December 1983 and 1984 were not properly kept.

It appears that certain goods which had been treated as sales and excluded from stocktaking procedures were, without the knowledge of the present directors, located at an outside warehouse.

Adjustments have been made to correct the records as at 31 December 1984 but it is not now possible to ascertain what adjustments may be necessary in respect of the position as at 31 December 1983.

2 TURNOVER

Turnover represents the invoiced value of goods sold and service income accruing in the year.

3 OPERATING LOSS

	1984	1983
The loss is stated after charging:	£000	£000
Depreciation and amortisation of fixed assets	280	190
Vehicle leasing charges	273	271
Auditors' remuneration	<u>20</u>	<u>17</u>

4 INTEREST PAYABLE

Bank	74	25
Other	<u>18</u>	<u>3</u>
	<u>92</u>	<u>28</u>

BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

NOTES TO THE 1984 FINANCIAL STATEMENTS (continued)

5	EMPLOYEES	1984 £000	1983 £000
---	-----------	--------------	--------------

Staff costs during the year were:

Wages and salaries	2,116	2,064
Social security costs	214	185
Other pension costs	<u>20</u>	<u>26</u>

The average number of persons employed by the group during the year was 208 (1983 185). The number of employees, other than directors of the company, with emoluments in the year in excess of £30,000 was as follows:

	<u>Number</u>	<u>Number</u>
£ 30,001 - £ 35,000	1	1
£ 45,001 - £ 50,000	<u>—</u>	<u>1</u>

6 DIRECTORS' EMOLUMENTS.

Directors' emoluments including fees of £6,000 (1983 £6,000)	<u>130</u>	<u>158</u>
--	------------	------------

Details of emoluments, excluding pension contributions:

Chairman	5	5
Highest paid director	<u>32</u>	<u>39</u>

Emoluments of other directors were in the following ranges:

	<u>Number</u>	<u>Number</u>
Up to £5,000	1	1
£ 25,001 - £ 30,000	2	—
£ 30,001 - £ 35,000	1	1
£ 35,001 - £ 40,000	<u>—</u>	<u>2</u>

BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

NOTES TO THE 1984 FINANCIAL STATEMENTS (continued)

7	TAXATION	1984 £000	1983 £000
(a)	Credit for the year		
	Corporation tax credit (1983 charge) in respect of:		
	Current year	(142)	150
	Prior years	(53)	-
	Deferred taxation	<u>(10)</u>	<u>-</u>
	Credit (1983 charge) for the year	<u>(205)</u>	<u>150</u>

At 31 December 1984 there were tax losses available for carry forward of approximately £ 700,000.

(b) Deferred taxation

The group's potential liability for taxation deferred by accelerated capital allowances has been extinguished by tax losses not utilised.

(c) Company status

As far as the directors are aware, the company is not a close company as defined by the Taxes Acts.

8 DEFICIT PER SHARE

The deficit per share has been calculated on the loss for the year after taxation of £ 1,157,000 (1983 - profit £ 352,000) and on 5,866,662 ordinary shares of 10p each which were in issue throughout the year.

BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

NOTES TO THE 1984 FINANCIAL STATEMENTS (continued)

9 FIXED ASSETS - TANGIBLE ASSETS

	Computer equipment £000	Other plant and equipment £000	Total £000
GROUP			
<u>Cost</u>			
At 1 January 1984	714	301	1,015
Additions	301	69	370
Disposals	(173)	(34)	(207)
At 31 December 1984	<u>842</u>	<u>336</u>	<u>1,178</u>
<u>Depreciation</u>			
At 1 January 1984	169	141	310
Provision for the year	218	52	270
On disposals	(85)	(12)	(97)
At 31 December 1984	<u>302</u>	<u>181</u>	<u>483</u>
<u>Net book amount at 31 December 1984</u>	<u>540</u>	<u>155</u>	<u>695</u>
<u>Net book amount at 31 December 1983</u>	<u>545</u>	<u>160</u>	<u>705</u>
COMPANY			
<u>Cost</u>			
At 1 January 1984	252	301	553
Additions	-	69	69
Disposals	(173)	(34)	(207)
At 31 December 1984	<u>79</u>	<u>336</u>	<u>415</u>
<u>Depreciation</u>			
At 1 January 1984	66	140	206
Provision for the year	63	52	115
On disposals	(85)	(12)	(97)
At 31 December 1984	<u>44</u>	<u>180</u>	<u>224</u>
<u>Net book amount at 31 December 1984</u>	<u>35</u>	<u>156</u>	<u>191</u>
<u>Net book amount at 31 December 1983</u>	<u>186</u>	<u>161</u>	<u>347</u>

At 31 December 1984, the directors had authorised future capital expenditure of £48,000 (1983 £ 35,000), all of which had been contracted for.

BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

NOTES TO THE 1984 FINANCIAL STATEMENTS (continued)

10	FIXED ASSETS - INTANGIBLE ASSETS Group and company	1984 £000	1983 £000
	Development costs relating to Fairway software packages capitalised in the year	75	-
	Amortisation	<u>(10)</u>	<u>-</u>
	Net book amount	<u>65</u>	<u>-</u>
11	FIXED ASSETS - INVESTMENTS		
	Shares in subsidiaries at cost	<u>1</u>	<u>1</u>
	The company owns the whole of the called up share capital of the following subsidiaries, both of which are incorporated in Great Britain:		
	Business Computer Services Limited		
	Business Computers Limited - dormant		
12	STOCKS		
	Stocks represent principally computer equipment, accessories and spares which are held for resale.		
13	DEBTORS	Group	Company
		1984 £000	1983 £000
	Trade debtors	1,906	3,922
	Other debtors	298	128
	Amounts owed by subsidiary	<u>-</u>	<u>240</u>
		<u>2,204</u>	<u>4,329</u>

BUSINESS COMPUTER SYSTEMS PLC AND ITS SUBSIDIARIES

NOTES TO THE 1984 FINANCIAL STATEMENTS (continued)

14 CREDITORS amounts falling due within one year	Group		Company	
	1984 £000	1983 £000	1984 £000	1983 £000
Bank overdraft - secured	598	255	598	255
Trade creditors	1,330	2,116	1,330	2,116
Other creditors including taxation and social security	989	1,434	989	1,434
Accruals and deferred income	1,152	1,047	503	1,047
Proposed dividend	-	59	-	59
	<u>4,069</u>	<u>4,911</u>	<u>3,420</u>	<u>4,911</u>

The bank overdraft is secured by a fixed charge on book debts, leasehold property and fixtures, and the shareholding in Business Computer Systems Limited, and by a floating charge on the whole of the remaining assets of the group.

Corporation tax liabilities within creditors amount to £ 30,000 (1983 £ 328,000).

15 CALLED UP SHARE CAPITAL	1984 £000	1983 £000
Ordinary shares of 10p each		
Authorised	<u>1,000</u>	<u>1,000</u>
Allotted and fully paid	<u>587</u>	<u>587</u>
16 PROFIT AND LOSS ACCOUNT	Group £000	Company £000
At 1 January 1984	1,119	1,001
Loss for the year	<u>(1,157)</u>	<u>(1,218)</u>
At 31 December 1984	<u>(38)</u>	<u>(217)</u>