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BUSINESS COMPUTER SYSTEMS PLC

FINANCIAL STATEMENTS

4 APRIL 1986



DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the group for the fifteen month period from 1 January 1985 to 4 April 1986.

Holding Company

On 13 March 1986 the company became a wholly owned subsidiary of Electronic Data Processing PLC, a company incorporated in Great Britain and registered in England.

Principal activities

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.

Trading results and dividend

The results for the period 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 7 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. Costs of £75,000 in respect of development of the product-independent Fairway software packages were capitalised during 1984, and were to be amortised over a four year period.

However, it is the new holding company's opinion that there is no merit in so doing. This and all further similar expenditure has been written off during the period.

Directors

The directors during the period, and those subsequently appointed, were as follows:

RJ	Jowitt - chairman	(Appointed	30.4.86)
ET	Gilliland	(Resigned	14.3.86)
GD	Royle	(Resigned	2.5.86)
MP	Munnally	(Resigned	2.5.86)
MG	Alcock	(Appointed	10.4.85, Resigned 14.3.86)
REW	Newman	(Resigned	14.3.86)
GJ	Chandler	(Resigned	24.6.85)
AG	Cunningham	(Appointed	28.10.86)
PB	Lindley		

DIRECTORS REPORT (continued)

Directors (continued)

R J Jowitt and P B Lindley were appointed after the last Annual General Meeting, accordingly they retire; E T Gilliland retires by rotation and, being eligible, they all offer themselves for re-election.

Interests in shares

No director had any interest in the shares of the company at 4 April 1986. The interests of the directors, including those of their families, in the shares of the company at 31 December 1984 were as follows:

MG Alcock	619,754	(10.6%)
GJ Chandler	6,000	
AG Cunningham	91,000	
ET Gilliland	758,003	(12.9%)
MP Munnelly	768,043	(13.1%)
GD Royle	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 upon his resignation.

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

Post balance sheet event

On 18 June 1986, 30,000 10p ordinary shares were issued to each of eight managers under a Share Option Scheme. These were then transferred to Electronic Data Processing PLC in exchange for shares in that company.

Auditors

During the period the former auditors, Price Waterhouse, resigned and KMG Thomson McIntock were appointed in their place. A resolution concerning the reappointment of KMG Thomson McIntock as auditors and their remuneration will be submitted to the annual general meeting.

By order of the board

J Gouldsbrough

Secretary

31 October 1986

Holmwood House
Cortworth Road
Sheffield S11 9LP

AUDITORS' REPORT TO THE MEMBERS OF
BUSINESS COMPUTER SYSTEMS PLC

We have audited the financial statements on pages 4 to 17. Our audit was conducted in accordance with approved Auditing Standards, except that the scope of work was limited by the matter referred to below.

We were not appointed auditors of the company until March 1986 and in consequence did not report on the financial statements for the year ended 31 December 1984. It was not possible for us to carry out the auditing procedures necessary to obtain our own assurance as regards figures appearing in the balance sheet as at 31 December 1984 and any adjustment to these figures would have a consequential effect on the loss for the period ended 4 April 1986.

In our opinion, the balance sheet gives a true and fair view of the state of the affairs of the company and the group at 4 April 1986 and, subject to the effect of any adjustment which might have been necessary in respect of the foregoing, the financial statements give a true and fair view of the group's loss and source and application of funds for the fifteen month period then ended, and comply with the Companies Act 1985.

KMG Thomson McLintock

31 October 1986

ACCOUNTING POLICIES

The effects of events relating to the period ended 4 April 1986 which occurred before 31 October 1986, the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 4 April 1986 and of the results for the period ended on that date.

Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with S228 and S230 of, and Schedule 4 to, the Companies Act 1985.

Basis of consolidation

The consolidated financial statements at 4 April 1986 incorporate the accounts of the company and all subsidiaries. Uniform accounting policies have been followed by the parent company and all subsidiaries.

In accordance with S228 (7) of the Companies Act 1985 a separate profit and loss account for the parent company is not presented, as the results of the company are disclosed in the consolidated profit and loss account.

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%

Research and development

Expenditure on research and development is written off in the year to which it relates. In 1984 it was decided to capitalise costs related to the development of the product independent Fairway software packages. As noted in the Directors' Report this decision was reversed during the period to 4 April 1986.

Leasing charges

Costs relating to operating leases, including leases of buildings, are charged to profit and loss account in the period in which the expenditure is incurred.

No assets are funded by finance leases.

ACCOUNTING POLICIES (continued)

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.

Foreign currencies

Foreign currency transactions during the year are translated at the exchange rate ruling at the date of the transactions. Foreign currency balances outstanding at the balance sheet date are translated into sterling at the rate ruling at the balance sheet date.

Change of accounting policy

During the period it was decided that computer spares and equipment used in the company's trade, which had previously been treated as fixed assets, should be classified as stock. This equipment had been revalued at each period end and a depreciation charge included in administration expenses. The effect of reclassification is that this charge is now an obsolescence provision on stock and recorded under cost of sales in the profit and loss account. All such assets previously disclosed as fixed assets have now been reclassified as stock.

BUSINESS COMPUTER SYSTEMS PLC
AND SUBSIDIARY COMPANIES

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period from 1 January 1985 to 4 April 1986

	<u>Notes</u>	15 months ended 4 April 1986	12 months ended 31 December 1984
		<u>£'000</u>	(as restated) <u>£'000</u>
TURNOVER	1	10,072	6,661
Cost of sales		<u>(4,945)</u>	<u>(3,676)</u>
GROSS PROFIT		5,127	2,985
Distribution and marketing costs		(3,234)	(2,933)
Administration expenses		<u>(2,747)</u>	<u>(1,322)</u>
OPERATING LOSS	2 - 4	(854)	(1,270)
Interest payable	5	<u>(177)</u>	<u>(92)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,031)	(1,362)
Taxation credit/(charge)	6	<u>—</u>	<u>205</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(1,031)	(1,157)
AMOUNT (WITHDRAWN FROM)/SET ASIDE TO RESERVES:			
The Company		(1,038)	(1,218)
Subsidiaries		<u>7</u>	<u>61</u>
		<u>(1,031)</u>	<u>(1,157)</u>

CONSOLIDATED BALANCE SHEET

As at 4 April 1986

	<u>Notes</u>	4 April 1986 <u>£'000</u>	31 December 1984 (as restated) <u>£'000</u>
FIXED ASSETS			
Tangible assets	7	232	191
Intangible assets	8	—	65
		<u>232</u>	<u>256</u>
CURRENT ASSETS			
Stocks	10	852	2,147
Debtors	11	1,996	2,204
Cash at bank and in hand		<u>12</u>	11
		2,860	4,362
CREDITORS: Amounts falling due within one year	12	<u>(2,130)</u>	<u>(2,917)</u>
NET CURRENT ASSETS		<u>730</u>	<u>1,445</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		962	1,701
DEFERRED INCOME	13	<u>(1,444)</u>	<u>(1,152)</u>
		<u>(482)</u>	549
CAPITAL AND RESERVES			
Called up share capital	14	587	587
Profit and loss account	15	<u>(1,069)</u>	<u>(38)</u>
		<u>(482)</u>	549

Director

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Director

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COMPANY BALANCE SHEET

As at 4 April 1986

	<u>Notes</u>	4 April 1986	31 December 1984
		<u>£'000</u>	<u>£'000</u>
FIXED ASSETS			
Tangible assets	7	232	191
Intangible assets	8	-	65
Investments	9	<u>1</u>	<u>1</u>
		233	257
CURRENT ASSETS			
Stocks	10	292	1,545
Debtors	11	1,507	1,977
Cash at bank and in hand		<u>12</u>	<u>11</u>
		1,811	3,533
CREDITORS: Amounts falling due within one year	12	<u>(2,229)</u>	<u>(2,917)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(418)</u>	<u>616</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(185)</u>	873
DEFERRED INCOME	13	<u>(483)</u>	<u>(503)</u>
		<u>(668)</u>	370
CAPITAL AND RESERVES			
Called up share capital	14	587	587
Profit and loss account	15	<u>(1,255)</u>	<u>(217)</u>
		<u>(668)</u>	370

Director

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Director

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CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the period from 1 January 1985 to 4 April 1986

	15 months ended 4 April 1986 <u>£'000</u>	12 months ended 31 December 1984 (as restated) <u>£'000</u>
SOURCE OF FUNDS		
(Loss) on ordinary activities before taxation	(1,031)	(1,362)
Depreciation and other amounts written off tangible and intangible fixed assets	<u>248</u>	<u>135</u>
FUNDS ABSORBED BY OPERATIONS	(783)	(1,227)
FUNDS FROM OTHER SOURCES:		
Proceeds from disposal of fixed assets	<u>5</u>	<u>100</u>
	(778)	(1,127)
APPLICATION OF FUNDS		
Purchase of tangible and intangible fixed assets	(229)	(143)
Taxation paid	(30)	(103)
Dividend paid	<u>-</u>	<u>(59)</u>
	<u>(259)</u>	<u>(305)</u>
	<u>(1,037)</u>	<u>(1,432)</u>
WORKING CAPITAL MOVEMENTS:		
(Decrease)/increase in stocks	(1,295)	(71)
(Decrease)/increase in debtors	(208)	(1,846)
Decrease/(increase) in creditors	<u>147</u>	<u>828</u>
	(1,356)	(1,089)
DECREASE/(INCREASE) IN BANK BORROWINGS	<u>319</u>	<u>(343)</u>
	<u>(1,037)</u>	<u>(1,432)</u>

NOTES

forming part of the financial statements)

1 **TURNOVER**

Turnover represents the invoiced value of goods sold and service income accruing in the year, excluding VAT. The group's turnover is derived wholly from within the United Kingdom from the main trading activities.

2 **OPERATING LOSS**

	<u>1986</u>	<u>1984</u> (as restated)
	<u>£'000</u>	<u>£'000</u>
The loss is stated after charging:		
Depreciation and amortisation of fixed assets	183	125
Vehicle leasing charges	377	273
Auditors' remuneration (including expenses)	20	20
Stock write offs	951	-
	=====	=====

The stock write offs have occurred as the result of an evaluation of the stock following the acquisition of the group by Electronic Data Processing PLC.

3 **EMPLOYEES**

	<u>1986</u>	<u>1984</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs during the period were:		
Wages and salaries	2,894	2,116
Social security costs	265	214
Other pension costs	23	20
	=====	=====
	3,182	2,350
	=====	=====

The average number of persons employed by the group during the period was 184 (1984 - 208).

The number of employees, other than directors of the company, with emoluments in the period at a rate in excess of £30,000 per annum was as follows:

	<u>1986</u> <u>Number</u>	<u>1984</u> <u>Number</u>
£30,001 - £35,000	3	1
£35,001 - £40,000	1	-
£45,001 - £50,000	-	-
£50,001 - £55,000	1	-
	=====	=====

NOTES (continued)

4 DIRECTORS' REMUNERATION

	<u>1986</u>	<u>1984</u>
	<u>£'000</u>	<u>£'000</u>
Fees	1	6
Other emoluments (including pension contributions)	120	124
Compensation for loss of office	<u>25</u>	<u>-</u>
	146	130
	*****	*****

The emoluments of the chairman in 1984 amounted to £5,000. In the 15 months to 4 April 1986 the chairman's fees of £23,000 were paid to Manex Executives Ltd, a company controlled by him.

The emoluments of the highest paid director, excluding pension contributions, were £40,000 (1984, £32,000).

Emoluments of other directors, excluding pension contributions, were in the following ranges:

	<u>Number</u>	<u>Number</u>
Up to £5,000	2	1
£10,001 - £15,000	1	-
£25,001 - £30,000	-	2
£30,001 - £35,000	1	1
£35,001 - £40,000	<u>1</u>	<u>-</u>
	*****	*****

5 INTEREST PAYABLE

	<u>1986</u>	<u>1984</u>
	<u>£'000</u>	<u>£'000</u>
Bank	163	74
Other	<u>14</u>	<u>18</u>
	177	92
	*****	*****

NOTES (continued)

6. TAXATION

	15 months ended <u>4 April 1986</u>	12 months ended <u>31 December 1984</u>
	<u>£'000</u>	<u>£'000</u>
<u>Credit for the period</u>		
Corporation tax credit in respect of:		
Current year	-	(142)
Prior years	-	(53)
Deferred taxation released	<u>-</u>	<u>(10)</u>
Credit for the year	- *****	(205) *****

At 4 April 1986 there were tax losses available for carry forward of approximately £1,901,000 (31 December 1984 - £1,042,000).

Deferred taxation

The group's potential liability for taxation deferred by accelerated capital allowances is likely to be covered by losses not utilised as follows:

	<u>1986</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
At 35% (1984 ~ 35%)		
Accelerated capital allowances	44	42
Tax losses carried forward	<u>(663)</u>	<u>(365)</u>
	(621) *****	(323) *****

Accordingly no provision has been made.

Company status

The company is no longer a close company within the meaning of the Income and Corporation Taxes Act 1970.

NOTES (continued)

7 FIXED TANGIBLE ASSETS

Group and company

<u>Cost</u>	<u>Computer equipment</u>	<u>Other plant and equipment</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 1 January 1985 (as restated)	79	336	415
Additions	229	-	229
Disposals	-	(37)	(37)
At 4 April 1986	308	299	607

Accumulated Depreciation

At 1 January 1985 (as restated)	44	180	224
Provision for the period	124	59	183
On disposals	-	(32)	(32)
At 4 April 1986	168	207	375

Net book value

At 4 April 1986	140	92	232
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Net book value

At 31 December 1984	35	156	191
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At 4 April 1986 the directors had authorised future capital expenditure of £nil (1984: £49,000 authorised and contracted for).

NOTES (continued)

8 . FIXED INTANGIBLE ASSETS

Group and company

<u>Cost</u>	<u>£'000</u>
At 1 January 1985	75
Eliminated in period	<u>(75)</u>
At 4 April 1986	-
<u>Amortisation</u>	
At 1 January 1985	10
On eliminations	<u>(10)</u>
At 4 April 1986	-
<u>Net book value</u>	
At 4 April 1986	-
At 31 December 1984	<u>65</u>

The intangible asset related to costs capitalised in the development of the Fairway software packages.

9 FIXED ASSETS - INVESTMENTS

	<u>1986</u>	<u>1984</u>
	<u>£'000</u>	<u>£,000</u>
Shares in subsidiaries at cost	1	1

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

NOTES (continued)

10 STOCKS

Stocks represent principally computer equipment, accessories and spares which are held for resale.

The replacement cost of stocks does not differ materially from the balance sheet valuation.

11 DEBTORS

Amounts falling due within one year.

	Group		Company	
	<u>1986</u>	<u>1984</u>	<u>1986</u>	<u>1984</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Trade debtors	1,804	1,906	1,315	1,439
Other debtors	192	298	192	298
Amounts owed by subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>240</u>
	<u>1,996</u>	<u>2,204</u>	<u>1,507</u>	<u>1,977</u>

12 CREDITORS

Amounts falling due within one year.

	Group		Company	
	<u>1986</u>	<u>1984</u>	<u>1986</u>	<u>1984</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Bank overdraft	280	598	280	598
Trade creditors	974	1,330	974	1,330
Amounts due to:				
parent company	250	-	250	-
subsidiary	-	-	99	-
Other creditors	183	-	183	-
Tax and social security	<u>443</u>	<u>989</u>	<u>443</u>	<u>989</u>
	<u>2,130</u>	<u>2,917</u>	<u>2,229</u>	<u>2,917</u>

The bank overdraft is secured by a fixed charge on leasehold properties and the shareholding in Business Computer Services Limited.

NOTES (continued)

13 DEFERRED INCOME

All due within one year.

	<u>Group</u>		<u>Company</u>	
	<u>1986</u>	<u>1984</u>	<u>1986</u>	<u>1984</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
	1,444	1,152	483	503

This represents that portion of maintenance contracts taken out by customers but relating to a future period.

14 CALLED UP SHARE CAPITAL

	<u>1986</u>	<u>1984</u>
	<u>£'000</u>	<u>£'000</u>
Ordinary shares of 10p each		
Authorized	1,000	1,000
Allotted, called up and fully paid	587	587

15 PROFIT AND LOSS ACCOUNT

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
At 1 January 1985	(38)	(217)
Loss for the period	<u>(1,031)</u>	<u>(1,038)</u>
At 4 April 1986	<u>(1,069)</u>	<u>(1,255)</u>

NOTES (continued)

16 COMMITMENTS

Commitments to operating leases

The commitment to payments in the next 12 months on operating leases relates to the lease of buildings as follows:

	<u>£'000</u>
Contracts expiring: Within one year	-
Between 2 and 5 years	1
After more than 5 years	<u>153</u>
	154
	154

17 HOLDING COMPANY

The ultimate holding company is Electronic Data Processing PLC, a company incorporated in Great Britain .

Electronic Data Processing PLC has indicated its intention to continue to provide sufficient finance to the group to enable it to continue trading for at least one year from 31 October 1986.