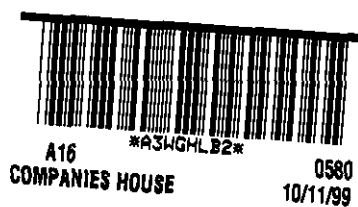


1019840

KCS MANAGEMENT SYSTEMS PLC

ACCOUNTS

30TH SEPTEMBER 1999



KCS MANAGEMENT SYSTEMS PLC

COMPANY INFORMATION

DIRECTORS:

J L Harvey
J Harvey
P M Watson
C Rattigan
J Oakley
A Snell

SECRETARY:

J Harvey

REGISTERED OFFICE:

Whitedcliff House
852 Brighton Road
Purley
Surrey
CR8 2BH

BANKERS:

Barclays Bank Plc
Hatton Garden Branch
99 Hatton Garden
London
EC1N 8DN

COMPANY NO:

1019844

KCS MANAGEMENT SYSTEMS PLC

CONTENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1999

Directors' Report	1 to 2
Auditors' Report	3
Profit and Loss Account	4
Statement of Total Recognised Gains and Losses	4
Balance Sheet	5
Cash Flow Statement	6
Notes to the Accounts	7 to 14
<i>The following page does not form part of the accounts</i>	
Management Profit and Loss Account	15

KCS MANAGEMENT SYSTEMS PLC

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30th September 1999.

Principal Activities

The principal activities of the company during the year continued to be that of the development, marketing, installation and support of computer software for accounting, personnel and payroll systems.

Results

It is considered that the results of the company and its position at 30th September 1999 are fairly set out in the accompanying accounts. The directors were satisfied with the performance of the company during the year.

Dividend

The company has paid preference dividends of £ 12,922 (1998 - £ 15,008) during the year. This dividend was paid in accordance with s.263 of the Companies Act 1985. At the date of the payment the company had sufficient distributable reserves to pay the dividend. However, at 30th September 1999 the prior year adjustment (see note 21) was applied to the accounts, eliminating the company's distributable reserves.

Directors

The directors who served during the year, and their interests in the ordinary shares of the company, were as follows:

	30th September	1st October
	<u>1999</u>	<u>1998</u>
JL Harvey	68,000	68,000
J Harvey	-	-
PM Watson	8,500	8,500
C Rattigan (appointed 1/11/98)	-	-
J Oakley (appointed 1/11/98)	-	-
A Snell (appointed 1/4/99)	-	-

In addition to the ordinary shares stated above, J Harvey, and P M Watson had interests at the beginning of the year in the 11.2% cumulative redeemable preference shares amounting to 1,000 and 10,000 shares respectively. There was no interest in the preference shares by either party at the end of the year.

Year 2000 Issue and the Euro

The directors have made an assessment of the major risks and uncertainties, which the company faces as a result of the Year 2000. The directors have undertaken a review of their computer systems, and of their computer software and do not consider that any material expense will arise as a result of ensuring Year 2000 compatibility. The directors also believe that there will be no adverse effects on the company's customers, suppliers or any other relevant party.

The directors have also considered the impact of the introduction of the Euro and are confident that it will have no adverse effects on the company.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing those accounts 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 accounts;

Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

KCS MANAGEMENT SYSTEMS PLC

DIRECTORS' REPORT (Continued)

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company, and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FIXED ASSETS

The movement in the fixed assets of the company are set out in notes 9 and 10 of the accounts.

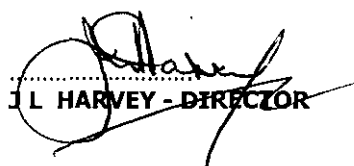
RESEARCH AND DEVELOPMENT

The company continues an active program of development of computer software for accounting, personnel and payroll systems.

CREDITORS

Payment terms are agreed with suppliers in advance. The usual policy of the company is to pay invoices on the 22nd of the month after that in which the invoices were received. Trade creditor days of the company for the year ended 30th September 1999 were 20 days, calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year and the amounts due, at the year end, to trade creditors within one year.

Approved by the board of directors and signed on behalf of the board.


J L HARVEY - DIRECTOR

**AUDITORS' REPORT TO THE
SHAREHOLDERS OF KCS MANAGEMENT SYSTEMS PLC**

We have audited the accounts on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective Responsibilities of Directors and Auditors

As described on pages 1 and 2 the company's directors are also responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on those accounts and report our opinion to you.

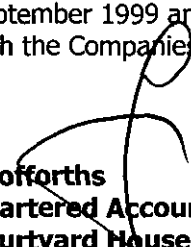
Basis of Opinion

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 amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30th September 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Spofforths
Chartered Accountants and Registered Auditors
Courtyard House
30 Worthing Road
Horsham
West Sussex
RH12 1SL**

Date: 3rd November 1999

KCS MANAGEMENT SYSTEMS PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 1999

	<u>Notes</u>	<u>1999</u> £	<i>As Restated</i> <u>1998</u> £
Turnover	1	3,257,070	<i>2,908,668</i>
Cost of sales		<u>271,155</u>	<i><u>258,993</u></i>
Gross Profit		2,985,915	<i>2,649,675</i>
Administrative expenses		<u>2,688,350</u>	<i><u>2,386,319</u></i>
Operating Profit	2	297,565	<i>263,356</i>
Interest payable and similar charges	6	<u>14,188</u>	<i><u>65,269</u></i>
Profit on Ordinary Activities before Taxation		283,377	<i>198,087</i>
Tax on profit on Ordinary Activities	7	<u>23,592</u>	<i><u>(91,015)</u></i>
Profit on Ordinary Activities after Taxation		306,969	<i>107,072</i>
Dividends paid on non-equity shares	8	<u>12,922</u>	<i><u>15,008</u></i>
Retained Profit for the Financial Year		<u>294,047</u>	<i><u>92,064</u></i>

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>1999</u> £	<i>1998</i> £
Profit for the year	294,047	<i>92,064</i>
Prior year adjustment (note 21)	<u>(367,084)</u>	<i><u>(218,613)</u></i>
Total recognised gains and losses relating to the year	<u>(73,037)</u>	<i><u>(126,549)</u></i>

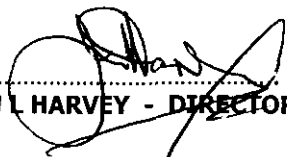
KCS MANAGEMENT SYSTEMS PLC

BALANCE SHEET

AT 30TH SEPTEMBER 1999

	<u>Notes</u>	£	<u>1999</u> £	As Restated <u>1998</u> £
Fixed Assets				
Intangible assets	9		21,738	17,515
Tangible assets	10		<u>178,970</u>	<u>147,755</u>
			200,708	165,270
Current Assets				
Debtors	11	712,673	674,056	
Cash at bank and in hand		<u>198</u>	<u>198</u>	
		712,871	674,254	
Creditors: Amounts Falling Due Within One Year	12	<u>544,193</u>	<u>703,059</u>	
Net Current Assets/(Liabilities)			<u>168,678</u>	<u>(28,805)</u>
Total Assets Less Current Liabilities			369,386	136,465
Creditors: Amounts Falling Due After More Than One Year	13		(15,603)	(5,669)
Provisions for Liabilities and Charges				
Deferred taxation	14		(12,429)	(6,639)
Deferred Income				
Deferred maintenance income	15		<u>(279,987)</u>	<u>(222,837)</u>
			<u>61,367</u>	<u>(98,680)</u>
Capital and Reserves				
Called up share capital	17		85,000	219,000
Capital redemption reserve	19		134,000	-
Profit and loss account	19		<u>(157,633)</u>	<u>(317,680)</u>
Shareholders' Funds			<u>61,367</u>	<u>(98,680)</u>
Including non-equity interests				

The accounts were approved by the board of Directors on 3rd November 1999 and were signed on its behalf by


J L HARVEY - DIRECTOR


C RATTIGAN - DIRECTOR

KCS MANAGEMENT SYSTEMS PLC**CASH FLOW STATEMENT****FOR THE YEAR ENDED 30TH SEPTEMBER 1999**

	Notes	£	<u>1999</u> £	<i>As Restated</i> <u>1998</u> £
Net cash inflow from operating activities	20		295,604	<i>198,040</i>
Returns on investments and servicing of finance				
Interest paid		(14,188)		(66,342)
Dividends paid on non equity shares		(12,922)		(15,008)
Net cash outflow from returns on investments and servicing of finance			(27,110)	(81,350)
Taxation				
Corporation tax paid		(88,867)		(38,204)
Corporation tax refund		<u>41,214</u>		-
			(47,653)	(38,204)
Capital Expenditure				
Receipts from sale of tangible fixed assets		3,000		-
Payments to acquire intangible fixed assets		(11,608)		(3,818)
Payments to acquire tangible fixed assets		(31,829)		(35,452)
			(40,437)	(39,270)
Net cash inflow before financing			180,404	<i>39,216</i>
Financing				
Loan – other		-		(15,000)
Financing – redemption of share capital		(134,000)		-
Hire purchase payments		(38,723)		(22,216)
Net cash outflow from financing			(172,723)	(37,216)
Increase in cash for the period			<u>7,681</u>	<u><i>2,000</i></u>

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1999

1. Accounting Policies

Basis of Accounting

The accounts have been prepared under the historical cost convention.

Turnover

Turnover is the total amount receivable in respect of the sale of licences, installed and accepted, and services provided, excluding VAT and trade discounts. Maintenance income is credited to a deferral account. One third of the maintenance income on each contract is then released to revenue upon commencement of that contract. The remaining income is released to revenue in equal monthly amounts over the following 8 months.

The turnover was attributable to the company's principal activity.

Depreciation and amortisation

Depreciation is calculated to write down the cost less estimated residual value of all fixed assets over their useful economic lives. The rates and periods generally applicable are:

Furniture, fixtures and fittings and office equipment	-	10% straight line
Computers	-	20% straight line
Motor vehicles	-	25% reducing balance
Computer software	-	20% straight line

Deferred Taxation

Deferred taxation is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

Development Expenditure

Development expenditure is written off to the profit and loss account in the year in which it is incurred.

Pension Costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Profit and Loss Account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the Profit and Loss Account on a straight line basis over the lease term.

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1999

2. Operating Profit

The operating profit is arrived at after charging:

	<u>1999</u>	<u>1998</u>
	£	£
Amortisation of intangible fixed assets	7,385	<i>7,244</i>
Depreciation of tangible fixed assets	21,663	<i>29,341</i>
Depreciation of assets held under finance leases	13,446	<i>8,904</i>
Loss on disposal of fixed assets	12,595	<i>3,512</i>
Auditors' remuneration	10,000	<i>16,000</i>
Development costs	225,000	<i>185,000</i>
Hire of equipment	1,040	<i>1,080</i>
Payments under operating leases (properties)	91,125	<i>91,125</i>
Hire of motor vehicles under operating leases	<u>122,130</u>	<u>117,164</u>

3. Directors' Emoluments

The aggregate emoluments, including pension contributions and bonuses, were £401,578 (1998 - £199,553). The emoluments of the highest paid director were £134,580 (1998 - £124,860) including pension contributions of £21,280 (1998 - £ 20,400).

The aggregate contributions paid under the defined contribution scheme were £35,090 (1998 - £22,372).
Five directors are members of the pension scheme. (1998 - 3).

KCS MANAGEMENT SYSTEMS PLC**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 30TH SEPTEMBER 1999****4. Employees**

The staff costs were:

	<u>1999</u> £	<u>1998</u> £
Wages and salary costs	1,540,623	1,313,123
Social security costs	147,595	134,380
Other pension costs	<u>127,524</u>	<u>100,890</u>
	<u>1,815,742</u>	<u>1,548,393</u>

The average monthly number of persons employed, including directors, was:

	<u>1999</u>	<u>1998</u>
Directors	5	3
Customer services	23	21
Development	12	10
Sales and marketing	7	6
Administrative	<u>4</u>	<u>6</u>
	<u>51</u>	<u>46</u>

5. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £127,524 during the year (1998 - £100,890). Contributions outstanding at the year end amounted to £15,463 (1998 - £10,176).

6. Interest payable and similar charges

	<u>1999</u> £	<u>1998</u> £
Bank overdraft and other loans	5,007	24,606
Finance leases	6,079	3,966
Other interest	<u>3,102</u>	<u>36,697</u>
	<u>14,188</u>	<u>65,269</u>

7. Taxation

The taxation charge in the profit and loss account is made up as follows: -

	<u>1999</u> £	<u>1998</u> £
Corporation tax at 20.75% (1998-23.73%) based on ordinary activities.	(29,382)	88,639
Deferred taxation	<u>5,790</u>	<u>2,376</u>
	<u>(23,592)</u>	<u>91,015</u>

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1999

8. Dividends

	<u>1999</u>	<u>1998</u>
	£	£
11.2% cumulative preference dividend on non equity shares (see note 17)	<u>12,922</u>	<u>15,008</u>

This dividend was paid in accordance with s.263 of the Companies Act 1985. At the date of the payment the company had sufficient distributable reserves to pay the dividend. However, at 30th September 1999 the prior year adjustment (see note 21) was applied to the accounts, eliminating the company's distributable reserves.

9. Intangible Fixed Assets

	<u>Software</u>
	£
Cost	
At 1 st October 1998	30,372
Additions	<u>11,608</u>
At 30th September 1999	<u>41,980</u>
Amortisation	
At 1 st October 1998	12,857
Charge for year	<u>7,385</u>
At 30th September 1999	<u>20,242</u>
Net Book Value	
At 30th September 1999	<u>21,738</u>
At 30 September 1998	<u>17,515</u>

10. Tangible Fixed Assets

	<u>Computer</u>	<u>Motor</u>	<u>Furniture</u>	<u>Office</u>	<u>Total</u>
	£	Vehicles	Fixtures and	Equipment	£
	£	£	Fittings	£	£
Cost					
At 1 st October 1998	237,821	33,020	47,519	30,682	349,042
Additions	60,013	-	1,862	20,044	81,919
Disposals	-	(33,020)	-	-	(33,020)
At 30th September 1999	<u>297,834</u>	<u>-</u>	<u>49,381</u>	<u>50,726</u>	<u>397,941</u>
Depreciation					
At 1 st October 1998	156,580	14,128	18,997	11,582	201,287
Charge for year	23,023	3,297	4,338	4,451	35,109
Adjustment on disposal	-	(17,425)	-	-	(17,425)
At 30th September 1999	<u>179,603</u>	<u>-</u>	<u>23,335</u>	<u>16,033</u>	<u>218,971</u>
Net Book Value					
At 30th September 1999	<u>118,231</u>	<u>0</u>	<u>26,046</u>	<u>34,693</u>	<u>178,970</u>
At 30 th September 1998	<u>81,241</u>	<u>18,892</u>	<u>28,522</u>	<u>19,100</u>	<u>147,755</u>

Computer equipment with a net book value of £ 66,488 (1998 - £ 30,736) is held under finance leases.

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1999

11. Debtors

	<u>1999</u>	<i>As</i> <i>Restated</i> <u>1998</u>
	£	£
Trade debtors	550,851	530,881
Other debtors	32,608	39,976
Prepayments	<u>129,214</u>	<u>103,199</u>
	<u>712,673</u>	<u>674,056</u>

12. Creditors: Amounts Falling Due Within One Year

	<u>1999</u>	<i>As</i> <i>Restated</i> <u>1998</u>
	£	£
Bank overdraft	165,562	173,243
Amounts due under finance lease and hire purchase agreements	22,386	20,953
Trade creditors	70,729	111,297
Taxation and social security	139,909	330,531
Other creditors	15,463	10,176
Advance corporation tax payable	-	1,871
Accruals and deferred income	<u>130,144</u>	<u>54,988</u>
	<u>544,193</u>	<u>703,059</u>

The company's bank overdraft is secured by a fixed and floating charge over the entire assets of the company.

13. Creditors: Amounts Falling Due After More Than One Year

	<u>1999</u>	<u>1998</u>
	£	£
Amounts due under finance lease and hire purchase agreements	<u>15,603</u>	<u>5,669</u>

14. Provisions for Liabilities and Charges

	<u>Provided for</u> <u>1998</u>	<u>1998</u>
	£	£
This represents deferred tax at 21% (1997 – 24%) on the following items:		
Accelerated capital allowances	12,429	1,887
Short term timing differences	-	4,752
	<u>12,429</u>	<u>6,639</u>

15. Deferred Maintenance Income (see note 1)

This represents amounts invoiced in advance in respect of maintenance contracts but not credited to revenue at 30th September 1999.

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1999

16. Lease Commitments

The company is committed to make the following annual payments under operating leases in the year following the balance sheet date: -

	<u>Land and Buildings</u>		<u>Other Operating Leases</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	£	£	£	£
Expiring:				
Within one year	-	-	1,001	73,905
One to five years	91,925	-	129,479	78,337
After five years	-	91,925	-	-
	<u>91,925</u>	<u>91,925</u>	<u>130,480</u>	<u>152,242</u>

17. Share Capital

	<u>Authorised</u>		<u>Called up, allotted and fully paid</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	£	£	£	£
Ordinary shares of £1 each	85,000	85,000	85,000	85,000
11.2% cumulative redeemable preference shares of £1 each	150,000	150,000	-	134,000
	<u>235,000</u>	<u>235,000</u>	<u>85,000</u>	<u>219,000</u>

The cumulative preference shares were non-voting and were redeemable at par on 30th September 1999, or earlier at the company's discretion. On a winding up the preference shares ranked ahead only of the ordinary shares and would have been repaid at par.

During the year the preference shares were redeemed out of distributable profits calculated at 30th September 1998 under the previous accounting policy. At the 30th September 1999 the prior year adjustment (see note 21) was applied to the accounts. The effect of this adjustment is to eliminate the distributable reserves.

18. Reconciliation of Movements in Shareholders' Funds

	<u>1999</u>	<u>As Restated</u>
	£	£
Profit for the financial year	306,969	107,072
Dividends	12,922	15,008
	294,047	92,064
Preference shares redeemed	(134,000)	-
Net addition to shareholders' funds	160,047	92,064
Opening shareholders' funds		
As originally stated	268,404	27,869
Prior year adjustment	(367,084)	(218,613)
As restated	<u>(98,680)</u>	<u>(190,744)</u>
Closing shareholders' funds	<u>61,367</u>	<u>(98,680)</u>

The total of shareholders' funds comprises:

	<u>1999</u>	<u>1998</u>
	£	£
Non-equity interests:		
- attributable to preference shareholders	-	134,000
Equity interests	61,367	(232,680)
Total shareholders' funds	<u>61,367</u>	<u>(98,680)</u>

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1999

19. Reserves

	Capital Redemption Reserve	Profit and Loss Account	Total
	£	£	£
At beginning of year as previously stated	-	49,404	49,404
Prior Year Adjustment	-	(367,084)	(367,084)
At beginning of year as restated	-	(317,680)	(317,680)
Retained Profit for the year	-	294,047	294,047
Transfer in respect of preference shares redeemed	134,000	(134,000)	-
At end of year	<u>134,000</u>	<u>(157,633)</u>	<u>(23,633)</u>

20. Reconciliation of operating profit to net cash inflow from operating activities

	1999	<i>As Restated 1998</i>
	£	£
Operating profit	297,565	<i>263,356</i>
Depreciation and amortisation	42,494	<i>45,489</i>
Loss on disposal of fixed assets	12,595	<i>3,512</i>
(Increase) in debtors	(47,593)	<i>(126,870)</i>
(Decrease) in creditors	(66,607)	<i>(14,930)</i>
Increase in deferred maintenance	57,150	<i>27,483</i>
Net cash inflow from operating activities	<u>295,604</u>	<i><u>198,040</u></i>

Reconciliation of movement in cash to movement in net debt

	1999	<i>1998</i>
	£	£
Increase in cash in the year	7,681	<i>2,000</i>
Cash used to repay hire purchase contracts	38,723	<i>22,216</i>
New hire purchase contracts	(50,090)	<i>(21,651)</i>
Change in net debt	(3,686)	<i>2,565</i>
Net debt at beginning of year	(199,667)	<i>(202,232)</i>
Net debt at end of year	<u>(203,353)</u>	<i><u>(199,667)</u></i>

Analysis of net debt

	1st October 1998	Cash Flows	Other	30th September 1999
Cash	198	-	-	198
Bank overdraft	(173,243)	7,681	-	(165,562)
Hire purchase contracts	(26,622)	38,723	(50,090)	(37,989)
Total	(199,667)	46,404	(50,090)	<u>(203,353)</u>

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1999

21. Prior Year Adjustment

At 30th September 1999 the company changed the basis on which it accounted for turnover in respect of the sale of licences and related services. This turnover is now recognised when software is installed and accepted. Previously turnover was recognised on order. In the opinion of the directors' the new policy gives a fairer representation of the results and financial position of the company.

At 30th September 1998 turnover amounting to £337,283 (1997 - £218,613) was incorrectly recognised as revenue. In addition expenses of £29,801 relating to the year ended 30th September 1998 were not included in the creditors or expenses for that year.

22. Controlling Party

In the directors' opinion the company is controlled by J L Harvey, a director.

23. Related Party Transactions

During the year the company purchased goods and services from KCS Information Management Systems Limited, a company in which J L Harvey has an interest. The transactions took place at market value and amounted to £ 44,143. No balance was outstanding at the year end (1998 - £ 2,798).