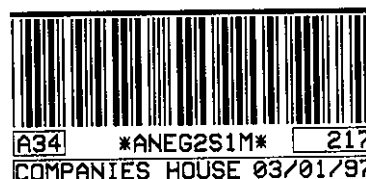


REGISTRAR  
1019844

KCS MANAGEMENT SYSTEMS PLC

REPORT AND ACCOUNTS

30TH SEPTEMBER 1996



PRIDIE BREWSTER  
CHARTERED ACCOUNTANTS  
CAROLYN HOUSE  
29-31, GREVILLE STREET  
LONDON EC1N 8RB

KCS MANAGEMENT SYSTEMS PLC

DIRECTORS:

J.L. Harvey  
J. Harvey  
P.M. Brown

SECRETARY:

J. Harvey

REGISTERED OFFICE:

Whitecliff House  
852, Brighton Road  
Purley  
Surrey CR8 2BH

AUDITORS:

Pridie Brewster  
Chartered Accountants  
Carolyn House  
29-31, Greville Street  
London EC1N 8RB

BANKERS:

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

COMPANY NO:

1019844

KCS MANAGEMENT SYSTEMS PLCCHAIRMAN'S REPORTYEAR ENDED 30TH SEPTEMBER 1996

In my report last year I expressed my confidence in the new range of windows based products we had developed and forecast that the company would return to profitability in 1996. It is very satisfying that twelve months later I can report that this confidence was fully justified and that in the financial year to 30th September 1996 we have established new records for growth, revenues and profits.

Total revenues of £2.3 million represent 34% growth over 1994/1995 with new sales revenues increased by 97%, maintenance revenues increased by 17% and support revenues up 25%. Growth across all sectors of our business which will result in improved financial stability and establish the platform for further growth in 1997.

The success of 1995/1996 should not only be measured by the financial results. We have also invested for the future with an aggressive product development investment programme that has resulted in the successful re-engineering of our payroll product and the launch of k-Paye for Windows, the market launch of our new k-PSAS product to meet the new requirements of self-assessment plus an enhanced version of k-EM for Windows. To help finance this product development programme a further £85,000 issue of Preference Shares was made.

The disappointing results of 1994/1995 represent a once-off blip in the nine years I have held office and the return to profitability in 1995/1996 has fully justified my confidence not only in our products but also of the highly professional team of employees we have assembled.

The market continues to be very aggressive and increasingly competitive but, it appears that for the short term at least the technology bandwagon has slowed down. This will enable us to give priority in our development programme to the enrichment of functionality in our products to ensure that they maintain their market leadership and enable us to achieve the continued growth we have forecast for 1997.



J.L. HARVEY  
CHAIRMAN

# KCS MANAGEMENT SYSTEMS PLC

## DIRECTORS' REPORT

The directors present their report and audited accounts for the year ended 30th September, 1996.

### ACTIVITIES

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

### RESULTS AND DEVELOPMENT

It is considered that the development of the company and its position at 30th September, 1996 are fairly set out in the accompanying accounts.

### DIVIDEND

The company has paid preference dividends of £5,152 (1995 - £3,806).

### DIRECTORS

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

|  | 30th September<br>1996<br>Ordinary<br><u>Shares</u> | 1st October<br>1995<br>Ordinary<br><u>Shares</u> |
|--|---|--|
| J.L. Harvey                              | 68,000  | 68,000   |
| D.J. Moull (resigned 29th February 1996) | 8,500   | 8,500  |
| J. Harvey                                | -   | -  |
| P.M. Brown                               | 8,500   | 8,500  |

### DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare, for each financial year, financial statements 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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements 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.

KCS MANAGEMENT SYSTEMS PLCDIRECTORS' REPORT (CONTINUED)

## FIXED ASSETS

The movements in the fixed assets of the company are set out in the notes to the accounts.

## 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.

## AUDITORS

The auditors, Pridie Brewster, Chartered Accountants, are willing to continue in office, and a motion for their re-appointment will be put before the Annual General Meeting.

BY ORDER OF THE BOARD



J.L. HARVEY  
DIRECTOR

KCS MANAGEMENT SYSTEMS PLC

AUDITORS' REPORT TO THE SHAREHOLDERS OF KCS MANAGEMENT SYSTEMS PLC

We have audited the financial statements on pages 5 to 17, which have been prepared under the historical cost convention, and the accounting policies set out on page 9.

**Respective responsibilities of directors and auditors**

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

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 affairs as at 30th September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985

*Pradie Brewster*

PRIDIE BREWSTER  
CHARTERED ACCOUNTANTS  
REGISTERED AUDITORS

Carolyn House  
29/31 Greville Street  
London EC1N 8RB

30th December 1996

KCS MANAGEMENT SYSTEMS PLC

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30TH SEPTEMBER 1996

|   | <u>Notes</u> | <u>£</u> | <u>1996</u><br><u>£</u> | <u>£</u> | <u>1995</u><br><u>£</u> |
|---|--------------|----------|-------------------------|----------|-------------------------|
| TURNOVER  | 1            |          | 2,300,062               |          | 1,719,915               |
| Cost of sales   |              |          | 193,530                 |          | 143,391                 |
| GROSS PROFIT  |              |          | 2,106,532               |          | 1,576,524               |
| Administrative expenses                                   |              |          | 1,873,420               |          | 1,920,064               |
|   |              |          | 233,112                 |          | (343,540)               |
| Interest payable and similar charges                      |              |          | 42,932                  |          | 26,996                  |
| PROFIT/(LOSS) ON ORDINARY<br>ACTIVITIES BEFORE TAX        | 2            |          | 190,180                 |          | (370,536)               |
| TAX ON PROFIT/LOSS ON<br>ORDINARY ACTIVITIES              | 5            |          | (60,682)                |          | (19,888)                |
| PROFIT/(LOSS) ON ORDINARY<br>ACTIVITIES AFTER TAXATION    |              |          | 129,498                 |          | (350,648)               |
| Dividends paid  |              |          | 5,152                   |          | 3,806                   |
| PROFIT/(LOSS) FOR FINANCIAL YEAR                          |              |          | 124,346                 |          | (354,454)               |
| Retained (deficit)/profits at<br>beginning of year:       |              |          |                         |          |                         |
| As originally stated                                      |              | (36,539) |                         | 205,443  |                         |
| Prior year adjustment                                     | 6            | -        |                         | 112,472  |                         |
| As restated   |              |          | (36,539)                |          | 317,915                 |
| Retained profits/(accumulated deficit)<br>carried forward |              |          | 87,807                  |          | (36,539)                |

STATEMENT OF RECOGNISED GAINS AND LOSSES

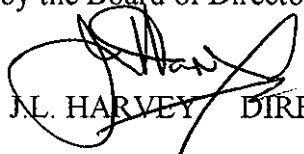
|  | <u>1996</u><br><u>£</u> | <u>1995</u><br><u>£</u> |
|--|-------------------------|-------------------------|
| Profit/(Loss) for the year and total recognised gains and<br>losses relating to the year | 124,346                 | (354,454)               |
| Prior year adjustment (note 6)   | -                       | 112,472                 |
| Total gains and losses recognised since last annual report                               | 124,346                 | (241,982)               |

In 1996 there were no recognised gains or losses other than the profit shown above.

KCS MANAGEMENT SYSTEMS PLCBALANCE SHEETAT 30TH SEPTEMBER 1996

|   | Notes | £       | 1996<br>£ | £       | 1995<br>£ |
|---|-------|---------|-----------|---------|-----------|
| <b>FIXED ASSETS</b>   |       |         |           |         |           |
| Intangible assets   | 8     |         | 449,735   |         | 396,446   |
| Tangible assets   | 9     |         | 147,411   |         | 98,589    |
|   |       |         | <hr/>     |         | <hr/>     |
|   |       |         | 597,146   |         | 495,035   |
| <b>CURRENT ASSETS</b>   |       |         |           |         |           |
| Debtors   | 10    | 637,502 |           | 433,530 |           |
| Cash at bank and in hand  |       | 198     |           | 198     |           |
|   |       | <hr/>   |           | <hr/>   |           |
|   |       | 637,700 |           | 433,728 |           |
| <b>CREDITORS (amounts falling due within one year)</b>          |       |         |           |         |           |
|   | 11    | 686,830 |           | 525,376 |           |
|   |       | <hr/>   |           | <hr/>   |           |
| Net current (liabilities)                                       |       |         | (49,130)  |         | (91,648)  |
|   |       |         | <hr/>     |         | <hr/>     |
| Total assets less current liabilities                           |       |         | 548,016   |         | 403,387   |
| <b>CREDITORS (amounts falling due after more than one year)</b> |       |         |           |         |           |
|   | 12    |         | (14,644)  |         | (65,318)  |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                   |       |         |           |         |           |
| Deferred taxation   | 13    |         | (11,257)  |         | (22,855)  |
| <b>DEFERRED INCOME</b>  |       |         |           |         |           |
| Deferred maintenance income                                     | 14    |         | (218,308) |         | (220,753) |
|   |       |         | <hr/>     |         | <hr/>     |
|   |       |         | 303,807   |         | 94,461    |
|   |       |         | <hr/>     |         | <hr/>     |
| <b>CAPITAL AND RESERVES</b>                                     |       |         |           |         |           |
| Called up share capital   | 16    |         | 216,000   |         | 131,000   |
| Profit and loss account   |       |         | 87,807    |         | (36,539)  |
|   |       |         | <hr/>     |         | <hr/>     |
|   |       |         | 303,807   |         | 94,461    |
|   |       |         | <hr/>     |         | <hr/>     |

The accounts were approved by the Board of Directors on 24.12.96 and were signed on its behalf by

  
J.L. HARVEY DIRECTOR



KCS MANAGEMENT SYSTEMS PLCCASH FLOW STATEMENTFOR THE YEAR ENDED 30TH SEPTEMBER 1996

|   | <u>Notes</u> | <u>1996</u>       | <u>1995</u>       |
|---|--------------|-------------------|-------------------|
|   |              | £                 | £                 |
| Net cash inflow from operating activities (see note below)            | 1            | 214,816           | 299,145           |
| Returns on investments and servicing of finance                       |              |                   |                   |
| Interest paid   |              | (49,932)          | (24,746)          |
| Dividends paid  |              | (5,152)           | (3,806)           |
|   |              | <u>          </u> | <u>          </u> |
| Net cash outflow from returns on investments and servicing of finance |              | (48,084)          | (28,552)          |
| Taxation  |              |                   |                   |
| Corporation tax paid  |              | (7,865)           | (18,680)          |
|   |              | <u>          </u> | <u>          </u> |
|   |              | (7,865)           | (18,680)          |
| Investing activities  |              |                   |                   |
| Payments to acquire intangible fixed assets                           |              | (7,099)           | (8,180)           |
| Payments to acquire tangible fixed assets                             |              | (58,762)          | (23,440)          |
| Capitalisation of development costs                                   |              | (192,643)         | (253,648)         |
|   |              | <u>          </u> | <u>          </u> |
|   |              | (258,504)         | (285,268)         |
| Net cash outflow before financing                                     |              | (99,637)          | (33,355)          |
| Loan - pension fund   |              | (60,000)          | 60,000            |
| - other   |              | 50,000            | -                 |
| Financing - issue of share capital                                    |              | 85,000            | 46,000            |
| HP payments   |              | (8,562)           | (11,898)          |
|   |              | <u>          </u> | <u>          </u> |
| Net cash inflow from financing  |              | 66,438            | 94,102            |
| (Decrease)/increase in cash and cash equivalents                      | 2            | <u>(33,199)</u>   | <u>60,747</u>     |

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH SEPTEMBER 1996

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

|   | <u>1996</u>    | <u>1995</u>    |
|---|----------------|----------------|
|   | £              | £              |
| Operating profit/(loss)                     | 233,112        | (343,540)      |
| Depreciation and amortisation               | 176,930        | 190,603        |
| Loss on disposal of fixed assets            | 5,893          | -              |
| (Increase)/Decrease in debtors              | (203,972)      | 351,746        |
| Increase in creditors                       | 5,299          | 97,587         |
| (Increase)/Decrease in deferred maintenance | (2,446)        | 2,749          |
| Net cash inflow from operating activities   | <u>214,816</u> | <u>299,145</u> |

2. Analysis of changes in cash and cash equivalents during the year

|                                     | <u>1996</u>      | <u>1995</u>      |
|-------------------------------------|------------------|------------------|
|                                     | £                | £                |
| Balance at 1st October 1995/1994    | (180,887)        | (241,634)        |
| Net cash (outflow)/inflow           | <u>(33,199)</u>  | <u>60,747</u>    |
| Balance at 30th September 1996/1995 | <u>(214,086)</u> | <u>(180,887)</u> |

3. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

|                          | <u>1996</u>      | <u>1995</u>      | Change<br>in year |
|--------------------------|------------------|------------------|-------------------|
|                          | £                | £                | £                 |
| Cash at bank and in hand | 198              | 198              | -                 |
| Short term bank loan     | (40,503)         | (25,099)         | (15,404)          |
| Bank overdrafts          | (173,781)        | (155,986)        | (17,795)          |
|                          | <u>(214,086)</u> | <u>(180,887)</u> | <u>(33,199)</u>   |

# KCS MANAGEMENT SYSTEMS PLC

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 30TH SEPTEMBER 1996

#### 1. ACCOUNTING POLICIES

The principal accounting policies which are adopted in the preparation of the company's accounts are as follows:-

##### Accounting Convention

The accounts have been prepared under the historical cost convention.

##### Turnover

Turnover represents the amounts receivable for goods sold and invoices rendered during the year, exclusive of VAT, and for invoices rendered after the year end where work has been completed subject only to implementation.

##### Depreciation and amortisation

Depreciation of tangible assets, and amortisation of intangible assets, has been provided at the following rates, in order to write off the assets over their estimated useful lives:-

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

##### Deferred Taxation

Deferred taxation is provided at the anticipated tax rate on all timing differences to the extent that it is probable that a liability or asset will crystallise in the future.

##### Deferred Maintenance Income

Maintenance income is credited to a deferral account and is released to revenue in equal monthly amounts over the period of the maintenance contract. The accounting policy was changed in the year ended 30th September 1995 to advance the recognition of maintenance income by three months, being the period of notice required for cancellation. This led to a reduction of deferred income of £149,962 and an increase in accumulated reserves at the year end of £112,472 (after tax).

##### Development Expenditure

Development expenditure has been capitalised where costs are clearly identifiable and relate to specific future products for which markets exist.

##### Pension Costs

The company operates a defined contribution pension scheme, and contributions payable for the year have been charged to the profit and loss account.

##### BS5750/ISO 9000 Expenditure

Expenditure incurred in systems development with a view to obtaining a BS5750/ISO 9000 certificate is written off over three years. The deferred element is included in prepayments.

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1996

2. PROFIT ON ORDINARY ACTIVITIES

This is stated after charging:

|  | <u>1996</u>       | <u>1995</u>       |
|--|-------------------|-------------------|
|  | £                 | £                 |
| Amortisation of intangible fixed assets      | 146,453           | 106,638           |
| Depreciation of tangible fixed assets        | 30,477            | 29,973            |
| Loss on disposal of fixed assets             | 5,893             | -                 |
| Auditors' remuneration                       | 14,850            | 12,750            |
| Hire purchase interest                       | 1,884             | 2,082             |
| Hire of equipment                            | 333               | 1,704             |
| Payments under operating leases (properties) | 91,925            | 94,883            |
| Hire of motor vehicles                       | 91,227            | 105,802           |
|  | <u>          </u> | <u>          </u> |

3. DIRECTORS' EMOLUMENTS

The aggregate emoluments, including pension contributions and bonuses, were £180,413 (1995 - £179,633).

The emoluments of the Chairman, who was also the highest paid director, excluding pension contributions, were £73,380 (1995 - £64,800).

The emoluments, excluding pension contributions, of the other directors who served during the year fell in the following bands:-

|                   | <u>1996</u>       | <u>1995</u>       |
|-------------------|-------------------|-------------------|
| £10,001 - £15,000 | 1                 | -                 |
| £25,001 - £30,000 | -                 | 1                 |
| £30,001 - £35,000 | 1                 | 1                 |
| £50,001 - £55,000 | -                 | 1                 |
| £60,001 - £65,000 | 1                 | -                 |
|                   | <u>          </u> | <u>          </u> |

KCS MANAGEMENT SYSTEMS PLCNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 30TH SEPTEMBER 1996

## 4. EMPLOYEES

The average monthly number of persons employed, including directors, was 40 (1995 - 42).

The staff costs were:

|                                     | <u>1996</u> | <u>1995</u> |
|-------------------------------------|-------------|-------------|
|                                     | £           | £           |
| Wages and salary costs              | 1,037,463   | 1,053,463   |
| Social security costs               | 98,943      | 102,984     |
| Other pension costs                 | 78,151      | 83,896      |
|                                     | <hr/>       | <hr/>       |
|                                     | 1,214,557   | 1,240,343   |
| Less: Development costs capitalised | (192,643)   | (253,648)   |
|                                     | <hr/>       | <hr/>       |
|                                     | 1,021,914   | 986,695     |
|                                     | <hr/>       | <hr/>       |

The categories of staff were:

|                     | <u>1996</u> | <u>1995</u> |
|---------------------|-------------|-------------|
| Directors           | 4           | 4           |
| Customer services   | 23          | 22          |
| Technical           | 5           | 6           |
| Sales and marketing | 5           | 6           |
| Administrative      | 3           | 4           |
|                     | <hr/>       | <hr/>       |
|                     | 40          | 42          |
|                     | <hr/>       | <hr/>       |

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1996

5. TAXATION

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

|   | <u>1996</u><br>£ | <u>1995</u><br>£ |
|---|------------------|------------------|
| Corporation tax at 24.5% (1995 - 25%) based on the profit/(loss) on ordinary activities | 70,000           | (68,463)         |
| Underprovision in previous years  | 2,280            | 38,275           |
|   | <hr/> 72,280     | <hr/> (30,188)   |
| Deferred taxation   | (11,598)         | 10,300           |
|   | <hr/> 60,682     | <hr/> (19,888)   |

Taxation due included in the balance sheet is as follows:-

|   | <u>1996</u><br>£ | <u>1995</u><br>£ |
|---|------------------|------------------|
| Corporation tax payable based on profit/loss on ordinary activities | 68,712           | 4,000            |
| Advance corporation tax payable                                     | 642              | 646              |
| Corporation tax payable in respect of earlier years                 | 1,328            | -                |
|   | <hr/>            | <hr/>            |

6. PRIOR YEAR ADJUSTMENT

As explained in note 1, the company changed its accounting policy regarding maintenance income during the year ended 30th September 1995, advancing the recognition of such income by three months, being the notice period required to be given by customers to cancel maintenance contracts. The profit and loss account for the comparative period has been restated on the basis of the new policy, which has the effect of increasing opening accumulated profits as follows:

|  | <u>1996</u><br>£ | <u>1995</u><br>£ |
|--|------------------|------------------|
| Additional maintenance income recognised | -                | 149,962          |
| Taxation                                 | -                | (37,490)         |
|  | <hr/> -          | <hr/> 112,472    |

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1996

7. PENSIONS

Defined contribution scheme

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 £78,151 during the year (1995 - £83,896).

8. INTANGIBLE FIXED ASSETS

|   | Development<br><u>Costs</u><br>£ | <u>Software</u><br>£ | <u>Total</u><br>£ |
|---|----------------------------------|----------------------|-------------------|
| <b>COST</b>                               |                                  |                      |                   |
| At beginning of year                      | 786,183                          | 19,788               | 805,971           |
| Additions                                 | 192,643                          | 7,099                | 199,742           |
| Adjustment re fully amortised expenditure | (246,513)                        | -                    | (246,513)         |
| At end of year                            | 732,313                          | 26,887               | 759,200           |
| <b>AMORTISATION</b>                       |                                  |                      |                   |
| At beginning of year                      | 403,958                          | 5,567                | 409,525           |
| Charge for year                           | 141,050                          | 5,403                | 146,453           |
| Adjustment re fully amortised expenditure | (246,513)                        | -                    | (246,513)         |
| At end of year                            | 298,495                          | 10,970               | 309,465           |
| <b>NET BOOK VALUE</b>                     |                                  |                      |                   |
| At 30.9.96                                | 433,818                          | 15,917               | 449,735           |
| At 30.9.95                                | 382,225                          | 14,221               | 396,446           |

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1996

9. TANGIBLE FIXED ASSETS

|                        | <u>Computer</u> | <u>Motor</u>    | <u>Furniture</u> | <u>Office</u>    | <u>Total</u> |
|------------------------|-----------------|-----------------|------------------|------------------|--------------|
|                        | <u>£</u>        | <u>Vehicles</u> | <u>Fixtures</u>  | <u>Equipment</u> | <u>£</u>     |
|                        |                 | <u>£</u>        | <u>and</u>       |                  |              |
|                        |                 |                 | <u>Fittings</u>  |                  |              |
|                        |                 |                 | <u>£</u>         |                  |              |
| COST                   |                 |                 |                  |                  |              |
| At beginning of year   | 231,599         | 23,515          | 39,742           | 21,758           | 316,614      |
| Additions              | 55,602          | 33,020          | 2,070            | -                | 90,692       |
| Disposals              | (57,113)        | (23,515)        | (8,933)          | (3,315)          | (92,876)     |
| At end of year         | 230,088         | 33,020          | 32,879           | 18,443           | 314,430      |
| DEPRECIATION           |                 |                 |                  |                  |              |
| At beginning of year   | 175,854         | 12,748          | 21,203           | 8,220            | 218,025      |
| Charge for year        | 23,538          | 3,640           | 1,476            | 1,823            | 30,477       |
| Adjustment on disposal | (55,047)        | (14,188)        | (8,933)          | (3,315)          | (81,483)     |
| At end of year         | 144,345         | 2,200           | 13,746           | 6,728            | 167,019      |
| NET BOOK VALUE         |                 |                 |                  |                  |              |
| At 30.9.96             | 85,743          | 30,820          | 19,133           | 11,715           | 147,411      |
| At 30.9.95             | 55,745          | 10,767          | 18,539           | 13,538           | 98,589       |

The motor vehicle with a net book value of £30,820 (1995 - £10,767) is held under a hire purchase agreement.

Furniture, fixtures and fittings includes an item with a net book value of £12,576 (1995- £12,887) held under a finance lease agreement. This is made up of a cost of £14,365 and depreciation of £1,789 (1995 - £1,478).

10. DEBTORS

|               | <u>1996</u>    | <u>1995</u>    |
|---------------|----------------|----------------|
|               | <u>£</u>       | <u>£</u>       |
| Trade debtors | 524,310        | 339,520        |
| Prepayments   | 110,560        | 94,010         |
| Other debtors | 2,632          | -              |
|               | <u>637,502</u> | <u>433,530</u> |

Prepayments include an amount of £20,000 in respect of expenditure incurred on systems development with a view to obtaining a BS 5750/ISO 9000 certification.



KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1996

11. CREDITORS (amounts falling due within one year)

|  | <u>1996</u>    | <u>1995</u>    |
|--|----------------|----------------|
|  | £              | £              |
| Bank loan and overdraft (secured by a debenture)                   | 214,284        | 181,085        |
| Trade creditors  | 191,982        | 144,762        |
| Other creditors including taxation and social security (see below) | 250,468        | 169,708        |
| Advance corporation tax payable                                    | 642            | 646            |
| Accruals   | 15,489         | 23,754         |
| Amounts due under finance lease and hire purchase agreements       | 13,965         | 5,421          |
|  | <u>686,830</u> | <u>525,376</u> |

The amount of taxation and social security included above is £198,652 (1995 - £69,072).

12. CREDITORS (amounts falling due after more than one year)

|  | <u>1996</u>   | <u>1995</u>   |
|--|---------------|---------------|
|  | £             | £             |
| Other loan   | -             | 60,000        |
| Amounts due under finance lease and hire purchase agreements | 14,644        | 5,318         |
|  | <u>14,644</u> | <u>65,318</u> |

13. PROVISIONS FOR LIABILITIES AND CHARGES

|  | <u>Potential Liability</u> |               | <u>Provided for</u> |               |
|--|----------------------------|---------------|---------------------|---------------|
|  | <u>1996</u>                | <u>1995</u>   | <u>1996</u>         | <u>1995</u>   |
|  | £                          | £             | £                   | £             |
| This represents deferred tax at 24%<br>(1995 - 25%) on the following items:- |                            |               |                     |               |
| Deferred development expenditure   | 6,375                      | 21,930        | 6,375               | 21,930        |
| Accelerated capital allowances   | (45)                       | (2,393)       | (45)                | (2,393)       |
| Short term timing differences  | 4,927                      | 4,452         | 4,927               | 4,452         |
| Less: losses carried forward   | -                          | (1,134)       | -                   | (1,134)       |
|  | <u>11,257</u>              | <u>22,855</u> | <u>11,257</u>       | <u>22,855</u> |

14. 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, 1996.

KCS MANAGEMENT SYSTEMS PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1996

15. LEASE COMMITMENTS

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

|                   | <u>Land and Buildings</u> |               | <u>Other Operating Leases</u> |               |
|-------------------|---------------------------|---------------|-------------------------------|---------------|
|                   | <u>1996</u>               | <u>1995</u>   | <u>1996</u>                   | <u>1995</u>   |
|                   | £                         | £             | £                             | £             |
| Expiring:         |                           |               |                               |               |
| Within one year   | -                         | -             | 19,028                        | 4,626         |
| One to five years | -                         | -             | 66,399                        | 72,419        |
| After five years  | 91,925                    | 91,925        | -                             | -             |
|                   | <u>91,925</u>             | <u>91,925</u> | <u>85,427</u>                 | <u>77,045</u> |

16. CALLED UP SHARE CAPITAL

|  | <u>Authorised</u> |                | <u>Issued and fully paid</u> |                |
|--|-------------------|----------------|------------------------------|----------------|
|  | <u>1996</u>       | <u>1995</u>    | <u>1996</u>                  | <u>1995</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           | 100,000        | 131,000                      | 46,000         |
|  | <u>235,000</u>    | <u>185,000</u> | <u>216,000</u>               | <u>131,000</u> |

During the year the company issued 85,000 11.2% cumulative redeemable preference shares of £1 each at par for cash. The preference shares are redeemable on 30th September 1999, or earlier at the company's discretion. The issue was to provide the company with additional working capital.

17. MORTGAGES AND CHARGES

The company's bank loan and overdraft (note 11) are secured by a fixed and floating charge over the whole assets of the company.

KCS MANAGEMENT SYSTEMS PLCNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 30TH SEPTEMBER 1996

## 18. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

|  | <u>1996</u>    | <u>1995</u>   |
|--|----------------|---------------|
|  | £              | £             |
| Profit/(Loss) for the financial year                       | 129,498        | (350,648)     |
| Dividends  | 5,152          | 3,806         |
|  | <hr/>          | <hr/>         |
|  | 124,346        | (354,454)     |
| New share capital subscribed                               | 85,000         | 46,000        |
|  | <hr/>          | <hr/>         |
|  | 209,346        | (308,454)     |
| Opening shareholders' funds (1995 as restated, see note 6) | 94,461         | 402,915       |
|  | <hr/>          | <hr/>         |
| Closing shareholders' funds (1995 as restated)             | <u>303,807</u> | <u>94,461</u> |