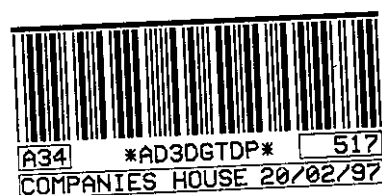


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Consort Securities Systems Limited

Annual report for the year ended 30 June 1996

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Consort Securities Systems Limited

1

Directors and advisers

Non-executive chairman

M V Baker (resigned 30 June 1996)

Executive directors

J N Everett - Chairman

(appointed 1 July 96)

E Werner - Managing Director

J Munro

M Sidi (appointed 1 January 1996)

Secretary and registered office

R A Burgess (resigned 30 June 1996)

A D Smith (appointed 1 July 1996)

Consort Securities Systems Limited

Consort House

15 De Montfort Place

Leicester

LE1 7GZ

Registered Auditors

Coopers & Lybrand

Charnwood Court

New Walk

Leicester

LE1 6TE

Solicitors

Maxwell Batley

27 Chancery Lane

London

WC2A 1PA

Bankers

Bank of Scotland plc

Hobs Branch

2 Robertson Avenue

Edinburgh

EH11 1PZ

Directors' report for the year ended 30 June 1996

The directors present their report and the audited financial statements for the year ended 30 June 1996.

Principal activities

The company is principally engaged in the development of computer programmes and consultancy, including the sale of hardware and software.

Review of business

The profit and loss account is set out on page 5.

During the second year of trading the company continued to prosper. The profit for the year of £505,000 represents a substantial increase over the previous year on significantly higher turnover. The number of clients increases steadily with nine new SDS systems implemented this year.

The major challenge for the future is the migration of SDS to a Windows environment, and the Board is confident that revenue and cash flows are sufficient for this to be accomplished.

Dividends and transfers to reserves

An interim dividend of 445.40p per share together with associated tax credit was paid on 28 June 1996. A final dividend of 81.85p per share has been proposed. The retained profit of £227,000 will be transferred to reserves.

Changes in fixed assets

The movements in fixed assets during the period are set out in note 9 to the financial statements.

Directors

The directors of the company at 30 June 1996 are listed on page 1.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of the company's affairs as at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 30 June 1996. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' interests in shares of the company

None of the directors who held office at the end of the period had any interest in the shares of the company.


The interests of the directors of the company in the shares of the ultimate holding company, Consort Information Services Limited, at 30 June 1996 were:-

	1996		1995	
	Ordinary shares Number	"A" ordinary shares Number	Ordinary shares Number	"A" ordinary shares Number
J N Everett	50,000	50,000	50,000	50,000
E Werner	50,000	43,526	50,000	50,000
M Baker	-	-	-	-
J Munro	-	432	-	-
M Sidi	-	356	-	-

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board


Company secretary
24 September 1996

**Report of the auditors to the members of
Consort Securities Systems Limited**

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

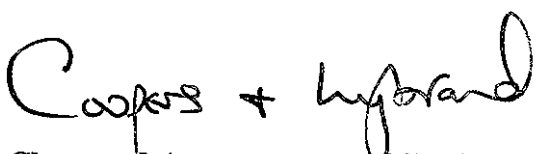
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 at 30 June 1996 and of its profits for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Leicester

30 September 1996

**Profit and loss account
for the year ended 30 June 1996**

	Notes	1996 £'000	18 months 1995 £'000
Turnover - continuing operations	2	2,729	1,815
Staff costs	4	(1,533)	(990)
Depreciation	9	(42)	(25)
Other operating charges		(653)	(610)
Operating profit - continuing operations		501	190
Interest receivable and similar income		7	6
Interest payable and similar charges	5	(3)	(3)
Profit on ordinary activities before taxation	6	505	193
Tax on profit on ordinary activities	7	(149)	(54)
Profit on ordinary activities after taxation		356	139
Dividends	8	(129)	-
Retained profit for the period	15	227	139

The company has no recognised gains and losses other than the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

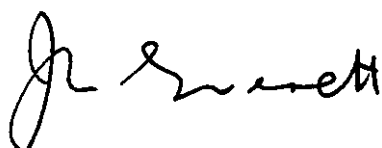
Movements on reserves are set out in note 15.

**Balance sheet
at 30 June 1996**

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	9	150	66
Current assets			
Debtors	10	707	617
Cash		425	-
		1,132	617
Creditors: amounts falling due within one year	11	(949)	(577)
Net current assets		183	40
Total assets less current liabilities		333	106
Capital and reserves			
Called up share capital	14	25	25
Share premium account	15	5	5
Profit and loss account	15	303	76
Equity shareholders' funds	16	333	106

The financial statements on pages 5 to 14 were approved by the board of directors on 24 September 1996 and were signed on its behalf by:

Director



Notes to the financial statements for the year ended 30 June 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Improvements to leasehold properties	Over the life of the lease
Fixtures and fittings	25%
Computer equipment	25%

Development expenditure

The cost of development expenditure is written off in full, as incurred.

Revenue recognition

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period. Revenue is taken to profit when:

- (a) software is delivered to the customer; or
- (b) contractual obligations of the customer to pay are satisfied and an invoice is raised.

Operating leases

Rent payable in respect of operating leases is charged on a straight line basis over the lease term.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

Retirement benefits for employees are funded by contributions to a defined contribution scheme. Contributions are charged to the profit and loss account in the period in which they are made.

2 Turnover

The analysis by geographical area of the company's turnover by destination is set out below:

	1996	18 months 1995
	£'000	£'000
United Kingdom	2,639	1,729
Rest of Europe	90	86
	<u>2,729</u>	<u>1,815</u>

3 Directors' emoluments

	1996	18 months 1995
	£'000	£'000
Fees	25	32
Salary payments	190	92
Other emoluments (including pension contributions and benefits in kind)	112	34
	<u>327</u>	<u>158</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996 £'000	18 months 1995 £'000
The chairman	25	32
The highest-paid director	83	54

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	18 months 1995 Number
£ 0 to £ 5,000	-	3
£20,001 to £25,000	1	-
£25,001 to £30,000	1	-
£30,001 to £35,000	-	1
£50,001 to £55,000	-	2
£65,001 to £70,000	1	-
£80,001 to £85,000	2	-

4 Employee information

The average weekly number of persons (including executive directors) employed by the company during the period was:

	1996 Number	18 months 1995 Number
Computer services	47	29
Staff costs (for the above persons)		
Wages and salaries	1,351	853
Social security costs	116	88
Other pension costs (see note 13)	66	49
	1,533	990

5 Interest payable and similar charges

	1996 £'000	18 months 1995 £'000
On overdrafts:		
Repayable within 5 years, not by instalments	3	3
	<u>3</u>	<u>3</u>

6 Profit on ordinary activities before taxation

	1996 £'000	18 months 1995 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Profit on disposal of tangible fixed assets	1	-
And after charging:		
Depreciation charge for the period:		
Tangible owned assets	42	25
Auditors' remuneration for:		
Audit	9	8
Other services to the company	9	2
Hire of other assets - operating leases	111	104
	<u>111</u>	<u>104</u>

7 Tax on profit on ordinary activities

	1996 £'000	18 months 1995 £'000
United Kingdom corporation tax at 29%		
Current	152	54
Overprovision in previous year	(3)	-
	<u>149</u>	<u>54</u>

8 Dividends

	1996 £'000	1995 £'000
Dividends on equity shares:		
Ordinary - Interim paid of 445.40p per share (1995: Nil)	109	-
Ordinary - Final proposed of 81.85p per share (1995: Nil)	20	-
	<u>129</u>	<u>-</u>

9 Tangible fixed assets

	Improvements to leasehold properties £'000	Fixtures and Fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 July 1995	-	30	95	125
Additions	15	20	96	131
Disposals	-	-	(20)	(20)
At 30 June 1996	<u>15</u>	<u>50</u>	<u>171</u>	<u>236</u>
Depreciation				
At 1 July 1995	-	24	35	59
Charge for period	3	4	35	42
Disposals	-	-	(15)	(15)
At 30 June 1996	<u>3</u>	<u>28</u>	<u>55</u>	<u>86</u>
Net book value				
At 30 June 1996	<u>12</u>	<u>22</u>	<u>116</u>	<u>150</u>
At 30 June 1995	<u>-</u>	<u>6</u>	<u>60</u>	<u>66</u>

10 Debtors

	1996 £'000	1995 £'000
Trade debtors	673	500
Prepayments and accrued income	34	117
	<u>707</u>	<u>617</u>

11 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000
Bank loans and overdrafts	-	109
Trade creditors	43	80
Amounts due to parent company	199	180
Dividend payable	20	-
Corporation tax payable	179	35
Other taxation and social security	117	74
Accruals and deferred income	391	99
	<u>949</u>	<u>577</u>

12 Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Tax effect of timing differences:				
Excess of tax allowances over depreciation	-	-	1	-
	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>

13 Pension and similar obligations

Retirement benefits for employees have been funded by contributions to a defined contribution scheme. The charge to the profit and loss account for the year was £66,000 (1995: £49,000).

14 Called up share capital

	1996 £'000	1995 £'000
Authorised		
25,000 ordinary shares of £1 each	25	25
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
24,434 ordinary shares of £1 each	25	25
	<u> </u>	<u> </u>

15 Share premium account and reserves

	Share premium account £'000	Profit and loss account £'000
At 1 July 1995	5	76
Retained profit for the period	-	227
	<u> </u>	<u> </u>
At 30 June 1996	5	303
	<u> </u>	<u> </u>

16 Reconciliation of movement in shareholders' funds

	1996 £'000	1995 £'000
Profit for the period	356	139
Dividends paid and proposed	(129)	-
	<u> </u>	<u> </u>
Net addition to shareholders' funds	227	139
Opening shareholders' funds	106	(33)
	<u> </u>	<u> </u>
Closing shareholders' funds	333	106
	<u> </u>	<u> </u>

17 Financial commitments

At 30 June 1996 the company had annual commitments under non-cancellable operating leases as follows:-

	30 June 1996		30 June 1995	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	29	6	8	4
Expiring between two and five years inclusive	27	49	19	31
	<u>56</u>	<u>55</u>	<u>27</u>	<u>35</u>

18 Loan to director

The following information is given pursuant to section 232 to the Companies Act 1985, as amended:-

	Balance outstanding		Maximum liability during the year
	At 30 June 1996	At 1 July 1995	
	£	£	£
J Munro	-	-	6,000

The above loan was made by the company for the amount stated, was unsecured and interest free.

19 Ultimate parent company

The directors regard Consort Information Systems Limited, a company registered in England and Wales, as the ultimate parent company. Copies of the parent company's consolidated accounts may be obtained from: The Company Secretary, Consort Information Systems Limited, Consort House, 15 De Montfort Place, Leicester, LE1 7GZ.