

ELITE SYSTEMS LIMITED
REPORT AND FINANCIAL STATEMENTS
30 September 1996
Registered number 1840901



191 DESIGNS LIMITED

Notes

(forming part of the financial statements)

9 Creditors: amounts falling due within one year

	1996 £
Corporation tax	5,834
Other creditors	1,815
Accruals and deferred income	400
	<hr/>
	8,049
	<hr/>

10 Called up share capital

The authorised share capital is £1,000, divided into 1,000 ordinary shares of £1 each, 100 of which are issued and fully paid.

11 Shareholders funds

	£
Issue of share capital	2
Profit on ordinary activities after taxation	19,200
Dividends	(19,200)
	<hr/>
Closing shareholders funds	2
	<hr/>

12 Capital commitments

There are no capital commitments at the end of the financial period.

ELITE SYSTEMS LIMITED

DIRECTORS' REPORT

30 September 1996

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

Principal activities

The principal activities of the company are the design, development and distribution of computer games software.

Review of the business

The state of the company's affairs is set out in the financial statements on pages 4 to 14. The directors recommend that no dividends be paid and that the profit for the year of £299,116 be transferred to reserves.

Taxation status

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

Future developments

Work is continuing on the development and enhancement of new and existing products to meet customers' requirements.

Directors

The members of the board and their respective interests (including family interests) in the shares of the company as disclosed in the company's register of directors' share interests are as stated below. These interests were all beneficially held.


	Ordinary shares of £1 each	
	1996	1995
S.R. Wilcox	6,666	6,666
B.R. Wilcox	-	-
K.L. Wilcox	1,667	1,667
	<u> </u>	<u> </u>

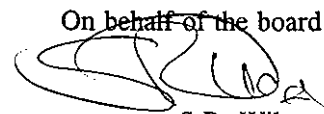
Mr. G.W. Silvester resigned as a director on 31 December 1995.

Auditors

Kidsons Impey have agreed to offer themselves for re-appointment as auditors of the company.

Anchor House
Anchor Road
Aldridge
West Midlands

 May 1997

On behalf of the board

S.R. Wilcox

Director

ELITE SYSTEMS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

30 September 1996

We are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company, and of the profit or loss of the company for that year.

In preparing these financial statements we are required to:

- select suitable accounting policies and apply them consistently
- make reasonable and prudent judgements and estimates
- state whether applicable accounting standards have been followed, and give details of any departures
- prepare the financial statements on a going concern basis unless in our view the company will be unable to continue in business.

We are also responsible for:

- keeping proper accounting records
- safeguarding the company's assets
- taking reasonable steps for the prevention and detection of fraud

On behalf of the board



S.R. Wilcox

Director



May 1997

ELITE SYSTEMS LIMITED

AUDITORS' REPORT

Auditors' report to the shareholders of Elite Systems Limited

We have audited the financial statements on pages 4 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 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 September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kidsons Impey

Kidsons Impey

Registered Auditors

Chartered Accountants

Birmingham

21 May 1997

ELITE SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 30 September 1996

	Note	1996 £	1995 £
Turnover	2	1,217,615	1,211,794
Changes in stocks of finished goods and software development in progress		192,212	(234,887)
		<hr/>	<hr/>
Deduct Direct costs and overheads		1,409,827	976,907
Raw materials and consumables		29,822	334,272
Other external charges		833,997	750,197
Staff costs	4	214,833	278,620
Depreciation (including profit on disposals)		25,667	27,213
Other operating (income)/charges		(54,240)	468,496
		<hr/>	<hr/>
Operating profit/(loss)	3	359,748	(881,891)
Interest receivable	5	469	3,521
Interest payable	6	(40,662)	(36,122)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		319,555	(914,492)
Taxation on the profit/(loss) on ordinary activities	7	(20,439)	(30,309)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation		299,116	(944,801)
Retained (loss)/profit brought forward		(437,988)	506,813
		<hr/>	<hr/>
Retained loss carried forward		(138,872)	(437,988)
		<hr/>	<hr/>

There are no recognised gains or losses other than the profit for the financial year of £299,116 (1995 loss £944,801).

ELITE SYSTEMS LIMITED

BALANCE SHEET

at 30 September 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Tangible assets	8		30,907		69,987
Current assets					
Stocks	9	203,948		11,736	
Debtors	10	501,692		833,122	
Cash at bank and in hand		<u>1,120</u>		<u>4,536</u>	
		706,760		849,394	
Creditors: amounts falling due within one year	11	<u>(859,322)</u>		<u>(1,337,504)</u>	
Net current liabilities			<u>(152,562)</u>		<u>(488,110)</u>
Total assets less current liabilities			(121,655)		(418,123)
Creditors: amounts falling due after more than one year	12		<u>(6,106)</u>		<u>(8,754)</u>
			<u>(127,761)</u>		<u>(426,877)</u>
Capital and reserves - equity					
Called up share capital	14		11,111		11,111
Profit and loss account			<u>(138,872)</u>		<u>(437,988)</u>
Total shareholders' funds			<u>(127,761)</u>		<u>(426,877)</u>

The financial statements on pages 4 to 14 were approved by the board of directors on 14 May 1997


S.R. Wilcox - Director

ELITE SYSTEMS LIMITED

CASH FLOW STATEMENT

for the year ended 30 September 1996

	Note	1996		1995	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	19a		468,519		(1,018,563)
Returns on investments and servicing of finance					
Interest received		469		3,521	
Interest paid		(39,747)		(33,131)	
Interest element of finance lease rentals and payments		<u>(915)</u>		<u>(2,991)</u>	
Net cash outflow from returns on investments and servicing of finance			<u>(40,193)</u>		<u>(32,601)</u>
Investing activities			428,326		(1,051,164)
Purchase of tangible fixed assets		-		(3,195)	
Sales of tangible fixed assets		<u>28,937</u>		<u>35,618</u>	
Net cash inflow from investing activities			<u>28,937</u>		<u>32,423</u>
Net cash inflow/(outflow) before financing			457,263		(1,018,741)
Financing					
Capital received re sale and leaseback			-		53,663
Capital element of finance lease rental payments	19d		<u>(41,551)</u>		<u>(24,013)</u>
Increase/(decrease) in cash and cash equivalents	19c		<u>415,712</u>		<u>(989,091)</u>

ELITE SYSTEMS LIMITED

NOTES ON FINANCIAL STATEMENTS

30 September 1996

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Depreciation

Depreciation is calculated to write off the cost less estimated residual values of tangible fixed assets over their estimated useful lives to the company.

The following rates have been applied

Motor vehicles	25% on cost
Computer equipment	50% on cost
Fixtures and fittings	10% on cost

Leasehold premiums and improvements are amortised over the remaining term of the lease.

Stocks

Developed software represents the lower of cost and net realisable value at the balance sheet date which, in the opinion of the directors, will be fully recoverable against future sales. Net realisable value is based on estimated future sales.

Goods for resale are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Royalties

Prepaid royalties are capitalised within software development and matched against sales in accordance with the royalty agreement. Accrued royalties are included within trade creditors.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

ELITE SYSTEMS LIMITED

NOTES ON FINANCIAL STATEMENTS

30 September 1996

(continued)

1 Principal accounting policies (continued)

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

2 Turnover

This represents the total amount invoiced by the company excluding value added tax. The company's turnover and profits were derived from continuing operations during the current year and previous year. No operations have been acquired during these two years. An analysis of turnover by geographical areas is as follows

	1996 £	1995 £
United Kingdom	196,660	269,453
Other European Countries	-	487,677
Rest of World	<u>1,020,955</u>	<u>454,664</u>
	1,217,615	1,211,794

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging

Exceptional items

Costs of developing games cancelled in year (in cost of sales)	-	297,000
Bad debts written off (in administrative expenses)	-	170,904
French branch expenses (in administrative expenses)	<u>-</u>	<u>124,279</u>

- 592,183

Depreciation of fixed assets

- Owned assets	9,892	25,946
- Assets held under finance leases and hire purchase contracts - motor vehicles and computer equipment	21,301	12,201
Auditors' remuneration	7,750	7,500
Operating lease rentals		
- Land and buildings	13,650	13,650

and after crediting

Profit on sale of fixed assets	5,526	10,934
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ELITE SYSTEMS LIMITED
NOTES ON FINANCIAL STATEMENTS

30 September 1996
(continued)

4	Directors and employees	1996	1995
		£	£
	Staff costs including directors' emoluments		
	Wages and salaries	197,378	255,456
	Social security costs	<u>17,455</u>	<u>23,164</u>
		214,833	278,620
		<u>=====</u>	<u>=====</u>
	Average number employed including executive directors	Number	Number
	Selling and marketing	2	3
	Administration	<u>7</u>	<u>11</u>
		9	14
		=	=
	Directors' emoluments	£	£
	Management remuneration	109,811	131,907
		<u>=====</u>	<u>=====</u>
	Compensation for loss of office	3,402	-
		<u>=====</u>	<u>=====</u>
	Chairman	-	23,572
	Highest paid director	50,753	37,137
		<u>=====</u>	<u>=====</u>
	Other directors	Number	Number
	£10,001 - £15,000	1	-
	£35,001 - £40,000	-	2
	£45,001 - £50,000	1	-
5	Interest receivable	£	£
	Bank reserve account	469	3,521
		<u>=====</u>	<u>=====</u>
6	Interest payable		
	Bank overdraft	39,747	33,131
	Finance leases and hire purchase contracts	<u>915</u>	<u>2,991</u>
		40,662	36,122
		<u>=====</u>	<u>=====</u>

ELITE SYSTEMS LIMITED

NOTES ON FINANCIAL STATEMENTS

30 September 1996

(continued)

7	Taxation	1996	1995
		£	£
	Foreign taxes suffered	20,439	30,309
		<u> </u>	<u> </u>

The taxation charge for the year assumes that tax losses brought forward from previous periods are available in full to be offset against current year profits.

8	Tangible fixed assets	Short leasehold	Computer equipment	Fixtures and fittings	Motor vehicles	Total
		£	£	£	£	£
	Cost					
	30 September 1995	6,413	80,331	72,339	72,562	231,645
	Additions	-	-	-	15,524	15,524
	Disposals	-	-	-	(44,943)	(44,943)
	30 September 1996	6,413	80,331	72,339	43,143	202,226
	Depreciation					
	30 September 1995	5,868	70,772	57,308	27,710	161,658
	Charge for the year	545	9,559	7,234	13,855	31,193
	Eliminated on disposal	-	-	-	(21,532)	(21,532)
	30 September 1996	6,413	80,331	64,542	20,033	171,319
	Net book amount					
	30 September 1996	-	-	7,797	23,110	30,907
	30 September 1995	545	9,559	15,031	44,852	69,987

The net book amount for motor vehicles is £23,110 in respect of assets held under finance leases and hire purchase contracts.

9	Stocks	1996	1995
		£	£
	Software	201,705	-
	Goods for resale	<u>2,243</u>	<u>11,736</u>
		203,948	11,736
		<u> </u>	<u> </u>

ELITE SYSTEMS LIMITED
NOTES ON FINANCIAL STATEMENTS

30 September 1996
(continued)

10	Debtors	1996 £	1995 £
	Trade debtors (see note 15)	487,681	803,201
	Other debtors	2,369	10,895
	Prepayments and accrued income	<u>11,642</u>	<u>19,026</u>
		501,692	833,122
		<u> </u>	<u> </u>
11	Creditors: amounts falling due within one year		
	Bank overdraft (see note)	248,967	668,095
	Trade creditors	500,709	592,543
	Other taxes and social security	19,261	20,380
	Obligations under finance leases and hire purchase contracts	9,582	32,961
	Accruals and deferred income	<u>80,803</u>	<u>23,525</u>
		859,322	1,337,504
		<u> </u>	<u> </u>
	Note		
	The bank overdraft is secured by a fixed and floating charge over the company's products and those of a related company, Motivetime Limited, which are developed under a license with this company.		
12	Creditors: amounts falling due after more than one year		
	Obligations under finance leases and hire purchase contracts	6,106	8,754
		<u> </u>	<u> </u>
13	Reconciliation of shareholders' funds		
	Profit/(loss) for the financial year	299,116	(944,801)
	Opening shareholders' funds	<u>(426,877)</u>	<u>517,924</u>
	Closing shareholders' funds	<u>(127,761)</u>	<u>(426,877)</u>
		<u> </u>	<u> </u>

ELITE SYSTEMS LIMITED

NOTES ON FINANCIAL STATEMENTS

30 September 1996

(continued)

14	Share capital (1996 and 1995)	Number of shares	£
	Authorised		
	Ordinary shares of £1 each	100,000	100,000
	Issued and fully paid		
	Ordinary shares of £1 each	11,111	11,111

15 Transactions involving directors

During the year the company purchased services to the value of £718,706 from Motivetime Limited, a company controlled by S.R. Wilcox. In addition, Elite Systems Limited recharged expenses amounting to £221,030. Trade debtors at 30 September 1996 includes a balance due from Motivetime Limited of £429,305 (1995 £736,221).

16 Capital commitments

There were no capital commitments authorised but not contracted for at 30 September 1996 (1995 £Nil).

17 Guarantees and other financial commitments

a Operating leases

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 30 September 1997.

	1996		1995	
Expiring	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	-	390	13,650	-
Within one to five years	<u>13,650</u>	<u>-</u>	<u>-</u>	<u>1,540</u>
	<u>13,650</u>	<u>390</u>	<u>13,650</u>	<u>1,540</u>

ELITE SYSTEMS LIMITED

NOTES ON FINANCIAL STATEMENTS

30 September 1996

(continued)

17 Guarantees and other financial commitments (continued)

b Finance leases and hire purchase contracts

Obligations under finance leases and hire purchase contracts are analysed as follows

	1996 £	1995 £
Within one year	9,582	32,961
Within one to five years	<u>6,106</u>	<u>8,754</u>
	15,688	41,715

18 Contingent liabilities

Taxation

In the remote circumstances that tax losses brought forward are not available for offset in full against current year profits then a further corporation tax charge and creditor of £60,000 would arise. This would increase the net liabilities on the balance and reduce the profit for the year.

19 Notes to the cash flow statement

a Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	1996 £	1995 £
Operating profit/(loss)	359,748	(881,891)
Depreciation including profits on disposals	25,667	27,213
(Increase)/decrease in stocks and software development costs	(192,212)	234,887
Decrease in debtors	310,991	106,189
Decrease in creditors	(35,675)	(474,652)
Withholding tax on overseas income	<u>-</u>	<u>(30,309)</u>
Net cash inflow/(outflow) from operating activities	<u>468,519</u>	<u>(1,018,563)</u>

ELITE SYSTEMS LIMITED

NOTES ON FINANCIAL STATEMENTS

30 September 1996

(continued)

19 Notes to the cash flow statement (continued)

b	Analysis of changes in cash and cash equivalents during the year	1996	1995
		£	£
	Balance at 30 September 1995	(663,559)	325,532
	Net cash inflow/(outflow)	<u>415,712</u>	<u>(989,091)</u>
	Balance at 30 September 1996	<u>(247,847)</u>	<u>(663,559)</u>
c	Analysis of balances of cash and cash equivalents as shown in the balance sheet	1996	1995
		£	£
	Cash at bank and in hand	1,120	4,536
	Bank overdraft	<u>(248,967)</u>	<u>(668,095)</u>
		<u>(247,847)</u>	<u>(663,559)</u>
			<u>415,712</u>
d	Analysis of changes in financing during the year	Finance leases	Change in year
		£	£
	Balance at 30 September 1995	41,715	
	New finance lease and hire purchase contracts	15,524	
	Capital element of finance lease and hire purchase repayments	<u>(41,551)</u>	
	Balance at 30 September 1996	<u>15,688</u>	