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ELITE SYSTEMS LIMITED
MODIFIED FINANCIAL STATEMENTS
31st JULY, 1989

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ELITE SYSTEMS LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31st July, 1989.

PRINCIPAL ACTIVITIES

The principal activities of the company are the design and distribution of computer based systems and games.

REVIEW OF THE BUSINESS

The state of the company's affairs is set out in the financial statements on pages 3 to 10. The directors recommend that no dividend be paid and the loss of £254,177 be transferred to reserves.

The directors are disappointed with the results for the year which can be attributed to the high costs of software development not being reflected in the annual turnover. However, the directors have taken decisions to rectify this situation which should result in a return to profitability in the current year.

TAXATION STATUS

The company is a close company within the meaning of the Income and Corporation Taxes Act 1938.

FIXED ASSETS

Details of changes in fixed assets are given in note 8 to the financial statements.

DIRECTORS AND THEIR SHAREHOLDINGS

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 were as stated below. These interests were all beneficially held.

	<u>Ordinary shares of £1 each</u>	
	<u>At</u>	<u>At</u>
	<u>31st July, 1989</u>	<u>31st July, 1988</u>
S.R. Wilcox	5,000	5,000
B.R. Wilcox	5,000	5,000
B.J. Dugdale	-	-

ELITE SYSTEMS LIMITED

DIRECTORS' REPORT

DONATIONS

Charitable donations totalling £600 have been made by the company during the year (1988 £Nil).

AUDITORS

The auditors, Messrs. Kidsons, Chartered Accountants are hereby recommended for re-appointment under the provisions of Section 384, Companies Act 1985.

Registered Office:

Anchor House,
Anchor Road,
Aldridge,
West Midlands.

By Order of the Board,

S.R. Wilcox,

Secretary.

4th December, 1989

REPORT OF THE AUDITORS TO THE DIRECTORS OF
ELITE SYSTEMS LIMITED
UNDER PARAGRAPH 10 OF SCHEDULE 8 OF THE COMPANIES ACT 1985

In our opinion the directors are entitled under Sections 247-249 of the Companies Act 1985 to deliver modified financial statements in respect of the year ended 31st July, 1989, and the modified financial statements on pages 4 to 10 have been properly prepared in accordance with Schedule 8 of that Act.

As auditors of Elite Systems Limited we reported to the members on 4th December, 1989 on the financial statements of the company prepared under Section 227 of the Companies Act 1985 for the year ended 31st July, 1989 as follows:

"We have audited the financial statements on pages 4 to 10 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st July, 1989 and of its results and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985."

BIRMINGHAM

4th December, 1989

KIDSONS,

Chartered Accountants

ELITE SYSTEMS LIMITED
MODIFIED PROFIT AND LOSS ACCOUNT

Year ended 31st JULY, 1989

1988

	<u>Note</u>	£	£
GROSS PROFIT	2	470,067	963,421
<u>Deduct</u> DIRECT COSTS AND OVERHEADS			
Staff costs	6	471,257	500,539
Depreciation and other amounts			
written off tangible fixed assets	4	55,295	64,783
Other operating charges		<u>241,866</u>	<u>235,478</u>
OPERATING (LOSS) PROFIT		(298,351)	162,621
Interest receivable	3	3,402	4,755
Interest payable	3	<u>(23,256)</u>	<u>(9,129)</u>
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(318,205)	158,247
Taxation on the (loss) profit on ordinary activities	7	<u>64,028</u>	<u>(65,000)</u>
(LOSS) PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(254,177)	93,247
Retained profit brought forward		<u>463,228</u>	<u>369,981</u>
RETAINED PROFIT carried forward		209,051	463,228

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ELITE SYSTEMS LIMITED

MODIFIED BALANCE SHEET

31st JULY, 1989

1988

	Note	£	£	£
FIXED ASSETS				
Tangible assets	8		89,380	134,817
CURRENT ASSETS				
Stocks	9	123,944		110,230
Software development	1d	132,758		263,075
Debtors	10	335,158		744,367
Cash at bank and in hand		<u>4,009</u>		<u>2,227</u>
		595,869		1,119,899
CREDITORS				
Amounts falling due within one year	11	<u>466,198</u>		<u>781,488</u>
NET CURRENT ASSETS			<u>129,671</u>	<u>338,411</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>219,051</u>	<u>473,228</u>
CAPITAL AND RESERVES				
Called up share capital	13		10,000	10,000
Profit and loss account			<u>209,051</u>	<u>463,228</u>
			<u>219,051</u>	<u>473,228</u>

In preparing these modified financial statements, we have relied upon the exemptions provided by sections 247-249 of the Companies Act 1985 and we have done so on the grounds that the company is entitled to the benefit of those exemptions as a medium-sized company.

The modified financial statements were approved by the Board of Directors on 4th December, 1989.

B.J. Dugdale)
) Directors
 S.R. Wilcox)

B.J. Dugdale
S.R. Wilcox

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ELITE SYSTEMS LIMITED

NOTES ON MODIFIED FINANCIAL STATEMENTS

31st JULY, 1989

1. ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements have been prepared on an historical cost basis. All amounts are shown in pounds sterling.

b. 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 book value
Computer equipment	50% on cost
Fixtures and fittings	10% on cost

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

c. Stocks

These have been valued at the lower of cost and net realisable value on a basis consistent with the previous year.

d. Software development

This represents the lower of cost or net realisable value attributable to projects under development at the balance sheet date, and which in the opinion of the directors will be fully recoverable against sales in the following period.

e. Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rate applicable to the date of the transaction. Any gains or losses arising from a fluctuation in the exchange rate are written off to the income or expenditure to which the transaction relates.

f. Deferred taxation

Deferred taxation is provided where necessary at current taxation rates under the liability method to take account of all timing differences between profits as stated in the financial statements and as computed for tax purposes. Where it is considered with reasonable probability that no such liability will become payable in the foreseeable future, no provision is made.

g. Leasing

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

ELITE SYSTEMS LIMITED

NOTES ON MODIFIED FINANCIAL STATEMENTS

31st JULY, 1989

2. GROSS PROFIT

This represents the total amount invoiced by the company excluding value added tax, plus changes in stocks, less raw materials and consumables and other external charges.

	1989	1988
3a. INTEREST RECEIVABLE	£	£
Pension fund loan	3,402	-
Bank reserve account	<u> </u>	<u>4,755</u>
	3,402	4,755
b. INTEREST PAYABLE	£	£
Bank overdraft	17,447	582
Pension fund loan	<u>5,809</u>	<u>8,547</u>
	23,256	9,129

4. (LOSS) PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION

This figure is stated after charging the following:

	£	£
Depreciation of fixed assets	53,353	64,608
Loss on sale of fixed assets	1,942	175
Directors' remuneration	74,033	131,752
Auditors' remuneration	4,500	4,000
Operating lease rentals:		
Land and buildings	19,650	19,650

5. DIRECTORS EMOLUMENTS

	£	£
Management remuneration, including pension contributions	74,033	131,752

Details of directors' emoluments, excluding pension contributions, are:

	£	£
The chairman	23,167	18,550
The highest paid director	26,517	15,100

Other directors were in the following bands of emoluments

	Nos.	Nos.
£15,001 - £20,000	-	1
£20,001 - £25,000	1	-

ELITE SYSTEMS LIMITED
NOTES ON MODIFIED FINANCIAL STATEMENTS
31st JULY, 1989

6. STAFF NUMBERS AND COSTS

	<u>1989</u>	<u>1988</u>
The average cost of employment, including directors, was:	£	£
Gross salaries	431,190	367,182
Social security costs	40,067	34,357
Pension scheme contributions	<u>—</u>	<u>99,000</u>
	<u>471,257</u>	<u>500,539</u>
The average weekly number of employees during the year was:		
Production	23	20
Selling and distribution	9	8
Administration	<u>14</u>	<u>13</u>
	<u>46</u>	<u>41</u>

7. TAXATION

	£	£
U.K. corporation tax credit (charge) at 35%	65,000	(65,000)
Sundry adjustments	<u>(972)</u>	<u>—</u>
	<u>64,028</u>	<u>(65,000)</u>

ELITE SYSTEMS LIMITED

NOTES ON MODIFIED FINANCIAL STATEMENTS

31st JULY, 1989

8. TANGIBLE FIXED ASSETS	Short Leasehold	Computer Equipment	Fixtures and Fittings	Motor Vehicles	Total
Cost	£	£	£	£	£
1st August, 1988	-	91,799	56,589	108,276	256,664
Additions	1,500	10,301	5,882	13,975	31,658
Disposals	-	-	-	(45,021)	(45,021)
31st July, 1989	1,500	102,100	62,471	77,230	243,301
Depreciation					
1st August, 1988	-	62,551	11,640	47,656	121,847
Charge for year	-	34,398	6,245	12,710	53,353
Eliminated on disposals	-	-	-	(21,279)	(21,279)
31st July, 1989	-	96,949	17,885	39,087	153,921
Net book value					
31st July, 1989	1,500	5,151	44,586	38,143	89,380
31st July, 1988	-	29,248	44,949	60,620	134,817
9. STOCKS				1989	1988
These are analysed as follows:				£	£
Finished goods				56,749	67,996
Blank tapes and paper parts				67,195	42,234
				123,944	110,230
10. DEBTORS				£	£
Trade debtors				242,372	408,518
Other debtors (see note 14)				13,106	282,966
Prepayments				79,680	52,883
				335,158	744,367

ELITE SYSTEMS LIMITED

NOTES ON MODIFIED FINANCIAL STATEMENTS

31st JULY, 1989

11. CREDITORS	1989	1988
Amounts falling due within one year:	£	£
Bank overdraft (see note)	160,058	165,785
Trade creditors	287,943	396,801
Other taxes and social security	11,075	11,611
U.K. corporation tax	-	94,553
Pension fund loan	-	99,000
Accruals	<u>7,122</u>	<u>13,738</u>
	<u>466,198</u>	<u>781,488</u>

Note:

The bank overdraft is secured by a mortgage debenture charged on the assets of the company.

12. CONTINGENT LIABILITIES

A claim has been received from a third party which the directors are disputing and consider that no provision in the accounts is necessary.

13. SHARE CAPITAL	1989	1988
Ordinary shares of £1 each	£	£
Authorised	100,000	100,000
Issued and fully Paid	<u>10,000</u>	<u>10,000</u>

14. TRANSACTIONS INVOLVING DIRECTORS

During the year an interest free loan of £6,000 was made by the company to B.R. Wilcox. At 31st July, 1989 the amount outstanding and included in other debtors was £1,000.

Elite Systems Sarl and Elite Systems GmbH are wholly owned subsidiaries of Elite Systems (International) Limited in which B.R. Wilcox and S.R. Wilcox own shares. The parent company did not trade during the year and its subsidiaries ceased trading during the year. The balances due by Elite Systems Limited to these companies was £100 at 31st July, 1989 (31st July, 1988 £274,050).

15. CAPITAL COMMITMENTS

There were no capital commitments at 31st July, 1989 (1988 £Nil).

16. LEASE COMMITMENTS

The company occupies premises in Aldridge under sub-tenancy at a rental of £10,800 per annum plus service charges at 31st July, 1989; this lease expires on 30th June, 1992.

17. PENSION ARRANGEMENTS

The company contributes to an executive pension scheme for two directors. There are no fixed contribution requirements and there are no defined benefits. Premiums paid are charged to the profit and loss account in the year in which they are paid.