

ASTRAC Limited

Annual report

for the year ended 30 September 2003

Registered no: 2110600



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ASTRAC Limited

Annual report for the year ended 30 September 2003

	Page
Directors' report for the year ended 30 September 2003	1
Independent auditors' report to the members of ASTRAC Limited.....	3
Profit and loss account for the year ended 30 September 2003	4
Balance sheet as at 30 September 2003	5
Notes to the financial statements for the year ended 30 September 2003	6

ASTRAC Limited

Directors' report for the year ended 30 September 2003

The directors present their report and the audited financial statements for the year ended 30 September 2003.

Principal activities

The profit and loss account for the year is set out on page 4.

The principal activity of the company is the development, distribution and servicing of enterprise-wide business intelligence software for international and domestic markets.

Review of business and future developments

A review of the company's business is included within the financial statements of the parent company, ASTRAC Holdings Limited.

Results and dividends

The profit for the year after tax amounted to £1,504,972 (2002: £1,295,591). The directors paid interim dividends of 365.5p per ordinary share (2002: 506.2p) and do not propose a final dividend (2002: nil).

Directors

The directors of the company during the year were as follows:

C J Titcomb BA, (Chairman)
R W Cobley, (Managing Director)
S J Titcomb FCA

With effect from 28 February 2003, C J Titcomb resigned as company secretary and Etchco (Number 6) Limited was appointed.

Directors' share interests

No director had any beneficial interests in the shares of the company at either the beginning or the end of the year under review.

The directors' interests in the shares and options of the parent company ASTRAC Holdings Limited are disclosed in that company's accounts.

Directors' interests in contracts

The directors report no interests in contracts with the company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company 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 year ended 30 September 2003. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

ASTRAC Limited

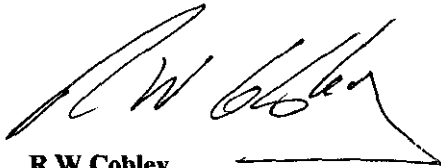
Directors' report (continued)

Directors' responsibilities (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 to 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.

Auditors

Following conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 26 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.



R W Cobley
Managing Director
12 December 2003

Independent auditors' report to the members of ASTRAC Limited

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

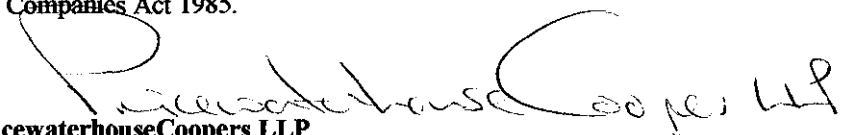
Basis of audit opinion

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 judgments 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
12 December 2003

ASTRAC Limited

Profit and loss account for the year ended 30 September 2003

	Notes	2003 £	2002 £
Turnover	2	7,949,111	7,526,160
Cost of sales		(3,728,779)	(3,856,475)
Gross profit		4,220,332	3,669,685
Administrative costs		(2,156,937)	(1,985,080)
Operating profit	3	2,063,395	1,684,605
Interest receivable		98,920	139,392
Profit on ordinary activities before taxation		2,162,315	1,823,997
Tax on profit on ordinary activities	4	(657,343)	(528,406)
Profit for the financial year		1,504,972	1,295,591
Dividends	5	(1,300,000)	(1,800,000)
Retained profit/(loss) for the financial year	11	204,972	(504,409)

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

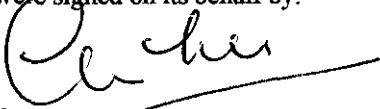
All the above activities refer to continuing operations.

ASTRAC Limited

Balance sheet as at 30 September 2003

	Notes	2003 £	2002 £
Fixed assets			
Intangible assets	6	6,938,160	-
Tangible assets	7	2,260	6,588
		6,940,420	6,588
Current assets			
Debtors	8	971,633	1,212,272
Cash at bank and in hand		2,992	3,237,732
		974,625	4,450,004
Creditors: amounts falling due within one year	10	(6,656,991)	(3,403,510)
Net current (liabilities) / assets		(5,682,366)	1,046,494
Net assets		1,258,054	1,053,082
Capital and reserves			
Called up share capital	12	201,400	201,400
Share premium account	11	346,177	346,177
Profit and loss account	11	710,477	505,505
Shareholders' funds	13	1,258,054	1,053,082
Non-equity shareholders' funds	13	112,500	112,500
Equity shareholders' funds	13	1,145,554	940,582

The financial statements on pages 4 to 15 were approved by the board of directors on 12 December 2003 and were signed on its behalf by:


C J Titcomb

Director

ASTRAC Limited

Notes to the financial statements for the year ended 30 September 2003

1 Principal accounting policies

The principal accounting policies, all of which have been consistently applied throughout the year are set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis, unless otherwise stated, over its expected useful life as follows:

Computer hardware	-	over 3 years
Office equipment	-	over 4 years

Intangible assets – development costs

Development expenditure is written off immediately to Profit & Loss Account except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases direct labour costs and specific external costs are identified and 50% written off to the Profit & Loss Account in the year of expenditure with the balance carried forward on the Balance Sheet under the heading Intangible Assets to be written off equally over the next two years.

Intangible assets – software intellectual property

Software licences are amortised over a four year period. Amortisation is charged on a straight line basis, with 35% of cost charged in the first 12 months following acquisition, and then 30%, 20% and 15% in the subsequent three years, respectively.

The rates above reflect management's assessment of the minimum income profile relating to the intellectual property acquired.

Research expenditure

Research expenditure is written off as incurred.

Turnover

Turnover is the sterling equivalent value of goods and services supplied. It also excludes VAT, similar sales-based tariffs or withholding taxes unless there exists a double taxation treaty between the United Kingdom and the country to which the export sale is made. Where invoices are sent to customers in advance an appropriate proportion relating to future periods is included in deferred income.

Deferred taxation

Provision for deferred taxation is made in respect of all timing differences arising from the different treatment of items for accounts and taxation purposes, except in relation to gains covered by rollover relief. Deferred taxation provisions are not discounted. Deferred taxation assets are recognised when, in the opinion of the directors, they are more likely than not to be recovered, based on current and past trading levels and profitability.

ASTRAC Limited

1 Principal accounting policies (continued)

Leases

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

Pension scheme

The company operates a defined contribution scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable.

Foreign exchange

Assets and liabilities denominated in overseas currencies are translated at the rates ruling at the balance sheet date or the appropriate forward contract or other rate if hedging is used. Exchange differences arising in respect of revenue transactions in the accounting period are included in the profit and loss account at the rate ruling at the date of the transaction.

Cash flow statement

The company has taken advantage of the exception from preparing a cash flow statement under the terms of Financial Reporting Standard 1 as it is a wholly owned subsidiary of ASTRAC Holdings Limited, whose accounts are publicly available.

Going concern

Notwithstanding the fact that the company has net current liabilities the Directors are satisfied that the group will be able to meet its liabilities as they fall due and hence have prepared the accounts on a going concern basis.

2 Turnover

All turnover is derived within the UK. An analysis of turnover by destination is as follows:

	2003	2002
	£	£
United Kingdom	706,475	629,647
Europe (excluding UK)	4,157,294	3,944,069
North America	1,858,014	1,758,303
Rest of the world	1,227,328	1,194,141
	7,949,111	7,526,160

ASTRAC Limited

3 Operating profit

Operating profit is stated after charging:

	Notes	2003 £	2002 £
Directors' emoluments	14	582,172	503,049
Auditors' remuneration			
- audit		10,110	10,000
- other services		17,890	15,150
Amortisation of intangible fixed assets	6	-	39,045
Depreciation of tangible fixed assets	7	4,328	19,277
Hire of plant and machinery – operating leases		5,322	5,659
Other operating leases		45,924	33,110
Foreign exchange losses		2,886	43,983

ASTRAC Limited

4 Taxation

a) Analysis of tax charge in the year	2003	2002
	£	£
Current tax:		
UK Corporation Tax on profit of ordinary activities at 30% (2002: 30%)	650,400	577,007
(Over) / under provision in respect of prior years	(53,855)	10,061
	596,545	587,068
Deferred tax:		
Origination and reversal of timing differences	60,798	(58,662)
Tax on profit / (loss) on ordinary activities	657,343	528,406
b) Factors affecting tax charge for the year	2003	2002
	£	£
Profit on ordinary activities before tax	2,162,315	1,823,997
At standard rate of 30% (2002: 30%)	648,695	547,199
Expenses not tax deductible	5497	1,080
Timing differences	(3,792)	28,728
Adjustments in respect of prior year	(53,855)	10,061
Current tax charge for the year	596,545	587,068

5 Dividends

	2003	2002
	£	£
On equity shares:		
Interim dividends paid of 140.6p, 168.7p and 56.2p per ordinary share (2002: 253.1p and 253.1p). No final dividend is proposed (2002: nil).	1,300,000	1,800,000

ASTRAC Limited

6 Intangible assets

	2003
	£
Software – Intellectual Property	
Balance brought forward 1 October 2002	-
Additions	6,938,160
Amortisation	-
Net book value at 30 September 2003	6,938,160

On 30 September 2003 the group purchased outright from IBM Corporation the Intellectual Property Rights that form the substantial part of ASTRAC's core AS software offering. The purchase of these rights removed the obligation on the group to pay royalties in respect of existing ASTRAC customers to the IBM Corporation after 30 September 2003. The purchase consideration was funded from the group's own resources and through a flexible bank facility provided by ASTRAC's bankers.

7 Tangible fixed assets

	Computer Hardware	Total
	£	£
Cost		
At 1 October 2002 and 30 September 2003	57,829	57,829
Depreciation		
1 October 2002	51,241	51,241
Charge for the year	4,328	4,328
30 September 2003	55,569	55,569
Net book value		
30 September 2003	2,260	2,260
30 September 2002	6,588	6,588

ASTRAC Limited

8 Debtors

	2003	2002
	£	£
Trade debtors	823,344	1,010,264
Other debtors	27,658	36,395
Prepayments and accrued income	22,110	17,042
Overseas tax recoverable	81,530	70,782
Deferred taxation (note 9)	16,991	77,789
	971,633	1,212,272

9 Deferred taxation

a) Deferred taxation	2003
	£
1 October 2002	77,789
Charge for the year (note 4)	(60,798)
At 30 September 2003	16,991

b) Deferred tax asset	2003	2002
	£	£
This comprises:		
Tax effect of timing differences at 30% (2002:30%):		
Excess depreciation over capital allowances	15,491	13,808
Short term timing differences	1,500	63,981
	16,991	77,789

ASTRAC Limited

10 Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank overdraft	3,371,183	-
Trade creditors	45,590	11,000
Other taxes and social security costs	43,069	39,871
Corporation Tax	350,399	577,356
Accruals and deferred income	2,846,750	2,775,283
	6,656,991	3,403,510

The bank overdraft, secured by a debenture, is a US dollar facility repayable in quarterly amounts of US\$1,750,000 commencing 31 March 2004 and with final payment due on or before 31 December 2004. The bank overdraft bears interest at 1.5% over the bank's short term offered rate, varied from time to time, for US dollars.

11 Reserves

	Share premium account	Profit and loss account
	£	£
1 October 2002	346,177	505,505
Profit for the year	-	204,972
30 September 2003	346,177	710,477

ASTRAC Limited

12 Share capital

	Number	£
Authorised		
25p Ordinary shares	500,000	125,000
25p Deferred shares	450,000	112,500
At 30 September 2003 and 2002	950,000	237,500
Allotted, issued, called up and fully paid		
25p Ordinary shares	355,599	88,900
25p Deferred shares	450,000	112,500
At 30 September 2003 and 2002	805,599	201,400

The 25p Deferred shares have no right to receive a dividend and no right of notice of, or to attend at, any general meeting.

On winding up, the holders of the Deferred shares shall be entitled, out of surplus assets of the company, to a return of capital paid up by them respectively on the Deferred shares after a total amount of £20,000,000 has been distributed in such winding up in respect of the Ordinary shares.

13 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the financial year	1,504,972	1,295,591
Dividends	(1,300,000)	(1,800,000)
Retained result for the financial year	204,972	(504,409)
Opening shareholders' funds	1,053,082	1,557,491
Closing shareholders' funds	1,258,054	1,053,082
Of which non-equity interest:		
Deferred shares	112,500	112,500

ASTRAC Limited

14 Directors' emoluments

	2003	2002
	£	£
Emoluments (including benefits in kind)	520,402	421,810
Pension contributions	61,770	81,239
	582,172	503,049

The number of directors who were accruing benefits under pension schemes was:

	Number	Number
Money purchase schemes	2	2

The emoluments of the highest paid director are as follows:

	2003	2002
	£	£
Emoluments (including benefits in kind)	323,158	276,851
Pension contributions	6,220	5,550
	329,378	282,401

15 Employee information

The average monthly number of persons (including executive directors) calculated on a full-time equivalent basis, employed by the company during the year was 20 (2002: 19)

Their aggregate remuneration comprised:

	2003	2002
	£	£
Wages and salaries	1,435,329	1,250,931
Social security costs	159,768	129,520
Pension costs	91,089	107,586
	1,686,186	1,488,037

ASTRAC Limited

16 Financial commitments

Annual commitments under non-cancellable operating leases:

	2003		2002	
	£	£	£	£
Operating leases which expire:	Plant and machinery	Land and buildings	Plant and machinery	Land and buildings
Within one year	-	49,500	5,756	-
Between two and five years inclusive	5,322	-	-	45,924
	5,322	49,500	5,756	45,924

17 Related party transactions

Transactions with other group companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related Party Disclosures" as the consolidated accounts in which the company is included are publicly available.

18 Ultimate parent company

The company's immediate and ultimate parent company and controlling party is ASTRAC Holdings Limited and is the head of the smallest and largest group to consolidate the results of the company.