

**LSC Group Limited**

Report and Financial Statements

Year Ended

30 April 2000



**BDO Stoy Hayward**  
Chartered Accountants



# **LSC Group Limited**

## **Annual report and financial statements for the year ended 30 April 2000**

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### **Directors**

Air Commodore M J S Palmer (RAF retired) (Chief Executive and Managing Director)  
P D Clark  
A M Heap  
M Pearson  
J P B Szymanski

### **Secretary and registered office**

J P B Szymanski, Concept House, Victoria Road, Tamworth, Staffordshire, B79 7HL

### **Company number**

2275471

### **Auditors**

BDO Stoy Hayward, Beneficial Building, 28 Paradise Circus Queensway, Birmingham, B1 2BJ

## **LSC Group Limited**

### **Report of the directors for the year ended 30 April 2000**

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The directors present their report together with the audited financial statements for the year ended 30 April 2000.

#### **Results and dividends**

The profit and loss account is set out on page 5 and shows the profit for the year.

#### **Principal activities, review of business and future developments**

The principal activities of the company during the year have been the provision of project management, consultancy, training, software sales and support.

The company has continued to consolidate its position during FY 99/00. A number of Y2K programmes were successfully delivered and further enhancements to the product portfolio have been made through an active R&D programme (£464,000). The acquisition of the LOCAM business from SER Systems Limited was made during the year and this has provided a unique manufacturing process planning and just-in-time Rapid Acquisition of Manufactured Parts (RAMP) capability to the company. This is a prime requirement of Lean Logistics in the Defence Sector.

Growth in the consultancy and technical services business was again a feature of the years results. In particular, the company has been successful in establishing a growing presence in the Reliability Centred Maintenance (RCM) field, another key component of Defence Lean Logistics.

The company has continued to develop a number of strategic partnerships, as exemplified by the award of a recent outsource contract to manage the Royal Navy's Technical Handbook support in partnership with BAESYSTEMS. The company is involved in a number of consortia bids for further major defence contracts that should ensure continued growth over the coming year. Since the year end, the company has acquired the Weymouth operations of Pennant Information Services Limited to provide a comprehensive technical authoring capability to augment the company's electronic documentation services.

#### **Post balance sheet events**

There have been no events since the balance sheet date which materially effect the position of the company.

#### **Directors**

The directors of the company during the year were:

Air Commodore M J S Palmer (RAF Retired)  
P D Clark  
A M Heap  
M Pearson  
J P B Szymanski

No director had any beneficial interest in the share capital of the company.

The share holdings of the directors in the parent company, LSC Group Holdings Limited, are disclosed in the financial statements of that company.

## **LSC Group Limited**

### **Report of the directors for the year ended 30 April 2000 (Continued)**

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#### **Year 2000**

Following the action taken by the directors, there has had no significant impact on the operations of the business to date following the transition from 1999 to 2000. The directors will continue to monitor the situation throughout the coming year.

#### **Share capital**

On 20 October 1999, the company reclassified all of its issued share capital to Ordinary shares of £1 each.

#### **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 and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

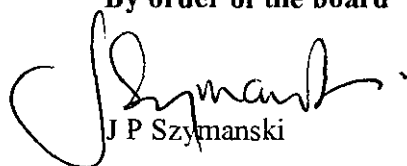
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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**

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### **By order of the board**



J P Szymanski

**Secretary**

29 June 2000

## LSC Group Limited

### Report of the auditors

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#### To the shareholders of LSC Group Limited

We have audited the financial statements on pages 5 to 18 which have been prepared under the accounting policies set out on page 7 to 9.

#### *Respective responsibilities of directors and auditors*

As described on page 3 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 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 as at 30 April 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward*

**BDO STOY HAYWARD**

*Chartered Accountants  
and Registered Auditors  
Birmingham*

29 June 2000

**LSC Group Limited**

**Profit and loss account for the year ended 30 April 2000**

	Note	2000 £	1999 £
<b>Turnover</b>	2	9,030,139	8,850,408
Cost of sales		6,010,043	5,144,603
<b>Gross profit</b>		3,020,096	3,705,805
Administrative expenses		2,123,908	2,549,067
Depreciation		169,474	141,282
Amortisation of goodwill		105,243	91,667
Research and development		471,409	265,172
<b>Operating profit</b>	3	150,062	658,617
Other interest receivable and similar income	6	5,090	20,464
Interest payable and similar charges	7	(24,029)	(52,200)
<b>Profit on ordinary activities before taxation</b>		131,123	626,881
Taxation on profit on ordinary activities	8	61,865	236,835
<b>Profit on ordinary activities after taxation retained for the year</b>		69,258	390,046
Retained profit brought forward		390,046	-
<b>Retained profit carried forward</b>		459,304	390,046

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account. There are no movements in shareholders' funds in the current and prior year apart from the profit for the year.

The notes on pages 7 to 18 form part of these financial statements.

**LSC Group Limited**

**Balance sheet at 30 April 2000**

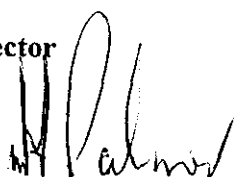
	Note	2000 £	2000 £	1999 £	1999 £
<b>Fixed assets</b>					
Intangible assets	9		2,243,598		2,151,249
Tangible assets	10		452,309		477,153
Investments	11		206		205
			<u>2,696,113</u>		<u>2,628,607</u>
<b>Current assets</b>					
Stocks	12	203,335		305,844	
Debtors	13	1,570,880		1,899,648	
Cash at bank and in hand		585,414		615,083	
		<u>2,359,629</u>		<u>2,820,575</u>	
<b>Creditors: amounts falling due within one year</b>	14	4,211,118		4,647,377	
		<u></u>		<u></u>	
<b>Net current liabilities</b>			(1,851,489)		(1,826,802)
<b>Total assets less current liabilities</b>			<u>844,624</u>		<u>801,805</u>
<b>Creditors: amounts falling due after more than one year</b>	15	19,223		38,662	
<b>Provision for liabilities and charges</b>	16	17,000		24,000	
		<u></u>	<u>36,223</u>	<u></u>	<u>62,662</u>
			<u>808,401</u>		<u>739,143</u>
<b>Capital and reserves</b>					
Called up share capital	17		349,097		349,097
Profit and loss account	18		459,304		390,046
			<u></u>		<u></u>
<b>Shareholders' funds</b>			<u>808,401</u>		<u>739,143</u>

Included within shareholders' funds is an amount of £NIL (1999 - £249,097) in respect of non-equity interests.

The financial statements were approved by the Board on 29 June 2000

M J S Palmer

Director



The notes on pages 7 to 18 form part of these financial statements.

## 1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

### *Cash flow statement*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by LSC Group Holdings Limited and the company is included in consolidated financial statements.

### *Goodwill*

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is currently estimated to be 20 years.

### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

### *Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except for investment properties, freehold land and certain buildings, evenly over their expected useful lives. It is calculated at the following rates:

Motor vehicles	- 25% reducing balance
Fixtures & fittings	- 15% reducing balance
Computer equipment	- 33% reducing balance

### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Long-term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for that contract.

### *Foreign currency*

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.



**1 Accounting policies (*continued*)**

*Research and development expenditure*

Development costs on clearly defined projects, net of specific grant income receivable, the outcome of which has been assessed with reasonable certainty, are capitalised to the extent that their recovery can be reasonably be regarded as assured are amortised over the anticipated commercial life of the product development.

Other research and development expenditure is written off against profits in the year in which it is incurred.

*Deferred taxation*

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

*Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

*Pensions*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

*Related party disclosure*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related party disclosure', not to disclose transactions with members or investees of the group headed by LSC Group Holdings Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

*Grants*

Capital grants received for the development of new software design have been credited to deferred income within creditors and are being amortised over the useful lives of the assets to which they relate.

Revenue grants received are credited to income in the period in which the related expenditure is charged.

**1 Accounting policies (continued)****2 Turnover**

	2000 £	1999 £
Analysis by geographical market:		
United Kingdom	8,462,004	8,133,332
Europe	31,000	201,732
Rest of the world	537,135	515,344
	<u>9,030,139</u>	<u>8,850,408</u>

Turnover is wholly attributable to the principal activity of the company.

**3 Operating profit**

This is arrived at after charging/(crediting):

	2000 £	1999 £
Depreciation of tangible fixed assets	169,474	141,282
Amortisation of goodwill	105,243	91,667
Hire of plant and machinery - operating leases	15,106	18,251
Hire of other assets - operating leases	64,197	50,021
Research and development - amortisation of capitalised expenditure	6,845	-
Research and development	464,564	270,633
Profit on sale of fixed assets	950	(789)
Auditors remuneration	10,800	12,000
	<u>1,000,019</u>	<u>583,824</u>

Depreciation includes £40,175 (1999 - £61,212) charged on assets held under finance leases and hire purchase contracts.

**4 Employees**

Staff costs (including directors) consist of:

	2000 £	1999 £
Wages and salaries	4,023,708	3,067,627
Social security costs	400,839	329,024
Other pension costs	167,758	146,940
	<u>4,592,305</u>	<u>3,543,591</u>

**4 Employees (continued)**

The average number of employees (including directors) during the year was as follows:

	<b>2000 Number</b>	<b>1999 Number</b>
Production and development	140	103
Other	19	18
	<u>159</u>	<u>121</u>

**5 Directors' remuneration**

	<b>2000 £</b>	<b>1999 £</b>
Directors' emoluments	-	38,973
Company contributions to defined contribution pension schemes	-	1,805
	<u>          </u>	<u>          </u>

**6 Other interest receivable and similar income**

	<b>2000 £</b>	<b>1999 £</b>
Bank deposits	5,090	20,464
	<u>          </u>	<u>          </u>

**7 Interest payable and similar charges**

	<b>2000 £</b>	<b>1999 £</b>
Bank loans and overdrafts	7,646	7,197
Finance leases and hire purchase contracts	7,404	27,488
Other interest payable	8,979	17,515
	<u>24,029</u>	<u>52,200</u>

**LSC Group Limited**

**Notes forming part of the financial statements for the year ended 30 April 2000 (Continued)**

**8 Taxation**

	2000 £	1999 £
<i>Current year</i>		
UK corporation tax	85,000	220,000
Transfer (from)/to deferred taxation account	(7,000)	22,500
	<hr/>	<hr/>
	78,000	242,500
<i>Prior years</i>		
UK corporation tax	(16,135)	(5,665)
	<hr/>	<hr/>
	61,865	236,835
	<hr/>	<hr/>

**LSC Group Limited**

Notes forming part of the financial statements for the year ended 30 April 2000 (*Continued*)

**9 Intangible assets**

	<b>Development costs</b>	<b>Purchased goodwill</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<i>Cost or valuation</i>			
At 1 May 1999	242,916	2,000,000	<b>2,242,916</b>
Additions	100,487	103,950	<b>204,437</b>
	<hr/>	<hr/>	<hr/>
At 30 April 2000	<b>343,403</b>	<b>2,103,950</b>	<b>2,447,353</b>
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 May 1999	-	91,667	<b>91,667</b>
Provided for the year	6,845	105,243	<b>112,088</b>
	<hr/>	<hr/>	<hr/>
At 30 April 2000	<b>6,845</b>	<b>196,910</b>	<b>203,755</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 April 2000	<b>336,558</b>	<b>1,907,040</b>	<b>2,243,598</b>
	<hr/>	<hr/>	<hr/>
At 30 April 1999	242,916	1,908,333	<b>2,151,249</b>
	<hr/>	<hr/>	<hr/>

**LSC Group Limited**

Notes forming part of the financial statements for the year ended 30 April 2000 (*Continued*)

**10 Tangible fixed assets**

	<b>Motor vehicles £</b>	<b>Fixtures and fittings £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<i>Cost</i>				
At 1 May 1999	124,717	121,806	712,510	959,033
Additions	10,000	24,409	120,275	154,684
Disposals	(10,000)	(24)	(30)	(10,054)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2000	<b>124,717</b>	<b>146,191</b>	<b>832,755</b>	<b>1,103,663</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 May 1999	56,097	49,118	376,665	481,880
Provided for the year	17,155	13,813	138,506	169,474
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2000	<b>73,252</b>	<b>62,931</b>	<b>515,171</b>	<b>651,354</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net Book Value</i>				
At 30 April 2000	<b>51,465</b>	<b>83,260</b>	<b>317,584</b>	<b>452,309</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1999	<b>68,620</b>	<b>72,688</b>	<b>335,845</b>	<b>477,153</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of fixed asset includes an amount of £96,749 (1999 - £148,148) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £40,175 (1999 - £61,212).

## LSC Group Limited

Notes forming part of the financial statements for the year ended 30 April 2000 (*Continued*)

### 11 Fixed asset investments

	Group undertakings
<i>Cost or valuation</i>	
At 1 May 1999	205
Additions	1
	—
At 30 April 2000	206
	—
<i>Net book value</i>	
At 30 April 2000	206
	—
At 30 April 1999	205
	—

#### *Subsidiary undertakings*

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Class of share capital held	%	Principal activity
<i>Subsidiary undertakings</i>			
LSC Consulting Limited	Ordinary	100	Dormant
Amligi Limited	Ordinary	100	Dormant
LSC Products Limited	'A' Ordinary	100	Dormant
The European Virtual Company Limited	Ordinary	100	Dormant
LSC Training Limited	Ordinary	100	Dormant
Locam Limited	Ordinary	100	Dormant

The above subsidiaries have remained dormant throughout the year and each have insignificant balance sheets positions. As a result, the subsidiary companies listed above have not been consolidated in these financial statements.

### 12 Stocks

	2000 £	1999 £
Work in progress	203,335	305,844
	—	—

**LSC Group Limited**

**Notes forming part of the financial statements for the year ended 30 April 2000 (Continued)**

**13 Debtors**

	2000 £	1999 £
Trade debtors	1,419,974	1,743,213
Amounts owed by group undertakings	250	250
Other debtors	4,952	11,968
Prepayments and accrued income	145,704	81,254
Corporation tax recoverable	-	62,963
	<u>1,570,880</u>	<u>1,899,648</u>

All amounts fall due for payment within one year.

**14 Creditors: amounts falling due within one year**

	2000 £	1999 £
Bank overdrafts (secured)	-	249,566
Trade creditors	370,435	406,567
Amounts owed to group undertakings	2,393,787	2,889,597
Taxation and social security	694,185	331,014
Corporation tax	140,836	285,000
Obligations under finance lease and hire purchase contracts	25,193	34,469
Accruals and deferred income	586,682	451,164
	<u>4,211,118</u>	<u>4,647,377</u>

**15 Creditors: amounts falling due after more than one year**

	2000 £	1999 £
Obligations under finance lease and hire purchase contracts	19,223	38,662
	<u>19,223</u>	<u>38,662</u>



**15 Creditors: amounts falling due after more than one year (*Continued*)**

Maturity of debt:

	<b>Finance leases</b>	
	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
In one year or less, or on demand	25,193	34,469
In more than one year but not more than two years	19,223	20,224
In more than two years but not more than five years	-	18,438
	<u>44,416</u>	<u>73,131</u>

**16 Provision for liabilities and charges**

Deferred taxation

	<b>2000</b>	<b>Provided</b>
	<b>£</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
The amount of deferred tax provided for is as follows:		
Accelerated capital allowances	17,000	24,000
	<u>17,000</u>	<u>24,000</u>

There is no unprovided deferred tax.

**17 Share capital**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Equity share capital</i>				
Ordinary shares of £1 each	349,097	80,000	349,097	80,000
"A" ordinary shares of £1 each	-	20,000	-	20,000
<i>Non-equity share capital</i>				
Cumulative redeemable preference shares of £1 each	-	200,000	-	200,000
New preference shares of £1 each	-	49,097	-	49,097
	<u>349,097</u>	<u>349,097</u>	<u>349,097</u>	<u>349,097</u>

On 20 October 1999, the company reclassified all of its issued share capital to Ordinary shares of £1 each.

# LSC Group Limited

Notes forming part of the financial statements for the year ended 30 April 2000 (Continued)

## 18 Reserves

	Profit and loss account £
At 1 May 1999	390,046
Profit for the year	69,258
	<hr/>
At 30 April 2000	459,304
	<hr/>

## 19 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit for the year	69,258	390,046
Opening shareholders' funds	739,143	349,097
	<hr/>	<hr/>
Closing shareholders' funds	808,401	739,143
	<hr/>	<hr/>

## 20 Contingencies

At 30 April 2000 there was a composite guarantee and debenture between group undertakings to the Bank of Scotland. The total indebtedness of the group at 30 April 2000 amounted to £830,088 (1999 - £1,584,466).

The company is a member of the LSC Group Holdings Limited VAT registration scheme and is jointly and severally liable for all the liabilities of other group companies within the scheme. As at 30 April 2000 the total of this liability was £557,823 (1999 - £220,530).

**21 Commitments under operating leases**

As at 30 April 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	19,708	31,468	16,458	3,145
In two to five years	127,894	321,429	99,854	427,372
	<u>147,602</u>	<u>352,897</u>	<u>116,312</u>	<u>430,517</u>

**22 Ultimate parent company and parent undertaking of larger group**

The company is a subsidiary of LSC Group Holdings Limited which is the ultimate parent company.