

COGSYS LIMITED
(Registered Number - 2324632)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1993



COGSYS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1993

The Directors present their report and audited accounts for the year ended 31 March 1993.

PRINCIPAL ACTIVITIES

The principal activity of the company is the development and marketing of expert computer software systems.

REVIEW OF THE BUSINESS

The company made a loss for the period of £171,575 (1992 - £227,439) which has been transferred to reserves. No dividend is proposed.

FIXED ASSETS

Details of fixed assets are set out in notes 8 and 9 to the accounts.

DIRECTORS

The Directors who held office during the year were as follows:

F Corrigan (Chairman)

C T Hebden

G W Mortimer

H J F Stroud

T M Abram

D Cox

R Kraft

S Burras

G R Lay - alternate Director to T M Abram (Appointed 12 May 1992)

N A Eldred (Appointed 13 July 1992)

P Barraclough - alternate Director to N A Eldred (Appointed 13 July 1992)

S J Davison (Appointed 3 December 1992)

R J Rudman - alternate Director to F Corrigan (Appointed 10 February 1993)

Dr T M Abram and Mr C T Hebden resigned on 14 June 1993. Mr G R Lay resigned as an alternate Director to Dr Abram and was appointed a full Director on 14 June 1993.

COGSYS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1993 (CONTINUED)

DIRECTORS' INTERESTS

The interests of the Directors still holding office on 31 March 1993 in the shares of the company and in the shares of the ultimate parent company, British Gas plc are stated below:

BRITISH GAS PLC

	<u>Beneficial Holdings</u>		<u>Savings Related Share Options</u>	
	31 March 1993	31 March* 1992	31 March 1993	31 March* 1992
F Corrigan	2,652	2,561	7,944	6,879
H J F Stroud	10,191	6,110	9,503	9,611
R J Rudman	1,636	1,636	-	-
D W Cox	800	800	-	-
G W Mortimer	660	660	-	-
R Kraft	2,200	2,200	-	-
S J Davison	3,647	3,647	-	-

* Or later date of appointment

COGSYS LIMITED

	<u>Beneficial Holdings</u>	
	31 March 1993	31 March* 1992
G W Mortimer	5,000	-
S Burras	5,000	-
R Kraft	5,000	-
S J Davison	5,000	-

* Or later date of appointment

All share options were granted under the terms of the ultimate parent company's Savings Related Share Option Scheme, details of which are given in that company's report and accounts for the year ended 31 December 1992.

The following share options were exercised under the terms of the ultimate parent company's Savings Related Share Option Scheme during the period.

	<u>Exercise of Options</u>
H J F Stroud	3,464
F Corrigan	828

COGSYS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1993 (CONTINUED)

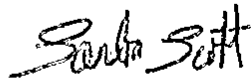
DIRECTORS' INSURANCE

The ultimate parent company has purchased insurance to cover the Directors against liabilities in relation to the company.

APPOINTMENT OF AUDITORS

Price Waterhouse have expressed their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board



S SCOTT

Company Secretary

~~21 July 1993~~

10 September 1993

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF COGSYS LIMITED

We have audited the financial statements on pages 5 to 16 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 1993 and of the loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditor

10 September 1993

COGSYS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1993**

	<u>1993</u> £	<u>1992</u> £
TURNOVER (Note 2)	313,702	138,577
Cost of sales	<u>(335,659)</u>	<u>(274,208)</u>
GROSS LOSS	(21,957)	(135,631)
Administrative expenses	<u>(183,530)</u>	<u>(91,181)</u>
OPERATING LOSS	(205,487)	(226,812)
Interest payable (Note 4)	(12,599)	(3,238)
Interest receivable	<u>2,524</u>	<u>2,611</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	(215,562)	(227,439)
Tax on loss on ordinary activities (Note 7)	<u>43,987</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED TO RESERVES (Note 15)	<u>£(171,575)</u>	<u>£(227,439)</u>

The notes on pages 9 to 16 form part of these accounts.

COGSYS LIMITED

BALANCE SHEET AS AT 31 MARCH 1993

	<u>1993</u>		<u>1992</u>	
	£	£	£	£
FIXED ASSETS				
Intangible fixed assets (Note 8)		17,910		39,577
Tangible fixed assets (Note 9)		<u>33,045</u>		<u>15,100</u>
		50,955		54,677
CURRENT ASSETS				
Debtors (Note 10)	127,174		115,676	
Cash at bank and in hand	<u>23,284</u>		<u>60,298</u>	
	150,458		175,974	
CREDITORS: Amounts falling due within one year (Note 11)	<u>(115,415)</u>		<u>(240,708)</u>	
NET CURRENT ASSETS/(LIABILITIES)		<u>35,043</u>		<u>(64,734)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		85,998		(10,057)
CREDITORS: Amounts falling due after more than one year (Note 11)		<u>(157,462)</u>		<u>(93,632)</u>
		£(71,464)		£(103,689)
CAPITAL AND RESERVES				
Called up share capital (Note 14)		448,832		245,032
Profit and loss account (Note 15)		<u>(520,296)</u>		<u>(348,721)</u>
		£(71,464)		£(103,689)

APPROVED BY THE BOARD ON
10 September 1993


G W MORTIMER - DIRECTOR

The notes on pages 9 to 16 form part of these accounts.

COGSYS LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 1993**

	<u>1993</u> £	<u>1992</u> £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES (Note 1)	(268,647)	(203,619)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	2,524	2,611
Interest paid	(119)	(657)
Interest element of finance lease rental payments	(3,127)	(1,976)
Other interest	<u>-</u>	<u>(605)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(722)	(627)
INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(29,799)	(19,855)
Purchase of intangible fixed assets	<u>-</u>	<u>(14,994)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(29,799)	(34,849)
NET CASH OUTFLOW BEFORE FINANCING	(299,168)	(239,095)
FINANCING		
Issue of share capital	28,800	75,000
New commercial loans	50,000	85,000
Unpaid share capital received	175,000	65,000
Inception of finance lease contracts	15,000	16,999
Capital element of finance lease rental payments	<u>(6,646)</u>	<u>(4,756)</u>
NET CASH INFLOW FROM FINANCING (Note 3)	262,154	237,243
DECREASE IN CASH AND CASH EQUIVALENTS (Note 2)	£(37,014)	£(1,852)

The notes on page 8 form part of the cash flow statement.

COGSYS LIMITED

NOTES TO STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 1993

1 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<u>1993</u> £	<u>1992</u> £
Operating loss	(205,487)	(226,812)
Depreciation	11,854	5,650
Amortisation	21,667	18,417
Decrease/(increase) in debtors	32,489	(66,906)
(Decrease)/increase in creditors	<u>(129,170)</u>	<u>66,032</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	£(268,647)	£(203,619)

2 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	£
Balance at 1 April 1992	60,298
Net cash outflow	<u>(37,014)</u>
Balance at 31 March 1993	<u>£23,284</u>

3 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<u>Loans</u> £	<u>Finance lease obligations</u> £	<u>Share capital</u> £
Balance at 1 April 1992	85,000	12,243	245,032
Cash inflow/(outflow)	50,000	(6,646)	203,800
Inception of finance lease contracts	-	15,000	-
Accrued interest	<u>9,353</u>	<u>-</u>	<u>-</u>
Balance at 31 March 1993	<u>144,353</u>	<u>20,597</u>	<u>448,832</u>

COGSYS LIMITED

NOTES TO THE ACCOUNTS

31 MARCH 1993

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The principal accounting policies which the directors have adopted within that convention are set out below.

TURNOVER

Turnover is the amount derived from the provision of services falling within the company's ordinary activities after deducting value added tax.

DEFERRED TAXATION

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations, in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are written down on a straight line basis over their estimated useful lives which are as follows:

Computer software licences	3 years
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TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost of fixed assets to their estimated residual values by equal annual instalments over the period of their estimated useful lives which are as follows:

Motor vehicles	4 years
Fixtures, fittings, computers and equipment	2 - 5 years

LEASING COMMITMENTS

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their estimated useful lives.

The interest element of the rental obligations 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.

COGSYS LIMITED

NOTES TO THE ACCOUNTS 31 MARCH 1993 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

RESEARCH AND DEVELOPMENT

Research and development expenditure is written off in the year in which it is incurred.

PENSIONS

The company contributes a fixed percentage of salary of employees to a group personal pension plan. The Scheme is a defined contribution Scheme. The pension cost charge represents contributions payable to the fund.

2 ANALYSIS OF TURNOVER AND LOSS

The whole of the company's turnover, loss and net assets are attributable to its principal activity, which is carried on from the UK. The turnover attributable to each of the company's geographical markets is:

	<u>1993</u> £	<u>1992</u> £
United Kingdom	300,702	129,577
Other EC countries	12,000	8,000
Other	<u>1,000</u>	<u>1,000</u>
	<u>313,702</u>	<u>138,577</u>

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation
is arrived at after charging:

	<u>1993</u> £	<u>1992</u> £
Depreciation of tangible fixed assets	11,854	5,650
Amortisation of intangible assets	21,667	18,417
Auditors' remuneration	3,200	3,270
Operating lease rentals	<u>22,404</u>	<u>14,450</u>

COGSYS LIMITED

NOTES TO THE ACCOUNTS 31 MARCH 1993 (CONTINUED)

4	INTEREST PAYABLE	<u>1993</u> £	<u>1992</u> £
	Bank overdrafts repayable within 5 years	119	657
	Interest payable under finance leases	3,127	1,976
	Medium term loan interest - group	2,942	605
	- minority interests	<u>6,411</u>	<u>-</u>
	Other	£12,599	£3,238
		<u> </u>	<u> </u>
5	EMPLOYEES	<u>1993</u>	<u>1992</u>
	Number of employees:		
	The average number of persons employed by the company, including Directors, during the year was:	8	3
		<u>-</u>	<u>-</u>
	The costs incurred in respect of these employees were:	£	£
	Wages and salaries	208,515	110,052
	Social security costs	22,141	10,375
	Other pension costs	<u>14,824</u>	<u>5,916</u>
		£245,480	£126,343
		<u> </u>	<u> </u>
6	DIRECTORS' REMUNERATION	<u>1993</u> £	<u>1992</u> £
	Directors' emoluments	£114,025	£1,462
		<u> </u>	<u> </u>
	Emoluments, excluding pension scheme contributions:	£	£
	Chairman	-	-
		<u> </u>	<u> </u>
	Highest paid Director	£41,523	£677
		<u> </u>	<u> </u>
	Other Directors, excluding pension scheme contributions in the range:		
	£Nil - £5,000	7	8
	£5,001 - £10,000	1	-
	£30,001 - £35,000	2	-
	£40,001 - £45,000	1	-
		<u>-</u>	<u>-</u>

During the year fees of £39,388 (1992 - £17,650) were paid by the company to shareholding undertakings in respect of the services of two Directors who are not employees of the company. These amounts are not included in the emoluments figure of £114,025.

COGSYS LIMITED

NOTES TO THE ACCOUNTS 31 MARCH 1993 (CONTINUED)

7 TAXATION

The credit to taxation for the year comprises:

	<u>1993</u> £	<u>1992</u> £
Consortium relief - prior year	<u>43,987</u>	<u>-</u>
	<u>43,987</u>	<u>-</u>

8 INTANGIBLE FIXED ASSETS

	Computer software licences £
COST	
At 31 March 1992	64,994
Additions	<u>-</u>
At 31 March 1993	<u>64,994</u>
AMORTISATION	
At 31 March 1992	25,417
Charge for the period	<u>21,667</u>
At 31 March 1993	<u>47,084</u>
NET BOOK AMOUNT	
At 31 March 1993	<u>£17,910</u>
At 31 March 1992	<u>£39,577</u>

	Motor vehicles £	Fixtures, fittings, computers and equipment £	Total £
9 TANGIBLE FIXED ASSETS			
COST			
At 31 March 1992	16,999	4,199	21,198
Additions	<u>15,000</u>	<u>14,799</u>	<u>29,799</u>
At 31 March 1993	<u>31,999</u>	<u>18,998</u>	<u>50,997</u>
DEPRECIATION			
At 31 March 1992	4,250	1,848	6,098
Charge for the period	<u>7,687</u>	<u>4,167</u>	<u>11,854</u>
At 31 March 1993	<u>11,937</u>	<u>6,015</u>	<u>17,952</u>
NET BOOK AMOUNT			
At 31 March 1993	<u>£20,062</u>	<u>£12,983</u>	<u>£33,045</u>
At 31 March 1992	<u>£12,749</u>	<u>£2,351</u>	<u>£15,100</u>

The motor vehicles are held under finance leases.

COGSYS LIMITED

NOTES TO THE ACCOUNTS 31 MARCH 1993 (CONTINUED)

10	DEBTORS	<u>1993</u> £	<u>1992</u> £
	Amounts recoverable on contracts	18,147	-
	Trade debtors	40,016	78,444
	Amounts owed by ultimate parent undertaking	5,160	32,136
	Consortium relief receivable	43,987	-
	Other debtors	2,350	-
	Prepayments and accrued income	<u>17,514</u>	<u>5,096</u>
		£127,174	£115,676
		<hr/>	<hr/>
11	CREDITORS - Amounts falling due within one year	<u>1993</u> £	<u>1992</u> £
	Trade creditors	40,656	33,067
	Amounts owed to ultimate parent undertaking	-	108,855
	Taxation and social security	11,118	9,739
	Other creditors	8,294	15,498
	Accruals and deferred income	47,859	69,948
	Obligations under finance leases (Note 12)	<u>7,488</u>	<u>3,611</u>
		£115,415	£240,708
		<hr/>	<hr/>
	CREDITORS - Amounts falling due after more than one year		
	Medium term loan from ultimate parent undertaking	27,942	25,000
	Medium term loans from minority interests	66,411	60,000
	Loan from British Coal Enterprise Limited (BCE)	50,000	-
	Obligations under finance leases (Note 12)	<u>13,109</u>	<u>8,632</u>
		£157,462	£93,632
		<hr/>	<hr/>

The medium term loans attract interest at 3% above Midland Bank plc base rate and are repayable on 30 June 1995. The loans, together with all unpaid interest accrued, are convertible into Ordinary 'A' shares of £1 each at the rate of £1 of such principal monies and interest for each Ordinary 'A' share of £1. Conversion may take place at any time during the period of the loan, on due notice being given to the company.

COGSYS LIMITED

NOTES TO THE ACCOUNTS

31 MARCH 1993 (CONTINUED)

11 CREDITORS - Amounts falling due after more than one year (continued)

The loan from BCE is repayable in monthly instalments over a five year period commencing 22 February 1994. Interest is payable at 6% per annum for the first 12 months, 7% per annum for the next 12 months, and thereafter at 9% per annum, calculated on the decreasing balance of the capital sum. An equity option has also been granted to BCE at £2.50 per share, up to £50,000, unless the company's profits before taxation for the trading period ending 31 March 1995 exceed £118,000. In the event of profit exceeding that figure the option price would increase by a pre-tax price earnings multiple of ten, applied to the excess profit element.

12 OBLIGATIONS UNDER FINANCE LEASES

The finance lease obligations are due to be repaid over the following periods:

	<u>1993</u>	<u>1992</u>
	£	£
Within 1 year	7,488	3,611
Between 2 and 5 years	<u>13,109</u>	<u>8,632</u>
	<u>£20,597</u>	<u>£12,243</u>

13 DEFERRED TAXATION

The provision for deferred tax and the amounts for which provision has not been made are as follows:

	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>
	<u>1993</u>	<u>1993</u>	<u>1992</u>	<u>1992</u>
	£	£	£	£
Depreciation in excess of tax allowances	-	(4,533)	-	(101)
Unused tax losses	<u>-</u>	<u>(80,226)</u>	<u>-</u>	<u>(64,150)</u>
	<u>£Nil</u>	<u>£(84,759)</u>	<u>£Nil</u>	<u>£(64,251)</u>

COGSYS LIMITED

NOTES TO THE ACCOUNTS

31 MARCH 1993 (CONTINUED)

14 SHARE CAPITAL

	<u>1993</u> £	<u>1992</u> £
Authorised		
999,965 (1992 - 200,000) Ordinary 'A' shares of £1 each	999,965	200,000
19 Ordinary 'B' shares of £1 each	19	19
16 Ordinary 'C' shares of £1 each	16	16
799,965 Ordinary 'D' shares of £1 each	<u>-</u>	<u>799,965</u>
	<u>£1,000,000</u>	<u>£1,000,000</u>
	£	£
Allotted and fully paid		
448,803 (1992 - 135,003) Ordinary 'A' shares of £1 each	448,803	135,003
14 Ordinary 'B' shares of £1 each	14	14
15 Ordinary 'C' shares of £1 each	15	15
35,000 Ordinary 'D' shares of £1 each	<u>-</u>	<u>35,000</u>
	<u>£448,832</u>	<u>£170,032</u>
	£	£
Allotted and partly paid		
64,997 Ordinary 'A' shares of £1 each	-	19,499
185,003 Ordinary 'D' shares of £1 each	<u>-</u>	<u>55,501</u>
	-	£75,000
	<u>£448,832</u>	<u>£245,032</u>
Total allotted and paid	<u>£448,832</u>	<u>£245,032</u>

The Ordinary 'D' shares were converted into Ordinary 'A' shares at the Annual General Meeting on 5 October 1992. The outstanding 70p of the partly paid shares at 1 April 1992 was paid in three calls on 16 June 1992 (30p per share), 13 July 1992 (20p per share) and 8 September 1992 (20p per share). On 5 December 1992 28,800 Ordinary 'A' shares were allotted to Cogsys Limited employees and fully paid.

COGSYS LIMITED

NOTES TO THE ACCOUNTS 31 MARCH 1993 (CONTINUED)

15	RESERVES	£
	At 31 March 1992	(348,721)
	Retained loss for the period	<u>(171,575)</u>
	At 31 March 1993	£(520,296)

16 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 1993.

17 PENSION COSTS

The company operates a defined contribution pension plan, whereby it contributes to the personal pension plans of individual employees 8% of the gross salary of the individuals. The pension cost represents contributions payable by the company.

18 OPERATING LEASES

The company is committed to operating lease payments in the next twelve months in respect of leases expiring as follows:

	Land and <u>Buildings</u> £	Other Operating <u>leases</u> £	<u>Total</u> £
Within 1 year	-	2,449	2,449
2-5 years	<u>27,154</u>	<u>10,980</u>	<u>38,134</u>
	27,154	13,429	40,583

ULTIMATE PARENT COMPANY

Cogsys Limited is a subsidiary undertaking of BG Corporate Ventures Limited which is a wholly owned subsidiary of British Gas plc. The largest and smallest group in which the results of the company are consolidated is British Gas plc. Copies of the British Gas plc accounts can be obtained from:

Rivermill House
152 Grosvenor Road
London
SW1V 3JL

British Gas

Secretary's Office
Rivermill House
152 Grosvenor Road
London SW1V 3JL

Telephone 071-821 1444
Telex 938529
Fax 071-976 5686

The Registrar of Companies
Companies House
Crown Way
Maindy
Cardiff
CF4 3UZ

6 October 1993

Dear Sir

COGSYS LIMITED - COMPANY NUMBER 2324632

I enclose the Report and Accounts for the year ended 31 March 1993 for the above named company.

I should be grateful if you would acknowledge receipt of this document by date stamping and returning the duplicate letter in the stamped addressed envelope provided.

Yours faithfully



Sandra Scott
Subsidiaries Secretariat

