Progress Computer Systems Limited

Directors' report and financial statements

Registered number 2726798

For the 18 months ended

31 December 1999

Contents

Directors' report

The directors present their annual report and the audited financial statements for the 18 month period ended 31 December 1999.

Introduction

In October 1998, Progress Computer Systems Limited ("Progress") merged with Keltec Limited ("Keltec"). Both became subsidiaries of Keltec Progress Limited ("Keltec Progress"), the company arising from the merger.

Principal activities

The company is principally engaged in the reselling of computer equipment. After the merger, from October to December, Progress remained an operating subsidiary of Keltec Progress. From 23 December 1998, all business of the group has been and will be contracted in Keltec Progress, with Progress becoming dormant.

Business review

Audited profit before tax for the company for the period ended 31 December 1999 was £83,000 *(1998, £171,000).* Note that trading in the name of Progress Computer Systems Limited ceased on 22 December 1998. Revenue for the period ended 31 December 1999 was £5,463,000 on the same basis as profit above (*1998: £10,829,000*). The balance sheet of the company at 31 December 1999 reflects the position after the merger.

Progress became a dormant subsidiary of Keltec Progress from 23 December 1998. All business carried out by Progress before that date was transferred into Keltec Progress. All business after that date has been in Keltec Progress Limited.

Year 2000

Progress Computer Systems Limited recognised the Year 2000 risk as an important issue. This risk not only related to the company's computer systems, but also to some degree on those of their customers and suppliers. Remedial plans were implemented to minimise the effect on operations of any third party malfunction outside the company.

Keltec Progress Limited assumed all responsibility for these matters from December 1998.

Introduction of the Euro

The directors do not expect to have to make any significant amendments to operating procedures as a result of the introduction of the Euro. Current accounting systems have the facility to operate in Euros. Keltec Progress Limited assumed all responsibility for these matters from December 1998.

Directors' report *(continued)*

Dividend

The directors do not recommend the payment of a dividend *(1998: £nil).*

Directors and directors' interests

The present membership of the board is set out below. All directors served throughout the period.

The interests of the directors and their families in the ordinary shares of the company as at 31 December 1999 and 1 July 1998 were as follows :

	1999	1998
C L T Davis	-	7,500
B J Griffiths (appointed 22 October 1998)	-	-
J K C Fison (appointed 22 October 1998)	-	-
M A Beckley (resigned 22 October 1998)	-	7,500
A M Granger (resigned 22 October 1998)	-	-

Political and charitable contributions

The company made no political or charitable contributions during the period.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors is to be proposed at the forthcoming Annual General Meeting.

By order of the board

JKC Fison
Secretary

2 Bracknell Enterprise Centre
Easthampstead Road
Bracknell
Berkshire
RG12 1NF

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG
Arlington Business Park
Theale
Reading, RG7 4SD
United Kingdom

Auditors' report to the members of Progress Computer Systems Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 with the company is not disclosed.

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 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 affairs of the company at 31 December 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

1 September 2000

Profit and loss account

for the 18 month period ended 31 December 1999

	Note	**18 months ended 31 December 1999 £000**	Year ended 30 June 1998 £000
Turnover	*2*	**5,463**	10,829
Cost of sales		**(4,402)**	(8,757)
Gross profit		**1,061**	2,072
Administrative expenses - other		**(977)**	(1,786)
Administrative expenses - exceptional item	*3*	**-**	(114)
Operating profit	*3-5*	**84**	172
Interest receivable and similar income	*6*	**3**	6
Interest payable and similar charges	*7*	**(4)**	(7)
Profit on ordinary activities before taxation		**83**	171
Tax on profit on ordinary activities	*8*	**(35)**	(70)
Profit on ordinary activities after taxation		**48**	101
Dividends paid and proposed	*9*	**-**	(64)
Retained profit for the financial period		**48**	37

The company has no recognised gains or losses other than the profit for the period. All operations were continuing operations in 1998, and discontinued in 1999 (see note 10). There is no material difference between profit on the historical cost basis and that described in the profit and loss account.

Balance sheet
at 31 December 1999

	Note	31 December 1999		30 June 1998	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		-		234
Investments	12		-		-
			-		234
Current assets					
Stocks	13	-		314	
Debtors - all due after one year	14	381		3,005	
		381		3,319	
Creditors: amounts falling due within one year	15	-		(3,150)	
Net current assets			381		169
Total assets less current liabilities			381		403
Creditors: amounts falling due after more than one year	16		-		(70)
Net assets			381		333
Capital and reserves					
Called up share capital	17		15		15
Capital redemption reserve			5		5
Profit and loss account			361		313
Equity shareholders' funds	18		381		333

These financial statements were approved by the Board of Directors on 10 August 2000 and were signed on its behalf by:

JKC Fison

Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Keltec Progress Limited the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Keltec Progress Limited, within which this company is included, can be obtained from the address given in note 22.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	25% on cost per annum
Fixtures and fittings	-	15% on cost per annum

Stocks

Stocks consisting of bought-in items and goods in transit have been valued at the lower of cost and net realisable value. Cost comprises actual cost plus the related freight and duty expenses.

Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Pension costs

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic lives. The interest element of leasing payments is charged to the profit and loss account for the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Notes *(continued)*

2 Turnover

The company's turnover derives from its principal activity. Turnover in 1999 and 1998 relates to sales made in the UK.

3 Profit on ordinary activities before taxation

	18 months ended 31 December 1999 £000	Year ended 30 June 1998 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:	**6**	9
Depreciation:		
Tangible fixed assets, owned	**29**	53
Tangible fixed assets, held under finance leases	**12**	12
Hire of plant and machinery	**10**	16
Other operating lease rentals	**29**	183
Exceptional item	**-**	114

Exceptional item

In 1998 the company had provided against the inter company balance with its subsidiary, Proact Consultancy Limited because the subsidiary became dormant at the start of that financial year.

4 Remuneration of directors

	18 months ended 31 December 1999 £000	Year ended 30 June 1998 £000
Directors' emoluments	**93**	190
Pension contributions to money purchase pension schemes	**5**	13
	98	203

Retirement benefits are accruing to the following number of directors under:

	Number of directors **18 months ended 31 December 1999**	Year ended 30 June 1998
Money purchase pension scheme	**2**	3

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	18 months ended 31 December 1999	Year ended 30 June 1998
Office and management	**18**	19
Sales and marketing	**12**	14
	30	33

At the date of the hive up, the company had 30 employees. At the period end the company had no employees.

The aggregate payroll costs of these persons were as follows:

	18 months ended 31 December 1999	Year ended 30 June 1998
	£000	£000
Wages and salaries	**554**	940
Social security costs	**55**	104
Other pension costs	**15**	28
	624	1,072

6 Interest receivable and similar income

	18 months ended 31 December 1999	Year ended 30 June 1998
	£000	£000
Bank interest received	**3**	6

7 Interest payable and similar charges

	18 months ended 31 December 1999	Year ended 30 June 1998
	£000	£000
On bank loans and overdrafts	**2**	3
Finance charges in respect of finance leases	**2**	4
	4	7

Notes *(continued)*

8 Taxation

	18 months ended 31 December 1999 £000	Year ended 30 June 1998 £000
UK corporation tax at 31% *(1998: 21%)*	35	70

9 Dividends

	18 months ended 31 December 1999 £000	Year ended 30 June 1998 £000
Ordinary shares	-	64

10 Hive up of business to Keltec Progress Limited

On 22 December 1998, the trade and net assets of the company were transferred to Keltec Progress Limited at their book value. Trading in the company ceased from this date.

Notes *(continued)*

11 Tangible fixed assets

	Plant and machinery	Fixtures and fittings	Total
	£000	£000	£000
Cost			
At beginning of period	320	76	396
Additions	8	-	8
Transferred on hive up	(328)	(76)	(404)
At end of period	-	-	-
Depreciation			
At beginning of period	132	30	162
Charge for period	34	7	41
Transferred on hive up	(166)	(37)	(203)
At end of period	-	-	-
Net book value			
At 31 December 1999	-	-	-
At 30 June 1998	188	46	234

Included in the total net book value of plant and machinery is £nil *(1998: £91,000)* in respect of assets held under finance leases. Depreciation for the period on these assets was £12,000 *(1998: £12,000).*

12 Investments

Progress Computer Systems Limited held 100% Class A Ordinary shares in Proact Consultancy Limited, a company incorporated in England and Wales. Proact Consultancy is a dormant company.

Notes *(continued)*

13 Stock

	31 December 1999 £000	30 June 1998 £000
Finished goods and goods for resale	-	314

14 Debtors

	31 December 1999 £000	30 June 1998 £000
Trade debtors	-	2,907
Amounts owed by group undertakings	381	-
Other debtors	-	24
Loans to directors	-	19
Prepayments and accrued income	-	55
	381	3,005

The amount outstanding is non-current and represents amounts owing by the parent entry following the hive up. See note 10.

15 Creditors: amounts falling due within one year

	31 December 1999 £000	30 June 1998 £000
Bank overdraft	-	123
Trade creditors	-	2,470
Corporation tax	-	70
Social security and other taxes	-	170
Other creditors	-	183
Accruals and deferred income	-	124
Amounts due under finance leases	-	10
	-	3,150

16 Creditors: amounts falling due after one year

	31 December 1999 £000	30 June 1998 £000
Amounts due under finance leases	-	70

Notes *(continued)*

17 Called up share capital

	31 December 1999 £000	30 June 1998 £000
Authorised,		
25,000 ordinary shares of £1 each	**25**	25
Allotted, called up and fully paid		
15,001 ordinary shares of £1 each	**15**	15

18 Reconciliation of movements in shareholders' funds

	31 December 1999 £000	30 June 1998 £000
Profit for the financial period	**48**	101
Dividends	-	(64)
Net increase in shareholders' funds	**48**	37
Opening shareholders' funds	**333**	296
Closing shareholders' funds	**381**	333

19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	31 December 1999		30 June 1998	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
- in the second to fifth years inclusive	-	-	33	7
- over 5 years	-	-	-	79
	-	-	33	86

Commitments were transferred as part of the hive up.

Notes *(continued)*

20 Transactions with directors and related parties

The company has provided an unsecured loan to a director, Christopher Davis. The amount outstanding at 31 December 1999 is £nil. The maximum amount outstanding during the period was £12,909. Interest was payable on the loan at the Inland Revenue quoted interest rate. The full amount was repaid on 31 August 1999.

21 Pension scheme

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the schemes are administered by trustees in funds independent from those of the company. The pension charge for the period was £15,000 *(1998: £28,000).*

22 Ultimate parent company

The ultimate holding company and also the ultimate controlling party, is Keltec Progress Limited which is incorporated the United Kingdom.