

**PROGRESS COMPUTER  
SYSTEMS LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 1998



Company no 2726798

# **PROGRESS COMPUTER SYSTEMS LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 30 June 1998

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Company registration number: 2726798

Registered office: 2 Chiltern Court  
Asheridge Road  
Chesham  
Bucks  
HP5 2PX

Directors: C L T Davis  
M A Beckley  
A M Granger

Secretary: S M Lague

Bankers: Barclays Bank plc  
16 High Street  
High Wycombe  
Bucks  
HP11 2BG

Solicitors: Iliffes, Booth, Bennett  
The Bury  
Church Street  
Chesham  
Bucks  
HP5 1JE

Auditors: Grant Thornton  
Registered auditors  
Chartered accountants  
Ringwood House  
Walton Street  
Aylesbury  
Bucks  
HP21 7QP

# **PROGRESS COMPUTER SYSTEMS LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 30 June 1998

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# PROGRESS COMPUTER SYSTEMS LIMITED

## REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30 June 1998.

### Principal activities

The company is principally engaged in the reselling of computer equipment.

### Business review

During the year the company increased its turnover by 31% from £8.3m to £10.8m. Gross profit increased 19% from £1.75m to £2.07m whilst administration expenses for normal operations only increased by 10% from £1.63m to £1.79m. This resulted in the company producing pre tax profits from normal operations of £285,868 up 151% from the previous year.

The directors are confident of the company's ability to maintain these levels of growth in both turnover and profitability during the next twelve months for two reasons. Increased product and service sales to our corporate customers particularly in the area of high performance computing will be one factor. The merger of our main supplier, Digital, with Compaq to create the second largest IT hardware manufacturer in the world also presents the company with exciting growth prospects.

There was a profit for the year after taxation amounting to £101,305. The directors approved and paid dividends of £64,004 during the year.

### Directors

The present membership of the Board is set out below. All directors served throughout the year.

The interests of the directors and their families in the shares of the company as at 30 June 1998 and 1 July 1997 were as follows:

	Ordinary shares	
	30 June 1998	1 July 1997
C L T Davis	7,500	7,500
M A Beckley	7,500	7,500
A M Granger	-	-

### Directors' responsibilities for the financial statements

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 judgements 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **PROGRESS COMPUTER SYSTEMS LIMITED**

## **REPORT OF THE DIRECTORS**

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### **Year 2000 compliance**

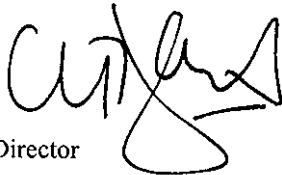
Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of our customers and suppliers.

The company is in the process of assessing the risks resulting from this issue. When the analysis is complete, the company will consider the likely impact on the business, develop action plans to deal with the key risks, and estimate the costs to be incurred.

### **Auditors**

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



Director

20/10/98

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
PROGRESS COMPUTER SYSTEMS LIMITED**

We have audited the financial statements on pages 4 to 15 which have been prepared under the accounting policies set out on page 4.

**Respective responsibilities of directors and auditors**

As described on page 1 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.

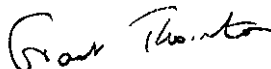
**Basis of opinion**

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 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 the company's affairs as at 30 June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS**

AYLESBURY

20/10/98

# **PROGRESS COMPUTER SYSTEMS LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

The financial statements have been prepared under the historical cost convention.

The company is exempt from preparing consolidated financial statements on the grounds that, taken together with its subsidiaries, it qualifies as a medium-sized group under s248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

### **TURNOVER**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

### **DEPRECIATION**

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Plant and machinery	25%
Fixtures and fittings	15%

### **STOCKS**

Stocks are stated at the lower of cost and net realisable value.

### **CONTRIBUTIONS TO PENSION FUNDS**

#### **Defined contribution scheme**

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

### **LEASED ASSETS**

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

# PROGRESS COMPUTER SYSTEMS LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 30 June 1998

	Note	1998 £	1997 £
<b>Turnover</b>	1	<b>10,829,181</b>	8,282,333
Cost of sales		<b>(8,756,785)</b>	(6,535,120)
Gross profit		<b>2,072,396</b>	1,747,213
Administrative expenses - other		<b>(1,786,102)</b>	(1,627,166)
Administrative expenses - exceptional item		<b>(114,217)</b>	-
<b>Operating profit</b>		<b>172,077</b>	120,047
Other interest receivable and similar income		<b>6,220</b>	1,809
Interest payable and similar charges	2	<b>(6,646)</b>	(8,033)
<b>Profit on ordinary activities before taxation</b>	1	<b>171,651</b>	113,823
Tax on profit on ordinary activities	4	<b>(70,346)</b>	(30,000)
<b>Profit for the financial year</b>	14	<b>101,305</b>	83,823
Dividends	5	<b>(64,004)</b>	(32,002)
<b>Profit transferred to reserves</b>	13	<b>37,301</b>	51,821

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.



# PROGRESS COMPUTER SYSTEMS LIMITED

BALANCE SHEET AT 30 JUNE 1998

	Note	1998 £	1998 £	1997 £	1997 £
<b>Fixed assets</b>					
Tangible assets	6		233,890		119,176
Investments	7		100		100
			<u>233,990</u>		<u>119,276</u>
<b>Current assets</b>					
Stocks	8	313,660		468,317	
Debtors	9	3,004,701		1,550,304	
Cash at bank and in hand		340		150,110	
		<u>3,318,701</u>		<u>2,168,731</u>	
<b>Creditors: amounts falling due within one year</b>	10	(3,149,969)		(1,992,686)	
<b>Net current assets</b>			<u>168,732</u>		<u>176,045</u>
<b>Total assets less current liabilities</b>			<u>402,722</u>		<u>295,321</u>
<b>Creditors: amounts falling due after more than one year</b>	11		(70,100)		-
			<u>332,622</u>		<u>295,321</u>
<b>Capital and reserves</b>					
Called up share capital	12		15,001		15,001
Capital redemption reserve	13		5,000		5,000
Profit and loss account	13		312,621		275,320
<b>Shareholders' funds</b>	14		<u>332,622</u>		<u>295,321</u>

The financial statements were approved by the Board of Directors on 20/10/98

Director



The accompanying accounting policies and notes form an integral part of these financial statements.

**PROGRESS COMPUTER SYSTEMS LIMITED****CASH FLOW STATEMENT**

For the year ended 30 June 1998

	Note	1998 £	1997 £
Net cash outflow from operating activities	15	(57,630)	460,754
Returns on investments and servicing of finance			
Interest received		6,220	1,809
Interest paid		(2,688)	(5,958)
Finance lease interest paid		(3,958)	(2,075)
Net cash outflow from returns on investments and servicing of finance		(426)	(6,224)
Taxation		(21,490)	(8,856)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(93,399)	(64,155)
Sale of tangible fixed assets		10,300	19,967
Net cash outflow from capital expenditure and financial investment		(83,099)	(44,188)
Equity dividends paid		(64,004)	(32,002)
Financing			
Purchase of own shares		-	(20,000)
Capital element of finance lease rentals		(19,124)	(8,502)
Net cash outflow from financing		(19,124)	(28,502)
Decrease in cash	16	(245,773)	340,982

The accompanying accounting policies and notes form an integral part of these financial statements.

# PROGRESS COMPUTER SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 1998

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit before taxation are attributable to one activity, which is carried on entirely within the United Kingdom.

The profit on ordinary activities is stated after:

	1998 £	1997 £
Auditors' remuneration	8,500	7,800
Depreciation:		
Tangible fixed assets, owned	53,431	35,996
Tangible fixed assets, held under finance leases	12,041	2,057
Hire of plant and machinery	15,896	21,400
Other operating lease rentals	182,875	131,445
Exceptional item	114,217	-

#### Exceptional item

The company has provided against the inter company balance with its subsidiary, Proact Consultancy Limited, because the subsidiary became dormant at the start of the financial year.

### 2 INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
On bank loans and overdrafts	2,688	5,958
Finance charges in respect of finance leases	3,958	2,075
	6,646	8,033

### 3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1998 £	1997 £
Wages and salaries	940,154	936,713
Social security costs	104,216	95,819
Other pension costs	28,351	21,611
	1,072,721	1,054,143

The average number of employees of the company during the year was 33 (1997: 27).

# PROGRESS COMPUTER SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 1998

Remuneration in respect of directors was as follows:

	1998 £	1997 £
Emoluments	189,428	165,086
Pension contributions to money purchase pension schemes	13,200	9,000
	<u>202,628</u>	<u>174,086</u>

During the year 3 directors (1997: 3) participated in money purchase pension schemes.

### 4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and represents:

	1998 £	1997 £
UK Corporation tax at 21% (1997: 24%)	<u>70,346</u>	<u>30,000</u>

### 5 DIVIDENDS

	1998 £	1997 £
Ordinary shares - interim dividend of £4.27 per share	<u>64,004</u>	<u>32,002</u>

# PROGRESS COMPUTER SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 1998

### 6 TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At 1 July 1997	154,701	64,825	219,526
Additions	182,254	10,685	192,939
Disposals	(16,545)	-	(16,545)
At 30 June 1998	320,410	75,510	395,920
Depreciation			
At 1 July 1997	80,357	19,993	100,350
Provided in the year	55,942	9,530	65,472
Eliminated on disposals	(3,792)	-	(3,792)
At 30 June 1998	132,507	29,523	162,030
Net book amount at 30 June 1998	187,903	45,987	233,890
Net book amount at 30 June 1997	74,344	44,832	119,176

The figures stated above include assets held under finance leases as follows:

	Plant and machinery £
Net book amount at 30 June 1998	90,745
Net book amount at 30 June 1997	-
Depreciation provided during year	12,041

### 7 FIXED ASSETS INVESTMENTS

	Shares in group undertakings £
Cost and net book amount At 1 July 1997 and 30 June 1998	100

# PROGRESS COMPUTER SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 1998

At 30 June 1998 the company held more than 20% of the allotted share capital of the following undertaking:

	Country of incorporation	Class of share capital held	Proportion held	Nature of business	Capital and reserves £	Profit for the financial year £
Proact Consultancy Limited	England and Wales	Ordinary	100%	Dormant	(114,217)	-

### 8 STOCKS

	1998 £	1997 £
Finished goods and goods for resale	313,660	468,317

### 9 DEBTORS

	1998 £	1997 £
Trade debtors	2,906,084	1,335,150
Amounts owed by subsidiary undertaking	-	107,984
Other debtors	24,728	45,011
Loans to directors	19,256	15,199
Prepayments and accrued income	54,633	46,960
	3,004,701	1,550,304

### 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank overdraft	122,610	26,607
Trade creditors	2,470,350	1,633,426
Corporation tax	70,000	21,144
Social security and other taxes	169,457	47,410
Other creditors	183,421	172,253
Accruals and deferred income	123,815	91,846
Amounts due under finance leases	10,316	-
	3,149,969	1,992,686

The bank overdraft is secured by a fixed and floating charge over all of the company's assets, and by personal guarantees received from all the directors for £20,000 each.

**PROGRESS COMPUTER SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 1998

**11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1998 £	1997 £
Amounts due under finance leases	70,100	-
Borrowings are repayable as follows:	1998 £	1997 £
Within one year		
Bank borrowings	122,610	26,607
Finance leases	10,316	-
After one and within two years		
Finance leases	10,316	-
After two and within five years		
Finance leases	59,784	-
	203,026	26,607

**12 SHARE CAPITAL**

	1998 £	1997 £
Authorised 25,000 ordinary shares of £1 each	25,000	25,000
Allotted, called up and fully paid 15,001 ordinary shares of £1 each	15,001	15,001

**13 RESERVES**

	Capital redemption reserve £	Profit and loss account £
At 1 July 1997	5,000	275,320
Retained profit for the year	-	37,301
At 30 June 1998	5,000	312,621

**PROGRESS COMPUTER SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 1998

**14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998 £	1997 £
Profit for the financial year	101,305	83,823
Dividends	(64,004)	(32,002)
	<u>37,301</u>	<u>51,821</u>
Purchase of own shares	-	(20,000)
	<u>37,301</u>	<u>31,821</u>
Net increase in shareholders' funds	295,321	263,500
Shareholders' funds at 1 July 1997		
	<u>332,622</u>	<u>295,321</u>
Shareholders' funds at 30 June 1998		

**15 NET CASH FLOW FROM OPERATING ACTIVITIES**

	1998 £	1997 £
Operating profit	172,077	120,047
Depreciation	65,472	38,053
Loss on sale of tangible fixed assets	2,453	(2,856)
Decrease in stocks	154,657	(59,175)
Increase in debtors	(1,454,397)	(345,282)
Increase in creditors	1,002,108	709,967
	<u>(57,630)</u>	<u>460,754</u>
Net cash outflow from operating activities		

**16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	1998 £	1997 £
Decrease in cash in the year	(245,773)	340,982
Cash outflow from finance leases in the year	19,124	8,502
	<u>(226,649)</u>	<u>349,484</u>
Change in net debt resulting from cashflows	(99,540)	-
Inception of finance leases		
	<u>(326,189)</u>	<u>349,484</u>
Movement in net debt in the year	123,503	(225,981)
Net funds at 1 July 1997		
	<u>(202,686)</u>	<u>123,503</u>
Net debt at 30 June 1998		



# PROGRESS COMPUTER SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 1998

### 17 ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 1997 £	Cash flow £	Non - cash items £	At 30 June 1998 £
Cash in hand, at bank	150,110	(149,770)	-	340
Overdrafts	(26,607)	(96,003)	-	(122,610)
Finance leases	-	19,124	(99,540)	(80,416)
	<u>123,503</u>	<u>(226,649)</u>	<u>(99,540)</u>	<u>(202,686)</u>

### 18 MAJOR NON-CASH TRANSACTIONS

During the year the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £99,540 (1997 £Nil).

### 19 CAPITAL COMMITMENTS

The company had no capital commitments at 30 June 1998 or 30 June 1997.

### 20 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 1998 or 30 June 1997.

### 21 PENSIONS

#### Defined Contribution Scheme

The company operates defined contribution pension schemes 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 cost charge for the year was £28,351 (1997 £21,611).

# PROGRESS COMPUTER SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 1998

### 22 LEASING COMMITMENTS

Operating lease payments amounting to £118,916 (1997: £112,589) are due within one year. The leases to which these amounts relate expire as follows:

	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	33,094	6,985	3,469	9,977
Between one and five years	-	78,837	26,500	72,643
	<u>33,094</u>	<u>85,822</u>	<u>29,969</u>	<u>82,620</u>

### 23 TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

Amounts due in respect of loans, quasi-loans and credit transactions by directors were as follows:

Name of director and connected person	Amount outstanding		Maximum liability during year	Interest due not paid
	1998 £	1997 £		
C L T Davis	13,478	12,450	13,478	-
M A Beckley	2,778	2,749	2,778	-
A M Granger	3,000	-	3,000	-

During the year Mrs B Davis, the wife of Mr CLT Davis, invoiced the company £14,185 under her soletrader name, BGD Services, in respect of professional services rendered to the company. There was no balance outstanding to Mrs B Davis at 30 June 1998. (1997: £1,750)