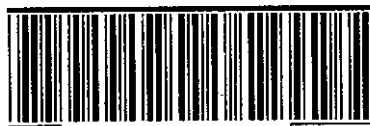


Consort Information Systems Limited
Annual report
for the period 16 May 1994 to
30 June 1995

Registered no: 2929141



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Consort Information Systems Limited

Annual report for the period 16 May 1994 to 30 June 1995

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Consort Information Systems Limited

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Directors and advisers

Non-executive chairman

M V Baker (appointed 22 July 1994)

Executive directors

J N Everett (appointed 31 May 1994)

E Werner (appointed 31 May 1994)

Secretary and registered office

R A Burgess
Consort Information Systems Limited
Consort House
15 De Montfort Place
Leicester
LE1 7GZ

Registered Auditors

Coopers & Lybrand
Abacus House
32 Friar Lane
Leicester
LE1 5RA

Solicitors

Maxwell Bately
27 Chancery Lane
London
WC2A 1PA

Bankers

Bank of Scotland plc
Hobs Branch
2 Robertson Avenue
Edinburgh
EH11 1PZ

Chairman's statement for the period 16 May 1994 to 30 June 1995

These are the first audited accounts of Consort Information Systems Limited, the holding company set up over a year ago to acquire Sherwood Consort Data in a management buy out. A private placing raised the required funds to buy the company (since renamed Consort Securities Systems Limited) and to provide working capital. By any standards the first year of trading has been an outstanding success.

First and foremost, the financial projections of the private placing have been met. In particular a profit before tax (ie ignoring the costs of the acquisition itself, and of a profit related staff bonus) of £175,000 on a turnover of £1.18 million was ahead of target. This was an especially good performance given the low volumes in the stock market and the consequent slow down in spending by our clients, particularly in the first six months of trading. This represents a 42% increase in turnover over 1993.

However, our expansion of the client base has been exceptional, with nine new firms being added to the user list in the last 12 months. This is not merely the result of increased sales activity, but reflects the willingness of our clients to give very good references to prospective users. Improvements, both to our products and to our client service have thus had the desired effect on sales.

How has this been achieved? We have established a well balanced management team, which has established clear goals for all areas of the business and has ensured that the resources are available to achieve those goals. We have managed to recruit and to retain very talented and committed staff; obviously the backbone of any software house. We have responded to increased demand by recruiting graduate entrants as well as experienced development and implementation people; there are now 44 full time staff working for Consort and we have instilled in those staff a clear Consort culture, which comprises hard work, a focus on providing business solutions, and honesty in all client dealings.

Consort's objectives for the future are to continue to expand its presence among private client stockbrokers and to make major inroads in the investment management market. In the next year our market will be dominated by the arrival of CREST, the Bank of England's new central share settlement system. CREST provides Consort with major opportunities. We have already made a major investment in CREST software development, and will continue to do so until the end of the year, when our focus will shift to implementation and training. Such is our presence and reputation in the market, however, that we are confident of selling our CREST products not only to our natural constituency but beyond, thus generating a substantial return on our investment and penetrating new segments of the securities industry.

Consort Information Systems Limited

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The Board has decided not to pay a dividend, in line with the expectations set out in the private placing. Based on our forecasts for 1995/96 we expect to be in a position to distribute a dividend next year.

A handwritten signature in dark ink, appearing to read 'M V Baker', followed by a horizontal flourish.

M V Baker
Chairman

27 September 1995

Directors' report for the period 16 May 1994 to 30 June 1995

The directors present their report and the audited financial statements for the period 16 May 1994 to 30 June 1995.

Principal activities

From 22 July 1994 the principal activities of the group have been the development of computer programmes and consultancy, including the sale of hardware and software.

Review of business

The consolidated profit and loss account is set out on page 7.

The company was incorporated as Aceinfo Limited on 16 May 1994. On 14 June 1994 the company changed its name to Consort Information Systems Limited. From 16 May 1994 to 22 July 1994 it was dormant. On 22 July 1994 additional share capital was subscribed, amounting to £513,500, of which £481,000 was applied to purchase the entire share capital of Consort Securities Systems Limited, (formerly Sherwood Consort Data Limited).

The company is in a good position in terms of profitability and cash flow. The order book is encouraging, with recent SDS sales continuing the sales performance achieved during the second half of last year, and CREST orders beginning to flow. We have geared up our resources to ensure that we develop CREST products on time, and successfully implement the systems we have sold. The board is confident that revenue and profits will increase in the coming year, establishing Consort as a major service provider to the securities industry.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend. The retained profit for the period of £107,000 will be transferred to reserves.

Directors

The directors of the company at 30 June 1995 are listed on page 1. Instant Companies Limited which was a director of the company on 16 May 1994 resigned on 31 May 1994.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the period and of the profit or loss of the group 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 period 16 May 1994 to 30 June 1995. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' interests in shares of the company

The interests of the directors of the company in the shares of the company at 30 June 1995 were:-

	30 June 1995	
	Ordinary shares	A ordinary shares
	Number	Number
J N Everett	50,000	50,000
E Werner	50,000	50,000

Changes in fixed assets

The movements in fixed assets during the period are set out in note 9 to the financial statements.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

R A Burgess
Company secretary
27 September 1995



**Report of the auditors to the members of
Consort Information Systems Limited**

We have audited the financial statements on pages 7 to 21.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of 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.

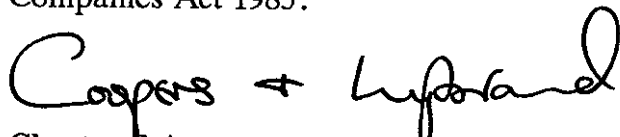
Basis of opinion

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 affairs of the company and the group at 30 June 1995 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Leicester

28 September 1995

**Consolidated profit and loss account
for the period 16 May 1994 to 30 June 1995**

	Notes	16 May 1994 to 30 June 1995 £'000
Turnover - acquisitions	2	1,188
Staff costs		(689)
Depreciation		(17)
Other operating charges		(339)
Operating profit - acquisitions		143
Interest receivable and similar income		6
Interest payable and similar charges	5	(3)
Profit on ordinary activities before taxation	6	146
Tax on profit on ordinary activities	7	(39)
Retained profit for the period	16	107

All items dealt with in arriving at profit on ordinary activities before taxation relate to continuing operations.

The group has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

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

Movements on reserves are set out in note 16.

**Balance sheet
at 30 June 1995**

	Notes	Group 1995 £'000	Company 1995 £'000
Fixed assets			
Tangible assets	9	66	-
Investments	10	-	481
		<u>66</u>	<u>481</u>
Current assets			
Debtors	11	617	180
		<u>617</u>	<u>180</u>
Creditors: amounts falling due within one year	12	562	165
		<u>562</u>	<u>165</u>
Net current assets		<u>55</u>	<u>15</u>
Total assets less current liabilities		<u>121</u>	<u>496</u>
Capital and reserves			
Called up share capital	14	513	513
Goodwill write off reserve	16	(482)	-
Profit and loss account	16	90	(17)
		<u>121</u>	<u>496</u>
Equity shareholders' funds	17	<u>121</u>	<u>496</u>

The financial statements on pages 7 to 21 were approved by the board of directors on 27 September 1995 and were signed on its behalf by:

E Werner
Director



**Notes to the financial statements
for the period 16 May 1994 to 30 June 1995**

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 30 June 1995. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries is written off immediately against reserves.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Fixtures and fittings	25
Computer equipment	25

Development expenditure

The cost of development expenditure is written off in full, as incurred.

Revenue recognition

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period. Revenue is taken to profit when:

- (a) software is delivered to the customer; or
- (b) contractual obligations of the customer to pay are satisfied and an invoice is raised.

Operating leases

Rent payable in respect of operating leases is charged on a straight line basis over the lease term.

Pension costs

Retirement benefits for employees are funded by contributions to a defined contribution scheme. Contributions are charged to the profit and loss account in the period in which they are made.

2 Turnover

The analysis by geographical area of the group's turnover by destination is set out below:

	16 May 1994 to 30 June 1995 £'000
United Kingdom	1,102
Rest of Europe	86
	<hr/>
	1,188
	<hr/>

3 Directors' emoluments

	16 May 1994 to 30 June 1995 £'000
Fees	32
Salary payments	92
Other emoluments (including pension contributions and benefits in kind)	34
	<hr/>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	16 May 1994 to 30 June 1995 £'000
The chairman	32
	<hr/>
The highest-paid director	54
	<hr/>

Consort Information Systems Limited

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The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	16 May 1994 to 30 June 1995 Number
£0 to £5,000	1
£30,001 to £35,000	1
£50,001 to £55,000	2

4 Employee information

The average weekly number of persons (including executive directors) employed by the group during the period was:-

	16 May 1994 to 30 June 1995 Number
Computer services	29

	16 May 1994 to 30 June 1995 £'000
Staff costs (for the above persons)	
Wages and salaries	589
Social security costs	60
Other pension costs (see note 13)	40
	<hr/>
	689
	<hr/>

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5 Interest payable and similar charges

16 May
1994 to
30 June
1995
£'000

On overdrafts:

Repayable within 5 years, not by instalments

3

3

6 Profit on ordinary activities before taxation

16 May
1994 to
30 June
1995
£'000

Profit on ordinary activities before taxation is stated after charging:

Depreciation charge for the period:

Tangible owned fixed assets

17

Auditors' remuneration for:

Audit (company £1,000)

9

Other services to the company and its UK subsidiary

2

Hire of other assets - operating leases

67

7 Tax on profit on ordinary activities

16 May
1994 to
30 June
1995
£'000

United Kingdom corporation tax at 25%

Current

39

39

8 Profit for the period

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the period was £Nil.

9 Tangible fixed assets

Group

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
In respect of new subsidiary	24	72	96
Additions	6	43	49
Disposals	-	(20)	(20)
At 30 June 1995	30	95	125
Depreciation			
In respect of new subsidiary	23	39	62
Charge for period	1	16	17
Eliminated in respect of disposals	-	(20)	(20)
At 30 June 1995	24	35	59
Net book value			
At 30 June 1995	6	60	66

10 Fixed asset investments

Company

Interests
in group
undertakings
£'000

Cost
Additions

481

At 30 June 1995

481

Amounts written off
At 30 June 1995

Nil

Net book value
At 30 June 1995

481

Interests in group undertakings

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by:	
			Group %	Company %
Consort Securities Systems Limited	England and Wales	Ordinary £1 shares	100	100

On 22 July 1994 the company acquired the whole of the share capital of Consort Securities Systems Limited (see note 15).

Consort Securities Systems Limited operates principally in its country of incorporation.

The principal business activity of Consort Securities Systems Limited is the provision of computer programmes and consultancy, including the sale of hardware and software.

11 Debtors

	Group 1995 £'000	Company 1995 £'000
Trade debtors	500	-
Amounts owed by subsidiary undertakings	-	180
Other debtors	-	-
Prepayments and accrued income	117	-
	<u>617</u>	<u>180</u>

12 Creditors: amounts falling due within one year

	Group 1995 £'000	Company 1995 £'000
Bank loans and overdrafts	109	-
Trade creditors	80	-
Corporation tax payable	35	-
Other taxation and social security	74	-
Other creditors	165	165
Accruals	99	-
	<u>562</u>	<u>165</u>

The bank loans and overdrafts are secured by a first and only debenture over the assets of Consort Securities Systems Limited and Consort Information Systems Limited.

13 Pension and similar obligations

Since 22 July 1994 retirement benefits for employees have been funded by contributions to a defined contributions scheme. The charge to the profit and loss account for the period ended 30 June 1995 was £40,466.

14 Called up share capital

	1995 £'000
Authorised	
100,000 ordinary shares of £1 each	100
800,000 'A' ordinary shares of £1 each	800
	<hr/>
	900
	<hr/>
Allotted, called up and fully paid	
100,000 ordinary shares of £1 each	100
413,500 'A' ordinary shares of £1 each	413
	<hr/>
	513
	<hr/>

The rights attaching to the ordinary shares and the 'A' ordinary shares are the same.

15 Acquisitions

On 22 July 1994 the company acquired the whole of the issued share capital of Consort Securities Systems Limited for a total consideration of £481,000 including acquisition expenses (see page 19). The consideration was satisfied by a payment of £235,000 in cash together with a further sum of up to £200,000 to be paid by the company as cash is received under licence sales at a rate of 20% of such licence fees. Of the latter, £165,000 remained undischarged at 30 June 1995, which amount is included in other creditors (see note 12).

The summarised profit and loss account for Consort Securities Systems Limited for the period 1 January 1994, the beginning of the subsidiary's accounting period, to the date of acquisition is as follows:-

Profit and loss account

	1 January 1994 to 22 July 1994 (unaudited) £'000
Turnover	627
Operating profit	47
Profit on ordinary activities before taxation	47
Tax on ordinary activities	(15)
Profit on ordinary activities after taxation	32

The loss on ordinary activities after taxation for the year ended 31 December 1993 was £(1,000).

The subsidiary had no recognised gains and losses other than those included in the profit above.

Consort Information Systems Limited

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The assets and liabilities of Consort Securities Systems Limited acquired are set out below:

	Book value £'000	Fair value £'000
Tangible fixed assets	34	34
Current assets		
Debtors	78	78
Total assets	112	112
Liabilities		
Creditors	(113)	(113)
Net assets	(1)	(1)
Goodwill		482
		481
Satisfied by		
Cash		235
Acquisition expenses		46
Creditor for 20% of licence sales up to £200,000		200
		481

Goodwill

The cumulative amount of goodwill resulting from the acquisition of Consort Securities Systems Limited has been written off as set out below:

	£'000
Goodwill written off	
Written off to reserves in period	482
At 30 June 1995	482

In accordance with the group's accounting policy, the goodwill arising on consolidation of £482,000 has been written off against the goodwill write off reserve.

Consort Information Systems Limited

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16 Reserves

Group

	Goodwill write off £'000	Profit and loss account £'000
Expenses of share issue	-	(17)
Arising on acquisition in period	(482)	-
Retained profit for the period	-	107
At 30 June 1995	<u>(482)</u>	<u>90</u>

Company

	Profit and loss account £'000
Expenses of share issue	(17)
Retained profit for the period	-
At 30 June 1995	<u>(17)</u>

17 Reconciliation of movement in shareholders' funds

	16 May 1994 to 30 June 1995 £'000
Profit for the period	107
New share capital issued	513
Expenses of share issue	(17)
Goodwill acquired during the period	(482)
Net addition to shareholders' funds	<u>121</u>
Opening shareholders' funds	-
Closing shareholders' funds	<u>121</u>

18 Financial commitments

At 30 June 1995 the group had annual commitments under non-cancellable operating leases as follows:-

	1995	
	Land and buildings	Other
	£'000	£'000
Expiring within one year	8	4
Expiring between two and five years inclusive	19	31
	<u>27</u>	<u>35</u>