

Consort Information Systems Limited
Annual report
for the year ended 30 June 1999

Registered no: 2929141



Consort Information Systems Limited

Annual report for the year ended 30 June 1999

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Consort Information Systems Limited

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Directors and advisers

Directors

D A Mahony
E J Werner
R A Burgess

Registered Auditors

PricewaterhouseCoopers
Charnwood Court
New Walk
Leicester
LE1 6TE

Secretary and registered office

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

Solicitors

Maxwell Batley
27 Chancery Lane
London
WC2A 1PA

Bankers

Barclays Bank plc
Barclays House
PO Box 1500
Dominus Way
Meridian Business Park
Leicester
LE3 2RN

Chairman's statement for the year ended 30 June 1999

The group made a profit before tax of £307,000 on a turnover of £4.6 million. Margins are not yet at targeted levels, but these results represent a significant improvement on last year. The increase in turnover of 37% and a near three-fold increase in profitability are evidence that the group's position is continuing to improve.

The group has had an unprecedented year for the release of new software. We developed and delivered the substantial changes needed for Euro-currency compliance, two major CREST software upgrades, the rewrite of Capital Gains Tax and ISA software.

We successfully completed the implementation of four major new clients last year; Matheson Securities (Channel Islands) Limited; Walker Crips Weddle Back Plc, Harris Allday Lea and Brooks and E*TRADE (UK) Ltd.

We also completed our programme of software modifications for the Year 2000. All our clients have been shipped Y2K-compliant versions of our software, though many still need to test these in their own environment. Our own internal systems upgrades are on track.

The project to develop our new core WINDOWS product has made significant progress in the past year. We are on target to deliver to the first of the 34 committed clients this year, with the major rollout of the product beginning in the Spring of next year. The new system has excellent new sales potential with a number of market participants reviewing their systems in the next 2 years.

We have finally found a building in Leicester that allows us to consolidate our staff into a single site. We have negotiated a ten year lease at reasonable cost, but more importantly we have room for expansion, within a modern working environment. Agreements were signed on 17 August and the move will take place at the end of September.

As ever people make the difference in this business and your Board is indebted to the many Consort staff who have worked and continue to work beyond the normal call of duty to serve our clients.

Financially your company has made progress in the past year, although not sufficient for the Board to recommend the payment of a dividend. While we expect an increase in turnover and margins in the current year, especially in relation to our Internet related products, a degree of caution is required due to widely published concerns regarding software freezes running up to the Millennium.



Chairman

**Directors' report
for the year ended 30 June 1999**

The directors present their report and the audited financial statements of the group for the year ended 30 June 1999.

Principal activities

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 profit and loss account is set out on page 6.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend.

The retained profit for the year of £224,000 will be transferred to reserves (1998: £61,000).

Directors

The directors of the company at 30 June 1999 are listed on page 1. There have been no changes during the year.

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 financial year 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 year ended 30 June 1999. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

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.

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Directors' interests in shares of the company

The interests of the directors of the company in the shares of the company at 30 June 1999 were:-

	1999 Ordinary shares Number	1998 Ordinary shares Number
D A Mahony	4,350	4,350
E J Werner	98,123	97,123
R A Burgess	6,350	6,350

Millennium

As part of a group wide review, the company has completed its programme of software modifications for the year 2000 to all its current products. All clients have been issued with compliant versions of the software, though many still need to test these in their own environment.

The company's own internal systems are being upgraded, and the work should be completed shortly. The costs which have been incurred to date, and any future costs, which are expected to be immaterial, are being written off as incurred.


European monetary union

The company has also written EMU compliant systems for its existing products. The company has reviewed its internal systems for the introduction of the EMU. No significant costs have been incurred to date, but the ultimate cost which is currently unknown, is not expected to be material.

Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board


Company secretary

1 September 1999

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

We have audited the financial statements on pages 6 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including as described on page 3, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 and the group at 30 June 1999 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Leicester:

Date

PricewaterhouseCoopers
7th September 1999

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Consolidated profit and loss account for the year ended 30 June 1999

	Notes	1999 £'000	1998 £'000
Turnover - continuing operations	2	4,628	3,390
Staff costs	4	(2,899)	(2,072)
Depreciation	6	(108)	(82)
Other operating charges		(1,290)	(1,060)
Operating profit - continuing operations		331	176
Interest payable and similar charges	5	(24)	(71)
Profit on ordinary activities before taxation	6	307	105
Tax on profit on ordinary activities	7	(83)	(44)
Retained profit for the year	18	224	61

The group has no recognised gains and losses other than 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.

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Balance sheets at 30 June 1999

		1999		1998	
	Notes	Group £'000	Company £'000	Group £'000	Company £'000
Fixed assets					
Tangible assets	9	211	-	208	-
Investments	10	-	481	-	481
		<u>211</u>	<u>481</u>	<u>208</u>	<u>481</u>
Current assets					
Debtors	12	1,643	660	1,879	360
Cash at bank and in hand		84	-	-	-
		<u>1,727</u>	<u>660</u>	<u>1,879</u>	<u>360</u>
Creditors: amounts falling due within one year	13	(770)	-	(1,441)	-
Net current assets		<u>957</u>	<u>660</u>	<u>438</u>	<u>360</u>
Total assets less current liabilities		<u>1,168</u>	<u>1,141</u>	<u>646</u>	<u>841</u>
Creditors: amounts falling due after more than one year					
Convertible term loan due 2008	14	550	550	250	250
Provisions for liabilities and charges	16	-	-	2	-
Called up share capital	17	544	544	544	544
Share premium account	18	44	44	44	44
Profit and loss account	18	30	3	(194)	3
	19	<u>1,168</u>	<u>1,141</u>	<u>646</u>	<u>841</u>

The financial statements on pages 6 to 19 were approved by the board of directors on 1 September 1999 and were signed on its behalf by:



Director

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Consolidated cash flow statement for the year ended 30 June 1999

	Notes	1999 £'000	1998 £'000
Net cash inflow/(outflow) from operating activities (reconciliation to operating profit on page 9)		388	(170)
Returns on investments and servicing of finance			
Interest paid		(24)	(71)
Net cash (outflow) from returns on investments and servicing of finance		(24)	(71)
Taxation			
UK corporation tax (paid)/received		(40)	40
Capital expenditure			
Purchase of tangible fixed assets		(111)	(80)
Sale of tangible fixed assets		-	5
Net cash outflow from capital expenditure		(111)	(75)
Net cash inflow/(outflow) before financing		213	(276)
Financing			
New convertible term loan due 2008	21	300	250
Increase/(decrease) in cash in the year	20,21	513	(26)

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Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1999 £'000	1998 £'000
Operating profit	331	176
Depreciation on tangible fixed assets	108	82
Decrease/(increase) in trade debtors	307	(1,028)
(Increase) in prepayments and accrued income	(71)	(21)
(Decrease)/increase in trade creditors	(2)	58
(Decrease)/increase in other taxation and social security	(61)	175
(Decrease)/increase in accruals and deferred income	(224)	388
Net cash inflow/(outflow) from operating activities	388	(170)

Notes to the financial statements for the year ended 30 June 1999

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 undertakings made up to 30 June 1999. 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 fair value of the consideration given over the fair value of the identifiable net assets acquired. Purchased goodwill arising on consolidation in respect of acquisitions prior to 23 December 1998 (the date from which FRS 10 'Goodwill and Intangible Assets' became effective), was written off to reserves in the year of acquisition. The balance on the other reserves for Group has been eliminated against profit and loss account reserves. When a subsequent disposal or termination of business occurs, the profit and loss on disposal is calculated after charging the amount of any related goodwill previously written off to reserves.

Purchased goodwill arising on consolidation in respect of acquisitions after 23 December 1998 will be capitalised and amortised over 20 years or its useful life if less.

Tangible fixed assets

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

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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:

Improvements to leasehold properties	Over the life of the lease
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.

Maintenance income

In respect of income receivable from the provision of maintenance contracts, income is credited to the profit and loss account as earned. Provision is made for the unexpired term of the contract within accruals and deferred income. Costs incurred under such contracts are charged to the profit and loss account as incurred.

Operating leases

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

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

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.

Related party transactions

The company has taken advantage of the exemption, available under Financial Reporting Standard 8, for wholly owned subsidiaries not to disclose related party transactions with subsidiary undertakings, 90% or more of whose voting rights are controlled within the group.

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2 Turnover

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

	1998 £'000	1998 £'000
United Kingdom	4,413	3,252
Rest of Europe	215	138
	<u>4,628</u>	<u>3,390</u>

3 Directors' emoluments

	1999 £'000	1998 £'000
Aggregate emoluments	177	143
Compensation for loss of office	-	42
	<u>15</u>	<u>16</u>
Company pension contributions to money purchase schemes		

Retirement benefits are accruing to one director under a money purchase pension scheme.

4 Employee information

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

	1999 Number	1998 Number
Administration	6	6
Computer services	92	75
	<u>98</u>	<u>81</u>
	1999 £'000	1998 £'000
Staff costs (for the above persons)		
Wages and salaries	2,517	1,799
Social security costs	248	177
Other pension costs (see note 15)	134	96
	<u>2,899</u>	<u>2,072</u>

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5 Interest payable and similar charges

	1999 £'000	1998 £'000
Interest payable on bank loans, overdrafts and other loans	<u>24</u>	<u>71</u>

6 Profit on ordinary activities before taxation

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charged for the period:		
Tangible owned fixed assets	108	82
Auditors' remuneration for:		
Audit (Company: £1,000 (1998: £1,000))	13	11
Other services to the company and its UK subsidiary	2	2
Hire of other assets - operating leases	<u>146</u>	<u>156</u>

7 Tax on profit on ordinary activities

	1999 £'000	1998 £'000
United Kingdom corporation tax at 31%(1998: 21%):		
Current	85	42
Deferred (note 16)	(2)	1
Under provision in previous year		
Deferred	-	1
	<u>83</u>	<u>44</u>

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 after tax for the year was £nil (1998: £nil)

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9 Tangible fixed assets

Group

	Improvements to leasehold properties £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 July 1998	39	99	263	401
Additions	-	8	103	111
At 30 June 1999	39	107	366	512
Depreciation				
At 1 July 1998	19	55	119	193
Charge for period	12	19	77	108
At 30 June 1999	31	74	196	301
Net book value				
At 30 June 1999	8	33	170	211
Net book value				
At 30 June 1998	20	44	144	208

10 Fixed asset investments

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Investment in subsidiary undertakings	-	481	-	481

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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 the company
			%
Consort Securities Systems Limited	England and Wales	Ordinary £1 shares	100
Consort Trustee Limited	England and Wales	Ordinary £1 shares	100

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.

Consort Trustee Limited is trustee of the Consort Employee Share Trust.

11 Employee Benefits

During 1996, the Company established the Consort Employee Share Trust. The trustee is Consort Trustee Limited. This is a discretionary trust for the benefit of employees (including Directors and Officers) of the Group.

At 30 June 1999, the Trust did not own any shares in the Company.

12 Debtors

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	1,516	-	1,823	-
Amounts owed by subsidiary undertaking	-	660	-	360
Prepayments and accrued income	127	-	56	-
	<u>1,643</u>	<u>660</u>	<u>1,879</u>	<u>360</u>

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13 Creditors: amounts falling due within one year

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank overdraft	-	-	429	-
Trade creditors	176	-	178	-
Corporation tax payable	87	-	42	-
Other taxation and social security	244	-	305	-
Accruals and deferred income	263	-	487	-
	<u>770</u>	<u>-</u>	<u>1,441</u>	<u>-</u>

The bank overdraft is secured by a first and only debenture over the whole of the undertaking and assets of the company and its subsidiary, Consort Securities Systems Limited.

14 Creditors: amounts falling due after more than one year

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Convertible term loan due 2008	<u>550</u>	<u>550</u>	<u>250</u>	<u>250</u>

Interest is payable on the loan monthly at a rate of 1% over Libor. The loan becomes due for repayment on 29 June 2008. If not previously repaid it may be converted at the option of the lender, on the aforementioned date, into fully paid ordinary shares of £1 each of Consort Information Systems Limited at £3 per share. The loan may, however, become repayable or convertible at the lender's option on a date earlier than 29 June 2008 if certain conditions exist or circumstances arise.

15 Pension and similar obligations

Retirement benefits for employees have been funded by contributions to a defined contribution pension scheme. The charge to the profit and loss account for the period ended 30 June 1999 was £134,000 (1998: £96,000).

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16 Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

Group

	Amount Provided		Amount unprovided	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Tax effect of timing differences:				
Excess of tax allowances over depreciation	-	2	1	-
	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>
	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>

17 Called up share capital

	1999	1998
	£'000	£'000
Authorised		
1,500,000 (1998: 1,500,000) ordinary shares of £1 each	1,500	1,500
	<u>1,500</u>	<u>1,500</u>
Allotted, called up and fully paid		
544,000 (1998: 544,000) ordinary shares of £1 each	544	544
	<u>544</u>	<u>544</u>

18 Reserves

Group

	Share premium account £'000	Goodwill write off reserve £'000	Profit and loss account £'000
At 1 July 1998	44	(482)	288
Transfer from other reserves to profit and loss account	-	482	(482)
	<u>44</u>	<u>-</u>	<u>(194)</u>
At 1 July 1998 as restated			
Retained profit for the year	-	-	224
	<u>-</u>	<u>-</u>	<u>224</u>
At 30 June 1999	<u>44</u>	<u>-</u>	<u>30</u>

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Company

	Share premium account £'000	Profit and loss account £'000
At 1 July 1998	44	3
Retained profit for the year	-	-
At 30 June 1999	<u>44</u>	<u>3</u>

19 Reconciliation of movement in shareholders' funds

	1999 £'000	1998 £'000
Profit for the year	<u>224</u>	<u>61</u>
Net addition to shareholders' funds	224	61
Opening shareholders' funds	<u>394</u>	<u>333</u>
Closing shareholders' funds	<u>618</u>	<u>394</u>

20 Reconciliation of net cash flow to movement in net debt

	1999 £'000	1999 £'000	1998 £'000	1998 £'000
(Increase)/decrease in cash in the year	(513)		26	
Cash inflow from increase in debt	<u>300</u>		<u>250</u>	
Movement in net debt in the year		(213)		276
Net debt at 1 July 1998		<u>679</u>		<u>403</u>
Net debt at 30 June 1999		<u>466</u>		<u>679</u>

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21 Analysis of net debt

	At 1 July 1998 £'000	Cash flow £'000	At 30 June 1999 £'000
Cash in hand, at bank	-	84	84
Overdraft	(429)	429	-
		<hr/> 513	
Debt:			
Convertible term loan	(250)	(300)	(550)
	<hr/> (679)	<hr/> 213	<hr/> (466)
Total	<hr/> <hr/> (679)	<hr/> <hr/> 213	<hr/> <hr/> (466)

22 Financial commitments and contingent liabilities

At 30 June 1999 the group had annual commitments under non-cancellable operating leases as follows:-

	1999		1998	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	13	29	48	11
Expiring between two and five years inclusive	16	32	12	54
	<hr/> 29	<hr/> 61	<hr/> 60	<hr/> 65
	<hr/> <hr/> 29	<hr/> <hr/> 61	<hr/> <hr/> 60	<hr/> <hr/> 65

The company is party to a cross guarantee for bank borrowings with its subsidiary, Consort Securities Systems Limited. At 30 June 1999 the total amount outstanding under the guarantee was £nil (1998: £429,000).

23 Ultimate controlling party

The group has no ultimate controlling party.