

Consort Information Systems Limited

Annual Report

for the year ended 30th June 1997

Registered no: 2929141



Consort Information Systems Limited

Annual report for the year ended 30 June 1997

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Consort Information Systems Limited

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Directors and advisers

Non-executive chairman

D A Mahony

Executive directors

J N Everett (resigned 31 August 1997)
E J Werner

Secretary and registered office

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

Registered Auditors

Coopers & Lybrand
Charnwood Court
New Walk
Leicester
LE1 6TE

Solicitors

Maxwell Batley
27 Chancery Lane
London
WC2A 1PA

Bankers

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

Directors' statement for the year ended 30 June 1997

In the year to 30 June 1997 turnover totalled £2.5m (year to 30 June 1996 £2.7m). A loss of £150,000 was incurred (year to 30 June 1996 profit £505,000).

In the Chairman's Statement accompanying the last accounts my predecessor as Chairman stated that: "The introduction of CREST has been a major upheaval for the whole industry, and will have repercussions which cannot now be foreseen." His words were prophetic in that the impact of CREST was a major burden for your company in the year to 30 June 1997.

The costs of finishing and supporting the CREST software against an unavoidably evolving set of CREST requirements necessarily imposed major non-recoverable costs. Coupled with this until the latter part of the year customers for new stockbroking systems deferred purchases pending their coming fully to terms with CREST. The consequence of these events was that your company was adversely affected both as regards revenue and costs.

On a more positive note it should be noted that in a market with very high volumes our users settled their trades routinely and none of our (substantially private client oriented) user base withdrew from the market, which was widely predicted a year ago. We have used our CREST software as a basis on which to build an interface to the new Central Gilts Office System (CGO2), and we have sold this product to some high profile new clients such as the Bank of Scotland and the Royal Bank of Scotland.

The experience gained in developing Windows software for CREST has taken Consort forward in its strategy of migrating SDS from the old DOS operating system. The new Windows product, 4I (Integrated Intermediary's Investment Information System) is now progressing well, and commitments have been made by the bulk of the current SDS client base to upgrade to 4I. These commitments provide a solid base on which to complete the development of 4I. The progress of 4I, and our client's clear commitment to its continued development, have materially assisted in securing orders from new customers in the last six months.

There have been significant changes in the last nine months to the Boards of Consort Information Systems Limited ("CIS") and its wholly-owned operating company Consort Securities Systems Limited ("CSS"). Graham Carter, who brings extensive experience of the Securities Industry has joined the Board of CSS, along with Simon Massarella whose expertise lies in the development of large scale software systems. The benefit of their contribution is already being felt throughout the company.

Director's statement continued

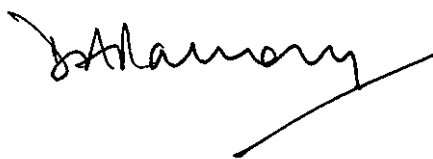
John Everett, who founded Consort Data in 1983, retired as Chairman of CIS in February 1997, when I joined the CIS board and retired from the Chairmanship of CSS on 31 August 1997. Following John's phased withdrawal I have become Non-Executive Chairman of both companies, with Eric Werner continuing as Managing Director.

John Everett's contribution to CONSORT has been unique and the board wishes to place on record its thanks to John who has not so much retired, as redeployed his considerable energies to Investornet UK Limited, a company set up by John to exploit the opportunities the Internet offers to private client stockbrokers. CIS holds a minority shareholding in this venture.

It is customary to thank staff for their efforts but this year, with the difficulties that have been experienced, has required exceptional levels of commitment from certain staff and board members and their willingness to bear the extra load has been exemplary.

Last year was by its nature unique in the problems it posed. The current year has started strongly and your board believes that there is every prospect of your company returning to acceptable levels of profitability. In view of last year's loss it is not considered appropriate to recommend payment of a dividend for the year ending 30 June 1997, but your board is committed to resuming dividend payments as soon as this can be justified.

Chairman
30 September 1997

A handwritten signature in dark ink, appearing to read 'J. Alamy', is written over a horizontal line.

Directors' report for the year ended 30 June 1997

The directors present their report and the audited financial statements for the year ended 30 June 1997.

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

The impact of CREST had a major effect on the results for the year. The loss of £150,000 was very disappointing following the previous year's profit of £505,000.

The new Windows product 4I is now progressing well and commitments have been made by the bulk of the current SDS client base to upgrade. The continuing development of 4I has materially assisted in securing orders from new customers in the last six months.

Dividends and transfers to reserves

The Directors do not recommend the payment of a dividend.

The retained loss for the year of £110,000 will be transferred to reserves.

Directors

The directors of the company at 30 June 1997 are listed on page 1.

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 1997. 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.

Directors' interests in shares of the company

The interests of the directors of the company in the shares of the company at 30 June 1997 were:-

| | 1997 | | 1996 | |
|-------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | Ordinary shares Number | "A" ordinary shares Number | Ordinary shares Number | "A" ordinary shares Number |
| J N Everett | 50,000 | 45,797 | 50,000 | 50,000 |
| E J Werner | 50,000 | 43,526 | 50,000 | 43,526 |

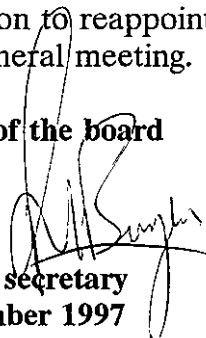
Changes in fixed assets

The movements in fixed assets during the period are set out in note 10 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


Company secretary
30 September 1997

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

We have audited the financial statements on pages 7 to 19.

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.

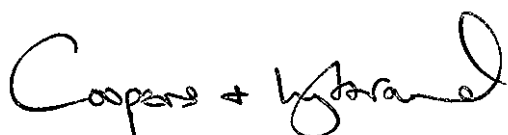
Basis of opinion

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 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Coopers & Lybrand', is written in a cursive, flowing style.

**Chartered Accountants and Registered Auditors
Leicester
30 September 1997**

**Consolidated profit and loss account
for the year ended 30 June 1997**

| | Notes | 1997 £'000 | 1996 £'000 |
|--|-------|---------------|---------------|
| Turnover - continuing operations | 2 | 2,346 | 2,729 |
| Staff costs | 4 | (1,680) | (1,533) |
| Depreciation | 10 | (70) | (42) |
| Other operating charges | | (752) | (653) |
| | | <hr/> | <hr/> |
| Operating (loss)\profit - continuing operations | | (156) | 501 |
| Interest receivable and similar income | | 12 | 7 |
| Interest payable and similar charges | 5 | (6) | (3) |
| | | <hr/> | <hr/> |
| (Loss)\Profit on ordinary activities before taxation | 6 | (150) | 505 |
| Tax on (loss)\profit on ordinary activities | 7 | 40 | (149) |
| | | <hr/> | <hr/> |
| (Loss)\Profit on ordinary activities after taxation | | (110) | 356 |
| Dividends | 8 | - | (109) |
| | | <hr/> | <hr/> |
| Retained (loss)\profit for the period | 18 | (110) | 247 |
| | | <hr/> | <hr/> |

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


There is no difference between the loss 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 18.

**Balance sheets
at 30 June 1997**

| | Notes | 1997 | | 1996 | |
|---|-------|----------------|------------------|----------------|------------------|
| | | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Fixed assets | | | | | |
| Tangible assets | 10 | 215 | - | 150 | - |
| Investments | 11 | - | 481 | - | 481 |
| | | <u>215</u> | <u>481</u> | <u>150</u> | <u>481</u> |
| Current assets | | | | | |
| Debtors | 13 | 870 | 110 | 707 | 219 |
| Cash | | - | - | 425 | - |
| | | <u>870</u> | <u>110</u> | <u>1,132</u> | <u>219</u> |
| Creditors: amounts falling due within one year | 14 | <u>752</u> | <u>-</u> | <u>839</u> | <u>109</u> |
| Net current assets | | <u>118</u> | <u>110</u> | <u>293</u> | <u>110</u> |
| Total assets less current liabilities | | <u>333</u> | <u>591</u> | <u>443</u> | <u>591</u> |
| Capital and reserves | | | | | |
| Called up share capital | 17 | 544 | 544 | 544 | 544 |
| Share premium account | 18 | 44 | 44 | 44 | 44 |
| Goodwill write off reserve | 18 | (482) | - | (482) | - |
| Profit and loss account | 18 | 227 | 3 | 337 | 3 |
| Equity shareholders' funds | 19 | <u>333</u> | <u>591</u> | <u>443</u> | <u>591</u> |

The financial statements on pages 7 to 19 were approved by the board of directors on 30 September 1997 and were signed on its behalf by:


Director

Notes to the financial statements for the year ended 30 June 1997

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 1997. 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:

| | |
|--------------------------------------|----------------------------|
| 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.

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.

2 Turnover

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

| | 1997 | 1996 |
|----------------|---------------------|---------------------|
| | £'000 | £'000 |
| United Kingdom | 2,267 | 2,639 |
| Rest of Europe | 79 | 90 |
| | <u>2,346</u> | <u>2,729</u> |

3 Directors' emoluments

| | 1997 | 1996 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Aggregate emoluments | 150 | 191 |
| Company pension contributions to money purchase scheme | 31 | 30 |

Retirement benefits are accruing to two directors under a money purchase pension scheme.

Emoluments payable to the highest paid director are as follows:

| | 1997 | 1996 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Aggregate emoluments | 71 | 83 |
| Company pension contributions to money purchase scheme | 21 | 20 |

4 Employee information

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

| | 1997 Number | 1996 Number |
|-------------------------------------|----------------|----------------|
| Computer services | 66 | 47 |
| | <u>66</u> | <u>47</u> |
| | 1997 £'000 | 1996 £'000 |
| Staff costs (for the above persons) | | |
| Wages and salaries | 1,429 | 1,351 |
| Social security costs | 160 | 116 |
| Other pension costs (see note 15) | 91 | 66 |
| | <u>1,680</u> | <u>1,533</u> |

5 Interest payable and similar charges

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| On overdrafts: | | |
| Repayable within 5 years, not by instalments | 6 | 3 |
| | <u>6</u> | <u>3</u> |

6 (Loss)\Profit on ordinary activities before taxation

| | 1997 £'000 | 1996 £'000 |
|---|---------------|---------------|
| (Loss)\Profit on ordinary activities before taxation is stated after crediting: | | |
| Profit on disposal of tangible fixed assets | - | 1 |
| and after charging: | | |
| Depreciation charged for the period: | | |
| Tangible owned fixed assets | 70 | 42 |
| Auditors' remuneration for: | | |
| Audit (Company: £1,000 (1996: £1,000)) | 11 | 10 |
| Other services to the company and its UK subsidiary | 11 | 9 |
| Hire of other assets - operating leases | 138 | 111 |
| | <u>138</u> | <u>111</u> |

7 Tax on (loss)\profit on ordinary activities

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| United Kingdom corporation tax at 35.5% (1996: 29%): | | |
| Current | (42) | 152 |
| Overprovision in previous year | 2 | (3) |
| | <u>(40)</u> | <u>149</u> |

8 Dividends

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| Dividends on equity shares: | | |
| Ordinary - Final proposed of nil per share (1996: 20p) | - | 20 |
| "A" Ordinary - Final proposed of nil per share (1996: 20p) | - | 89 |
| | <u>-</u> | <u>109</u> |

9 Loss 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 loss after tax for the year was £nil.

10 Tangible fixed assets

Group

| | Improvements to leasehold properties £'000 | Fixtures and fittings £'000 | Computer equipment £'000 | Total £'000 |
|------------------------------------|---|--------------------------------------|--------------------------------|----------------|
| Cost | | | | |
| At 1 July 1996 | 15 | 50 | 171 | 236 |
| Additions | 13 | 36 | 86 | 135 |
| Disposals | - | - | - | - |
| At 30 June 1997 | 28 | 86 | 257 | 371 |
| Depreciation | | | | |
| At 1 July 1996 | 3 | 28 | 55 | 86 |
| Charge for period | 9 | 10 | 51 | 70 |
| Eliminated in respect of disposals | - | - | - | - |
| At 30 June 1997 | 12 | 38 | 106 | 156 |
| Net book value | | | | |
| At 30 June 1997 | 16 | 48 | 151 | 215 |
| Net book value | | | | |
| At 30 June 1996 | 12 | 22 | 116 | 150 |

11 Fixed asset investments

Company

| | Interests in group undertakings £'000 |
|--|--|
| Cost at 1 July 1996 and 30 June 1997 | 481 |
| Amounts written off at 1 July 1996 and 30 June 1997 | - |
| Net book value at 30 June 1996 and 30 June 1997 | 481 |

Consort Information Systems Limited

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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: | |
|------------------------------------|--|----------------------------|---|-----------|
| | | | Group % | Company % |
| Consort Securities Systems Limited | England and Wales | Ordinary £1 shares | 100 | 100 |
| Consort Trustee Limited | England and Wales | Ordinary £1 shares | 100 | 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.

12 Employee Benefits

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

At 30 June 1997 the Trustee did not own any shares in the Company.

13 Debtors

| | 1997 | | 1996 | |
|--|----------------|------------------|----------------|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Trade debtors | 795 | - | 673 | - |
| Amounts owed by subsidiary undertaking | - | 110 | - | 199 |
| Dividend receivable | - | - | - | 20 |
| Prepayments and accrued income | 35 | - | 34 | - |
| Corporation tax recoverable | 40 | - | - | - |
| | <u>870</u> | <u>110</u> | <u>707</u> | <u>219</u> |

14 Creditors: amounts falling due within one year

| | 1997 | | 1996 | |
|------------------------------------|----------------|------------------|----------------|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Bank overdraft | 403 | - | - | - |
| Trade creditors | 120 | - | 43 | - |
| Corporation tax payable | - | - | 179 | - |
| Other taxation and social security | 130 | - | 117 | - |
| Dividend payable | - | - | 109 | 109 |
| Other creditors | - | - | - | - |
| Accruals and deferred income | 99 | - | 391 | - |
| | <u>752</u> | <u>-</u> | <u>839</u> | <u>109</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.

15 Pension and similar obligations

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 1997 was £91,000 (1996: £66,000).

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 | |
|--|-----------------|---------------|-------------------|---------------|
| | 1997 £'000 | 1996 £'000 | 1997 £'000 | 1996 £'000 |
| Tax effect of timing differences: | | | | |
| Excess of tax allowances over depreciation | - | - | 1 | 1 |
| | <u>-</u> | <u>-</u> | <u>1</u> | <u>1</u> |
| | <u>-</u> | <u>-</u> | <u>1</u> | <u>1</u> |
| | <u>-</u> | <u>-</u> | <u>1</u> | <u>1</u> |

17 Called up share capital

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| Authorised | | |
| 100,000 ordinary shares of £1 each | 100 | 100 |
| 800,000 'A' ordinary shares of £1 each | 800 | 800 |
| | <u>900</u> | <u>900</u> |
| | <u>900</u> | <u>900</u> |
| Allotted, called up and fully paid | | |
| 100,000 ordinary shares of £1 each | 100 | 100 |
| 444,150 (1996: 444,150) 'A' ordinary shares of £1 each | 444 | 444 |
| | <u>544</u> | <u>544</u> |
| | <u>544</u> | <u>544</u> |

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

18 Reserves

Group

| | Share premium account £'000 | Goodwill write off reserve £'000 | Profit and loss account £'000 |
|------------------------------|--------------------------------------|---|-------------------------------------|
| At 1 July 1996 | 44 | (482) | 337 |
| Retained loss for the period | - | - | (110) |
| | <u>44</u> | <u>(482)</u> | <u>227</u> |
| At 30 June 1997 | <u>44</u> | <u>(482)</u> | <u>227</u> |

Company

| | Share premium account £'000 | Profit and loss account £'000 |
|---------------------------------------|-----------------------------------|-------------------------------------|
| At 1 July 1996 | 44 | 3 |
| Retained (loss)\profit for the period | - | - |
| | <u>44</u> | <u>3</u> |
| At 30 June 1997 | <u>44</u> | <u>3</u> |

19 Reconciliation of movement in shareholders' funds

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| (Loss)\Profit for period | (110) | 247 |
| New share capital issued and share premium thereon | - | 75 |
| | <u>(110)</u> | <u>322</u> |
| Net addition to shareholders' funds | <u>443</u> | <u>121</u> |
| Opening shareholders' funds | <u>333</u> | <u>443</u> |
| Closing shareholders' funds | <u>333</u> | <u>443</u> |

20 Financial commitments

At 30 June 1997 the group had annual commitments under non-cancellable operating leases as follows:-

| | 1997 | | 1996 | |
|--|-----------------------|------------------|-----------------------|------------------|
| | Land and buildings | Other | Land and buildings | Other |
| | £'000 | £'000 | £'000 | £'000 |
| Expiring within one year | 60 | 13 | 29 | 6 |
| Expiring between two and five years inclusive | - | 63 | 27 | 49 |
| | <u>60</u> | <u>76</u> | <u>56</u> | <u>55</u> |
| | <u><u>60</u></u> | <u><u>76</u></u> | <u><u>56</u></u> | <u><u>55</u></u> |

The company is a party to a cross guarantee of its bank overdraft with its subsidiary, Consort Securities Systems Limited.