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Zonal Retail Data Systems Limited

Directors' Report and Financial Statements

for the year to

30th June 2000



J. A. MEIKLE
Chartered Accountant
22 LANDBOROUGH DRIVE
KILMARNOCK KA3 1RY



Zonal Retail Data Systems Limited

REPORT and FINANCIAL STATEMENTS 2000

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Zonal Retail Data Systems Limited

OFFICERS and PROFESSIONAL ADVISERS

Directors	R R McLean (chairman) R A McLean H S McLean J A McLean S J McLean M Napthine
Secretary	R A McLean
Registered office	16 Forth Street Edinburgh EH1 3LH
Auditor	J A Meikle Chartered Accountant & Registered Auditor 22 Landsborough Drive Kilmarnock KA3 1RY
Bankers	Clydesdale Bank plc 29 George Street Edinburgh EH2 2YN
Solicitors	Steedman Ramage Solicitors 6 Alva Street Edinburgh EH2 4QQ

Zonal Retail Data Systems Limited

DIRECTORS' REPORT

The Directors present their annual report and the audited accounts for the year ended 30th June 2000.

1. PRINCIPAL ACTIVITY

The Company's principal activity, which remained unchanged throughout the year, was the manufacture and installation of retail data systems for use in the hospitality industry.

2. REVIEW of BUSINESS

Turnover was less buoyant than the previous year as the Company awaited its new range of products. Investment in research and development continued at a high level. The Company will seek out and develop all appropriate business opportunities.

The Directors have resolved to continue to make provision against the investment in the United States subsidiary but have decided to reverse last year's provision against the investment in Zonal Leisure Limited.

3. FIXED ASSETS

During the year the Company continued its policy of development and refurbishment of its property portfolio.

4. DIRECTORS and their INTERESTS

The present membership of the board is set out on page 2.

The Directors' holdings of £1 Ordinary Shares of the Company at the beginning and the end of the year were as follows:

	At 1 July 1999	At 30 June 2000
R R McLean	700	711
R A McLean	120	120
H S McLean	72	72
J A McLean	60	60
S J McLean	60	60
M Napthine	0	0
L N Hughes (resigned 29 th October 1999)	11	0

Of Mr R R McLean's holding, 634 shares are held as trustee of the McLean Family Trust.
No director had an interest in the shares of any group company at any time during the year.

Zonal Retail Data Systems Limited

DIRECTORS' REPORT (continued)

5. RESEARCH and DEVELOPMENT

The Company has continued and will continue to follow its long-established policy of assessing and improving its range of products. This policy requires to be very dynamic, given the changes in the technological culture within which the Company operates.

6. AUDITOR

J A Meikle, Chartered Accountant, has indicated his willingness to continue in office and in accordance with the provisions of the Companies Act 1985 it is proposed that he be re-appointed Auditor to the Company for the ensuing year.

7. DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss 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;

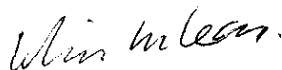
to make judgements and estimates that are reasonable and prudent;

to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



14th December 2000

R A McLean
Secretary.

AUDITOR'S REPORT to the MEMBERS of

Zonal Retail Data Systems Limited

I have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Respective responsibilities of directors and auditors

As described on page 4 the Company's Directors are responsible for the preparation of the financial statements. It is my responsibility to form an independent opinion, based on my audit, of those statements and to report my opinion to you.

Basis of opinion

I conducted my 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.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30th June 2000 and of the Company's profit for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.



14th December 2000

J A Meikle
Chartered Accountant & Registered Auditor
22 Landsborough Drive
Kilmarnock KA3 1RY

Zonal Retail Data Systems Limited

PROFIT and LOSS ACCOUNT for the year ended 30th June 2000

	Notes	2000 £	1999 £
Turnover		8,086,334	9,547,367
Change in stocks of finished goods and work in progress		<u>100,566</u>	<u>51,667</u>
		8,186,900	9,599,034
Raw materials and consumables		<u>3,566,916</u>	<u>3,866,044</u>
		4,619,984	5,732,990
Staff costs	2	2,909,042	2,738,886
Depreciation		298,032	214,447
Other operating charges		<u>813,855</u>	<u>1,594,025</u>
		<u>4,020,929</u>	<u>4,547,358</u>
Operating profit	3	599,055	1,185,632
Interest payable	4	<u>(188,300)</u>	<u>(149,161)</u>
Profit on ordinary activities before taxation		410,755	1,036,471
Tax on profit from ordinary activities	5	<u>105,944</u>	<u>407,983</u>
Profit on ordinary activities after taxation		304,811	628,488
Extraordinary item		<u>0</u>	<u>27,000</u>
Retained profit for the financial year		<u>304,811</u>	<u>601,488</u>

STATEMENT of MOVEMENTS in RESERVES

For the year ended 30th June 2000

Retained profit	2000	1999
	£	£
Balance at beginning of year	2,923,414	2,321,926
Profit for year	<u>304,811</u>	<u>601,488</u>
Balance at end of year	<u>3,228,225</u>	<u>2,923,414</u>

The notes on pages 9 to 13 form part of these accounts

Zonal Retail Data Systems Limited

BALANCE SHEET As at 30th June 2000

	Notes	£	2000 £	£	1999 £
FIXED ASSETS					
Tangible assets	6		4,235,352		3,962,984
Investments	7		<u>1,654,503</u>		<u>1,302,741</u>
			5,889,855		5,265,725
CURRENT ASSETS					
Stocks	8	793,492		692,926	
Debtors	9	1,382,749		1,899,072	
Cash		<u>40</u>		<u>0</u>	
		2,176,281		2,591,998	
CREDITORS: Amounts falling due within one year	10	<u>3,205,635</u>		<u>3,696,675</u>	
NET CURRENT LIABILITIES			(1,029,354)		(1,104,677)
			4,860,501		4,161,048
CREDITORS: Amounts falling due after one year	11		<u>1,631,231</u>		<u>1,236,589</u>
NET ASSETS			<u>3,229,270</u>		<u>2,924,459</u>
 Representing					
CAPITAL AND RESERVES					
Share capital	12		1,045		1,045
Profit and loss account			<u>3,228,225</u>		<u>2,923,414</u>
			<u>3,229,270</u>		<u>2,924,459</u>

The notes on pages 9 to 13 form part of these accounts.

These financial statements were approved by the Board of Directors on 14th December 2000

R A McLean

R A McLean, Director

Zonal Retail Data Systems Limited

CASH FLOW STATEMENT

For the year ended 30th June 2000

	2000	1999
	£	£
<u>Net cash flow from operating activities</u>	582,857	1,125,271
Servicing of finance - Interest paid	(188,300)	(149,161)
Taxation - Corporation Tax paid	(128,018)	(416,835)
<u>Investing activities</u>		
Payments to acquire fixed assets	(658,233)	(1,167,948)
Advances to subsidiaries	(285,233)	
Receipts from sale of fixed assets	42,649	53,952
	(900,817)	(1,113,996)
<u>Net cash flow before financing</u>	(644,278)	(554,721)
<u>Financing</u>		
Term loan advanced	650,000	610,630
Term loan repayments	(167,839)	(181,210)
Net cash flow from financing	482,161	429,420
Change in cash and cash equivalents	(162,117)	(125,301)
Reconciliation of operating profit to net flow from operating activities		
Operating profit	599,055	1,185,632
Depreciation	298,032	214,447
Provision for gain on exchange	(9,935)	(34,446)
Loss on sale of fixed assets	18,396	34,264
Provision for loss on US Subsidiary	125,000	125,000
Provision for loss at Zonal Leisure Limited	(190,000)	190,000
Decrease/(Increase) in stocks	(100,566)	52,070
(Increase) in debtors	516,323	(898,869)
Increase/(decrease) in creditors	(683,448)	257,173
	572,857	1,125,271
Analysis of cash and cash equivalents as shown in Balance Sheet		
Net bank overdraft - balance at beginning of year	(669,840)	(554,539)
Bank overdraft - balance at end of year	(831,957)	(669,840)
	(162,117)	(125,301)

The notes on pages 9 to 13 form part of these accounts.

Zonal Retail Data Systems Limited

NOTES to the ACCOUNTS

For the year ended 30th June 2000

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with statements of standard accounting practice issued by United Kingdom accountancy bodies. The particular accounting policies adopted are described below.

(a) Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of heritable property.

(b) Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each class of assets over its estimated useful life:

Property	- 2% per annum, straight line basis
Equipment	- 33% per annum, straight line basis
Office furniture	- 15% per annum, reducing balance basis & - 12.5% and 20% per annum, straight line basis
Motor cars	- 25% and 33% per annum reducing balance basis.

(c) Foreign exchange

Transactions of UK companies denominated in foreign currencies are translated into sterling at rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising as a result are dealt with in the profit and loss account.

(d) Stocks and work in progress

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

Work in progress and finished goods are valued at the lower of cost and net realisable value where cost is direct materials and labour plus attributable overheads.

(e) Research and development

Research and development expenditure is written off as incurred.

(f) Pension costs

The Company operates a defined contribution scheme. Contributions are invested in money-purchase contracts. The pension charge in the Profit and loss account represents contributions payable by the company to the fund.

Zonal Retail Data Systems Limited

NOTES to the ACCOUNTS (continued)

For the year ended 30th June 2000

2. STAFF COSTS

	2000	1999
	£	£
Wages and salaries	2,578,454	2,438,188
Social security costs	247,066	222,969
Other pension costs	<u>83,522</u>	<u>77,729</u>
	<u>2,909,042</u>	<u>2,738,886</u>

All pension costs arising in the year are charged in the year.

The average weekly number of employees during the year was made up as follows:-

	2000	1999
Office administration	25	17
Manufacturing, installation and maintenance	87	85
Research and development	<u>36</u>	<u>45</u>
	<u>148</u>	<u>147</u>

	£	£
Directors' emoluments included in staff costs above amounted to	319,267	335,201
The emoluments of the Chairman	51,980	51,545
The emoluments of the highest paid Director	51,980	51,545

Other directors' emoluments fell within the following ranges:-

	Numbers	Numbers
£15,000 - £20,000	1	0
£40,001 - £45,000	0	1
£45,001 - £50,000	1	5
£50,001 - £55,000	5	0

3. OPERATING PROFIT

Operating profit is stated after charging:-

	2000	1999
	£	£
Auditor's remuneration	15,400	13,800
Payments to auditor for work in a non-audit capacity	9,389	13,447
Loss on disposal of assets	18,396	34,264
Research and development	874,461	840,088
Provision for gain on exchange	(9,935)	(34,446)
Provision for loss on U S Subsidiary	125,000	125,000
Reduction of provision for loss in Zonal Leisure Limited	(190,000)	190,000

Zonal Retail Data Systems Limited

NOTES to the ACCOUNTS (continued)
For the year ended 30th June 2000

4. INTEREST PAYABLE

	2000	1999
	£	£
Bank overdrafts repayable within five years	69,708	56,117
Other interest	<u>118,592</u>	<u>82,092</u>
	<u>188,300</u>	<u>138,209</u>

5. TAX on PROFIT from ORDINARY ACTIVITIES

	£	£
Corporation tax based on profits of the year at 30% (1999 - 31%)	118,750	432,443
Over provision of tax for previous years	<u>(12,806)</u>	<u>(24,460)</u>
	<u>105,944</u>	<u>407,983</u>

6. FIXED ASSETS - TANGIBLE ASSETS

	Land and Buildings	Equipment	Office furniture	Motor cars	Total
<u>Cost or valuation</u>	£	£	£	£	£
As at 30 th June 1999	3,330,561	411,134	656,313	488,983	4,886,991
Additions	216,220	35,624	296,950	109,440	658,234
Disposals	<u>(45,000)</u>	<u>0</u>	<u>0</u>	<u>(84,514)</u>	<u>(129,514)</u>
As at 30 th June 2000	<u>3,501,781</u>	<u>446,758</u>	<u>953,263</u>	<u>513,909</u>	<u>5,415,711</u>
<u>Depreciation</u>					
As at 30th June 1999	30,603	380,039	281,246	232,118	924,006
Provided on disposals	0	0	0	(41,680)	(41,680)
Charge for year	<u>36,351</u>	<u>30,101</u>	<u>130,630</u>	<u>100,950</u>	<u>298,032</u>
As at 30th June 2000	<u>66,954</u>	<u>410,140</u>	<u>411,876</u>	<u>291,388</u>	<u>1,180,358</u>
<u>Net book value</u>					
As at 30th June 2000	<u>3,434,827</u>	<u>36,618</u>	<u>541,387</u>	<u>222,521</u>	<u>4,235,353</u>
As at 30th June 1999	<u>3,299,958</u>	<u>31,095</u>	<u>375,066</u>	<u>256,865</u>	<u>3,962,984</u>

Clydesdale Bank plc holds standard securities over the heritable buildings to the value of £3,380,927 (1999 - £2,508,076).

Zonal Retail Data Systems Limited

NOTES to the ACCOUNTS (continued)
For the year ended 30th June 2000

7. FIXED ASSETS - INVESTMENTS

Investments comprise:

Holdings in wholly owned subsidiaries, shown at cost adjusted for currency fluctuations, as follows:-

	Country of registration.	Class of shares held	Capital and reserves at 30/6/99 £	Cost 2000 £	1999 £
Zonal Retail Systems Inc	USA	Common Paid in capital		6 128,384	6 126,862
This company trades in United States of America as a supplier and installer of retail data systems for the hospitality industry					0
Zonal Leisure Limited	Scotland	Ordinary	(239,891)	1,000	1,000
This company operates a golf course					0
Forth Developments Limited	Scotland	Ordinary	100,421	<u>13,800</u>	<u>13,800</u>
This company operates as a builder				143,190	141,662
Balances on current accounts					
Zonal Retail Systems Inc				355,316	334,335
Zonal Leisure Limited				<u>1,155,997</u>	<u>826,744</u>
				<u>1,654,503</u>	<u>1,302,741</u>

8. STOCKS

	2000 £	1999 £
Raw materials	543,591	452,969
Finished goods	<u>249,901</u>	<u>239,957</u>
	<u>793,492</u>	<u>692,926</u>

9. DEBTORS

Trade debtors	1,894,238	2,347,456
Less: Maintenance work invoiced in advance	<u>621,045</u>	<u>632,223</u>
	1,273,193	1,715,233
Prepaid charges	99,322	172,611
Unexpired portion of cost of equipment sold under rental agreements	<u>10,234</u>	<u>11,228</u>
	<u>1,382,749</u>	<u>1,899,072</u>

Zonal Retail Data Systems Limited

NOTES to the ACCOUNTS (continued)
For the year ended 30th June 2000

10. CREDITORS: Amounts falling due within one year

	2000	1999
	£	£
Bank overdraft	831,997	669,840
Bank term loans – amounts due within one year	256,090	168,571
Trade creditors	760,291	1,215,620
Due to subsidiary	141,589	166,239
Other creditors	151,290	302,740
Current corporation tax	394,526	450,575
Other taxes and social security	191,921	201,608
Advance corporation tax payable	92,500	92,500
Accruals	<u>385,431</u>	<u>428,982</u>
	<u>3,205,635</u>	<u>3,696,675</u>

The bank overdraft is secured by a floating charge over the Company's assets.

11. CREDITORS: Amounts falling due after one year

Bank term loans		
Repayable within five years	1,502,346	699,051
Less: Instalments due within one year	<u>256,090</u>	<u>168,571</u>
	1,246,256	530,480
Repayable after five years	<u>384,975</u>	<u>706,109</u>
	<u>1,631,231</u>	<u>1,236,589</u>

12. SHARE CAPITAL

Authorised, issued and fully paid 100 shares of £1 each	<u>1,045</u>	<u>1,045</u>
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13. CAPITAL COMMITMENTS

Future capital expenditure		
Contracted but not provided for	<u>25,000</u>	<u>100,000</u>
Authorised but not contracted for	<u>0</u>	<u>0</u>