

SC 69596

Zonal Retail Data Systems Limited

Directors' Report and Financial Statements

for the year to

30th June 2002



J. A. MEIKLE
Chartered Accountant
22 Landsborough Drive
Kilmarnock KA3 1RY



Zonal Retail Data Systems Limited

REPORT and FINANCIAL STATEMENTS 2002

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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	Resigned	7th May 2002
	I T Sunter	Appointed	11th November 2002
Secretary	I T Sunter		
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 20 Hanover Street Edinburgh EH2 2QW		
Solicitors	Biggart Baillie Solicitors 7 Castle Street Edinburgh EH2 3AP		

Zonal Retail Data Systems Limited

DIRECTORS' REPORT

The directors present their annual report and the audited accounts for the year ended 30th June 2002.

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

The directors are delighted to report a 25% increase in Turnover over the previous year. This has been a result of the continued commitment of the company to product innovation and extremely high levels of customer service. The increased level of activity flowed through to the bottom line with an operating profit of £1.6m being reported.

The balance sheet continues to be strong. In particular, the directors are very satisfied with the generation of cash (and cash equivalents) of £1m.

In the year, the company invested £1.4m in research and development. This long held commitment to product development will continue into the coming year and beyond.

The company expects to return a healthy profit in the coming year despite a slowdown in the hospitality market.

3. 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 2001	At 30 June 2002
R R McLean	711	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

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 (cont)

4. 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.

5. 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



12th March 2003

I T Sunter
Secretary.

AUDITOR'S REPORT to the MEMBERS of

Zonal Retail Data Systems Limited

I have audited the financial statements on pages 6 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. My responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. I also report to you if, in my opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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 the company's affairs as at 30th June 2002 and of its profit for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.



12th March 2003

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 2002

	Notes	2002 £	2001 £
Turnover		12,804,518	10,231,331
Change in stocks of finished goods and work in progress		<u>(57,265)</u>	<u>209,853</u>
		12,747,253	10,441,184
Raw materials and consumables		<u>4,409,072</u>	<u>4,948,203</u>
		8,338,181	5,492,981
Staff costs	2	3,986,907	3,318,165
Depreciation		384,705	363,041
Other operating charges		<u>2,348,701</u>	<u>1,285,904</u>
		<u>6,720,313</u>	<u>4,967,110</u>
Operating profit	3	1,617,868	525,871
Interest payable	4	<u>247,865</u>	<u>258,147</u>
		1,370,003	267,724
Interest earned		<u>(1,472)</u>	<u>0</u>
Profit on ordinary activities before taxation		1,371,475	267,724
Tax on profit from ordinary activities	5	<u>456,363</u>	<u>114,528</u>
		915,112	153,196
Dividend		<u>40,000</u>	<u>0</u>
Retained profit for year		<u>875,112</u>	<u>153,196</u>

STATEMENT of MOVEMENTS in RESERVES

For the year ended 30th June 2002

Retained profit	2002	2001
	£	£
Balance at beginning of year	3,381,421	3,228,225
Profit for year	<u>875,112</u>	<u>153,196</u>
Balance at end of year	<u>4,256,533</u>	<u>3,381,421</u>

The notes on pages 9 to 14 form part of these financial statements.

Zonal Retail Data Systems Limited

BALANCE SHEET As at 30th June 2002

	Notes	£	2002 £	£	2001 £
FIXED ASSETS					
Tangible assets	6		4,155,238		4,295,781
Investments	7		<u>3,184,082</u>		<u>3,279,652</u>
			7,339,320		7,575,433
CURRENT ASSETS					
Stocks	8	946,080		1,003,345	
Debtors	9	1,550,436		1,499,445	
Cash in bank and on hand		<u>784</u>		<u>82,368</u>	
		2,497,300		2,585,158	
CREDITORS: Amounts falling due within one year	10	<u>2,764,121</u>		<u>3,767,641</u>	
NET CURRENT LIABILITIES			(266,821)		(1,182,483)
			7,072,499		6,392,950
CREDITORS: Amounts falling due after one year	11		<u>2,814,921</u>		<u>3,010,484</u>
NET ASSETS			<u>4,257,578</u>		<u>3,382,466</u>
 Representing					
CAPITAL AND RESERVES					
Share capital	12		1,045		1,045
Profit and loss account			<u>4,256,533</u>		<u>3,381,421</u>
			<u>4,257,578</u>		<u>3,382,466</u>

The notes on pages 9 to 14 form part of these financial statements.

These financial statements were approved by the Board of Directors on 12th March 2003.



S J McLean, Director

Zonal Retail Data Systems Limited

CASH FLOW STATEMENT

For the year ended 30th June 2002

	2002	2001
	£	£
<u>Net cash flow from operating activities</u>	<u>2,361,745</u>	<u>742,122</u>
Servicing of finance - Interest paid	(247,865)	(258,147)
Taxation - Corporation Tax paid	(2,863)	(327,114)
<u>Investing activities</u>		
Payments to acquire fixed assets	(302,362)	(480,889)
Payments to acquire investments	(74,151)	(1,679,235)
Advances to subsidiaries	(220,883)	(70,914)
Receipts from sale of fixed assets	<u>46,435</u>	<u>18,791</u>
	<u>(550,961)</u>	<u>(2,212,247)</u>
<u>Net cash flow before financing</u>	<u>1,560,056</u>	<u>(2,055,386)</u>
<u>Financing</u>		
Term loan advanced	0	3,562,500
Term loan repayments	<u>(469,824)</u>	<u>(1,935,999)</u>
<u>Net cash flow from financing</u>	<u>(469,824)</u>	<u>1,626,501</u>
<u>Change in cash and cash equivalents</u>	<u>1,090,232</u>	<u>(428,885)</u>
Reconciliation of operating profit to net flow from operating activities		
Operating profit	1,617,868	525,871
Interest earned	1,472	0
Depreciation	384,705	363,041
Provision for gain on exchange	(280)	1,421
Loss on sale of fixed assets	16,027	38,629
Provision for loss on Zonal Hospitality Systems Inc	390,604	125,000
Decrease/(Increase) in stocks	57,265	(209,852)
(Increase) in debtors	(55,253)	(116,696)
Increase/(decrease) in creditors	<u>(50,663)</u>	<u>14,708</u>
	<u>2,361,745</u>	<u>742,122</u>
Analysis of cash and cash equivalents as shown in Balance Sheet		
Net bank overdraft - balance at beginning of year	(1,260,842)	(831,957)
Bank overdraft - balance at end of year	<u>(170,610)</u>	<u>(1,260,842)</u>
	<u>1,090,232</u>	<u>(428,885)</u>

The notes on pages 9 to 14 form part of these financial statements.

Zonal Retail Data Systems Limited

NOTES to the FINANCIAL STATEMENTS

For the year ended 30th June 2002

1. ACCOUNTING POLICIES

The financial statements 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 financial statements 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 FINANCIAL STATEMENTS (cont) For the year ended 30th June 2002

2. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	3,526,449	2,945,551
Social security costs	351,587	284,319
Other pension costs	<u>108,871</u>	<u>88,295</u>
	<u>3,986,907</u>	<u>3,318,165</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:-

Office administration	35	28
Manufacturing, installation and maintenance	80	87
Research and development	<u>27</u>	<u>34</u>
	<u>142</u>	<u>149</u>

	£	£
Directors' emoluments included in staff costs above amounted to	346,531	332,046
The emoluments of the Chairman	63,775	58,364
The emoluments of the highest paid Director	63,775	58,364

3. OPERATING PROFIT

Operating profit is stated after charging:-

	£	£
Auditor's remuneration	11,000	14,500
Payments to auditor for work in a non-audit capacity	8,290	13,074
Loss on disposal of assets	16,027	38,629
Research and development	1,420,663	1,078,190
Provision for loss/(gain) on exchange	(280)	1,421
Provision for loss on Zonal Hospitality Systems Inc	390,604	125,000

4. INTEREST PAYABLE

	£	£
Bank overdrafts repayable within five years	46,947	74,136
Other interest	<u>200,918</u>	<u>184,011</u>
	<u>247,865</u>	<u>258,147</u>

Zonal Retail Data Systems Limited

NOTES to the FINANCIAL STATEMENTS (cont) For the year ended 30th June 2002

5. TAX on PROFIT from ORDINARY ACTIVITIES

	2002 £	2001 £
Corporation tax based on profits of the year at 30% (2001 - 30%)	453,500	133,580
Adjustment of tax for previous years	<u>2,863</u>	<u>(19,052)</u>
	<u>456,363</u>	<u>114,528</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 2001	3,571,781	508,253	1,142,575	511,152	5,733,761
Additions	0	97,614	51,772	152,976	302,362
Disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>(215,072)</u>	<u>(215,072)</u>
As at 30 th June 2002	<u>3,571,781</u>	<u>605,867</u>	<u>1,194,347</u>	<u>449,056</u>	<u>5,821,051</u>
<u>Depreciation</u>					
As at 30th June 2001	105,421	455,381	573,817	303,361	1,437,980
Provided on disposals	0	0	0	(152,610)	(152,610)
Charge for year	<u>35,518</u>	<u>64,912</u>	<u>153,110</u>	<u>126,903</u>	<u>380,443</u>
As at 30th June 2002	<u>140,939</u>	<u>520,293</u>	<u>726,927</u>	<u>277,654</u>	<u>1,665,813</u>
<u>Net book value</u>					
As at 30th June 2002	<u>3,430,842</u>	<u>85,574</u>	<u>467,420</u>	<u>171,402</u>	<u>4,155,238</u>
As at 30th June 2001	<u>3,466,360</u>	<u>52,872</u>	<u>568,758</u>	<u>207,791</u>	<u>4,295,781</u>

Clydesdale Bank plc holds standard securities over the heritable buildings to the value of £3,516,781 (2001 - £3,516,781).

Zonal Retail Data Systems Limited

NOTES to the FINANCIAL STATEMENTS (cont) For the year ended 30th June 2002

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	2002 £	2001 £
Zonal Hospitality Systems Inc (formerly Zonal Retail Systems Inc)	USA	Common Paid in capital	0 0	6 128,384
This company trades in United States of America as a supplier and installer of retail data systems for the hospitality industry				
Zonal Leisure Limited This company operates a golf course	Scotland	Ordinary	1,000	1,000
Forth Developments Limited This company operates as a builder	Scotland	Ordinary	13,800	13,800
			14,800	143,190
Balances on current accounts			0	267,573
Zonal Hospitality Systems Inc				
Zonal Leisure Limited			1,415,198	1,189,654
Forth Developments Limited			698	0
			1,430,696	1,600,417
Heritable property purchased as investment			1,753,386	1,679,235
			3,184,082	3,279,652
Financial information re subsidiaries			Capital & Reserves June 2002 £	Profit/(Loss) Year to June 2002 £
Zonal Hospitality Systems Inc			(657,831)	(196,706)
Zonal Leisure Limited			(457,593)	(144,873)
Forth Developments Limited			6,490	(21,113)

Clydesdale Bank plc holds a standard security over the heritable buildings to the value of £1,753,386 (2001 - £1,679,235).

No revaluation of the heritable property has been undertaken. The purchase of the property was completed near the end of the 2001 financial year and the directors believe the value to be fairly stated,

8. STOCKS

	2002 £	2001 £
Raw materials	675,689	806,955
Finished goods	270,391	196,390
	946,080	1,003,345

Zonal Retail Data Systems Limited

NOTES to the FINANCIAL STATEMENTS (cont) For the year ended 30th June 2002

9. DEBTORS

	2002	2001
	£	£
Trade debtors	2,272,715	2,017,554
Less: Maintenance work invoiced in advance	<u>977,089</u>	<u>766,841</u>
	1,295,626	1,250,713
Prepaid charges	254,810	232,485
Unexpired portion of cost of equipment sold under rental agreements	<u>0</u>	<u>16,247</u>
	<u>1,550,436</u>	<u>1,499,445</u>

10. CREDITORS: Amounts falling due within one year

	£	£
Bank overdraft	171,394	1,343,210
Bank term loans – amounts due within one year	229,078	503,339
Trade creditors	765,691	659,288
Due to subsidiary	0	34,491
Other creditors	173,666	195,729
Current corporation tax	587,081	140,792
Other taxes and social security	363,358	317,858
Advance corporation tax payable	92,500	92,500
Accruals	<u>381,353</u>	<u>480,434</u>
	<u>2,764,121</u>	<u>3,767,641</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	1,412,340	1,654,516
Less: Instalments due within one year	<u>229,078</u>	<u>503,339</u>
	1,183,262	1,151,177
Repayable after five years	<u>1,631,659</u>	<u>1,859,307</u>
	<u>2,814,921</u>	<u>3,010,484</u>

12. SHARE CAPITAL

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

Zonal Retail Data Systems Limited

NOTES to the FINANCIAL STATEMENTS (cont)
For the year ended 30th June 2002

13. CAPITAL COMMITMENTS

	2002	2001
	£	£
Future capital expenditure		
Contracted but not provided for	<u>7,760</u>	<u>18,000</u>
Authorised but not contracted for	<u>0</u>	<u>0</u>