

N57012

Concept Systems Limited

**Directors' report and financial
statements**

Registered number SC 82239

30 November 2000



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Company information

Directors	AJ Hay AK Faichney
Company Secretary	ADG Arnot
Registered Office	11 Walker Street Edinburgh EH3 7NE
Solicitors	Dickson Minto WS 11 Walker Street Edinburgh EH3 7NE
Bankers	The Royal Bank of Scotland plc 2 Bernard Street Leith Edinburgh EH6 6PU
Auditors	KPMG Saltire Court 20 Castle Terrace Edinburgh EH1 2EG

Directors' report

The directors have pleasure in presenting their report and the audited financial statements for the year to 30 November 2000.

Principal activities, business review and future developments

The company continued to trade in the development and manufacture of computer controlled data acquisition and measurement systems for use in the oil and marine industries.

Following on from 1999, the geophysical services market has remained depressed throughout 2000. However, the sustained recovery in the oil price, coupled to strong demand for oil created a strong belief, in quarter four of 2000, that seismic exploration activity would be significantly higher in 2001, and this had indeed started to take place. Furthermore Concept has continued to make strong technological and strategic advances in 2000, which have enabled the company to position itself to take maximum advantage of the sector recovery both in the offshore and onshore disciplines and in extending Concept's target market to geophysical interpretation.

Results

The results for the year are set out in the profit and loss account.

No dividends were paid during the year. The retained profit of £338,823 is proposed to be carried to reserves.

Directors

The directors who held office during the year, together with their interests in the shares of the company were as follows:

	30 November 2000	30 November 1999
AJ Hay	-	-
AK Faichney	-	-

The interests of AJ Hay and AK Faichney in the parent company, Concept Systems Holdings Limited, are disclosed in the directors' report of that company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Alistair David Guthrie Arnot
Company Secretary

26 July 2001

Statement of 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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- *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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Report of the auditors to the members of Concept Systems Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices board and by 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 with the company is not disclosed.

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 the company's affairs as at 30 November 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

26 July 2001

Profit and loss account
for the year ended 30 November 2000

	<i>Note</i>	2000 £	1999 £
Turnover	<i>1</i>	4,706,745	6,457,220
Cost of sales		(541,658)	(1,063,820)
Gross profit		4,165,087	5,393,400
Net operating costs			
Development, distribution and selling costs		(305,707)	(303,237)
Administration expenses		(3,519,790)	(3,916,145)
Operating profit	<i>2 - 4</i>	339,590	1,174,018
Profit on disposal of fixed assets		181,056	-
Interest receivable and similar income	<i>5</i>	18,384	31,994
Interest payable and similar charges	<i>6</i>	(8,281)	(6,864)
		10,103	25,130
Profit on ordinary activities before taxation		530,749	1,199,148
Taxation	<i>7</i>	(191,926)	(433,571)
Retained profit for the financial year	<i>14</i>	338,823	765,577

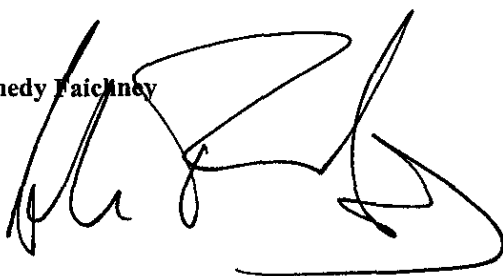
The company has no recognised gains and losses other than the profit for the year and the preceding year. All operations are continuing.

Balance sheet
at 30 November 2000

	Note	£	2000 £	£	1999 £
Fixed assets					
Tangible assets	8		473,651		400,322
Current assets					
Stocks	9	81,836		163,471	
Debtors	10	2,696,790		2,532,420	
Cash at bank and in hand		50,374		203,998	
Creditors: amounts falling due within one year	11	2,829,000 (470,195)		2,899,889 (807,854)	
Net current assets					
			2,358,805		2,092,035
Total assets less current liabilities					
			2,832,456		2,492,357
Creditors: amounts falling due after more than one year	12		(16,906)		(15,630)
Net assets					
			2,815,550		2,476,727
Capital and reserves					
Called up share capital	13		150,000		150,000
Capital redemption reserve	14		270,000		270,000
Profit and loss account	14		2,395,550		2,056,727
Equity shareholders' funds	15				
			2,815,550		2,476,727

These financial statements were approved by the board of directors on 20th July 2001 and signed on its behalf by:

Alan Kennedy Faichney
Director



Alastair James Hay
Director



Notes

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The accounts have been prepared on a going concern basis which assumes the continued support of the parent company, Concept Systems Holdings Limited. This company has been refinanced since the year end to enable it to provide this support and meet its own liabilities and obligations as they become due.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Concept Systems Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Concept Systems Holdings Limited, within which this company is included, can be obtained from the address given in note 17.

Fixed assets and depreciation

Provision is made for the depreciation of fixed assets in order to write off the cost or valuation of these assets over their expected useful lives.

Leasehold improvements	10% straight line
Motor vehicles	25% straight line
Plant and machinery	25% straight line
Office fixtures and fittings	20% straight line/33 1/3 straight line

Stocks

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

Cost incurred in bringing each product to its present condition and location comprises cost of direct material and labour plus attributable overheads based on the normal level of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

Provision is made for deferred taxation to the extent to which liabilities are likely to arise in the foreseeable future.

Leasing

Assets financed by leasing agreements ("finance leases") and similar hire purchase arrangements are capitalised in the balance sheet and are depreciated over the shorter of the lease term or their useful lives. The present value of future rentals is shown as a liability. The interest element of the rental obligations charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes (continued)

1 Accounting policies (continued)

Development grants and levies

Development grants are matched with the expenditure to which they relate. Levies are payable on sales products developed with the assistance of grant aid and they are accrued as the sales are made.

Development expenditure

Development expenditure is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. All gains and losses are taken to the profit and loss account in the year in which they arise.

Pension contributions

The company operates a defined contribution pension scheme for the benefit of certain employees and a small self administered pension scheme for the benefit of its directors. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Turnover

Turnover represents the value of sales and rentals of computer software and hardware, together with consultancy work performed and is exclusive of value added tax.

An analysis of turnover by geographical market is as follows:

	2000 £	1999 £
UK	335,486	1,315,181
Europe	1,759,024	1,623,009
North America	1,589,802	1,882,376
Asia, Australasia and elsewhere	1,022,433	1,636,654
	4,706,745	6,457,220

2 Operating profit

Operating profit is stated after charging:

	2000 £	1999 £
Depreciation - owned assets	180,213	222,630
Depreciation - leased assets	12,482	12,984
Operating lease rentals	2,347	1,067
Auditors' remuneration	9,750	9,750
and after crediting:		
Exchange gains	66,453	11,444
Grants	-	60,415

Notes (continued)

3 Staff costs

	2000 £	1999 £
Wages and salaries	2,246,161	2,440,422
Social security costs	249,568	245,148
Pension costs	107,152	101,913
	2,602,881	2,787,483

The average weekly number of employees during the year, analysed by function, was as follows:

	No	No
Administration	5	5
Selling and distribution	1	1
Development	68	75
Production	1	1
	75	82

4 Remuneration of directors

	2000 £	1999 £
Directors' emoluments	203,865	191,269
Company contributions to money purchase pension schemes	34,636	29,864
	238,501	221,133
Highest paid director's remuneration	107,392	102,010
Pension contributions to money purchase scheme	18,219	16,189
	125,611	118,199

Retirement benefits are accruing to two (1999: two) directors under money purchase pension schemes.

5 Interest receivable and similar income

	2000 £	1999 £
Bank interest and other interest receivable	18,384	31,994

Notes (continued)

6 Interest payable and similar charges

	2000 £	1999 £
On bank overdraft	6,467	5,592
On hire purchase contracts	1,814	1,272
	<u>8,281</u>	<u>6,864</u>

7 Taxation

	2000 £	1999 £
Based on the results of the year at 30% (1999: 30.33%):		
Group relief payable	191,926	445,342
Over provided in previous years	-	(11,771)
	<u>191,926</u>	<u>433,571</u>

8 Tangible fixed assets

	Leasehold improvements £	Motor vehicles £	Plant and machinery £	Office fixtures and fittings £	Total £
Cost					
At beginning of year	44,939	130,419	1,327,961	206,389	1,709,708
Additions	30,332	36,920	228,312	101,533	397,097
Disposals	(32,509)	(38,966)	(264,799)	(35,235)	(371,509)
	<u>42,762</u>	<u>128,373</u>	<u>1,291,474</u>	<u>272,687</u>	<u>1,735,296</u>
Depreciation					
At beginning of year	38,835	64,838	1,093,641	112,072	1,309,386
Charge for year	2,001	23,330	139,291	28,073	192,695
Disposals	(28,093)	(21,107)	(183,489)	(7,747)	(240,436)
	<u>12,743</u>	<u>67,061</u>	<u>1,049,443</u>	<u>132,398</u>	<u>1,261,645</u>
Net book value					
At 30 November 2000	<u>30,019</u>	<u>61,312</u>	<u>242,031</u>	<u>140,289</u>	<u>473,651</u>
At 30 November 1999	<u>6,104</u>	<u>65,581</u>	<u>234,320</u>	<u>94,317</u>	<u>400,322</u>

The net book value of £473,651 includes an amount of £61,455 (1999: £35,081) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £12,482 (1999: £12,984).

Notes (continued)

9	Stocks	2000	1999
		£	£
	Finished goods	81,836	163,471
10	Debtors	2000	1999
		£	£
	Amounts owed by group undertakings	1,463,108	1,118,251
	Trade debtors	838,210	964,493
	Other debtors	177,930	136,803
	Prepayments and accrued income	217,542	19,378
	ACT recoverable	-	291,965
	Corporation tax recoverable	-	1,530
		2,696,790	2,532,420
11	Creditors: amounts falling due within one year	2000	1999
		£	£
	Hire purchase contracts	23,144	15,545
	Trade creditors	89,443	97,494
	Group relief payable	191,926	445,342
	Other taxes and social security costs	83,774	81,828
	Accruals and deferred income	81,908	167,645
		470,195	807,854
12	Creditors: amounts falling due after more than one year	2000	1999
		£	£
	Hire purchase contracts	16,906	15,630
	The maturity of obligations under hire purchase contracts as follows:		
	Within one year	23,144	15,545
	After one and within two years	8,794	14,937
	After two and within five years	8,112	693
		40,050	31,175
13	Share capital	2000	1999
		£	£
	Authorised: 520,000 ordinary shares of £1 each	520,000	520,000
	Allotted, issued and fully paid: 150,000 ordinary shares of £1 each	150,000	150,000

Notes (continued)

14 Reserves

	Profit and loss £	Capital redemption reserve £	Total £
At beginning of the year	2,056,727	270,000	2,326,727
Retained profit for the year	338,823	-	338,823
At end of the year	2,395,550	270,000	2,665,550

15 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Shareholders' funds at the beginning of the year	2,476,727	1,711,150
Retained profit for year	338,823	765,577
Shareholders' funds at end of the year	2,815,550	2,476,727

16 Operating lease commitments

At 30 November 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	2000 £	1999 £
<i>Land and buildings:</i>		
Operating leases which expire:		
After 5 years	164,210	164,210
<i>Other assets:</i>		
Operating leases which expire:		
Between 2 and 5 years	744	744

17 Ultimate parent company

The company is a subsidiary undertaking of Concept Systems Holdings Limited incorporated in the United Kingdom.

The largest group in which the results of the company are consolidated is that headed by Concept Systems Holdings Limited. The consolidated accounts of that group are available to the public and may be obtained from Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB.

Concept Systems Limited

Trading account

Year ended 30 November 2000

	2000	1999
	£	£
Turnover	4,706,745	6,457,220
Cost of sales	541,658	1,063,820
Gross profit	4,165,087	5,393,400
Selling and distribution costs		
Travelling	174,676	151,264
Advertising	22,658	40,148
	197,334	191,412
Development costs		
Materials	36,634	65,531
Software	71,739	46,294
	108,373	111,825
Administrative expenses		
Directors' remuneration	206,377	191,267
Wages and salaries	2,110,483	2,170,698
Pension contributions	107,152	101,913
Rent and rates	259,100	245,697
Insurance	79,049	70,637
Heat and light	15,628	15,968
Repairs and renewals	35,002	67,945
General travel	128,983	201,664
Entertainment	15,201	7,328
Carriage	22,022	24,078
Communications	59,743	67,219
Stationery and postage	16,933	33,657
Legal and professional	45,273	28,201
Audit and tax	43,139	48,554
Operating lease costs	2,347	1,067
(Gain)/loss on exchange	(66,453)	(11,444)
OSO levy	128	16,456
Bad debts/general provision	45,253	294,247
Fees and subscriptions	10,400	9,475
Donations	1,762	1,700
Training and consultancy	180,238	119,662
Sundries	3,707	3,713
Depreciation	192,695	234,645
Loss on disposal of fixed assets	5,628	32,213
	3,519,790	3,976,560
	3,825,497	4,279,797
Carried forward	339,590	1,113,603

Concept Systems Limited

Trading account *(continued)*

Year ended 30 November 2000

	£	2000 £	£	1999 £
Brought forward		339,590		1,113,603
Other income				
Grants receivable	-		60,415	
				60,415
Operating profit		339,590		1,174,018