

09/09/2003

Concept Systems Limited

**Directors' report and financial
statements**

Registered number SC 82239

30 November 2002



Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditor's report to the members of Concept Systems Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

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 LLP 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 2002.

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 2001, the geophysical services market saw some continued recovery in 2002 with a sustained level of activity in the seismic exploration industry. Concept was well positioned to take full advantage of this which resulted in the highest ever level of turnover attained by the company. During this period Concept has continued to make strategic, commercial and technological advances in the offshore sector, onshore sector and also in 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 £1,489,925 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 2002	30 November 2001
AJ Hay	-	-
AK Faichney	-	-

Auditors

Our auditors KPMG transferred their business to a limited liability partnership, KPMG LLP, on 3 May 2002. Accordingly KPMG resigned as auditors and the directors thereupon appointed KPMG LLP to fill the vacancy arising. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP 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

18 September 2003

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.



KPMG LLP

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditors' report to the members of Concept Systems Limited

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 1985. 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

19 September 2003

Profit and loss account
for the year ended 30 November 2002

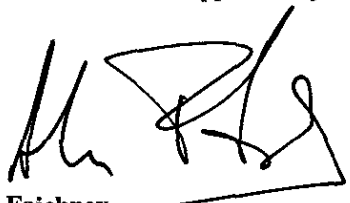
	<i>Note</i>	£	2002 £	£	2001 £
Turnover	1		8,123,298		6,465,806
Cost of sales			(1,092,418)		(801,819)
Gross profit			7,030,880		5,663,987
Net operating costs					
Development, distribution and selling costs			(359,751)		(397,980)
Administration expenses			(4,431,011)		(3,726,319)
Operating profit	2 - 4		2,240,118		1,539,688
Interest receivable and similar income	5	204		1,275	
Interest payable and similar charges	6	(10,397)		(9,621)	
			(10,193)		(8,346)
Profit on ordinary activities before taxation			2,229,925		1,531,342
Taxation	7		(740,000)		(550,000)
Retained profit for the financial year	14		1,489,925		981,342

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 2002

	Note	£	2002 £	£	2001 £
Fixed assets					
Tangible assets	8		394,341		482,050
Current assets					
Stocks	9	134,808		233,261	
Debtors	10	5,940,373		4,041,934	
Cash at bank and in hand		129,871		27,784	
		6,205,052		4,302,971	
Creditors: amounts falling due within one year	11	(1,310,141)		(964,152)	
Net current assets			4,894,911		3,338,827
Total assets less current liabilities			5,289,252		3,820,877
Creditors: amounts falling due after more than one year	12		(2,435)		(23,985)
Net assets			5,286,817		3,796,892
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	4,866,817		3,376,892	
Equity shareholders' funds	15		5,286,817		3,796,892

These financial statements were approved by the board of directors on 18 September 2003 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.

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.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of items for taxation and accounting purposes. Full provision is made for deferred taxation.

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:

	2002 £	2001 £
UK	872,794	915,160
Europe	4,378,552	3,178,757
North America	2,009,724	1,758,312
Asia, Australasia and elsewhere	862,228	613,577
	8,123,298	6,465,806

2 Operating profit

Operating profit is stated after charging:

	2001 £	2000 £
Depreciation - owned assets	143,305	205,647
Depreciation - leased assets	26,840	26,839
Operating lease rentals	1,500	2,639
Auditors' remuneration	9,750	9,750
and after crediting:		
Exchange gains	9,253	66,106

Notes (continued)

3 Staff costs

	2002 £	2001 £
Wages and salaries	2,957,165	2,429,645
Social security costs	296,621	257,734
Pension costs	144,200	116,073
	<u>3,397,986</u>	<u>2,803,452</u>

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

	No	No
Administration	5	5
Selling and distribution	2	1
Development	70	66
Production	1	1
	<u>78</u>	<u>73</u>

4 Remuneration of directors

	2002 £	2001 £
Directors' emoluments	245,184	213,484
Company contributions to money purchase pension schemes	40,600	37,238
	<u>285,784</u>	<u>250,722</u>
Highest paid director's remuneration	130,586	114,818
Pension contributions to money purchase scheme	21,200	19,505
	<u>151,786</u>	<u>134,323</u>

Retirement benefits are accruing to two (2001: two) directors under money purchase pension schemes.

5 Interest receivable and similar income

	2002 £	2001 £
Bank interest and other interest receivable	204	1,275

Notes *(continued)*

6 Interest payable and similar charges

	2002 £	2001 £
On bank overdraft	7,448	5,412
On hire purchase contracts	2,949	4,209
	<u>10,397</u>	<u>9,621</u>

7 Taxation

	2002 £	2001 £
Based on the results of the year at 30% (2000: 30%):		
Group relief payable	740,000	550,000
	<u>740,000</u>	<u>550,000</u>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2001: *higher*) than the standard rate of corporation tax in the UK (30%) (2001: 30%). The differences are explained below:

	2002 £	2001 £
Current tax reconciliation		
Profit on ordinary activities before tax	2,229,925	1,531,342
Current tax at 30% (2001: 30%)	668,978	459,403
Effects of:		
Expenses not deductible for tax purposes	9,261	9,571
Timing differences	61,761	81,026
Total current tax charge (see above)	<u>740,000</u>	<u>550,000</u>

Factors that may affect future tax charges

The company has a unrecorded deferred tax asset at 30 November 2002 of approximately £177,000 (2001: £130,000).

Notes (continued)

8 Tangible fixed assets

	Leasehold improvements £	Motor vehicles £	Plant and machinery £	Office fixtures and fittings £	Total £
Cost					
At beginning of year	121,668	161,623	1,130,870	272,687	1,686,848
Additions	3,933	-	100,304	6,361	110,598
Disposals	-	(71,453)	(143,690)	-	(215,143)
At end of year	125,601	90,170	1,087,484	279,048	1,582,303
Depreciation					
At beginning of year	24,910	87,712	893,522	198,654	1,204,798
Charge for year	12,560	20,630	102,627	34,328	170,145
Disposals	-	(66,614)	(120,367)	-	(186,981)
At end of year	37,470	41,728	875,782	232,982	1,187,962
Net book value					
At 30 November 2002	88,131	48,442	211,702	46,066	394,341
At 30 November 2001	96,758	73,911	237,348	74,033	482,050

The net book value of £394,341 includes an amount of £48,444 (2001: £75,285) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £26,840 (2001: £26,839).

9 Stocks

	2002 £	2001 £
Finished goods	134,808	233,261

10 Debtors

	2002 £	2001 £
Amounts owed by group undertakings	4,841,760	3,098,231
Trade debtors	1,006,970	817,496
Other debtors	87,541	112,091
Prepayments and accrued income	4,102	14,116
	5,940,373	4,041,934

Notes (continued)

11 Creditors: amounts falling due within one year

	2002 £	2001 £
Hire purchase contracts	21,500	22,274
Trade creditors	104,702	151,610
Group relief payable	740,000	550,000
Other taxes and social security costs	125,342	106,688
Accruals and deferred income	318,597	133,580
	<u>1,310,141</u>	<u>964,152</u>

12 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Hire purchase contracts	2,435	23,985
	<u>2,435</u>	<u>23,985</u>
The maturity of obligations under hire purchase contracts as follows:		
Within one year	21,500	22,274
After one and within two years	2,435	21,500
After two and within five years	-	2,485
	<u>23,935</u>	<u>46,259</u>

13 Share capital

	2002 £	2001 £
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

14 Reserves

	Profit and loss £	Capital redemption reserve £	Total £
At beginning of the year	3,376,892	270,000	3,646,892
Retained profit for the year	1,489,925	-	1,489,925
	<u>4,866,817</u>	<u>270,000</u>	<u>5,136,817</u>

15 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Shareholders' funds at the beginning of the year	3,796,892	2,815,550
Retained profit for year	1,489,925	981,342
	<u>5,286,817</u>	<u>3,796,892</u>

Notes (continued)

16 Operating lease commitments

At 30 November 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	2002 £	2001 £
<i>Land and buildings:</i>		
Operating leases which expire:		
After 5 years	183,325	183,325
<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.