

**SAGESOFT LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**30 SEPTEMBER 1996**

**(Registered Number : 1045967)**



## **SAGESOFT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1996**

The Directors have pleasure in presenting their report and accounts for the year ended 30 September 1996.

#### **ACTIVITIES**

The Company's principal activity during the year was the development and publication of business software for personal computers and the sale of computer stationery and supplies.

#### **REVIEW OF THE BUSINESS**

The Company achieved a profit on ordinary activities before taxation of £19,261,000 on a turnover of £35,903,000 and the directors intend to continue to develop the company's business.

#### **RESULTS FOR THE YEAR**

The trading results for the year, dividends proposed and transfers to reserves are set out on page 4.

#### **DIRECTORS AND THEIR INTERESTS**

The Directors who served during the year were as follows:

AD Goldman (Chairman)  
TP Maxfield  
PA Walker  
AWG Wylie  
AJ Hughes  
MEW Jackson  
G Parker  
BR Fisher (resigned 31 December 1995)  
D Pinches (resigned 19 March 1996)  
P Stobart (appointed 15 July 1996)  
D Errington (appointed 18 March 1996)

The interests of Directors holding office at 30 September 1996 in the shares of The Sage Group PLC are set out in the Directors' Report of that Company, with the exception of G Parker and P Stobart.

G Parker held options over 25,000 ordinary shares of 1p each in The Sage Group PLC at 30 September 1996 at a price of 98p and a beneficial interest in 1,580 shares. P Stobart held options over 115,741 ordinary shares of 1p each in The Sage Group PLC at 30 September 1996 at a price of 432p.

#### **FIXED ASSETS**

Movements in fixed assets are set out in Note 7 to the accounts.

## **SAGESOFT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1996 (continued)**

#### **EMPLOYMENT POLICY**

The Company continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment. The Company has continued its policy of employee involvement by making information available to employees on matters of concern to them.

#### **RESEARCH AND DEVELOPMENT**

The Company continues to develop business software applications for personal computers.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITY**

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors confirm that appropriate 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 September 1996. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

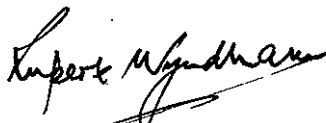
The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors 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.

#### **AUDITORS**

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board.



RCE Wyndham  
Secretary

23 July 1997

*Price Waterhouse*



## AUDITORS' REPORT TO THE MEMBERS OF SAGESOFT LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

### Respective responsibilities of directors and auditors

As described on page 2 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 the company's affairs as at 30 September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

**PRICE WATERHOUSE**  
Chartered Accountants  
and Registered Auditors

23 July 1997

## **SAGESOFT LIMITED**

### **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1996**

	<u>1996</u> £'000	<u>1995</u> £'000
<b>TURNOVER</b> (Note 2)	35,903	29,751
Cost of sales	(3,768)	(3,595)
	<hr/>	<hr/>
<b>GROSS PROFIT</b>	32,135	26,156
Selling and administrative expenses	(13,112)	(11,090)
	<hr/>	<hr/>
<b>OPERATING PROFIT</b>	19,023	15,066
Interest receivable	243	143
Interest payable (Note 5)	(5)	(9)
	<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> (Note 3)	19,261	15,200
Taxation (Note 6)	(6,220)	(4,867)
	<hr/>	<hr/>
<b>PROFIT FOR THE FINANCIAL YEAR</b> (Note 10)	13,041	10,333
Proposed dividend (Note 10)	(12,921)	(10,286)
	<hr/>	<hr/>
<b>AMOUNT TRANSFERRED TO RESERVES</b>	120	47
	<hr/>	<hr/>

All results refer entirely to continuing operations.

#### **RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses, as defined in Financial Reporting Standard 3 ("FRS3"), Reporting Financial Performance, which are not included in the above profit and loss account.

#### **HISTORICAL COST PROFITS AND LOSSES**

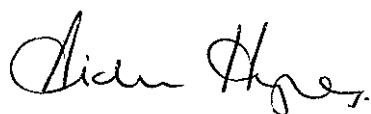
There is no material difference between the reported profits and the historical cost profits for 1996 and 1995.

# SAGESOFT LIMITED

## BALANCE SHEET AS AT 30 SEPTEMBER 1996

	<u>1996</u>		<u>1995</u>	
	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>				
Tangible assets (Note 7)		13,105		8,207
<b>CURRENT ASSETS</b>				
Amounts due from group undertakings	13,045		11,797	
<b>CREDITORS: amounts falling due within one year (Note 8)</b>	(19,084)		(14,797)	
<b>NET CURRENT LIABILITIES</b>		(6,039)		(3,000)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,066		5,207
<b>DEFERRED MAINTENANCE INCOME</b>		(6,697)		(4,958)
		369		249
<b>CAPITAL AND RESERVES</b>				
Called up equity share capital (Note 10)		202		202
Profit and loss account (Note 10)		167		47
Equity shareholders' funds (Note 10)		369		249

The financial statements on pages 4 to 11 were approved by the board of directors on 23 July 1997 and are signed on their behalf by:



A J Hughes  
Director

# **SAGESOFT LIMITED**

## **NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1996**

### **1 ACCOUNTING POLICIES**

#### **(a) Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

#### **(b) Turnover**

Turnover represents invoiced sales to third parties after deducting credit notes, allowances, trading discounts and Value Added Tax and is adjusted to include maintenance income on a straight line basis over the life of each maintenance agreement.

#### **(c) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation on tangible fixed assets is provided for as follows:

Freehold land and buildings	- Nil
Plant and equipment	- 33% per annum on reducing balance
Motor vehicles	- 25% per annum on reducing balance
Fixtures & fittings	- 15% per annum on reducing balance

No depreciation is charged on the company's freehold buildings because it is the company's practice to maintain those assets in a continual state of sound repair and the directors consider that the economic life of the properties and their residual values are such that depreciation is not significant.

#### **(d) Development costs**

All costs associated with the development of software are written off as incurred.

#### **(e) Stocks and work in progress**

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

#### **(f) Leasing**

Where plant and equipment is acquired by finance leasing arrangements which give rights approximating to ownership the amount representing the purchase price of such assets is included in tangible fixed assets and the related obligations are included in creditors.

All other leases are classified as operating leases and the annual rentals are charged to the profit and loss account as they fall due.

#### **(g) Foreign currency translation**

Foreign currency assets and liabilities are translated into sterling at rates ruling at the balance sheet date. All profits and losses arising on exchange differences are reflected in the profit and loss account.

#### **(h) Deferred taxation**

Provision is made for deferred taxation to the extent that there is a reasonable probability that a liability will arise in the foreseeable future.

# SAGESOFT LIMITED

## NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1996 (continued)

### 1 ACCOUNTING POLICIES (continued)

#### (i) Pensions

The company operates a defined contribution pension scheme for certain of its employees. The costs are charged to the profit and loss account as they fall due.

### 2 SEGMENT INFORMATION

The geographical analysis of turnover by market is as follows:

	<u>1996</u> £'000	<u>1995</u> £'000
United Kingdom	35,340	28,870
Rest of The World	563	881
	<hr/>	<hr/>
	35,903	29,751
	<hr/>	<hr/>

### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:

	<u>1996</u> £'000	<u>1995</u> £'000
Staff costs (including directors' emoluments):		
Wages & salaries	6,457	5,525
Social security costs	691	563
Other pension costs	233	187
Research and development (including staff costs)	954	706
Depreciation	641	441
Operating lease rentals	16	56
Loss on sale of tangible fixed assets	12	35
Auditors' remuneration	16	16
	<hr/>	<hr/>

Non-audit services supplied by the company's auditors during the year amounted to £3,000 (1995 - £3,000).

The average number of people employed by the Company in the United Kingdom during the year was 360 (1995 - 311).



# SAGESOFT LIMITED

## NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1996 (continued)

### 4 EMOLUMENTS OF DIRECTORS

Directors' emoluments, totalled £1,263,871 (1995 - £1,236,316).

The emoluments of the chairman, who was also the highest paid director, were £270,429 (1995 - £230,449).

The number of directors whose emoluments (excluding pension contributions) were within the following bands were as follows:

	<u>1996</u>	<u>1995</u>
£0-£5,000	1	-
£5,001 - £10,000	-	1
£30,001 - £35,000	3	-
£60,001 - £65,000	1	1
£65,001 - £70,000	-	2
£75,001 - £80,000	1	-
£105,001 - £110,000	-	1
£115,001 - £120,000	1	-
£135,001 - £140,000	-	1
£140,001 - £145,000	1	-
£150,001 - £155,000	-	1
£160,001 - £165,000	1	-
£195,001 - £200,000	-	1
£220,001 - £225,000	1	-
£230,001 - £235,000	-	1
£270,001 - £275,000	1	-
	<u>==</u>	<u>==</u>

### 5 INTEREST PAYABLE

	<u>1996</u> £'000	<u>1995</u> £'000
Interest payable on borrowing repayable within five years:		
Finance charges on finance lease agreements	5	9
	<u>==</u>	<u>==</u>

### 6 TAXATION

	<u>1996</u> £'000	<u>1995</u> £'000
Corporation tax on profits for the year at 33% (1995 - 33%)	6,220	4,959
Prior year	-	(92)
	<u>==</u>	<u>==</u>
	6,220	4,867
	<u>==</u>	<u>==</u>

# SAGESOFT LIMITED

## NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1996 (continued)

### 7 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<u>Cost:</u>					
At 1 October 1995	6,418	1,735	878	781	9,812
Additions	4,265	757	384	223	5,629
Disposals	-	(22)	-	(190)	(212)
	—	—	—	—	—
At 30 September 1996	10,683	2,470	1,262	814	15,229
	—	—	—	—	—
<u>Depreciation:</u>					
At 1 October 1995	4	1,057	316	228	1,605
Provision for the year	-	381	103	157	641
Disposals	-	(19)	-	(103)	(122)
	—	—	—	—	—
At 30 September 1996	4	1,419	419	282	2,124
	—	—	—	—	—
<u>Net book amount:</u>					
At 30 September 1996	10,679	1,051	843	532	13,105
	—	—	—	—	—
At 30 September 1995	6,414	678	562	553	8,207
	—	—	—	—	—

Tangible fixed assets include an amount of £77,000 (1995 - £100,000) in respect of assets held under finance lease contracts. The depreciation charge for the year on these assets amounted to £23,000 (1995 - £23,000).

### 8 CREDITORS: amounts falling due within one year

	<u>1996</u> £'000	<u>1995</u> £'000
Finance lease obligations	30	67
Amounts due to group undertakings	12,921	10,325
Corporation tax	6,133	4,405
	—	—
	19,084	14,797
	—	—

# SAGESOFT LIMITED

## NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1996 (continued)

### 9 DEFERRED TAXATION

The full potential deferred tax liability, for which no provision has been made, is as follows:

	<u>1996</u> £'000	<u>1995</u> £'000
Tax deferred by accelerated capital allowances	352	275
Other timing differences	(5)	(9)
	<u>347</u>	<u>266</u>

### 10 EQUITY SHARE CAPITAL AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>Profit and loss</u> <u>account</u> £'000	<u>Share</u> <u>capital</u> £'000	<u>Equity</u> <u>Shareholders'</u> <u>funds</u> £'000
At 1 October 1995	47	202	249
Profit for the year	13,041	-	13,041
Dividends	(12,921)	-	(12,921)
	<u>167</u>	<u>202</u>	<u>369</u>
At 30 September 1996	<u>167</u>	<u>202</u>	<u>369</u>

Equity share capital comprises 202,000 authorised, allotted and fully paid ordinary shares of £1 each.

### 11 OPERATING LEASE COMMITMENTS

The annual commitment under non-cancellable operating leases for plant and equipment comprises:

	<u>1996</u> £'000	<u>1995</u> £'000
Expiring within one year	-	50
Expiring within two to five years	<u>24</u>	<u>6</u>
	<u>24</u>	<u>56</u>

## **SAGESOFT LIMITED**

### **NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1996 (continued)**

#### **12 CASH FLOW STATEMENT**

The company has not presented its own cash flow statement as permitted by FRS1. Details of the cash flows of the Group may be found in the accounts of The Sage Group PLC.

#### **13 CAPITAL COMMITMENTS**

The Company had contracted capital commitments totalling £Nil at 30 September 1996 (1995: £3.7 million).

#### **14 ULTIMATE PARENT UNDERTAKING**

The Company's ultimate parent undertaking is The Sage Group PLC, a company registered in England. Copies of the group accounts can be obtained from the registered office at Sage House, Benton Park Road, Newcastle upon Tyne, NE7 7LZ.