

**PROFESSIONAL ACCOUNTANTS COMPUTER
SOFTWARE LIMITED**

DIRECTORS' REPORT AND ACCOUNTS

30 SEPTEMBER 1998

(Registered Number : 2381420)



PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 1998

The directors present their report and the audited financial statements for the period ended 30 September 1998.

ACTIVITIES

The company's principal activity was the development and sale of computer software and associated services. On 30 September 1998 the trade and assets of the company were transferred to Sage Software Limited (Note 16).

REVIEW OF THE BUSINESS

The company achieved a loss on ordinary activities before taxation of £124,000 on a turnover of £505,000.

RESULTS FOR THE PERIOD

The trading results for the period are set out on page 4. The directors do not recommend the payment of a dividend.

FIXED ASSETS

Movements in fixed assets during the period are set out in note 8.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

GD May (resigned 23 January 1998)
AWG Wylie (appointed 8 May 1998)
AD Schofield (appointed 8 May 1998)

The interests of AWG Wylie in the shares of The Sage Group PLC are set out in the Directors' Report of that Company.

No other director held any interest in the Sage Group PLC as at 30 September 1998.

YEAR 2000

The impact of Year 2000 on the Companies customers and trading results has been outlined in the Chairman's Statement for the Sage Group PLC. The impact on the internal systems has been addressed by the establishment of formal monitoring procedures within the company.

All internal systems potentially impacted to any significant degree have been checked and a process of upgrading these systems to conform with Year 2000 compliance is underway with the objective of ensuring that all necessary upgrades are installed well before the end of the century.

The nature of the companies business means that there are few mission critical customers or suppliers. With respect to suppliers, policy has focused on communicating with each supplier individually with a view to securing assurance that operations will not be obstructed by deficiencies in supplier products or systems.

The nature of the companies business place it in an unusually strong position in terms of the availability of in-house resources which can be deployed to address Year 2000 compliance. For this reason, costs of achieving compliance are considered unlikely to be significant.

PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 1998 (continued)

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 period.

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 period ended 30 September 1998. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

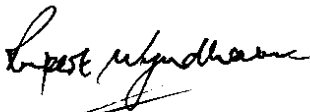
The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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

The company's previous auditors Rawlinson & Hunter resigned in the year and PricewaterhouseCoopers were appointed during the year and a resolution to re-appoint PricewaterhouseCoopers will be proposed at the Annual General Meeting.

By Order of the Board



RCE Wyndham
Company Secretary

26 July 1999

PricewaterhouseCoopers
89 Sandyford Road
Newcastle upon Tyne NE99 1PL
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Facsimile +44 (0) 191 261 9490

AUDITORS' REPORT TO THE MEMBERS OF PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

We have audited the financial statements on pages 4 to 13 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

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

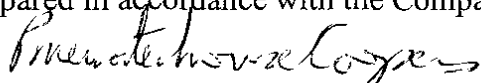
Basis of opinion

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 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICEWATERHOUSECOOPERS

Chartered Accountants
and Registered Auditors

26 July 1999

PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE 15 MONTHS ENDED 30 SEPTEMBER 1998**

| | <u>1998</u> £'000 | <u>12 months to</u> <u>30 June 1997</u> £'000 |
|---|----------------------|---|
| TURNOVER (Note 1) | 505 | 695 |
| Cost of sales | (69) | (206) |
| | <hr/> | <hr/> |
| GROSS PROFIT | 436 | 489 |
| Selling and administration expenses | (551) | (620) |
| | <hr/> | <hr/> |
| OPERATING LOSS | (115) | (131) |
| Interest receivable | - | 1 |
| Interest payable (Note 5) | (9) | (1) |
| | <hr/> | <hr/> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 2) | (124) | (131) |
| Tax on loss on ordinary activities (Note 6) | - | - |
| | <hr/> | <hr/> |
| RETAINED LOSS FOR THE FINANCIAL YEAR (Note 13) | (124) | (131) |
| | <hr/> <hr/> | <hr/> <hr/> |

All results refer entirely to discontinued 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

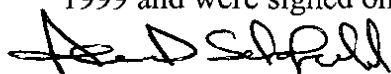
There is no material difference between the reported profits and the historical cost profits for 1998 and 1997.

PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 1998

| | <u>1998</u> | | <u>30 June 1997</u> | |
|--|-------------------|-------------------|---------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| FIXED ASSETS | | | | |
| Intangible assets (Note 7) | | - | | 2 |
| Tangible assets (Note 8) | | - | | 28 |
| | | <u> </u> | | <u> </u> |
| | | | | 30 |
| CURRENT ASSETS | | | | |
| Debtors (Note 9) | - | | 253 | |
| CREDITORS: amounts falling due within one year (Note 10) | (120) | | (278) | |
| | <u> </u> | | <u> </u> | |
| NET CURRENT LIABILITIES | | (120) | | (25) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u> </u> | | <u> </u> |
| | | (120) | | 5 |
| CREDITORS: amounts falling Due after more than one year (Note 11) | | | | |
| | | - | | (1) |
| | | <u> </u> | | <u> </u> |
| | | (120) | | 4 |
| CAPITAL AND RESERVES | | <u> </u> | | <u> </u> |
| Called up share capital (equity and non equity) Note 12 | | 90 | | 90 |
| Profit and loss account (Note 13) | | (210) | | (86) |
| | | <u> </u> | | <u> </u> |
| | | (120) | | 4 |
| SHAREHOLDERS' FUNDS | | <u> </u> | | <u> </u> |
| (Note 14) | | | | |
| Equity | | (160) | | (36) |
| Non equity | | 40 | | 40 |
| | | <u> </u> | | <u> </u> |
| | | (120) | | 4 |
| | | <u> </u> | | <u> </u> |

The financial statements on pages 4 to 13 were approved by the Board of directors on 26 July 1999 and were signed on its behalf by:



AD Schofield
Director

PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(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:

| | % |
|-------------------------|---------|
| Motor vehicles | 25 - 33 |
| Computer equipment | 25 - 33 |
| Furniture and equipment | 10 - 20 |

(d) Development costs

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

(e) 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.

(f) Pension costs

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.

(g) Leasing

Where plant and equipment is acquired by finance leasing arrangements which give rights approximating to ownership the amounts representing the purchase price of such assets are 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.

PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (continued)

1 ACCOUNTING POLICIES (continued)

(h) Foreign exchange

Assets and liabilities expressed in foreign currency are translated into sterling at rates ruling at the year end and exchange differences are dealt with in the profit and loss account.

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

| | <u>1998</u> | <u>12 months to</u> <u>30 June 1997</u> |
|--|-------------------|--|
| | <u>£'000</u> | <u>£'000</u> |
| Loss on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation of owned tangible fixed assets | 8 | 4 |
| Depreciation of assets held under finance leases and hire purchase contracts | 11 | 6 |
| Amortisation of intangible fixed assets | 2 | 1 |
| Amounts paid under operating leases | 30 | 38 |
| Auditors' remuneration | | |
| - audit services | 6 | 4 |
| - non audit services provided | 8 | 6 |
| | <u> </u> | <u> </u> |

3 DIRECTORS' EMOLUMENTS

| | <u>1998</u> | <u>12 months to</u> <u>30 June 1997</u> |
|--|-------------------|--|
| | <u>£'000</u> | <u>£'000</u> |
| Emoluments | - | 142 |
| Company contributions to money purchase pension schemes | - | 3 |
| | <u> </u> | <u> </u> |
| | - | 145 |
| | <u> </u> | <u> </u> |

The emoluments of the highest paid director totalled £nil (1997: £141,685). In addition pension contributions of £nil (1997 - £3,557) were paid in the year.

PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (continued)

4 EMPLOYEE INFORMATION

| | <u>1998</u> | <u>12 months to</u> <u>30 June 1997</u> |
|-----------------------|-------------|--|
| | £'000 | £'000 |
| Staff costs | | |
| Wages and salaries | 239 | 315 |
| Social security costs | 27 | 26 |
| Other pension costs | 2 | 4 |
| Other Costs | - | 1 |
| | <hr/> | <hr/> |
| | 268 | 346 |
| | <hr/> | <hr/> |

The average weekly number of employees (including executive directors) employed by the company during the period was 7 (1997 - 10).

5 INTEREST PAYABLE

| | <u>1998</u> | <u>12 months to</u> <u>30 June 1997</u> |
|------------------------------|-------------|--|
| | £'000 | £'000 |
| On bank loans and overdrafts | 6 | - |
| On hire purchase agreements | 3 | 1 |
| | <hr/> | <hr/> |
| | 9 | 1 |
| | <hr/> | <hr/> |

6 TAXATION ON LOSS ON ORDINARY ACTIVITIES

| | <u>1998</u> | <u>12 months to</u> <u>30 June 1997</u> |
|--|-------------|--|
| | £'000 | £'000 |
| United Kingdom corporation tax at 24% (1997: 24%) | - | - |
| | <hr/> | <hr/> |

PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (continued)

7 INTANGIBLE FIXED ASSETS

| | Development <u>Expenditure</u> £'000 |
|---------------------------------------|--|
| Cost | |
| At 30 September 1998 and 30 June 1997 | 3 |
| | == |
| Amortisation | |
| At 1 July 1997 | 1 |
| Provided during the year | 2 |
| | — |
| At 30 September 1998 | 3 |
| Net Book Value | == |
| As at 30 September 1998 | |
| | = |
| As at 30 June 1997 | 2 |
| | == |

PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (continued)

8 TANGIBLE FIXED ASSETS

| | <u>Motor vehicles</u> £'000 | <u>Furniture and equipment</u> £'000 | <u>Computer equipment</u> £'000 | <u>Total</u> £'000 |
|-----------------------|------------------------------------|---|--|-----------------------|
| COST | | | | |
| At 1 July 1997 | 25 | 19 | 14 | 58 |
| Additions | 75 | 2 | 10 | 87 |
| Transfers | (100) | (21) | (24) | (145) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 September 1998 | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| DEPRECIATION | | | | |
| At 1 July 1997 | 16 | 11 | 3 | 30 |
| Charge for the period | 12 | 1 | 6 | 19 |
| Transfers | (28) | (12) | (9) | (49) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 September 1998 | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| NET BOOK VALUE | | | | |
| At 30 September 1998 | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 June 1997 | 9 | 8 | 11 | 28 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The net book value of motor vehicles acquired under finance leases is £nil. (1997: £9,000)
During the year all fixed assets were transferred to Sage Software Ltd as part of a reorganisation within the Sage Group plc.

9 DEBTORS

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|--------------------------------|----------------------|----------------------|
| Trade debtors | - | 235 |
| Other debtors | - | - |
| Prepayments and accrued income | - | 18 |
| | <hr/> | <hr/> |
| | - | 253 |
| | <hr/> | <hr/> |

PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (continued)

10 CREDITORS: Amounts falling due within one year

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|--|----------------------|----------------------|
| Bank overdraft | - | 7 |
| Obligations under hire purchase and finance lease agreements (Note 11) | - | 6 |
| Trade creditors | | 39 |
| Amounts owed to Group undertakings | 120 | 25 |
| Corporation tax | - | 3 |
| Other tax and social security | - | 33 |
| Other creditors | - | 8 |
| Directors' loan account | - | 1 |
| Accruals | - | 156 |
| | <hr/> | <hr/> |
| | 120 | 278 |
| | <hr/> | <hr/> |

11 CREDITORS: Amounts falling due after more than one year

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|--|----------------------|----------------------|
| Obligations under hire purchase and finance lease agreements | - | 1 |
| | <hr/> | <hr/> |

Obligations under hire purchase and finance lease agreements are repayable by instalments wholly or partly as analysed below:

| | <u>1998</u> £'000 | <u>1997</u> £'000 |
|----------------------------|----------------------|----------------------|
| In one year or less | - | 6 |
| Between one and five years | - | 1 |
| | <hr/> | <hr/> |
| | - | 7 |
| | <hr/> | <hr/> |

PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (continued)

12 CALLED UP EQUITY SHARE CAPITAL

| | <u>1998</u> | <u>1997</u> |
|---|-------------|-------------|
| | £'000 | £'000 |
| Authorised | | |
| Equity Shares | | |
| 100,000 Authorised ordinary shares of £1 each | 100 | 100 |
| Non Equity Shares | | |
| 40,000 Redeemable preferred shares of £1 each | 40 | 40 |
| | — | — |
| | 140 | 140 |
| | == | == |
| Allotted, called up and fully paid | | |
| Equity Shares | | |
| 50,000 Authorised ordinary shares of £1 each | 50 | 50 |
| Non Equity Shares | | |
| 40,000 Redeemable preferred shares of £1 each | 40 | 40 |
| | — | — |
| | 90 | 90 |
| | == | == |

13 RESERVES

| | <u>Profit and Loss Account</u> £'000 |
|----------------------|---|
| At 1 July 1997 | (86) |
| Loss for the period | (124) |
| | — |
| At 30 September 1998 | (210) |
| | == |

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | <u>1998</u> £'000 |
|-------------------------------|----------------------|
| Loss for the financial period | (124) |
| Opening shareholders' funds | 4 |
| | — |
| Closing shareholders' funds | (120) |
| | == |

PROFESSIONAL ACCOUNTANTS COMPUTER SOFTWARE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (continued)

15 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 which are publicly available.

16 TRANSFER OF GROUP UNDERTAKINGS

On 30 September 1998 the trade and assets of the company were transferred to Sage Software Limited, a fellow subsidiary company at net book amount of £120,000.

Details of the assets and liabilities transferred are set out below:

| | £'000 |
|---------------------------------------|-------|
| Fixed assets | 72 |
| Debtors | 154 |
| Cash | 15 |
| Creditors | (361) |
| | <hr/> |
| | (120) |
| | <hr/> |
| Consideration – intercompany transfer | (120) |
| | <hr/> |

17 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and ultimate controlling party 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.

18 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available under Financial Reporting Standard No 8, and has not disclosed transactions with other companies that are consolidated into the financial statements of The Sage Group PLC.