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Touche**

Deloitte Touche
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International



Company Registration No. 2608610

THE DODGE GROUP LIMITED

Report and Financial Statements

31 December 1996

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



**REPORT AND FINANCIAL STATEMENTS 1996**

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

John E Allen
Frank H Dodge
Alan D Hambrook
Jeremy Wood

SECRETARY

Mark Broadhead

REGISTERED OFFICE

Burgoine House
8 Lower Teddington Road
Kingston-Upon-Thames
Surrey KT1 4ER

BANKERS

The Royal Bank of Scotland plc
21 Thames Street
Kingston Upon Thames
Surrey KT1 1QE

SOLICITORS

Lloyd Cooper Solicitors
7a Grafton Street
London W1X 3LA

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES

The principal activities of the company for the financial period ended 31 December 1996 were the marketing of the Open Series financial accounting software, the sale of licences and advice relating to installation of software.

DIRECTORS

The directors who served during the period were as follows:

John E Allen	(appointed 5 September 1996)
Frank H Dodge	
Thomas Dolan	(resigned 2 May 1996)
Alan D Hambrook	
Stephen Lifshatz	(appointed 2 May 1996, resigned 4 October 1996)
David Stoner	(appointed 2 May 1996, resigned 27 August 1996)
Jeremy Wood	(appointed 5 September 1996)

The directors' interests, as defined by the Companies Act, in the shares of the company at 31 December 1995 and 31 December 1996 were as follows:

Ordinary shares of £1 each	31	31
	December 1996	December 1995
Alan D Hambrook (held in trust)	1	1

SMALL COMPANY EXEMPTIONS

Advantage has been taken in the preparation of this report of the special exemptions applicable to small companies under Part II of Schedule 8 to the Companies Act 1985.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

Director

30th June

1997

**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 as at the end of the financial year 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;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a 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.



Chartered Accountants

Deloitte & Touche
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London EC4A 3TR

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AUDITORS' REPORT TO THE MEMBERS OF THE DODGE GROUP LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 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 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors
London

30 June 1997




PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

	Note	Year ended 31 December 1996 £	15 months ended 31 December 1995 £
TURNOVER - continuing operations	1	3,658,995	1,382,812
Cost of sales	1	(3,396,754)	(1,868,858)
Gross profit/(loss)		262,241	(486,046)
Administrative expenses		(1,137,258)	(719,950)
Other operating income		6,996	77,812
OPERATING LOSS - continuing operations		(868,021)	(1,128,184)
Interest receivable and similar income		18,015	1,316
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(850,006)	(1,126,868)
Tax (charge)/credit on loss on ordinary activities	4	(4,262)	12,991
LOSS FOR THE FINANCIAL YEAR/PERIOD	12	(854,268)	(1,113,877)

There are no recognised gains or losses for the current financial period and preceding financial year other than as stated in the profit and loss account.


**BALANCE SHEET
31 December 1996**

			Proforma (Unaudited) (Note 1)	
	Note	1996 £	1996 £	1995 £
FIXED ASSETS				
Tangible assets	5	258,987	258,987	141,284
CURRENT ASSETS				
Debtors	6	1,493,607	1,493,607	682,970
Cash at bank and in hand		647,087	647,087	27,228
		2,140,694	2,140,694	710,198
CREDITORS: amounts falling due within one year	7	(566,207)	(566,207)	(351,734)
NET CURRENT ASSETS		1,574,487	1,574,487	358,464
TOTAL ASSETS LESS CURRENT LIABILITIES		1,833,474	1,833,474	499,748
CREDITORS: amounts falling due after more than one year	8	(2,322,772)	-	(563,872)
PROVISIONS FOR LIABILITIES AND CHARGES	9	(16,123)	(16,123)	(46,001)
ACCRUALS AND DEFERRED INCOME	10	(1,136,917)	(1,136,917)	(677,945)
		(1,642,338)	680,434	(788,070)
CAPITAL AND RESERVES				
Called up share capital	11	1,272,879	3,595,651	1,272,879
Profit and loss account		(2,915,217)	(2,915,217)	(2,060,949)
Total Equity Shareholders' Funds	12	(1,642,338)	680,434	(788,070)

Advantage has been taken in the preparation of these accounts of the special exemptions applicable to small companies under Part II of Schedule 8 to the Companies Act 1985. In the opinion of the directors the company is entitled to these exemptions on the grounds that it has met the qualifications for a small company specified in sections 246 and 247 of the Companies Act 1985.

These financial statements were approved by the Board of Directors on 10th JUNE 1997.

Signed on behalf of the Board of Directors

Director

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1996**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation

The company is dependent upon the ongoing support of the ultimate parent company, the Dodge Group Inc. a company incorporated in the United States of America.

Turnover

Turnover represents licence fees, educational fees and consulting fees. The company bills portions of its software licence in advance of installation. Revenue from annual software licence contracts are deferred on the grounds of prudence until work has been completed and accepted by the customer. Revenue from maintenance contracts are deferred and amortised over the period of the contract.

Cost of sales

Development costs are charged to the profit and loss account in the period in which they are incurred.

Proforma balance sheet (unaudited)

The proforma balance sheet reflects the conversion of debt to equity funding described in Note 14 as if such conversion had occurred on 31 December 1996.

Tangible fixed assets

Depreciation is provided on cost on the straight line method over the estimated lives of the assets from the date of acquisition. The estimated lives of the assets are as follows:

Short-term leasehold improvements	5 years
Computer equipment	3 years
Purchased software	3 years
Equipment, fixtures and fittings	5 years

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 1996 £	15 months ended 31 December 1995 £
Loss on ordinary activities before taxation is after charging:		
Rentals under operating leases	269,105	255,080
Depreciation and other amounts written off tangible fixed assets	82,429	50,242
Auditors' remuneration	10,000	10,000

3. INFORMATION REGARDING DIRECTORS

	1996 £	1995 £
Directors' remuneration		
Other emoluments (including pension contributions and benefits in kind)	265,452	127,262
	<u>265,452</u>	<u>127,262</u>

The directors' fees and other emoluments disclosed
above (excluding pension contributions) include
amounts paid to:

The chairman	-	-
The highest paid director	<u>135,524</u>	<u>121,682</u>

The number of other directors who received
emoluments (excluding pension contributions) in the
following ranges was:

	No.	No.
£ 0 - £ 5,000	4	4
£50,001 - £ 55,000	1	-
£60,001 - £ 65,000	1	-
	<u>6</u>	<u>4</u>


NOTES TO THE ACCOUNTS

Year ended 31 December 1996

4. TAX CHARGE/(CREDIT) ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 December 1996 £	15 months ended 31 December 1995 £
United Kingdom corporation tax at 25% (1995 - 25%) based on the loss for the period	-	-
Overseas tax	4,262	-
Adjustment in respect of prior years	-	(12,991)
	<u>4,262</u>	<u>(12,991)</u>

No provision for deferred tax has been made as it would result in the creation of a deferred tax asset, the crystallisation of which is not reasonably certain.

5. TANGIBLE FIXED ASSETS

	Short-term leasehold improve- ments £	Computer equipment £	Purchased software £	Equipment, fixtures and fittings £	Total £
Cost					
At 1 January 1996	16,300	179,842	45,279	62,939	304,360
Additions	5,005	169,668	-	25,459	200,132
At 31 December 1996	<u>21,305</u>	<u>349,510</u>	<u>45,279</u>	<u>88,398</u>	<u>504,492</u>
Accumulated depreciation					
At 1 January 1996	7,922	83,587	45,243	26,324	163,076
Charge for the period	3,860	63,501	36	15,032	82,429
At 31 December 1996	<u>11,782</u>	<u>147,088</u>	<u>45,279</u>	<u>41,356</u>	<u>245,505</u>
Net book value					
At 31 December 1996	<u>9,523</u>	<u>202,422</u>	<u>-</u>	<u>47,042</u>	<u>258,987</u>
At 1 January 1996	<u>8,378</u>	<u>96,255</u>	<u>36</u>	<u>36,615</u>	<u>141,284</u>

6. DEBTORS

	1996 £	1995 £
Trade debtors	439,604	137,655
Amounts owed by parent company	952,108	440,416
Prepayments and other debtors	101,895	104,899
	<u>1,493,607</u>	<u>682,970</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank overdraft	27,800	101,817
Trade creditors	414,862	246,527
Other creditors including taxation and social security	123,545	3,390
	<u>566,207</u>	<u>351,734</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
Amounts owed to parent company	<u>2,322,772</u>	<u>563,872</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 31 December 1995 £	Credited to profit and loss account £	Balance at 31 December 1996 £
Deferred lease provision	<u>46,001</u>	<u>(29,878)</u>	<u>16,123</u>

The deferred lease provision has been established to enable property rental costs to be charged to the profit and loss account evenly over the period of the leases.

10. ACCRUALS AND DEFERRED INCOME

	1996 £	1995 £
Accruals	338,195	141,821
Deferred income	798,722	536,124
	<u>1,136,917</u>	<u>677,945</u>

The deferred income relates to the amounts received under maintenance contracts and licence fees.


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
11. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised:		
1,510,000 ordinary shares of £1 each	1,510,000	1,510,000
Allotted and fully paid:		
1,272,879 ordinary shares of £1 each	1,272,879	1,272,879

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 31 December 1996 £	15 months ended 31 December 1995 £
Loss attributable to members of the company	(854,268)	(1,113,877)
Capital subscribed	-	362,998
Net reduction to shareholders' funds	(854,268)	(750,879)
Opening shareholders' funds	(788,070)	(37,191)
Closing shareholders' funds	(1,642,338)	(788,070)

13. OPERATING LEASE COMMITMENTS

	1996 Land and buildings £	1996 Other £	1995 Land and buildings £	1995 Other £
Leases which expire:				
Within one year	37,688	10,716	4,984	5,419
Within two to five years	-	92,396	172,462	79,614
After five years	-	-	-	-
	37,688	103,112	177,446	85,033

14. SUBSEQUENT EVENT

In April 1997, the company increased its authorised share capital by £2,322,772. 2,322,772 ordinary shares of £1 each were allotted, converting debt payable to the parent company to equity funding.



NOTES TO THE ACCOUNTS

Year ended 31 December 1996

15. ULTIMATE PARENT COMPANY

The ultimate parent company and ultimate controlling party is The Dodge Group Inc., a company incorporated in the United States of America.

The company has taken advantage of the exemptions granted under paragraph 3(c) of FRS 8, Related Party Disclosure, not to disclose transactions with its ultimate parent company.

Copies of the group financial statements are available from The Dodge Group Inc., 1 World Trade Center, Suite 2973, New York, NY 10048-2999, USA.