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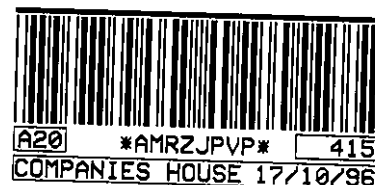


Company Registration No. 2608610

THE DODGE GROUP LIMITED

Report and Financial Statements

31 December 1995



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



REPORT AND FINANCIAL STATEMENTS 1995

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REPORT AND FINANCIAL STATEMENTS 1995

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

John Allen
Frank H Dodge
Alan D Hambrook
Stephen Lifshatz
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 15 month period ended 31 December 1995.

PRINCIPAL ACTIVITIES

The principal activities of the company for the financial period ended 31 December 1995 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 Allen (Appointed 5 September 1996)
Frank H Dodge
Alan D Hambrook
Stephen Lifshatz (Appointed 2 May 1996)
Jeremy Wood (Appointed 5 September 1996)
Loretta Henry (Resigned 5 October 1994)
William Fitzpatrick (Resigned 5 October 1994)
Thomas Dolan (Resigned 2 May 1996)

The directors' interests, as defined by the Companies Act, in the shares of the company at 30 September 1994 and 31 December 1995 were as follows:

	Ordinary shares of £1 each	
	31 December 1995	30 September 1994
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

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. 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

10-10-ab
September 1996

**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. 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
Hill House
1 Little New Street
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 11 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 1995 and of its loss for the period 1 October 1994 to 31 December 1995 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

September 1996

10 October


PROFIT AND LOSS ACCOUNT
15 months ended 31 December 1995

	Note	15 months ended 31 December 1995 £	12 months ended 30 September 1994 £
TURNOVER - continuing operations	1	1,382,812	422,407
Cost of sales	1	(1,868,858)	(838,454)
Gross loss		(486,046)	(416,047)
Administrative expenses		(719,950)	(376,195)
Other operating income		77,812	140,763
OPERATING LOSS - continuing operations		(1,128,184)	(651,479)
Interest receivable and similar income		1,316	4,411
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(1,126,868)	(647,068)
Tax refund on loss on ordinary activities	3	12,991	-
RETAINED LOSS TRANSFERRED FROM RESERVES	10	(1,113,877)	(647,068)

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 1995

	Note	31 December 1995 £	30 September 1994 £
FIXED ASSETS			
Tangible assets	4	141,284	57,793
CURRENT ASSETS			
Debtors	5	682,970	284,720
Cash at bank and in hand		27,228	21,936
		710,198	306,656
CREDITORS: amounts falling due within one year	6	(493,555)	(157,890)
NET CURRENT ASSETS		216,643	148,766
TOTAL ASSETS LESS CURRENT LIABILITIES		357,927	206,559
CREDITORS: amounts falling due after more than one year	7	(563,872)	-
PROVISIONS FOR LIABILITIES AND CHARGES	8	(46,001)	(100,794)
ACCRUALS AND DEFERRED INCOME	9	(536,124)	(142,956)
		(788,070)	(37,191)
CAPITAL AND RESERVES			
Called up share capital	10	1,272,879	909,881
Profit and loss account		(2,060,949)	(947,072)
Total Equity Shareholders' Funds	11	(788,070)	(37,191)

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 ^{10 October} September 1996.

Signed on behalf of the Board of Directors

Director

10-10-96

NOTES TO THE ACCOUNTS
15 months ended 31 December 1995

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. company incorporated in USA.

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.

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
15 months ended 31 December 1995

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	15 months ended 31 December 1995 £	12 months ended 30 September 1994 £
Loss on ordinary activities before taxation is after charging:		
Rentals under operating leases		
Hire of plant and machinery	28,746	39,767
Other operating leases	255,080	154,462
Depreciation and other amounts written off tangible fixed assets	50,242	46,923
Auditors' remuneration	10,000	5,000
	<u> </u>	<u> </u>

Included within administrative expenses is directors' remuneration of £127,262 (1994 - £72,160).

3. TAX REFUND ON LOSS ON ORDINARY ACTIVITIES

	15 months ended 31 December 1995 £	12 months ended 30 September 1994 £
United Kingdom corporation tax at 25% (1994 - 25%) based on the loss for the period	-	-
Adjustment in respect of prior years	(12,991)	-
	<u>(12,991)</u>	<u>-</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.

There was a repayment of £12,991 in respect of corporation tax.


NOTES TO THE ACCOUNTS
15 months ended 31 December 1995
4. TANGIBLE FIXED ASSETS

	Short-term leasehold improve- ments £	Computer equipment £	Purchased software £	Equipment, fixtures and fittings £	Total £
Cost					
At 1 October 1994	13,749	78,806	45,279	32,793	170,627
Additions	2,551	101,036	-	30,146	133,733
At 31 December 1995	16,300	179,842	45,279	62,939	304,360
Accumulated depreciation					
At 1 October 1994	4,350	50,872	40,430	17,182	112,834
Charge for the period	3,572	32,715	4,813	9,142	50,242
At 31 December 1995	7,922	83,587	45,243	26,324	163,076
Net book value					
At 31 December 1995	8,378	96,255	36	36,615	141,284
At 30 September 1994	9,399	27,934	4,849	15,611	57,793

5. DEBTORS

	31 December 1995 £	30 September 1994 £
Trade debtors	137,655	179,932
Amounts owed by parent company	440,416	2,200
Prepayments and other debtors	104,899	102,588
	682,970	284,720

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 1995 £	30 September 1994 £
Bank overdraft	101,817	-
Trade creditors	246,527	66,324
Other creditors including taxation and social security	3,390	-
Accruals	141,821	91,566
	493,555	157,890


NOTES TO THE ACCOUNTS
15 months ended 31 December 1995
7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 1995 £	30 September 1994 £
Amounts owed to parent company	563,872	-

8. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 October 1994 £	Credited to profit and loss account £	Balance at 31 December 1995 £
Deferred lease provision	70,794	24,793	46,001
Other provisions	30,000	30,000	-
	<u>100,794</u>	<u>54,793</u>	<u>46,001</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.

9. ACCRUALS AND DEFERRED INCOME

	31 December 1995 £	30 September 1994 £
Deferred income	536,124	142,956

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

10. CALLED UP SHARE CAPITAL

	31 December 1995 £	30 September 1994 £
Authorised:		
1,510,000 (1994 - 1,000,000) ordinary shares of £1 each	1,510,000	1,000,000
Allotted and fully paid:		
1,272,879 ordinary shares of £1 each	1,272,879	909,881

During the period the authorised share capital was increased from 1,000,000 to 1,510,000. 362,998 ordinary shares of £1 each were allotted, converting debt due to the parent company to equity funding.


NOTES TO THE ACCOUNTS
15 months ended 31 December 1995
11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	15 months ended 31 December 1995 £	12 months ended 30 September 1994 £
Loss attributable to members of the company	(1,113,877)	(647,068)
Capital subscribed	362,998	819,100
Net (reduction)/addition to shareholders' funds	(750,879)	172,032
Opening shareholders' funds	(37,191)	(209,223)
Closing shareholders' funds	(788,070)	(37,191)

12. OPERATING LEASE COMMITMENTS

	Land and buildings £	Other £
Leases which expire:		
Within one year	4,984	5,419
Within two to five years	172,462	79,614
After five years	-	-
	177,446	85,033

13. ULTIMATE PARENT COMPANY

The ultimate parent company is The Dodge Group Inc. a company incorporated in USA.

Copies of the group financial statements are available from The Dodge Group Inc. 303, Wyman Street, Waltham, MA 02154, USA.