

**REGISTRAR OF  
COMPANIES**

**Sapphire International Limited**

Report and Financial Statements

Year Ended

31 December 1996



BDO Stoy Hayward  
Chartered Accountants



# **SAPPHIRE INTERNATIONAL LIMITED**

## **Annual report and financial statements for the year ended 31 December 1996**

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Directors

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### **Director**

S R Page

### **Secretary and registered office**

K.R.B. (Secretaries) Ltd, 160-162 Cranbrook Road, Ilford, Essex, IG1 4PE.

### **Company number**

2642975

### **Auditors**

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

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# **SAPPHIRE INTERNATIONAL LIMITED**

## **Report of the directors for the year ended 31 December 1996**

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

### **Results and dividends**

The profit for the year, after taxation amounted to £12,000 (1995 - loss of £399,000). The directors do not recommend the payment of a dividend.

### **Principal activities and review of business**

The company's principal activities during the year were the supply of packaged software and associated services to the business and professional sectors of the microcomputer market.

As a result of the restructuring and reorganisation of the business which occurred during 1995, the company was pleased to make a small profit during 1996 and the trend will continue in 1997.

### **Directors**

The directors of the company during the year were:

S R Page

J R Franklin (resigned 31 July 1997)

According to the register kept by the company pursuant to Section 325 of the Companies Act 1985, the directors and their families had the following interests in Triangle Software International Inc.

<b>Shares</b>	<b>1996</b>	<b>1995</b>
S R Page	2,225,949	2,771,418
J R Franklin	79,998	-

### **Charitable contributions**

During the year the company made various charitable contributions totalling £875 (1995 - £762). There were no political contributions.

### **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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

## SAPPHIRE INTERNATIONAL LIMITED

### Report of the directors for the year ended 31 December 1996 (*Continued*)

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#### Directors' responsibilities (*Continued*)

- 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 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.

#### Auditors

BDO Stoy Hayward, who were appointed as auditors after the year end, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### By order of the Board

S R Page

Secretary

For and on behalf of  
**K.R.B. (SECRETARIES) LTD.**

Date

October 23<sup>rd</sup> 1997

## SAPPHIRE INTERNATIONAL LIMITED

### Report of the auditors

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#### To the shareholders of Sapphire International Limited

We have audited the financial statements on pages 4 to 17 which have been prepared under the accounting policies set out on pages 7 and 8.

#### *Respective responsibilities of directors and auditors*

As described on pages 1 and 2 the company's directors are responsible for the preparation of the 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.

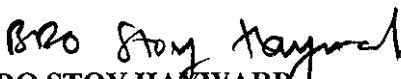
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### *Adverse opinion*

The company's principal asset is an amount of £1,256,000 due from the parent undertaking which has net external liabilities. In our opinion the company is unlikely to receive repayment of this debt and full provision of £1,256,000 is required to reduce this balance to its net realisable value.

In view of the effect of the failure to make the provision referred to above, in our opinion the financial statements do not give a true and fair view of the state of the company's affairs at 31 December 1996 and of its profit for the year then ended.

In our opinion the cash flow statement gives a true and fair view of the company's cash flow for the year ended 31 December 1996 and in all other respects the financial statements have been properly prepared in accordance with the Companies Act 1985.

  
**BDO STOY HAYWARD**  
Chartered Accountants  
and Registered Auditors  
London

23 October 1997

**SAPPHIRE INTERNATIONAL LIMITED****Profit and loss account for the year ended 31 December 1996**

	Note	1996 £'000	1995 £'000
Turnover	2	3,168	4,729
Cost of sales		1,722	3,061
		<hr/>	<hr/>
Gross profit		1,446	1,668
Distribution costs		535	653
Administrative expenses		827	990
Write off of amounts due by fellow subsidiary undertakings		-	242
		<hr/>	<hr/>
Operating profit/(loss)	3	84	(217)
Cost of fundamental restructuring and reorganisation	4	29	213
Interest payable	7	78	28
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(23)	(458)
Taxation	8	(35)	(59)
		<hr/>	<hr/>
Profit/(loss) retained for the financial year	19	12	(399)
		<hr/> <hr/>	<hr/> <hr/>

There were no movements in shareholders' funds apart from the profit for the year.

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 17 form part of these financial statements.

# SAPPHIRE INTERNATIONAL LIMITED

## Balance sheet at 31 December 1996

	Note	1996 £'000	1995 £'000
<b>Fixed assets</b>			
Tangible assets	9	78	140
Investments	10	-	-
		<u>78</u>	<u>140</u>
<b>Current assets</b>			
Stocks	11	27	25
Debtors due within one year	12	602	705
Debtors due after one year	12	1,271	1,406
Cash at bank and in hand		-	1
		<u>1,900</u>	<u>2,137</u>
<b>Creditors: amounts falling due within one year</b>	13	806	1,087
		<u>1,094</u>	<u>1,050</u>
<b>Net current assets</b>		1,094	1,050
<b>Total assets less current liabilities</b>		<u>1,172</u>	<u>1,190</u>
<b>Creditors: amounts falling due after more than one year</b>	14	39	69
		<u>1,133</u>	<u>1,121</u>
<b>Net assets</b>		<u>1,133</u>	<u>1,121</u>
<b>Capital and reserves</b>			
Called up share capital	16	137	137
Share premium account	19	241	241
Profit and loss account	19	755	743
		<u>1,133</u>	<u>1,121</u>
<b>Shareholder's funds - equity</b>		<u>1,133</u>	<u>1,121</u>

The financial statements were approved by the Board on

October 23rd 1997

Director



The notes on pages 7 to 17 form part of these financial statements.

# SAPPHIRE INTERNATIONAL LIMITED

## Cash flow statement for the year ended 31 December 1996

	Note	1996 £'000	1995 £'000
<b>Net cash inflow from operating activities</b>	21	240	127
<b>Returns on investments and servicing of finance</b>			
Interest paid		(26)	(23)
Interest element of finance lease rental payments		-	(4)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(26)	(27)
<b>Taxation</b>			
Corporation tax paid		19	(32)
<b>Tax paid</b>		(19)	(32)
<b>Capital expenditure and financial investments</b>			
Payments to acquire tangible fixed assets		(30)	(18)
Receipts from sales of tangible fixed assets		-	20
<b>Net cash (outflow)/inflow from capital expenditure and financial investments</b>		(30)	2
<b>Net cash inflow before financing</b>		165	70
<b>Financing</b>			
Repayments of capital element of finance lease rentals		(23)	(31)
<b>Net cash inflow from financing</b>	22	(23)	(31)
<b>Increase in cash and cash equivalents</b>	22	142	39

The notes on pages 7 to 17 form part of these financial statements.



# SAPPHIRE INTERNATIONAL LIMITED

## Notes forming part of the financial statements for the year ended 31 December 1996

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### 1 Accounting policies

#### *Basis of preparation of financial statements*

In accordance with the exemption allowed by Section 229(3)(a) of the companies Act 1985 and as required by paragraph 25 of Financial Reporting Standard 2, the company has not consolidated the results of its subsidiary because of severe long-term restrictions resulting from its liquidation.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

#### *Tangible fixed assets and depreciation*

Motor vehicles, equipment and leasehold improvements are stated at cost net of accumulated depreciation and amortisation. Depreciation and amortisation is computed on a straight-line method at rates intended to write-off the cost of the assets less their estimated residual values over the assets' estimated useful lives as follows:

Leasehold improvements	- 4 years
Furniture, fixtures and fittings	- 4 years
Computer equipment	- 3 years
Motor vehicles	- 4 years

#### *Revenue recognition*

Revenue is generally recognised at the time of shipment, net of provision for estimated future returns. The estimated costs for support during the warranty period are included in cost of revenues. Revenue from maintenance contracts is recognised over the life of the contract.

#### *Stock*

Stock is valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

#### *Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing difference will reverse.

## SAPPHIRE INTERNATIONAL LIMITED

### Notes forming part of the financial statements for the year ended 31 December 1996 (*Continued*)

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#### 1 Accounting policies (*Continued*)

##### *Foreign currencies*

Transactions in foreign currencies are recorded at rates of exchange prevailing at the time of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

##### *Leasing and hire purchase commitments*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is 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 income on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

##### *Pensions*

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

##### *Royalties*

Royalties are charged to the profit and loss account at a percentage of software sales in accordance with terms of the royalties agreement.

#### 2 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax and earned predominantly in the United Kingdom.

The company operates in two principal areas of activity, that of the provision of computer software goods and related training services, and the provision of consultancy services.

## SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (*Continued*)

### 2 Turnover

	1996 £'000	1995 £'000
<i>Turnover</i>		
Computer software goods and related training services	2,628	4,152
Consultancy services	540	577
	<u>3,168</u>	<u>4,729</u>

### 3 Operating profit/(loss)

This is stated after charging:

Auditors' remuneration:		
Audit services	12	12
Non-audit services	9	3
Depreciation of owned fixed assets	78	137
Depreciation of assets held under finance leases and hire purchase contracts	14	7
Exchange loss	2	2
Operating lease rentals:		
Motor vehicles	68	142
Land and buildings	164	185
	<u>          </u>	<u>          </u>

### 4 Cost of fundamental restructuring and reorganisation

The cost of fundamental restructuring and reorganisation comprises:

Redundancy costs	29	120
Write-off of inter-company balance with Maxim Solutions Limited (note 10)	-	36
Rent arrears on property formerly occupied by Maxim Solutions Limited (note 10)	-	57
	<u>29</u>	<u>213</u>

None of the above items has had any impact on the tax on the loss on ordinary activities for the year ended 31 December 1995.

# SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 *(Continued)*

## 5 Directors' remuneration

	1996 £'000	1995 £'000
Directors' emoluments (including pension contributions)	194	196
Highest paid director	132	155
Other directors' emoluments, excluding pension contributions, fell within the following ranges:	Number	Number
£ 55,001 - £ 60,000	1	1

## 6 Staff costs

	£'000	£'000
Staff costs, including directors emoluments, were as follows:		
Wages and salaries	1,087	1,430
Social security costs	103	152
Other pension costs	37	46
Private health insurance	13	17
	1,240	1,645
The average weekly number of employees, including executive directors, during the year was as follows:	Number	Number
Sales and marketing	12	23
Support, training and consultancy	22	24
Finance, administration and management	10	16
	44	63

## 7 Interest payable

Bank loans and overdrafts repayable within five years	23	24
Finance charges payable under finance leases and hire purchase contracts	-	4
Interest on corporation tax payment	55	-
	78	28

# SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (*Continued*)

## 8 Taxation

	1996 £'000	1995 £'000
Based on the loss for the year	13	-
Over provision in respect of prior years	(48)	(59)
	<u>(35)</u>	<u>(59)</u>

## 9 Tangible fixed assets

	Leasehold improvements £'000	Furniture and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 1996	81	51	410	24	566
Additions	-	1	29	-	30
	<u>81</u>	<u>52</u>	<u>439</u>	<u>24</u>	<u>596</u>
At 31 December 1996	81	52	439	24	596
<i>Depreciation</i>					
At 1 January 1996	43	46	319	18	426
Provided for the year	21	4	61	6	92
	<u>64</u>	<u>50</u>	<u>380</u>	<u>24</u>	<u>518</u>
At 31 December 1996	64	50	380	24	518
<i>Net book value</i>					
At 31 December 1996	17	2	59	-	78
	<u>17</u>	<u>2</u>	<u>59</u>	<u>-</u>	<u>78</u>
At 31 December 1995	38	5	91	6	140
	<u>38</u>	<u>5</u>	<u>91</u>	<u>6</u>	<u>140</u>

The net book value of computer equipment includes amounts of £21,000 (1995 - £35,000), in respect of assets held under finance leases and hire purchase contracts. £14,000 (1995 - £7,000) of the computer equipment depreciation charge for the year is in respect of these assets.

# SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (*Continued*)

## 10 Investments in group undertakings

	1996 £'000	1995 £'000
<i>Cost</i>		
At 1 January 1996	-	100
Provided against in the year	-	(100)
	<hr/>	<hr/>
At 31 December 1996	-	-
	<hr/>	<hr/>

The company's 100% investment in Maxim Solutions Limited was written off when it went into liquidation on 18 July 1995.

## 11 Stocks

	1996 £'000	1995 £'000
Goods for resale	27	25
	<hr/>	<hr/>

## 12 Debtors

	1996 £'000	1995 £'000
Amounts falling due within one year		
Trade debtors	423	622
Amounts owed by parent undertaking	-	29
Amounts owed by fellow subsidiary undertaking	93	-
Prepayments	61	53
Other debtors	9	1
Corporation tax	16	-
	<hr/>	<hr/>
	602	705
	<hr/>	<hr/>
Amounts falling due after one year		
ACT recoverable	15	-
Amounts owed by parent undertaking	1,256	1,406
	<hr/>	<hr/>
	1,271	1,406
	<hr/>	<hr/>

## SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 *(Continued)*

### 13 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000
Bank overdraft	127	270
Amounts due to invoice discounting company	143	-
Obligations under finance leases and hire purchase contracts	14	18
Trade creditors	171	189
Current corporation tax	-	48
Deferred revenue	82	97
Amounts due to parent undertaking	-	11
Amounts due to fellow subsidiary undertakings	-	27
Other taxes and social security costs	56	315
Accruals	177	103
Other creditors	11	9
ACT payable	25	-
	<hr/>	<hr/>
	806	1,087
	<hr/>	<hr/>

Included within accruals is £5,302 (1995 - £5,457) relating to outstanding contributions payable on the pension scheme. The amounts due to the invoice discounting company are secured by a fixed and floating charge over the assets of the company and a guarantee from Triangle Software International Inc.

### 14 Creditors: amounts falling due after more than one year

	1996 £'000	1995 £'000
Obligations under finance leases and hire purchase contracts	2	21
Other creditors	37	48
	<hr/>	<hr/>
	39	69
	<hr/>	<hr/>

The above amounts fall due for repayment within five years.

# SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (*Continued*)

## 15 Deferred taxation

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	1996		1995	
	Provided £'000	Not provided £'000	Provided £'000	Not provided £'000
Accelerated capital allowances	-	(21)	-	(16)
Short-term timing differences	-	(1)	-	(1)
	<u>-</u>	<u>(21)</u>	<u>-</u>	<u>(16)</u>
Deferred tax asset	-	(22)	-	(17)
	<u>-</u>	<u>(22)</u>	<u>-</u>	<u>(17)</u>

## 16 Share capital

	Authorised			
	1996 No.	1995 No.	1996 £'000	1995 £'000
£1 ordinary shares	250,000	250,000	250	250
	<u>250,000</u>	<u>250,000</u>	<u>250</u>	<u>250</u>
	Allotted, called up and fully paid			
	1996 No.	1995 No.	1996 £'000	1995 £'000
£1 ordinary shares	137,329	137,329	137	137
	<u>137,329</u>	<u>137,329</u>	<u>137</u>	<u>137</u>

## 17 Pension commitments

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund.



# SAPPHIRE INTERNATIONAL LIMITED

## Notes forming part of the financial statements for the year ended 31 December 1996 *(Continued)*

### 18 Other financial commitments

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as set out below:

	1996		1995	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	2	-	30
Between two to five years	34	58	-	20
After five years	156	-	191	-
	<hr/>	<hr/>	<hr/>	<hr/>
	190	60	191	50
	<hr/>	<hr/>	<hr/>	<hr/>

### 19 Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
Shareholders' funds at 1 January 1996	137	241	743	1,121
Profit for the year	-	-	12	12
	<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds at 31 December 1996	137	241	755	1,133
	<hr/>	<hr/>	<hr/>	<hr/>

### 20 Ultimate parent undertaking and ultimate controlling party

The directors regard Triangle Software International Inc (formerly known as DataEase Sapphire International Inc), a company registered in the State of Delaware, United States of America, as the company's ultimate parent undertaking as at 31 December 1996. S R Page is considered to be the ultimate controlling party.

# SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 *(Continued)*

## 21 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	1996 £'000	1995 £'000
Operating profit/(loss)	84	(217)
Depreciation	92	144
Decrease in debtors	269	325
Increase in stocks	(2)	(10)
(Decrease)/increase in creditors	(174)	5
	<hr/>	<hr/>
Cost of fundamental restructuring and reorganisation	269 (29)	247 (120)
	<hr/>	<hr/>
Net cash inflow from operating activities	240	127
	<hr/> <hr/>	<hr/> <hr/>

## 22 Reconciliation of net cash flow to movement in net debt

	1996 £'000	1996 £'000	1995 £'000	1995 £'000
Increase in cash and cash equivalents	142		39	
Cash outflow from decrease in borrowings	23		31	
	<hr/>		<hr/>	
Change in net debt resulting from cash flow		165		70
Net debt at 1 January		(308)		(378)
		<hr/>		<hr/>
Net debt at 31 December		(143)		(308)
		<hr/> <hr/>		<hr/> <hr/>
		<b>Cash at bank and in hand £'000</b>	<b>Borrowings £'000</b>	<b>Net debt £'000</b>
<b>Analysis of net debt</b>				
At 1 January 1996		1	(309)	(308)
Cashflow		(1)	166	165
		<hr/>	<hr/>	<hr/>
At 31 December 1996		-	(143)	(143)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## SAPPHIRE INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (*Continued*)

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### 23 Related party transactions

During the year the company has incurred royalty charges of £391,719 from its parent company Triangle Software International Incorporated and of £98,705 from Triangle Software International Limited, a fellow subsidiary company. Purchases with a total cost of £83,714 were made from Triangle Software International Limited. Management charges of £187,805 were made to Triangle Software International Incorporated.

£214,716 due from Triangle Software International Limited to Triangle Software International Incorporated has been assigned to the company.