

ACCPAC UK Limited

Directors' Report and Financial Statements

For the period from 9 March 2004 to 30 September 2004

Registered Number: 4192989



CONTENTS

	Page
DIRECTORS AND OTHER INFORMATION	2
DIRECTORS' REPORT	3 – 4
STATEMENT OF DIRECTORS' RESPONSIBILITY	5
INDEPENDENT AUDITORS' REPORT	6
ACCOUNTING POLICIES	7
PROFIT AND LOSS ACCOUNT	8
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	9
BALANCE SHEET	10
NOTES TO THE FINANCIAL STATEMENTS	11 – 14

DIRECTORS AND OTHER INFORMATION

Board of Directors at 30 September 2004

Paul Harrison
Paul Walker

Solicitors

Blake Lapthorn Linnell
New Court
Barnes Wallis Road
Segensworth Fareham
Hampshire
PO15 5UA

Secretary and Registered Office

Michael Robinson
North Park
Newcastle upon Tyne
NE13 9AA
United Kingdom

Bankers

HSBC
City of London Corporate Office
8 Canada Square
London
E14 5XL

Registered Number: 4192989

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Wilton Place
Dublin 2

DIRECTORS' REPORT

The directors submit their annual report on the affairs of ACCPAC UK Limited (the Company), together with the audited financial statements and auditors' report for the period ended 30 September 2004.

Principal activities, business review and future developments

The company is part of the ACCPAC group of companies, the principal activity of which is the development and sale of software and services world wide.

The directors expect this activity to continue for the foreseeable future.

Effective 9 March 2004, the company's parent undertaking was acquired by The Sage Group plc, a company incorporated in the United Kingdom.

Results and dividends

The profit and loss account for the period ended 30 September 2004 and the balance sheet as at that date are set out on pages 8 and 10 respectively. During the period the Company generated a profit after taxation of Stg£76,301 (8 March 2004: Stg£110,922).

No dividends or transfers to reserves are recommended by the directors.

Directors, secretary and their interests

The directors and secretary who held office at 30 September 2004 had no interest in the shares in, or debentures or loan stock of, the Company or group companies any time during the period. In accordance with the Articles of Association, the directors are not required to retire by rotation.

The following directors served during the period:

David Simon	(resigned 30 June 2004)
David Hood	(resigned 25 May 2004)
Donnat Lettman	(resigned 25 May 2004)
Paul Harrison	(appointed 25 May 2004)
Paul Walker	(appointed 25 May 2004)

David Simon, the Company Secretary, resigned as Company Secretary on 30 June 2004 and on the same date was replaced by Michael Robinson.

The directors and secretary who held office at 30 September 2004 have share options in Sage Group plc as follows:

Name of director/secretary	30 September 2004	Date of appointment
Paul Harrison	620,816	620,816
Paul Walker	2,745,763	2,745,763

Employees

The Company consults and discusses with employee representatives on matters likely to affect employees' interests. Information on matters of concern to employees is given through regular information bulletins. The Company gives full consideration to applications for employment from disabled persons where the requirement of the job can be adequately filled by a handicapped or disabled person. When existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Political and charitable donations

No political or charitable donations were made during the period.

DIRECTORS' REPORT - continued

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers as auditors of the company is to be proposed at the forthcoming annual general meeting.

A handwritten signature in black ink, appearing to be 'AK' or similar, written over a horizontal line.

By order of the board

2 August 2005

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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- ensure applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 books of account 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.



On behalf of the board



PricewaterhouseCoopers

Wilton Place
Dublin 2
Ireland
Telephone +353 (0) 1 678 9999
Facsimile +353 (0) 1 662 6200
I.D.E. Box No. 137
Internet www.pwc.com/ie

Independent auditors' report to the shareholders of ACCPAC UK Limited

We have audited the financial statements on pages 7 to 14.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act, 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 director's 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 with the Company is not disclosed.

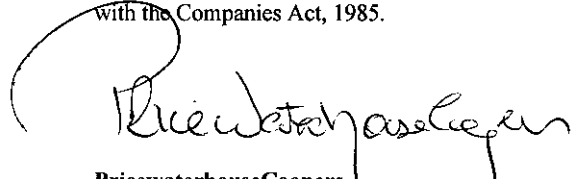
Basis of audit opinion

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 judgments 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 at 30 September 2004 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act, 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

2 August 2005

Chartered Accountants

ACCOUNTING POLICIES

The principal accounting policies are summarised below. All of the policies have been applied consistently throughout the period and the preceding financial year.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules and comply with financial reporting standards of the Accounting Standards Board.

The balance sheet on page 10 shows an excess of liabilities over assets. The directors have sought and received confirmation from the company's ultimate parent undertaking that continued support will be provided for a period of at least 12 months from the date of approval of the financial statements, and on that basis have prepared the financial statements under the going concern assumption.

Revenue recognition

Turnover represents the invoiced amount of goods and services excluding value added tax provided in the normal course of business and is recognised on the following basis:

Licences:

License revenues are credited to the profit and loss account upon the later of:

- a signed contract or purchase order;
- delivery of the product;
- the fulfilling of any obligation defined in the contract or purchase order related to the delivered software, such as installation or acceptance.

Maintenance:

Amounts paid for maintenance are deferred in the balance sheet and amortised to the profit and loss account over the period to which the maintenance contract relates.

Consultancy services:

Consulting revenues are recognised when provided to the customer and the cost of providing these services are recognised as incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, being 3 years.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

Taxation

Current tax is provided on the Company's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results as Stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Cash flow statements

The company's ultimate parent undertaking prepares group financial statements, which are available to the public, containing a consolidated cash flow statement. Consequently, the directors have availed of the exemption in FRS 1 and no cash flow statement is presented in these financial statements. Details on the availability of group accounts are given in note 12 the financial statements.

PROFIT AND LOSS ACCOUNT

For the period from 9 March 2004 to 30 September 2004

	Notes	Period ended 30 September 2004 Stg£	Period ended 8 March 2004 Stg£ (As restated)
Turnover	2	836,047	1,932,267
Cost of sales		<u>(288,168)</u>	<u>(749,537)</u>
Gross profit		547,879	1,182,730
Selling and distribution costs		(327,758)	(835,977)
Administration expenses		(143,820)	(226,261)
Other expenses		<u>-</u>	<u>(9,570)</u>
Profit on ordinary activities before taxation	3	76,301	110,922
Taxation on profit on ordinary activities	4	<u>-</u>	<u>-</u>
Profit for the financial period		76,301	110,922
Profit and loss account beginning of period		<u>(390,290)</u>	<u>(501,212)</u>
Profit and loss account end of period		<u>(313,989)</u>	<u>(390,290)</u>

All of the company's results above relate to continuing operations.



On behalf of the board

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the period from 9 March 2004 to 30 September 2004

	Period ended 30 September 2004 Stg£	Period ended 8 March 2004 Stg£ (As restated)
Profit for the year	76,301	110,922
Prior year adjustment (note 1)	<u>169,053</u>	<u>-</u>
Total recognised gains and losses since last financial statements	<u>245,354</u>	<u>-</u>

BALANCE SHEET
30 September 2004

	Notes	30 September 2004 Stg£	8 March 2004 Stg£ (As restated)
Fixed assets			
Tangible assets	6	<u>1,151</u>	<u>3,369</u>
		1,151	3,369
Current assets			
Debtors	7	1,154,305	939,961
Cash at bank and in hand		<u>20,161</u>	<u>9,433</u>
		1,174,466	949,394
Creditors: amounts falling due within one year	8	<u>(1,489,605)</u>	<u>(1,343,052)</u>
Net current liabilities		<u>(315,139)</u>	<u>(393,658)</u>
Net liabilities		<u>(313,988)</u>	<u>(390,289)</u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		<u>(313,989)</u>	<u>(390,290)</u>
Shareholders' deficit	10	<u>(313,988)</u>	<u>(390,289)</u>

The accompanying notes form an integral part of these financial statements.



On behalf of the board

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of presentation

Comparative figures have been restated to adjust for a fundamental error identified subsequent to the prior periods' financial statements being approved. The effect of this prior period adjustment is to increase turnover reported in the period ended 8 March 2004 by STG£102,019, reduce cost of sales in the period ended 8 March 2004 by Stg£67,034, to increase the recorded profit for the period ended 8 March 2004 by Stg£169,053 and reduce the previously reported shareholders deficit at 8 March 2004 by Stg£169,053.

2 Turnover

Turnover represents the invoiced amount of goods sold and commission earned during the period stated net of value added tax. The analysis of turnover by business activity and geographical area and other segmental information as required by Statement of Standard Accounting Practice No. 25, has not been included as the directors are of the opinion that such disclosure would be seriously prejudicial to the interests of the company.

3 Profit on ordinary activities before taxation

Period ended 30 September 2004 Stg£	Period ended 8 March 2004 Stg£
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The loss on ordinary activities before taxation is stated after charging:

Directors' remuneration	-	-
Depreciation	2,218	2,233

During the current period and prior year, the auditors remuneration was borne by a fellow group undertaking.

4 Taxation on profit/(loss) on ordinary activities

A reconciliation of the tax charge to the standard rate of Corporation tax is shown below

	Period ended 30 September 2004 Stg£	Period ended 8 March 2004 Stg£
Corporation tax	-	-
Profit on ordinary activities before tax	76,301	110,922
Tax charge on profit on ordinary activities at corporation tax rate of 30%	22,890	33,277
Effect of:		
Expenses not deductible for tax purposes	1,800	-
Depreciation in excess of capital allowances	492	236
Utilisation of losses	(28,236)	(33,513)
Other timing differences	3,054	-
Total current year tax charge	-	-

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Taxation on profit/(loss) on ordinary activities

Analysis of deferred tax balance	Period ended 30 September 2004 Stg£	Period ended 8 March 2004 Stg£
Accelerated capital allowances	(716)	(224)
Losses carried forward	(136,196)	(164,432)
Pension provision	(3,054)	-
Deferred tax asset	(139,966)	(164,656)
Unprovided deferred tax	139,966	164,656
Total deferred tax provision	-	-

The potential deferred tax asset arising from the tax losses carried forward (calculated at the expected tax rate of 30%), has not been recognized as it is uncertain whether sufficient taxable profits will arise in the future against which the losses can be utilised.

5 Staff costs

	Period ended 30 September 2004 Stg£	Period ended 8 March 2004 Stg£
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The total remuneration (including directors' remuneration) was as follows:

Wages and salaries	299,643	658,198
Social welfare costs	37,424	83,020
	<u>337,067</u>	<u>741,218</u>

The average monthly number of employees during the period was as follows:

	Number of employees	
	Period ended 30 September 2004	Period ended 8 March 2004
Sales	9	9
Administration	1	1
Research and development	1	1
Professional services	3	3
	<u>14</u>	<u>14</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Tangible fixed assets		Office and computer equipment Stg£
Cost		
At 8 March 2004		5,790
Additions		-
At 30 September 2004		<u>5,790</u>
Accumulated depreciation		
At 8 March 2004		2,421
Charge for the year		<u>2,218</u>
At 30 September 2004		<u>4,639</u>
Net book value		
At 30 September 2004		<u>1,151</u>
At 8 March 2004		<u>3,369</u>
7 Debtors	30 September 2004 Stg£	8 March 2004 Stg£
Trade debtors	391,541	205,900
Prepayments	20,412	43,456
Amounts due from fellow subsidiary undertakings	<u>742,352</u>	<u>690,605</u>
	<u>1,154,305</u>	<u>939,961</u>
8 Creditors - amounts falling due within one year	30 September 2004 Stg£	8 March 2004 Stg£
Trade creditors	79,571	66,367
VAT payable	51,736	33,371
Amounts due to parent undertaking	900,192	814,206
Accrual and deferred income	458,106	417,196
Other	-	<u>11,912</u>
	<u>1,489,605</u>	<u>1,343,052</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Called up share capital	30 September 2004 Stg£	8 March 2004 Stg£
Authorised:		
1,000 ordinary shares of Stg£1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
1 ordinary shares of Stg£1 each	<u>1</u>	<u>1</u>
10 Reconciliation of movement of shareholders' deficit	Period ended 30 September 2004 Stg£	Period ended 8 March 2004 Stg£ (As restated)
Shareholders' deficit at beginning of period - as previously reported	(559,342)	(501,211)
Prior year adjustment (note 1)	<u>169,053</u>	<u>-</u>
Shareholders' deficit at beginning of period - as restated	(390,289)	(501,211)
Profit for the period	<u>76,301</u>	<u>110,922</u>
Shareholders' deficit at end of period	<u>(313,988)</u>	<u>(390,289)</u>

11 Related party transaction

The Company has availed of the exemption in FRS No 8 'Related Party Disclosures,' which exempts qualifying subsidiaries of an undertaking from the requirement to disclose details of transactions between group companies that are eliminated on consolidation provided the ultimate parent prepares consolidated financial statements that are available to the public. Details on the availability of these financial statements are set out in note 12.

12 Ultimate parent undertaking and parent undertaking of larger group

The company's ultimate parent undertaking is The Sage Group plc. The largest group in which the results of the Company are consolidated is that headed by The Sage Group plc, and the consolidated financial statements may be obtained from North Park, Newcastle upon Tyne, NE13 9AA.

13 Approval of financial statements

The financial statements were approved by the board of directors on 2 August 2005.