

UTIMACO MERGENT UK LIMITED
(FORMERLY MERGENT INTERNATIONAL LIMITED)

X

EIGHTEEN MONTHS ENDED 30 JUNE 1997

COMPANY NUMBER

2969632

DIRECTORS

P McDermott
H Goertz
R Wassermann

COMPANY SECRETARY

P McDermott

REGISTERED OFFICE

165-175 Farnham Road
Slough
Berkshire

AUDITORS

Haines Watts
Sterling House
5 Buckingham Place
Bellfield Road
High Wycombe
Buckinghamshire

PRINCIPAL BANKERS

Barclays Bank plc
11 Bank Court
Hemel Hempstead
Hertfordshire



UTIMACO MERGENT UK LIMITED
(FORMERLY MERGENT INTERNATIONAL LIMITED)

DIRECTORS' REPORT

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 1997

The directors present their report and the financial statements for the period from 1 January 1996 to 30 June 1997.

Change of name

On 19 September 1996 the company changed its name to Utimaco Mergent UK Limited.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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:

- 1 select suitable accounting policies and then apply them consistently;
- 2 make judgements and estimates that are reasonable and prudent;
- 3 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.

Principal activity

The company's principal activity continues to be that of a distributor of computer software within the UK and Europe.

UTIMACO MERGENT UK LIMITED
(FORMERLY MERGENT INTERNATIONAL LIMITED)

DIRECTORS' REPORT

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 1997

Directors


The directors who served during the period were:

J Worthen	(resigned 1 May 1996)
A Dube	(resigned 1 May 1996)
H Goertz	(appointed 1 May 1996)
R Wassermann	(appointed 1 May 1996)
L Oley	(appointed 1 May 1996 and resigned 4 April 1997)
P McDermott	(appointed 26 March 1997)

The company was a wholly owned subsidiary of Utimaco Safeguard Systems Inc (Formerly Mergent International Inc), a company registered in America but, on 1 December 1996; the whole of the shareholding was transferred to Utimaco Safeware A.G., a company registered in Germany. The interests of the directors in the share capital of group undertakings do not require disclosure by virtue of the provisions of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

The directors' report has been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the board of directors,


...P McDermott... P McDermott
Director

Date: 30 March 1998

AUDITORS' REPORT TO THE SHAREHOLDERS OF
UTIMACO MERGENT UK LIMITED
(FORMERLY MERGENT INTERNATIONAL LIMITED)

We have audited the financial statements on pages 4 to 9 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

As described on page 1 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 30 June 1997 and of its profit for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Haines Watts

Haines Watts

Registered Auditor

Chartered Accountants

High Wycombe, Buckinghamshire

8 April 1998

UTIMACO MERGENT UK LIMITED
(FORMERLY, MERGENT INTERNATIONAL LIMITED)

PROFIT AND LOSS ACCOUNT

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 1997

		From 20 Eighteen months to 30 June 1997 £	September 1994 to 31 December 1995 £
	Notes		
TURNOVER		1,522,841	268,660
Cost of sales		(710,729)	(24,455)
GROSS PROFIT		812,112	244,205
Administrative expenses		(631,200)	(239,112)
OPERATING PROFIT	2	180,912	5,093
Interest receivable		<u>8,754</u>	<u>412</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		189,666	5,505
Tax on profit on ordinary activities	3	<u>(45,767)</u>	<u>(997)</u>
PROFIT FOR THE FINANCIAL PERIOD		143,899	4,508
Retained profit brought forward		<u>4,508</u>	<u>-</u>
RETAINED PROFIT AT 30 JUNE 1997		<u>148,407</u>	<u>4,508</u>

There were no acquired or discontinued operations in either 1997 or 1995. The company has no recognised gains or losses other than those recognised in the profit and loss account.

The notes on pages 6 to 9 form part of these financial statements

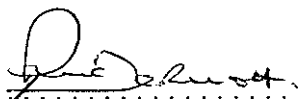
UTIMACO MERGENT UK LIMITED
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BALANCE SHEET

AT 30 JUNE 1997	Notes	30 June 1997 £	31 December 1995 £
FIXED ASSETS			
Tangible assets	5	24,183	<u>10,488</u>
CURRENT ASSETS			
Debtors	6	414,705	116,862
Cash at bank		<u>133,105</u>	<u>92,312</u>
		547,810	209,174
CREDITORS: Amounts falling due within one year	7	<u>(422,586)</u>	<u>(214,154)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>125,224</u>	<u>(4,980)</u>
		<u>149,407</u>	<u>5,508</u>
CAPITAL AND RESERVES			
Called-up share capital	9	1,000	1,000
Profit and loss account		<u>148,407</u>	<u>4,508</u>
Shareholders' funds	10	<u>149,407</u>	<u>5,508</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board of directors on 30 March 1998 and signed on its behalf.


..... P McDermott
Director


.....
Director

The notes on pages 6 to 9 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 1997

1 ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention and incorporate the results of the principal activity which is described in the directors report and which is continuing.

The company has taken advantage of the exemption in Financial Reporting Standard 1 from the requirement to prepare a cash flow statement on the grounds that it is a small company.

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated to write off the cost or valuation, less estimated residual values, of tangible fixed assets over their estimated useful lives to the business. The annual depreciation rates and methods are as follows:

Fixtures, fittings and office equipment	- 15% to 33% reducing balance basis
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(d) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling on the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Significant differences arising due to exchange fluctuations have been reflected in the profit and loss account.

(e) Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability will crystallise in the foreseeable future.

(f) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 1997

1 ACCOUNTING POLICIES (CONTINUED)

(g) Pension contributions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

2 OPERATING PROFIT

	Eighteen months to 30 June 1997 £	20 September 1994 to 31 December 1995 £
The operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
- owned by the company	8,661	821
Equipment/Vehicle lease rentals	10,393	3,036
Directors' remuneration	173,840	-
Directors' redundancy	30,000	-
Auditors remuneration	<u>2,000</u>	<u>1,800</u>

3 TAXATION

	Eighteen months to 30 June 1997 £	20 September 1994 to 31 December 1995 £
UK corporation tax at 23.67% (1995: 25%)	<u>45,767</u>	<u>997</u>

If provision were made for deferred taxation on the basis of the full potential liability, the tax charge would increase by £752 (1995-£645) due to accelerated capital allowances.

4 DIRECTORS' EMOLUMENTS

	Eighteen months to 30 June 1997 £	20 September 1994 to 31 December 1995 £
Compensation for loss of office	30,000	-
Management remuneration	168,840	-
Pension contributions	<u>5,000</u>	<u>-</u>
	<u>203,840</u>	<u>-</u>

Details of directors' emoluments, excluding pension contributions, are:-

The highest paid director 148,184 -

Other directors were in the following bands of emoluments

	Number	Number
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£50,000 - £55,000	1	-
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UTIMACO MERGENT UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 1997

5	TANGIBLE FIXED ASSETS	Fixtures, fittings and office equipment			
	COST	£			
	At 1 January 1996	11,309			
	Additions	<u>22,356</u>			
	At 30 June 1997	<u>33,665</u>			
	DEPRECIATION				
	At 1 January 1996	821			
	Charge for the period	<u>8,661</u>			
	At 30 June 1997	<u>9,482</u>			
	NET BOOK VALUE				
	At 30 June 1997	<u>24,183</u>			
	At 31 December 1995	<u>10,488</u>			
6	DEBTORS		30 June 1997 £	31 December 1995 £	
	Due within one year:				
	Trade debtors	405,967		113,097	
	Prepayments and deposits	<u>8,738</u>		<u>3,765</u>	
		<u>414,705</u>		<u>116,862</u>	
7	CREDITORS: Amounts falling due within one year		30 June 1997 £	31 December 1995 £	
	Bank overdraft	4,240		-	
	Trade creditors	216,572		908	
	UK corporation tax	45,767		997	
	Other taxation	43,855		1,419	
	Due to Utimaco Safeguard Systems Inc	8,899		197,073	
	Accruals and deferred income	<u>103,253</u>		<u>13,757</u>	
		<u>422,586</u>		<u>214,154</u>	
8	DEFERRED TAXATION				
		Maximum potential liability	Maximum potential liability		
	Provided for 30 June 1997 £	30 June 1997 £	Provided for 31 December 1995 £	31 December 1995 £	
	Accelerated capital allowances	-	<u>752</u>	-	<u>645</u>

UTIMACO MERGENT UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 1997

9	CALLED UP SHARE CAPITAL	Number 30 June 1997	Value 30 June 1997 £	Number 31 December 1995	Value 31 December 1995 £
	Authorised:				
	Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
	Issued and fully paid:				
	Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
10	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS			30 June 1997 £	31 December 1995 £
	Profit for the period			143,899	4,508
	New shares issued during the period			-	<u>1,000</u>
	Net additions during the period			143,899	5,508
	Shareholders' funds at 1 January 1996			<u>5,508</u>	-
	Shareholders' funds at 30 June 1997			<u>149,407</u>	<u>5,508</u>

11 OPERATING LEASE COMMITMENTS

At 30 June 1997 the company had annual commitments under non-cancellable operating leases as follows:

£	Other £	Land and Buildings
Expiry date:-		
Between two and five years	6,902	-
After five years	-	<u>20,475</u>
	<u>6,902</u>	<u>20,475</u>

12 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The ultimate holding company was Utimaco Safeguard Systems Inc (Formerly Mergent International Inc), a company registered in America but, on 1 December 1996, the whole of the share capital was transferred to Utimaco Safeware A.G., a company registered in Germany, who then became the ultimate holding company.

During the period the company incurred the following charges:-

	Utimaco Safeguard Systems Inc	Utimaco Safeware A.G.,
	£	£
Royalties and products	373,566	265,544
Recharges and expenses	63,508	-

At 30 June 1997 the amounts owing by the company were £8,900 (1995-£197,073) to Utimaco Safeguard Systems Inc and £215,097 (1995-NIL) to Utimaco Safeware A.G.,