

Sharpowl Software International Limited

**Directors' report and financial
statements**

Registered number 4130566

30 April 2005



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Directors' report

The directors present their annual report and the audited financial statements for the 12 months ended 30 April 2005. The comparative period is for the 16 months ended 30 April 2004.

Principal activities

The principal activities of the group are unchanged from last year, and are the development, marketing and selling of computer systems and services to business organisations.

Review of business

The company recorded an operating profit for the year ended 30 April 2005 (before interest, non-recurring items and amortisation of goodwill) of £178,000 (16 months to 30 April 2004 loss: £94,000). The result is stated after writing off R&D costs of £500,000 (2004: £646,000).

Results and dividends

The profit after taxation of the company for the year ended 30 April 2005 was £140,000 (16 months ended 30 April 2004: loss £1,316,000).

Directors and their interest

The directors of the company during the period were as follows:

RM Bearpark
MC Fairey
LJ Palmer (resigned 7 October 2004)

In accordance with the Articles of Association the directors are not required to retire by rotation. None of the directors had any interests in the company at 30 April 2005.

Insurance for directors

The group maintains insurance for Sharpowl Software International Limited's directors in respect of their duties as directors of the company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



MC Fairey
Director

Victoria House
Derringham Street
Hull
HU3 1EL

29th September 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 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

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United Kingdom

Report of the independent auditors to the members of Sharpowl Software International Limited

We have audited the financial statements on pages 4 to 15.

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 them in an auditor's 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 2, 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 1985. We also report to you if, in our opinion, the directors' 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 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 April 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

29 September 2005

Profit and loss account

For the year ended 30 April 2005

	Note	12 months 30 April 2005 £000	16 months 30 April 2004 £000
Turnover	2	1,934	2,454
Cost of sales		(207)	(212)
Gross profit		1,727	2,242
Administrative expenses		(1,799)	(3,411)
Operating profit/(loss) before non recurring costs and goodwill amortisation		178	(94)
Amortisation of goodwill		(145)	(1,075)
Administrative expenses – non-recurring		(105)	-
Operating loss		(72)	(1,169)
Net interest payable	5	-	(204)
Loss on ordinary activities before taxation	6	(72)	(1,373)
Tax on profit on ordinary activities	7	212	57
Retained profit/(loss) for the year	17	140	(1,316)

The above results are for the year ended 30 April 2005, with the comparative result for the 16 month period ending 30 April 2004.

The company has no recognised gains and losses other than those included in the profit and loss account for the year ended 30 April 2005 above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year ended 30 April 2005 stated above and their historical cost equivalents.

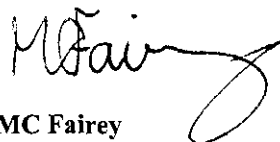
A reconciliation of movements in shareholders' funds is given in note 18.

Balance sheet

at 30 April 2005

	Note	2005 £000	2004 £000
Fixed assets			
Intangible assets	8	1,228	1,373
Tangible assets	9	32	40
		<u>1,260</u>	<u>1,413</u>
Current assets			
Stocks	10	-	5
Debtors	11	605	524
Cash at bank and in hand		424	76
		<u>1,029</u>	<u>605</u>
Creditors: amounts falling due within one year	14	<u>(512)</u>	<u>(435)</u>
Net current assets/(liabilities)		<u>517</u>	<u>170</u>
Total assets less current liabilities		<u>1,777</u>	<u>1,583</u>
Accruals and deferred income	15	<u>712</u>	<u>658</u>
Capital and reserves			
Called up share capital	16	1	1
Profit and loss account	17	(4,777)	(4,917)
Capital contribution reserve	17	5,841	5,841
		<u>1,065</u>	<u>925</u>
Total shareholders' funds	18	<u>1,777</u>	<u>1,583</u>

These financial statements were approved by the board of directors on 29th September 2005 and were signed on its behalf by:



MC Fairey
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies were applied consistently in dealing with the items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries and other purchased goodwill is eliminated by amortisation through the profit and loss account over its useful economic life, but no more than 10 years, in accordance with FRS 10 'Goodwill and Intangible assets'.

A review of impairment of purchased goodwill is undertaken if events or changes in circumstances indicate that the carrying value of the goodwill may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, the goodwill is written down with the impairment being charged to the profit and loss account in the year.

Tangible fixed assets

Depreciation is provided to write off the cost, less estimated residual values of tangible fixed assets, on a straight line basis over their expected useful economic lives as follows:

Office equipment and fixtures and fittings - 1½-10 years

Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Notes (continued)

1 Accounting policies (continued)

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Revenue recognition

Revenue, which is derived from the group's principal activities, represents the amount receivable in the ordinary course of business, exclusive of value added tax.

Revenue is recognised in a manner appropriate to the stage of completion of the contract, provided that the outcome of the contract can be assessed with reasonable certainty. Revenue from software support contracts invoiced in advance for fixed periods is recognised in equal monthly instalments over the period of the contract.

Deferred income

Deferred income represents the proportion of income in respect of software support contracts invoiced to customers in advance and invoiced revenue not yet recognised in the profit and loss account, in accordance with the accounting policy for revenue recognition.

Research and development expenditure

Expenditure relating to the research, development and enhancement of software products is written off to the profit and loss account as incurred.

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised to the extent that they are considered to be recoverable.

Pension costs

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Cash flow statement

The company is exempt from preparing a cash flow statement under FRS 1 (Revised) because it is a wholly owned subsidiary of AIM Group Holdings Limited, a company which prepares a consolidated cash flow statement.

Notes (continued)

2 Turnover

Turnover consists of income from the development, marketing and selling of computer systems and services and the majority is derived from sales in the United Kingdom.

3 Directors' emoluments

	12 months 30 April 2005 £000	16 months 30 April 2004 £000
Salary payments (including benefits in kind)	65	252
Pension contributions	7	25
	<u>72</u>	<u>277</u>

There are no retirement benefits accruing to any director (2004: 0) under the AIM Group Personal Pension Plans (see note 19).

Compensation of £104,000 was paid to a former director for loss of office. This amount has not been presented in the table above.

4 Employee information

The average number of persons (including executive directors) employed by the company during the period was:

	2005 No.	2004 No.
Production, development, support, sales and administration	<u>22</u>	<u>24</u>

Staff costs during the year were as follows:

	12 months 30 April 2005 £000	16 months 30 April 2004 £000
Wages and salaries	1,039	1,315
Social security costs	110	156
Pension contributions (see note 19)	47	72
	<u>1,196</u>	<u>1,543</u>

Notes (continued)

5 Net interest

	12 months 30 April 2005 £000	16 months 30 April 2004 £000
Interest payable on loans and overdraft	-	204

6 Loss on ordinary activities before taxation

The operating loss is stated after charging:

	12 months 30 April 2005 £000	16 months 30 April 2004 £000
Auditors remuneration:		
Audit services	-	10
Non audit services	-	3
Research & development expenditure	500	646
Net management charges to third party companies	-	(35)
Amortisation of intangible assets	145	179
Impairment of goodwill	-	896
Depreciation:		
Tangible fixed assets	21	34
Lease of land and buildings	63	-
Loss on disposal of fixed assets	3	-
Non-recurring items	105	-

Non-recurring items represent costs that the directors deem to be one-off in nature. The costs principally relate to redundancies made on restructuring the business.

7 Tax on loss on ordinary activities

	12 months 30 April 2005	16 months 30 April 2004
Analysis of tax credit in the period		
UK corporation tax		
Current tax on income for the year	-	(57)
Adjustment in respect of prior years	20	-
	20	(57)
Deferred tax (see note 12)	(232)	-
Tax on profit on ordinary activities	(212)	(57)

Notes (continued)

7 Tax on loss on ordinary activities (continued)

Tax reconciliation

The tax for the period is higher (2004: lower) than the standard rate of corporation tax (30%) (2004: 30%).

The differences are explained below:

	12 months 30 April 2005 £000	16 months 30 April 2004 £000
Loss on ordinary activities before tax	(72)	(1,373)
Current tax at 30% (2004: 30%)	(22)	(412)
Net expenses not deductible for tax purposes	44	279
Depreciation in excess of capital allowances	5	(8)
Utilisation of tax losses	(26)	85
Research and development tax credit repayment claimed	-	-
Losses recognised	-	-
Other short term timing differences	(1)	(1)
Adjustment in respect of prior years	20	-
	<u>20</u>	<u>(57)</u>

8 Intangible fixed assets

	Goodwill £000
Cost	
At 30 April 2004 and 30 April 2005	<u>2,671</u>
Amortisation	
At 1 May 2004	1,298
Charge for the period	145
	<u>1,443</u>
At 30 April 2005	
Net book value	
At 30 April 2005	<u>1,228</u>
At 30 April 2004	<u>1,373</u>

Notes *(continued)*

9 Tangible fixed assets

	Office equipment, fixtures and fittings £000
<i>Cost</i>	
At 1 May 2004	179
Additions	17
Disposals	(15)
At 30 April 2005	181
<i>Depreciation</i>	
At 1 May 2004	139
Charge for the year	21
Appropriated on disposals	(11)
At 30 April 2005	149
<i>Net book value</i>	
At 30 April 2005	32
At 30 April 2004	40

Notes *(continued)*

10 Stocks

	2005 £000	2004 £000
Finished goods and goods for resale	-	5

11 Debtors: amounts falling due within one year

	2005 £000	2004 £000
Trade debtors	302	419
Amounts owed by fellow subsidiary undertakings	-	57
Prepayments and accrued income	71	48
Deferred tax asset (see note 12)	232	-
	<u>605</u>	<u>524</u>

12 Deferred taxation

	Deferred tax recognised £000
At 30 April 2004	-
Additions during the year	232
	<u>232</u>
At 30 April 2005	<u>232</u>

Deferred tax assets have been recognised this year as it is considered certain that losses brought forward will be utilised within the next two years.

A further potential deferred tax assets has not been recognised on the grounds that future recoverability is not certain and that the relevant timing differences will reverse in the foreseeable future. The full potential asset, at 30% (2004: 30%) is as follows:

	Amount not recognised 2005 £000	Amount not recognised 2004 £000
Accelerated capital allowances	33	32
Trading losses	312	600
	<u>345</u>	<u>632</u>

Notes (continued)

13 Investments

Shares in subsidiary undertakings

	£
Cost and net book value at 1 May 2004 and 30 April 2005	1

The company owns a 100% interest in the ordinary shares of Sharpowl (Trustees) Limited, a company incorporated in England and Wales. Its principal activity is to act as the corporate trustee of the company's employee benefit trust.

Sharpowl Software International Limited is itself a wholly owned subsidiary company. Consolidated financial statements have not been prepared for the company because of the exemption granted by s228 Companies Act 1985.

14 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	37	67
Taxation and social security	46	64
Amount due to ultimate holding company	429	304
	512	435

15 Accruals and deferred income

	2005 £000	2004 £000
Accruals	156	86
Deferred income	556	572
	712	658

Notes (continued)

16 Share capital

	2005 £	2004 £
Authorised		
50,000,000 ordinary shares of 1p each	500,000	500,000
50,000,000 'A' ordinary shares of 1p each	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>
 Authorised, called up and fully paid		
42,545 ordinary shares of 1p each	425	425
41,265 'A' ordinary shares of 1p each	413	413
	<u>838</u>	<u>838</u>

17 Reserves

	Capital contribution £000	Profit and loss account £000
At 1 May 2004	5,841	(4,917)
Profit for the financial year	-	140
	<u>5,841</u>	<u>(4,777)</u>
At 30 April 2005		

18 Reconciliation of movements in shareholders' funds

	2005 £000	2004 £000
Profit/(loss) for the period	140	(1,316)
Waiver of debt by parent company	-	5,841
	<u>140</u>	<u>4,525</u>
Opening shareholders' funds	925	(3,600)
	<u>1,065</u>	<u>925</u>
Closing shareholders' funds		

Notes (continued)

19 Pensions and similar obligations

The company participates in the AIM Group Person Pension Plans, details of which are set out in the financial statements of AIM Group Holdings Limited. The pension cost charged to the profit and loss account is £47,000 (2004: £45,000).

20 Leasing commitments

Annual commitments under non-cancellable operating leases expire as follows:

	2005		2004	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	35	-	-	1
Within two and five years	15	-	-	-
	<u>50</u>	<u>-</u>	<u>-</u>	<u>1</u>

21 Other financial commitments

The company has entered into third party agreements for the supply of software to the company. These agreements contain fixed minimum commitments by the company which amount to £173,000 (2004: £213,000) in total over the period of the agreements.

22 Contingent liabilities

The company is party to a group banking arrangement which includes a debenture, unlimited corporate guarantees and letters of offset between the various companies in the AIM Group Holdings Limited group. Sharpowl Software International Limited has a contingent liability in respect of these borrowings which at 30 April 2005 amounted to £2,523,000 (2004: £3,365,000).

23 Related party transactions

Advantage has been taken of the exemption in Financial Reporting Standard No. 8 "Related Party Transactions" not to disclose any transactions between the company and AIM Group Holdings Limited and fellow company subsidiaries, as these have been eliminated on consolidation in the financial statements of AIM Group Holdings Limited (see note 24).

24 Ultimate parent company

The directors regard AIM Group Holdings Limited, a company registered in Scotland, as the ultimate parent company. Copies of the parents consolidated financial statements may be obtained from The Secretary, AIM Group Holdings Limited, 16 Charlotte Square, Edinburgh EH2 4DF.

