

# Cedar HR Software Limited

## Financial Statements

31 March 2004

Registered number: 4139228



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**DIRECTORS'  
REPORT**

*for the year ended 31 March 2004*

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The directors present their annual report and audited financial statements for the year ended 31 March 2004.

**Principal activity**

The principal activity of the company is the supply of computer software, associated hardware and consultancy services.

**Business review**

On 1 April 2003 the company purchased the net assets of the Emergency division from Cedar Software Limited for consideration of £3.5m. During the year the company had turnover of £4.4m (2003: £nil), and reported a profit before taxation of £23,000 (2003: £nil).

**Proposed dividend**

The directors do not recommend the payment of a dividend.

**Directors and their interests**

The directors who held office during the year, and up to the date of this report were as follows:

K. Gordon	Appointed 14 November 2003
F.M. Timothy	
P.D. Gibson	
M. Thompson	Resigned 21 June 2004

None of the directors who held office at the end of the year had any disclosable interest in the shares of any of the group companies.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

**Auditors**

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



**P. D. Gibson**  
Director

Cedar House  
78 Portsmouth Road  
Cobham  
Surrey  
KT11 1HY

8 September '04

**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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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
- 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 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.



KPMG LLP  
Arlington Business Park  
Theale  
Reading  
RG7 4SD  
United Kingdom

### **Report of the independent auditors to the members of Cedar HR Software Limited**

We have audited the financial statements on pages 4 to 13.

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 affairs of the company as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG LLP**  
Chartered Accountants  
Registered Auditor

21 September 2004

**PROFIT AND LOSS  
ACCOUNT**  
*for the year ended 31 March 2004*

		2004	2003
	<i>Note</i>	£000	£000
<b>Turnover</b>	2	4,400	-
Cost of sales		(1,945)	-
<b>Gross profit</b>		<u>2,455</u>	<u>-</u>
Selling costs		(863)	-
Administrative expenses		(1,497)	-
<b>Operating profit</b>		<u>95</u>	<u>-</u>
Interest payable and similar charges	5	(72)	-
<b>Profit on ordinary activities before taxation</b>	3-4	<u>23</u>	<u>-</u>
Tax charge on profit on ordinary activities	6	-	-
<b>Profit for the financial year</b>		<u>23</u>	<u>-</u>

There are no recognised gains and losses for the year other than as stated above.

All results derive from continuing activities.

**BALANCE SHEET***as at 31 March 2004*

	<i>Note</i>	<b>2004</b> <b>£000</b>	<b>2003</b> <b>£000</b>
<b>Fixed assets</b>			
Intangible assets	7	<b>3,313</b>	-
Tangible assets	8	<b>41</b>	-
		<b>3,354</b>	-
<b>Current assets</b>			
Debtors	9	<b>2,003</b>	-
Cash at bank and in hand		<b>1,127</b>	-
		<b>3,130</b>	-
<b>Creditors: amounts falling due within one year</b>	10	<b>(6,461)</b>	-
<b>Net current liabilities</b>		<b>(3,331)</b>	-
<b>Total assets less current liabilities</b>		<b>23</b>	-
<b>Capital and reserves</b>			
Called-up share capital	11	-	-
Profit and loss account	12	<b>23</b>	-
<b>Equity shareholders' funds</b>	13	<b>23</b>	-

Signed on behalf of the board

  
**P. D. Gibson**  
*Director*

8 September '04

**NOTES TO THE  
FINANCIAL STATEMENTS**  
*for the year ended 31 March 2004*

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**1. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company'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.

Under FRS 1 the company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is part of a group owned by Redac Limited, the company has taken advantage of the exemption contained in FRS 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with entities which form part of the Redac Limited group (or investees of the group qualifying as related parties). The consolidated financial statements of Redac Limited, within which this company is included, can be obtained from the address given in note 16.

**Going concern**

The financial statements are prepared on the basis set out below, which the directors believe to be appropriate for the following reasons. The group, of which this company is a member, meets its day-to-day working capital requirements through an overdraft facility of £5.0m, and through bank term loan facilities, which at 31 March 2004 were £20.0m. The repayment of these term loans commenced on 30 June 2003 with quarterly instalments of £1.0m with a final payment of £8.0m on 30 June 2007.

The current overdraft facility is secured on the assets of the group, and is due for renewal on 19 May 2005. The directors expect to renew the facility for a period of twelve months at that time.

The directors have prepared detailed profit and loss, balance sheet and cashflow projections for the period to 31 March 2005 and high level projections to 31 March 2006. On the basis of these projections, the group will continue to operate within the current agreed facilities which the directors expect to be renewed in May 2005.

**Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. The group predominantly sells packaged software, and revenue from associated licence fees is recognised on the later of delivery or invoicing provided no significant future obligation exists and where any associated services are not essential to the functionality of the software.



**1. Accounting policies (*continued*)**

In a minority of cases where services (e.g. implementation services, custom development) are essential to the functionality of the software being sold, the licence fee is recognised over the period that the services are delivered on a contract accounting basis.

Income from maintenance services is recognised on a straight line basis over the period to which the maintenance agreement relates. Where an agreement is for more than one year, indexation is taken into account.

Revenue from professional services is recognised as the work is performed, either on a time and materials basis or, for fixed price contracts, on a percentage completion basis.

**Intangible assets – goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over five years. Any impairment of goodwill is written off as soon as it is apparent.

**Intangible assets – intellectual property rights**

Purchased intellectual property rights are included at cost and depreciated in equal annual instalments over a period of five years, which the directors believe to be the appropriate useful economic life of the asset. Any impairment is written off.

**Fixed assets and depreciation**

Depreciation is provided at rates calculated to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their expected useful economic lives as follows:

Equipment -  $33\frac{1}{3}$  % per annum, straight line  
Fixtures and fittings - 20% per annum, straight line.

**Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. 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.

**Leases**

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

**NOTES TO THE  
FINANCIAL STATEMENTS**  
*for the year ended 31 March 2004*

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**1. Accounting policies (*continued*)**

**Research and development**

Research and development costs, representing staff remuneration and sub-contract labour costs, are expensed in the year in which they occur.

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**Post-retirement benefits**

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

**2. Turnover**

The directors consider that the company's business comprises a single activity, the development and sale of business software and related services. However, additional analysis is provided in respect of turnover as the directors believe it to be informative:

	2004 £000	2003 £000
<b>Class of business</b>		
Software products and services:		
Licences	1,494	-
Consultancy and training	2,003	-
Maintenance	903	-
	<u>4,400</u>	<u>-</u>

**3. Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging:

	2004 £000	2003 £000
Depreciation	26	-
Amortisation of intangible fixed assets	882	-
Research and development costs	218	-
Hire of plant and machinery under operating leases	39	-
Other operating lease rentals	54	-
Auditors' remuneration	<u>11</u>	<u>-</u>

**NOTES TO THE  
FINANCIAL STATEMENTS**  
*for the year ended 31 March 2004*

**4. Staff costs**

Staff costs including directors' remuneration, amounted to:

	2004 £000	2003 £000
Wages and salaries	1,858	-
Social security costs	225	-
Pension costs	49	-
	<u>2,132</u>	<u>-</u>

Directors' remuneration included above:

	2004 £000	2003 £000
Directors' emoluments	198	-
Pension costs	4	-
	<u>202</u>	<u>-</u>

The remuneration of the highest paid director was £198,400 (2003: £nil), pension contributions paid by the company on his behalf were £3,667 (2003: £nil).

	2004	2003
Retirement benefits accruing to the following number of directors under:		
Money purchase scheme	<u>1</u>	<u>-</u>

P. D. Gibson, M. Thompson and F.M. Timothy were all remunerated through other group companies.

The average number of persons employed by the company during the year was as follows:

	2004 Number	2003 Number
Sales	3	-
Technical	25	-
Office and management	3	-
	<u>31</u>	<u>-</u>

**NOTES TO THE  
FINANCIAL STATEMENTS**  
*for the year ended 31 March 2004*

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**5. Interest payable and similar charges**

	<b>2004</b>	2003
	<b>£000</b>	£000
Amounts payable on other loans	72	-
The loan interest is recharged from another group undertaking.	<u>          </u>	<u>          </u>

**6. Tax charge on profit on ordinary activities**

	<b>2004</b>	2003
	<b>£000</b>	£000
Corporation tax	<u>          </u>	<u>          </u>

The current tax charge for the year is lower than (2003: *same as*) the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	<b>2004</b>	2003
	<b>£000</b>	£000
Profit on ordinary activities before tax	23	-
Current tax at 30% (2003: 30%)	<u>          </u>	<u>          </u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes - primarily goodwill amortisation	264	-
Utilisation of tax losses	(271)	-
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

**NOTES TO THE  
FINANCIAL STATEMENTS**  
*for the year ended 31 March 2004*

**7. Intangible fixed assets**

	Goodwill	Intellectual property rights	Total
	£000	£000	£000
<b>Cost</b>			
At 1 April 2003	-	-	-
Transfers from group undertakings	3,500	975	4,475
<b>At 31 March 2004</b>	<b>3,500</b>	<b>975</b>	<b>4,475</b>
<b>Amortisation</b>			
At 1 April 2003	-	-	-
Transfers from group undertakings	-	280	280
Charge for the year	700	182	882
<b>At 31 March 2004</b>	<b>700</b>	<b>462</b>	<b>1,162</b>
<b>Net book value</b>			
<b>At 31 March 2004</b>	<b>2,800</b>	<b>513</b>	<b>3,313</b>
At 31 March 2003	-	-	-

**8. Tangible fixed assets**

	Equipment	Fixtures & fittings	Total
	£000	£000	£000
<b>Cost</b>			
At 1 April 2003	-	-	-
Transfers from group undertakings	35	37	72
Additions	22	11	33
<b>At 31 March 2004</b>	<b>57</b>	<b>48</b>	<b>105</b>
<b>Depreciation</b>			
At 1 April 2003	-	-	-
Transfers from group undertakings	11	27	38
Charge for the year	17	9	26
<b>At 31 March 2004</b>	<b>28</b>	<b>36</b>	<b>64</b>
<b>Net book value</b>			
<b>At 31 March 2004</b>	<b>29</b>	<b>12</b>	<b>41</b>
At 31 March 2003	-	-	-

**NOTES TO THE  
FINANCIAL STATEMENTS**  
*for the year ended 31 March 2004*

**9. Debtors**

	2004 £000	2003 £000
Trade debtors	1,899	-
Prepayments and accrued income	104	-
	<u>2,003</u>	<u>-</u>

All debts are due within one year.

**10. Creditors – amounts falling due within one year**

	2004 £000	2003 £000
Trade creditors	33	-
VAT	370	-
Social security and PAYE	51	-
Accruals and deferred income	1,882	-
Amounts owed to group undertakings	4,125	-
	<u>6,461</u>	<u>-</u>

**11. Called-up share capital**

	2004	2003
<i>Authorised</i>	£	£
Equity: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called-up and fully paid</i>		
Equity: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

**12. Movement on reserves**

	Profit and loss account £000
At 1 April 2003	-
Profit for the financial year	23
<b>At 31 March 2004</b>	<u><b>23</b></u>

**NOTES TO THE  
FINANCIAL STATEMENTS**  
*for the year ended 31 March 2004*

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**13. Reconciliation of movements in shareholders' funds**

	2004 £000
Profit for the financial year	23
<b>Opening equity shareholders' funds</b>	-
<b>Closing equity shareholders' funds</b>	<u>23</u>

**14. Financial commitments**

(i) Capital commitments

There were no capital commitments contracted for or authorised but not contracted for at 31 March 2004.

(ii) Annual commitments under non-cancellable operating leases are as follows:

	<b>Land and buildings 2004 £000</b>	Land and buildings 2003 £000
<i>On operating leases expiring:</i>		
After five years	<u>54</u>	<u>-</u>

**15. Pension costs**

The company operates a defined contribution pension scheme. The amount charged against profit for the year in respect of the scheme was £49,015 (2003: £nil). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

**16. Ultimate controlling party**

The immediate parent company is Redac Limited, a company registered in England and Wales, and the ultimate parent company is Redac Holdings Limited, a company registered in Guernsey. The only group in which the results of the company are consolidated is that headed by Redac Limited. The consolidated accounts of this group are available to the public from the Registrar of Companies or from Cedar House, 78 Portsmouth Road, Cobham, Surrey, KT11 1HY.