

Company Registration Number 2338540

MISYS IFA SERVICES LIMITED
(Formerly Misys IFA Services Plc)

Report and Financial Statements

31 May 2003



MISYS IFA SERVICES LIMITED

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 May 2003.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activities of the Company is that of intermediate parent company within the Misys group, and to promote central resources to a group of networks of Independent Financial Advisers. The Company continues to trade in line with the Director's expectations.

It is anticipated that, as part of a restructuring within the Misys Life and Pensions division, the Company will increase the number of its employees and the range of services it provides by purchasing the trade and assets of fellow subsidiaries within the forthcoming year.

RESULTS AND DIVIDENDS

The results and dividends of the Company for the year are set out in detail on page 6. The Directors do not recommend the payment of a cumulative preference dividend (2002 : £nil). The Directors do not recommend the payment of a dividend for the year (2002 : £11,000,000). Profits of £76,984,000 (2002 : losses of £101,000) have been transferred to reserves.

On 10 March 2003 the Company changed its status from a Plc to that of a private limited company.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and the interests of those serving at the end of the year in the shares of the ultimate parent company, Misys plc, were as follows:

	Misys Plc	
	Ordinary shares of 1p each	
	2003	2002 or date of appointment
K J Budge	7,085	3,200
M Couzens	3,951	-
P N C Gale	55,558	42,628
J R Uttley	-	-
M T Wadelin (Appointed 18 September 2002)	16,555	12,197
J G Sussens *	*	*
J P Fish (Resigned 14 February 2003)		
I Martin (Resigned 28 October 2002)		

* J G Sussens is a director of the ultimate parent company, Misys plc, and his interests in shares, share option schemes and share incentive plan of Misys plc are shown in the financial statements of that company.

The options held by Directors over shares of the ultimate parent company, Misys plc, were as follows:

	Non Performance related Options	Performance related Options	Savings related Options	Total 2003	Total 2002 or date of appointment
K J Budge	20,000	96,272	1,668	117,940	82,953
M Couzens	20,000	79,916	-	99,916	64,916
P N C Gale	20,000	153,282	1,668	174,950	230,169
M T Wadelin	20,000	105,493	3,057	128,550	132,943

MISYS IFA SERVICES LIMITED

DIRECTORS' REPORT

K J Budge and P N C Gale were granted 1,668 savings-related options each at an exercise price of 164p per share on 20 August 2002.

K J Budge, P N C Gale and M Wadelin had 6,681, 3,522 and 3,068 savings related options respectively, which lapsed on 30 September 2002.

K J Budge, M Couzens, and P N C Gale were granted 40,000, 35,000 and 50,000 performance related options at an exercise price of 205p per share on 25 July 2002 respectively.

M Wadelin exercised 1,325 performance related options on 4 October 2002.

P N C Gale had 103,365 performance related options which lapsed on 1 June 2002.

The number of rights held by Directors to acquire shares of the ultimate parent company, Misys plc, in relation to annual and matching awards in the Misys Share Incentive Plan was as follows:

	Matching Award	
	2003	2002
P N C Gale	2,675	2,675

The number of share awards held by Directors under the Misys Annual Award Plan was as follows:

	K J Budge			M Couzens		
	Annual Award	Matching Award	Deferred Award	Annual Award	Matching Award	Deferred Award
At 1 June 2002	3,200	6,055	6,055	-	-	-
Awarded on 25 July 2002	3,885	6,475	6,475	3,951	6,585	6,585
At 31 May 2003	7,085	12,530	12,530	3,951	6,585	6,585

	P N C Gale			M T Wadelin		
	Annual Award	Matching Award	Deferred Award	Annual Award	Matching Award	Deferred Award
At 1 June 2002 (or date of appointment)	3,872	10,283	10,283	8,436	16,569	17,514
Awarded on 25 July 2002	9,804	16,341	16,341	-	-	-
Exercised on 2 August 2002	-	(1,563)	-	-	-	-
Exercised on 27 September 2002	-	-	-	-	-	(1,083)
Exercised on 4 October 2002	-	-	(1,563)	-	-	-
At 31 May 2003	13,676	25,061	25,061	8,436	16,569	16,431

The market prices on 2 August 2002, 27 September 2002 and 4 October 2002 were 223.0p, 158.0p and 170.5p per share.

The Directors have beneficial ownership of annual awards under the Misys Annual Award Plan from the date of grant and therefore these awards are included in the interest in shares table on page 1.

The results for the year ended 31 May 2003 entitled K J Budge, M Couzens, P N C Gale and M T Wadelin to participate in The Misys Annual Award Plan. The number of shares under each of the three awards, deferred, annual and matching, will not be determined until after the announcement of the results for Misys plc on 17 July 2003.

Details of all the Share Option Schemes and the Share Plans together with performance criteria, where applicable, are disclosed in the Report and Financial Statements of the ultimate parent company, Misys plc.

No Director had any interest in shares of the company or any group undertaking except as disclosed above.

MISYS IFA SERVICES LIMITED

DIRECTORS' REPORT

EMPLOYEES

It is the policy of the Company that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The Company is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's abilities.

The Company seeks to engage all employees in both its short and long term goals. This is achieved through a number of communication methods such as senior management briefings, focus groups, newsletters and, increasingly, through the use of intranet technology.

PAYMENTS TO SUPPLIERS

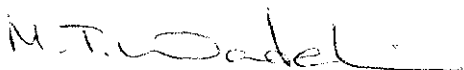
It is the Company's policy to agree terms and conditions for its business transactions with its suppliers. The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has abided by its contractual obligations. The trade creditors of the Company at 31 May 2003 represent 39 days (2002: 25 days) as a proportion of the total amount invoiced by suppliers during the year.

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 21 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the next annual general meeting.

Approved by the Board of Directors on 16 July 2003 and signed on its behalf by:



M T WADELIN, Director

MISYS IFA SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

MISYS IFA SERVICES LIMITED
INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Misys IFA Services Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

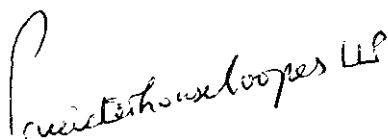
Basis of audit opinion

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 at 31 May 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH

16 July 2003

MISYS IFA SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 May 2003

	Note	2003 £'000	2002 £'000
TURNOVER	1	31,036	23,216
Operating costs			
Administrative expenses		(29,977)	(21,243)
OPERATING PROFIT	2	<u>1,059</u>	<u>1,973</u>
Profit on disposal of subsidiary undertakings	8	76,703	-
Income from shares in group undertakings		-	10,000
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		<u>77,762</u>	<u>11,973</u>
Other interest receivable and similar income		27	1
Interest payable and similar charges	5	(74)	(376)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>77,715</u>	<u>11,598</u>
Tax on profit on ordinary activities	6	(731)	(699)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>76,984</u>	<u>10,899</u>
Dividends	7	-	(11,000)
RETAINED PROFIT (LOSS) FOR THE YEAR	14	<u><u>76,984</u></u>	<u><u>(101)</u></u>

The results for the year reflect trading from continuing operations. There are no gains and losses for the years other than the profit (loss) for the financial years above. Accordingly, no statement of total recognised gains and losses is given.

MISYS IFA SERVICES LIMITED

BALANCE SHEET

31 May 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Investments	8	192,522	50,556
Tangible fixed assets	9	1,023	1,059
		<u>193,545</u>	<u>51,615</u>
CURRENT ASSETS			
Debtors	10	167,871	2,432
Cash at bank and in hand		30,163	22,637
		<u>198,034</u>	<u>25,069</u>
CREDITORS: amounts falling due within one year	11	(221,068)	(72,386)
NET CURRENT LIABILITIES		<u>(23,034)</u>	<u>(47,317)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>170,511</u>	<u>4,298</u>
CREDITORS: amounts falling due after more than one year	11	(33)	(117)
PROVISIONS FOR LIABILITIES AND CHARGES	12	(693)	-
NET ASSETS		<u>169,785</u>	<u>4,181</u>
CAPITAL AND RESERVES			
Share capital	13	5,599	2,650
Share premium account	14	85,999	328
Profit and loss account	14	78,187	1,203
TOTAL SHAREHOLDER'S FUNDS	15	<u>169,785</u>	<u>4,181</u>
Equity interests		169,785	3,181
Non-equity interests		-	1,000
TOTAL SHAREHOLDER'S FUNDS		<u>169,785</u>	<u>4,181</u>

Approved by the Board of Directors on 16 July 2003 and signed on its behalf by



M T WADELIN, Director

MISYS IFA SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2003

1. STATEMENT OF ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset, on a straight line basis over its expected useful life. The rates applied from the date of purchase are:

Furniture, fittings & equipment	10% - 25% per annum
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Motor vehicles	25% per annum
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Deferred taxation

Deferred tax is provided using the full provision method following the Company's adoption of FRS 19 "Deferred Tax". Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future. Resultant deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover represents management charges receivable from other group undertakings and the provision of services to their members (excluding value added tax). All turnover derives from the United Kingdom.

Leasing

Fixed assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the lease obligations are charged to the profit and loss account over the period of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the lease term.

Pensions

The Company operates a defined contribution pension scheme covering some of its employees. The scheme is part of the Misys plc group scheme, which is a money purchase scheme. The costs of the pension scheme are charged to the profit and loss account as incurred. In addition, the Company operates a defined benefit pension scheme for one Director. The scheme is part of the Misys plc group scheme, which is a closed scheme.

Investments

Investments are shown at cost less provision considered necessary for any impairment. The need for any impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value or value in use. The value in use is determined from estimated discounted future cash flows. Discount rates used are based on the cost of capital. Income from shares in group undertakings is recognised on a dividend proposed basis.

MISYS IFA SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2003

2. OPERATING PROFIT

	2003 £'000	2002 £'000
Operating profit is arrived at after charging:		
Depreciation of owned assets	542	470
Depreciation of assets held under finance leases	43	68
Operating leases - plant and machinery	267	323
- land and buildings	507	541
Auditors' remuneration - audit services	74	52
Auditors' remuneration - non-audit services	49	32
	<u>49</u>	<u>32</u>

3. EMPLOYEES

	2003 Number	2002 Number
The average number of staff employed by the company was as follows:		
Sales staff	26	32
Administrative and Management staff	457	465
	<u>483</u>	<u>497</u>

	2003 £'000	2002 £'000
Employee costs during the year amounted to:		
Wages and salaries	14,254	11,228
Social security costs	1,395	1,064
Other pension costs	504	402
	<u>16,153</u>	<u>12,694</u>

The Company is unable accurately to identify its share of the underlying assets and liabilities of the defined benefit scheme. Accordingly, the Company has accounted for its contribution to the defined benefit section on the basis of contributions payable during the period. During the year the Company made contributions to the defined benefit scheme of £39,000 (2002: £31,000).

Disclosure relating to the Defined Benefit Scheme are contained within the Misys plc financial statements.

4. DIRECTORS' EMOLUMENTS

	2003 £'000	2002 £'000
Management remuneration	647	699
Compensation for loss of office	28	-
Pension costs for 5 (2002 : 6) Directors	74	70
	<u>749</u>	<u>769</u>
Remuneration of the highest paid Director, excluding pension contributions of £39,000 (2002 : £31,000)	<u>217</u>	<u>194</u>

MISYS IFA SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2003

5. INTEREST PAYABLE AND SIMILAR CHARGES	2003	2002
	£'000	£'000
Finance lease interest payable	15	19
Other Interest Payable	-	6
Loan Note Interest	59	317
Bank Guarantee Fees	-	34
	<u>74</u>	<u>376</u>
6. TAX ON PROFIT ON ORDINARY ACTIVITIES	2003	2002
	£'000	£'000
Corporation tax at 30% (2002 : 30%)	<u>731</u>	<u>699</u>
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	<u>77,715</u>	<u>11,598</u>
Profit on ordinary activities at the standard rate of UK corporation tax of 30%	23,315	3,479
Effects of:		
Capital related transactions	(22,960)	-
Non taxable UK dividend income	-	(3,000)
Non-deductible expenditure	139	-
Non provided timing differences	93	156
Other adjustments	144	64
	<u>731</u>	<u>699</u>
7. DIVIDENDS	2003	2002
	£'000	£'000
Equity dividend paid on Ordinary shares	-	(11,000)
Non-equity dividend paid on preference shares	-	-
	<u>-</u>	<u>(11,000)</u>

The preference shareholders have waived their entitlement to the fixed rate dividend.

MISYS IFA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2003

8. INVESTMENTS

	Group Undertakings £'000	Participating Interests £'000	Total £'000
Cost and net book value			
At 1 June 2002	50,071	485	50,556
Additional investment	253,184	-	253,184
Disposals	(110,733)	(485)	(111,218)
At 31 May 2003	<u>192,522</u>	<u>-</u>	<u>192,522</u>

The investments comprise:

DBS Financial Management plc *	88,281	-	88,281
Financial Options Services Limited *	27,900	-	27,900
ie group Limited	26,658	-	26,658
Assuresoft 2 Limited *	18,483	-	18,483
Misys Assured Services Limited *	15,900	-	15,900
DBS Mortgage Services Limited *	14,000	-	14,000
Countrywide Independent Advisers Limited	1,300	-	1,300
DBS Protection Limited *	-	-	-
Misys Regulatory Services Limited *	-	-	-
DBS Financial Management (Sheffield) Limited *	-	-	-
DBS National Financial Services Limited *	-	-	-
Pre-Retirement Education Programme Limited *	-	-	-
PTC Actuarial Services Limited *	-	-	-
At 31 May 2003	<u>192,522</u>	<u>-</u>	<u>192,522</u>

Group accounts are not prepared as Misys IFA Services Limited is a wholly owned subsidiary of Misys plc. The principal activity of all the above companies is the supply of services to Independent Financial Advisers. The investment represents 100% of the ordinary share capital of each company. All companies are incorporated in Great Britain and registered in England and Wales.

During the year the following sale of investments to fellow subsidiary undertakings were made:

Investment	Date	Cost £'000	Proceeds on disposal £'000	Profit (loss) on disposal £'000
Misys Investment Services Limited	19 Feb 2003	150	500	350
AssureWeb Limited *	19 Feb 2003	11,625	15,000	3,375
DBS Management Limited *	19 Feb 2003	76,985	148,564	71,579
Financial Options Group Limited	18 Feb 2003	21,963	20,900	(1,063)
Misys IFA Desktop Solutions Limited *	19 Feb 2003	10	2,457	2,447
LEBC Group Limited	24 Feb 2003	485	500	15
		<u>111,218</u>	<u>187,921</u>	<u>76,703</u>

All of the investments disposed of were 100% of the share capital, except LEBC Group Limited and AssureWeb Limited which were 30% and 60% respectively.

The profit on disposal of operations did not result in an additional tax charge due to capital losses within the Misys group.

* These investments were purchased during the year from fellow group undertakings.

MISYS IFA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2003

9. TANGIBLE FIXED ASSETS

	Furniture, fittings and equipment £'000	Motor Vehicles £'000	Total £'000
Cost			
At 1 June 2002	3,417	320	3,737
Additions	639	-	639
Disposals	(14)	(173)	(187)
At 31 May 2003	<u>4,042</u>	<u>147</u>	<u>4,189</u>
Accumulated depreciation			
At 1 June 2002	2,568	110	2,678
Charge for the year	537	48	585
Disposals	(2)	(95)	(97)
At 31 May 2003	<u>3,103</u>	<u>63</u>	<u>3,166</u>
Net book value			
At 31 May 2003	<u>939</u>	<u>84</u>	<u>1,023</u>
At 31 May 2002	<u>849</u>	<u>210</u>	<u>1,059</u>

Included in the above analysis are fixed assets held under finance leases with a net book value of £85,000 (2002 : £196,000).

10. DEBTORS

	2003 £'000	2002 £'000
Trade debtors	2,245	1,904
Amounts owed by group undertakings	164,771	-
Other debtors	10	95
Prepayments and accrued income	845	433
	<u>167,871</u>	<u>2,432</u>

MISYS IFA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2003

11. CREDITORS

	2003 £'000	2002 £'000
Amounts falling due within one year		
Trade creditors	1,408	645
Corporation tax	4,215	699
Amounts due to group undertakings	204,383	57,015
Loan notes	87	6,166
Other taxation and social security	726	686
Other creditors	633	11
Obligations under finance leases	48	69
Accruals and deferred income	9,568	7,095
	<u>221,068</u>	<u>72,386</u>
Amounts falling due after more than one year		
Obligations under finance leases repayable between two and five years	33	117
Total creditors	<u>221,101</u>	<u>72,503</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	2003 £'000	2002 £'000
Provision for legal charges	<u>693</u>	<u>-</u>

The provision for legal costs predominantly relates to employment dispute cases.

The following deferred tax assets have not been recognised as their use is uncertain or is not currently anticipated due to losses within the group:

	2003 £'000	2002 £'000
Accelerated capital allowances	140	165
Other timing differences	<u>133</u>	<u>83</u>
	<u>273</u>	<u>248</u>

13. SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised		
2,000,000 Ordinary shares £1 each	-	2,000
1,000,000 4.5% Cumulative Redeemable Participating Preference shares of £1 each	-	1,000
1,000,001 A Ordinary shares of £1 each	1,000	-
4,598,590 B Ordinary shares of £1 each	<u>4,599</u>	<u>-</u>
	<u>5,599</u>	<u>3,000</u>
Allotted and fully paid		
1,650,000 Ordinary shares £1 each	-	1,650
1,000,000 4.5% Cumulative Redeemable Participating Preference shares of £1 each	-	1,000
1,000,001 A Ordinary shares of £1 each	1,000	-
4,598,590 B Ordinary shares of £1 each	<u>4,599</u>	<u>-</u>
	<u>5,599</u>	<u>2,650</u>

MISYS IFA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2003

13. SHARE CAPITAL (continued)

Holders of A ordinary shares are entitled to attend and vote at general meetings but holders of B ordinary shares are only entitled to attend and vote if the business of the meeting involves a reduction in share capital or a variation of class rights.

On 23 September 2002 the share capital of the Company was reclassified and redesignated as follows:

- i) one of the issued ordinary shares of £1 reclassified and redesignated as an "A" ordinary share of £1; and
- ii) 1,649,999 of the issued and the 350,000 authorised but unissued ordinary shares of £1 reclassified and redesignated as "B" ordinary shares of £1 each; and
- iii) the 1,000,000 issued cumulative redeemable participating preference shares of £1 reclassified and redesignated as "B" ordinary shares of £1 each; and
- iv) authorised share capital increased from £3,000,000 to £5,598,591 by the creation of a further 1,000,000 "A" ordinary shares of £1 each in the share capital of the company and a further 1,598,591 "B" ordinary shares of £1 each.

On 27 September 2002 further shares were allotted as follows:

- 1,000,000 A Ordinary shares for a consideration of £1,000,000
- 1,948,591 B Ordinary shares for a consideration of £87,620,000

On 24 February 2003 the rights attached to the A and B shares were varied as follows:

- i) the rights attaching to the "A" Ordinary shares were varied by increasing the percentage from 0.25% to 1% of any dividends paid or of surplus assets on a winding up; and
- ii) the rights attaching to the "B" Ordinary shares were varied by decreasing the percentage from 99.75% to 99% of any dividends paid or of surplus assets on a winding up.

14. RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 June 2002	328	1,203	1,531
Profit for the year	-	76,984	76,984
New share capital issued	85,671	-	85,671
At 31 May 2003	<u>85,999</u>	<u>78,187</u>	<u>164,186</u>

15. RECONCILIATION OF SHAREHOLDER'S FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	76,984	10,899
Dividends	-	(11,000)
New share capital issued	88,620	-
Net addition to (deduction from) shareholder's funds	<u>165,604</u>	<u>(101)</u>
Opening shareholder's funds	4,181	4,282
Closing shareholder's funds	<u>169,785</u>	<u>4,181</u>

The analysis of shareholders funds between the different classes of share capital is:

	2003 £'000	2002 £'000
Ordinary shares	169,785	3,181
Preference shares	<u>-</u>	<u>1,000</u>
	<u>169,785</u>	<u>4,181</u>

MISYS IFA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2003

16. FINANCIAL COMMITMENTS

The annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Operating leases which expire:				
Within one year	12	16	51	33
Between two and five years	60	52	58	171
After five years	472	439	-	-
	<u>544</u>	<u>507</u>	<u>109</u>	<u>204</u>

17. ULTIMATE PARENT COMPANY AND GROUP TRANSACTIONS

The Company's ultimate parent and controlling company is Misys plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements of Misys plc may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The Company has taken advantage of the exemption under FRS8 Related Party Transactions not to disclose transactions with group undertakings since Misys plc is the beneficial owner of all of the equity share capital of the Company.

As discussed in note 8 on page 11 the Company owned 30% of the ordinary share capital of LEBC Limited, a firm of Independent Financial Advisers. LEBC Limited is a member of the Countrywide Independent Advisers Limited ("Countrywide") network of Independent Financial Advisers and receives services from Countrywide. At 1 June 2002, Countrywide held commission due to LEBC Limited of £55,000. During the period through to disposal, Countrywide received commission of £3,558,568 from product providers in relation to LEBC Limited, of this, £3,291,675 was paid to LEBC Limited and £266,893 was deducted as revenue to Countrywide.

Under the terms of the acquisition of Financial Options Group Limited by the Company in August 1999, the Company issued loan notes, which formed part of the consideration. K J Budge, who is a Director of the Company was a shareholder in Financial Options Group Limited at the date of acquisition and received loan notes. At 1 June 2002 K J Budge held interests in £265,862 of loan notes, during the year loan notes amounting to £249,480 were redeemed and at 31 May 2003 £16,382 were outstanding. During the year the loan notes accrued £6,313 of interest.

The Company is a wholly owned subsidiary of Misys plc and is included in the financial statements of Misys plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing the cash flow statement under the terms of FRS 1 (Revised 1996).