

Systems Union Limited

**Directors' report and financial
statements**

Registered number 2766416

31 December 2003



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Systems Union Limited	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movements in shareholders' funds	7
Notes	8

Directors' report

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

Principal activities

The company is the principal sales and marketing subsidiary of Systems Union Holdings Limited, the parent company of a group which develops and distributes SunSystems, a business and accounting software package, and related products. The company also provides SunSystems support and maintenance and has a professional services group that offers consultancy.

Business review

Turnover for the year was £30,836,000 (2002: £32,467,000) and the company made a profit before taxation for the year of £2,837,000 (2002: £2,745,000).

Dividend

An interim dividend of £2,000,000 was paid on 18 December 2003 to holders of 'A' ordinary shares (2002: £Nil). The directors do not recommend payment of a final dividend.

Policy and practice on payment of creditors

The company agrees appropriate terms and conditions individually with its suppliers. It seeks to abide by these agreed terms provided that the supplier has also complied with them.

The number of creditor days at 31 December 2003 was 31 days (31 December 2002: 32 days).

Directors and directors' interests

The directors who held office during the period were as follows:

PJ Coleman

J Corden (resigned 10 September 2004)

A C S Sweet (appointed 7 October 2003)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company.

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

The interests of PJ Coleman and ACS Sweet in group undertakings are disclosed in the directors' report of the ultimate holding company, Systems Union Group Plc. There were no changes in the interests of J Corden.

Directors' report *(continued)*

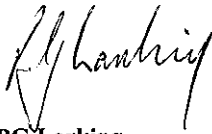
Political and charitable contributions

The company made no political or charitable contributions during the year (2002: £nil).

Auditors

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

On behalf of the board



PG Larking
Secretary

Systems Union House
1 Lakeside Road
Aerospace Centre
Farnborough
Hampshire
GU14 6XP

1 October 2004

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 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 Audit Plc

Arlington Business Park
Theale
Reading RG7 4SD
United Kingdom

Report of the independent auditors to the members of Systems Union Limited

We have audited the financial statements on pages 5 to 16.

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 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 3, 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 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

7 October 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Turnover	<i>1, 2</i>	30,836	32,467
Total operating expenses	<i>3</i>	(28,040)	(29,688)
Operating profit		2,796	2,779
Interest receivable and similar income	<i>6</i>	41	-
Interest payable and similar charges	<i>7</i>	-	(34)
Profit on ordinary activities before taxation	<i>3-5</i>	2,837	2,745
Tax on profit on ordinary activities	<i>8</i>	-	152
Profit on ordinary activities after taxation		2,837	2,897
Dividends	<i>9</i>	(2,000)	-
Retained profit for the financial year		837	2,897

All results relate to continuing operations.


There is no material difference between the result on a historical cost basis and that described in the profit and loss account.

The company has no recognised gains or losses other than the result retained for the year.

Balance sheet
at 31 December 2003

	<i>Note</i>	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Tangible assets	10		1,301		931
Current assets					
Debtors	11	28,456		18,995	
Cash at bank and in hand		-		254	
		<u>28,456</u>		<u>19,249</u>	
Creditors: amounts falling due within one year	12	<u>(19,724)</u>		<u>(11,470)</u>	
Net current assets			<u>8,732</u>		<u>7,779</u>
Total assets less current liabilities			<u>10,033</u>		<u>8,710</u>
Deferred income			<u>(8,083)</u>		<u>(7,598)</u>
Net assets			<u>1,950</u>		<u>1,112</u>
Capital and reserves					
Called up share capital	13		2		1
Profit and loss account	14		1,948		1,111
Shareholders' funds - equity			<u>1,950</u>		<u>1,112</u>

These financial statements were approved by the board of directors on 1 October 2004 and were signed on its behalf by:


PJ Coleman
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

	2003 £000	2002 £000
Profit for the financial year	2,837	2,897
Dividends	(2,000)	-
	<hr/>	<hr/>
Retained profit for the financial year	837	2,897
New share capital subscribed	1	-
	<hr/>	<hr/>
Net addition to equity shareholders' funds	838	2,897
Opening shareholders' funds	1,112	(1,785)
	<hr/>	<hr/>
Closing shareholders' funds	1,950	1,112
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

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 Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Systems Union Group plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Systems Union Group plc group (or investees of the group qualifying as related parties). The consolidated financial statements of Systems Union Group plc, within which this company is included, can be obtained from the Registrar of Companies.

Fixed assets and depreciation

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

Leasehold land and buildings	-	life of lease
Office equipment	-	2 to 4 years

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.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The Company operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Revenue from licence fees is recognised on the later of delivery or contract provided no significant future obligation exists. Income from maintenance services is recognised on a straight line basis over the period to which the maintenance agreement relates. Revenue not recognised in the profit and loss account under this policy is classified as deferred income in the balance sheet. Revenue from professional services is recognised as the work is performed.

Notes (continued)

1 Accounting policies (continued)

Taxation

Deferred tax is accounted for under FRS19 which requires a form of full provision for accounting for deferred tax called the incremental liability approach. Deferred tax is provided on all timing differences where the Group has an obligation to pay more tax in the future as a result of those timing differences. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

2 Segmental analysis

	2003 £000	2002 £000
Europe, Middle East and Africa	30,836	32,467

All turnover is derived from the distribution, maintenance and support of SunSystems and related products.

Notes (continued)

3 Total operating expenses

	2003 £000	2002 £000
Staff costs (note 5)	9,328	9,539
Depreciation	361	285
Other operating expenses	18,351	19,864
	<u>28,040</u>	<u>29,688</u>
Other operating expenses include:		
Auditors' remuneration – Company audit	40	32
Operating lease rentals: land and buildings	1,964	1,830
Operating lease rentals: other	526	948
	<u>2,530</u>	<u>2,810</u>

4 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments	274	258
Company contribution to money purchase pension scheme	9	8
	<u>283</u>	<u>266</u>

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Selling	114	127
Management and administration	46	61
	<hr/>	<hr/>
	160	188
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£000	£000
Wages and salaries	8,104	8,258
Social security costs	917	965
Other pension costs	307	316
	<hr/>	<hr/>
	9,328	9,539
	<hr/>	<hr/>

6 Interest receivable and similar income

	2003	2002
	£000	£000
Net exchange gains	41	-
	<hr/>	<hr/>
	41	-
	<hr/>	<hr/>

7 Interest payable and similar charges

	2003	2002
	£000	£000
Net exchange losses	-	34
	<hr/>	<hr/>
	-	34
	<hr/>	<hr/>

Notes (continued)

8 Taxation

Analysis of charge in period

	2003 £000	2002 £000
<i>Deferred tax (see note 11)</i>		
Origination/reversal of timing differences	-	(152)
Tax on profit on ordinary activities	-	(152)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below.

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,837	2,745
Current tax at 30% (2002: 30%)	851	824
<i>Effects of:</i>		
Expenses not deductible for tax purposes	43	(17)
Capital allowances in excess of depreciation	(66)	-
Utilisation of tax losses	(828)	(807)
Total current tax charge (see above)	-	-

Factors that may affect future tax charges

The company has accumulated trading losses of £0.9 million (£0.3 million tax value) ((2002: £3.7 million (£1.1 million tax value)) as at 31 December 2003.

A deferred tax asset of £288,000 (note 11) has been recognised in respect of these losses, being the amount that the directors consider can be regarded as being sufficiently likely of recovery against the future taxable profits of the company.

9 Dividends

	2003 £000	2002 £000
Interim dividend paid	2,000	-
	2,000	-

Notes (continued)

10 Tangible fixed assets

	Short leasehold land and buildings £000	Office equipment £000	Total £000
Cost			
At 1 January 2003	877	555	1,432
Additions	170	561	731
	<hr/>	<hr/>	<hr/>
At 31 December 2003	1,047	1,116	2,163
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2003	203	298	501
Charge for year	92	269	361
	<hr/>	<hr/>	<hr/>
At 31 December 2003	295	567	862
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2003	752	549	1,301
	<hr/>	<hr/>	<hr/>
At 31 December 2002	674	257	931
	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Debtors

	2003 £000	2002 £000
Trade debtors	6,795	7,396
Amounts owed by group undertakings	20,490	10,460
Prepayments and accrued income	883	851
Deferred tax asset	288	288
	<u>28,456</u>	<u>18,995</u>

All debtors are due within one year.

The elements of deferred taxation are as follows:

	2003 £000	2002 £000
Tax losses	288	288

12 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank overdraft	211	-
Trade creditors	767	793
Amounts owed to group undertakings	15,963	6,929
Other taxes and social security	479	1,343
Accruals	2,114	2,020
Other creditors	190	385
	<u>19,724</u>	<u>11,470</u>

Notes (continued)

13 Called up share capital

	2003 £000	2002 £000
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1	1
1,000 'A' ordinary shares of £1 each	1	-
	<hr/> 2	<hr/> 1
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of £1 each	1	1
1,000 'A' ordinary shares of £1 each	1	-
	<hr/> 2	<hr/> 1

On 27 June 2003 the authorised share capital was increased from £1,000 to £2,000 by the creation of 1,000 'A' Ordinary shares of £1 each. On the same day 1,000 'A' Ordinary shares of £1 each were allotted to Systems Union Group Plc, the ultimate parent undertaking.

14 Reserves

	Profit and loss account £000
At 1 January 2003	1,111
Retained profit for the year	837
	<hr/>
At 31 December 2003	1,948

Notes (continued)

15 Contingent liabilities

On 8 October 2003 a fixed and floating charge over the company and its property and assets was agreed with Barclays Bank plc as part security for a £15 million loan extended to Systems Union Group plc, the company's ultimate parent undertaking. In the opinion of the directors, no liability is expected to arise in respect of this guarantee.

16 Commitments

- a) The company had no contracted capital commitments at 31 December 2003 (2002: None).
- b) Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	155	-	464
In the second to fifth years inclusive	-	48	-	155
Over five years	1,964	-	1,964	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,964	203	1,964	619
	<hr/>	<hr/>	<hr/>	<hr/>

17 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £ 306,972 (2002: £315,686).

18 Ultimate parent undertaking

The company is a subsidiary of Systems Union Holdings Limited, registered in England and Wales.

The largest group in which the results are consolidated is that headed by Systems Union Group plc incorporated in Great Britain and registered in England and Wales. The consolidated accounts of the group are available to the public and may be obtained from the Registrar of Companies. No other group accounts include the results of the company.