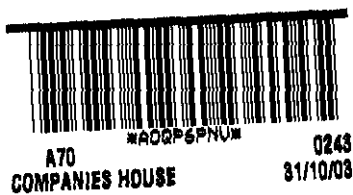


Systems Union Limited

**Directors' report and financial
statements**

Registered number 2766416

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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 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 £32,467,000 (2001: £31,704,000).

Proposed dividend

The directors do not recommend the payment of a dividend (2001: £Nil).

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 2002 was 32 days (31 December 2001: 34 days).

Directors and directors' interests

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

PJ Coleman

J Corden Appointed 4.2.2002

A C S Sweet Appointed 7.10.2003

J Pemberton Resigned 4.2.2002

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 in group undertakings are disclosed in the directors' report of the ultimate holding company, Systems Union Group Plc. The interests of J Corden in group undertakings are disclosed in the directors report of Systems Union Holdings Limited.

Directors' report *(continued)*

Political and charitable contributions

The company made no political contributions during the period (2001: *£nil*). Donations to UK charities amounted to *£Nil* (2001: *£Nil*).

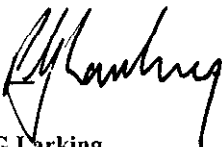
Post balance sheet events

On 27 June 2003 the shareholders passed a resolution to increase the authorised share capital from £1,000 to £2,000 by the creation of 1,000 'A' Ordinary shares. On the same day the Company allotted 1,000 'A' Ordinary shares to Systems Union Group Plc, the ultimate parent undertaking.

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.

By order of the board


PG Larking
Secretary

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

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 2002 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

31 Dec 2002

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Turnover	<i>1,2</i>	32,467	31,704
Cost of operations	<i>1,3</i>	(29,688)	(30,887)
		<hr/>	<hr/>
Operating profit		2,779	817
Interest receivable and similar income	<i>6</i>	-	195
Interest payable and similar charges	<i>7</i>	(34)	(6)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>3-5</i>	2,745	1,006
Tax on profit on ordinary activities	<i>8</i>	152	-
		<hr/>	<hr/>
Retained profit for the period		2,897	1,006
		<hr/>	<hr/>

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.

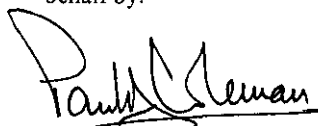
The company has no recognised gains or losses other than the result retained for the period.

Balance sheet
at 31 December 2002

	Note	2002 £000	2002 £000	Restated 2001 £000	Restated 2001 £000
Fixed assets					
Tangible assets	9		931		1,025
Current assets					
Debtors	10	18,995		19,508	
Cash at bank and in hand		254		105	
		<u>19,249</u>		<u>19,613</u>	
Creditors: amounts falling due within one year	11	(11,470)		(17,183)	
		<u></u>		<u></u>	
Net current assets			7,779		2,430
			<u>8,710</u>		<u>3,455</u>
Total assets less current liabilities					
Deferred income			(7,598)		(5,240)
			<u></u>		<u></u>
Net assets/(liabilities)			1,112		(1,785)
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	12		1		1
Profit and loss account	13		1,111		(1,786)
			<u>1,112</u>		<u>(1,785)</u>
Shareholders' funds/(deficit) - equity					
			<u>1,112</u>		<u>(1,785)</u>

These financial statements were approved by the board of directors on 30.10.03
behalf by:

and were signed on its


PJ Coleman
Director

Statement of total recognised gains and losses
for the year ended 31 December 2002

	2002 £000	2001 £000
Profit for the financial year	2,897	1,006
Total recognised gains and losses relating to the financial year	2,897	1,006
Prior year adjustment (Note 1: <i>Taxation</i>)	136	
Total recognised gains and losses since last annual report	3,033	

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2002

	2002 £000	2001 £000
Profit for the financial year	2,897	1,006
Net addition to shareholders' funds	2,897	1,006
Opening shareholders' deficit (Originally deficit of £1,921,000 (2001: deficit £2,927,000) restated for prior year adjustment credit of £136,000 as explained in Note 1: <i>Taxation</i>)	(1,785)	(2,791)
Closing shareholders' funds/(deficit)	1,112	(1,785)

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 except as noted below.

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 address given in note 17.

Changes in accounting policies

The Company has adopted FRS 19 'Deferred Tax' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of adopting FRS19 is given below under Taxation.

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 from professional services is recognised as the work is performed.

Notes (continued)

1 Accounting policies (continued)

Cost of operations

Having regard to the nature of the company's business, the analysis of operating costs as prescribed by the Companies Act 1985 is not meaningful. In the circumstances, as prescribed by paragraph C3(3) of Schedule 4 of the Companies Act 1985, the directors have adapted the prescribed format to the requirements of the company's business.

Taxation

The charge for taxation is based on the result for the period. With effect from 1 January 2002, the Company changed its accounting policy with respect to deferred tax upon the adoption of Financial Reporting Standard No. 19 'Deferred Tax' ('FRS 19'). FRS 19 introduces a form of full provision for accounting for deferred tax, called the incremental liability approach, which replaces the partial provision approach previously followed under SSAP 15.

Deferred tax is now provided on timing differences where the Company 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.

Previously, deferred tax was provided on timing differences to the extent that they were expected to reverse in the foreseeable future.

Deferred tax unprovided as at 31 December 2001, and which is now required to be provided for under FRS 19, has been provided for and shown as a prior year adjustment. The impact on the profit and loss account for the year ended 31 December 2002 is a gain of £152,000. There was no impact on the profit and loss account for the year ended 31 December 2001. Shareholders' funds at 31 December 2001 have been increased by £136,000.

2 Analysis of turnover by geographical market

	2002 £000	2001 £000
EMEA	32,467	31,704

All turnover and profits before taxation are derived from the distribution, maintenance and support of SunSystems and related products.

Notes (continued)

3 Profit on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	32	36
Depreciation and other amounts written off owned tangible fixed assets	285	165
Exchange losses	127	127
Operating lease rentals: land and buildings	1,830	1,568
Operating lease rentals: other	948	655
	<hr/>	<hr/>
<i>after crediting</i>		
Exchange gains	93	172
	<hr/>	<hr/>

4 Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments	258	178
	<hr/>	<hr/>

The aggregate of emoluments of the highest paid director was £258,174 (2001: £178,412), and company pension contributions of £8,083 (2001: £5,292) were made to a defined contribution scheme on his behalf.

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	
	2002	2001
Selling	127	159
Management and administration	61	66
	<u>188</u>	<u>225</u>

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	8,258	9,686
Social security costs	965	1,063
Other pension costs	316	314
	<u>9,539</u>	<u>11,063</u>

6 Interest receivable and similar charges

	2002 £000	2001 £000
Net exchange gains	1	45
Interest receivable	-	150
	<u>-</u>	<u>195</u>

7 Interest payable and similar charges

	2002 £000	2001 £000
Net exchange losses	34	-
Bank loans and overdrafts	-	6
	<u>34</u>	<u>6</u>

Notes (continued)

8 Taxation

Analysis of charge in period	2002 £000	2001 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Total current tax	-	-
<i>Deferred tax (see note 10)</i>		
Origination/reversal of timing differences	(152)	-
Total deferred tax	(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 (2001: lower) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,745	1,006
Current tax at 30% (2001: 30%)	824	302
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(17)	95
Capital allowances in excess of depreciation	-	(137)
Utilisation of tax losses	(807)	(260)
Total current tax charge (see above)	-	-

Factors that may affect future tax charges

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

Notes (continued)

9 Tangible fixed assets

	Short leasehold land and buildings £000	Office equipment £000	Total £000
<i>Cost</i>			
At 1 January 2002	877	364	1,241
Additions	-	191	191
	<hr/>	<hr/>	<hr/>
At 31 December 2002	877	555	1,432
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2002	126	90	216
Charge for year	77	208	285
	<hr/>	<hr/>	<hr/>
At 31 December 2002	203	298	501
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2002	674	257	931
	<hr/>	<hr/>	<hr/>
At 31 December 2001	751	274	1,025
	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Debtors

	2002 £000	Restated 2001 £000
Trade debtors	7,396	6,899
Amounts owed by group undertakings	10,460	11,943
Prepayments and accrued income	851	530
Deferred tax asset	288	136
	<hr/> 18,995 <hr/>	<hr/> 19,508 <hr/>

All debtors are due within one year.

The elements of deferred taxation are as follows:

	2002 £000	2001 £000
Tax losses	288	136
	<hr/>	<hr/>

11 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	793	2,407
Amounts owed to group undertakings	6,929	10,512
Other taxes and social security	1,343	1,120
Accruals	2,020	2,683
Other creditors	385	461
	<hr/> 11,470 <hr/>	<hr/> 17,183 <hr/>

Notes *(continued)*

12 Called up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1	1
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of £1 each	1	1
	<hr/>	<hr/>

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 of 1,000 'A' Ordinary shares of £1 each were allotted to Systems Union Group Plc, the ultimate parent undertaking.

13 Reserves

	Profit and loss account £000
At 1 January 2002 as previously stated	(1,922)
Prior year adjustment (Note 1: <i>Taxation</i>)	136
	<hr/>
At 1 January 2002 as restated	(1,786)
Retained profit for the year	2,897
	<hr/>
At 31 December 2002	1,111
	<hr/>

Notes (continued)

14 Contingent liabilities

On 10 October 2003 the Company entered into cross-guarantee arrangements to secure borrowings of the parent undertaking, Systems Union Group Plc. In the opinion of the directors, no liability is expected to arise in respect of these arrangements.

15 Commitments

- a) The company had no contracted capital commitments at 31 December 2002 (2001: None).
- b) Annual commitments under non-cancellable operating leases are as follows:

	2002		2001	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	464	-	651
In the second to fifth years inclusive	-	155	-	416
Over five years	1,964	-	1,568	-
	<u>1,964</u>	<u>619</u>	<u>1,568</u>	<u>1,067</u>

16 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 £315,686 (2001: £313,633).

17 Ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of 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 Secretary
Systems Union Group plc
Systems Union House
1 Lakeside Road
Aerospace Centre
Farnborough
Hampshire
GU14 6XP
England

No other group accounts include the results of the company.