

Systems Union Limited

Directors' report and financial statements

31 August 1998

Registered number 2766416



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 1998.

Principal activities

The principal activity of the company is the distribution of 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

The company achieved a profit before tax of £5,138,000 (1997: £3,671,000).

Proposed dividend and transfers to reserves

The directors propose the payment of a final dividend of £3,500,000 (1997: £2,000,000), resulting in a retained loss for the year of £71,000 (1997: profit £811,000).

Directors and directors' interests

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

JL Pemberton
JAC Paterson
S Edwards
N Hancock (appointed 1 December 1997)

S Edwards held 1,355 shares in the parent company, Systems Union Group Limited, at 31 August 1997 and 4,065 at 31 August 1998. The interests of all the other directors in the share capital of Systems Union Group Limited are disclosed in the accounts of that company.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £1,430.

Directors' report *(continued)*

Year 2000

Work is progressing well in achieving Year 2000 compliance. The two principle projects are SunSystems product compliance and the review of business critical systems.

SunSystems Products

SunSystems has undergone rigorous and extensive test procedures, including customer testing, which have shown that all versions of our products from Version 4.0 are Year 2000 compliant. Furthermore, as standard business practice, Systems Union has offered a standard Year 2000 Compliance Warranty on all installations of SunSystems from Version 4.2, which was released in 1998.

The results of the Year 2000 compliance tests have been made available to our user base and to our extensive distributor network.

Information regarding Year 2000 compliance of our products may be obtained from our web site.

Critical business systems


The compliance review and testing of critical business systems is underway. Positive steps are being taken to implement solutions for critical systems through a combination of modification and replacement where required.

The specific future costs associated with compliance for Systems Union Limited are estimated to be no more than £50,000.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



John Butler
Secretary

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 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.



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Auditors' report to the members of Systems Union Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 August 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

15th February, 1999

Profit and loss account

for the year ended 31 August 1998

	<i>Note</i>	1998 £000	1997 £000
Turnover	2	27,045	22,905
Cost of sales		(9,852)	(9,354)
Gross profit		<hr/> 17,193	<hr/> 13,551
Distribution costs		(1,876)	(1,263)
Administrative expenses		(10,278)	(8,495)
Other operating income	6	130	-
Operating profit		<hr/> 5,169	<hr/> 3,793
Interest payable and similar charges	7	(31)	(122)
Profit on ordinary activities before taxation	3-5	<hr/> 5,138	<hr/> 3,671
Tax on profit on ordinary activities	8	(1,709)	(860)
Profit on ordinary activities after taxation		<hr/> 3,429	<hr/> 2,811
Dividends	9	(3,500)	(2,000)
Retained (loss)/profit for the financial year		<hr/> (71)	<hr/> 811
Profit and loss account at 1 September 1997		2,972	2,161
Profit and loss account at 31 August 1998		<hr/> 2,901	<hr/> 2,972

The company made no material acquisitions and had no discontinued operations.


The company has no recognised gains or losses other than the (losses)/profits for the year.

Balance sheet

at 31 August 1998

	Note	1998 £000	1997 £000
Fixed assets			
Tangible assets	10	1,133	1,260
Current assets			
Debtors	11	10,736	9,672
Cash at bank and in hand		4	90
		<u>10,740</u>	<u>9,762</u>
Creditors: amounts falling due within one year	12	<u>(5,018)</u>	<u>(3,389)</u>
Net current assets		<u>5,722</u>	<u>6,373</u>
Total assets less current liabilities		<u>6,855</u>	<u>7,633</u>
Accruals and deferred income	13	(3,953)	(4,660)
Net assets		<u>2,902</u>	<u>2,973</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account		2,901	2,972
Equity shareholders' funds	15	<u>2,902</u>	<u>2,973</u>

These financial statements were approved by the board of directors on 12 Feb 1999 and were signed on its behalf by:


N Hancock
Director

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.

Under FRS1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking. Its cash flows are included within the consolidated cash flow statement of its parent company.

Related party transactions

The company has taken advantage of the exemption, for 90% owned subsidiaries, under Financial Reporting Standard 8 from the requirement to disclose transactions and outstanding balances with other group companies.

Fixed assets and depreciation

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

Leasehold land and buildings	-	life of lease
Fixtures, fittings and equipment	-	25% per annum on cost
Computer equipment	-	50% per annum on cost

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.

Notes (continued)

1 Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

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. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. Revenue income on software sales is recognised once serialised software has been despatched to the customer. Where the customer does not require immediate delivery revenue is recognised only if a signed contract has been received from the customer and the payment of the invoice is not dependent on the customer receiving the product. Income from maintenance and large consultancy projects is deferred and spread over the contract or matched against cost.

2 Analysis of turnover by geographical market

	1998 £000	1997 £000
UK	19,681	16,305
Rest of Europe	4,257	3,407
Asia	887	935
Africa	1,558	1,638
Americas	450	167
Rest of World	212	453
	<hr/> 27,045 <hr/>	<hr/> 22,905 <hr/>

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

Notes (continued)

3 Profit on ordinary activities before taxation

	1998 £000	1997 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	22	20
Other services	6	15
Depreciation and other amounts written off tangible fixed assets:		
Owned	678	578
Hire of other assets: rentals payable under operating leases	612	604
Exchange losses	55	134
	<hr/>	<hr/>
<i>after crediting</i>		
Exchange gains	185	12
	<hr/>	<hr/>

4 Remuneration of directors

	1998 £000	1997 £000
Directors' emoluments	102	58
	<hr/>	<hr/>
Company contributions to money purchase schemes	6	3
	<hr/>	<hr/>
	Number of directors	
	1998	1997
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
	<hr/>	<hr/>

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	
	1998	1997
Sales and marketing	73	70
Research and technical	-	-
Administration	26	20
Consultancy	76	68
Management	11	6
	<hr/>	<hr/>
	186	164
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1998	1997
	£000	£000
Wages and salaries	6,748	5,423
Social security costs	662	545
Other pension costs	206	192
	<hr/>	<hr/>
	7,616	6,160
	<hr/>	<hr/>

6 Other operating income

	1998	1997
	£000	£000
Net exchange gains	130	-
	<hr/>	<hr/>

7 Interest payable and similar charges

	1998	1997
	£000	£000
Other interest charges	31	-
Net exchange losses	-	122
	<hr/>	<hr/>

Notes (continued)

8 Taxation

	1998 £000	1997 £000
UK corporation tax at 31% (1997: 33%) on the profit for the year on ordinary activities	1,735	868
Adjustment to prior year	(26)	(8)
	<u>1,709</u>	<u>860</u>

9 Dividends

	1998 £000	1997 £000
Final proposed dividend - £3,500 per share (1997: £ 2,000 per share)	3,500	2,000
	<u>3,500</u>	<u>2,000</u>

10 Tangible fixed assets

	Short leasehold land and buildings £000	Computer equipment £000	Fixtures, fittings and equipment £000	Total £000
<i>Cost</i>				
At beginning of year	1,145	1,454	550	3,149
Additions	6	512	33	551
Disposals	-	-	-	-
	<u>1,151</u>	<u>1,966</u>	<u>583</u>	<u>3,700</u>
<i>Depreciation</i>				
At beginning of year	478	1,039	372	1,889
Charge for year	174	365	139	678
On disposals	-	-	-	-
	<u>652</u>	<u>1,404</u>	<u>511</u>	<u>2,567</u>
<i>Net book value</i>				
At 31 August 1998	499	562	72	1,133
At 31 August 1997	667	415	178	1,260

Notes (continued)

11	Debtors				
			1998	1997	
			£000	£000	
	Trade debtors		7,305	5,931	
	Amounts owed by group undertakings:				
	- owed by parent company		-	2,240	
	- owed by fellow subsidiaries		3,150	1,202	
	Other debtors		92	153	
	Prepayments and accrued income		189	146	
			<hr/>	<hr/>	
			10,736	9,672	
			<hr/>	<hr/>	
12	Creditors: amounts falling due within one year				
			1998	1997	
		£000	£000	£000	£000
	Bank loans and overdrafts		778	-	
	Trade creditors		964	521	
	Amounts owed to group undertakings:				
	owed to parent company		198	-	
	owed to fellow subsidiary		353	268	
	Other creditors including taxation and social security:				
	Corporation tax	1,279		1,260	
	Other taxes and social security	1,126		1,082	
		<hr/>		<hr/>	
	Taxation and social security	2,405		2,342	
	Other creditors	320		258	
		<hr/>		<hr/>	
			2,725	2,600	
			<hr/>	<hr/>	
			5,018	3,389	
			<hr/>	<hr/>	
13	Accruals and deferred income				
			1998	1997	
			£000	£000	
	Accruals		1,135	1,408	
	Deferred maintenance income		2,818	3,252	
			<hr/>	<hr/>	
			3,953	4,660	
			<hr/>	<hr/>	

Notes (continued)

14	Called up share capital	1998 £000	1997 £000
	<i>Authorised</i>		
	1,000 ordinary shares of £1 each	1	1
	<i>Allotted, called up and fully paid</i>		
	1,000 ordinary shares of £1 each	1	1
15	Reconciliation of movements in equity shareholders' funds	1998 £	1997 £
	Profit for the financial year	3,429	2,811
	Dividends	(3,500)	(2,000)
	Net addition to shareholders' funds	(71)	811
	Opening shareholders' funds	2,973	2,162
	Closing shareholders' funds	2,902	2,973

16 Commitments

The company had no capital commitments at the end of either financial year.

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

	1998		1997	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	23
In the second to fifth years inclusive	725	12	747	40
Over five years	-	-	-	-
	725	12	747	63

17 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Systems Union Group Limited, a company 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:

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Hartley Wintney
Hampshire
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