

THE FRUSTUM GROUP (EUROPE) LIMITED

Report and Financial Statements

31 May 1999



THE FRUSTUM GROUP (EUROPE) LIMITED

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 May 1999.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is the provision of specialist computer software and consultancy services.

RESULTS AND DIVIDENDS

The results of the Company for the period are set out in detail on page 5. The Directors do not recommend the payment of a dividend for the year (1998 : £nil). Losses of £1,134,000 (1998 : profit of £211,000) have been transferred to reserves

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:

All share options, plans and holdings have been adjusted to take account of the subdivision of Misys plc capital on 21 September 1998.

	Misys plc	
	Ordinary shares of 1p each	
	1999	1998
M Stadther	-	-
S R Davis	-	-
H Demetrios	-	-
C Flock	-	-
G Sommers	-	-
F P Helsby	#	#
J G Sussens	*	*
R K Graham	*	*
R G Peddar	-	-

No Director had any interest in shares of the Company or any other group undertakings except as disclosed above.

THE FRUSTUM GROUP (EUROPE) LIMITED

DIRECTORS' REPORT

*J G Sussens and R K Graham are directors of the ultimate parent company, Misys plc, and their interest in shares, share option schemes and share incentive plan of Misys plc are shown in the financial statements of that company.

F P Helsby is a Director of an intermediate parent company, Kapiti Limited and his interest in shares, share options and Share Incentive Plans 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:

	Savings-related options	1999 Total	1998 Total
M Stadther	2,765	2,765	2,765
H Demetrios	2,765	2,765	2,765
G Sommers	6,490	6,490	6,490
R G Peddar	4,975	4,975	4,975

YEAR 2000

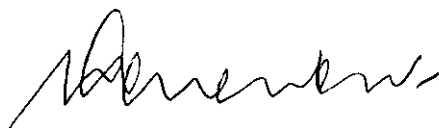
The Misys Group has established a comprehensive internal programme to ensure that all computer dependent systems continue to operate, following the Year 2000 date change. Further details, including estimated costs associated with this programme, are shown in the financial statements of Misys plc.

AUDITORS

Deloitte & Touche are to retire as auditors and have indicated that there are no circumstances connected with their retirement which they consider should be brought to the notice of the shareholders or creditors of the company.

A resolution to appoint PricewaterhouseCoopers as auditors will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors on 22 July 1999 and signed on its behalf by



F P HELSBY
Director

THE FRUSTUM GROUP (EUROPE) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for the period to that date. The requirements are specified in the Companies Act 1985 and in applicable accounting standards. It is also the Directors' responsibility to:

Maintain adequate accounting records;

Safeguard the assets of the Company;

Prevent and detect fraud and other irregularities;

Prepare financial statements on the going concern basis, unless it is inappropriate.

The Directors confirm that suitable accounting policies consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the financial statements and that applicable accounting standards have been followed.

**AUDITORS' REPORT TO THE MEMBERS OF
THE FRUSTUM GROUP (EUROPE) LIMITED**

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

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.

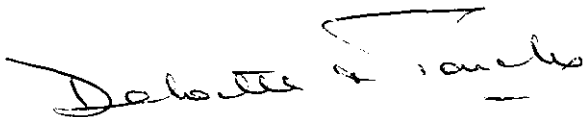
Basis of opinion

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 affairs of the company as at 31 May 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

13/09/99

THE FRUSTUM GROUP (EUROPE) LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 May 1999**

	Note	1999 £'000	1998 £'000
TURNOVER		2,072	1,871
Cost of sales		(1,757)	-
GROSS PROFIT		<u>315</u>	<u>1,871</u>
Operating costs			
Administrative expenses		<u>(1,856)</u>	<u>(1,566)</u>
OPERATING LOSS	2	(1,541)	305
Interest	4	<u>4</u>	<u>7</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,537)	312
Tax on loss on ordinary activities	5	403	(101)
LOSS FOR THE PERIOD	12	<u><u>(1,134)</u></u>	<u><u>211</u></u>

The results for the period reflect trading from continuing operations. There are no gains and losses for the periods other than the results for the financial periods above. Accordingly, no statement of total recognised gains and losses is given.

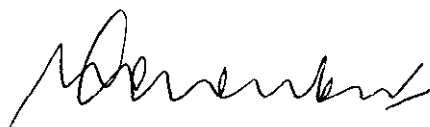
THE FRUSTUM GROUP (EUROPE) LIMITED

BALANCE SHEET

31 May 1999

	Note	1999 £'000	1998 £'000	1998 £'000
FIXED ASSETS				
Tangible assets	6		127	76
CURRENT ASSETS				
Debtors	7	661	476	
Cash at bank and in hand		294	38	
		<u>955</u>	<u>514</u>	
CREDITORS: amounts falling due within one year	8	<u>(1,886)</u>	<u>(379)</u>	
NET CURRENT (LIABILITIES) ASSETS			<u>(931)</u>	<u>135</u>
			<u>(804)</u>	<u>211</u>
Deferred Income	9		<u>(119)</u>	<u>-</u>
			<u>(923)</u>	<u>211</u>
CAPITAL AND RESERVES				
Share capital	11		-	-
Profit and loss account	12		<u>(923)</u>	<u>211</u>
EQUITY SHAREHOLDER'S FUNDS	13		<u>(923)</u>	<u>211</u>

Approved by the Board of Directors on 22 July 1999 and signed on its behalf by



F P HELSBY, Director

THE FRUSTUM GROUP (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 1999

1. 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 25% per annum

Income recognition

Turnover represents amounts invoiced to customers (net of value added tax) for goods and services. Revenue from sales of hardware and packaged software products is recognised when the product is despatched unless more onerous acceptance provisions have been agreed with the customer, in which case date of acceptance is the point where income is recognised. Bespoke contracts are taken to profit when the project has reached the point of practical completion. Contracted income invoiced in advance for fixed periods is taken to income in equal monthly instalments over the period of the contract.

2. OPERATING LOSS

	1999 £'000	1998 £'000
Operating loss is arrived at after charging:		
Depreciation of owned assets	36	17
Auditors' remuneration - audit services	<u>1</u>	<u>1</u>

3. EMPLOYEES

The average number of persons employed by the Company was 23 (1998 : 13).

	1999 £'000	1998 £'000
Employee costs during the period amounted to:		
Wages and salaries	1,191	533
Social security costs	133	102
Other pension costs	<u>63</u>	<u>22</u>
	<u>1,387</u>	<u>657</u>

None of the Directors received any remuneration from the Company during the year (1998 : nil).

THE FRUSTUM GROUP (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 1999

4. INTEREST

	1999 £'000	1998 £'000
Interest receivable	<u>4</u>	<u>7</u>

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
Corporation tax (Credit)/ Charge at 31% (1998 : 31%)	(408)	101
Corporation tax under provided in previous years	5	-
Corporation tax at 31%	<u>(403)</u>	<u>101</u>

The tax credit for the year has been decreased by approximately £66,000 as a result of expenditure in respect of which no tax deduction is currently claimed.

6. TANGIBLE FIXED ASSETS

	Furniture, fittings and equipment £'000
Cost	
At 1 June 1998	97
Additions	87
At 31 May 1999	<u>184</u>
Accumulated depreciation	
At 1 June 1998	21
Charge for the year	36
At 31 May 1999	<u>57</u>
Net book value	
At 31 May 1999	<u>127</u>
At 31 May 1998	<u>76</u>

THE FRUSTUM GROUP (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 1999

7. DEBTORS

	1999 £'000	1998 £'000
Trade debtors	245	253
Amounts due from group undertakings	-	190
Corporation tax	408	-
Other debtors	6	20
Prepayments and accrued income	2	13
	<u>661</u>	<u>476</u>

8. CREDITORS

	1999 £'000	1998 £'000
Amounts falling due within one year		
Amounts due to group undertakings	1,817	276
Corporation tax	-	101
Other taxation and social security	34	-
Other creditors	18	-
Accruals and deferred income	12	2
	<u>1,886</u>	<u>379</u>

9. DEFERRED INCOME

	1999 £'000	1998 £'000
Other deferred income recognisable within one year	<u>119</u>	<u>-</u>

10. DEFERRED TAXATION

	1999 £'000	1998 £'000
The unprovided assets are as follows:		
Other timing differences	<u>46</u>	<u>-</u>

THE FRUSTUM GROUP (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 1999

11. SHARE CAPITAL

	1999 £	1998 £
Authorised		
10,000 Ordinary shares of \$1 each	<u>6,600</u>	<u>6,600</u>
Allotted and fully paid		
100 Ordinary shares of \$1 each	<u>66</u>	<u>66</u>

The share capital has been translated into sterling at the exchange rate ruling at the date of issue of the shares.

12. PROFIT AND LOSS ACCOUNT

	£'000
At 1 June 1998	211
Loss for the year	(1,134)
At 31 May 1999	<u>(923)</u>

13. RECONCILIATION OF SHAREHOLDER'S FUNDS

	1999 £'000	1998 £'000
(Loss) profit for the financial year	(1,134)	211
Opening shareholder's funds	211	-
Closing shareholder's funds	<u>(923)</u>	<u>211</u>

14. ULTIMATE PARENT COMPANY AND GROUP TRANSACTIONS

The Company's ultimate parent company is Misys plc, a company registered in England. Copies of the group financial statements of Misys plc may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF4 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.