

Company Registration Number 2801072

THE FRUSTUM GROUP (EUROPE) LIMITED

Report and Financial Statements

31 May 2001



THE FRUSTUM GROUP (EUROPE) LIMITED

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 May 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company continue to be the supply of computer software and consultancy services, primarily for the international banking market, and the provision of management direction, marketing and research and development for the company's fellow group undertakings.

REVIEW OF THE BUSINESS

For the year ended May 2001 the company recorded an operating loss of £517,000 on a turnover of £712,000. Although, due to difficult market conditions, the turnover was down on 2000, the loss before tax was reduced by £0.5m.

The company continued its investment in existing products and in the development of new software solutions and will continue to do so in the future.

RESULTS AND DIVIDENDS

The results of the Company for the period are set out in detail on page 6. The Directors do not recommend the payment of a dividend for the year (2000 : £nil). Losses of £505,000 (2000 : £1,339,000) have been transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

	2,001	2,000
M Stadther - Resigned 30th November 2000	-	-
S R Davis	-	-
H Demetrios	-	-
C Flock	-	-
G Sommers	-	-
F P Helsby	3,977	3,977
J G Sussens	*	*
R K Graham	*	*
R G Peddar	-	-

* 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 plans of Misys plc are shown in the financial statements of that company.

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

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

	Performance related options	Non-performance related options	Savings-related options	2001 Total	2000 Total
M Stadther - Resigned 30th November 2000					
S R Davis	11,540	-	-	11,540	2,002
H Demetrios	95,435	-	-	95,435	50,555
C Flock	50,505	-	-	50,505	50,505
G Sommers	29,920	-	12,436	42,356	10,745
F P Helsby	100,157	76,490	4,400	181,047	128,483
R G Peddar	-	-	4,975	4,975	4,975

H. Demetrios, G Sommers, F Helsby, and S Davis were granted 44880, 29920, 25293, and 11540 performance-related options respectively at an exercise price of 658p per share on 4th August 2000. F Helsby was granted 27271 performance-related options at an exercise price of 645p per share on 14th November 2000. G Sommers was granted 5946 shares under the Misys US stock plan on 27th April 2001 at an exercise price of 496.4p.

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 :

	Annual Award at 01/06/00	Annual Award at 31/05/01	Matching Award at 01/06/00	Matching Award at 31/05/01
F P Helsby	23,790	23,790	23,790	23,790

On 2nd August 1999 the following director was granted share awards under the Misys Annual Award Plan as follows :

	Annual Award	Matching Awards	Deferred Awards
F P Helsby	1,832	1,832	3,053

Details of all the share option schemes and the share incentive plans together with their performance criteria, where applicable, are disclosed in the Report and financial Statements of the ultimate parent company, Misys plc.

THE FRUSTUM GROUP (EUROPE) LIMITED

DIRECTORS' REPORT

AUDITORS

PricewaterhouseCoopers have expressed their willingness to continue in office as Auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 13 July 2001 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 6 to 12 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Report and Financial Statement. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 Report and Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 31st May 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

13 July 2001

THE FRUSTUM GROUP (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 May 2001

	Note	2001 £'000	2000 £'000
TURNOVER	2	712	867
Cost of sales		(2,069)	(1,635)
GROSS PROFIT		<u>(1,357)</u>	<u>(768)</u>
Operating costs			
Administrative expenses		<u>840</u>	<u>(270)</u>
OPERATING LOSS	3	(517)	(1,038)
Interest	6	<u>12</u>	<u>11</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(505)	(1,027)
Tax on loss on ordinary activities	7	0	(312)
LOSS FOR THE PERIOD	14	<u><u>(505)</u></u>	<u><u>(1,339)</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.

There is no difference between the profit on ordinary activities before tax and the retained profit for the year stated above and their historical cost equivalent.

THE FRUSTUM GROUP (EUROPE) LIMITED

BALANCE SHEET

31 May 2001

	Note	2001		2000	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8		114		124
CURRENT ASSETS					
Debtors	9	461		519	
Cash at bank and in hand		145		316	
		<u>606</u>		<u>835</u>	
CREDITORS: amounts falling due within one year	10	<u>(399)</u>		<u>(451)</u>	
NET CURRENT (LIABILITIES) ASSETS			<u>207</u>		<u>384</u>
			321		508
CREDITORS : amounts falling due after one year					
Amounts due to group undertakings	11		(3,072)		(2,745)
Deferred income	12		(16)		(25)
			<u>(2,767)</u>		<u>(2,262)</u>
CAPITAL AND RESERVES					
Share capital	14		-		-
Profit and loss account	15		(2,767)		(2,262)
EQUITY SHAREHOLDER'S FUNDS	16		<u>(2,767)</u>		<u>(2,262)</u>

Approved by the Board of Directors on 13 July 2001 and signed on its behalf by



F P HELSBY, Director

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

Year ended 31 May 2001

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and the accounting policies below which have been consistently applied.

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
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Income recognition

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 the date of acceptance is the point where income is recognised.

Deferred taxation

Deferred taxation is calculated using the liability method on all timing differences, at the rate at which it is anticipated the timing difference will reverse. Deferred taxation assets are only recognised if recovery beyond reasonable doubt is within the foreseeable future.

Pensions

The parent company Misys Plc operates a defined contribution pension scheme covering the majority of its employees. The costs of the pension scheme are charged to the profit and loss account as incurred.

Foreign exchange

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date or at rates specified in related forward contracts. Transactions in foreign currencies are translated at the rate ruling at the date of each transaction or at rates specified in related forward contracts. Exchange differences arising from settlement of trading indebtedness are included in operating profit.

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

Year ended 31 May 2001

2. SEGMENTAL REPORTING

	2001 £'000	2000 £'000
Turnover by market :		
UK	322	66
Europe	336	662
North America	-	15
Far East	-	-
Africa	54	124
	<u>712</u>	<u>867</u>

3. OPERATING LOSS

	2001 £'000	2000 £'000
Operating loss is arrived at after charging:		
Depreciation of owned assets	58	52
Auditors' remuneration - audit services	<u>0</u>	<u>1</u>

4. EMPLOYEES

	2001 Number	2000 Number
The average number employed by the Company was as follows:		
Consulting staff	32	24
Sales staff	3	4
Administrative and management staff	3	2
	<u>38</u>	<u>30</u>

	2001 £'000	2000 £'000
Employee costs during the period amounted to:		
Wages and salaries	1,651	1,306
Social security costs	183	227
Other pension costs	121	21
	<u>1,955</u>	<u>1,554</u>

5. DIRECTORS' EMOLUMENTS

	2001 £000	2000 £000
Management remuneration	194	160
Pension costs for 1 director (2000 : 1)	15	15
	<u>209</u>	<u>175</u>

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

Year ended 31 May 2001

6. INTEREST

	2001 £'000	2000 £'000
Interest receivable	<u>12</u>	<u>11</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
Corporation tax charge / (credit) at 30% (2000 : 30%)	-	312
Corporation tax under provided in previous years	<u>-</u>	<u>-</u>
	<u>-</u>	<u>312</u>

8. TANGIBLE FIXED ASSETS

	Furniture, fittings and equipment £'000
Cost	
At 1 June 2000	233
Additions	48
At 31 May 2001	<u>281</u>
Accumulated depreciation	
At 1 June 2000	109
Charge for the year	58
At 31 May 2001	<u>167</u>
Net book value	
At 31 May 2001	<u>114</u>
At 31 May 2000	<u>124</u>

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

Year ended 31 May 2001

9. DEBTORS

	2001 £'000	2000 £'000
Trade debtors	56	107
Corporation tax	403	403
Other debtors	-	9
Prepayments and accrued income	2	-
	<u>461</u>	<u>519</u>

10. CREDITORS

	2001 £'000	2000 £'000
Amounts falling due within one year :		
Corporation tax	307	307
Other taxation and social security	-	5
Other creditors	61	98
Accruals	31	41
	<u>399</u>	<u>451</u>

11. CREDITORS

	2001 £'000	2000 £'000
Amounts falling due after one year :		
Amounts due to group undertakings	<u>3,072</u>	<u>2,745</u>

12. DEFERRED INCOME

	2001 £'000	2000 £'000
Deferred income recognisable within one year	<u>16</u>	<u>25</u>

13. DEFERRED TAXATION

	2001 £'000	2000 £'000
The unrecognised assets are as follows :		
Accelerated capital allowances	33	13
Other timing differences	3	2
Losses	736	636
	<u>772</u>	<u>651</u>

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

Year ended 31 May 2001

14. SHARE CAPITAL

	2001 £	2000 £
Authorised		
10,000 Ordinary shares of US\$1 each	<u>6,600</u>	<u>6,600</u>
Allotted and fully paid		
100 Ordinary shares of US\$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.

15. PROFIT AND LOSS ACCOUNT

	£'000
At 1 June 2000	(2,262)
Loss for the year	(505)
At 31 May 2001	<u>(2,767)</u>

16. RECONCILIATION OF SHAREHOLDER'S FUNDS

	2001 £'000	2000 £'000
(Loss) for the financial year	(505)	(1,339)
Opening shareholder's funds	(2,262)	(923)
Closing shareholder's funds	<u>(2,767)</u>	<u>(2,262)</u>

17. 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.