

**Company Registration Number 2801072**

**THE FRUSTUM GROUP (EUROPE) LIMITED**

**Report and Financial Statements**

**31 May 2002**



# THE FRUSTUM GROUP (EUROPE) LIMITED

## DIRECTORS' REPORT

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The Directors present their report and audited financial statements for the year ended 31 May 2002.

### 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 2002 the company recorded an operating profit of £242,000 compared to a prior year operating loss of £517,000. 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 (2001: £nil). Profits of £245,000 (2001: losses of £505,000) 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:

	Misys plc	
	Ordinary shares of 1p each	
	2002	2001
F P Helsby	5,021	3,977
J G Sussens	*	*
R K Graham	*	*
S R Davis (resigned 01/08/01)	N/a	N/a
H Demetrios (resigned 30/09/01)	N/a	N/a
C Flock (resigned 31/05/02)	N/a	N/a
G Sommers (resigned 14/06/01)	N/a	N/a
R G Peddar (resigned 31/05/02)	N/a	N/a

\* 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.

# THE FRUSTUM GROUP (EUROPE) LIMITED

## DIRECTORS' REPORT

The options held by the Directors as at 31 May 2002 over the ultimate parent company, Misys plc, were as follows:

	Performance related options	Non-performance related options	Savings-related options	2002 Total	2001 Total
F P Helsby	142,655	76,490	4,400	223,545	181,047
S R Davis (resigned 01/08/01)	N/a	N/a	N/a	N/a	11,540
H Demetrios (resigned 30/09/01)	N/a	N/a	N/a	N/a	95,435
C Flock (resigned 31/05/02)	N/a	N/a	N/a	N/a	50,505
G Sommers (resigned 14/06/01)	N/a	N/a	N/a	N/a	42,356
R G Peddar (resigned 31/05/02)	N/a	N/a	N/a	N/a	4,975

On 1 June 2001 10,908 performance related options granted to FP Helsby 14 November 2000 at an option price of 645p, lapsed.

F Helsby was granted 53,406 performance-related options at an exercise price of 343p per share on the 26th of July 2001.

The number of rights held by the Director 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		Matching Award	
	2002	2001	2002	2001
F P Helsby	23,790	23,790	23,790	23,790

The following Directors held share awards under the Misys Annual Award Plan at 31 May 2002:

	Annual Award	Matching Award	Deferred Award
F P Helsby	-	2,036	2,036

During the year the following awards were transferred to F P Helsby, 1017 Matching Awards and 1832 Annual Awards on 2 August 2001. On 24 October 2001 F P Helsby exercised 1017 Deferred awards. The market value on each of these dates was 388p and 257p respectively. The awards were originally based on a share price of 533p.

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

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

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### 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 18 July 2002 and signed on its behalf by:



F P HELSBY  
Director

## **THE FRUSTUM GROUP (EUROPE) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2002 and that applicable accounting standards have been followed.

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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and Financial Statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

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 is not disclosed.

We read the other information contained in the Annual Report 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
London  
18 July 2002

**THE FRUSTUM GROUP (EUROPE) LIMITED**

**PROFIT AND LOSS ACCOUNT**

**Year ended 31 May 2002**

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	Note	2002 £'000	2001 £'000
<b>TURNOVER</b>	2	25	712
Cost of sales		(1,967)	(2,069)
<b>GROSS PROFIT</b>		<u>(1,942)</u>	<u>(1,357)</u>
Administrative expenses		(612)	(782)
Other operating income		<u>2,796</u>	<u>1,622</u>
<b>OPERATING PROFIT / (LOSS)</b>	3	242	(517)
Interest receivable	6	<u>3</u>	<u>12</u>
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		245	(505)
Tax on loss on ordinary activities	7	-	-
<b>PROFIT / (LOSS) FOR THE FINANCIAL YEAR</b>	15	<u>245</u>	<u>(505)</u>

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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 equivalents.

**THE FRUSTUM GROUP (EUROPE) LIMITED**

**BALANCE SHEET**

**31 May 2002**

	Note	2002		2001	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	8		76		114
<b>CURRENT ASSETS</b>					
Debtors	9	96		154	
Cash at bank and in hand		-		145	
		<u>96</u>		<u>299</u>	
<b>CREDITORS :</b>					
Amounts falling due within one year	10	<u>(60)</u>		<u>(108)</u>	
<b>NET CURRENT ASSETS</b>			<u>36</u>		<u>191</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			112		305
<b>CREDITORS :</b>					
Amounts falling due after one year					
Amounts due to group undertakings	11		(2,634)		(3,072)
			<u>(2,522)</u>		<u>(2,767)</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	13		-		-
Profit and loss account	14		(2,522)		(2,767)
<b>EQUITY SHAREHOLDER'S FUNDS</b>	15		<u>(2,522)</u>		<u>(2,767)</u>

Approved by the Board of Directors on 18 July 2002 and signed on its behalf by



F P HELSBY, Director



# THE FRUSTUM GROUP (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2002

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### 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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future.

Resultant deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### 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.

#### Cash Flow Statement

The company is a wholly owned subsidiary of Misys plc, a company registered in England. Misys plc has produced publicly available consolidated financial statements which contain a cash flow statement prepared in accordance with Financial Reporting Standard 1 ("FRS1"). The Company has therefore taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1.

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

**Year ended 31 May 2002**

**2. SEGMENTAL REPORTING**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Turnover by market :		
UK	25	322
Europe	-	336
North America	-	-
Africa	-	54
	<u>25</u>	<u>712</u>

**3. OPERATING LOSS**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Operating loss is arrived at after charging:		
Depreciation of owned assets	54	58
Auditors' remuneration - audit services	-	-
	<u>-</u>	<u>-</u>

**4. EMPLOYEES**

	<b>2002</b>	<b>2001</b>
	<b>Number</b>	<b>Number</b>
The average number employed by the Company was as follows:		
Consulting staff	26	32
Sales staff	2	3
Administrative and management staff	2	3
	<u>30</u>	<u>38</u>

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Employee costs during the period amounted to:		
Wages and salaries	1,818	1,651
Social security costs	164	183
Other pension costs	132	121
	<u>2,114</u>	<u>1,955</u>

**5. DIRECTORS' EMOLUMENTS**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Director's remuneration	-	194
Director's pension costs	-	15
	<u>-</u>	<u>209</u>

The emoluments of Messrs Graham and Sussens are paid by the parent company, the emoluments of Mr Helsby are paid by a related subsidiary within the banking division. Their services to this company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company and related subsidiary. Accordingly, the above details include no emoluments in respect of Messrs Graham, Sussens and Helsby.

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

Year ended 31 May 2002

**6. INTEREST RECEIVABLE**

	2002 £'000	2001 £'000
Interest receivable	<u>3</u>	<u>12</u>

**7. TAX ON LOSS ON ORDINARY ACTIVITIES**

	2002 £'000	2001 £'000
Corporation tax charge at 30% (2001 : 30%)	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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

Profit on ordinary activities before tax	<u>245</u>	<u>(505)</u>
Tax at standard rate of UK corporation tax of 30%	74	(152)
<i>Effects of:</i>		
Non provided timing differences	(89)	-
Benefit of Group relief not recognised	-	152
Other adjustments	15	-
	<u>0</u>	<u>0</u>

**8. TANGIBLE FIXED ASSETS**

	Furniture, fittings and equipment £'000
<b>Cost</b>	
At 1 June 2001	281
Additions	18
Disposal	(2)
At 31 May 2002	<u>297</u>
<b>Accumulated depreciation</b>	
At 1 June 2001	167
Charge for the year	54
Disposal	-
At 31 May 2002	<u>221</u>
<b>Net Book Amount</b>	
At 31 May 2002	<u>76</u>
At 31 May 2001	<u>114</u>

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

Year ended 31 May 2002

**9. DEBTORS**

	2002 £'000	2001 £'000
Trade debtors	-	56
Corporation tax	96	96
Prepayments and accrued income	-	2
	<u>96</u>	<u>154</u>

**10. CREDITORS**

	2002 £'000	2001 £'000
<b>Amounts falling due within one year</b>		
Other creditors	57	61
Accruals and deferred income	3	47
	<u>60</u>	<u>108</u>

**11. CREDITORS**

	2002 £'000	2001 £'000
<b>Amounts falling due after one year</b>		
Amounts due to group undertakings	<u>2,634</u>	<u>3,072</u>

**12. DEFERRED TAXATION**

The following deferred tax assets have not been recognised as their use is uncertain or is not currently anticipated due to losses within the group.

	2002 £'000	2001 £'000
The unrecognised assets are as follows:		
Accelerated capital allowances	19	33
Other timing differences	1	3
Losses	633	736
	<u>653</u>	<u>772</u>

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

**Year ended 31 May 2002**

**13. SHARE CAPITAL**

	2002 £	2001 £
<b>Authorised</b>		
10,000 Ordinary shares of US\$1 each	<u>6,600</u>	<u>6,600</u>
<b>Allotted and fully paid</b>		
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.

**14. PROFIT AND LOSS ACCOUNT**

	£'000
At 1 June 2001	(2,767)
Profit for the financial year	245
At 31 May 2002	<u>(2,522)</u>

**15. RECONCILIATION OF SHAREHOLDER'S FUNDS**

	2002 £'000	2001 £'000
Profit/(Loss) for the financial year	245	(505)
Opening shareholder's funds	(2,767)	(2,262)
Closing shareholder's funds	<u>(2,522)</u>	<u>(2,767)</u>

**16. 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, Maundy, Cardiff CF14 3UZ.

The Company has taken advantage of the exemption under FRS 8 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.