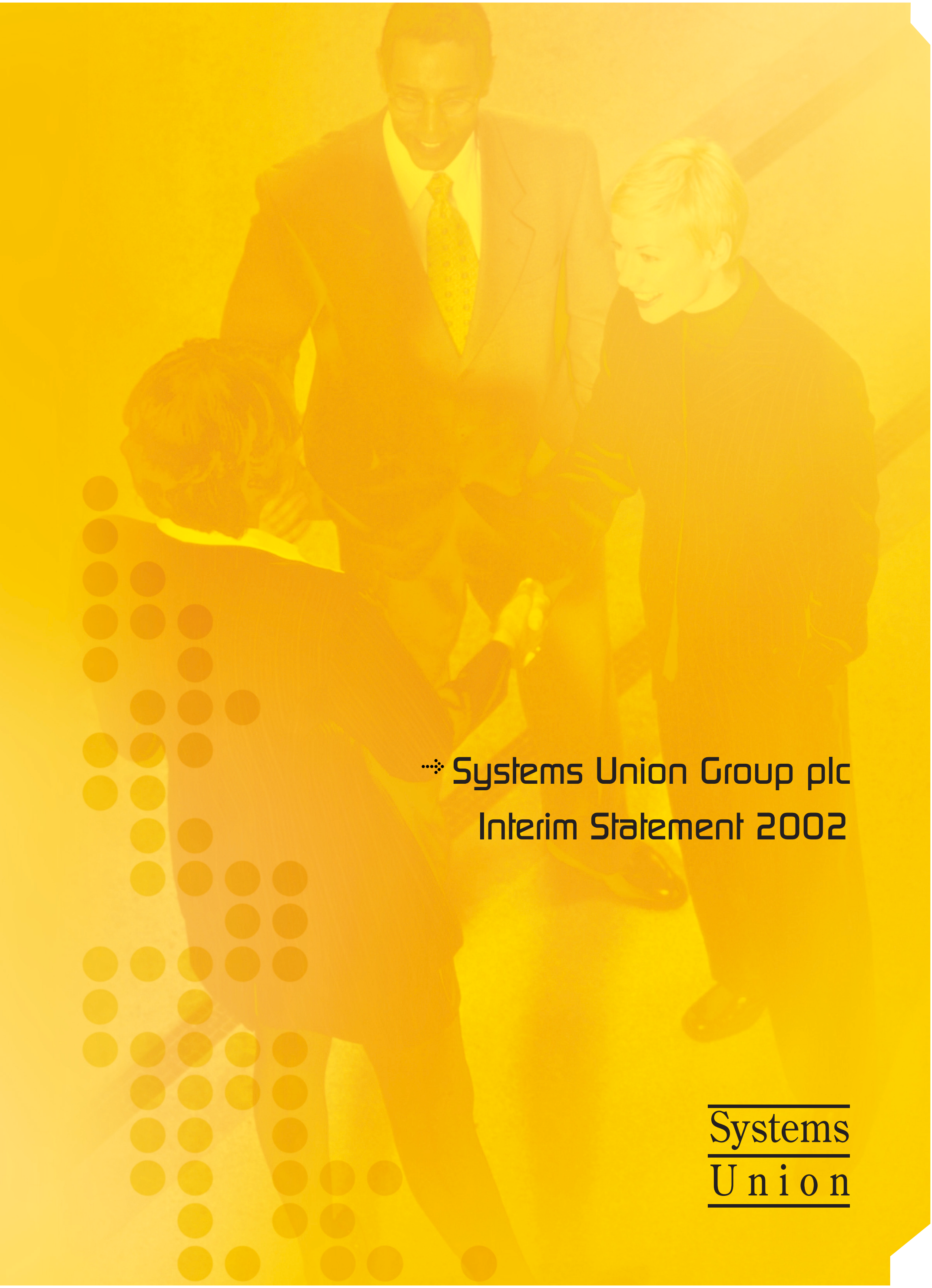
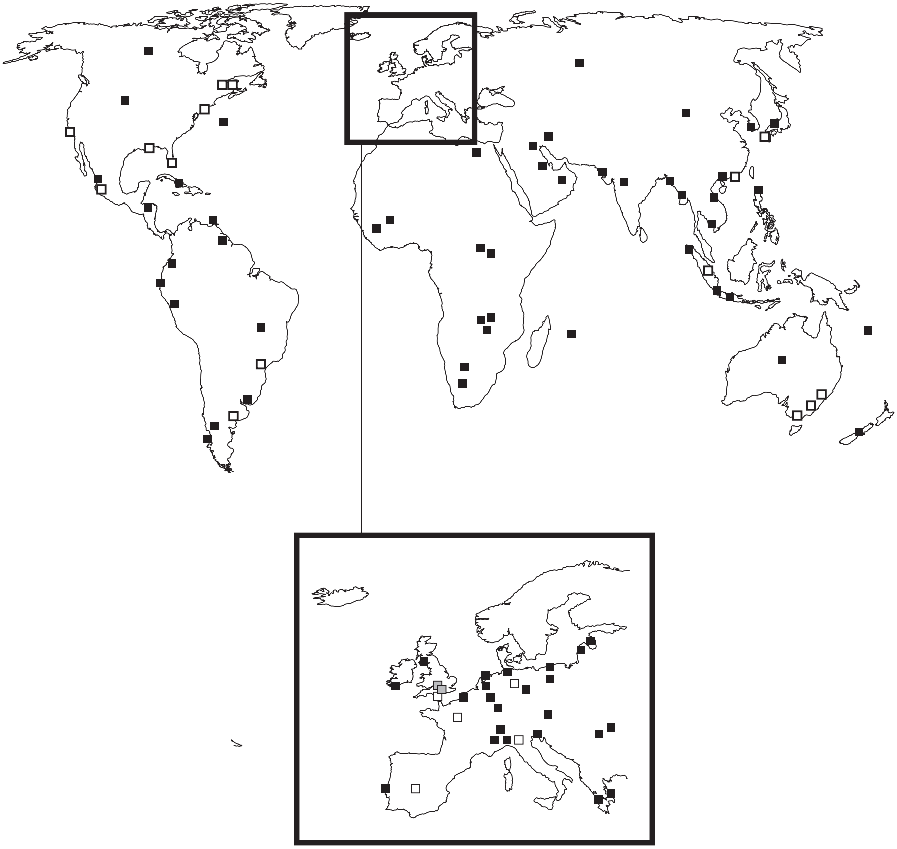


Systems Union Group plc
Interim Statement 2002

Systems Union



Key

☐ Location of SunSystems offices

■ Country in which one (or more) SunSystems channel partner(s) operates

Other Systems Union Group offices

Interim Statement

The Board is pleased to report its fourth consecutive improvement in half-year results despite a very difficult economic and business environment across the world.

For the six months to 30 June 2002, the Group achieved an EBITDA of £3.8 million (first half 2001: £1.4 million). Turnover for the six months increased to £37.5 million (first half 2001: £36.8 million). The rise in EBITDA during the period has been achieved, primarily, through increased revenues, tight cost controls and improved productivity.

For the trailing 12 months to 30 June 2002, the Group has recorded a turnover of £79.1 million with an EBITDA of £7.5 million, adjusted profit after tax of £6.6 million and an adjusted earnings per share of 6.2p (adjusted to exclude amortisation of goodwill).

We continue to benefit from working with existing customers to identify additional requirements for further software and support solutions, as well as seeking opportunities to work with associated companies of existing customers within the same group. An example of this strategy is an agreement with Willis Group, the leading global insurance broker, worth over £6 million including global support over a five-year period.

Global exclusivity rights for SunSystems Vision, an analytics tool, were acquired in January for £1.2 million together with existing maintenance contracts. Additionally, an outstanding commitment relating to a third party royalty agreement was renegotiated and settled for £1 million. Not withstanding these payments, cash at bank increased in the period by £0.6 million to £15.9 million.

Operational Review

Systems Union Holdings Limited

SUHL, author of SunSystems, improved its trading performance in an extremely difficult market at a time when revenues of some major global competitors decreased whilst they heavily discounted licence sales and consulting revenues to win new business. The company remained competitive in the current environment by exercising close control of its operating costs.

Across the world, new orders were received, many for additional software and services from existing customers demonstrating the continued support from users and the appeal of SunSystems' product offerings. The majority of these orders were for international deployment, with SunSystems chosen against competitive products because of its global coverage, low total-cost-of-ownership and low risk.

Recognising the evolving market for global financial and business systems, we have focused our sales and marketing operations on five key global markets: oil & gas, hospitality (hotels and restaurants), not-for-profit (government, transport, utilities, charities and aid organisations), finance & banking and major multinationals. A team of global solution directors has been appointed to drive the strategy, develop partnerships and allow us to offer complete end-to-end solutions. Our relationship with MICROS Systems Inc, the global market leader in hotel front-office systems, to market and distribute MICROS-Fidelio Financials powered by SunSystems, is an example of our strategic approach.

At the beginning of 2002, the company increased its maintenance charges to its worldwide channel, bringing rates closer to industry standards. This has improved the company's annualised recurring revenue and enhanced cash flow.

The EMEA region performed well in the period and revenues from software sales were maintained at levels consistent with last year. Maintenance revenues benefited from the increased rates charged to channel partners.

Revenues from the Asia-Pacific region were marginally down. This is a creditable performance given that Hong Kong, an important market for SunSystems, has experienced its worst economic downturn for some years. Asia-Pacific remains a long term growth market, particularly the Greater China region, and the company is well placed to capitalise on this opportunity.

Contribution from The Americas region improved against the same period in 2001, this results from lower operating costs set against level sales. With the region's new headquarters established in Miami the business is operating more efficiently. A significant number of marketing initiatives have been put into place following the introduction of SunSystems 5 which are already bringing results, particularly in the North American domestic market.

The research & development team in Farnborough, UK, continued to enhance and deliver SunSystems offerings. The period saw our first release of SunSystems 5 running on double-byte languages, Simplified Chinese and Japanese, as well as Brazilian-Portuguese, Italian and also our first delivery on the Oracle NT operating system for this version. A major release of SunSystems 5, in August 2002, included various enhancements to Order Fulfilment, a new Report Server product and improved user interfaces. We have also continued our investment in SunSystems 4, with regular maintenance service packs and a major release due out in September.

Further product releases include a debt collection product and a web-enabled purchase requisition system. We also expect to release new Consolidation, Forecasting and MS-Word compatible software in the coming months. Several strategic product alliances have been developed in 2002 including relationships with Microsoft, Oracle and Citrix to ensure SunSystems customers continue to get the best options to meet their needs.

We have introduced a new global training function for in-house and channel partner staff. This has improved the understanding of our products and our global customer service levels.

Pegasus Software Limited

Pegasus has continued to produce satisfactory operating profits despite the difficult market conditions. The adoption of new software for its support area together with new service level agreements with the resellers has markedly improved efficiency.

There continues to be a strong migration of existing users of Opera I to Opera II, showing the inherent strengths of the Pegasus products as well as the loyalty of the customers. Opera II continues to win new business as well, including its largest contract to date, a 35-site installation to a vehicle hire company.

The Capital Unity project has also been launched. The aim is to create Britain's first on-line community of like-minded small businesses. Members will be given access to support and advice as well as exchange ideas and knowledge to help them manage their accounts more effectively and gain business advantage.

Operations II, targeted at manufacturing companies, is continuing to prove successful with much interest from medium-sized companies looking for scaleable solutions. The company is also marketing the product directly to larger businesses who, generally, have more specific requirements.

Pegasus became the first payroll software supplier to secure Inland Revenue approval for its e-submission utility, allowing customers to transmit statutory tax returns via the Internet. The company is putting considerable effort into developing its payroll products to meet anticipated future Inland Revenue standards.

The Group is now focused on deriving greater product synergy between SunSystems and Pegasus. SunSystems Payroll, developed from the highly successful Pegasus Payroll product, has been launched in the UK. An adapted version of SunSystems Vision analytics has been added to the Pegasus range.

Systems Union eBusiness Solutions Limited

The performance of SUeBS was slightly better than expectations. As well as winning new business, SUeBS has been working on key projects for both SunSystems and Pegasus. In particular, the company's web trading solutions and web portal expertise have been employed, including a scheme jointly developed with Pegasus for two web-trading solutions that are integrated with Opera.

Included amongst recent contract wins is a nine-language e-commerce system developed for Oxford Psychologists Press. A new Network Services business has been established to install servers, firewalls and other Internet communications at customer sites.

Financial and cash position

Compared to the same period last year there is a significant improvement in EBITDA taken as a percentage of sales: up from four per cent to ten per cent. This reflects greater cost efficiency from increasing revenues.

Net cash increased by £0.6 million to £15.9 million. The cash generated from operations was £2.0 million (2001: £1.5 million). Cash collection, as always, remains a priority. The DSOs (Days Sales Outstanding) at 30 June 2002 was 58 days.

The Group remains debt-free with net current assets of £20.9 million, an improvement of £3.9 million. This broadly equates to EBITDA for the period. In addition to net current assets, the Group continues to hold an investment in nine million of its own shares, which are carried at a valuation of £6.3 million.

The Directors are planning to seek permission from the High Court to give effect to a capital reduction in the AIM-quoted company, Systems Union Group plc. This proposal is intended to facilitate the removal of the deficit on the profit & loss account, thereby bringing forward the time when the Company will be able to pay future dividends out of profits and is conditional upon the approval of Shareholders at an Extraordinary General Meeting on 23 September. A notice of the EGM with a further explanation will be sent to shareholders with these results.

Staff

The continuity of skills and knowledge within the workforce is an important factor in our success. The Directors thank the staff for their continued loyalty and endeavour.

Outlook

In the first half of the year, the Group has performed well despite difficult market conditions and conservative corporate investment decisions by customers. Whilst we cannot presume that the Group will be immune from the vagaries of world economies, we continue to win new business and remain optimistic about the future.

Bob Morton
Chairman

Paul Coleman
Chief Executive Officer

19 August 2002

Consolidated Profit and Loss Account
For the six months ended 30 June 2002

	Note	***Six months ended 30 June 2002 (unaudited) £000***	*Six months ended 30 June 2001 (unaudited) £000*	*Year ended 31 December 2001 (audited) £000*
Turnover	2	**37,459**	36,756	78,385
Cost of operations		**(28,599)**	(28,991)	(61,184)
EBITDA before research and development		**8,860**	7,765	17,201
Research and development		**(5,051)**	(6,312)	(12,052)
EBITDA		**3,809**	1,453	5,149
Profit on disposal of properties		**–**	1,588	1,586
Depreciation		**(480)**	(721)	(1,385)
Amortisation of intangibles		**(1,965)**	(1,771)	(3,590)
Operating profit		**1,364**	549	1,760
Net interest receivable		**252**	130	429
Profit on ordinary activities before taxation		**1,616**	679	2,189
Taxation on profit on ordinary activities		**65**	–	(146)
Profit for the financial period	3	**1,681**	679	2,043
Earnings per share	4			
Basic		**1.6p**	0.7p	2.0p
Diluted		**1.6p**	0.6p	1.9p
Adjusted earnings per share	4			
Basic		**3.3p**	0.8p	3.9p
Diluted		**3.2p**	0.8p	3.8p

There is no difference between the retained profit for the period stated above and its historical cost equivalent.

Consolidated Balance Sheet
As at 30 June 2002

	30 June 2002 (unaudited) £000	*31 December 2001 as adjusted (audited) £000*
Fixed assets		
Intangible assets	**64,938**	65,653
Tangible assets	**4,440**	4,469
Investments	**6,300**	6,300
	75,678	76,422
Current assets		
Debtors	**20,010**	19,448
Cash at bank and in hand	**15,880**	15,293
	35,890	34,741
Creditors: amounts falling due within one year	**(14,999)**	(17,745)
Net current assets	**20,891**	16,996
Total assets less current liabilities	**96,569**	93,418
Creditors: amounts falling due after more than one year	**–**	(826)
Provisions for liabilities and charges	**(2,368)**	(2,204)
Deferred income	**(15,559)**	(13,178)
Net assets	**78,642**	77,210
Capital and reserves		
Called up share capital	**5,188**	5,172
Share premium account	**35,987**	35,963
Merger reserve	**52,346**	54,118
Warrant reserve	**1,476**	1,476
Profit and loss account	**(16,355)**	(19,519)
Shareholders' funds	**78,642**	77,210

Group Cash Position
Movement in net funds

	Six months ended 30 June 2002 (unaudited) £000	*Year ended 31 December 2001 (audited) £000*
Increase in cash in the period	**587**	10,158
Cash flow from change in bank debt	**–**	5,300
Cash inflow from decrease in liquid resources	**–**	(4,000)
Change in net funds resulting from cash flows	**587**	11,458
Net funds at beginning of period	**15,293**	3,835
Net funds at end of period	**15,880**	15,293

Cash flow statement
For the six months ended 30 June 2002

	Six months ended 30 June 2002 (unaudited) £000	*Year ended 31 December 2001 (audited) £000*
Cash flow statement		
Cash flow from operating activities	**2,005**	3,435
Returns on investments and servicing of finance	**252**	429
Taxation	**–**	27
Disposal of properties	**–**	8,888
Capital expenditure, financial investment and acquisitions	**(1,710)**	(1,402)
Cash inflow before management of liquid resources and financing	**547**	11,377
Movement in short term deposits	**–**	4,000
Repayment of bank loans	**–**	(5,300)
Issue of ordinary share capital	**40**	81
Increase in cash	**587**	10,158

Notes to the Interim Accounts

1. The financial information contained in this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year to 31 December 2001 have been filed with the Registrar of Companies. The auditors have reported on those accounts; their report is unqualified and did not contain a statement under section 237 of the Companies Act 1985.

2. **Segmental analysis**

	Six months ended 30 June 2002 (unaudited) £000	*Six months ended 30 June 2001 (unaudited) £000*	*Year ended 31 December 2001 (audited) £000*
Turnover			
EMEA	**22,087**	20,883	45,730
Americas	**7,502**	7,667	16,173
Asia-Pacific	**7,870**	8,206	16,482
	37,459	36,756	78,385

3. **Statement of Total Recognised Gains and Losses**

	Six months ended 30 June 2002 (unaudited) £000	*Six months ended 30 June 2001 (unaudited) £000*	*Year ended 31 December 2001 (audited) £000*
Profit for the period	**1,681**	679	2,043
Currency translation on foreign currency net investments	**(290)**	(342)	(336)
Total gains and losses relating to the period	**1,391**	337	1,707

4. **Earnings per share**
The basic earnings per share has been calculated on the net profit of £1,681,000 and the weighted average number of shares in issue of 103,733,000. The adjusted earnings per share has been calculated on the net profit as adjusted for amortisation of goodwill. The diluted earnings per ordinary share are based on the net profit of £1,681,000 and on a fully diluted weighted average number of shares of 107,290,000.

5. **FRS 19**
Financial Reporting Standard No 19: Deferred Tax (FRS 19) became effective for accounting periods ending on or after 23 January 2002. Under the new standard, the Group is required to recognise deferred tax as a liability or asset if transactions or events giving rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Previously the Group provided for deferred tax only to the extent that it is probable that an actual liability will crystallise. Deferred tax, which is now required to be provided for under FRS 19, has been treated as a prior year adjustment and reflected through reserves. Comparative financial information has been restated as necessary. The impact of adopting FRS 19 was a credit to the tax charge of £120,000 for the six months to 30 June 2002. There was no impact on the profit and loss account for the six months to 30 June 2001 and the year to 31 December 2001. Shareholders' funds at 31 December 2001 have been increased by £867,000.

Independent Review Report to Systems Union Group plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 6 to 9 and we have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of Interim Financial Information issued by the Auditing Practices Board. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

KPMG Audit plc
Arlington Business Park
Theale
Reading
RG7 4SD

19 August 2002

Highlights from the Press Release issued 19 August 2002

- Significantly improved EBITDA of £3.8 million (first half 2001: £1.4 million), an increase of 162 per cent.
- Turnover up by £0.7 million to £37.5 million.
- Adjusted earnings per share considerably higher at 3.2p up from 0.8p.
- The trailing 12 month figures to 30 June 2002 are: turnover £79.1 million, EBITDA £7.5 million, adjusted profit after tax £6.6 million and adjusted earnings per share 6.2p.
- Increase in net current assets of £3.9 million to £20.9 million, of which cash at bank is £15.9 million.
- Capital reconstruction planned to enable payment of future dividends.

Paul Coleman, chief executive officer of Systems Union Group plc, said:

"Despite the tough trading environment, we are pleased to report our fourth consecutive half-year of improved results. SunSystems and Pegasus continue to release new products and consolidate their positions as leading solutions providers in their chosen markets. We face the challenges of the future with confidence."

Systems
Union

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