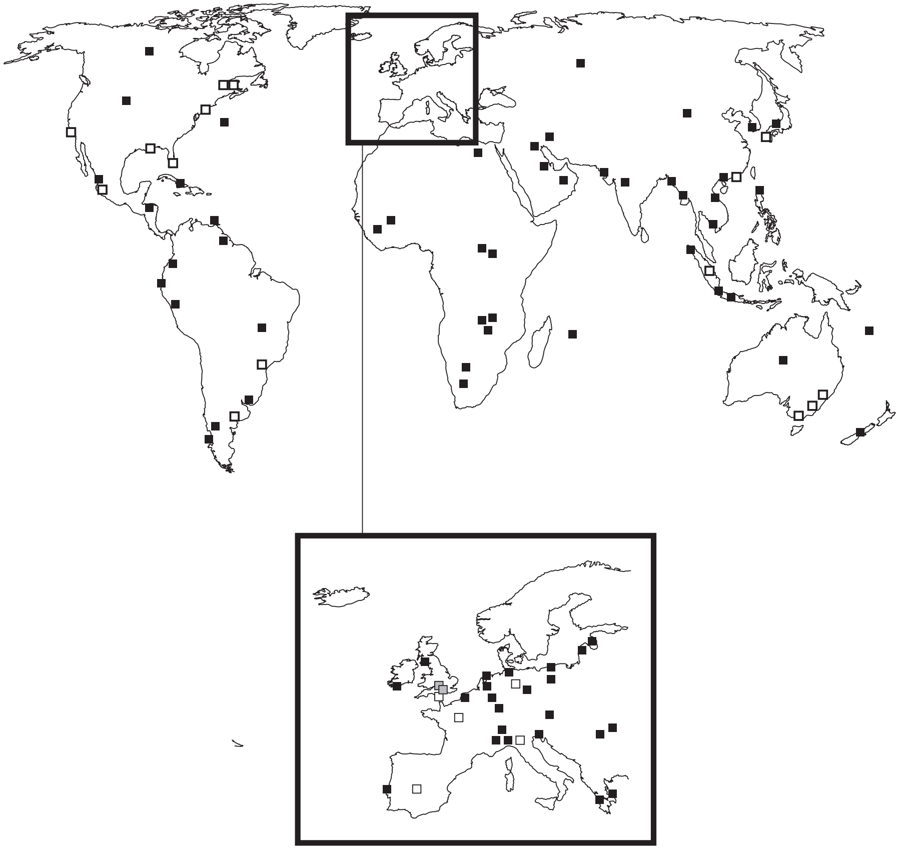
Systems Union Group plc

Interim Results
for the six months ended
30 June 2001



Key

Location of SunSystems offices

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

Other Systems Union Group offices

Interim Statement

We are pleased to report that, for the six months to 30 June 2001, the Group recorded an EBITDA from operations of £1.45 million (first half 2000, LBITDA £7.55 million). This is an improvement in EBITDA from operations of £9.00 million over the same period last year, and is significantly ahead of market expectations.

Total EBITDA for the six months was £3.04 million, including an additional profit of £1.59 million from the disposal of properties held for sale, an improvement in total of £10.59 million.

Turnover was £36.76 million for the six months (first half 2000, £15.69 million). The net cash position improved by more than £10 million from the year-end to £13.88 million as at 30 June 2001.

This clearly demonstrates the very sound basis that now exists for future profitability, and the major progress made by the Group over the past 12 months. The strong financial position and considerably improved trading performance will enable the Group to take full advantage of its opportunities.

After a period of hectic corporate activity in 2000, a major realignment was initiated to introduce a profit-based earnings-per-share strategy. The Group has focused its resources on profitability and delivering two major new products to market. SunSystems 5 and Opera II have been launched receiving excellent customer feedback and major orders secured. In addition, steps have been taken to strengthen the Group for the future including a refreshing of SunSystems 4, the launch of other new products and the formation of new strategic alliances.

Operational Review

Systems Union Holdings Limited

SunSystems, the core brand of Systems Union Holdings Limited, is a leading financial and business management software solution designed for organisations which, typically, operate in many countries, with several languages and numerous currencies. Key strengths are global reach, low total-cost-of-ownership and low risk. It is installed in virtually every country with customers including 15 of the 16 largest corporations in the world, 60 of the FTSE 100 and a quarter of the Fortune 500. Through 20 SunSystems offices and 200 channel partners, the company has a presence in 76 countries providing consistent support combined with local knowledge.

EBITDA for SunSystems was ahead of expectations. Regionally both EMEA and Asia-Pacific produced good results. In EMEA, the company enjoys a strong recurring revenue stream from its healthy mix of direct and indirect routes to market. The UK continues to be the major market combined with encouraging signs of growth from the continental European operations. The Asia-Pacific region continued to capitalise on its leading market position through its extensive channel network.

In the face of economic uncertainty in the Americas and the need to better reflect our own market requirements, the company has undertaken some considerable restructuring in that region. This involved the closure of the regional offices in White Plains, New Jersey and in Deerfield Beach, Florida with consequent reduction in staff numbers. A new regional head office covering North, Central and South America has been opened in Miami as well as new offices opened in Manhattan and Los Angeles. As a result of the restructuring the company is confident that an improved contribution will be achieved from this region in the current financial year.

Sales of SunSystems 4 were buoyant and the first live SunSystems 5 site was announced in April. Version 5 is being rolled out to early adopters and sales received a major boost from an order from the Seventh-Day Adventist Church, Maryland announced on 28 June 2001. Total revenues from this contract could exceed $5 million (£3.5 million). Cash of $2.625 million (£1.862 million) relating to the initial phase of the contract has been received, and the majority of the initial deferred revenue will be recognised in the second half of the year.

The Research & Development team met all its objectives for the half-year within tight cost controls. The second half will be equally demanding with reducing levels of spending to reflect the completion of the initial SunSystems 5 work.

Following the release of SunSystems 5.1.1 in December 2000, SunSystems 5.1.2 was completed at the end of the first half of 2001. This encompassed input from the Early Adopters Scheme and concluded the initial offering of SunSystems 5 including purchasing, fixed assets, business rules and tax reporting. SunSystems 5.1.3 is due to be issued at the end of the year and will mostly feature specific customer-led enhancements. Towards the turn of the year, SunSystems 5 Financials for Oracle on Windows NT will also be completed.

In the first half, three service packs were produced for SunSystems 5 and the live customer sites on the Early Adopters Scheme were supported. During the second half, French, German, Spanish and American-English versions of SunSystems 5 will be completed, with Chinese, Japanese, Portuguese and Italian versions issued early in 2002. In addition, channel partners will add companion languages to meet their local needs.

The refreshing of SunSystems 4 included version 1.0 of SunSystems i2i. This tool allows customers, through password security protection, to make transaction enquiries, reference file enquiries and transaction updates in real time from anywhere in the world across the Internet from any web-connected computer. Version 1.1 will be released in the second half, centred on web-based requisitioning and provide 'Explorer-style' menu options. Additionally, through the eBusiness Gateway, SunSystems 4 can communicate with other web applications extending the functionality that users can access, worldwide.

The product portfolio has also been further strengthened with strategic alliances, including SunSystems PSA powered by SharpOWL, and through establishing new OEM relationships as part of the 'union of systems houses' strategy.

Pegasus Software Limited

Pegasus Software achieved its revenue and profit targets for the six months to 30 June 2001. The results represent a significant improvement on the same period last year.

The streamlining of Pegasus has resulted in the focusing of its key back-office product ranges targeted at the SME marketplace, predominantly in the UK. Capital Gold, an entry-level product for smaller organisations, continues to sell well. The Opera range, and in particular Opera II, a true 32-bit Windows application, is key to the company's growth plans. Sales are running ahead of forecast and received a further boost in June with a large 500-user licence order. Road shows and increased training and support have stimulated the take-up of Opera II by the channel partners and end-users and the product has been well received.

The company has an excellent reputation as a provider of payroll packages and its products in this area continue to sell well. Pegasus, itself, successfully sent its own year-end payroll return electronically through the Government Gateway. This facility will now be rolled out to all Pegasus Opera Payroll users during the current year. Further expansion of this functionality across the Group is being considered.

Systems Union eBusiness Solutions Limited

SUeBS has undergone major restructuring over the past 12 months and now focuses on the design and building of web systems, the integration of e-commerce applications and an outsourced hosting service for customers' web systems. Its externally-operated datacentre in London Docklands is now fully operational and the combination of infrastructure improvements and service innovations provide SUeBS with the ability to attract larger hosting contracts.

SUeBS's software development capability has moved from purely customising Intershop software to include bespoke solution development and systems integration. Central to this is its work with customers to maximise on their business efficiencies through e-commerce solutions such as internal procedures on company intranets.

SUeBS has responded well to its challenges and has a positive outlook for the second half.

Financial and cash position

The results for the first half-year are encouraging and demonstrate the Group's inherent profitability following the disposal and closure of non-core activities in the latter part of last year.

Total net cash and liquid securities increased by £10.04 million. This was accounted for primarily by £9.0 million derived from the disposal of surplus properties held for sale and £1.5 million from operations. Secured debt of £5.3 million was repaid on the sale of Dogmersfield Park.

The balance sheet is strong with cash balances at 30 June 2001 of £13.9 million and net current assets of £12.6 million. In addition the Group is debt-free and continues to hold an interest in nine million of its own shares. This asset is being carried in the books at its year-end price of 70p and has been reclassified as a fixed asset investment. The Directors do not currently intend disposing of these shares.

In line with others in the industry, we have aggregated cost of sales with administrative expenses under the caption 'Cost of operations' in the consolidated profit and loss account and reclassified 'Deferred income' as a separate line item in the consolidated balance sheet.

Board

James Glicker is resigning with effect from today from his office as non-executive director. James has decided to spend more time with his family and his other business interests based in the United States. The Board would like to thank him very much for his valuable contribution.

Staff

If 2000 was a challenging year, 2001 has been one for providing a platform for growth. Throughout the Group, and across the world, the team has remained motivated, vibrant and confident. The staff has a vested interest in the future prosperity of the Group through participation in a share option scheme. Of the total staff of approximately 800, 75 per cent now has an interest in improving the value of the Company's share price through share options. This will be achieved through our combined efforts and the future delivery of improved performance onto the bottom line.

We would like to thank all members of the Systems Union and Pegasus team for their hard work, continued support and loyalty. Our people are a major asset of the Company.

Outlook

Current trading is encouraging with major orders such as Seventh-Day Adventist Church secured and further contracts due to be finalised in the second-half. The Board believes that the progress made in the first six months will continue into the second half of the year.

The Group has faced many challenges and changes in the past eighteen months. We shall continue with our profit-driven strategy and we believe that we are well positioned to unlock the real growth potential of the Group in the short/medium term to the benefit of all stakeholders.

Bob Morton
Chairman

Paul Coleman
Chief Executive Officer

6 September 2001

Consolidated Profit and Loss Account

For the six months ended 30 June 2001

	Notes	***Six months ended 30 June 2001 (unaudited) £000***	*Six months ended 30 June 2000 (unaudited) £000*	*Year ended 31 December 2000 (audited) £000*
Turnover	2	**36,756**	15,686	53,778
Cost of operations		**(28,991)**	(18,119)	(52,684)
EBITDA/(LBITDA) before research and development		**7,765**	(2,433)	1,094
Research and development		**(6,312)**	(5,115)	(12,517)
EBITDA/(LBITDA)				
: Operations		**1,453**	(7,548)	(11,423)
: Disposal of Properties held for sale		**1,588**	–	–
Total EBITDA/(LBITDA)		**3,041**	(7,548)	(11,423)
Depreciation		**(721)**	(1,216)	(2,193)
Amortisation/impairment of intangibles		**(1,771)**	(14,529)	(16,460)
Operating profit/(loss)		**549**	(23,293)	(30,076)
Profit on disposal of investments		**–**	2,110	2,109
Reorganisation costs		**–**	(5,946)	(7,165)
Loss on sale of discontinued operations		**–**	(69,971)	(71,485)
Net interest receivable		**130**	585	693
Profit/(loss) on ordinary activities before taxation		**679**	(96,515)	(105,924)
Taxation on loss on ordinary activities		–	–	(705)
Profit/(loss) for the financial period transferred to reserves		**679**	(96,515)	(106,629)
Basic earnings/(loss) per share (pence)	4	**0.7**	(115.0)	(125.3)
Adjusted earnings/(loss) per share (pence)	4	**2.4**	(6.0)	(6.0)
Diluted earnings/(loss) per share (pence)	4	**0.6**	(115.0)	(125.3)

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 2001

	30 June 2001 (unaudited) £000	31 December 2000 (audited) £000
Fixed assets		
Intangible assets	**67,179**	68,800
Tangible assets	**5,113**	4,716
Investments	**6,300**	–
	78,592	73,516
Current assets		
Debtors	**17,935**	19,106
Properties held for sale	**–**	7,302
Other current assets	**–**	6,300
Cash at bank and in hand	**13,879**	9,135
	31,814	41,843
Creditors: amounts falling due within one year	**(19,254)**	(24,390)
Net current assets	**12,560**	17,453
Total assets less current liabilities	**91,152**	90,969
Creditors: amounts falling due after more than one year	**(1,333)**	(3,173)
Provisions for liabilities and charges	**(2,312)**	(2,584)
Deferred income	**(12,345)**	(10,464)
Net assets	**75,162**	74,748
Capital and reserves		
Called up share capital	**5,179**	5,158
Share premium account	**35,952**	35,896
Merger reserve	**55,891**	57,662
Warrant reserve	**1,660**	1,892
Profit and loss account	**(23,520)**	(25,860)
Shareholders' funds	**75,162**	74,748

Group Cash Position
Movement in net funds

	Six months ended 30 June 2001 £000 (unaudited)	*12 months ended 31 December 2000 £000 (audited)*
Increase in cash in the period	**8,557**	5,051
Decrease in bank debt	**5,300**	2,354
(Decrease) in liquid resources	**(3,813)**	(15,028)
Change in net funds resulting from cash flows	**10,044**	(7,623)
Loans acquired with subsidiary undertakings	**–**	(7,600)
Movement in net funds	**10,044**	(15,223)
Net funds at beginning of period	**3,835**	19,058
Net funds at end of period	**13,879**	3,835

Analysis of net cash

	1 January 2001 £000 (audited)	*Cash Flow £000 (unaudited)*	*Exchange Movement £000 (unaudited)*	*30 June 2001 £000 (unaudited)*
Cash at bank and in hand	5,135	8,538	19	13,692
Short term deposits	4,000	(3,813)		187
Cash and liquid securities	9,135	4,725	19	13,879
Secured bank debt	(5,300)	5,300	–	–
Total net cash	**3,835**	**10,025**	**19**	**13,879**

Cash flow statement
For the six months ended 30 June 2001

	Six months ended 30 June 2001 (unaudited) £000	*Year ended 31 December 2000 (audited) £000*
Cash flow statement		
Cash flow from operating activities	**1,520**	(22,566)
Returns on investments and servicing of finance	**130**	693
Taxation	**–**	(225)
Disposal of Properties held for sale	**8,997**	–
Capital expenditure, financial investment and acquisitions	**(680)**	(856)
Cash inflow/(outflow) before management of liquid resources and financing	**9,967**	(22,954)
Movement in short term deposits	**3,813**	15,028
Repayment of bank loans	**(5,300)**	(2,300)
Issue of ordinary share capital	**77**	15,277
Increase in cash	**8,557**	5,051

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 2000 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. **Geographical analysis**

	Six months ended 30 June 2001 £000 (unaudited)	*Six months ended 30 June 2000 £000 (unaudited)*	*12 months ended 31 December 2000 £000 (audited)*
Turnover			
EMEA	**20,883**	10,210	32,329
Americas	**7,667**	2,364	10,167
Asia Pacific	**8,206**	3,112	11,282
	36,756	15,686	53,778
Ongoing operations	**36,756**	14,376	50,996
Discontinued operations	**–**	1,310	2,782

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

	Six months ended 30 June 2001 (unaudited) £000	*Six months ended 30 June 2000 (unaudited) £000*	*12 months ended 31 December 2000 (audited) £000*
Profit/(Loss) for the period	**679**	(96,515)	(106,629)
Currency translation on foreign currency net investments	**(342)**	(94)	(523)
Total gains and losses relating to the period	**337**	(96,609)	(107,152)

4. **Earnings per share**
The basic earnings per share has been calculated on the net profit of £679,000 and the weighted average number of shares in issue of 103,230,415. The adjusted earnings per share has been calculated on the net profit as adjusted for amortisation of intangibles. The diluted earnings per ordinary share is based on the net profit of £679,000 and on a fully diluted weighted average number of shares of 106,265,390.

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 2001.

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6 September 2001

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