

Company Registration No. 2007321 (England and Wales)

ARTIFAX SOFTWARE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003

Faulkner House
Victoria Street
St Albans
Herts
AL1 3SE

RAYNER ESSEX
CHARTERED ACCOUNTANTS



ARTIFAX SOFTWARE LIMITED

COMPANY INFORMATION

Directors

Mr T Coleman
Mr B J Curthoys
Artifax Group Limited (Appointed 20 February 2003)
Mr N Webb (Appointed 20 February 2003)

Secretary

Ms N Kaye

Company number

2007321

Registered office

Faulkner House
Victoria Street
St Albans
Herts
AL1 3SE

Auditors

Rayner Essex
Faulkner House
Victoria Street
St Albans
Herts
AL1 3SE

ARTIFAX SOFTWARE LIMITED

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ARTIFAX SOFTWARE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2003

The directors present their report and financial statements for the year ended 31 March 2003.

Principal activities

The principal activity of the company continued to be that of computer software developing and marketing.

Directors

The following directors have held office since 1 April 2002:

Mr T D Nathan	(Resigned 20 February 2003)
Ms N Kaye	(Resigned 20 February 2003)
Mr T Coleman	
Mr B J Curthoys	
Artifax Group Limited	(Appointed 20 February 2003)
Mr N Webb	(Appointed 20 February 2003)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary A shares of £ 1 each	
	31 March 2003	1 April 2002
Mr T Coleman	-	-
Mr B J Curthoys	-	-
Artifax Group Limited	49	-
Mr N Webb	-	-

	Ordinary B shares of £ 1 each	
	31 March 2003	1 April 2002
Mr T Coleman	-	-
Mr B J Curthoys	-	-
Artifax Group Limited	49	-
Mr N Webb	-	-

	Ordinary C shares of £ 1 each	
	31 March 2003	1 April 2002
Mr T Coleman	-	-
Mr B J Curthoys	-	-
Artifax Group Limited	2	-
Mr N Webb	-	-

During the year there was a group company reorganisation and the shareholdings in Artifax Software Ltd were transferred to Artifax Group Limited.

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Rayner Essex, will be deemed to be reappointed for each succeeding financial year.

ARTIFAX SOFTWARE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2003

Directors' responsibilities

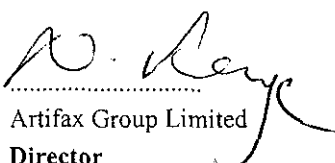
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board


.....
Artifax Group Limited
Director
10/12/03

ARTIFAX SOFTWARE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARTIFAX SOFTWARE LIMITED

We have audited the financial statements of Artifax Software Limited on pages 4 to 10 for the year ended 31 March 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Rayner Essex

Chartered Accountants and Registered Auditors
Faulkner House
Victoria Street
St Albans
Herts
AL1 3SE

Date: 12/12/03

ARTIFAX SOFTWARE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £	2002 £
Turnover	2	1,068,192	776,535
Cost of sales		(154,669)	(52,168)
Gross profit		<u>913,523</u>	<u>724,367</u>
Administrative expenses		(879,426)	(669,814)
Operating profit	3	<u>34,097</u>	<u>54,553</u>
Other interest receivable and similar income		192	605
Profit on ordinary activities before taxation		<u>34,289</u>	<u>55,158</u>
Tax on profit on ordinary activities	4	(3,262)	(11,812)
Profit on ordinary activities after taxation		<u>31,027</u>	<u>43,346</u>
Dividends		(4,000)	(5,000)
Retained profit for the year	10	<u><u>27,027</u></u>	<u><u>38,346</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

ARTIFAX SOFTWARE LIMITED

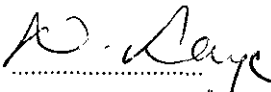
BALANCE SHEET

AS AT 31 MARCH 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	5		32,651		18,558
Current assets					
Debtors	6	226,341		182,873	
Cash at bank and in hand		75,426		66,420	
		<u>301,767</u>		<u>249,293</u>	
Creditors: amounts falling due within one year	7	<u>(194,191)</u>		<u>(154,651)</u>	
Net current assets			<u>107,576</u>		<u>94,642</u>
Total assets less current liabilities			<u>140,227</u>		<u>113,200</u>
Capital and reserves					
Called up share capital	9		100		100
Profit and loss account	10		140,127		113,100
Shareholders' funds - equity interests	11		<u>140,227</u>		<u>113,200</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 10/12/03.


~~M. T. D. Nathan~~ M. KAYE
 Director - on behalf of Artifax Group Ltd

ARTIFAX SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	3 years straight line
Fixtures, fittings & equipment	15% Reducing balance
Motor vehicles	25% Reducing balance

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The geographical split of turnover was as follows:

Country

	2003 £	2002 £
United States of America	5.60	6.66
Europe	10.00	4.00
Australia	-	0.40
United Kingdom	84.40	88.94
	100.00	100.00

ARTIFAX SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2003

3	Operating profit	2003	2002
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	24,828	32,977
	Loss on foreign exchange transactions	1,818	474
	Operating lease rentals	13,500	13,500
	Auditors' remuneration	3,750	3,750
	Directors' emoluments	122,952	90,030
	and after crediting:		
	Profit on disposal of tangible assets	(1,200)	(1,000)
		<u> </u>	<u> </u>
4	Taxation	2003	2002
		£	£
	Domestic current year tax		
	U.K. corporation tax	3,262	11,812
		<u> </u>	<u> </u>
	Current tax charge	<u>3,262</u>	<u>11,812</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	34,289	55,158
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00 % (2002 : 20.00 %)	6,515	11,032
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	1,253	(200)
	Depreciation add back	4,489	6,595
	Capital allowances	(6,526)	(5,615)
	Other tax adjustments	(2,469)	-
		<u> </u>	<u> </u>
		(3,253)	780
		<u> </u>	<u> </u>
	Current tax charge	<u>3,262</u>	<u>11,812</u>

ARTIFAX SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2003

5 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 April 2002	84,967	5,282	16,264	106,513
Additions	18,845	20,075	-	38,920
Disposals	(1,590)	-	-	(1,590)
At 31 March 2003	102,222	25,357	16,264	143,843
Depreciation				
At 1 April 2002	81,885	2,003	4,066	87,954
On disposals	(1,590)	-	-	(1,590)
Charge for the year	18,305	3,473	3,050	24,828
At 31 March 2003	98,600	5,476	7,116	111,192
Net book value				
At 31 March 2003	3,622	19,881	9,148	32,651
At 31 March 2002	3,081	3,279	12,198	18,558

6 Debtors

	2003	2002
	£	£
Trade debtors	189,113	182,574
Other debtors	37,228	299
	226,341	182,873

7 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	37,077	18,614
Amounts owed to group undertakings and undertakings in which the company has a participating interest	4,000	-
Taxation and social security	40,390	47,728
Other creditors	112,724	88,309
	194,191	154,651

ARTIFAX SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2003

8 Pension costs

Defined contribution

	2003 £	2002 £
Contributions payable by the company for the year	27,643	26,513

9 Share capital

	2003 £	2002 £
Authorised		
49 Ordinary A shares of £ 1 each	49	50
49 Ordinary B shares of £ 1 each	49	50
2 Ordinary C shares of £ 1 each	2	-
	100	100

Allotted, called up and fully paid

49 Ordinary A shares of £ 1 each	49	50
49 Ordinary B shares of £ 1 each	49	50
2 Ordinary C shares of £ 1 each	2	-
	100	100

On 19 February 2003 1 Ordinary £1 "A" share and 1 Ordinary £1 "B" share were reclassified into 2 Ordinary £1 "C" shares.

The shares rank pari passu in all respects.

10 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 2002	113,100
Retained profit for the year	27,027
Balance at 31 March 2003	140,127

ARTIFAX SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2003

11 Reconciliation of movements in shareholders' funds	2003 £	2002 £
Profit for the financial year	31,027	43,346
Dividends	(4,000)	(5,000)
Net addition to shareholders' funds	27,027	38,346
Opening shareholders' funds	113,200	74,854
Closing shareholders' funds	140,227	113,200

12 Financial commitments

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003 £	2002 £
Expiry date:		
Within one year	13,500	13,500

13 Related party transactions

The ultimate controlling parties are Mr T D Nathan and Ms N Kaye, acting in concert.

The company's immediate and ultimate parent undertaking is Artifax Group Limited, a company incorporated in England and Wales.

The directors have provided a personal guarantee, limited to £40,000, to the company's bankers.