



Ise-net Solutions Limited

Report and financial statements
for the year ended 31 March 2002

Registered number: 2881162



Directors' report

For the year ended 31 March 2002

The directors present their annual report on the state of affairs of the company, together with the financial statements and auditors' report, for the year ended 31 March 2002.

Principal activity

The principal activity of the company is the provision of IT services, data processing and consultancy to other Carphone Warehouse group companies.

Results and business review

The loss for the financial year was £2,870,195 (2001– £2,022,541).

Dividends

The directors do not recommend a dividend (2001 – £nil).

Directors' responsibilities

Financial statements, including adoption of going concern basis

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 for that period.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing the 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; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Other matters

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

Directors' report (continued)

Directors

The directors who served during the period and subsequently were as follows:

C.W. Dunstone

D.P.J. Ross

C.W. Dunstone and D.P.J. Ross are directors of the ultimate parent company, The Carphone Warehouse Group PLC, and their interests are disclosed in the financial statements of that company.

Employees

The company places emphasis on its employees' involvement in the business at all levels. Managers are remunerated according to results wherever possible and all staff are kept informed of issues affecting the company through formal and informal meetings and through the company's internal magazine.

It is the company's policy to assist the employment of disabled people, their training and career development, having regard to particular aptitudes and abilities. Every endeavour is made to find suitable alternative employment and to re-train any employee who becomes disabled while serving the company.

Auditors

The directors will place a resolution before the annual general meeting to appoint Deloitte and Touche as auditors for the ensuing period.

By order of the Board,



T. O'Gorman

Secretary

29 July 2002

North Acton Business Park
Wales Farm Road
London
W3 6RS

To the shareholders of Ise-net Solutions Limited

We have audited the financial statements of Ise-net Solutions Limited for the year ended 31 March 2002 which comprise the Profit and loss account, Balance sheet and the related notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 affairs of the company at 31 March 2002 and of the company's loss for the year ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

180 Strand
London
WC2R 1BL

29 July 2002

Profit and loss account

For the year ended 31 March 2002

	Notes	Year ended 31 March 2002 £	15 months ended 31 March 2001 £
Turnover	2	11,276,376	4,992,598
Cost of sales		<u>(5,446,036)</u>	<u>(3,224,996)</u>
Gross profit		5,830,340	1,767,602
Operating expenses		<u>(8,700,535)</u>	<u>(3,633,821)</u>
Operating loss		<u>(2,870,195)</u>	<u>(1,866,219)</u>
Interest payable	3	-	(156,322)
Loss on ordinary activities before taxation	4	<u>(2,870,195)</u>	<u>(2,022,541)</u>
Tax on loss on ordinary activities	7	-	-
Loss on ordinary activities after taxation		<u>(2,870,195)</u>	<u>(2,022,541)</u>
Retained loss for the year/period		<u>(2,870,195)</u>	<u>(2,022,541)</u>

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains and losses in either period other than the loss for the year/period.

Balance sheet
As at 31 March 2002

	Notes	31 March 2002 £	31 March 2001 £
Fixed assets			
Tangible assets	8	<u>7,299,671</u>	<u>6,681,650</u>
		7,299,671	6,681,650
Current assets			
Debtors	9	<u>13,057,781</u>	<u>5,369,482</u>
		13,057,781	5,369,482
Creditors: Amounts falling due within one year	10	<u>(23,433,303)</u>	<u>(12,256,788)</u>
Net current liabilities		<u>(10,375,522)</u>	<u>(6,887,306)</u>
Total assets less current liabilities		(3,075,851)	(205,656)
Creditors: Amounts falling due after more than one year	11	<u>(1,816,883)</u>	<u>(1,816,883)</u>
Net liabilities		<u>(4,892,734)</u>	<u>(2,022,539)</u>
Capital and reserves			
Called-up share capital	12	2	2
Profit and loss account	13	<u>(4,892,736)</u>	<u>(2,022,541)</u>
Shareholders' funds	14	<u>(4,892,734)</u>	<u>(2,022,539)</u>

The financial statements on pages 5 to 13 were approved by the board of Directors on 29 July 2002 and signed on its behalf by:

 : Director

The accompanying notes are an integral part of this balance sheet.

Notes to the financial statements

For the year ended 31 March 2002

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period, with the exception of the change in accounting policy resulting from the adoption of Financial Reporting Standard 19 'Deferred Tax', which is explained below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The directors have received confirmation from the ultimate parent company that it will provide financial support to allow the company to meet its liabilities, as they fall due, for a period of not less than twelve months of the date of signing of these financial statements.

The company has taken advantage of the exemption available under FRS1 not to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of The Carphone Warehouse Group PLC registered in England and Wales that prepares consolidated financial statements including the cashflows of the company for the period, that are publicly available.

The directors have received confirmation from the ultimate parent company that it will provide financial support to allow the company to meet its liabilities, as they fall due, for a period of not less than twelve months from the date of signing of these financial statements.

b) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected life, as follows:

Plant and machinery	3-5 years
Fixtures and fittings	5 years
Motor vehicles	4 years

c) Development costs

The costs of internally developed software are written off to the profit and loss account in the period incurred.

d) Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Notes to the financial statements (continued)

1 Accounting policies (continued)

d) *Taxation (continued)*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

e) *Pension costs and other post retirement benefits*

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

f) *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

g) *Leases*

Rentals under operating leases are charged on a straight line basis over the lease term, even if payments are not made on such a basis.

h) *Turnover*

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Notes to the financial statements (continued)

2 Turnover

Turnover is wholly attributable to the principal activity of the company, being the provision of IT services, data processing and consultancy to other group companies. Turnover represents amounts receivable for services provided in the normal course of business net of VAT and other sales related taxes.

3 Interest payable

	Year ended 31 March 2002 £	15 months ended 31 March 2001 £
Interest payable to other group companies	-	156,322

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging the following:

	Year ended 31 March 2002 £	15 months ended 31 March 2001 £
Depreciation and amounts written off tangible fixed assets		
- owned assets	2,579,590	3,380,412
Auditors remuneration, including expenses		
- audit fees	20,000	-

In the prior year, all audit fees were borne by the ultimate parent company.

5 Employee costs

The average monthly number of employees (excluding executive directors) was:

	31 March 2002 Number	31 March 2001 Number
IT staff	126	68

Notes to the financial statements (continued)

5 Employee costs (continued)

Their aggregate remuneration comprised:

	31 March 2002 £	31 March 2001 £
Wages and salaries	4,888,550	2,899,992
Social security costs	468,191	274,895
Other pension costs	89,295	50,106
	<u>5,446,036</u>	<u>3,224,993</u>

6 Directors' remuneration

None of the directors received any emoluments from the company for the year ended 31 March 2002 (2001 - £nil).

The company paid £nil in pension contributions on the directors' behalf (2001 - £nil). Charles Dunstone and David Ross are also directors of the ultimate holding company. Their emoluments and interests are disclosed in the financial statements of The Carphone Warehouse Group PLC, which are publicly available.

7 Tax on profit on ordinary activities

The tax charge for the year is £nil (2001 - £nil).

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	31 March 2002 £	31 March 2001 £
Loss on ordinary activities before tax	<u>2,870,195</u>	<u>2,022,541</u>
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30% (2001 - 30%)	(861,059)	(606,762)
Effects of:		
- depreciation in excess of capital allowances/(capital allowances in excess of depreciation)	55,240	(89,230)
- tax losses surrendered within group	<u>805,819</u>	<u>695,992</u>
Current tax charge for period	<u>-</u>	<u>-</u>

No payment has been received for the tax losses surrendered to other group companies.

Notes to the financial statements (continued)

8 Tangible fixed assets

	Computer and office equipment £	Fixtures and fittings £	Total £
Cost			
At 1 April 2001	10,042,908	19,154	10,062,062
Additions	3,187,725	9,886	3,197,611
At 31 March 2002	<u>13,230,633</u>	<u>29,040</u>	<u>13,259,673</u>
Depreciation			
At 1 April 2001	3,362,302	18,110	3,380,412
Charge for the year	2,576,108	3,482	2,579,590
At 31 March 2002	<u>5,938,410</u>	<u>21,592</u>	<u>5,960,002</u>
Net book value			
At 31 March 2002	<u>7,292,223</u>	<u>7,448</u>	<u>7,299,671</u>
At 31 March 2001	<u>6,680,606</u>	<u>1,044</u>	<u>6,681,650</u>

9 Debtors

	31 March 2002 £	31 March 2001 £
Amounts owed by group undertakings	12,943,566	4,986,341
Called up share capital not paid	2	2
Prepayments and accrued income	114,213	383,139
	<u>13,057,781</u>	<u>5,369,482</u>

10 Creditors (amounts falling due within one year)

	31 March 2002 £	31 March 2001 £
Amounts due to group undertakings	(21,600,891)	(11,471,783)
Accruals and deferred income	(1,832,412)	(785,005)
	<u>(23,433,303)</u>	<u>(12,256,788)</u>

Notes to the financial statements (continued)

11 Creditors (amounts falling due after more than one year)

	31 March 2002 £	31 March 2001 £
Amounts due to group undertakings	<u>(1,816,883)</u>	<u>(1,816,883)</u>

12 Share capital

	31 March 2002 £	31 March 2001 £
<i>Authorised</i>		
1,000 'A' ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Issued, called-up and allocated</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

13 Reserves

	Profit and loss account £
At 1 April 2001	(2,022,541)
Loss for the period	<u>(2,870,195)</u>
At 31 March 2002	<u>(4,892,736)</u>

14 Reconciliation of movements in shareholders' funds

	31 March 2002 £	31 March 2001 £
Loss for the financial period	<u>(2,870,195)</u>	<u>(2,022,541)</u>
Net reduction in shareholders' funds	<u>(2,870,195)</u>	<u>(2,022,541)</u>
Opening shareholders' funds	<u>(2,022,539)</u>	<u>2</u>
Closing shareholders' funds	<u>(4,892,734)</u>	<u>(2,022,539)</u>

Notes to the financial statements (continued)

15 Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 for related party transactions with other group companies and with directors who are also group directors, as 90% of the voting rights are controlled within the group. The ultimate parent company, The Carphone Warehouse Group PLC, has prepared consolidated financial statements which include the results of the company for the period and are available to the public.

16 Ultimate parent undertaking and controlling party

The ultimate parent company and controlling party is The Carphone Warehouse Group PLC, a company registered in England and Wales.

The only group of which Ise-net Solutions Limited is a member and for which group financial statements are drawn up is that headed by The Carphone Warehouse Group PLC, whose principal place of business is at Wales Farm Road, London, W3 6RS. The consolidated financial statements of this group are available to the public and may be obtained from Companies House.

17 Pension scheme

The company operates a defined contribution scheme for which the pension cost charge for the period amounted to £89,295 (2001 – £50,106).