

Company Registration No. 2881162

ISE-NET SOLUTIONS LIMITED

Report and Financial Statements

31 March 2003

**Deloitte & Touche LLP
London**



ISE-NET SOLUTIONS LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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ISE-NET SOLUTIONS LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C W Dunstone
B Forster
M S Peers
C N Jones
H C Patel
M A Qureshi

SECRETARY

T O'Gorman
T S Morris (appointed 01.09.02)

REGISTERED OFFICE

North Acton Business Park
Wales Farm Road
London W3 6RS

BANKERS

Barclays Bank Plc
HSBC Bank Plc

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

ISE-NET SOLUTIONS LIMITED

DIRECTORS' REPORT

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

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 £2,696,951 (2002 – £2,870,195). The directors expect the current levels of activity to continue.

DIVIDENDS

The directors do not recommend a dividend (2002 – £nil).

DIRECTORS AND THEIR INTERESTS

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

C W Dunstone
D P J Ross (resigned 02.05.02)
B Forster (appointed 02.12.02)
M S Peers (appointed 02.12.02)
C N Jones (appointed 02.12.02)
H C Patel (appointed 02.12.02)
M A Qureshi (appointed 02.12.02)

C W Dunstone and D P J Ross are also directors of the ultimate holding company, The Carphone Warehouse Group PLC. Their interests are disclosed in the accounts of The Carphone Warehouse Group PLC, which are publicly available. The beneficial interests of the other directors in the ordinary share capital of the ultimate parent company are as follows:

Interests in ordinary shares:

	29 March 2003	30 March 2002
Brendan Forster	5,750,000	5,750,000

No other director had any interests requiring disclosure under Schedule 7 of the Companies Act 1985.

ISE-NET SOLUTIONS LIMITED

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (CONTINUED)

Options over shares in The Carphone Warehouse Group PLC:

	At 30 March 2002	Granted during the period	Exercised during the period	At 29 March 2003	Exercise price per share £	Exercisable from	Expiry date
Brendan Forster	120,000			120,000	1.25	21/05/04	21/05/11
		187,500		187,500	0.83	11/06/05	11/06/12
	120,000	187,500	-	307,500			
Matthew Peers	5,000			5,000	1.50	19/05/02	19/05/10
	39,200			39,200	1.25	21/05/04	21/05/11
	-	32,000		32,000	0.83	11/06/05	11/06/12
	44,200	32,000	-	76,200			
Ceri Jones	23,000			23,000	1.50	19/05/02	19/05/10
	64,800			64,800	1.25	21/05/04	21/05/11
		54,600		54,600	0.83	11/06/05	11/06/12
	87,800	54,600	-	142,400			
Hitesh Patel	40,000			40,000	1.50	19/05/02	19/05/10
	81,000			81,000	1.25	21/05/04	21/05/11
		63,000		63,000	0.83	11/06/05	11/06/12
	121,000	63,000	-	184,000			
Attiq Qureshi	35,000			35,000	1.50	19/05/02	19/05/10
	64,800			64,800	1.25	21/05/04	21/05/11
		54,600		54,600	0.83	11/06/05	11/06/12
	87,800	54,600	-	142,400			

Market price of the ordinary shares at 29 March 2003 was 63.0p and the range during the period was 105.5p to 50.1p (2002 – 67.0p to 165.0p).

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.

SUPPLIER PAYMENT POLICY

It is the company's policy to develop and maintain key business relationships with its suppliers to obtain mutually accepted payment terms.

ISE-NET SOLUTIONS LIMITED

DIRECTORS' REPORT

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



B Forster

Director

22 January 2004

ISE-NET SOLUTIONS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed; and
- 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ISE-NET SOLUTIONS LIMITED

We have audited the financial statements of Ise-Net Solutions Limited for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under 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 auditors' 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 directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

22 January 2004

ISE-NET SOLUTIONS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2003

	Note	2003 £	2002 £
TURNOVER	2	15,346,487	11,276,376
Cost of sales		(7,449,862)	(5,446,036)
GROSS PROFIT		7,896,625	5,830,340
Administrative expenses		(10,674,363)	(8,700,535)
OPERATING LOSS		(2,777,738)	(2,870,195)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(2,777,738)	(2,870,195)
Tax on loss on ordinary activities	6	80,787	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(2,696,951)	(2,870,195)
Retained loss for the year	12	(2,696,951)	(2,870,195)

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

All results for both periods arise from continuing activities.

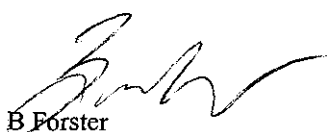
ISE-NET SOLUTIONS LIMITED

BALANCE SHEET 31 March 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	7	8,671,569	7,299,671
		<u>8,671,569</u>	<u>7,299,671</u>
CURRENT ASSETS			
Debtors	8	16,444,630	13,057,781
		<u>16,444,630</u>	<u>13,057,781</u>
CREDITORS: amounts falling due within one year	9	(5,145,500)	(23,433,303)
		<u>(5,145,500)</u>	<u>(23,433,303)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>11,299,130</u>	<u>(10,375,522)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		19,970,699	(3,075,851)
CREDITORS: amounts falling due after more than one year	10	(27,560,384)	(1,816,883)
		<u>(27,560,384)</u>	<u>(1,816,883)</u>
NET LIABILITIES		<u>(7,589,685)</u>	<u>(4,892,734)</u>
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	(7,589,687)	(4,892,736)
		<u>(7,589,687)</u>	<u>(4,892,736)</u>
SHAREHOLDERS' DEFICIT	13	<u>(7,589,685)</u>	<u>(4,892,734)</u>

These financial statements were approved by the Board of Directors on 7 January 2004.

Signed on behalf of the Board of Directors



B Forster

Director

22 January 2004

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES

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

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom 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 from the date of signing of these accounts.

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 accounts including the cashflows of the company for the year, 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 accounts.

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:

Computer and office equipment	4 years
Fixtures and fittings	5 years
Motor vehicles	4 years

Development costs

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

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.

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.

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.

ISE-NET SOLUTIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES (continued)

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.

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.

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.

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. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2003 £	2002 £
Depreciation and amounts written off tangible fixed assets		
- owned assets	3,362,874	2,579,590
Auditors' remuneration, including expenses		
- audit fees	20,000	20,000

ISE-NET SOLUTIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

4. EMPLOYEE COSTS

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

	2003 No.	2002 No.
IT staff	169	126
Their aggregate remuneration comprised:	£	£
Wages and salaries	6,659,889	4,888,550
Social security costs	690,929	468,191
Other pension costs	99,044	89,295
	<u>7,449,862</u>	<u>5,446,036</u>

5. DIRECTORS' REMUNERATION

The total amounts for directors' remuneration and other benefits were as follows:

	52 weeks ended 29 March 2003 £	52 weeks ended 30 March 2002 £
Total emoluments	606,826	-
Money purchase contributions	11,700	-
	<u>618,526</u>	<u>-</u>

One director (2002 – none) are members of money purchase schemes.

The remuneration of the highest paid director (excluding pension contributions) was £233,588(2002 – £nil). The company paid £9,600 (2002 – £nil) in pension contributions on the director's behalf.

Additionally, C W Dunstone and D P J Ross are also directors of the ultimate holding company, The Carphone Warehouse Group PLC. Their emoluments are disclosed in the accounts of The Carphone Warehouse Group PLC, which are publicly available. In the opinion of the directors, it is not practicable to apportion their emoluments between group companies.

6. TAX ON LOSS ON ORDINARY ACTIVITIES

Profit and loss account

	2003	2002
The tax charge comprises:		
Current tax		
UK corporation tax	-	-
	<u>-</u>	<u>-</u>
Adjustments in respect of prior years		
UK corporation tax	-	-
	<u>-</u>	<u>-</u>

ISE-NET SOLUTIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(114,777)	-
Adjustment in respect of prior years	33,990	-
Total deferred tax (see note 8)	(80,787)	-
Total tax on profit on ordinary activities	(80,787)	-

ISE-NET SOLUTIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

6. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

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

	2003	2002
Profit on ordinary activities before tax	<u>(2,777,738)</u>	<u>(2,870,195)</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002: 30%)	(833,321)	(861,059)
Effects of:		
- expenses/(income) not deductible or assessable for tax purposes	114,777	55,240
- depreciation in excess of capital allowances	718,544	805,819
- tax losses surrendered within the group		
Current tax charge for period	<u>-</u>	<u>-</u>

The company's tax charge in the current and prior year has been offset by the surrender of tax losses from other group companies. There was no payment made to the surrendering company.

There was an unprovided deferred tax liability in respect of accelerated capital allowances of £34,000 in the prior year.

7. TANGIBLE FIXED ASSETS

	Computer and office equipment £	Fixtures and fittings £	Total £
Cost			
At 1 April 2002	13,230,633	29,040	13,259,673
Additions	4,482,632	252,140	4,734,772
At 31 March 2003	<u>17,713,265</u>	<u>281,180</u>	<u>17,994,445</u>
Depreciation			
At 1 April 2002	5,938,410	21,592	5,960,002
Charge for the year	3,347,186	15,688	3,362,874
At 31 March 2003	<u>9,285,596</u>	<u>37,280</u>	<u>9,322,876</u>
Net book value			
At 31 March 2003	<u>8,427,669</u>	<u>243,900</u>	<u>8,671,569</u>
At 31 March 2002	<u>7,292,223</u>	<u>7,448</u>	<u>7,299,671</u>

ISE-NET SOLUTIONS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2003

8. DEBTORS

	2003 £	2002 £
Amounts owed by group undertakings	16,195,919	12,943,566
Called up share capital not paid	2	2
Prepayments and accrued income	167,922	114,213
Deferred tax:		
Decelerated capital allowances	80,787	-
	<u>16,444,630</u>	<u>13,057,781</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Amounts due to group undertakings	1,522,338	21,600,891
Accruals and deferred income	3,623,162	1,832,412
	<u>5,145,500</u>	<u>23,433,303</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Amounts due to group undertakings	<u>27,560,384</u>	<u>1,816,883</u>

11. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12. RESERVES

	Profit and loss account £
At 1 April 2002	(4,892,736)
Loss for the year	<u>(2,696,951)</u>
At 31 March 2003	<u>(7,589,687)</u>

ISE-NET SOLUTIONS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

13. RECONCILIATION OF SHAREHOLDERS' DEFICIT

	2003 £	2002 £
Loss for the financial year	(2,696,951)	(2,870,195)
Net reduction to shareholders' deficit	(2,696,951)	(2,870,195)
Opening shareholders' deficit	(4,892,734)	(2,022,539)
Closing shareholders' deficit	<u>(7,589,685)</u>	<u>(4,892,734)</u>

14. 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 accounts which include the results of the company for the year and are available to the public.

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company and controlling party is The Carphone Warehouse Group PLC, a company incorporated in Great Britain and 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 accounts of this group are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

16. PENSION SCHEME

The company operates a defined contribution scheme for which the pension cost charge for the year amounted to £99,044 (2002 – £89,295).

17. FINANCIAL COMMITMENTS

(a) Lease commitments

	Other 2003 £'000	Other 2002 £'000
Operating leases which expire:		
- within one year	0	0
- between one and five years	1,107	0
- after five years	0	0
	<u>1,107</u>	<u>0</u>

(b) Capital commitments

Expenditure contracted, but not provided for in the financial statements amounts to £805,000 (2002 – £nil).