

Company Registration No. 2881162

ISE-Net Solutions Limited

Report and Financial Statements

27 March 2004



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ISE-Net Solutions Limited

Report and financial statements 2004

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ISE-Net Solutions Limited

Report and financial statements 2004

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

Registered Office

1 Portal Way
London W3 6RS

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 period ended 27 March 2004.

Principal activity

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

Business review

The directors expect the current levels of activity to continue.

Results and Dividends

The loss for the financial period was £3,007,869 (2003 – £2,696,951). The directors do not recommend a dividend (2003 – £nil).

Directors and their interests

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

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

C W Dunstone is also a director of the ultimate holding company, The Carphone Warehouse Group PLC. His 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:

	27 March 2004	29 March 2003
B M Forster	4,780,000	5,750,000
M S Peers	125,000	-
C N Jones	125,000	-
H C Patel	200,000	-
M A Qureshi	125,000	-

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 29 March 2003	Granted during the period	Exercised during the period	Lapsed during the period	At 27 March 2004	Exercise price per share £	Exercisable from	Expiry date
B M Forster	120,000				120,000	1.25	21/05/04	21/05/11
	187,500				187,500	0.83 (i)	11/06/05	11/06/12
		166,667			166,667	0.90 (i)	06/06/06	06/06/13
	307,500	187,500	-		474,167			
M S Peers	5,000			(5,000)	-			
	39,200				39,200	1.25	21/05/04	21/05/11
	32,000				32,000	0.83 (i)	11/06/05	11/06/12
		50,000			50,000	0.90 (i)	06/06/06	06/06/13
	76,200	32,000	-	(5,000)	121,200			
C N Jones	23,000			(23,000)	-			
	64,800				64,800	1.25	21/05/04	21/05/11
	54,600				54,600	0.83 (i)	11/06/05	11/06/12
		50,000			50,000	0.90 (i)	06/06/06	06/06/13
	142,400	54,600	-	(23,000)	169,400			
H C Patel	40,000			(40,000)	-			
	81,000				81,000	1.25	21/05/04	21/05/11
	63,000				63,000	0.83 (i)	11/06/05	11/06/12
		50,000			50,000	0.90 (i)	06/06/06	06/06/13
	184,000	63,000	-	(40,000)	194,000			
M A Qureshi	35,000			(35,000)	-			
	64,800				64,800	1.25	21/05/04	21/05/11
	54,600				54,600	0.83 (i)	11/06/05	11/06/12
		50,000			50,000	0.90 (i)	06/06/06	06/06/13
	142,400	54,600	-	(35,000)	169,400			

(i) Options granted from April 2002 are subject to the same performance conditions as described on pages 20 to 23 of The Carphone Warehouse Group PLC Annual Report 2004.

Market price of the ordinary shares at 27 March 2004 was 144p and the range during the period was 61p to 153p.

During the period a number of the directors were gifted shares in The Carphone Warehouse Group PLC which have been treated as remuneration. These shares can only be sold if the directors remain with the company until after 1 September 2006.

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

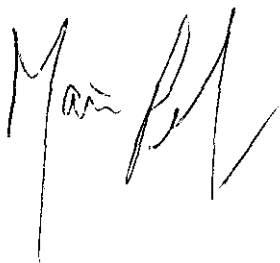
Directors' report

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution proposing the re-election of Deloitte & Touche LLP as the auditors of the Company will be put to the Annual General Meeting.

On 1 August 2003, Deloitte & Touche transferred its business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships 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 August 2003 under the provisions of Section 26(5) of the Companies Act 1989.

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

A handwritten signature in black ink, appearing to read 'M S Peers', with a stylized flourish at the end.

M S Peers
Director

15 November 2004

ISE-Net Solutions Limited

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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;
- 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, 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 period ended 27 March 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 period and consider the implications for our report if we become aware of any apparent misstatements.

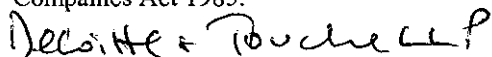
Basis of opinion

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 27 March 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

15 November 2004

ISE-Net Solutions Limited

Profit and loss account Period ended 27 March 2004

	Note	2004 £	2003 £
Turnover	2	22,731,087	15,346,487
Cost of sales		(11,698,082)	(7,449,862)
Gross profit		11,033,005	7,896,625
Administrative expenses		(14,233,356)	(10,674,363)
Operating loss		(3,200,351)	(2,777,738)
Loss on ordinary activities before taxation	3	(3,200,351)	(2,777,738)
Tax on loss on ordinary activities	7	192,482	80,787
Loss on ordinary activities after taxation		(3,007,869)	(2,696,951)
Retained loss for the period	12	(3,007,869)	(2,696,951)

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

All results for both periods arise from continuing activities.

ISE-Net Solutions Limited

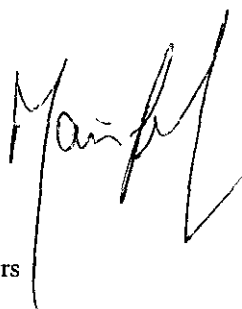
Balance sheet 27 March 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	8	10,581,455	8,671,569
		<u>10,581,455</u>	<u>8,671,569</u>
Current assets			
Debtors	9	25,846,103	16,444,630
		<u>25,846,103</u>	<u>16,444,630</u>
Creditors: amounts falling due within one year	10	(47,025,112)	(32,705,884)
Net current liabilities		<u>(21,179,009)</u>	<u>(16,261,254)</u>
Net liabilities		<u>(10,597,554)</u>	<u>(7,589,685)</u>
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account	12	(10,597,556)	(7,589,687)
Equity Shareholders' deficit	13	<u>(10,597,554)</u>	<u>(7,589,685)</u>

These financial statements were approved by the Board of Directors on 15 November 2004.

Signed on behalf of the Board of Directors

M S Peers
Director



ISE-Net Solutions Limited

Notes to the accounts

Period ended 27 March 2004

1. Accounting policies

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period.

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 period, that are publicly available.

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. Turnover is stated net of VAT and other sales related taxes.

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	2-5 years
Fixtures and fittings	5 years
Motor vehicles	4 years

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.

Development costs

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

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.

Leases

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

ISE-Net Solutions Limited

Notes to the accounts Period ended 27 March 2004

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.

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.

3. Loss on ordinary activities before taxation

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

	2004 £	2003 £
Depreciation	4,287,048	3,362,874
Auditors' remuneration – audit fees	25,000	20,000
	<u>4,312,048</u>	<u>3,382,874</u>

4. Employee costs

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

	2004 No.	2003 No.
IT staff	247	169
	<u>247</u>	<u>169</u>
Their aggregate remuneration comprised:	£	£
Wages and salaries	10,429,381	6,659,889
Social security costs	1,139,684	690,929
Other pension costs	129,017	99,044
	<u>11,698,082</u>	<u>7,449,862</u>

ISE-Net Solutions Limited

Notes to the accounts

Period ended 27 March 2004

5. Directors' remuneration

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

	2004 £	2003 £
Total emoluments	1,190,750	606,826
Money purchase contributions	18,767	11,700
	<u>1,209,517</u>	<u>618,526</u>

Two directors (2003 - one) are members of money purchase schemes.

The remuneration of the highest paid director (excluding pension contributions) was £397,267 (2003 - £233,588). The company paid £9,167 (2003 - £9,600) in pension contributions on the director's behalf.

Additionally, C W Dunstone is also a director of the ultimate holding company, The Carphone Warehouse Group PLC. His emoluments are disclosed in the accounts of The Carphone Warehouse Group PLC, which are publicly available.

6. Pension scheme

The company operates a defined contribution scheme for which the pension cost charge for the period amounted to £129,017 (2002 - £99,044).

7. Tax on loss on ordinary activities

	2004 £	2003 £
The tax credit comprises:		
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(150,782)	(114,777)
Adjustment in respect of prior periods	(41,700)	33,990
Total deferred tax (see note 9)	<u>(192,482)</u>	<u>(80,787)</u>
Total tax on profit on ordinary activities	<u>(192,482)</u>	<u>(80,787)</u>

ISE-Net Solutions Limited

Notes to the accounts Period ended 27 March 2004

7. Tax on loss on ordinary activities (continued)

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

	2004 £	2003 £
Profit on ordinary activities before tax	<u>(3,200,351)</u>	<u>(2,777,738)</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2003: 30%)	(960,105)	(833,321)
Effects of:		
- expenses not deductible for tax purposes	150,782	114,777
- depreciation in excess of capital allowances	(75,000)	-
- tax relief on research and development costs	884,323	718,544
- tax losses surrendered within the group		
Current tax charge for the period	<u>-</u>	<u>-</u>

The company's tax credit in the current and prior period has been reduced by the surrender of tax losses to other group companies. There was no charge made to the surrendering company.

8. Tangible fixed assets

	Computer and office equipment £	Fixtures and fittings £	Total £
Cost			
At 29 March 2003	17,713,265	281,180	17,994,445
Additions	5,968,814	228,120	6,196,934
At 27 March 2004	<u>23,682,079</u>	<u>509,300</u>	<u>24,191,379</u>
Depreciation			
At 29 March 2003	9,285,596	37,280	9,322,876
Charge for the year	4,180,481	106,567	4,287,048
At 27 March 2004	<u>13,466,077</u>	<u>143,847</u>	<u>13,609,924</u>
Net book value			
At 27 March 2004	<u>10,216,002</u>	<u>365,453</u>	<u>10,581,455</u>
At 31 March 2003	<u>8,427,669</u>	<u>243,900</u>	<u>8,671,569</u>

ISE-Net Solutions Limited

Notes to the accounts

Period ended 27 March 2004

9. Debtors

	2004 £	2003 £
Amounts owed by group undertakings	25,364,840	16,195,919
Called up share capital not paid	2	2
Prepayments and accrued income	207,992	167,922
Deferred tax asset	273,269	80,787
	<u>25,846,103</u>	<u>16,444,630</u>

10. Creditors: amounts falling due within one year

	2004 £	2003 £
Amounts due to group undertakings	40,967,925	29,082,722
Accruals and deferred income	6,057,187	3,623,162
	<u>47,025,112</u>	<u>32,705,884</u>

11. Called up share capital

	2004 £	2003 £
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 29 March 2003	(7,589,687)
Loss for the period	<u>(3,007,869)</u>
At 27 March 2004	<u>(10,597,556)</u>

ISE-Net Solutions Limited

Notes to the accounts Period ended 27 March 2004

13. Reconciliation of shareholders' deficit

	2004 £	2003 £
Loss for the financial period	(3,007,869)	(2,696,951)
Opening shareholders' deficit	(7,589,685)	(4,892,734)
Closing shareholders' deficit	<u>(10,597,554)</u>	<u>(7,589,685)</u>

14. Financial commitments

(a) Lease commitments

	2004	2003
Other operating leases which expire:		
- within one year	1,107,000	-
- between one and five years	-	1,107,000
	<u>1,107,000</u>	<u>1,107,000</u>

(b) Capital commitments

Expenditure contracted, but not provided for in the financial statements amounts to £nil (2003 – £805,000).

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

16. Ultimate parent undertaking and controlling party

The immediate and ultimate parent company and controlling party is The Carphone Warehouse Group PLC, a company registered in Great Britain.

The only group of which The Carphone Warehouse 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 1 Portal Way, London, W3 6RS. The consolidated accounts of this group are available to the public and may be obtained from Companies House.