

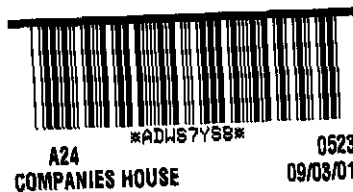
Company Registration Number 3137721

FILING CO

ION INFORMATION TECHNOLOGIES LIMITED

FINANCIAL STATEMENTS

31 MAY 2000



ION INFORMATION TECHNOLOGIES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2000

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ION INFORMATION TECHNOLOGIES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

M J Millor - Chairman
Y C Vasdev - Managing Director
V C Rai
J W Davidson
S K Mittal

Company secretary

R Vasdev

Registered office

98 Oxford Road
High Wycombe
Buckinghamshire
HP11 2DN

Auditors

Blick Rothenberg
Chartered Accountants
Registered Auditors
12 York Gate
Regent's Park
London
NW1 4QS

ION INFORMATION TECHNOLOGIES LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 MAY 2000

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 May 2000.

Principal activity and business review

The principal activity of the company during the year continued to be the development of computer software, application support and application hosting including e-commerce activities.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

It is the directors' objective to strengthen the company further by achieving ISO 9001 certification during the next year. The directors are also committed to invest in the professional growth of the company's engineers and thus deliver enhanced value to its customers. It is the intention of the Board to strengthen the equity base of the company during the course of the next year. The directors' target is to achieve a listing within three years assuming right market conditions.

Results and dividends

The results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

It is proposed to transfer the profit for the year of £195,231 to reserves.

Directors and their interests in the shares of the company

The directors who held office at the end of the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 May 2000	At 1 June 1999
M J Millor - Chairman	'A' Ordinary	14,955	14,955
Y C Vasdev - Managing Director	'A' Ordinary	14,000	14,000
V C Rai		-	-
J W Davidson		-	-
D Kar		-	-
S K Mittal		-	-

D Kar resigned on 27 September 2000 and S K Mittal was appointed to the Board on the same date.

V C Rai, D Kar and S K Mittal are officers of Information Technologies (India) Ltd, who owned 20,000 shares at the beginning and end of the period.

Fixed assets

The changes in fixed assets during the year are explained in note 9 to the financial statements.

ION INFORMATION TECHNOLOGIES LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MAY 2000

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 9, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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.

Auditors

A resolution to re-appoint Blick Rothenberg as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors

Y C VASDEV
Director

Y C Vasdev

13/12/00

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AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 MAY 2000

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of the directors and the auditors

As described on page 3, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 May 2000 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

12 York Gate
Regent's Park
London
NW1 4QS

6 February 2001



BLICK ROTHENBERG
Chartered Accountants
Registered Auditors

ION INFORMATION TECHNOLOGIES LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MAY 2000

	Note	2000 £	1999 £
Turnover	2	5,374,683	3,451,646
Cost of sales		(4,141,697)	(2,771,026)
Gross profit		<u>1,232,986</u>	<u>680,620</u>
Administrative expenses		(990,168)	(616,934)
Operating profit	3	<u>242,818</u>	<u>63,686</u>
Interest receivable	6	26,767	9,932
Interest payable	7	(18,354)	(7,102)
Profit on ordinary activities before taxation		<u>251,231</u>	<u>66,516</u>
Tax on profit on ordinary activities	8	(56,000)	(13,146)
Retained profit for the financial year		<u><u>195,231</u></u>	<u><u>53,370</u></u>

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

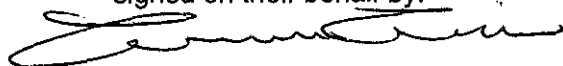
ION INFORMATION TECHNOLOGIES LIMITED

BALANCE SHEET

31 MAY 2000

	Note	2000 £	£	1999 £	£
Fixed assets					
Tangible assets	9		59,187		57,875
Current assets					
Debtors	10	733,396		586,949	
Cash at bank		900,869		446,061	
		<u>1,634,265</u>		<u>1,033,010</u>	
Creditors: Amounts falling due within one year	11	<u>(1,143,395)</u>		<u>(734,299)</u>	
Net current assets			490,870		298,711
Total assets less current liabilities			<u>550,057</u>		<u>356,586</u>
Creditors: Amounts falling due after more than one year	12		<u>(69,828)</u>		<u>(78,236)</u>
			<u>480,229</u>		<u>278,350</u>
Capital and reserves					
Called-up equity share capital	17		75,601		74,770
Share premium account	18		203,047		197,230
Profit and loss account	18		201,581		6,350
Shareholders' funds	19		<u>480,229</u>		<u>278,350</u>

These financial statements were approved by the directors on the 13/12/2000 and are signed on their behalf by:



M J MILLOR
Director



Y C VASDEV
Director

ION INFORMATION TECHNOLOGIES LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MAY 2000

	2000 £	£	1999 £	£
Net cash inflow from operating activities		525,488		164,683
Returns on investments and Servicing of finance				
Interest received	26,767		9,932	
Interest paid	(15,634)		(5,800)	
Interest element of finance lease rental payments	(2,720)		(1,302)	
Net cash inflow from returns on investments and servicing of finance		8,413		2,830
Taxation		(13,146)		(2,109)
Capital expenditure				
Payments to acquire tangible fixed assets	(79,696)		(79,172)	
Receipts from sale of fixed assets	5,350		1,075	
Net cash outflow from capital expenditure		(74,346)		(78,097)
Cash inflow before financing		446,409		87,307
Financing				
Issue of equity share capital	831		-	
Share premium on issue of equity share capital	5,817		-	
Repayment of bank loans	4,758		60,000	
Capital element of finance lease rental payments	(3,007)		22,508	
Net cash inflow from financing		8,399		82,508
Increase in cash		<u>454,808</u>		<u>169,815</u>

ION INFORMATION TECHNOLOGIES LIMITED

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 MAY 2000

Reconciliation of operating profit to net cash Inflow from operating activities

	2000 £	1999 £
Operating profit	242,818	63,686
Depreciation	71,750	55,455
Loss/Profit on disposal of fixed assets	1,284	(808)
Increase in debtors	(146,447)	(323,624)
Increase in creditors	356,083	369,974
Net cash inflow from operating activities	525,488	164,683

Reconciliation of net cash flow to movement in net funds

	2000 £	1999 £
Increase in cash in the period	454,808	169,815
Net cash inflow from bank loans	(4,758)	(60,000)
Net cash outflow/inflow in respect of finance leases	3,007	(22,508)
	<u>453,057</u>	<u>87,307</u>
Change in net funds	453,057	87,307
Net funds at 1 June 1999	363,553	276,246
Net funds at 31 May 2000	816,610	363,553

Analysis of changes in net funds

	At 1 Jun 1999 £	Cash flows £	At 31 May 2000 £
Net cash:			
Cash in hand and at bank	446,061	454,808	900,869
Debt:			
Debt due within one year	-	(9,197)	(9,197)
Debt due after one year	(60,000)	4,439	(55,561)
Finance leases	(22,508)	3,007	(19,501)
	<u>(82,508)</u>	<u>(1,751)</u>	<u>(84,259)</u>
Net funds	363,553	453,057	816,610

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2000

1. Accounting policies

1.1 Basis of accounting

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

1.2 Turnover

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

1.3 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	- 50% straight line
Motor Vehicles	- 25% straight line

1.4 Hire purchase agreements

Assets held under hire purchase agreements and finance leases are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

1.5 Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element which reduces the outstanding obligation for future instalments.

1.6 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the period of the lease.

1.7 Pensions

The company operates a defined contribution pension scheme for employees. The annual contributions payable are charged to the profit and loss account.

1.8 Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2000

2. Turnover

The turnover is attributable to the principal activity of the company.

An analysis of turnover is given below:

	2000 £	1999 £
United Kingdom	<u>5,374,683</u>	<u>3,451,646</u>

3. Operating profit

Operating profit is stated after charging/(crediting):

	2000 £	1999 £
Depreciation	71,750	55,455
Loss/Profit on disposal of fixed assets	1,284	(808)
Auditors' remuneration: - as auditors	<u>8,010</u>	<u>8,599</u>

4. Particulars of employees

The average number of staff, including the directors, employed by the company during the financial year was:

	2000 Number	1999 Number
Fee earners	126	78
Administration and corporate management	<u>9</u>	<u>7</u>
	<u>135</u>	<u>85</u>

The aggregate payroll costs of the above were:

	2000 £	1999 £
Wages and salaries	320,363	231,304
Social security costs	41,188	18,266
Other pension costs	<u>22,982</u>	<u>28,395</u>
	<u>384,533</u>	<u>277,965</u>

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2000

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2000 £	1999 £
Emoluments	195,872	139,010
Value of company pension contributions to non-money purchase schemes	5,000	5,000
	<u>200,872</u>	<u>144,010</u>

The number of directors who are accruing benefits under pension schemes were:

	2000 Number	1999 Number
Money purchase schemes	<u>2</u>	<u>2</u>

6. Interest receivable

	2000 £	1999 £
Bank interest receivable	<u>26,767</u>	<u>9,932</u>

7. Interest payable

	2000 £	1999 £
Interest payable on bank borrowing	15,634	5,800
Finance charges	<u>2,720</u>	<u>1,302</u>
	<u>18,354</u>	<u>7,102</u>

8. Tax on profit on ordinary activities

	2000 £	1999 £
Corporation tax based on the results for the year at 20% (1999 - 21%)	<u>56,000</u>	<u>13,146</u>

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2000

9. Tangible fixed assets

	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost			
At 1 June 1999	75,085	61,945	137,030
Additions	77,496	2,200	79,696
Disposals	-	(12,945)	(12,945)
At 31 May 2000	152,581	51,200	203,781
Depreciation			
At 1 June 1999	49,324	29,831	79,155
Charge for the year	64,509	7,241	71,750
On disposals	-	(6,311)	(6,311)
At 31 May 2000	113,833	30,761	144,594
Net book value			
At 31 May 2000	38,748	20,439	59,187
At 31 May 1999	25,761	32,114	57,875

Hire purchase and finance lease agreements

Included within the net book value of £59,187 is £13,500 (1999 - £Nil) relating to assets held under hire purchase agreements, and £Nil (1999 - £20,250) relating to assets held under finance lease agreements. The depreciation charged in the year in respect of assets held under hire purchase agreements amounted to £6,750 (1999 - £Nil), and £Nil (1999 - £6,750) in respect of assets held under finance lease agreements.

10. Debtors

	2000 £	1999 £
Trade debtors	604,923	505,890
Prepayments and accrued income	128,473	81,059
	733,396	586,949

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2000

11. Creditors: Amounts falling due within one year

	2000 £	1999 £
Bank loans and overdrafts	9,197	-
Trade creditors	154,766	113,933
Corporation tax	56,000	13,146
Other taxation and social security	173,549	197,256
Hire purchase agreements	5,234	4,272
Other creditors	-	17,821
Accruals and deferred income	744,649	387,871
	<u>1,143,395</u>	<u>734,299</u>

The bank loan is secured by fixed and floating charges on the assets of the company. The loan bears interest of 10.75% per annum and is repayable by monthly installments.

12. Creditors: Amounts falling due after more than one year

	2000 £	1999 £
Bank loans and overdrafts	55,561	60,000
Hire purchase and finance leases	14,267	18,236
	<u>69,828</u>	<u>78,236</u>

13. Creditors - loan maturity analysis

Creditors include finance capital which is due for repayment as follows:

	2000 £	1999 £
In one year or less, or on demand	9,197	-
Between one and two years	10,236	15,000
Between two and five years	40,335	45,000
	<u>59,768</u>	<u>60,000</u>

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2000

14. Commitments under hire purchase and finance lease agreements

Future commitments under hire purchase and finance lease agreements are as follows:

	2000 £	1999 £
Amounts payable within one year	6,503	6,504
Amounts payable between two to five years	<u>14,368</u>	<u>21,414</u>
	20,871	27,918
Less interest and finance charges relating to future periods	<u>(1,370)</u>	<u>(5,410)</u>
	<u>19,501</u>	<u>22,508</u>

15. Commitments under operating leases

At 31 May 2000 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & buildings 2000 £	Land & buildings 1999 £
Operating leases which expire: Within one year	<u>6,785</u>	<u>7,917</u>

16. Related party disclosures

During the year, the company undertook transactions with the following related parties:

Purchases from Information Technologies (India) Limited, a shareholder totalling £1,447,837 (1999 - £702,000).

17. Share capital

Authorised share capital:

	2000 £	1999 £
1,000,000 Class 'A' Ordinary shares of £1 each	1,000,000	1,000,000
111,111 Class 'B' Ordinary shares of £1 each	<u>111,111</u>	<u>111,111</u>
	<u>1,111,111</u>	<u>1,111,111</u>

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2000

17. Share capital *(continued)*

Allotted, called up and fully paid:

	2000		1999	
	Number	£	Number	£
Class 'A' Ordinary shares of £1 each	74,770	74,770	74,770	74,770
Class 'B' Ordinary shares of £1 each	831	831	-	-
	<u>75,601</u>	<u>75,601</u>	<u>74,770</u>	<u>74,770</u>

During the period 831, 'B' Ordinary shares were issued at £8 per share to provide incentive to existing employees.

18. Reserves

	Share premium account £	Profit and loss account £
Balance brought forward	197,230	6,350
Premium on new issue	5,817	
Profit for the year		195,231
Balance carried forward	<u>203,047</u>	<u>201,581</u>

19. Reconciliation of movements in shareholders' funds

	2000		1999	
	£	£	£	£
Profit for the financial year		195,231		53,370
New equity share capital subscribed	831		-	
Premium on new share capital subscribed	<u>5,817</u>		-	
		6,648		-
Net addition to funds		201,879		53,370
Opening shareholders' equity funds		<u>278,350</u>		<u>224,980</u>
Closing shareholders' equity funds		<u>480,229</u>		<u>278,350</u>