

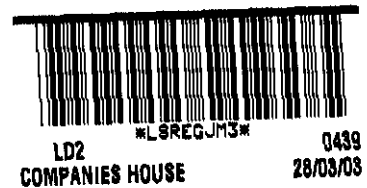
Company Registration Number 03137721

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**ION INFORMATION TECHNOLOGIES
LIMITED**

FINANCIAL STATEMENTS

31 MAY 2002



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ION INFORMATION TECHNOLOGIES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

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ION INFORMATION TECHNOLOGIES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

M J Millor - Chairman
Y C Vasdev
A Banerjee
V Rai

Company secretary

Malkins Nominees Limited

Registered office

19 Cavendish Square
London
W1A 2AW

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 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 May 2002.

Principal activities 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 in a competitive and recessionary environment. The next year is expected to be challenging and the directors expect to resume growth thereafter.

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 retained profit for the year of £31,150 to reserves.

The directors and their interests in shares of the company

The directors who served the company during the year together with their interests in the shares of the company were:

	Class of share	At 31 May 2002	At 1 June 2001 or later date of appointment
M J Millor - Chairman	'A' Ordinary	14,955	14,955
Y C Vasdev	'A' Ordinary	14,000	14,000
A Banerjee	'A' Ordinary	2,000	2,000
V Rai	'A' Ordinary	—	—

V Rai is an officer of Information Technologies (India) Limited, who owned 20,000 shares at the beginning and end of the period.

A Banerjee was appointed as a director on 13 September 2001.

V Rai was appointed as a director on 15 June 2001.

V C Rai resigned as a director on 15 June 2001.

D McConnell resigned as a director on 13 September 2001.

A Rai was removed as a director on 19 April 2002.

A Berry resigned as a director on 13 September 2001.

ION INFORMATION TECHNOLOGIES LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MAY 2002

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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. 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.

Charitable contributions

During the year the company made charitable donations of £360 (2001: £341).

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

Y C Vasdev
Director

21.1.2003
.....

ION INFORMATION TECHNOLOGIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 MAY 2002

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 in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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 May 2002 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

21 January 2003


BLICK ROTHENBERG
Chartered Accountants
Registered Auditors

ION INFORMATION TECHNOLOGIES LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MAY 2002

	Note	2002 £	2001 £
Turnover	2	3,796,236	5,346,856
Cost of sales		(2,739,463)	(4,143,475)
Gross profit		1,056,773	1,203,381
Administrative expenses		(1,047,000)	(935,496)
Operating profit	3	9,773	267,885
Interest receivable and similar income	6	31,930	49,604
Interest payable and similar charges	7	(2,788)	(8,838)
Profit on ordinary activities before taxation		38,915	308,651
Tax on profit on ordinary activities	8	(7,765)	(77,456)
Retained profit for the financial year		31,150	231,195

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

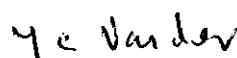
31 MAY 2002

	Note	£	2002 £	£	2001 £
Fixed assets					
Tangible assets	9		25,866		77,396
Current assets					
Debtors	10	1,279,282		870,503	
Cash at bank		208,415		770,801	
		<u>1,487,697</u>		<u>1,641,304</u>	
Creditors: Amounts falling due within one year	11	<u>(770,989)</u>		<u>(978,742)</u>	
Net current assets			<u>716,708</u>		<u>662,562</u>
Total assets less current liabilities			<u>742,574</u>		<u>739,958</u>
Creditors: Amounts falling due after more than one year	12		<u>-</u>		<u>(28,534)</u>
			<u>742,574</u>		<u>711,424</u>
Capital and reserves					
Called-up equity share capital	17		75,601		75,601
Share premium account	18		203,047		203,047
Profit and loss account	18		463,926		432,776
Shareholders' funds	19		<u>742,574</u>		<u>711,424</u>

These financial statements were approved by the directors on 21/1/2003 and are signed on their behalf by:

M J Miller 
Director

Y C Vasdev
Director



ION INFORMATION TECHNOLOGIES LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MAY 2002

	£	2002 £	£	2001 £
Net cash (outflow)/inflow after exceptional items		(440,095)		32,859
Returns on investments and Servicing of finance				
Interest received	31,930		49,604	
Interest paid	(2,053)		(5,979)	
Interest element of hire purchase/finance lease	(735)		(2,859)	
Net cash inflow from returns on investments and servicing of finance		29,142		40,766
Taxation		(77,457)		(55,441)
Capital expenditure				
Payments to acquire tangible fixed assets	(11,074)		(118,999)	
Net cash outflow from capital expenditure		(11,074)		(118,999)
Cash outflow before financing		(499,484)		(100,815)
Financing				
Repayment of bank loans	(37,825)		(14,187)	
Capital element of hire purchase/finance lease	(25,077)		(15,066)	
Net cash outflow from financing		(62,902)		(29,253)
Decrease in cash		(562,386)		(130,068)
Reconciliation of operating profit to Net cash inflow after exceptional items				
		2002 £		2001 £
Operating profit		9,773		267,885
Depreciation		62,604		100,790
Increase in debtors		(408,779)		(137,107)
Decrease in creditors		(103,693)		(198,709)
Net cash (outflow)/inflow after exceptional items		(440,095)		32,859

ION INFORMATION TECHNOLOGIES LIMITED

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 MAY 2002

Reconciliation of net cash flow to movement in net funds

	£	2002 £	£	2001 £
Decrease in cash in the period	(562,386)		(130,068)	
Net cash outflow from bank loans	37,825		14,187	
Net cash outflow in respect of hire purchase/finance lease	25,077		15,066	
		(499,484)		(100,815)
Change in net funds		(499,484)		(100,815)
Net funds at 1 June 2001		706,954		807,769
Net funds at 31 May 2002		207,470		706,954

Analysis of changes in net funds

	At 1 Jun 2001 £	Cash flows £	At 31 May 2002 £
Net cash:			
Cash in hand and at bank	770,801	(562,386)	208,415
Debt:			
Debt due within one year	(10,236)	10,236	-
Debt due after one year	(27,589)	27,589	-
Hire purchase/finance lease agreements	(26,022)	25,077	(945)
	(63,847)	62,902	(945)
Net funds	706,954	(499,484)	207,470

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

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:

Leasehold Property	- over life of the lease
Fixtures & Fittings	- 50% straight line
Motor Vehicles	- 25% straight line

1.4 Pensions

Contributions to individuals' personal pension schemes are charged to the profit and loss account as they fall due.

1.5 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.

1.6 Foreign currencies

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 the profit and loss account.

2. Turnover

The turnover and profit before tax are attributable to the principal activity of the company.

A geographical analysis of turnover is given below:

	2002 £	2001 £
United Kingdom	<u>3,796,236</u>	<u>5,346,856</u>

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

3. Operating profit

Operating profit is stated after charging:

	2002 £	2001 £
Depreciation	62,604	100,790
Auditors' remuneration:		
- as auditors	15,125	11,719
Operating lease costs:		
- land and buildings	<u>46,600</u>	<u>27,140</u>

4. Particulars of employees

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

	2002 Number	2001 Number
Fee earners	73	102
Administration and corporate management	<u>9</u>	<u>9</u>
	<u>82</u>	<u>111</u>

The aggregate payroll costs of the above were:

	2002 £	2001 £
Wages and salaries	1,781,040	1,926,698
Social security costs	154,725	114,503
Other pension costs	<u>14,237</u>	<u>17,889</u>
	<u>1,950,002</u>	<u>2,059,090</u>

5. Directors' emoluments

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

	2002 £	2001 £
Emoluments	70,871	279,605
Value of company pension contributions to money purchase schemes	<u>7,000</u>	<u>9,125</u>
	<u>77,871</u>	<u>288,730</u>

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

5. Directors' emoluments (continued)

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

	2002 Number	2001 Number
Money purchase schemes	<u>1</u>	<u>2</u>

6. Interest receivable and similar income

	2002 £	2001 £
Bank interest receivable	15,543	49,604
Other interest receivable	<u>16,387</u>	<u>-</u>
	<u>31,930</u>	<u>49,604</u>

7. Interest payable and similar charges

	2002 £	2001 £
Interest payable on bank loans and overdrafts	2,053	5,979
Hire purchase and finance lease charges	<u>735</u>	<u>2,859</u>
	<u>2,788</u>	<u>8,838</u>

8. Tax on profit on ordinary activities

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year at 20% (2001: 22%)	8,323	78,015
Adjustment in respect of previous years:		
Corporation tax	<u>(558)</u>	<u>(559)</u>
Tax on profit on ordinary activities	<u>7,765</u>	<u>77,456</u>

There is no material difference between the current tax charge on ordinary activities for the period reported in the profit and loss account and the current tax charge that would result from applying a relevant standard rate of tax to the profit on ordinary activities before tax.

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

9. Tangible fixed assets

	Leasehold property £	Fixtures & fittings £	Motor vehicles £	Total £
Cost				
At 1 June 2001	4,251	227,479	91,050	322,780
Additions	745	10,329	—	11,074
At 31 May 2002	<u>4,996</u>	<u>237,808</u>	<u>91,050</u>	<u>333,854</u>
Depreciation				
At 1 June 2001	2,040	190,031	53,313	245,384
Charge for the year	2,728	42,614	17,262	62,604
At 31 May 2002	<u>4,768</u>	<u>232,645</u>	<u>70,575</u>	<u>307,988</u>
Net book value				
At 31 May 2002	<u>228</u>	<u>5,163</u>	<u>20,475</u>	<u>25,866</u>
At 31 May 2001	<u>2,211</u>	<u>37,448</u>	<u>37,737</u>	<u>77,396</u>

Included in the net book value are the following amounts in relation to assets held under hire purchase and finance lease agreements:

	2002 £	2001 £
Net book value at end of year	<u>—</u>	<u>6,750</u>
Depreciation charge for the year	<u>6,750</u>	<u>21,208</u>

10. Debtors

	2002 £	2001 £
Trade debtors	544,113	834,202
Other debtors	354,208	18,660
Prepayments and accrued income	380,961	17,641
	<u>1,279,282</u>	<u>870,503</u>

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

11. Creditors: Amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts	-	10,236
Trade creditors	81,914	80,932
Corporation tax	8,323	78,015
Other taxation and social security	134,678	335,925
Hire purchase/finance lease agreements	945	25,077
Other creditors	37	-
Accruals and deferred income	545,092	448,557
	<u>770,989</u>	<u>978,742</u>

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

	2002 £	2001 £
Bank loans and overdrafts	-	27,589
Hire purchase/finance lease agreements	-	945
	<u>-</u>	<u>28,534</u>

13. Creditors - loan maturity analysis

	2002 £	2001 £
In one year or less, or on demand	-	10,236
Between one and two years	-	11,390
Between two and five years	-	16,199
	<u>-</u>	<u>37,825</u>

14. Obligations under hire purchase/finance lease agreements

The maturity of these amounts is as follows:

	2002 £	2001 £
Within one year	952	25,789
Between two and five years	-	952
	<u>952</u>	<u>26,741</u>
Less: finance charges relating to future periods	(7)	(719)
	<u>945</u>	<u>26,022</u>

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

15. Commitments under operating leases

At 31 May 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	2002		2001	
	Land & buildings £	Other items £	Land & buildings £	Other items £
Operating leases which expire:				
Within one year	<u>46,600</u>	<u>—</u>	<u>46,600</u>	<u>3,635</u>

16. Related party transactions and controlling party

In the opinion of the directors there is no ultimate controlling party.

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

Name (Relationship) Transaction		Amount		Amount due (to)/from related parties	
		2002 £	2001 £	2002 £	2001 £
Information Technologies (India) Limited (Shareholder)	Purchases	827,609	2,100,859	(244,177)	(280,509)
	Management Charges	19,958	—	—	—

17. Share capital

	2002		2001	
	Number	£	Number	£
Authorised share capital:				
Class 'A' Ordinary shares of £1 each	1,000,000	1,000,000	1,000,000	1,000,000
Class 'B' Ordinary shares of £1 each	111,111	111,111	111,111	111,111
	<u>1,111,111</u>	<u>1,111,111</u>	<u>1,111,111</u>	<u>1,111,111</u>
Called up, allotted and fully paid:				
Class 'A' Ordinary shares of £1 each	74,770	74,770	74,770	74,770
Class 'B' Ordinary shares of £1 each	831	831	831	831
	<u>75,601</u>	<u>75,601</u>	<u>75,601</u>	<u>75,601</u>

ION INFORMATION TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

18. Reserves

	Share premium account £	Profit and loss account £
Balance brought forward	203,047	432,776
Profit for the year	—	31,150
Balance carried forward	<u>203,047</u>	<u>463,926</u>

19. Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the financial year	31,150	231,195
Opening shareholders' equity funds	<u>711,424</u>	<u>480,229</u>
Closing shareholders' equity funds	<u>742,574</u>	<u>711,424</u>