

Citizen Connect Limited

**Directors' report and financial
statements**

Registered Number 3464607

31 March 1999



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Directors' report

The directors present their annual report and the audited financial statements for the period 12 November 1997 to 31 March 1999.

Principal activities

The main business activity of the company is to encourage and facilitate economic inclusion and social regeneration through the application of technologies and the development of effective diagnostic tools to empower individuals without jobs to maximise their own potential and economic contribution to a learning society.

Business review

This was the first period of trading and whilst the company made a loss, the directors are confident that the company will have increased trading and profitability in the near future. The result for the period is shown on page 5.

Dividends

The directors do not recommend the payment of a dividend.

Incorporation

The company was incorporated on 12 November 1997 and began trading in June 1998.

Directors and directors' interests

The directors who held office during the period were as follows:

Waterlow Nominees Limited	(appointed 12 November 1997, resigned 16 January 1998)
B Hopson	(appointed 2 March 1998, resigned 21 June 1999)
S Murgatroyd	(appointed 2 March 1998)
A Price	(appointed 2 March 1998)
B Robinson	(appointed 16 January 1998)
W D Roe	(appointed 9 March 1998, resigned 28 June 1999)
M Scally	(appointed 16 January 1998, resigned 21 June 1999)
P Shreeve	(appointed 2 March 1998, resigned 19 June 1998)
D G Simpson	(appointed 2 March 1998, resigned 28 June 1999)
R Thompson	(appointed 22 July 1999)
R Arrowsmith	(appointed 29 June 1999)

None of the directors had any interest in the ordinary shares of the company, according to the register of directors interests either at the beginning or at the end of the period.

Post balance sheet event

On the 21 June 1999, the company became a 100% subsidiary company of Axia Netmedia Corporation, of Canada. Axia previously owned 50% of Citizen Connect's equity shares.

Directors' report *(continued)*

Year 2000

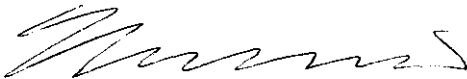
At the date of signing the company has not suffered any problems with its business systems or products as a result of the change of date to the year 2000. The directors do not anticipate any problems in the future related to the year 2000.

Auditors

KPMG were appointed as first auditors of the company.

In accordance with Section 385 of the Companies Act 1985, a resolution for the appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



S Murgatroyd
Director

Wharfebank House
Ilkley Road
Otley
West Yorkshire
LS21 3JP

9 March 2000

Statement of directors' responsibilities

(in respect of the preparation of the financial statements)

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. 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Report of the auditors to the members of Citizen Connect Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of 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 March 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

9 March 2000

Profit and loss account

for the period ended 31 March 1999

	Note	Continuing operations 12 November 1997 to 31 March 1999 £
Turnover	1	97,797
Cost of sales		(20,282)
Gross profit		77,515
Administrative expenses		(285,664)
Operating loss		(208,149)
Interest payable and similar charges	5	(3,792)
Loss on ordinary activities before taxation	2-4	(211,941)
Tax on loss on ordinary activities		-
Retained loss for the period	14	(211,941)

The company had no other gains or losses in the accounting period other than the loss as shown above.

Balance sheet

at 31 March 1999

	Note	£	1999 £
Fixed assets			
Intangible assets	7	189,041	
Tangible assets	8	3,110	
			192,151
Current assets			
Stocks	9	69,977	
Debtors	10	126,009	
Cash at bank and in hand		2,716	
		198,702	
Creditors: amounts falling due within one year	11	(602,694)	
			(403,992)
Net current liabilities			(211,841)
Net liabilities			
Capital and reserves			
Called up share capital	13		100
Profit and loss account	14		(211,941)
Shareholders' funds			(211,841)
Equity			

These financial statements were approved by the board of directors on 9 March 2000 and were signed on its behalf by:



B Robinson
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

The financial statements have been prepared on the going concern basis which assumes that the company will continue to trade. The validity of this assumption is dependent on the continued support of Axia Netmedia Corporation which is the company's major creditor and parent company. Axia Netmedia Corporation has agreed to provide financial support to Citizen Connect Limited to meet its financial obligations for at least the next 12 months and the foreseeable future.

The accounting period spans the date of incorporation 12 November 1997 to 31 March 1999.

Cash flow statement

The exempt is exempt from the requirement of Financial Reporting No. 1 to prepared a cash flow statement as it is entitled to the filing exemptions as a small company under Sections 246-249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

Intangible fixed assets and amortisation

Concessions, patents, licences and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods up to 3 years.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer Equipment	-	3 years
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Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of work in progress, cost is taken at production costs incurred, less those transferred to the profit and loss account after deducting foreseeable losses and payments on account not matched with turnover.

Notes (continued)

Accounting policies (continued)

Long Term Contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account matched with turnover.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Loss on ordinary activities before taxation

	1999 £
<i>Loss on ordinary activities before taxation is stated after charging</i>	
Auditors' remuneration:	
Audit	2,850
Other services - fees paid to the auditor and its associates	750
Depreciation and other amounts written off tangible and intangible fixed assets:	
Owned	17,010
	<u> </u>

Notes (continued)

3 Remuneration of directors

	1999 £
Directors' emoluments	33,826
	<u> </u>

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 1999
Management Consultants	1
Other	6
	<u> </u>
	7
	<u> </u>

The aggregate payroll costs of these persons were as follows:

	1999 £
Wages and salaries	49,935
Social security costs	4,897
	<u> </u>
	54,832
	<u> </u>

5 Interest payable and similar charges

	1999 £
On bank loans and overdrafts	3,792
	<u> </u>

6 Taxation

	1999 £
UK corporation tax at 21%	-
	<u> </u>

The company has tax losses carried forward of approximately £240,000.

Notes (continued)

7 Intangible fixed assets

	Concessions, patents, licences, trade marks and similar rights and assets £
<i>Cost</i>	
At beginning of period	-
Additions	205,429
At end of period	205,429
<i>Amortisation</i>	
At beginning of period	-
Charged in period	16,388
At end of period	16,388
<i>Net book value</i>	
At 31 March 1999	189,041

8 Tangible fixed assets

	Computer equipment £
<i>Cost</i>	
At beginning of period	-
Additions	3,732
At end of period	3,732
<i>Depreciation</i>	
At beginning of period	-
Charge for period	622
At end of period	622
<i>Net book value</i>	
At 31 March 1999	3,110

Notes (continued)

9 Stock

	1999 £
Finished goods and goods for resale	69,977
	<u> </u>

10 Debtors

	1999 £
Trade debtors	95,239
Amounts owed by joint venture undertaking	10,345
Other debtors	20,425
	<u> </u>
	126,009
	<u> </u>

11 Creditors: amounts falling due within one year

	1999 £
Trade creditors	48,256
Amounts owed to joint venture undertaking	517,375
Taxation and social security	1,540
Accruals and deferred income	35,523
	<u> </u>
	602,694
	<u> </u>

12 Provision for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1999 Provided £	Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	-	8,000
Other timing differences	-	(51,000)
	<u> </u>	<u> </u>
	-	(43,000)
	<u> </u>	<u> </u>

Notes (continued)

13 Called up share capital

	1999 £
<i>Authorised</i>	
Equity: Ordinary shares of £1 each	100
<i>Allotted, called up and fully paid</i>	
Equity: Ordinary shares of £1 each	100

14 Reserves

	Profit and loss account £
At beginning of period	-
Retained loss for the period	(211,941)
At end of period	(211,941)

15 Commitments

Capital commitments at the end of the financial period for which no provision has been made, are as follows:

	1999 £
Contracted	Nil

16 Post balance sheet events

From 21 June 1999, Citizen Connect became a fully owned subsidiary of Axia Netmedia Corporation of Calgary, Alberta, Canada, having previously been a 50% owned joint venture of Axia Netmedia Corporation.

17 Related party disclosures

The company is related to Lifeskills International Limited and Axia Netmedia Corporation as both companies own 50% of the equity share capital of Citizen Connect Limited.

During the period Citizen connect received charges of £262,475 from Lifeskills and charges of £237,125 from Axia Netmedia for services rendered.

At the period end Citizen Connect owed £280,249 to Lifeskills International Limited and £237,125 to Axia Netmedia Corporation.

All transactions were on an arms length basis.