

Citizen Connect Limited

**Directors' report and financial
statements**

Registered number 3464607

30 June 2000



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Directors' report

The directors present their annual report and the audited financial statements for the period 1 April 1999 to 30 June 2000. The comparative figures are 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

Citizen Connect has completed a successful year developing Learn Direct Futures and engaging in a Joint Venture with the University for Industry. The majority of the revenue has come from UFI to implement the user based application in centres across the United Kingdom. Citizen Connect also began working on customisation and replications of the same Job Connect application with Italy and Canada. The commercial sector in the United Kingdom has responded favourably to the Futures product where it is positioned as a career planning tool for employees that is seen to assist with employee retention and enhanced Human Resource services. The next fiscal year is anticipated to bring about even higher revenues as the product is being distributed globally. The credibility of Citizen Connect and Learn Direct Futures has led to a range of new opportunities in the e-government arena that see clients and partners requesting enhanced functionality and services to connect and inform citizens. These new markets and products will strengthen the product and customer base of Citizen Connect.

Dividends

The directors do not recommend the payment of a dividend.

Directors and directors' interests

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

B Hopson	(resigned 21 June 1999)
S Murgatroyd	
A Price	
B Robinson	
W D Roe	(resigned 28 June 1999)
M Scally	(resigned 21 June 1999)
D G Simpson	(resigned 28 June 1999)
R Thompson	(appointed 22 July 1999, resigned 30 June 2000)
R Hansford	(appointed 2 May 2000)
R Arrowsmith	(appointed 29 June 1999, resigned 30 October 2000)

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. The interests of the directors in group companies are shown in that company's financial statements.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-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

20 February 2001

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 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

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 30 June 2000 and of its profit for the 15 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

20 February 2001

Profit and loss account

for the 15 month period ended 30 June 2000

	Note	Continuing operations 1 April 1999 to 30 June 2000 £	Continuing operations 12 November 1997 to 31 March 1999 £
Turnover	1	1,115,076	97,797
Cost of sales		(612,105)	(20,282)
Gross profit		502,971	77,515
Administrative expenses		(141,683)	(285,664)
Operating profit/(loss)		361,288	(208,149)
Interest payable and similar charges	5	(5,844)	(3,792)
Profit/(loss) on ordinary activities before taxation	2-4	355,444	(211,941)
Tax on profit on ordinary activities	6	(57,338)	-
Retained profit/(loss) for the period	15	298,106	(211,941)
Retained loss brought forward		(211,941)	-
Retained profit/(loss) carried forward		86,165	(211,941)

There are no other gains or losses in the periods other than the results shown above.

Reconciliation of movements in shareholders' funds

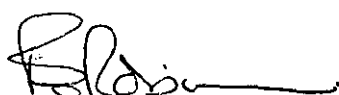
for the 15 month period ended 30 June 2000

There are no movements in shareholders' funds for the financial period and preceding financial period other than the profit for the period. Accordingly, no reconciliation of movements in shareholders' funds is given.

Balance sheet
at 30 June 2000

	<i>Note</i>	2000	1999
		£	£
Fixed assets			
Intangible assets	7	102,879	189,041
Tangible assets	8	42,440	3,110
Investment	9	100	-
		<u>145,419</u>	<u>192,151</u>
Current assets			
Stocks	10	15,819	69,977
Debtors	11	889,943	126,009
Cash at bank and in hand		163,259	2,716
		<u>1,069,021</u>	<u>198,702</u>
Creditors: amounts falling due within one year	12	(1,128,175)	(602,694)
Net current liabilities		<u>(59,154)</u>	<u>(403,992)</u>
Net assets/(liabilities)		<u>86,265</u>	<u>(211,841)</u>
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	15	86,165	(211,941)
Shareholders' funds - equity		<u>86,265</u>	<u>(211,841)</u>

These financial statements were approved by the board of directors on 20 February 2001 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 from 1 April 1999 to 30 June 2000, the comparative figures span 12 November 1997 to 31 March 1999.

The directors have not prepared group accounts on the basis that the subsidiary company acquired in the period is dormant, and as such is immaterial to the results. These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement

The company is exempt from the requirement of Financial Reporting No. 1 to prepare 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.

Revenue recognition

Subscription Revenue is triggered when a subscription is taken up and is recognised over 12 months from the month the first subscription is taken up. If a subscription is not taken up within the allowable time frame (12 months) then all the revenue corresponding to those subscriptions will be recognised at the end of the allowable time frame.

Hosting Revenue is recognised one month at a time, and prorated if hosting is billed for more than one month at a time.

Development Revenue is recognised according to how the contract is written. This is based on achieving milestones outlined in the contract. Revenue is accordingly invoiced and recognised once each phase of development has been completed.

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
Furniture	-	5 years

Notes (continued)

Accounting policies (continued)

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.

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.

The geographical split of turnover is as follows:

	2000 £
United Kingdom	935,708
Italy	44,208
Canada	135,160
	1,115,076

Notes (continued)

2 Profit/loss on ordinary activities before taxation

	2000 £	1999 £
<i>Profit/loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	4,000	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	89,248	17,010
Foreign exchange gains	2,457	-
	<u> </u>	<u> </u>

3 Remuneration of directors

	2000 £	1999 £
Directors' emoluments	27,447	33,826
	<u> </u>	<u> </u>

During the year the directors also received remuneration from other group companies

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:

	2000	1999
Management Consultants	-	1
Other	3	6
	<u> </u>	<u> </u>
	3	7
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	35,114	49,935
Social security costs	3,188	4,897
	<u> </u>	<u> </u>
	38,302	54,832
	<u> </u>	<u> </u>

Notes (continued)

5 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	-	3,792
On inter-company loan	5,844	-
	<u>5,844</u>	<u>3,792</u>

6 Taxation

	2000 £	1999 £
UK corporation tax at 30% (1999: 21%)	57,338	-
	<u>57,338</u>	<u>-</u>

The company has tax losses carried forward of approximately £Nil (1999: £240,000).

7 Intangible fixed assets

	Concessions, patents, licences, trade marks and similar rights and assets £
Cost	
At beginning of period	205,429
Additions	330
	<u>205,759</u>
At end of period	<u>205,759</u>
Amortisation	
At beginning of period	16,388
Charged in period	86,492
	<u>102,880</u>
At end of period	<u>102,880</u>
Net book value	
At 30 June 2000	<u>102,879</u>
At 31 March 1999	<u>189,041</u>

Notes (continued)

8 Tangible fixed assets

	Computer equipment £
<i>Cost</i>	
At beginning of period	3,732
Additions	42,086
At end of period	45,818
<i>Depreciation</i>	
At beginning of period	622
Charge for period	2,756
At end of period	3,378
<i>Net book value</i>	
At 30 June 2000	42,440
At 31 March 1999	3,110

9 Investment

Citizen Connect Limited has a £100 investment in Lifeskills Learning Ltd representing 100% of the share capital. The company is dormant and is registered in the UK.

10 Stock

	2000 £	1999 £
Finished goods and goods for resale	15,819	69,977

11 Debtors

	2000 £	1999 £
Trade debtors	801,566	95,239
Amounts owed by joint venture undertaking	-	10,345
Other debtors	88,377	20,425
	889,943	126,009

Notes (continued)

12 Creditors: amounts falling due within one year

	2000 £	1999 £
Trade creditors	21,127	48,256
Amounts owed to joint venture undertaking	-	517,375
Amounts owed to group companies	620,542	-
Payments received on account	49,736	-
Other taxation and social security	70,379	1,540
Corporation taxation	57,338	-
Accruals and deferred income	309,053	35,523
	1,128,175	602,694

13 Provision for liabilities and charges

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

	2000 Provided £	Unprovided £	1999 Provided £	Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	-	(10,000)	-	8,000
Other timing differences	-	-	-	(51,000)
	-	(10,000)	-	(43,000)

14 Called up share capital

	2000 £	1999 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	100	100

Notes (continued)

15 Reserves

	Profit and loss account £
At beginning of period	(211,941)
Retained profit for the period	298,106
At end of period	86,165

16 Commitments

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

	2000 £	1999 £
Contracted	Nil	Nil

17 Related party transactions

During the period Citizen Connect Limited received charges of £555,759 from Lifeskills International Limited and charges of £233,817 from Axia Netmedia Corporation for services rendered. There were also charges of £406,533 from Axia Corporate and charges of £10,734 from Network Access Inc. for hosting services.

At the period end Citizen Connect Limited owed £253,583 to Lifeskills International Limited, £291,243 to Axia Corporate and £76,041 to Axia Netmedia Corporation.

All transactions were at arms length.

18 Ultimate parent company

On 21 June 1999 the company became a 100% subsidiary undertaking of Axia Netmedia Corporation, incorporated in Canada. Axia previously owned 50% of the company's equity share capital. The largest group in which the results of the company are consolidated is that headed by Axia Netmedia Corporation. The consolidated accounts are available to the public and may be obtained from Axia Netmedia Corporation, Suite 100, 1040-7th Avenue S.W., Calgary, Alberta, T2P 3G9, Canada.