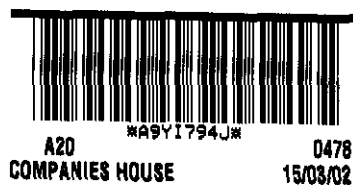


Citizen Connect Limited

**Directors' report and financial
statements**

Registered number 3464607

30 June 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2001. The comparative figures are for the period 1 April 1999 to 30 June 2000.

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

In a challenging year Citizen Connect made solid progress in further commercializing its products and services to public sector entities. The University for Industry (a funded initiative within the UK's Dept. of Education and Employment) remains the major revenue contributor and provides a high profile reference application that was key in having CC awarded deployments with the Scottish University of Industry and the Italian Ministry of Labour. Further discussions continue with many other interested parties and although the lead times associated with government entities are somewhat lengthy, the opportunities where governments look to deliver more of their services on line, continues to grow significantly.

In preparation of scaling the business to facilitate the growing opportunities, the product known as "Futures" was upgraded on to a replicable platform for easier and shorter development that allows for deployment on third party hosting environments and integrate more readily with third party product and services.

This will allow increased flexibility with product customization that would make the service more attractive to the private sector, which is being targeted with other Axia divisions currently selling to this sector. With this shift there is a positioning of CC as a solution provider for "Workforce development" to large public and private sector communities and aligns to Axia's vision of "Powering people to perform in the knowledge economy".

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:

S Murgatroyd	
A Price	(resigned 19 February 2001)
B Robinson	
Barrie Hopson	(appointed 19 February 2001)
Murray Wallace	(appointed 20 February 2001)
Robert George Arrowsmith	(resigned 30 October 2000)
Robert Bryon Hansford	(resigned 19 February 2001)
Graeme Lynch	(appointed 19 February 2001)

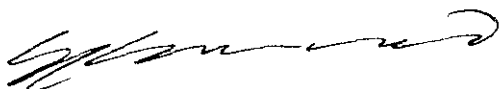
None of the directors had any interest in the ordinary shares of the company, according to the register of directors' interests either at the beginning or at the end of the period. The interests of the directors in group companies are shown in the financial statements of the ultimate parent undertaking.

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

11 January 2002

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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Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report 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 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.

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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

11 January 2002

Profit and loss account
for the year ended 30 June 2001

	Note	Continuing operations Year ended 30 June 2001 £	Continuing operations 1 April 1999 to 30 June 2000 £
Turnover	1	976,489	1,115,076
Cost of sales		(471,428)	(612,105)
Gross profit		505,061	502,971
Administrative expenses		(1,145,680)	(141,683)
Operating (loss)/profit		(640,619)	361,288
Interest payable and similar charges	5	(35,798)	(5,844)
(Loss)/profit on ordinary activities before taxation	2-4	(676,417)	355,444
Tax on (loss)/profit on ordinary activities	6	41,570	(57,338)
Retained (loss)/profit for the period	15	(634,847)	298,106
Retained profit/(loss) brought forward		86,165	(211,941)
Retained (loss)/profit carried forward		(548,682)	86,165

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

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2001

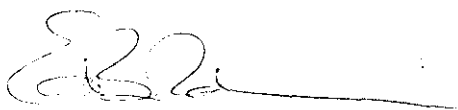
	Year ended 30 June 2001 £	15 months ended 30 June 2000 £
Retained (loss)/profit for the period	(634,847)	298,106
New share capital subscribed	7,400	-
Net (reduction)/addition to shareholders' funds	(627,447)	298,106
Opening shareholders' funds	86,265	(211,841)
Closing shareholders' funds	(541,182)	86,265

Balance sheet

at 30 June 2001

	Note	2001		2000	
		£	£	£	£
Fixed assets					
Intangible assets	7	34,356		102,879	
Tangible assets	8	62,612		42,440	
Investment	9	-		100	
			96,968		145,419
Current assets					
Stocks	10	23,748		15,819	
Debtors	11	389,774		889,943	
Cash at bank and in hand		287,068		163,259	
		700,590		1,069,021	
Creditors: amounts falling due within one year	12	(1,338,740)		(1,128,175)	
Net current liabilities			(638,150)		(59,154)
Net (liabilities)/assets			(541,182)		86,265
Capital and reserves					
Called up share capital	14		7,500		100
Profit and loss account	15		(548,682)		86,165
Shareholders' funds - equity			(541,182)		86,265

These financial statements were approved by the board of directors on 11 January 2002 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.

These financial statements present information about the company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared since the company is entitled to the exemption from the requirement to prepare group accounts under section 248 of the Companies Act 1985.

Cash flow statement

The company is exempt from the requirement of Financial Reporting No. 1 to prepare a cash flow statement as it is a wholly owned subsidiary.

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 in the period in which it is earned.

Development Revenue is recognised when the milestones outlined in the contract are 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)

1 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:

	Year ended 30 June 2001 £	15 months ended 30 June 2000 £
United Kingdom	886,205	935,708
Italy	27,396	44,208
Canada	62,888	135,160
	976,489	1,115,076

Notes (continued)

2 Profit/loss on ordinary activities before taxation

	Year ended 30 June 2001 £	15 months ended 30 June 2000 £
<i>Profit/loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	4,000	4,000
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	89,300	89,248
Foreign exchange gains	5,226	2,457

3 Remuneration of directors

	Year ended 30 June 2001 £	15 months ended 30 June 2000 £
Directors' emoluments	71,928	27,447

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
	2001 2000
Management Consultants	- -
Other	11 3

	11 3

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2001 £	15 months ended 30 June 2000 £
Wages and salaries	234,414	35,114
Social security costs	14,026	3,188
	-----	-----
	248,440	38,302

Notes (continued)

5 Interest payable and similar charges

	Year ended 30 June 2001 £	15 months ended 30 June 2000 £
On intercompany loan	32,322	5,844
Bank charges	3,476	-
	35,798	5,844

6 Taxation

	Year ended 30 June 2001 £	15 months ended 30 June 2000 £
UK corporation tax at 30% (2000: 30%)	-	57,338
- current year charge	-	-
- prior year adjustment	(41,570)	-
	(41,570)	57,338

7 Intangible assets

	Concessions, patents, licences, trade marks and similar rights and assets £
Cost	
At beginning of period	205,759
Additions	-
	205,759
At end of period	205,759
Amortisation	
At beginning of period	102,880
Charged in period	68,523
	171,403
At end of period	171,403
Net book value	
At 30 June 2001	34,356
At 30 June 2000	102,879

Notes (continued)

8 Tangible assets

	Computer equipment £
<i>Cost</i>	
At beginning of period	45,818
Additions	39,549
At end of period	85,367
<i>Depreciation</i>	
At beginning of period	3,378
Charge for period	19,377
At end of period	22,755
<i>Net book value</i>	
At 30 June 2001	62,612
At 30 June 2000	42,440

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 Stocks

	2001 £	2000 £
Finished goods and goods for resale	7,358	15,819
Work in progress	16,390	-
	23,748	15,819

11 Debtors

	2001 £	2000 £
Called up share capital not paid	7,400	-
Trade debtors	227,207	801,566
Corporation tax	19,870	-
Other debtors	135,297	88,377
	389,774	889,943

Notes (continued)

12 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	60,567	21,127
Amounts owed to group companies	1,266,994	620,542
Payments received on account	-	49,736
Other taxation and social security	1,327	70,379
Corporation tax	-	57,338
Accruals and deferred income	9,852	309,053
	1,338,740	1,128,175

13 Provision for liabilities and charges

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

	2001		2000
	Provided £	Unprovided £	Provided £
			Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	-	(14,000)	-
Other timing differences	-	(166,000)	-
	-	(180,000)	-
			(10,000)

14 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
Equity: Class A £1 ordinary shares	7,500	100
Equity: Class B £1 ordinary shares	2,500	-
	10,000	100
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each – Class A	100	100
<i>Allotted, called up and unpaid</i>		
Equity: Ordinary shares of £1 each – Class A	7,400	-

Notes (continued)

15 Reserves

	Profit and loss account £
At beginning of period	86,165
Retained loss for the period	(634,847)
At end of period	(548,682)

16 Commitments

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

	2001 £	2000 £
Contracted	Nil	Nil

17 Related party transactions

During the period Citizen Connect Limited received charges of £708,328 from Lifeskills International Limited and charges of £683,215 from Axia Netmedia Corporation for services rendered. There were also charges of £72,294 from Axia Corporate and charges of £36,580 from Network Access Inc. for services rendered. There were also charges of £53,751 from IP Services for hosting services.

At the period end Citizen Connect Limited owed £40,796 to Lifeskills International Limited, £9,401 to Axia Corporate and £104,076 to Axia Netmedia Corporation, £2,202 to Network Access Inc. and £5,527 to IP Services.

At the period end Citizen Connect Limited owed £1,104,276 to Axia Corporate for advances received.

All transactions were at arms length.

18 Ultimate parent company

The company is a 100% subsidiary undertaking of Axia Netmedia Corporation, incorporated in Canada. 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 3300, 450-1st Street S.W., Calgary, Alberta, T2P 5H1, Canada.