

I.T. Xchange Limited

Directors' report and financial statements

Registered number SC213655

31 July 2002



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Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of I.T. Exchange Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

The directors present their report with the financial statements of the company for year ended 31 July 2002.

Principal activity

The principal activity of the company in the year under review was that of a computer hardware distributor.

Business review

The results for the year and financial position of the company are as shown in the annexed financial statements.

Dividends

No dividends will be distributed for the year ended 31 July 2002 (2001: £nil).

Directors

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

ME Gray

JJ McFarlane

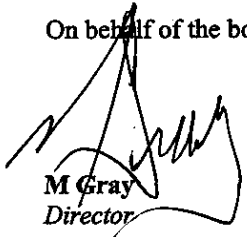
L McFarlane

None of the directors held a disclosable interest in the shares of the company.

Auditors

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

On behalf of the board



M Gray
Director

Unit 4C Springkell Street
Greenock
PA15 4 RE

21 March 2003

Statement of 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 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;
- 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.



24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Report of the independent auditors to the members of I.T. Xchange Limited

We have audited the financial statements on pages 4 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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 audit 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 July 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
*Chartered Accountants
Registered Auditor*

11 April 2003

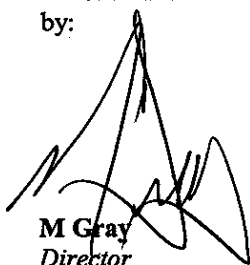
Profit and loss account
for the year ended 31 July 2002

	<i>Note</i>	Year ended 31 July 2002 £	8 months ended 31 July 2001 £
Turnover		2,785,699	616,254
Cost of sales		(2,301,618)	(377,560)
Gross profit		484,081	238,694
Administrative expenses		(450,029)	(167,308)
Operating profit	3	34,052	71,386
Foreign exchange translation gain		9,210	716
Interest payable and similar charges		(10,001)	(316)
Profit on ordinary activities before taxation		33,261	71,786
Tax on profit on ordinary activities	4	(6,422)	(19,273)
Profit for the financial period after taxation	10	26,839	52,513

Balance sheet
at 31 July 2002

	Note	2002	2001
		£	£
Fixed assets			
Tangible assets	5	64,705	51,010
Current assets			
Stocks	6	201,375	161,429
Debtors	7	1,053,532	128,148
Cash at bank and in hand		158,476	80,486
		<u>1,413,383</u>	<u>370,063</u>
Creditors: amounts falling due within one year	8	<u>(1,398,735)</u>	<u>(368,559)</u>
Net current assets		<u>14,648</u>	<u>1,504</u>
Total assets less current liabilities		<u>79,353</u>	<u>52,514</u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		<u>79,352</u>	<u>52,513</u>
Equity shareholders' funds	10	<u>79,353</u>	<u>52,514</u>

These financial statements were approved by the board of directors on 21 March 2003 and were signed on its behalf by:


M Gray
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Foreign exchange translation

The profit and loss account for the period is translated using the average exchange rate for the year except for tax, which is translated at the closing rate. The balance sheet is translated at the closing rate for the period, with fixed assets and share capital being translated at historical rate. The difference on translation is taken to the profit and loss account for the period.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Office and computer equipment – 20 to 50%

Plant and machinery – 20%

Fixtures and fittings – 20%

Motor vehicles – 30%

Stocks

Finished goods are valued at the lower of cost or net realisable value.

Deferred taxation

Deferred taxation is recognised at the current rate of taxation in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date. The implementation of FRS 19: Deferred taxation has not had a material impact on the results of the company for the financial year or the company's balance sheet position at the year end.

Notes (continued)

2 Staff costs

	Year ended 31 July 2002 £	8 months ended 31 July 2001 £
Wages and salaries	133,229	44,687
Social security costs	45,043	4,759
Pension contributions	10,000	-
	<u>188,272</u>	<u>49,446</u>

The average monthly number of employees during the period was as follows:

	Year ended 31 July 2002 Number	8 months ended 31 July 2001 Number
	<u>8</u>	<u>5</u>

3 Operating profit

	Year ended 31 July 2002 £	8 months ended 31 July 2001 £
The operating profit is stated after charging/(crediting):		
Depreciation – owned assets	15,646	1,704
Directors' emoluments	47,862	18,173
	<u>63,508</u>	<u>19,877</u>

4 Taxation

Analysis of charge in period

	£	Year ended 31 July 2002 £	£	8 months ended 31 July 2001 £
<i>UK corporation tax</i>				
Current tax on income for the period		7,465		19,273
Adjustment in respect of prior periods		(228)		-
		<u>7,237</u>		<u>19,273</u>
<i>Deferred tax</i>				
Origination of timing differences	(1,762)		-	
Adjustment in respect of previous years	947		-	
		<u>(815)</u>		<u>-</u>
Tax on profit on ordinary activities		<u>6,422</u>		<u>19,273</u>

Notes (continued)

Taxation (continued)

The current corporation tax charge for the year is lower (2001: lower) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	Year ended 31 July 2002 £	8 months ended 31 July 2001 £
<i>Current corporation tax reconciliation</i>		
Profit on ordinary activities before tax	33,261	71,786
Current tax at 30% (2001: 30%)	9,978	21,536
<i>Effects of:</i>		
Expenses not deductible for tax purposes	610	1,207
Capital allowances for period in excess of depreciation	1,238	-
Capital allowances for period in excess of depreciation – not provided	-	947
Other timing differences	(3,000)	-
Adjustments to tax charge in respect of previous periods	(228)	-
Other (including adjustments for different rates of tax)	(1,361)	(4,417)
Total current corporation tax charge (see above)	7,237	19,273

5 Tangible fixed assets

	Leasehold improvement £	Office and computer equipment £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>						
At beginning of year	-	16,643	13,751	6,424	15,896	52,714
Additions	1,380	7,265	11,591	7,268	-	27,504
At 31 July 2002	1,380	23,908	25,342	13,692	15,896	80,218
<i>Depreciation</i>						
At beginning of year	-	635	457	191	421	1,704
Charge for year	138	2,948	3,668	3,893	3,162	13,809
At 31 July 2002	138	3,583	4,125	4,084	3,583	15,513
<i>Net book value</i>						
At 31 July 2002	1,242	20,325	21,217	9,608	12,313	64,705
At 31 July 2001	-	16,008	13,294	6,233	15,475	51,010

Notes (continued)

6 Stocks

	2002 £	2001 £
Finished goods	201,375	161,429

7 Debtors: amounts falling due within one year

	2002 £	2001 £
Trade debtors	1,034,239	110,366
Prepayments and accrued income	18,478	17,782
Deferred taxation (see below)	815	-
	<u>1,053,532</u>	<u>128,148</u>

Deferred taxation

	£
Credit to profit and loss account and at end of year	815
Deferred taxation comprises:	
Capital allowances in excess of depreciation	(2,185)
Other timing differences	3,000
	<u>815</u>

8 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	547,288	57,814
Amounts owed to group undertaking	771,204	282,472
Corporation tax	4,159	19,273
Accrued charges	76,084	9,000
	<u>1,398,735</u>	<u>368,559</u>

Notes (continued)

9 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, issued and fully paid</i>		
1 ordinary share of £1	1	1

10 Reconciliation of movement in shareholders' funds

	2002 £	2001 £
Profit for the financial period	26,839	52,513
New share capital subscribed	-	1
Net addition to shareholders' funds	26,839	52,514
Opening shareholders' funds	52,514	-
Closing shareholders' funds	79,353	52,514

11 Ultimate parent undertaking

The company is a subsidiary undertaking of I.T. Xchange LLC, incorporated in the United States of America.
The consolidated accounts of this company are not available to the public.

12 Related party transactions

During the year, the company transacted with IT Xchange Inc., IT Xchange Corp., and IT Xchange DMP Ltd.. These companies together with IT Xchange Limited form IT Xchange LLC. The transactions (excluding VAT) with the members are as follows: -

	<u>Management charges</u>	<u>Sales/(Purchases)</u>
IT Xchange Inc.	£75,319	£479,972
IT Xchange Corp.	-	£(120,809)
IT Xchange DMP Ltd.	£7,490	-

At the balance sheet date, £935,683 was due to IT Xchange Corp., £20,993 was due to IT Xchange DMP Ltd. and £185,472 was due from IT Exchange Inc..