

# **EQUANT APPLICATION SERVICES LIMITED**

## **FINANCIAL STATEMENTS**

**31<sup>st</sup> December 1999**



## **Company Information**

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### **DIRECTORS AND OFFICERS**

J V Kelly (Chairman)  
D J Lewendon  
I P Leslie

### **SECRETARY**

D J Lewendon

### **REGISTERED OFFICE**

Thornbrook House  
Weyside Park  
Godalming  
Surrey GU7 1XE

### **REGISTERED NUMBER**

1391626

### **AUDITORS**

PricewaterhouseCoopers  
Harman House  
1 George Street  
Uxbridge  
Middlesex  
UB8 1QQ

## **DIRECTORS' REPORT**

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The directors present their report and the financial statements of Equant Application Services Limited for the year ended 31 December 1999

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company during the year was the provision of computer design services; consultancy, agents and suppliers of computer related products.

### **REVIEW OF THE BUSINESS**

The Company showed an increase in turnover over previous year, due to introduction of the Web Services Unit and the development and launch of a new Internet travel product, and further e-commerce projects. During the year the Company incurred additional costs in respect of third party software licences for our new e-commerce products. Investment in Selling and Marketing has increased to deliver further growth in 2000. Costs for the Share Plan were incurred for the first time due to the vesting of the first award. The Company moved to its new premises in November 1999, which has combined the organisation under one roof and gives the Company capacity for growth in the future.

### **FUTURE DEVELOPMENTS**

The directors continue to seek additional project work and actively exploit niche markets, and by controlling overheads expects to maintain and expand current levels of operations.

### **DONATIONS**

The Company made charitable donations during the year of £753 (1998 £569).

### **RESULTS AND DIVIDENDS**

The Company's loss for the year after taxation was £1,378,713 (1998 Loss: £240,825) which will be deducted from reserves. The directors have recommended that no dividend be paid this year.

### **POST BALANCE SHEET EVENTS**

During September 2000 the Company settled a dispute with a customer, the financial effect of which cannot yet be quantified due to an outstanding insurance claim.

### **YEAR 2000 ISSUES**

As a result of the assessment of the year 2000 issue during 1999, there were no problems encountered with the date change to year 2000 and beyond. Equant Application Services continues to monitor the situation. Total Expenditure by the Company in 1999 on addressing Year 2000 issues was £201,803 (1998, £164,528). Costs relating to Year 2000 are being expensed as incurred.

### **DIRECTORS**

The directors who served during the year were:

D J Lewendon  
J V Kelly  
I P Leslie

### **DIRECTORS' INTEREST IN SHARES**

No director has any interest in the share capital of the Company.

### **RESEARCH AND DEVELOPMENT**

During the period, a substantial investment was made in the development of an Internet travel product, and these costs are being amortised in line with revenues generated from the related services over a period of 36 months. All other development costs have been written off as incurred.

## **DIRECTORS' REPORT (Cont'd)**

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### **DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF 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 and of the profit or loss of the Company for the year then ended. In preparing those financial statements, the directors are required to: -

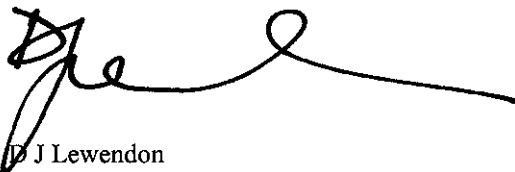
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the 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 requirements of the Companies Act 1985. They 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.

### **AUDITORS**

A resolution to appoint PricewaterhouseCoopers as auditors of the Company will be proposed at the forthcoming annual general meeting.

Signed on behalf of the board



D J Lewendon  
Secretary

Approved by the board on 21 November 2000

## AUDITORS' REPORT

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### AUDITORS' REPORT TO THE MEMBERS OF EQUANT APPLICATION SERVICES LIMITED

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

#### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidelines.

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 United Kingdom 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

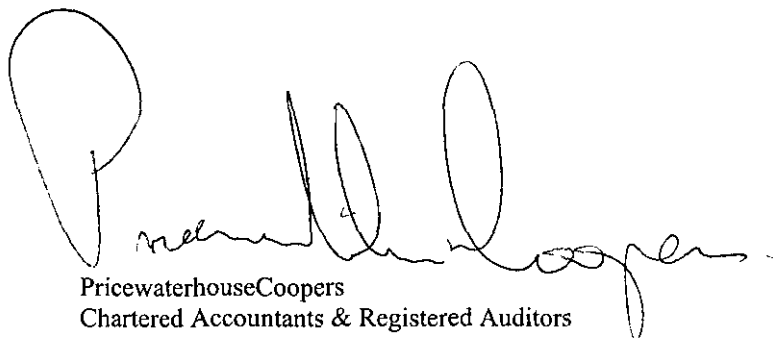
#### BASIS OF OPINION

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 at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants & Registered Auditors  
London

27 November 2000

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1999

	Notes	1999	1998
		£	£
TURNOVER	1	7,021,635	5,991,431
Cost of Sales		(5,511,234)	(3,983,991)
<b>GROSS PROFIT</b>		<b>1,510,401</b>	<b>2,007,440</b>
Other Operating Income	2	774,297	-
Other Operating Expense	3	(3,630,991)	(2,343,190)
<b>OPERATING LOSS</b>		<b>(1,346,293)</b>	<b>(335,750)</b>
Interest Receivable & Similar Income	4	32,352	37,160
Interest Payable & Similar Charges	5	(1,874)	(5,133)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	<b>(1,315,815)</b>	<b>(303,723)</b>
Tax on loss on ordinary activities	7	(62,898)	62,898
<b>Retained loss for the financial year</b>	14	<b>(1,378,713)</b>	<b>(240,825)</b>

All the results above relate to continuing business.

No separate statement of total recognised gains and losses has been presented as all such gains and losses have been dealt with in the profit and loss account above.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

**BALANCE SHEET**

As at 31 December 1999

	Notes	1999	1998
		£	£
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible assets	8	1,493,666	680,498
Investments	9	<u>2</u>	<u>2</u>
		1,493,668	680,500
<b>CURRENT ASSETS</b>			
Debtors	10	2,004,688	1,633,095
Cash at bank and in hand		<u>541,135</u>	<u>1,119,203</u>
		2,545,823	2,752,298
<b>TOTAL ASSETS</b>		<u>4,039,491</u>	<u>3,432,798</u>
<b>LIABILITIES</b>			
<b>CREDITORS</b>			
Amounts falling due within one year	11	3,478,007	1,492,601
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	150,000	150,000
Profit and loss account	14	411,484	1,790,197
Total Equity Shareholders' Funds	20	<u>561,484</u>	<u>1,940,197</u>
<b>TOTAL LIABILITIES</b>		<u>4,039,491</u>	<u>3,432,798</u>

Approved by the board on 21 November 2000 and signed on its behalf.



J.V.Kelly - Chairman

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

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

The accounts present information about the Company as an individual undertaking, and not about its group, as the Company has taken advantage of the exemption provided by section 228 of the Companies Act 1985 not to prepare group accounts.

### INTANGIBLE ASSETS

Software Development expenditure has been transferred into software applications in tangible fixed assets to comply with FRS 10, Goodwill and Intangible Assets, which became effective for accounting periods ending on or after 23 December 1999.

### TANGIBLE ASSETS

Fixed Assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Leased Land & Buildings	40 years or duration of lease
Fixtures and fittings	at 15% - 30% per annum
Motor vehicles	at 25% - 33% per annum
Computer equipment	at 25% - 50% per annum
Software Applications	at 25% - 50% per annum

Software development expenditure included within Software Applications in Note 10a, is amortised in line with expected sales from the related product.

### FIXED ASSET INVESTMENTS

Investments are stated at cost less provision for permanent diminution in value.

### LONG TERM WORK IN PROGRESS

Long-term contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the state of completion of the contract, based on costs incurred to date and estimated costs to completion.

Where the outcome of a long-term contract can be assessed with reasonable certainty the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for that contract.

### DEFERRED TAXATION

Deferred taxation is provided under the liability method in respect of all material timing differences between the profits as computed for taxation purposes and the profits as stated in the financial statements, to the extent that it is probable that a liability or asset will crystallise. The rate of tax used is that which is expected to be applied when the liability or asset is expected to crystallise.



## **ACCOUNTING POLICIES (Cont'd)**

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### **LEASED ASSETS AND OBLIGATIONS**

Assets acquired under hire purchase agreements and finance leases are capitalised in the balance sheet and are depreciated in accordance with the Company's normal policy. The outstanding liabilities under such agreements less interest not yet due are included in creditors. Interest on such agreements is charged to the profit and loss account over the term of each agreement and represents a constant proportion of the balance of capital repayments outstanding.

Rentals under operating leases are charged to the profit and loss account as they fall due.

### **EQUIPMENT LEASED TO OTHERS**

Equipment leased to group companies are capitalised. Rental income is recognised in the profit and loss account on a straight-line basis over the useful economic life of the asset.

### **RESEARCH AND DEVELOPMENT**

Development expenditure is carried forward when its future recoverability can be foreseen with reasonable assurance and is amortised in line with sales from the related product. All other development costs are written off as incurred.

### **FOREIGN CURRENCIES**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the year-end.

Transactions during the year are recorded at the exchange rates ruling at the dates of the transactions.

All gains and losses on exchange are dealt with in the profit and loss account.

### **TURNOVER**

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers and the value of long-term contract work done.

### **PENSION SCHEME**

The company operates a grouped personal pension plan scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The cost charge disclosed in note 17 represents contributions payable by the company to the fund.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. TURNOVER

	1999 £	1998 £
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The Company's turnover and loss before taxation were all derived from its principal activity.

Sales were made in the following geographical markets :

United Kingdom	3,271,142	2,853,025
North and South America	2,143,505	1,380,168
Rest of Europe, Middle East and Africa	1,543,420	1,697,565
Australia and Far East	63,568	60,673
	<u>7,021,635</u>	<u>5,991,431</u>

### 2. OTHER OPERATING INCOME

Charges to group undertakings	727,392	-
Administrative Fees	46,905	-
	<u>774,297</u>	<u>-</u>

### 3. OTHER OPERATING EXPENSES

Distribution Costs	951,501	717,555
Administrative Expenses	2,679,490	1,625,635
	<u>3,630,991</u>	<u>2,343,190</u>

Exceptional items included in administration expenses

Provision against group debtor	(209,142)	-
Year 2000 Compliance Costs	201,803	164,528
	<u>(7,339)</u>	<u>164,528</u>

### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

Bank interest	32,352	25,913
Interest from group undertakings	-	11,247
	<u>32,352</u>	<u>37,160</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable on bank loans, overdrafts and other loans wholly repayable within five years:

Bank interest	79	3,183
On obligations under finance leases	1,795	1,950
	<u>1,874</u>	<u>5,133</u>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £	1998 £
This is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets		
Owned assets	569,088	358,419
Leased assets	6,144	7,400
Provision for Diminution in value of Subsidiary Undertakings	-	1,167
Profit on disposal of tangible fixed assets	(5,950)	(5,900)
Exchange gains	(21,497)	(42,087)
Operating lease rentals:		
Plant and machinery	18,357	43,469
Motor vehicles	65,355	27,708
Buildings	266,611	193,283
Auditors' remuneration		
Audit Fees	25,569	20,000
Non Audit Fees	10,930	12,515

### 7. TAX ON LOSS ON ORDINARY ACTIVITIES

United Kingdom corporation tax at 30.25% (1998 : 31%)	-	-
Adjustment in respect for prior years	62,898	(62,898)
	<u>62,898</u>	<u>(62,898)</u>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 8. TANGIBLE FIXED ASSETS

	Leased Land & Buildings	Software Applications	Computer Equipment	Motor Vehicles	Fixtures & Fittings	Total
Cost:	£	£	£	£	£	£
1 January 1999	2,473	686,124	1,858,285	66,479	434,390	3,047,751
Additions	360,560	415,149	485,691	11,774	115,227	1,388,401
Disposals	-	-	-	(37,748)	-	(37,748)
31 December 1999	363,033	1,101,273	2,343,976	40,505	549,617	4,398,404
Depreciation						
1 January 1999	2,313	458,945	1,549,390	57,240	299,365	2,367,253
Provision for the year	36,056	220,311	263,419	5,787	49,659	575,232
Disposals	-	-	-	(37,748)	-	(37,748)
31 December 1999	38,369	679,256	1,812,809	25,279	349,024	2,904,737
Net Book Value:						
31 December 1999	324,664	422,017	531,166	15,226	200,593	1,493,666
31 December 1998	160	227,179	308,895	9,239	135,025	680,498

The net book value of computer equipment includes £3,086(1998: £9,230) relating to assets acquired under finance leases.

The net book value of tangible fixed assets held for rental under operating leases amounted to:

	1999 £
Cost	804,592
Less depreciation	(658,423)
	<u>146,169</u>

During the year the Company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £nil (1998: £37,326)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 9. UNLISTED INVESTMENTS

#### HISTORICAL COST VALUATION

	£
Cost	
Cost as at 1 <sup>st</sup> January 1999	2
Less provision for diminution in value	-
Net Book Value as at 31 <sup>st</sup> December 1999	<u>2</u>
Net Book Value as at 31 <sup>st</sup> December 1998	<u>2</u>

The Company held more than 10% of the allotted share capital and no loan capital of the following companies.

Name of Company	Country of Incorporation	Class of Share held	Proportion held	Nature of Business	Capital & Reserves 31/12/99	Results for the year
					£	£
Warcrest Limited	England	Ordinary	100%	Dormant	2	-

In the opinion of the Directors the aggregate value of the Company's investments in its subsidiary undertakings is not less than the amount included in the balance sheet.

### 10. DEBTORS

	1999	1998
	£	£
Due within one year		
Trade Debtors	1,290,430	874,859
Amounts owed by group undertakings	193,088	676,048
Amounts recoverable on contracts	26,839	-
Corporation tax recoverable	15,000	15,000
Other debtors	205,497	19,495
Prepayments and accrued income	273,834	47,693
	<u>2,004,688</u>	<u>1,633,095</u>

Amounts recoverable under contracts relate to long-term contracts accounted for in accordance with Statement of Standard Accounting Practice No.9 (Long-term work-in-progress) as follows:

Cumulative Turnover	505,226	-
Total payments made on account	<u>(478,387)</u>	<u>-</u>
	<u>26,839</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 11. CREDITORS

	1999 £	1998 £
Amounts falling due within one year		
Obligations under finance lease	1,450	8,821
Trade creditors	512,154	284,852
Payments on account	215,912	495,133
Amounts owed to group undertakings	1,443,141	164,462
Other taxation and social security	168,742	32,045
Other creditors	11,981	3,482
Accruals and deferred income	1,124,627	503,806
	<u>3,478,007</u>	<u>1,492,601</u>

Amounts recoverable under contracts relate to long-term contracts accounted for in accordance with Statement of Standard Accounting Practice No.9 (Long-term work-in-progress) as follows:

Total payments made on account	366,415	1,236,000
Cumulative Turnover	<u>(150,503)</u>	<u>(740,867)</u>
	<u>215,912</u>	<u>495,133</u>

### 12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation provided in the financial statements and the unprovided potential asset are as follows:-

	Amount provided		Unprovided (asset)	
	1999	1998	1999	1998
	£	£	£	£
Accelerated capital allowances	-	-	(114,459)	(65,000)
Other timing differences	-	-	(17,560)	(75,000)
Losses	-	-	(370,761)	-
	<u>-</u>	<u>-</u>	<u>(502,780)</u>	<u>(140,000)</u>

### 13. SHARE CAPITAL

	1999 £	1998 £
Authorised:		
4,000,000 ordinary shares of 25p each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, issued and fully paid:		
600,000 ordinary shares of 25p each	<u>150,000</u>	<u>150,000</u>

### 14. RESERVES

#### Profit and Loss Account

1 January 1999	1,790,197
Loss retained for the year	<u>(1,378,713)</u>
31 December 1999	<u>411,484</u>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 15. EMPLOYEES

	1999 Number	1998 Number
The average weekly number of persons employed during the year, including directors, was made up as follows:		
Office management	17	19
Professional	129	104
	<u>146</u>	<u>123</u>
Staff costs for the above persons:		
	£	£
Wages and Salaries	5,112,392	3,824,367
Social security costs	511,260	357,065
Other pension costs (see note 17)	192,885	113,242
	<u>5,816,537</u>	<u>4,294,674</u>

### 16. DIRECTORS EMOLUMENTS

Aggregate emoluments	364,220	289,969
Amounts paid to private pension schemes	18,029	36,122
Total emoluments	<u>382,249</u>	<u>326,091</u>

Directors emoluments disclosed above include the following payments in respect of the highest paid director.

Total amount of Emoluments	174,825	148,304
Private personal pension contributions	9,278	10,038
Emoluments including pension contributions	<u>184,103</u>	<u>158,342</u>

	1999 Number	1998 Number
The number of directors to whom retirement benefits are accruing under:		
Private personal purchase schemes was:	<u>3</u>	<u>3</u>

The number of directors who benefit from the share award and share option plans in the stock based compensation scheme (see note 22).

	<u>3</u>	<u>3</u>
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No Directors exercised any options in relation to this scheme in the period.

Les Hayden, a director who retired during the previous year, is still a participant in the employee share award plan.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 17. PENSION COMMITMENTS

During the year the Company paid contributions into certain directors' personal pension plans.

From 1st February 1999 the Company provides a defined contribution pension scheme for its employees whose assets are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company and amounted to £192,885 (1998 - £113,242). Contributions totalling £561 (1998 - creditor £28,459) were paid in advance of the year-end and are included within other debtors.

### 18. OPERATING LEASE COMMITMENTS

At 31 December 1999 the Company had annual commitments under non-cancellable operating leases as follows:

	1999 £	1998 £
Land and buildings		
Expiring within one year	-	78,000
Expiring between 2 and 5 years	-	-
Expiring over 5 years	480,495	75,495
	<u>480,495</u>	<u>75,495</u>
Plant and machinery		
Expiring within one year	-	17,219
Expiring between 2 and 5 years	-	-
	<u>-</u>	<u>17,219</u>
Motor Vehicles		
Expiring within one year	1,514	-
Expiring between 2 and 5 years	58,259	29,138
	<u>59,773</u>	<u>29,138</u>

### 19. IMMEDIATE PARENT COMPANY AND ULTIMATE HOLDING COMPANY

Equant Application Services Limited is a wholly owned subsidiary of IPC-Iris Investments B.V., a Company incorporated in The Netherlands.

The ultimate parent undertaking and controlling party is Equant N.V. incorporated in the Netherlands, which is the parent undertaking of the smallest and largest group to consolidate these financial statements

Copies of the parent's consolidated accounts may be obtained from Gatwickstraat 21-23, 1043 GL Amsterdam, Amsterdam, The Netherlands.

### 20. RECONCILIATION OF MOVEMENT ON SHAREHOLDERS' FUNDS

	1999 £	1998 £
Loss retained for the year	(1,378,713)	(240,825)
Opening shareholders' funds	1,940,197	2,181,022
Closing shareholders funds	<u>561,484</u>	<u>1,940,197</u>



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 21. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption provided by FRS 8 and has not disclosed transactions with other group Companies where over 90% of the Company's voting rights are controlled within the group.

Equant N.V. holds a 50% share in the equity of SITA Equant S.C., a co-operative incorporated in Belgium, in which SITA S.C., also incorporated in Belgium, holds the remaining 50% interest. In the normal course of business, the Company engaged in several transactions with SITA S.C.

During the year the Company sold information technology services to SITA (London) to the value of £259,711 (1998 - £221,911) for a Catering Systems solution, to SITA (New York) to the value of £648,481 (1998 - £1,287,798), for the Airline Check-In system and to SITA (Geneva) to the value of £444,491 for a Supply Chain Extranet system, and a further £167,717 of products to various SITA accounts.

Net trade receivables with SITA S.C at 31 December 1999 were, £332,518 (1998 - £1,509,709).

### 22. STOCK-BASED COMPENSATION

#### EMPLOYEE SHARE AWARD PLAN

Under the terms of an agreement between SITA S.C., and Equant N.V, 850,000 certificates in the SITA Foundation, which is the holder of Common shares in Equant N.V, have been transferred to the Employee Trust for the benefit of eligible employees of SITA S.C., SITA Equant S.C. ("SITA EQUANT"), Equant N.V and their respective subsidiary Companies ("the participating employers"). Each certificate represents the right to obtain twenty Common shares. The independent trustees of the employee trust are empowered to use these certificates under the Deferred Share Award Plan ("the Award Plan") for the granting of Ordinary and Discretionary awards.

All permanent employees who work on a full-time or part-time basis are eligible to participate, subject to being employed by one of the participating employers on the eligibility date. Details of these dates and the number of unvested Ordinary and Discretionary Awards as at December 31 1999 made to eligible employees of the Equant Group are as follows:

Award	Eligibility Dates	Grant Dates		Number of Awards	
		Ordinary	Discretionary	Ordinary	Discretionary
2	30 November 1996	April 1997	April 1997	32,307	35,130
3	30 November 1997	January 1998	December 1997	40,803	69,282
4	30 November 1998	November 1998	November 1998	44,287	16,881

In February 1999, all Award 1 Ordinary and Discretionary Awards granted in 1996 vested. This resulted in a payment of £155,242 of social charges by the Company. Award 2 Ordinary and Discretionary Awards, granted in 1997, vested in January 2000

The award of certificates to eligible employees is free of charge. The number of certificates included in Ordinary Awards to each eligible employee is calculated as a proportion of his/her annual salary to the total annual salary cost of all participating employers at each award date. The selection of participants and the number of certificates or shares for the grant of Discretionary Awards is discretionary. In the case of Discretionary Awards the Employee Trust retains the right to the first \$77.78 per certificate (where the certificate represents the right to obtain twenty Common shares) or share of the ultimate sale proceeds of each certificate.

In general, the vesting of both Ordinary Awards and Discretionary Awards requires certificates either convert into shares, or become transferable, both of which were firstly contingent upon Equant N.V. attaining an Initial Public Offering ("IPO"), and then upon exercise of the discretion of the Board of the SITA Foundation. Full vesting requires further that at least three years has passed from the from the relevant Eligibility Date (unless this vesting period is reduced by the Trustees of the Employee Trust), during which time those granted awards must remain with the participating employers. The life of the awards is ten years.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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In 1999 a further 1,300 Discretionary Awards were awarded to existing and at hire employees. The grant date and fair value per share of these awards ranged from 13<sup>th</sup> September 1999 at a fair value of \$82.00 to 7<sup>th</sup> December 1999 at a fair value of \$97.81

Equant N.V. is accounting for the Award Plan under the method prescribed by the Statement of Financial Accounting Standard (SFAS) No. 123 'Accounting for Stock Based Compensation' which requires fair value based method of accounting for such an employee stock based award. Under SFAS No. 123 compensation cost is measured at the date awards are granted and is recognised through charges to expense over the employees' service period.

The Company will pay social security contributions and other charges related to the Share Awards in the years in which the awards vest. These contributions and charges will depend on various factors, including the employees' tax jurisdiction, local laws in these countries and the share price at the time of vesting.

### SHARE OPTION PLAN

Equant N.V. adopted a Share Option Plan (the "Option Plan") in June of 1998. The Option Plan provides that Equant N.V. may grant options covering up to 2% of the shares outstanding after the IPO. As at 31<sup>st</sup> December 1999, Equant N.V. has granted options and awards under the option plan covering 2,677,951 shares at exercise prices ranging from \$nil to \$101.32 and vesting periods from 21<sup>st</sup> July 2000 to 1<sup>st</sup> May 2004. Equant N.V. granted 740,128 options to eligible employees on June 30, 1999 with an exercise price of \$27 per share. The fair value at the date of grant was equal to the exercise price.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 1999: dividend yield of 0%, expected volatility of 50%, risk-free interest rate of 5.42%, and expected lives of 4.2 years for the Option Plan. The employees who receive these options may exercise one-third of them on each of July 21, 2000, July 21, 2001 and July 21, 2002.

### 23. CONTINGENT LIABILITIES

The Company is a participant in cross undertakings between Group Companies and HSBC plc, for credit and banking facilities