

CATALYSTS LIMITED

1.

Registered in England - No. 2508575

Directors:

N R Phelps

N B Kingon

J H Curry (resigned 12th July 2002)



Secretary and Registered Office:

S Webb, 9 Thorney Leys Park, Witney, Oxfordshire, OX28 4GQ

REPORT OF THE DIRECTORS for the year ended 31st December 2002

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31st December 2002.

Principal Activity

The principal activity of the company is the provision of services and products related to the management and delivery of content for publishers and corporate publishing departments.

Results

During the year the company made a profit before tax of £4,303 (2001: loss of £117,247) on a turnover of £800,814 (2001: £1,002,878).

The directors do not recommend the payment of a dividend. Due to the company's financial position, to date no dividends have yet been declared or paid.

Business Review and Outlook

The number of employees was reduced by over 40% during 2002 as the business was significantly restructured following the loss made in 2001. The actions taken have enabled the company to report a small profit in the year despite incurring £29,000 termination costs and experiencing a 20% reduction in turnover as the result of difficult trading conditions in the UK. The directors acknowledge with gratitude the support given to date by the company's principal supplier, NextPage Inc.

The company is able to trade profitably at the level of turnover achieved in 2002. However, the directors are concerned to find ways of adding the resources necessary to build sales and execute the strategy set out in the 2001 Business Plan. Accordingly the company has entered into an arrangement to work with another small organisation providing content management services and, if successful, this could lead to a merger. The directors continue to explore other opportunities to develop the business and deliver shareholder value

Directors

The above named served as directors during the periods indicated. The shareholdings of the directors serving at the end of the financial year were as follows:

	Ordinary shares of £1 each	
	31st December 2002	31st December 2001
N R Phelps	7,500	7,500
N B Kingon	-	-

REPORT OF THE DIRECTORS
for the year ended 31st December 2002 (continued)

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- 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 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

The Auditors, A J Carter & Co, Chartered Accountants, have indicated their willingness to be re-elected to office under Section 385 of the Companies Act 1985.

The directors have prepared this report in accordance with the special provisions of part VII of the Companies Act 1985 relating to small companies.

By Order of the Board



Secretary

Witney
Oxon

28th March 2003

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CATALYSTS LIMITED**

We have audited the financial statements on pages 3 to 10 of Catalysts Limited for the year ended 31st December 2002 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities 2002, under the historical cost convention and the accounting policies set out on pages 6 and 7.

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 the Directors and Auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom 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.

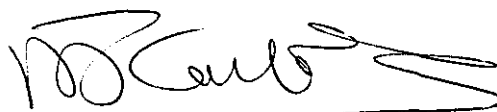
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going Concern

In particular, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the deficit of shareholders' funds and the future trading prospects of the company. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2002 and of its profit for the year then ended, and have been properly prepared in accordance with the provisions of the Companies Act 1985.



A J Carter & Co
22b High Street
Witney
Oxon OX28 6RB

Chartered Accountants
and Registered Auditors

28th March 2003

CATALYSTS LIMITED

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PROFIT AND LOSS ACCOUNT for the year ended 31st December 2002

Notes	£	2001 £
2. TURNOVER	800,814	1,002,878
Cost of sales	<u>384,770</u>	<u>552,467</u>
GROSS PROFIT	416,044	450,411
Administrative expenses	<u>422,671</u>	<u>560,365</u>
3. OPERATING LOSS	(6,627)	(109,954)
4. Other income	11,987	51
5. Interest payable and similar charges	<u>(1,057)</u>	<u>(7,344)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4,303	(117,247)
6. TAXATION	<u>-</u>	<u>3,313</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	4,303	(113,934)
(LOSSES)/RETAINED PROFITS brought forward	<u>(98,297)</u>	<u>15,637</u>
LOSSES carried forward	£ <u>(93,994)</u>	£ <u>(98,297)</u>

There were no recognised gains or losses other than those included in the profit and loss account.


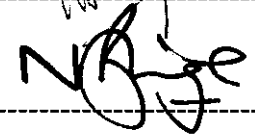
The notes on pages 6 to 10 form part of these financial statements.

CATALYSTS LIMITED

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BALANCE SHEET		31st December 2002		2001
Notes		£	£	£
	FIXED ASSETS			
7.	Tangible assets		19,300	35,202
8.	Investments		<u>-</u>	<u>-</u>
			19,300	<u>35,202</u>
	CURRENT ASSETS			
	Stock	2,764		3,006
	Work in progress	-		2,808
9.	Debtors	123,481		173,356
	Cash at bank and in hand	<u>13,478</u>		<u>82</u>
		139,723		179,252
10.	CREDITORS (Amounts falling due within one year)	<u>184,692</u>		<u>234,006</u>
	NET CURRENT LIABILITIES		(44,969)	(54,754)
	TOTAL ASSETS LESS CURRENT LIABILITIES		(25,669)	(19,552)
11.	CREDITORS (Amounts falling due after more than one year)		<u>18,325</u>	<u>28,745</u>
			£(43,994)	£(48,297)
	CAPITAL AND RESERVES			
12.	Called and share capital		50,000	50,000
	Profit and loss account		(93,994)	(98,297)
	Shareholders' funds (deficit)		£(43,994)	£(48,297)

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies and with the Financial Reporting Standard for Smaller Entities 2002.


 ----- Director

 ----- Director

Approved: 28th March 2003

The notes on pages 6 to 10 form part of these financial statements

NOTES TO THE ACCOUNTS
for the year ended 31st December 2002

1. **Accounting Policies**

i) **Basis of Preparing the Financial Statements -**

The company has experienced difficult trading conditions throughout the year. At 31st December 2002 the company's liabilities exceeded its assets by £43,994 compared to £48,297 at 31st December 2001. Throughout the year the company has been able to meet all its debts as they fall due and has operated within its bank overdraft facility. The directors have prepared profit and loss and cashflow forecasts for the year ended 31st December 2003 which show profitable trading on turnover similar to that achieved in 2002. Major reductions in staff costs have been achieved and the company's major supplier is continuing its support. The company's shareholders have deferred repayment of £27,488 interest on their loan accounts until 31st December 2003 at the earliest, and then only as financial conditions allow. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would be necessary should the going concern basis prove to be inappropriate.

ii) **Accounting Convention -**

The accounts of the company are prepared under the historical cost convention and incorporate the results of the principal activity which is described in the directors' report and which is continuing. The accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities 2002.

iii) **Depreciation -**

Depreciation of tangible fixed assets is provided on a straight line basis, calculated at annual rates estimated to write off each asset over the term of its useful life. The rates in use are as follows:

Computer and equipment	-	25% per annum
Fixtures and fittings	-	15% and 20% per annum

iv) **Stocks -**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

NOTES TO THE ACCOUNTS
for the year ended 31st December 2002 (continued)

1. **Accounting Policies** (continued)

v) **Work in Progress -**

Work in progress is valued at the lower of cost and net realisable value. Cost includes a reasonable apportionment of overhead costs where this is appropriate.

vi) **Deferred Taxation -**

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

vii) **Foreign Currency Transactions -**

Revenues or costs arising from a transaction denominated in a foreign currency are translated on the basis of the exchange rate in operation on the date of which the transaction occurred. At the balance sheet date, assets and liabilities denominated in a foreign currency are translated by using the closing rate. Exchange gains and losses are recognised in the profit and loss account.

viii) **Turnover -**

The turnover represents charges for work done exclusive of VAT.

ix) **Cost of Sales -**

Cost of sales includes an allocation of technical staff salaries reflecting an estimate of the time spent by staff working on products or services for delivery to customers.

x) **Pension Costs -**

The pension costs charged in the accounts represent the contributions payable to the pension scheme in respect of the accounting period.

2. **Turnover**

The turnover and profit/(loss) before taxation is attributable to the one principal activity of the company. The turnover all arose from the United Kingdom.

NOTES TO THE ACCOUNTS
for the year ended 31st December 2002 (continued)

3.	Operating Loss	2002	2001
		£	£
	The operating loss is after charging/(crediting):		
	Hire of plant and machinery	7,387	6,632
	Depreciation - owned assets	15,110	21,943
	Depreciation - assets on hire purchase or finance leases	792	792
	Auditors' remuneration	2,250	2,100
	Directors' remuneration	86,240	85,222
	Profit on disposal of fixed assets	-	(536)
	Directors' pension contributions (included in remuneration)	2,951	1,096
4.	Other Income	2002	2001
		£	£
	Difference on exchange	11,987	-
	Interest received	<u>-</u>	<u>51</u>
		<u>£11,987</u>	<u>£51</u>
5.	Interest Payable and Similar Charges	2002	2001
		£	£
	Bank loans, overdrafts and other loans repayable within five years:		
	Finance charges - hire purchase or finance leases	677	2,875
	Foreign exchange losses	380	421
		<u>-</u>	<u>4,048</u>
		<u>£1,057</u>	<u>£7,344</u>
6.	Tax on Loss on Ordinary Activities	2002	2001
		£	£
a)	Charge for the year		
	Corporation Tax - current year	-	-
	Deferred Tax credit	<u>-</u>	<u>(3,313)</u>
		<u>£ -</u>	<u>£(3,313)</u>
b)	No provision has been made for corporation tax due to the taxable losses carried forward to 2003.		
c)	Deferred Taxation	2002	2001
		£	£
	Balance brought forward	-	3,313
	Credit for the year	<u>-</u>	<u>(3,313)</u>
	Balance carried forward	<u>£ -</u>	<u>£ -</u>

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NOTES TO THE ACCOUNTS for the year ended 31st December 2002 (continued)

7. Tangible Fixed Assets	Computer equipment	Fixtures and fittings	Total
Cost	£	£	£
At 1.1.02 and 31.12.02	<u>137,958</u>	<u>35,217</u>	<u>173,175</u>
Accumulated Depreciation			
At 1.1.02	105,025	32,948	137,973
Charge for the year	<u>14,870</u>	<u>1,032</u>	<u>15,902</u>
At 31.12.02	<u>119,895</u>	<u>33,980</u>	<u>153,875</u>
Net Book Value			
At 31.12.02	<u>£18,063</u>	<u>£1,237</u>	<u>£19,300</u>
At 31.12.01	<u>£32,933</u>	<u>£2,269</u>	<u>£35,202</u>

Included in the amounts for computer equipment are the following amounts relating to assets acquired under hire purchase agreements:

Net book value at 31.12.02	<u>£1,511</u>
Net book value at 31.12.01	<u>£2,303</u>

8. Investments	2002	2001
Cost		
Investment in Emedia Distribution Limited	<u>£ -</u>	<u>£ -</u>

The above company is a 100% subsidiary of Catalysts Limited.

The company did not trade during the year.

The directors consider it prudent not to carry any value in the balance sheet of the holding company.

Group accounts are not required as the Catalysts Limited group qualifies for exemption under section 248 Companies Act 1985 as a small sized group.

9. Debtors	2002	2001
	£	£
Trade debtors	114,834	164,486
Prepayments	<u>8,647</u>	<u>8,870</u>
	<u>£123,481</u>	<u>£173,356</u>

NOTES TO THE ACCOUNTS
for the year ended 31st December 2002 (continued)

10.	Creditors: Amounts falling due within one year	2002	2001
		£	£
	Bank loan (secured)	325	4,800
	Amount due to subsidiary company	100	100
	Bank overdraft (secured)	-	7,130
	Hire purchase	878	1,054
	Trade creditors	63,873	95,482
	Other creditors	197	490
	Social security and other taxes	34,677	50,508
	Accruals	41,866	61,824
	Prepaid income	33,613	12,618
	Loan interest	<u>9,163</u>	<u>-</u>
		<u>£184,692</u>	<u>£234,006</u>
11.	Creditors: Amounts falling due after more than one year	2002	2001
		£	£
	Loan interest	18,325	27,488
	Bank loan (secured)	-	291
	Hire purchase	<u>-</u>	<u>966</u>
		<u>£18,325</u>	<u>£28,745</u>
12.	Called up Share Capital	2002	2001
		£	£
	Authorised:		
	250,000 ordinary shares of £1 each	250,000	250,000
	Allotted, Issued and Fully paid:		
	50,000 ordinary shares of £1 each	50,000	50,000
13.	Future Commitments		
	The company has annual commitments under non-cancellable operating leases, which are currently set out below (net of VAT).		
	Land and buildings - operating leases which expire in two to five years:		£34,640
	Motor vehicles - operating leases which expire in two to five years:		£7,541
	Equipment - operating leases which expire in two to five years:		£14,041
14.	Contingent Liability		
	The two directors each deferred salary amounting to £6,000 in 2002. These amounts will, together with the associated employer's national insurance, be payable at any time during the next two years if either the company's financial position permits or there is a material change in the ownership of the company.		