

Company Registration No. 02693027 (England and Wales)

IREVOLUTION LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2004

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IREVOLUTION LIMITED

COMPANY INFORMATION

Directors

E.J. Halpin
W.J. Aiken
J. Metcalf
M.A. Sharples

Secretary

W.B. Homan-Russell

Company number

02693027

Registered office

First Floor
Station House
4-8 High Street
West Drayton
Middlesex
UB7 7DJ

Auditors

Moore Rowland Warrington
35/37 Wilson Patten Street
Warrington
Cheshire
WA1 1PG

Bankers

National Westminster Bank plc
PO Box 14, 23 Sankey Street
Warrington
Cheshire
WA1 1XH

IREVOLUTION LIMITED

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IREVOLUTION LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MAY 2004

The directors present their report and financial statements for the period ended 31 May 2004.

Principal activities and review of the business

The principal activity of the company continued to be that of computer services, providing both traditional business oriented systems integration and software as a service enablement and delivery solutions.

Results and dividends

The results for the period are set out on page 4.

The directors do not recommend payment of a dividend (2003: £nil)

Directors

The following directors have held office since 1 September 2003:

E.J. Halpin
W.J. Aiken
J. Metcalf
M.A. Sharples

No rights to subscribe for shares or debentures have been granted or exercised during the year.

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 10p each	
	31 May 2004	1 September 2003
E.J. Halpin	-	-
W.J. Aiken	-	-
J. Metcalf	-	-
M.A. Sharples	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Moores Rowland Warrington be reappointed as auditors of the company will be put to the Annual General Meeting.

IREVOLUTION LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2004

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 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;
- 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.

On behalf of the board



M.A. Sharples

Director

15 December 2004

IREVOLUTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IREVOLUTION LIMITED

We have audited the financial statements of iRevolution Limited on pages 4 to 13 for the period ended 31 May 2004. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 the implications for our report if we become aware of any apparent misstatements within it.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Moores Rowland Warrington

15 December 2004

Chartered Accountants

Registered Auditor

35/37 Wilson Patten Street
Warrington
Cheshire
WA1 1PG

IREVOLUTION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MAY 2004

		Period ended 31 May 2004 £	Period ended 31 August 2003 £
	Notes		
Turnover	2	3,692,015	3,029,175
Cost of sales		(781,055)	(2,604,015)
Gross profit		2,910,960	425,160
Administrative expenses		(1,972,856)	(1,635,711)
Operating profit/(loss)	3	938,104	(1,210,551)
Parent company loan written off		-	1,761,494
Profit on ordinary activities before interest		938,104	550,943
Other interest receivable and similar income	4	999	-
Interest payable and similar charges	5	(214,577)	(25,237)
Profit on ordinary activities before taxation		724,526	525,706
Tax on profit on ordinary activities	6	-	-
Profit on ordinary activities after taxation	13	724,526	525,706

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

IREVOLUTION LIMITED

BALANCE SHEET AS AT 31 MAY 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	7		102,556		267,946
Current assets					
Debtors	9	1,570,451		757,890	
Cash at bank and in hand		370,574		164,284	
		<u>1,941,025</u>		<u>922,174</u>	
Creditors: amounts falling due within one year	10	<u>(910,176)</u>		<u>(781,242)</u>	
Net current assets			1,030,849		140,932
Total assets less current liabilities			<u>1,133,405</u>		<u>408,878</u>
Capital and reserves					
Called up share capital	12	1,750,000		1,750,000	
Share premium account	13	7,290,565		7,290,565	
Profit and loss account	13	(7,907,160)		(8,631,687)	
Shareholders' funds - equity interests	14	<u>1,133,405</u>		<u>408,878</u>	

The financial statements were approved by the Board on 15 December 2004



M.A. Sharples
Director

IREVOLUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents the amounts derived from the provision of goods and services to third party customers during the period and is exclusive of value added tax.

The Group has three main income streams: software sales and associated maintenance income, managed services and professional services.

Software sales of standard product are recognised to the extent that the Group has obtained the right to consideration through its performance. Revenue from support and maintenance is recognised on a straight-line basis over the period to which the maintenance agreement relates.

Revenue from managed services is recognised on a straight-line basis over the period of the contract.

Professional services income is recognised as it is earned.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	3 years straight line basis
Fixtures, fittings & equipment	3 - 5 years straight line basis

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Pensions

All pension schemes operated are defined contribution schemes. The costs are charged to the profit and loss account in the year in which they are incurred.

IREVOLUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2004

1 Accounting policies

(continued)

1.7 Deferred taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in the periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.9 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of The Hamsard Group Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

1.10 Cash flow statement

A cash flow statement has not been prepared as the company is a wholly owned subsidiary undertaking and its ultimate holding company publishes consolidated financial statements including a cash flow statement.

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

IREVOLUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2004

3	Operating profit/(loss)	2004 £	2003 £
	Operating profit/(loss) is stated after charging:		
	Depreciation of tangible assets	186,436	509,546
	Operating lease rentals	96,808	79,389
	Auditors' remuneration	10,000	-
	and after crediting:		
	Profit on disposal of tangible assets	(1,500)	(270)

No operating lease rentals relate to the hire of plant and machinery.

4	Investment income	2004 £	2003 £
	Bank interest	999	-

5	Interest payable	2004 £	2003 £
	On bank loans and overdrafts	-	17,087
	Hire purchase interest	1,322	8,150
	Other interest	213,255	-
		214,577	25,237

IREVOLUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2004

6	Taxation	2004 £	2003 £
	Domestic current year tax		
	U.K. corporation tax	-	-
	Factors affecting the tax charge for the period		
	Profit on ordinary activities before taxation	724,526	525,706
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	217,358	157,712
	Effects of:		
	Non deductible expenses	1,266	2,858
	Depreciation add back	55,931	152,783
	Capital allowances	(103,403)	(161,471)
	Tax losses utilised	(170,852)	376,566
	Other tax adjustments	(300)	(528,448)
		(217,358)	(157,712)

The company did not have any potential liability to deferred tax at the current or prior balance sheet dates. As a result of recent trading performances taxable losses have been incurred which are available for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses, or in respect of negative accelerated capital allowances, in view of the uncertainty over the timing and the extent of their utilisation. The estimated value of the deferred tax asset not recognised measured at a standard rate of 30% is £2,047,000 and of the negative capital allowances £400,000.

IREVOLUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2004

7 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 September 2003	2,584,868
Additions	21,046
	<hr/>
At 31 May 2004	2,605,914
	<hr/>
Depreciation	
At 1 September 2003	2,316,922
Charge for the period	186,436
	<hr/>
At 31 May 2004	2,503,358
	<hr/>
Net book value	
At 31 May 2004	102,556
	<hr/>
At 31 August 2003	267,946
	<hr/>

8 Fixed asset investments

	Shares in subsidiary undertakings
	£
Cost	
At 1 September 2003 & at 31 May 2004	2,841
	<hr/>
Provisions for diminution in value	
At 1 September 2003 & at 31 May 2004	2,841
	<hr/>
Net book value	
At 31 May 2004	-
	<hr/>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following non-trading companies:

Company	Country of registration or incorporation	Class	Shares held	%
Subsidiary undertakings				
Integration Limited	England and Wales	Ordinary		100
iFuel Limited	England and Wales	Ordinary		100

IREVOLUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2004

9 Debtors	2004 £	2003 £
Trade debtors	528,018	494,113
Amounts owed by parent and fellow subsidiary undertakings	256,803	-
Other debtors	48,142	220,467
Prepayments and accrued income	737,488	43,310
	<u>1,570,451</u>	<u>757,890</u>

10 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	10,536	7,401
Net obligations under hire purchase contracts	-	23,126
Trade creditors	118,466	230,100
Amounts owed to parent and fellow subsidiary undertakings	52,993	-
Taxes and social security costs	207,064	177,793
Other creditors	(1,549)	150,042
Accruals and deferred income	522,666	192,780
	<u>910,176</u>	<u>781,242</u>

Net obligations under hire purchase contracts

Repayable within one year	-	23,126
Finance charges and interest allocated to future accounting periods	-	-
	<u>-</u>	<u>23,126</u>

11 Pension costs

Defined contribution

	2004 £	2003 £
Contributions payable by the company for the period	<u>9,654</u>	<u>29,531</u>

IREVOLUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2004

12 Share capital	2004	2003
	£	£
Authorised		
2,000,000 Ordinary shares of 10p each	200,000	200,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
17,500,000 Ordinary shares of 10p each	1,750,000	1,750,000
	<u> </u>	<u> </u>
13 Statement of movements on reserves		
	Share premium account	Profit and loss account
	£	£
Balance at 1 September 2003	7,290,565	(8,631,686)
Retained profit for the period	-	724,526
	<u> </u>	<u> </u>
Balance at 31 May 2004	7,290,565	(7,907,160)
	<u> </u>	<u> </u>
14 Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Profit for the financial period	724,526	525,706
Opening shareholders' funds	408,878	(116,828)
	<u> </u>	<u> </u>
Closing shareholders' funds	1,133,405	408,878
	<u> </u>	<u> </u>

15 Financial commitments

At 31 May 2004 the company was committed to making the following payments under non-cancellable operating leases in the period 31 May 2005:

	Land and buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within one year	-	73,713
Between two and five years	73,713	-
	<u> </u>	<u> </u>
	73,713	73,713
	<u> </u>	<u> </u>

IREVOLUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2004

16 Directors' emoluments	2004 £	2003 £
Emoluments for qualifying services	163,550	333,163
Compensation for loss of office	-	23,270
	<u>163,550</u>	<u>356,433</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	<u>108,750</u>	<u>84,500</u>
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17 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

	2004 Number	2003 Number
Selling and administration	<u>29</u>	<u>41</u>

Employment costs

	2004 £	2003 £
Wages and salaries	862,038	1,753,964
Social security costs	88,256	188,916
Other pension costs	9,654	29,531
	<u>959,948</u>	<u>1,972,411</u>

18 Control

The company's parent company is The Hamsard Group Limited (formerly Hamsard 2602 Limited), a company incorporated in England and Wales. The Hamsard Group Limited is controlled on a day to day basis by Mr J Metcalf, a director of the company.

19 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.