

IREVOLUTION LIMITED
(formerly Integration Limited)

Report and Financial Statements

17 month period ended 30 September 2001

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR



REPORT AND FINANCIAL STATEMENTS 2001

CONTENTS

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

IREVOLUTION LIMITED
(formerly Integration Limited)

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

EJ Halpin
AC Callender
SC Papworth
CR Prevett
AL Caplin (appointed 20 July 2001)
JAB Kelly (appointed 20 July 2001)

SECRETARY

WB Homan-Russell

REGISTERED OFFICE

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

BANKERS

NatWest Bank
Slough Corporate Business Centre
2nd Floor
118 High Street
Slough
Berkshire
SL1 1JG

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London
EC4A 3TR

SOLICITORS

Ashurst Morris Crisp
Broadwalk House
5, Appold Street
London
EC2A 2HA

IREVOLUTION LIMITED
(formerly Integration Limited)

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period ended 30 September 2001.

CHANGE OF NAME

On 11 January 2002 the company changed its name to iRevolution Limited.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activities of the company are computer services, providing both traditional business oriented systems integration and software as a service enablement and delivery solutions.

On 20 July 2001 the company was acquired by iRevolution Group plc (then named SEP Industrial Holdings plc), a company quoted on the London Stock Exchange, in a share-for-share transaction. Owing to the relative values of the companies, the former iRevolution shareholders became the majority shareholders at 80%, diluted to 57% by a placing and open offer to raise funds for the development of the company's business.

The company made a loss before taxation of £4,452,838 (2000: profit of £308,390). Interim dividends totalling £256,133 were paid during the period (2000: £221,660). The directors do not recommend the payment of a final dividend (2000: £nil).

The well chronicled slowdown in IT spend coupled with the protracted takeover process impacted upon the company's growth during the latter part of the period to 30 September 2001. Progress was made in laying the groundwork for an increase in the demand for our services.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the period were as follows:

EJ Halpin
AC Callender
SC Papworth
CR Prevett
AL Caplin (appointed 20 July 2001)
JAB Kelly (appointed 20 July 2001)

Messrs Halpin, Prevett, Caplin and Kelly are directors of the parent company and ultimate holding company iRevolution Group plc and their interests in the share capital of that company are disclosed in its accounts.

At 30 September 2001 AC Callender and SC Papworth had the following interests in the shares of iRevolution Group plc:

	30 September 2001
Ordinary shares of 20p each	
AC Callender	5,448,762
SC Papworth	5,448,762

At 30 April 2000 Messrs Halpin, Callender, Papworth and Prevett each had an interest in 340,625 ordinary shares of 10p in the company.

Other than as disclosed above the directors had no interest in the shares of the company or any other group company during the period.

SHARE CAPITAL

During the period the company issued 185,645 ordinary shares of 10p each, details of which are set out in note 10.

On 25 April 2002 the authorised share capital of the company was increased by £1,000,000. On the same date 15,880,145 ordinary shares of 10p each were issued for a total consideration of £8,588,015 satisfied by the repayment of intercompany loan.


IREVOLUTION LIMITED
(formerly Integration Limited)

DIRECTORS' REPORT

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Deloitte & Touche be reappointed as auditors of the company will be put to the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'WB Homan-Russell', with a large, stylized flourish at the end.

WB Homan-Russell
Secretary

11 July 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial period 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;
- state whether applicable accounting standards have been followed; 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 are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IREVOLUTION LIMITED (formerly INTEGRATION LIMITED)

We have audited the financial statements of iRevolution Ltd for the period from 1 May 2000 to 30 September 2001 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements.

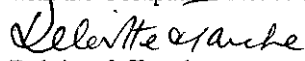
Basis of audit opinion

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


Deloitte & Touche

Chartered Accountants and
Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR

11 July 2002

IREVOLUTION LIMITED
(formerly Integration Limited)

PROFIT AND LOSS ACCOUNT
Period from 1 May 2000 to 30 September 2001

		Period from 1 May 2000 to 30 September 2001 £	Year ended 30 April 2000 (restated) £
	Note		
TURNOVER	1	6,091,905	1,997,492
Cost of sales		<u>(4,622,863)</u>	<u>(807,664)</u>
GROSS PROFIT		1,469,042	1,189,828
Administrative expenses		<u>(5,921,712)</u>	<u>(871,250)</u>
OPERATING (LOSS)/ PROFIT	2	(4,452,670)	318,578
Other interest receivable and similar income		16,369	-
Interest payable and similar charges		<u>(116,537)</u>	<u>(10,188)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,552,838)	308,390
Tax on profit on ordinary activities	4	<u>(2,425)</u>	<u>(55,817)</u>
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(4,555,263)	252,573
Dividends		<u>(256,133)</u>	<u>(221,660)</u>
Retained (loss)/ profit for the year	11	<u><u>(4,811,396)</u></u>	<u><u>30,913</u></u>

There are no recognised gains or losses for the current period or preceding year other than as stated in the profit and loss account. Accordingly no statement of total recognised gains and losses is given.

IREVOLUTION LIMITED
(formerly Integration Limited)

BALANCE SHEET
30 September 2001

	Note	30 September 2001	30 April 2000
FIXED ASSETS			
Tangible assets	5	1,842,156	576,162
Investments	6	<u>2,841</u>	<u>41</u>
		1,844,997	576,203
CURRENT ASSETS			
Work in progress		4,340	272,944
Debtors	7	1,508,034	349,654
Cash at bank and in hand		<u>4,405,515</u>	<u>706</u>
		5,917,889	623,304
CREDITORS: amounts falling due within one year	8	<u>(2,728,587)</u>	<u>(437,767)</u>
NET CURRENT ASSETS		<u>3,189,302</u>	<u>185,537</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,034,299	761,740
CREDITORS: amounts falling due after more than one year	9	<u>(9,124,759)</u>	<u>(232,105)</u>
		<u>(4,090,460)</u>	<u>529,635</u>
CAPITAL AND RESERVES			
Called up share capital	10	161,986	143,421
Share premium account	11	290,565	117,829
Profit and loss account	11	<u>(4,543,011)</u>	<u>268,385</u>
SHAREHOLDERS' (DEFICIT)/ FUNDS		<u>(4,090,460)</u>	<u>529,635</u>

These financial statements were approved by the Board of Directors on 11 July 2002.


EJ Halpin
Director

IREVOLUTION LIMITED
(formerly Integration Limited)

NOTES TO THE ACCOUNTS

Period from 1 May 2000 to 30 September 2001

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below. The profit and loss account comparatives have been restated to reflect the change in the presentation of the profit and loss account. The Directors believe this gives a fairer view of the companies activities. There is no effect on retained profit of the restatement.

Accounting convention

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

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation of tangible fixed assets is provided at varying rates so as to write down the cost or valuation of the relevant assets to their estimated residual value over their estimated useful lives as follows:

Plant and Machinery – computer equipment and software	-	33% straight line
Plant and Machinery – office equipment and other	-	20% straight line

This is a change of basis from that adopted in prior periods when the reducing balance method was used. The change has been made as the directors feel that the straight line basis now provides a fairer estimate.

Leasing

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.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Work in progress

Work in progress is valued at the lower of cost and net realisable value.

Pension costs

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

Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

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.

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.

IREVOLUTION LIMITED
(formerly Integration Limited)

NOTES TO THE ACCOUNTS

Period from 1 May 2000 to 30 September 2001

1. ACCOUNTING POLICIES (continued)

Consolidation

As iRevolution Limited is a wholly owned subsidiary it has not prepared consolidated accounts for itself and its subsidiaries as it is exempt from the obligation to prepare and deliver group accounts. Accordingly these financial statements present information about the company as an individual entity and not as a group. The loss for the period ended 30 September 2001 and the state of the company's affairs at 30 September 2001 have been included in the consolidated financial statements of iRevolution Group plc for the period ended 30 September 2001.

2. OPERATING PROFIT

	Period from 1 May 2000 to 30 September 2001 £	Year ended 30 April 2000 £
Operating profit is stated after charging:		
Exceptional costs	409,000	-
Depreciation of tangible assets	974,834	186,851
Auditors' remuneration	-	8,088
	<u> </u>	<u> </u>

The exceptional costs represent legal and professional costs associated with the acquisition of the company by iRevolution Group plc (formerly SEP Industrial Holdings plc). All audit costs in the current period have been borne by the parent company.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average monthly number of persons (including executive directors) employed by the company during the period from the commencement of trading was:

	Period from 1 May 2000 to 30 September 2001 No.	Year ended 30 April 2000 No.
Sales and administration	<u>68</u>	<u>25</u>
	£	£
Their aggregate remuneration comprised:		
Wages and salaries	3,624,790	586,628
Social security costs	324,629	61,226
Pension costs	<u>2,800</u>	<u>4,800</u>
	<u>3,952,219</u>	<u>652,654</u>

IREVOLUTION LIMITED
(formerly Integration Limited)

NOTES TO THE ACCOUNTS

Period from 1 May 2000 to 30 September 2001

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Directors' remuneration

Directors' remuneration was paid in respect of directors of the company as follows:

	£	£
Emoluments	198,750	2,940
Pension contributions	2,800	4,800
	<u>201,550</u>	<u>7,740</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 4 (2000 – 4).

4. TAXATION

	Period from 1 May 2000 to 30 September 2001 £	Year ended 30 April 2000 £
UK current year taxation		
UK Corporation tax at 20% (2000: 20%)	-	56,778
Prior years		
UK corporation tax	2,425	(961)
	<u>2,425</u>	<u>55,817</u>

5. TANGIBLE FIXED ASSETS

	Plant and machinery £
Cost	
At 1 May 2000	1,050,050
Additions	2,240,829
Disposals	(13,250)
At 30 September 2001	<u>3,277,628</u>
Depreciation	
At 1 May 2000	473,888
Disposals	974,834
Charge for the year	(13,250)
At 30 September 2001	<u>1,435,472</u>
Net book value	
At 30 September 2001	<u>1,842,156</u>
At 30 April 2000	<u>576,162</u>

The net book value of tangible fixed assets includes £883,816 (2000: £60,333) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £402,296 (2000: £3,549) for the year.

IREVOLUTION LIMITED
(formerly Integration Limited)

NOTES TO THE ACCOUNTS

Period from 1 May 2000 to 30 September 2001

6. FIXED ASSET INVESTMENTS

	Shares in group undertakings and participating interests £
Cost	
At 1 May 2000	41
Additions in year	2,800
At 30 September 2001	<u>2,841</u>

Holdings of more than 20%

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

Company	Country of registration or incorporation	Class of shares held	% held
Subsidiary undertakings			
iRevolution Limited	England and Wales	Ordinary	100
iFuel Limited	England and Wales	Ordinary	100
80-20 Europe Ltd	England and Wales	Ordinary	100
Participating interests			
Kalibra Limited	England and Wales	Ordinary	33

7. DEBTORS

	Period from 1 May 2000 to 30 September 2001 £	Year ended 30 April 2000 £
Trade debtors	843,610	241,414
Amounts due from subsidiary undertakings	86,967	-
Other debtors	383,283	87,154
Prepayments and accrued income	194,174	21,086
	<u>1,508,034</u>	<u>349,654</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 September 2001 £	30 April 2000 £
Bank loans and overdrafts	549,966	61,364
Obligations under finance leases	566,102	31,168
Trade creditors	1,133,513	121,316
Taxation and social security	147,228	116,621
Other creditors	331,778	107,298
	<u>2,728,587</u>	<u>437,767</u>

IREVOLUTION LIMITED
(formerly Integration Limited)

NOTES TO THE ACCOUNTS

Period from 1 May 2000 to 30 September 2001

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 September 2001 £	30 April 2000 £
Bank loans	-	160,151
Net obligations under finance leases	133,255	25,700
Amount due to parent undertaking	8,991,504	-
Other creditors	-	46,254
	<u>9,124,759</u>	<u>232,105</u>

The amount due to parent undertaking is an interest free loan with no set repayment terms. On 25 April 2002 £8,588,015 was repaid (see note 10).

10. SHARE CAPITAL

	30 September 2001 £	30 April 2000 £
Authorised:		
10,000,000 ordinary shares of 10p each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid:		
1,619,855 (2000: 1,434,210) ordinary shares of 10p each	<u>161,986</u>	<u>143,421</u>

During the period from 1 May 2000 to 30 September 2001 79,674 ordinary shares of 10p each were issued for cash of £125,000 in total and 105,971 ordinary shares of 10p each were issued for £66,301 for other assets.

On 25 April 2002 the authorised share capital of the company was increased by £1,000,000. On the same date 15,880,145 ordinary shares of 10p each were issued for a total consideration of £8,588,015 satisfied by the repayment of the intercompany loan.

11. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Profit and loss account £
Balance at 1 May 2000	117,829	268,385
Retained loss for the year	-	(4,811,396)
Premium on shares issued during the year	<u>172,736</u>	<u>-</u>
Balance at 30 September 2001	<u>290,565</u>	<u>(4,543,011)</u>

IREVOLUTION LIMITED
(formerly Integration Limited)

NOTES TO THE ACCOUNTS

Period from 1 May 2000 to 30 September 2001

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
(Loss)/ profit for the financial period/year	(4,811,396)	30,913
Issue of shares (note 10)	191,301	-
Opening shareholders' funds	<u>529,635</u>	<u>498,722</u>
Closing shareholders' deficit	<u>(4,090,460)</u>	<u>529,635</u>

13. FINANCIAL COMMITMENTS

	30 September 2001 £	30 April 2000 £
On leases of land and buildings expiring:		
Within one year	9,600	-
Between two and five years	94,981	-
In over five years	<u>73,713</u>	<u>73,713</u>
	<u>178,294</u>	<u>73,713</u>
Expiry date		
Within one year	1,000	7,473
Between two and five years	56,000	47,507
In over five years	<u>-</u>	<u>73,713</u>
	<u>57,000</u>	<u>128,693</u>

14. TRANSACTIONS WITH RELATED PARTIES

In accordance with Financial Reporting Standard No. 8, there is no requirement to disclose transactions with other group undertakings as the company is a 100% owned subsidiary and the ultimate parent company produces financial statements that are publicly available.

15. CONTROLLING PARTY AND PARENT UNDERTAKING

The directors regard iRevolution Group plc, a company incorporated in Great Britain, as the company's ultimate parent company and controlling party.

iRevolution Group plc is the largest and smallest group for which group accounts are prepared and of which the company is a wholly owned member. Copies of the iRevolution Group plc accounts are available from the Company Secretary, iRevolution Group plc, Station House, 4-8 High Street, Yiewsley, West Drayton, Middlesex UB7 7BY.