

COMPANIES HOUSE COPY

**IREVOLUTION LIMITED**

**Report and Financial Statements**

**30 September 2002**

**Deloitte & Touche  
London**



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# **REPORT AND FINANCIAL STATEMENTS 2002**

## **CONTENTS**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Independent auditors' report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Notes to the accounts</b>	<b>9</b>

# **IREVOLUTION LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISORS**

### **DIRECTORS**

EJ Halpin  
WJ Aiken  
AC Callender  
SC Papworth  
AL Caplin

### **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  
London

### **SOLICITORS**

Bird & Bird  
90 Fetter Lane  
London  
EC4A 1JP

# **IREVOLUTION LIMITED**

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 30 September 2002.

### **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.

The company made a loss before taxation of £4,671,010 (17 months to 30 September 2001 – loss of £4,452,838). No interim dividends were paid during the year (2001 – £256,133) and the directors do not recommend the payment of a final dividend (2001 – £nil).

The past year has been a particularly difficult one for the Company. Market conditions in the traditional systems integration market were poor, and the take up of the "Software as a Service" offerings was much slower than had been anticipated. The Board reacted with cost reductions. The current headcount of 40 compares with a peak of in excess of 100. Office space occupied was more than halved and senior management have taken voluntary reductions in remuneration.

### **DIRECTORS AND THEIR INTERESTS**

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

EJ Halpin  
AC Callender  
SC Papworth  
AL Caplin  
WJ Aiken (appointed 24 October 2002)  
CR Prevett (resigned 13 September 2002)  
JAB Kelly (resigned 2 December 2002)

Messrs Halpin, Caplin and Aiken are directors and Mr Kelly was a director of the parent company and ultimate holding company iRevolution Group plc at 30 September 2002 and their interests in the share capital of that company are disclosed in its accounts.

At 30 September 2002 and 2001 AC Callender and SC Papworth had the following interests in the shares of iRevolution Group plc:

#### **Ordinary shares of 20p each**

AC Callender	5,448,762
SC Papworth	5,448,762

Other than as disclosed above the directors at 30 September 2002 had no interest in the shares of the company or any other group company during the period.

### **DIVIDENDS**

The directors do not recommend the payment of a dividend (2001: £nil).

### **SHARE CAPITAL**

During the year the company issued 15,880,145 ordinary shares of 10p each, details of which are set out in note 10.

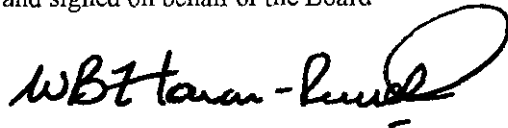
# IREVOLUTION LIMITED

## 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 loop at the end.

WB Homan-Russell  
Secretary

21 March 2003

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those accounts, 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 accounts; 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 accounts 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**

We have audited the financial statements of iRevolution Ltd for the year ended 30 September 2002 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.

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 auditors' 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**

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.

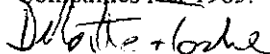
### **Going concern**

In forming our opinion we have considered the adequacy of the disclosures set out in the statement of accounting policies which indicate that the accounts have been prepared on a going concern basis on the basis that the company maintains its improved trading.

In view of the significance of the 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 30 September 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Deloitte & Touche

Chartered Accountants and Registered Auditors  
London

*St. James* 2003



# IREVOLUTION LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 30 September 2002

		Year ended 30 September 2002 £	Period from 1 May 2000 to 30 September 2001 £
	Note		
<b>TURNOVER</b>	1	4,868,853	6,091,905
Cost of sales		(5,177,837)	(4,622,863)
<b>GROSS (LOSS)/PROFIT</b>		(308,984)	1,469,042
Administrative expenses		(4,364,104)	(5,921,712)
<b>OPERATING LOSS</b>	2	(4,673,088)	(4,452,670)
Interest receivable and similar income		73,871	16,369
Interest payable and similar charges		(71,793)	(116,537)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(4,671,010)	(4,552,838)
Tax credit/(charge) on loss on ordinary activities	4	56,628	(2,425)
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(4,614,382)	(4,555,263)
Dividends		-	(256,133)
<b>Retained loss for the year</b>	11	(4,614,382)	(4,811,396)

All activities relate to continuing operations.

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

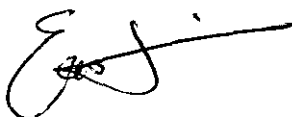
# IREVOLUTION LIMITED

## BALANCE SHEET

30 September 2002

	Note	30 September 2002 £	30 September 2001 £
<b>FIXED ASSETS</b>			
Tangible assets	5	765,935	1,842,156
Investments	6	-	2,841
		<u>765,935</u>	<u>1,844,997</u>
<b>CURRENT ASSETS</b>			
Work in progress		-	4,340
Debtors	7	1,172,686	1,508,034
Cash at bank and in hand		<u>786,366</u>	<u>4,405,515</u>
		1,959,052	5,917,889
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(1,818,511)</u>	<u>(2,728,587)</u>
<b>NET CURRENT ASSETS</b>		<u>140,541</u>	<u>3,189,302</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		906,476	5,034,299
<b>CREDITORS: amounts falling due after more than one year</b>	9	<u>(1,023,304)</u>	<u>(9,124,759)</u>
		<u>(116,828)</u>	<u>(4,090,460)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1,750,000	161,986
Share premium account	11	7,290,565	290,565
Profit and loss account	11	<u>(9,157,393)</u>	<u>(4,543,011)</u>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		<u>(116,828)</u>	<u>(4,090,460)</u>

These financial statements were approved by the Board of Directors on 21 March 2003.



EJ Halpin  
Director

# **IREVOLUTION LIMITED**

## **NOTES TO THE ACCOUNTS**

**Year ended 30 September 2002**

### **1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

#### **Accounting convention**

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

#### **Going concern**

In the year to 30 September 2002 the Company made operating losses of £4.7 million and experienced a large cash outflow from operating activities which created a significant uncertainty regarding the company's future financial position. However, in the current financial year the directors have reduced the company's cash burn and there was a positive EBITDA (earnings before interest, tax, depreciation, and amortisation) from trading in the first quarter. The company continues to meet its day to day working capital requirements from its own resources. The directors have prepared detailed projections for the 18 month period to 30 June 2004, which indicate that the company will continue to maintain the improvement in its trading.

On this basis the directors consider it appropriate to prepare the accounts on a going concern basis, and therefore no adjustments that might otherwise be required have been made.

#### **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 impairment.

#### **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.

#### **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.

# IREVOLUTION LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 September 2002

### 1. ACCOUNTING POLICIES (continued)

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 company'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 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 taxable 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.

#### 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.

#### 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 year ended 30 September 2002 and the state of the company's affairs at 30 September 2002 have been included in the consolidated financial statements of iRevolution Group plc for the year ended 30 September 2002.

### 2. OPERATING LOSS

	Year ended 30 September 2002 £	Period from 1 May 2000 to 30 September 2001 £
<b>Operating (loss) is stated after charging:</b>		
Exceptional costs	-	409,000
Depreciation of tangible assets - owned	678,901	572,538
Depreciation of tangible assets - held under finance leases	196,007	402,296
Impairment of tangible assets	209,470	-
Auditors' remuneration - as auditors	15,000	-

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 prior period have been borne by the parent company.

# IREVOLUTION LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 September 2002

### 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:

	Year ended 30 September 2002 No.	Period from 1 May 2000 to 30 September 2001 No.
Sales and administration	80	68
	£	£
Their aggregate remuneration comprised:		
Wages and salaries	3,718,576	3,624,790
Social security costs	383,323	324,629
Pension costs	35,872	2,800
	4,137,771	3,952,219

#### Directors' remuneration

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

	£	£
Emoluments	404,688	198,750
Pension contributions	-	2,800
	404,688	201,550

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to nil (2001 - 4).

### 4. TAXATION

	Year ended 30 September 2002 £	Period from 1 May 2000 to 30 September 2001 £
Prior years		
UK corporation tax	(56,628)	2,425

The company did not have any potential liability to deferred tax at the current or prior balance sheet dates. As a result of the recent trading performance 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 extent of their utilisation. The estimated value of the deferred tax asset not recognised measured at a standard rate of 30% is £1,851,000 and of the negative accelerated capital allowances £578,000.

# IREVOLUTION LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 September 2002

### 4. TAXATION (CONTINUED)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	Year ended 30 September 2002 £	Period from 1 May 2000 to 30 September 2001 £
Loss on ordinary activities before tax	(4,671,010)	(4,552,670)
Tax credit on loss at standard UK tax rate	(1,401,303)	(1,335,801)
Effects of:		
Expenses not deductible for tax purposes	63,000	143,000
Depreciation in excess of capital allowances	326,000	293,000
Unutilised losses in the year/period	1,008,000	930,000
Other	4,303	(199)
Adjustments in respect of prior periods	(56,628)	2,425
Tax (credit)/charge for year/period	(56,628)	2,425

### 5. TANGIBLE FIXED ASSETS

	Plant and machinery £
<b>Cost</b>	
At 1 October 2001	3,277,628
Additions	299,595
Disposals	(999,267)
At 30 September 2002	2,577,956
<b>Depreciation</b>	
At 1 October 2001	1,435,472
Charge for the year	874,908
Impairment of fixed assets	209,470
Charge for the year	(707,829)
At 30 September 2002	1,812,021
<b>Net book value</b>	
At 30 September 2002	765,935
At 30 September 2001	1,842,156

The net book value of tangible fixed assets includes £239,489 (2001 – £883,816) in respect of assets held under finance leases or hire purchase contracts.

# IREVOLUTION LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 September 2002

### 6. FIXED ASSET INVESTMENTS

	Shares in group undertakings and participating interests £
<b>Cost</b>	
At 1 October 2001 and 30 September 2002	2,841
<b>Provision</b>	
Charge for the year	2,841
At 30 September 2002	2,841
<b>Net book value</b>	
At 30 September 2002	-
At 30 September 2001	2,841

### 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 of shares held	% held
<b>Subsidiary undertakings</b>			
Integration Limited	England and Wales	Ordinary	100
iFuel Limited	England and Wales	Ordinary	100
80-20 Europe Ltd	England and Wales	Ordinary	100
<b>Participating interests</b>			
Kalibra Limited	England and Wales	Ordinary	33

### 7. DEBTORS

	Year ended 30 September 2002 £	Period from 1 May 2000 to 30 September 2001 £
Trade debtors	778,421	843,610
Amounts due from subsidiary undertakings	-	86,967
UK corporation tax recoverable	59,315	-
Other debtors	57,116	383,283
Prepayments and accrued income	277,834	194,174
	<u>1,172,686</u>	<u>1,508,034</u>

# IREVOLUTION LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 September 2002

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 September 2002 £	30 September 2001 £
Bank loans and overdrafts	154,693	549,966
Obligations under finance leases	104,102	566,102
Trade creditors	384,171	1,133,513
Amounts due to parent undertaking	331,217	-
Other taxation and social security	235,448	147,228
Other creditors	22,781	-
Accruals and deferred income	586,099	331,778
	<u>1,818,511</u>	<u>2,728,587</u>

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

	30 September 2002 £	30 September 2001 £
Net obligations under finance leases	19,814	133,255
Amount due to parent undertaking	1,003,490	8,991,504
	<u>1,023,304</u>	<u>9,124,759</u>

The amount due to parent undertaking is an interest free loan with no set repayment terms.

### 10. SHARE CAPITAL

	30 September 2002 £	30 September 2001 £
<b>Authorised:</b>		
20,000,000 (2001 – 10,000,000) ordinary shares of 10p each	<u>2,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid:</b>		
17,500,000 (2001 – 1,619,855) ordinary shares of 10p each	<u>1,750,000</u>	<u>161,986</u>

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 £8,588,014 satisfied by the repayment of the intercompany loan.

### 11. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Profit and loss account £
Balance at 1 October 2001	290,565	(4,543,011)
Retained loss for the year/period	-	(4,614,382)
Premium on shares issued during the year/period	<u>7,000,000</u>	<u>-</u>
Balance at 30 September 2002	<u>7,290,565</u>	<u>(9,157,393)</u>



# IREVOLUTION LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 September 2002

### 12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for the financial year/period	(4,614,382)	(4,811,396)
Issue of shares (note 10)	8,588,014	191,301
Opening shareholders' funds	(4,090,460)	529,635
Closing shareholders' deficit	<u>(116,828)</u>	<u>(4,090,460)</u>

### 13. FINANCIAL COMMITMENTS

	30 September 2002 £	30 September 2001 £
<b>On leases of land and buildings expiring:</b>		
Within one year	-	9,600
Between two and five years	73,713	94,981
In over five years	-	73,713
	<u>73,313</u>	<u>178,294</u>
<b>On other leases expiring:</b>		
<b>Expiry date</b>		
Within one year	7,000	1,000
Between two and five years	-	56,000
	<u>7,000</u>	<u>57,000</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 7DJ.