



XWORKS (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004



GERALD EDELMAN
CHARTERED ACCOUNTANTS

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XWORKS (UK) LIMITED

COMPANY INFORMATION

Directors

C M A Black
J Drummond
P J Williams

Secretary

C M A Black

Company number

3836178

Registered office

York House
78 Queen Victoria Street
London
EC4N 4SJ

Auditors

Gerald Edelman
25 Harley Street
London
W1G 9BR

XWORKS (UK) LIMITED

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XWORKS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2004

The directors present their report and financial statements for the year ended 30 September 2004.

Principal activities and review of the business

The principal activity of the company continued to be that of providing technology and consultancy services to its investments and to external clients.

Going Concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The disclosures required by Financial Reporting Standard No. 18 in relation to the Directors' going concern assessment are set out in Note 1 to the accounts.

Results and dividends

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

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 October 2003:

C M A Black
J Drummond
P J Williams

Directors' interests

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

	Ordinary shares of 25p each	
	30 September 2004	1 October 2003
C M A Black	-	-
J Drummond	-	-
P J Williams	-	-

The directors are also directors of the ultimate parent company, Gaming Corporation Plc and their shareholdings in that company are disclosed in its own financial statements.

Auditors

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

XWORKS (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 30 SEPTEMBER 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



P J Williams

Director

18 November 2004

XWORKS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF XWORKS (UK) LIMITED

We have audited the financial statements of Xworks (UK) Limited on pages 4 to 13 for the year ended 30 September 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 30 September 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Gerald Edelman

Chartered Accountants
Registered Auditor

18 November 2004

25 Harley Street
London
W1G 9BR

XWORKS (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	945,292	160,442
Cost of sales		(682,988)	(5,468)
Gross profit		262,304	154,974
Administrative expenses		(271,493)	(174,967)
Operating loss	3	(9,189)	(19,993)
Amounts written off investments	4	-	(27,523)
Interest payable and similar charges	5	(649)	(2,892)
Loss on ordinary activities before taxation		(9,838)	(50,408)
Tax on loss on ordinary activities	6	(2,750)	44,975
Loss on ordinary activities after taxation	14	(12,588)	(5,433)

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.

XWORKS (UK) LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Intangible assets	7		240		847
Tangible assets	8		37,074		53,932
Investments	9		98		98
			<u>37,412</u>		<u>54,877</u>
Current assets					
Debtors	10	192,290		11,389	
Cash at bank and in hand		50,000		-	
		<u>242,290</u>		<u>11,389</u>	
Creditors: amounts falling due within one year	11	<u>(733,373)</u>		<u>(712,145)</u>	
Net current liabilities			<u>(491,083)</u>		<u>(700,756)</u>
Total assets less current liabilities			<u>(453,671)</u>		<u>(645,879)</u>
Capital and reserves					
Called up share capital	13		250,000		250,000
Share premium account	14		113,654		113,654
Profit and loss account	14		(817,325)		(804,737)
Shareholders' funds - equity interests	15		<u>(453,671)</u>		<u>(441,083)</u>

The financial statements were approved by the Board on 18 November 2004


J. Drummond
Director

XWORKS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand and through the support of the parent company. 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 result from a withdrawal of the overdraft facility by the company's bankers.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

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

1.3 Turnover

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

1.4 Trademarks

Trademarks are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land 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:

Software development	33.3% per annum straight line
Computer equipment	33.3% per annum straight line
Fixtures & fittings	25% per annum reducing balance
Office equipment	25% per annum reducing balance

1.6 Leasing

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

1.7 Investments

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

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Recognition of deferred tax asset is to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. The company has not adopted a policy of discounting deferred tax assets and liabilities.

XWORKS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

1 Accounting policies (continued)

1.9 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.

1.10 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 Gaming Corporation Plc, a company incorporated in England and Wales, and is included in the consolidated financial statements of that company.

2 Turnover

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

3 Operating loss	2004 £	2003 £
Operating loss is stated after charging:		
Amortisation of intangible assets	40	180
Depreciation of tangible assets	35,842	39,479
Loss on disposal of intangible assets	567	-
Loss on foreign exchange transactions	-	646
Operating lease rentals	33,423	38,957
Auditors' remuneration	-	905
and after crediting:		
Profit on foreign exchange transactions	(147)	-

4 Amounts written off investments	2004 £	2003 £
Amounts written off fixed asset investments	-	27,523

5 Interest payable	2004 £	2003 £
On bank loans and overdrafts	649	2,561
Other interest	-	331
	649	2,892

XWORKS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

6	Taxation	2004 £	2003 £
	Domestic current year tax		
	U.K. corporation tax	-	-
	Research and development tax credit receivable	(1,027)	(55,633)
	Current tax charge	(1,027)	(55,633)
	Deferred tax		
	Deferred tax charge current year	3,777	10,658
		3,777	10,658
		2,750	(44,975)
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(9,838)	(50,408)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%)	(1,869)	(9,578)
	Effects of:		
	Non deductible expenses	3,674	811
	Depreciation	-	7,535
	Capital allowances	-	(2,400)
	Tax losses transferred from subsidiary undertaking	-	(16,158)
	Research and development tax credit receivable	(1,027)	(55,633)
	Other tax adjustments	1,972	30,448
		4,619	(35,397)
	Tax charge/(credit) per profit and loss account	2,750	(44,975)

XWORKS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

7 Intangible fixed assets

	Patents £
Cost	
At 1 October 2003	1,283
Disposals	(883)
	<hr/>
At 30 September 2004	400
	<hr/>
Amortisation	
At 1 October 2003	436
Amortisation on disposals	(316)
Charge for the year	40
	<hr/>
At 30 September 2004	160
	<hr/>
Net book value	
At 30 September 2004	240
	<hr/>
At 30 September 2003	847
	<hr/>

8 Tangible fixed assets

	Software Development £	Computer equipment £	Fixtures & fittings £	Office equipment £	Total £
Cost					
At 1 October 2003	66,620	56,761	28,972	8,015	160,368
Additions	-	16,534	2,450	-	18,984
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2004	66,620	73,295	31,422	8,015	179,352
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 October 2003	36,851	47,671	17,162	4,752	106,436
Charge for the year	21,040	9,382	4,604	816	35,842
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2004	57,891	57,053	21,766	5,568	142,278
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 September 2004	8,729	16,242	9,656	2,447	37,074
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2003	29,769	9,090	11,810	3,263	53,932
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

XWORKS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

9 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 October 2003 & at 30 September 2004	27,621
Provisions for diminution in value	
At 1 October 2003 & at 30 September 2004	27,523
Net book value	
At 30 September 2004	98
At 30 September 2003	98

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	Shares held Class	%
Subsidiary undertakings			
Careerplus Limited	England and Wales	Ordinary shares	98
Xworks Limited	England and Wales	Ordinary shares	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2004 £	Profit for the year 2004 £
	Principal activity		
Careerplus Limited	Recruitment consultancy	(94,645)	(8,298)
Xworks Limited	Dormant	-	89,413

XWORKS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

10 Debtors	2004 £	2003 £
Trade debtors	67,788	38,559
Corporation tax	-	55,633
Other debtors	12,306	9,013
Prepayments and accrued income	13,575	10,582
Deferred tax asset (see note 12)	98,621	102,398
	<u>192,290</u>	<u>216,185</u>

11 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	54,652	55,226
Trade creditors	14,869	31,607
Amounts owed group undertakings	626,862	601,557
Taxes and social security costs	35,178	12,388
Other creditors	1,812	-
Accruals and deferred income	-	11,367
	<u>733,373</u>	<u>712,145</u>

12 Provisions for liabilities and charges

The deferred tax asset (included in the debtors, note 10) is made up as follows:

	2004 £	2003 £
Balance at 1 October 2003	(102,398)	
Profit and loss account	3,777	
Balance at 30 September 2004	<u>(98,621)</u>	
	<u>2004 £</u>	<u>2003 £</u>
Tax losses available	<u>(98,621)</u>	<u>(102,398)</u>

XWORKS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

13 Share capital	2004 £	2003 £
Authorised		
4,000,000 Ordinary shares of 25p each	1,000,000	1,000,000

Allotted, called up and fully paid		
1,000,000 Ordinary shares of 25p each	250,000	250,000

14 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 October 2003	113,654	(804,737)
Retained loss for the year	-	(12,588)
Balance at 30 September 2004	113,654	(817,325)

15 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Loss for the financial year	(12,588)	(5,433)
Opening shareholders' funds	(441,083)	(435,650)
Closing shareholders' funds	(453,671)	(441,083)

16 Financial commitments

At 30 September 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2004 £	2003 £
Expiry date:		
Between two and five years	37,760	37,760

XWORKS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2004

17 Employees

Number of employees

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

	2004 Number	2003 Number
Sales and administration	<u>6</u>	<u>3</u>

Employment costs

	2004 £	2003 £
Wages and salaries	<u>100,885</u>	<u>-</u>

18 Control

The ultimate parent company is Gaming Corporation Plc a company registered in England and Wales.

Gaming Corporation Plc prepares consolidated financial statements and copies can be obtained from the parent company's registered office at York House, 78 Queen Victoria Street, London, EC4N 4SJ.

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.