4218796

Affinitas Networks Limited

Report and Financial Statements

31 December 2002

Registered No: 04218796

Director
Mark Elliott

Secretary
Rupert Stewart Conder

Auditors
Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

Bankers
Lloyds TSB Bank plc
Gracechurch House
23/35 Castle Way
Southampton
S014 2BW

Registered office
Enterprise Units
Ordnance Road
Tidworth
Wiltshire
SP9 7QD

Director's report

The director presents his report and financial statements for the year ended 31 December 2002.

Results and dividends

The loss for the year amounted to £51,465. The director does not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company during the year was the provision of careers advice. Following the departure of Stephen Mansbridge on 30 April 2003, the company has ceased trading.

Directors

The directors who served the company during the year were as follows:

Simon Philip Guy Lee	(resigned 30 April 2003)
Stephen Mansbridge	(resigned 30 April 2003)
Andrew Bankes Gough	(resigned 31 July 2003)

There are no director's interests requiring disclosure under the Companies Act 1985.

None of the directors had interests in the issued share capital of the company. The interests of the directors in the issued share capital of the parent undertaking, Forces Group Limited are disclosed in that company's accounts, as well as any options held.

Directors remuneration in respect of services to Affinitas Networks Limited is disclosed in the Forces Group Limited.

Subsequent to the year end, on 23 July 2003,
Mark Elliott was appointed a director of the company.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

Mark Elliott ....

Director

1 March 2004

Statement of director's responsibilities in respect of the financial statements

Company law requires the director 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 year. In preparing those financial statements, the director is 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. He is 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.

ERNST & YOUNG

Independent auditors' report

to the members of Affinitas Networks Limited

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 13. These financial statements have been prepared on the basis of 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 Director's 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 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 Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's 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.

Going Concern

In forming our opinion we have also considered the adequacy of the disclosures made in the financial statements concerning the company's ability to continue trading. The financial statements have been prepared on the going concern basis, the validity of which depends on the continued support and funding from the company's parent company ForcesGroup Limited. The financial statements do not include any adjustment that would result from failure to obtain such support and funding. Details of the circumstances relating to this fundamental uncertainty are described in note 1.

Our opinion is not qualified in respect of this matter.

ERNST & YOUNG

Independent auditors' report

to the members of Affinitas Networks Limited (continued)

Opinion

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

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Cambridge

30 March 2004

Profit and loss account

for the year ended 31 December 2002

	Notes	2002 £	2001 £
Turnover	2	79,492	49,970
Administrative expenses		130,957	127,079
Loss on ordinary activities before taxation	3	(51,465)	(77,109)
Tax on loss on ordinary activities		–	–
Loss for the financial year	4	(51,465)	(77,109)

Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £51,465 attributable to the shareholders for the year ended 31 December 2002 (2001 - loss of £77,109).

Balance sheet
at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	7	1,802	2,768
Current assets			
Debtors	8	2,940	3,428
Cash at bank		7,032	5,239
		9,972	8,667
Creditors: amounts falling due within one year	9	140,347	88,543
Net current liabilities		(130,375)	(79,876)
Total assets less current liabilities		(128,573)	(77,108)
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	(128,574)	(77,109)
Equity shareholder's funds	11	(128,573)	(77,108)

Mark Elliott

Mark Elliott
Director

1 March 2004

Notes to the financial statements

at 31 December 2002

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

The financial statements have been prepared on a going concern basis, which assumes that the company will continue for the foreseeable future. During the period the company incurred a loss of £51,465.

The group, of which the company is a member has raised further capital from new investors in May and July 2002 of £350,000 together with a rights issue in November 2002 raising £1,092,253. In addition the group has disposed of the holding in a joint venture in December 2002 and has implemented a number of cost reduction measures. The directors are confident that these actions together with predicted revenue growth will enable the group to continue its activities for the 12 months from the date of approval of these financial statements. Given this position, the directors consider it is appropriate to prepare these financial statements on a going concern basis.

If the financial statements were not able to be prepared on a going concern basis, adjustments would be required to write down the value of the assets and recognise contingent and other liabilities. The financial statements do not include any adjustments that would result if the going concern basis was not appropriate.

Cash flow statement

The director has taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Related parties transactions

The company is a wholly owned subsidiary of Forces Group limited, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the ForcesGroup group.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Office equipment - over 3 to 5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements
at 31 December 2002

1. Accounting policies
Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Operating lease agreements
Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

Pension costs
The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover
Turnover comprises income (excluding Value Added Tax) from the provision of careers advice and is solely incurred in the United Kingdom.

3. Operating loss
This is stated after charging:

Audit fees are borne by fellow group companies		
Depreciation of owned fixed assets	966	161

4. Staff costs

	2002	*2001*
	£	*£*
Wages and salaries	60,375	28,933
Social security costs	6,620	3,186
Other pension costs	4,000	2,333
	70,995	34,452

The monthly average number of employees during the year was as follows:

	2002	*2001*
	No.	*No.*
Sales	2	1

Notes to the financial statements
at 31 December 2002

5. Director's emoluments

	2002 £	2001 £
Emoluments	49,600	29,422
Value of company pension contributions to money purchase schemes	4,000	2,333

	2002 No.	2001 No.
Members of money purchase pension schemes	1	1

6. Taxation
a) Tax on loss on ordinary activities

There is no tax charges or credit in the period. There are accumulated losses of £126,257 (2001 £75,515) available to carry forward against future trading profits, subject to the agreement of the Inland Revenue.

b) *Deferred taxation*

Deferred tax provided in the accounts, and the amounts not provided are as follows:

	2002 Provided £	2001 Provided £	2002 Unprovided £	2001 Unprovided £
Capital allowances in advance of depreciation	-	-	(70)	275
Expenses not deductible for tax purposes	-	-	(150)	-
Other timing differences	-	-	-	(750)
Losses	-	-	(15,219)	(22,658)
Deferred tax asset	-	-	15,439	(23,133)

7. Tangible fixed assets

	Computer Equipment £
Cost:	
At 1 January 2002 and 31 December 2002	2,929
Depreciation:	
At 1 January 2002	161
Provided during the year	966
At 31 December 2002	1,127
Net book value:	
At 31 December 2002	1,802
At 1 January 2002	2,768

Notes to the financial statements
at 31 December 2002

8. Debtors

	2002 £	2001 £
Prepayments and accrued income	2,940	3,428

9. Creditors: amounts falling due within one year

	2002 £	2001 £
Amounts owed to group undertakings	129,101	65,521
Accruals and deferred income	11,246	23,022
	140,347	88,543

10. Share capital

		Authorised
	2002 £	2001 £
Ordinary shares of £1 each	100	100

	Allotted, called up and fully paid			
	2002			2001
	No.	£	No.	£
Ordinary shares of £1 each	1	1	1	1

11. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total share-holders' funds £
Loss for the year	–	(77,109)	(77,109)
Other movements			
New equity share capital subscribed on incorporation	1	–	1
At 31 December 2001	1	(77,109)	(77,108)
Loss for the year	–	(51,465)	(51,465)
At 31 December 2002	1	(128,574)	(128,573)

Notes to the financial statements
at 31 December 2002

12. Pension commitments

The company participates in a group defined contribution pension scheme, for its directors and employees. The assets of the scheme are held in separately from those of the company in an independently administered fund. Payments during the period totalled £4,000.

13. Ultimate parent company

The company's immediate parent undertaking and controlling party is ForcesGroup Limited. *Copies of its* group accounts, which include the company, are available from the company secretary at the registered office.