101010 Limited

Report and Financial Statements

30 June 2002

Registered No: 03351259

Directors
PA Chappell
RA Flood
RG Mennie

Secretary
R Mennie

Auditors
Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Bankers
Barclays Bank PLC
London Corporate Banking
1st Floor, 54 Lombard Street
London
EC3V 9EX

Registered Office
7-10 Chandos Street
London, W1G 9DQ

Directors' report

The directors present their report and accounts for the year ended 30 June 2002.

Results and dividends

The loss for the year after taxation amounted to £215,592 (2001 - profit of £247,409). The directors do not recommend payment of a dividend for the year.

Principal activity

The company's principal activity during the year was computer software development and consultancy.

On 25 March 2003, the board of directors of earthport plc , the parent company of 101010 Limited, advised the directors of 101010 Limited that it will no longer support the company in meeting its liabilities as and when they fall due.

Directors and their interests

The directors of the company during the year and appointed subsequently, and their interests in the shares of the company, as recorded in the register of directors' interests were as follows:

	At 30 June 2002	*At 30 June 2001*
P Chappell (Appointed 18 June 2002)	-	-
R Flood (Appointed 18 June 2002)	-	-
R Mennie (Appointed 18 June 2002)	-	-
D Vanrenen (Resigned 30 April 2002)	-	-
M Hardonk (Resigned 30 April 2002)	-	-
L Lovejoy (Resigned 7 February 2003)	-	-
L Ljungwaldh (Resigned 6 March 2003)	-	-
T Taylor (Resigned 14 December 2001)		

The interests of R Mennie, R Flood and L Ljungwaldh in the share capital of the parent undertaking, earthport plc, are disclosed in that company's accounts.

By order of the board

R Mennie
Secretary

2 9 APR 2003

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare accounts for each financial period 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 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 accounts 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 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 *101010* Limited

We have audited the company's financial statements for the year ended 30 June 2002 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein. The financial statements have been prepared on the break-up basis.

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 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 affairs of the company as at 30 June 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
London

30 April 2003

Profit and loss account

for the year ended 30 June 2002

	Notes	2002 £	2001 £
Turnover	3	-	732,010
Cost of sales		-	-
Gross profit		-	732,010
Administrative expenses		(215,592)	(513,992)
Other operating income		-	20,724
Operating profit/(loss)	4	(215,592)	238,742
Interest receivable and similar income		-	8,667
Interest payable and similar charges		-	–
Profit/(loss) on ordinary activities before taxation		(215,592)	247,409
Taxation	7	-	–
Retained profit/(loss) transferred to reserves	12	(215,592)	247,409

There were no recognised gains or losses other than as shown above.

Balance sheet
at 30 June 2002

	Notes	*2002* £	*2001* £
Fixed assets			
Tangible assets	8	-	51,180
Current assets			
Debtors	9	-	176,380
Cash at bank and in hand		-	894
			177,274
Creditors: amounts falling due within one year	10	1,216,999	1,229,861
Net current liabilities		(1,216,999)	(1,052,587)
Total assets less current liabilities		(1,216,999)	(1,001,407)
Capital and reserves			
Called up share capital	11	1,000	1,000
Profit and loss account	12	(1,217,999)	(1,002,407)
Equity shareholders' funds - deficit	12	(1,216,999)	(1,001,407)

Director

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Notes to the financial statements

at 30 June 2002

1. Fundamental accounting concept

The company had net liabilities at 30 June 2002. There exists a fundamental uncertainty concerning earthport plc's (101010 Limited's parent company) ability to continue as a going concern as described below in an extract from the annual accounts of the parent company. Those accounts were approved on 29 November 2002 and to date the company is continuing with its refinancing process.

Extract from earthport plc accounts

"The accounts have been prepared on the assumption that the company is a going concern. The company is engaged in a new and high growth industry where losses are expected. These losses represent the company's investment in its development. At the date of approving these financial statements, there exists a fundamental uncertainty concerning the company's ability to continue as a going concern.

The company is dependent on the ability to generate significant revenues and free cash flow from sales of its products to new customers. To date the company has entered into contracts to supply its core product to three significant customers and is in advanced discussions with other substantial potential customers. The directors believe that many of these potential customers will enter into contracts with the company. However, the timing and value of future sales is difficult to predict with any certainty.

Since the balance sheet date, the company has raised additional finance through injections of loan notes and equity amounting to £1,927,803. The directors are actively seeking to raise further finance of at least £5 million and to convert a loan of £1.2 million into Convertible Loan Notes, but it will be several months before the outcome can be seen with any certainty.

Given the fundamental uncertainties that sufficient revenues and free cash flows will be generated to meet the company's working capital requirements, the company may need to seek yet further finance or, if adequate funds could not be raised as required, it may be forced into liquidation or receivership.

When assessing the foreseeable future the directors have looked at a period of twelve months from the date of approval of the accounts. The directors consider that the uncertainties referred to above cast doubt on the company's ability to continue as a going concern, nevertheless the directors believe that sufficient revenues and finance will be generated, and therefore consider that it is appropriate to prepare the company's accounts on a going concern basis, which assumes that the company is to continue in operational existence for the foreseeable future.

The accounts do not include any adjustment that would result should the company not generate sufficient revenues, free cash flow or raise additional finance through further injections of debt or equity. It is not practical to quantify the adjustments that might be required, but should any adjustments be required they may be significant."

On 25 March 2003, the board of directors of earthport plc, the parent company of 101010 Limited, advised the directors of 101010 Limited that it will no longer support the company in meeting its liabilities as and when they fall due. Accordingly, adjustments have been made to reduce the carrying value of assets to their estimated realisable amount and to provide for any further liabilities which will arise.

Notes to the financial statements

at 30 June 2002

2. Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Statement of cash flows

The company has taken advantage of the exemption available under FRS 1 not to prepare a cash flow statement.

Turnover

Revenue on the sale of software licences is recognised upon shipment of the product providing that there is evidence of a contract, the fee is fixed or determinable, no significant customer obligations remain and collection of the resulting receivable is probable. In circumstances where a significant vendor obligation exists (such as the installation and acceptance of the software), revenue recognition is delayed until the obligation has been satisfied.

Revenue from software implementation, consultancy and training is based on time and material and recognised as the services are performed.

Revenue from software support and maintenance agreement is a percentage of the licence fee, payable annually in advance commencing on the installation date and on each anniversary of the term thereafter. Revenue recognition on maintenance income is spread evenly over the period of the contract.

Depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset evenly over its estimated useful life, as follows:

Leasehold premises	-	over the period of the lease
Computer equipment	-	3 years
Fixtures and fittings	-	3 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.

Leasing

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

Notes to the financial statements

at 30 June 2002

3. Turnover

Turnover represents amounts invoiced to third parties, net of value added tax.

Turnover is derived from one continuing activity, the development, implementation and maintenance of computer software and provision of software consultancy services.

An analysis of turnover by geographical market is given below:

	2002	2001
	£	£
UK	-	296,944
USA	-	435,066
	-	732,010

4. Operating result

This is stated after charging:

	2002	2001
	£	£
Depreciation of owned assets (note 8)	-	41,676
Operating lease rentals - other	-	57,141

The audit fees of the company for the year ended 30 June 2002 were borne by the parent company of 101010 Limited, earthport plc.

5. Directors' emoluments

	2002	2001
	£	£
Emoluments	-	-
Emoluments in respect of highest paid director	-	-

6. Staff costs

With effect from 1 July 2000 the employment contracts were transferred to the parent company, earthport plc, and all staff costs are now borne by that company.

The monthly average number of employees during the year was:

	2002	2001
	No.	No.
Directors	7	5
Administration and technical	-	-
	7	5

Notes to the financial statements

at 30 June 2002

7. Taxation

There is no liability to UK Corporation Tax for the year (2001 £nil).

8. Tangible fixed assets

	Leasehold premises	*Fixtures and fittings*	*Computer equipment*	*Total*
	£	*£*	*£*	*£*
Cost:				
At 1 July 2001	3,284	23,444	88,493	115,221
Additions	-	-	-	-
At 30 June 2002	3,284	23,444	88,493	115,221
Depreciation:				
At 1 July 2001	3,284	8,850	51,907	64,041
Provided during the year	-	14,594	36,586	51,180
At 30 June 2002	-	-	-	-
Net book value:				
At 30 June 2002	-	-	-	-
At 1 July 2001	-	14,594	36,586	51,180

9. Debtors

	2002	*2001*
	£	*£*
Trade debtors	-	-
Other debtors	-	38,946
Amounts owed by parent undertaking	-	137,434
	-	176,380

10. Creditors: amounts falling due within one year

	2002	*2001*
	£	*£*
Other creditors and accruals	-	12,862
Loan	1,216,999	1,216,999
	1,216,999	1,229,861

The loan does not bear interest and was due to be repaid before 1 January 2002.

Notes to the financial statements

at 30 June 2002

11. Share capital

	Authorised		Allotted, called up and fully paid	
	2002	*2001*	*2002*	*2001*
	No.	*No.*	*£*	*£*
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

12. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Profit and loss account*	*Total shareholders' funds*
	£	*£*	*£*
At 30 June 2000	1,000	(1,249,816)	(1,248,816)
Profit for the year	–	247,409	247,409
At 30 June 2001	1,000	(1,002,407)	(1,001,407)
Loss for the year	–	(215,592)	(215,592)
At 30 June 2002	1,000	(1,217,999)	(1,216,999)

13. Financial commitments

At 30 June 2002, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2002	*2001*
	£	*£*
Operating leases which expire:		
In two to five years	64,080	64,080

14. Parent undertaking and controlling party

The company's immediate and ultimate parent undertaking and controlling party is earthport plc. It has included the company in its group accounts, copies of which are available from its registered office: 7-10 Chandos Street, London, W1G 9DQ.

15. Related parties

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with related parties within the earthport group of companies.

The company paid Maarten Hardonk Consultancy, a company controlled by a director M Hardonk, £Nil in the year to 30 June 2002, (£100,000 - year to 30 June 2001) for consultancy services.