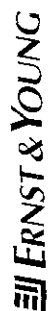


3351259

101010 LIMITED

Report and Accounts

30 June 2001

 ERNST & YOUNG



# 101010 Limited

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Registered No. 03351259

## **DIRECTORS**

M Hardonk  
L Lovejoy  
L Ljungwaldh  
D Vanrenen

## **SECRETARY**

R Mennie

## **AUDITORS**

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

## **BANKERS**

Barclays Bank PLC  
London Corporate Banking  
1<sup>st</sup> Floor, 54 Lombard Street  
London  
EC3V 9EX

## **REGISTERED OFFICE**

107 Power Road  
London W4 5PY

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 June 2001.

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £247,409 (2000 – loss of £517,158). The directors do not recommend payment of a dividend for the year.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be computer software development and consultancy.

### 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:

		<i>At 30 June 2001</i>	<i>At 30 June 2000</i>
D Vanrenen	(appointed 20 June 2000)	-	-
G Newall	(appointed 20 June 2000, resigned 10 April 2001)	-	-
M Hardonk		-	-
L Lovejoy		-	-
L Ljungwaldh		-	-
T Taylor	(appointed 23 December 2000, resigned 14 December 2001)	-	-

The interests of D Vanrenen, G Newall and L Ljungwaldh in the share capital of the parent undertaking, earthport plc, are disclosed in that company's accounts.

### 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

R Mennie  
Secretary

30 April 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

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 financial statements for the year ended 30 June 2001 which comprise a 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.

### **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 judgments 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 101010 LIMITED**

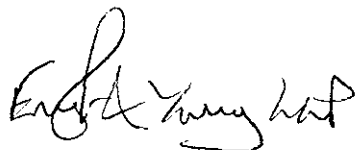
(continued)

**Fundamental uncertainty - Going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 of the accounts concerning the fundamental uncertainty as to whether or not the company can be considered to be a going concern. The company is reliant upon financial support from the parent company. The parent company is in the ongoing process of re-financing, completing an arrangement to convert a £1.2 million loan into convertible loan notes, rescheduling creditor payment terms and finalising the settlement of certain legal claims by the issue of equity shares. In addition, the parent company expects to negotiate the raising of further funds and will need to generate significant revenues and free cash flow from sales of its new product to new customers if it is to meet its liabilities as they fall due. The accounts do not include any adjustments that would result from a failure of the process of refinancing, revenue generation and other matters described in Note 1. It is not practical to quantify the adjustments that might be required, but should any adjustments be required they would be significant. In view of the significance of this fundamental 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 affairs of the company as at 30 June 2001 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

30 April 2002

# 101010 Limited

## PROFIT AND LOSS ACCOUNT for the year ended 30 June 2001

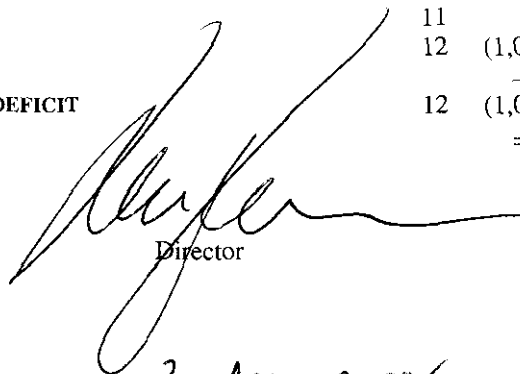
		<i>Year ended 30 June 2001 £</i>	<i>9 months ended 30 June 2000 £</i>
	<i>Notes</i>		
<b>TURNOVER</b>	3	732,010	293,614
Cost of sales		-	72,813
Gross profit		732,010	220,801
Administrative expenses		(513,992)	(736,116)
Other operating income		20,724	-
<b>OPERATING PROFIT / (LOSS)</b>	4	238,742	(515,315)
Interest receivable and similar income		8,667	-
Interest payable and similar charges		-	1,843
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		247,409	(517,158)
Taxation	7	-	-
<b>RETAINED PROFIT / (LOSS) TRANSFERRED TO RESERVES</b>	12	247,409	(517,158)

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

# 101010 Limited

## BALANCE SHEET at 30 June 2001

	Notes	30 June 2001 £	30 June 2000 £
<b>FIXED ASSETS</b>			
Tangible assets	8	51,180	77,797
<b>CURRENT ASSETS</b>			
Debtors	9	176,380	398,849
Cash at bank and in hand		894	63,059
		177,274	461,908
<b>CREDITORS: amounts falling due within one year</b>	10	1,229,861	1,788,521
<b>NET CURRENT LIABILITIES</b>		(1,052,587)	(1,326,613)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(1,001,407)	(1,248,816)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	1,000	1,000
Profit and loss account	12	(1,002,407)	(1,249,816)
<b>EQUITY SHAREHOLDERS' FUNDS - DEFICIT</b>	12	(1,001,407)	(1,248,816)

  
Director

30 APRIL 2001

NOTES TO THE ACCOUNTS  
at 30 June 2001

1. **FUNDAMENTAL ACCOUNTING CONCEPT**

The company had net liabilities at 30 June 2001. Although earthport plc, the parent company of 101010 Limited, has confirmed that it will support the company in meeting its liabilities as and when they fall due for a period of at least 12 months from the date that the directors approve the accounts, earthport plc is currently undergoing restructuring as described below in an extract from the annual accounts of the parent company. Those accounts were approved on 4 January 2002 and to date the company has been re-admitted to the AIM market, all resolutions put to the shareholders were passed at the EGM on 4 April 2002 and the company is continuing with its refinancing process.

The directors have prepared the accounts on a going concern basis, however the appropriateness of this basis is subject to similar uncertainties to those applying to the accounts of earthport plc as described below; the consequences of the going concern basis ceasing to be appropriate are also similar.

*Extract from earthport plc accounts*

"The accounts have been prepared on the assumption that the Group is a going concern. The Group is engaged in a new and high growth industry where losses are expected. These losses represent the Group's investment in its development and it has remained the directors' policy to ensure that adequate finance is available to support this development.

At the date of approving these financial statements, there exists a fundamental uncertainty concerning the Group's ability to continue as a going concern. This fundamental uncertainty is dependent on the successful resolution of a number of related uncertainties that are described below.

The Group is in the process of a re-financing, being the raising further finance of approximately £1 million by issuing loan notes, £600,000 to £750,000 through asset re-financing, and up to £500,000 in new bank loans. It is also completing an arrangement to convert a £1.2 million loan into ordinary shares, and rescheduling creditor payment terms. The Group is also seeking re-admission to the AIM market. The re-financing being negotiated is conditional on the re-admission of the company's shares to AIM, and the approval of shareholders at an EGM that is expected to be held on or before 31 January 2002, and completion of due diligence. The Group also expects to negotiate the raising of further funds following re-admission.

The Group's ability to meet its future working capital requirements and, therefore, continue as a going concern is dependent also on the Group being able to generate significant revenues and free cash flow from sales of its new product to new customers. The precise timing and value of these future sales is difficult to predict with any certainty. Given the fundamental uncertainty that sufficient revenue and free cash flow will be generated to meet the Group's working capital requirements, the Group may need to seek yet further funding or, if adequate funds could not be raised as required, it may be forced into liquidation or receivership.

The Group is facing two legal claims, against which a total of £2.0 million has been provided. However, the Group is in negotiation with the claimants and, for the purpose of assessing the going concern assumption, the directors have assumed that these claims can be settled by the issue of equity shares in the company and will not involve a cash outflow.

The application of the going concern concept in preparing the financial statements assumes the Group's ability to continue activities in the foreseeable future, which in turn depends on the successful resolution of the fundamental uncertainties described above. Nevertheless, the directors believe that the re-financing of the Group and other matters discussed above will be concluded successfully and that sufficient revenue and free cash flow will be generated to meet the Group's working capital requirements for at least the next twelve months.

On this basis, in the opinion of the directors, the accounts have been properly prepared on the assumption that the Group is a going concern.

NOTES TO THE ACCOUNTS  
at 30 June 2001

1. **FUNDAMENTAL ACCOUNTING CONCEPT** (continued)

The accounts do not include any adjustment that would result from the Group's inability to raise sufficient finance, complete an arrangement to convert a £1.2million loan into ordinary shares, reschedule creditor payment terms, obtain re-admission to AIM, generate sufficient free cash flow in order for the Group's working capital requirements to be met or settle the legal claims discussed above by the issue of equity shares. It is not practical to quantify the adjustments that might be required, but should any adjustments be required they would be significant."

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.

*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.

*Leasing*

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

NOTES TO THE ACCOUNTS  
at 30 June 2001

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:

	<i>Year ended 30 June 2001 £</i>	<i>9 months ended 30 June 2000 £</i>
UK	296,944	39,711
USA	435,066	253,903
	<u>732,010</u>	<u>293,614</u>

4. **OPERATING RESULT**

This is stated after charging:

	<i>Year ended 30 June 2001 £</i>	<i>9 months ended 30 June 2000 £</i>
Depreciation of owned assets (note 8)	41,676	19,224
Operating lease rentals - other	57,141	37,875
	<u>98,817</u>	<u>57,100</u>

The audit fees of the company for the year ended 30 June 2001 were borne by the parent company of 101010 Limited, earthport plc.

5. **DIRECTORS' EMOLUMENTS**

	<i>Year ended 30 June 2001 £</i>	<i>9 months ended 30 June 2000 £</i>
Emoluments	-	216,241
Emoluments in respect of highest paid director	-	74,987

The directors did not receive any emoluments in respect of their services as directors of 101010 Limited from earthport plc or 101010 Limited during the year ended 31 June 2001.

NOTES TO THE ACCOUNTS  
at 30 June 2001

## 6. STAFF COSTS

	<i>Year ended 30 June 2001 £</i>	<i>9 months ended 30 June 2000 £</i>
Wages and salaries	-	415,147
Social security costs	-	44,371
	<u>-</u>	<u>459,518</u>

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:

	<i>Year ended 30 June 2001 No.</i>	<i>9 months ended 30 June 2000 No.</i>
Directors	5	3
Administration and technical	-	15
	<u>5</u>	<u>18</u>

## 7. TAXATION

	<i>Year ended 30 June 2001 £</i>	<i>9 months ended 30 June 2000 £</i>
Corporation tax charge on ordinary activities	-	-

Due to losses available within the group, there is no charge for taxation for the financial year.

NOTES TO THE ACCOUNTS  
at 30 June 2001

## 8. TANGIBLE FIXED ASSETS

	<i>Leasehold premises £</i>	<i>Fixtures and fittings £</i>	<i>Computer equipment £</i>	<i>Total £</i>
Cost:				
At 1 July 2000	3,284	21,569	75,309	100,162
Additions	-	1,875	13,184	15,059
At 30 June 2001	3,284	23,444	88,493	115,221
Depreciation:				
At 1 July 2000	293	3,521	18,551	22,365
Provided during the year	2,991	5,329	33,356	41,676
At 30 June 2001	3,284	8,850	51,907	64,041
Net book value:				
At 30 June 2001	-	14,594	36,586	51,180
At 1 July 2000	2,991	18,048	56,758	77,797

## 9. DEBTORS

	<i>2001 £</i>	<i>2000 £</i>
Trade debtors	-	325,171
Other debtors	38,946	73,678
Amounts owed by parent undertaking	137,434	-
	176,380	398,849

## 10. CREDITORS: amounts falling due within one year

	<i>2001 £</i>	<i>2000 £</i>
Trade creditors	-	136,565
Amounts due to parent undertaking	-	358,000
Other taxes and social security costs	-	51,243
Other creditors and accruals	12,862	25,714
Loan	1,216,999	1,216,999
	1,229,861	1,788,521

The loan does not bear interest and was due to be repaid before 1 January 2002. Subsequent to the balance sheet date, it has been agreed, subject to contract, to convert the loan into convertible loan notes in the holding company, earthport plc.

NOTES TO THE ACCOUNTS  
at 30 June 2001

## 11. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

## 12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 October 1999	1,000	(732,658)	(731,658)
Loss for the period	-	(517,158)	(517,158)
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)

## 13. FINANCIAL COMMITMENTS

At 30 June 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Operating leases which expire:		
In two to five years	64,080	50,500
	64,080	50,500

## 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: 107 Power Road, London W4 5PY.

## 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, £100,000 in the year to 30 June 2001, (£73,000 - nine months to 30 June 2000) for consultancy services.