

3240928

COGNOTEC UK LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

30 NOVEMBER 2000

ERNST & YOUNG



A46
COMPANIES HOUSE

A0S303G0

0642
23/08/01

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 30 November 2000

TABLE OF CONTENTS	PAGE
COMPANY INFORMATION	2
DIRECTORS' REPORT	3
AUDITORS' REPORT	5
PROFIT AND LOSS ACCOUNT	6
BALANCE SHEET	7
NOTES TO THE FINANCIAL STATEMENTS	8

COMPANY INFORMATION

DIRECTORS

D. Ledsham
M. Alsop

SECRETARY

M. Alsop

REGISTERED OFFICE

125 Finsbury Pavement,
London EC2A 1NQ,
England.

REGISTERED NUMBER OF INCORPORATION

3240928

SOLICITORS

Dorsey and Whitney,
Veritas House,
125 Finsbury Pavement,
London EC2A 1NQ,
England.

BANKERS

Lloyds Bank,
Gloucester Branch,
19 Eastgate Street,
Gloucester G11 1NU,
England.

AUDITORS

Ernst & Young,
Ernst & Young Building,
Harcourt Centre,
Harcourt Street,
Dublin 2.

DIRECTORS' REPORT

for the year ended 30 November 2000

The directors present herewith their report and audited financial statements for the year ended 30 November 2000.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company distributes licences and transactional dealing services to the banking industry. It also provides sales, marketing and implementation services to Cognotec Limited.

DIVIDENDS AND TRANSFER TO RESERVES

The directors do not recommend the payment of a dividend. The loss for the year after taxation amounted to US\$392,650 (1999: profit of US\$33,394) and has been debited to reserves.

DIRECTORS

The current directors are listed on page 2. On 26 May 2000, E. Cessford and T. Lorigan resigned as directors of the company and D. Ledsham and M. Alsop were appointed on the same date.

DIRECTORS' INTERESTS IN SHARES

The directors at 30 November 2000, together with their interests, as defined by the Companies Act, 1985, in shares of the company, were as follows:

	2000 US\$	1999 US\$
D. Ledsham	-	-
M. Alsop	-	-

IMPORTANT EVENTS SINCE THE YEAR END

There were no important events since the year end.

CHARITABLE DONATIONS

The company made no donations during the year for charitable purposes.

SPECIAL PROVISIONS RELATING TO SMALL COMPANIES

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act, 1985 relating to small companies.

DIRECTORS' REPORT

for the year ended 30 November 2000 (Continued)

GOING CONCERN

The Directors have adopted the going concern basis for the preparation of the financial statements because the parent company has committed to continue to provide the financing necessary to enable operations to continue. However, the parent company's ability to do so is itself dependent on its ability to raise further equity or borrowing finance as the group cash flows are currently negative. The Directors believe that the parent company will be successful in raising additional financing and accordingly have adopted the going concern basis. The financial statements do not include any adjustments that would result from the parent company being unable to continue to finance the operations of the subsidiary.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE FINANCIAL STATEMENTS**

United Kingdom 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; 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 books of account which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in the United Kingdom and comply with the provisions of 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.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the annual general meeting.

On behalf of the board

Director



Date: 9 August 2001

**AUDITORS' REPORT TO THE MEMBERS OF
COGNOTEC UK LIMITED**

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, by the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with 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.

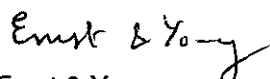
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 made in Note 1 of the financial statements concerning the uncertainty as to whether sufficient additional funding will be available to the Company to continue as a going concern. In view of the significance of this uncertainty we consider that it should be brought 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 November 2000 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act, 1985 applicable to small companies.


Ernst & Young,
Registered Auditor

Dublin

13 August 2001

COGNOTEC UK LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30 November 2000

	Note	2000 US\$	1999 US\$
Turnover		9,548,987	4,565,145
Cost of sales		(1,906,801)	(36,068)
Gross profit		7,642,186	4,529,077
Selling and distribution costs		(4,942,628)	(2,467,176)
Production, client service and IT costs		(1,469,815)	(1,141,421)
Administrative expenses		(1,627,062)	(874,713)
Operating (loss) profit		(397,319)	45,767
Interest payable and similar charges	4	(9,458)	(4,340)
(Loss) profit on ordinary activities before taxation	5	(406,777)	41,427
Tax on (loss) profit on ordinary activities	6	14,127	(8,033)
(Loss) profit for the financial year		(392,650)	33,394
Profit brought forward at beginning of year		54,313	20,919
(Loss) profit carried forward at end of year		(338,337)	54,313

There are no recognised gains or losses in either year other than the (loss) profit attributable to shareholders of the company.

BALANCE SHEET
at 30 November 2000

ASSETS EMPLOYED	<i>Note</i>	2000 US\$	1999 US\$
FIXED ASSETS			
Tangible assets	7	173,793	67,987
CURRENT ASSETS			
Debtors	8	524,786	447,853
Cash at bank and in hand		—	38,986
		524,786	486,839
CREDITORS (amounts falling due within one year)	9	(1,036,913)	(500,510)
NET CURRENT LIABILITIES		(512,127)	(13,671)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(338,334)</u>	<u>54,316</u>
FINANCED BY			
CAPITAL AND RESERVES			
Called up share capital	10	3	3
Profit and loss account		(338,337)	54,313
Shareholders' funds (all equity interests)	11	<u>(338,334)</u>	<u>54,316</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act, 1985 relating to small companies and with Financial Reporting Standards for smaller entities.

Approved by the Board on 9 August 2001

Director



NOTES TO THE FINANCIAL STATEMENTS

30 November 2000

1. GOING CONCERN

The Directors have adopted the going concern basis for the preparation of the financial statements because the parent company has committed to continue to provide the financing necessary to enable operations to continue. However, the parent company's ability to do so is itself dependent on its ability to raise further equity or borrowing finance as the group cash flows are currently negative. The Directors believe that the parent company will be successful in raising additional financing and accordingly have adopted the going concern basis. The financial statements do not include any adjustments that would result from the parent company being unable to continue to finance the operations of the subsidiary.

2. ACCOUNTING POLICIES

(a) *Accounting convention*

The financial statements are prepared under the historical cost convention.

(b) *Turnover*

Turnover represents the amounts, excluding value added tax, receivable during the year for goods and services supplied.

Income relating to service and rental agreements which extend over a period of time are credited to the profit and loss account, on a time apportioned basis, over the term of the agreement. Any amounts not credited are included in deferred revenue.

(c) *Depreciation*

Depreciation is calculated to write off the cost less estimated residual value of tangible assets over their estimated useful lives at the following rates per annum:

Fixtures and fittings	33% straight line
Computer equipment	33% to 50% straight line

(d) *Operating leases*

The cost of operating leases has been charged to the profit and loss account on a straight line basis over the lease terms.

(e) *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into US dollars at the rate of exchange ruling at the date of the transaction. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.

(f) *Cash flow statement*

The company has not presented a cash flow statement as it qualifies as a small company within the meaning of Financial Reporting Standard Number 1, "Cash Flow Statements", and hence is exempt from the requirements thereof.

3. FUNCTIONAL CURRENCY

The functional currency of the company is US dollars.

NOTES TO THE FINANCIAL STATEMENTS

30 November 2000 (Continued)

4.	INTEREST PAYABLE AND SIMILAR CHARGES	2000 US\$	1999 US\$
	Bank interest and charges on bank overdraft repayable within one year	9,458	4,340
5.	(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2000 US\$	1999 US\$
	The (loss) profit on ordinary activities before taxation is stated after charging:		
	Directors' remuneration	284,270	54,873
	Auditors' remuneration	—	—
	Depreciation	148,011	41,704
	Operating lease rentals:		
	Motor vehicles	—	4,583
	Land and buildings	173,483	—
6.	TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES	2000 US\$	1999 US\$
	The charge for taxation comprises:		
	Corporation tax based on profit for the year at 20%(1999: 20%)	—	16,570
	Overprovision for prior years	(14,127)	(8,537)
		(14,127)	8,033
7.	TANGIBLE FIXED ASSETS	Computer equipment US\$	Fixtures and fittings US\$ Total US\$
	Cost		
	At 1 December 1999	116,430	123,203
	Additions	152,290	153,598
	Transfer from Cognotec Limited	149,435	149,435
	At 30 November 2000	418,155	426,236
	Depreciation		
	At 1 December 1999	54,539	55,216
	Charge for year	141,241	148,011
	Transfer from Cognotec Limited	49,216	49,216

NOTES TO THE FINANCIAL STATEMENTS

30 November 2000 (Continued)

7. TANGIBLE FIXED ASSETS (continued)

At 30 November 2000	244,996	7,447	252,443
	<u> </u>	<u> </u>	<u> </u>
<i>Net book amounts</i>			
At 30 November 2000	173,159	634	173,793
	<u> </u>	<u> </u>	<u> </u>
At 30 November 1999	61,891	6,096	67,987
	<u> </u>	<u> </u>	<u> </u>

8. DEBTORS

	2000	1999
	US\$	US\$
<i>Amounts falling due within one year</i>		
Trade debtors	237,505	45,744
Prepayments and accrued income	143,846	50,796
Amounts due from parent undertaking	—	174,728
Amounts due from fellow subsidiaries	—	134,296
VAT receivable	143,435	42,289
	<u> </u>	<u> </u>
	524,786	447,853
	<u> </u>	<u> </u>

9. CREDITORS (amounts falling due within one year)

	2000	1999
	US\$	US\$
Bank overdraft	32,158	—
Corporation tax	2,447	16,570
Other taxes and social security	173,317	73,209
Trade creditors and accruals	553,278	343,983
Amounts due to fellow subsidiary undertakings	115,240	—
Amounts due to Cobrasys Limited	65,806	66,748
Deferred revenue	94,667	—
	<u> </u>	<u> </u>
	1,036,913	500,510
	<u> </u>	<u> </u>

10. CALLED UP SHARE CAPITAL

	2000	1999
<i>Authorised</i>		
100 ordinary shares of Stg£1 each	Stg£ 100	Stg£ 100
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of Stg£1 each	US\$ 3	US\$ 3
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

30 November 2000 (Continued)

11.	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2000 US\$	1999 US\$
	At beginning of year	54,316	20,922
	(Loss) profit for the year	(392,650)	33,394
	At end of year	<u>(338,334)</u>	<u>54,316</u>

12. COMMITMENTS

(a) Capital commitments

At the year end, there were no capital commitments authorised by the directors which had not been provided for in the financial statements.

(b) Operating lease commitments

Land and
buildings
US\$

Payable on leases on which the commitment expires

Within one year

42,348

Between two and five years

21,081

Total

63,429

13. RELATED PARTY TRANSACTIONS

The company has availed of the exemption provided in FRS 8, "Related Party Disclosures" for subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, from the requirement to give details of transactions with entities that are part of the group or investees of the group qualifying as related parties because consolidated financial statements in which the company is included are publicly available.

The following related party transactions occurred during the year ended 30 November 2000 and are required to be disclosed in accordance with FRS 8, "Related Party Disclosures" as they are with entities that are not included in the consolidated financial statements referred to above.

Related party – Cobrasys Limited, a company whose ultimate parent undertaking is the same as that of Cognotec UK Limited

Payments made by the company on behalf of
Cobrasys Limited

US\$ 942

NOTES TO THE FINANCIAL STATEMENTS

30 November 2000 (Continued)

13. HOLDING COMPANY AND CONTROLLING PARTIES

The immediate controlling party and the immediate parent undertaking of the company is Cognotec Limited, a company incorporated in the Republic of Ireland.

The ultimate controlling party is the Yosef Baruch Settlement, a discretionary trust established under the laws of the Isle of Man.

The ultimate parent undertaking is Khanada Limited, a company incorporated in the Isle of Man.

14. HOLDING COMPANY AND CONTROLLING PARTIES (Continued)

The parent undertaking of the smallest and largest group of undertakings for which group financial statements are prepared, and of which the company is a member, is Cognotec Limited. Copies of its group financial statements are available to the public from The Companies Registration Office, Parnell Square, Dublin 1.