

LIFECYCLE SOFTWARE LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2001



CONTENTS OF THE FINANCIAL STATEMENTS
For The Year Ended 31 May 2001

	Page
Company Information	
Chairman's Report	1
Report of the Directors	2
Report of the Auditors	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Financial Statements	6
Trading and Profit and Loss Accounts	9

COMPANY INFORMATION
For the Year Ended 31 May 2001

DIRECTORS: KJ Craven
Mrs AI Craven

SECRETARY: KJ Craven

REGISTERED OFFICE: Phoenix House
Bartholomew Street
Newbury
Berkshire

REGISTERED NUMBER: 03056738 (England and Wales)

AUDITORS: James & Cowper
Registered Auditor and
Chartered Accountants
Phoenix House
Bartholomew Street
Newbury
Berkshire RG14 5QA

CHAIRMAN'S REPORT

Lifecycle Software Limited is a privately owned company that provides technology solutions to telecommunications companies worldwide.

The company's key goals are focussed on Quality, Profit and Growth and are summarised as follows: -

Quality - To deliver timely and effective solutions that allow our clients to exploit technology

Profit - To maximise the profitability of all business transactions

Growth - To maintain year on year revenue growth

Our philosophy is to invest heavily in People, especially in the area of R&D, to ensure Lifecycle's products and services meet the industries ever changing needs. This is critical at the current time where both Telecommunications and IT marketplaces are changing at an ever increasing rate. By doing this, our base of knowledge and library of software tools increases year on year, both in quality and scope. This in turn enables us to address wider markets with better solutions, increasing our sales penetration and success rates.

In addition, by continually looking to ensure we operate efficiently, we have been able to significantly increase our profitability on flat revenues.

With this growing strength of product and resources we are now building a more focussed business development team. Our products are allowing us to broaden our target market and look for short cycle tactical opportunities rather than being restricted to long cycle strategic sales.

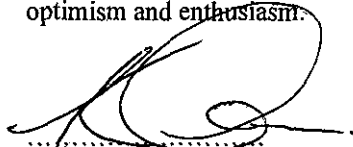
As a result of this broader business development focus and wider product scope. Lifecycle should see next year's results reflected in:-

- A significant increase in product revenues
- Steady growth of services revenue
- Flat or slightly reduced consultancy revenue

In total, we can expect revenues to grow to at least £1.5million. This growth will be based on a slight increase in headcount and overheads, which in turn should again drive up the profitability of the company.

It will be necessary to expand office space to support this growth and we may make a strategic decision early in the financial year to acquire the adjoining facility whilst it is available.

In summary, we have had a year of successful and profitable consolidation and look forward to the coming year with optimism and enthusiasm.



K J Craven - Director

**REPORT OF THE DIRECTORS
For The Year Ended 31 May 2001**

The directors present their report with the financial statements of the company for the year ended 31 May 2001.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the development and implementation of telecommunication billing systems.

DIRECTORS

The directors during the year under review were:

KJ Craven
Mrs AI Craven

The beneficial interests of the directors holding office on 31 May 2001 in the issued share capital of the company were as follows:

Ordinary £1 shares	31.5.01	31.5.00
KJ Craven	5000	5000
Mrs AI Craven	5000	5000

STATEMENT OF 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.

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

ON BEHALF OF THE BOARD:



K J Craven - DIRECTOR

Dated: 25.9.2001

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
LIFECYCLE SOFTWARE LIMITED**

We have audited the financial statements on pages four to eight which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and the accounting policies set out on page six.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

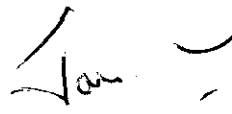
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

James & Cowper
Registered Auditor and
Chartered Accountants
Phoenix House
Bartholomew Street
Newbury
Berkshire RG14 5QA



Dated: 23.7.2001

PROFIT AND LOSS ACCOUNT
For The Year Ended 31 May 2001

	Notes	<u>2001</u> £	<u>2000</u> £
TURNOVER	2	1,186,560	1,283,891
Cost of sales		1,649	197,446
GROSS PROFIT		1,184,911	1,086,445
Administrative expenses		1,095,668	1,060,297
OPERATING PROFIT	3	89,243	26,148
Interest payable and similar charges		948	649
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		88,295	25,499
Tax on profit on ordinary activities	4	23,034	8,884
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		65,261	16,615
Dividends	5	55,000	15,000
		10,261	1,615
Retained profit brought forward		137,922	146,305
Bonus share issue		-	(9,998)
RETAINED PROFIT CARRIED FORWARD		<u>£148,183</u>	<u>£137,922</u>

BALANCE SHEET
31 May 2001

	Notes	2001		2000	
		£	£	£	£
FIXED ASSETS:					
Tangible assets	6		39,575		83,425
CURRENT ASSETS:					
Debtors	7	212,593		213,598	
Cash at bank and in hand		52,483		70	
		<u>265,076</u>		<u>213,668</u>	
CREDITORS: Amounts falling					
Due within one year	8	<u>146,468</u>		<u>149,171</u>	
NET CURRENT ASSETS:			118,608		64,497
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>158,183</u>		<u>147,992</u>
CAPITAL AND RESERVES:					
Called up share capital	12		10,000		10,000
Profit and loss account			148,183		137,922
Shareholders' funds			<u>£158,183</u>		<u>£147,922</u>

These 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 the Financial Reporting Standard for Smaller Entities (effective March 2000)

ON BEHALF OF THE BOARD:



KJ Craven – DIRECTOR

Approved by the Board on 25.5.2001

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 May 2001

1. ACCOUNTING POLICIES**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

Turnover

Turnover represents net invoiced sales of goods and services, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Equipment for hire	- 33% straight line
Office equipment	- 33% straight line
Computer equipment	- 33% straight line
Furniture and fixtures	- 33% straight line

Deferred Taxation

Provision is made at the current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that a liability will not arise in the foreseeable future.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company. Geographical analysis of turnover by markets:

	2001
United Kingdom	94 %
Europe	5 %
Africa	1 %

3. OPERATING PROFIT

The operating profit is stated after charging:

	2001	2000
	£	£
Depreciation – owned assets	51,701	51,967
Loss/(Profit) on disposal of fixed assets	608	(1,002)
Auditors' remuneration	2,600	2,600
Pension Costs	-	1,317
Directors' emoluments and other benefits etc	<u>60,180</u>	<u>62,890</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 May 2001

4. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

	2001 £	2000 £
Underprovision – May 2000	92	325
UK corporation tax	<u>22,942</u>	<u>8,559</u>
UK corporation tax has been charged at 20%	<u>23,034</u>	<u>8,884</u>

5. DIVIDENDS

	2001 £	2000 £
Dividends Paid	31,194	15,000
Dividends Proposed	<u>23,806</u>	-
	<u>55,000</u>	<u>15,000</u>

A dividend of 1100p per share has been declared. The shareholder Mr K Craven has waived his right to all dividends declared during the period of 1 June 2000 to 31 May 2001.

6. TANGIBLE FIXED ASSETS

	<u>Plant and machinery etc.</u>
COST:	
At 1 June 2000	185,565
Additions	9,477
Disposals	<u>(9,086)</u>
At 31 May 2001	<u>185,956</u>
DEPRECIATION:	
At 1 June 2000	102,140
Charge for year	51,701
Disposals	<u>(7,460)</u>
At 31 May 2001	<u>146,381</u>
NET BOOK VALUE:	
At 31 May 2001	<u>39,575</u>
At 31 May 2000	<u>83,425</u>

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Trade debtors	193,398	195,179
Other debtors	13,665	13,665
Prepayments & accrued income	5,530	4,754
	<u>212,593</u>	<u>213,598</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 May 2001

**8. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2001	2000
	£	£
Trade creditors	16,237	16,644
Social security and other taxes	55,847	41,746
Taxation	22,942	8,559
Accruals and deferred income	27,636	11,438
Bank Overdraft	-	70,784
Dividend	23,806	-
	<u>146,468</u>	<u>149,171</u>

9. SECURED DEBTS

The following secured debts are included in the creditors.

	2001	2000
	£	£
	<u>-</u>	<u>70,754</u>

The overdraft is secured by a mortgage debenture and incorporates a fixed and floating charge over all current and future assets of the company.

10. OPERATING LEASE COMMITMENTS

The following payments are committed to be paid within one year:

	2001	2000
	£	£
Expiring:		
Between one and five years	<u>28,000</u>	<u>28,000</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

The amount for which no provision has been made in respect of deferred taxation, is as follows:

	2001	2000
	£	£
Accelerated capital allowances	<u>-</u>	<u>12</u>

12. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	2001	2000
			£	£
10,000	Ordinary	£1	<u>10,000</u>	<u>10,000</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2001	2000
			£	£
10,000	Ordinary	£1	<u>10,000</u>	<u>10,000</u>

13. RELATED PARTY DISCLOSURES

During the year the Company was controlled by KJ Craven and Mrs AI Craven.

TRADING AND PROFIT AND LOSS ACCOUNT
For The Year Ended 31 May 2001

	2001		2000	
	£	£	£	£
Income:				
Support	185,938		-	
Implementation	25,512		-	
Product sales	57,758		6,000	
Software projects	-		632,006	
Software services	-		488,197	
I.T services	-		1,872	
Billing services	380,663		155,816	
Consultancy Services	<u>536,689</u>		-	
		1,186,560		1,283,891
Cost of sales:				
Purchases	149		1,750	
Rechargeable expenses	-		27,744	
Sales commission	-		-	
Subcontract	<u>1,500</u>		<u>167,952</u>	
		1,649		197,446
GROSS PROFIT		1,184,911		1,086,445
Expenditure:				
Directors' remuneration	60,180			62,700
Social security	6,751			6,270
Wages	751,048			685,958
Social security	68,865			64,200
Pensions	-			1,317
Recruitment expenses	26,648			15,650
Telephone	9,181			32,467
Postage & stationery	5,044			6,978
Advertising	1,098			1,907
Travelling	21,597			5,709
Motor expenses	3,172			1,005
Repairs & renewals	1,127			3,090
Equipment repairs and maintenance	883			3,040
Cleaning	1,076			1,186
Software license	5,880			-
Sundry expenses	397			3,952
Auditors remuneration	2,600			2,600
Professional fees	10,534			6,195
Accountancy	2,992			1,195
Depreciation	51,701			51,967
Entertainment	1,352			809
Bad debts	4,600			19,632
Promotion & exhibitions	871			255
Rent	29,025			35,519
Rates & water	7,821			13,173
Insurance	8,393			3,026
Light & heat	2,387			4,026
Computer sundries	3,455			20,347
Refreshments	1,790			2,276
Subscriptions	1,507			2,018
Staff Benefits	6,308			-
Training	2,179			-
Accommodation & subsistence	6,042			-
Bad debts recovered	(13,081)			
Carried forward	<u>1,093,423</u>			<u>1,058,467</u>

TRADING AND PROFIT AND LOSS ACCOUNT
For The Year Ended 31 May 2001

	2001		2000	
	£	£	£	£
Brought forward	1,093,423	1,184,911	1,058,467	1,086,445
		<u>1,093,423</u>		<u>1,058,467</u>
		91,488		27,978
Finance costs:				
Bank interest	948		649	
Bank charges	<u>1,637</u>		<u>2,832</u>	
				<u>3,481</u>
		88,903		24,497
Loss/Profit on disposal of fixed assets:				
Plant & machinery		(608)		1,002
NET PROFIT		<u>£88,295</u>		<u>£25,499</u>