

**LIFECYCLE SOFTWARE LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002**



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For The Year Ended 31 May 2002

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COMPANY INFORMATION
For the Year Ended 31 May 2002

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

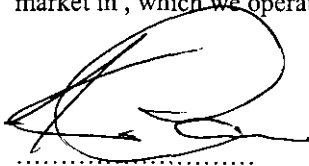
Profit - To maximise the profitability of all business transactions

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.

With this growing strength of product and resources we are now building a more focused 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.

Despite the uncertainty that is facing the Telecommunications sector, Lifecycle is poised to deliver effective solutions to both our existing and potential customers. We look forward to increasing our presence in the niche market in , which we operate.



K J Craven - Director

**REPORT OF THE DIRECTORS
For The Year Ended 31 May 2002**

The directors present their report with the financial statements of the company for the year ended 31 May 2002.

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 2002 in the issued share capital of the company were as follows:

Ordinary £1 shares	31.5.02	31.5.01
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: 26-11-2002

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

We have audited the financial statements of Lifecycle Software Limited for the year ended 31 May 2002 on pages four to eight. These financial statements 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 therein.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 Report of the Directors 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 Report of the Directors 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 the company's affairs as at 31 May 2002 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: 20.11.2002

PROFIT AND LOSS ACCOUNT
For The Year Ended 31 May 2002

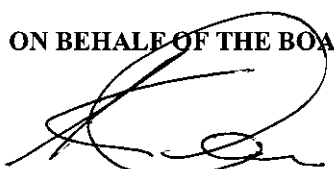
	Notes	<u>2002</u> £	<u>2001</u> £
TURNOVER	2	1,014,353	1,186,560
Cost of sales		-	1,649
GROSS PROFIT		1,014,353	1,184,911
Administrative expenses		1,007,428	1,095,668
OPERATING PROFIT	3	6,925	89,243
Interest Receivable / (Interest Payable) and similar charges		646	(948)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,571	88,295
Tax on profit on ordinary activities	4	2,129	23,034
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		5,442	65,261
Dividends	5	20,000	55,000
		(14,558)	10,261
Retained profit brought forward		148,183	137,922
RETAINED PROFIT CARRIED FORWARD		<u>133,625</u>	<u>148,183</u>

BALANCE SHEET
31 May 2002

	Notes	2002		2001	
		£	£	£	£
FIXED ASSETS:					
Tangible assets	6		23,819		39,575
CURRENT ASSETS:					
Debtors	7	160,055		212,593	
Cash at bank and in hand		28,803		52,483	
		<u>188,858</u>		<u>265,076</u>	
CREDITORS: Amounts falling					
Due within one year	8	<u>69,052</u>		<u>146,468</u>	
NET CURRENT ASSETS:			<u>119,806</u>		<u>118,608</u>
TOTAL ASSETS LESS CURRENT					
LIABILITIES:			<u>143,625</u>		<u>158,183</u>
CAPITAL AND RESERVES:					
Called up share capital	10	10,000		10,000	
Profit and loss account		133,625		148,183	
Shareholders' funds		<u>143,625</u>		<u>158,183</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 22.11.2002

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 May 2002

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:

	2002
United Kingdom	85%
Europe	13%
Africa	2%

3. OPERATING PROFIT

The operating profit is stated after charging:

	2002	2001
	£	£
Depreciation – owned assets	32,947	51,707
Profit/(Loss) on disposal of fixed assets	136	(608)
Auditors' remuneration	2,750	2,600
Pension Costs	3,038	-
Directors' emoluments and other benefits etc	<u>59,000</u>	<u>60,180</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 May 2002

4. TAXATION

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

	2002 £	2001 £
Underprovision – May 2000	-	92
UK corporation tax	<u>2,129</u>	<u>22,942</u>
UK corporation tax has been charged at 20%	<u>2,129</u>	<u>23,034</u>

5. DIVIDENDS

	2002 £	2001 £
Dividends Paid	20,000	31,194
Dividends Proposed	<u>-</u>	<u>23,806</u>
	<u>20,000</u>	<u>55,000</u>

6. TANGIBLE FIXED ASSETS

	Plant and machinery etc.
COST:	
At 1 June 2001	185,956
Additions	17,191
Disposals	<u>(1,624)</u>
At 31 May 2002	<u>201,523</u>
DEPRECIATION:	
At 1 June 2001	146,381
Charge for year	32,947
Disposals	<u>(1,624)</u>
At 31 May 2002	<u>177,704</u>
NET BOOK VALUE:	
At 31 May 2002	<u>23,819</u>
At 31 May 2001	<u>39,575</u>

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade debtors	142,745	193,398
Other debtors	14,891	13,665
Prepayments & accrued income	2,419	5,530
	<u>160,055</u>	<u>212,593</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 May 2002

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

	2002	2001
	£	£
Trade creditors	16,848	16,237
Social security and other taxes	46,679	55,847
Taxation	2,129	22,942
Accruals and deferred income	3,396	27,636
Dividend	-	23,806
	<u>69,052</u>	<u>146,468</u>

9. OPERATING LEASE COMMITMENTS

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

	2002	2001
	£	£
Expiring:		
Between one and five years	<u>28,000</u>	<u>28,000</u>

10. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	2002	2001
			£	£
10,000	Ordinary	£1	<u>10,000</u>	<u>10,000</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2002	2001
			£	£
10,000	Ordinary	£1	<u>10,000</u>	<u>10,000</u>

11. RELATED PARTY DISCLOSURES

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

TRADING AND PROFIT AND LOSS ACCOUNT
For The Year Ended 31 May 2002

	2002		2001	
	£	£	£	£
Income:				
Support	58,453		185,938	
Implementation	139,308		25,512	
Product sales	213,607		57,758	
Billing services	346,822		380,663	
Consultancy Services	<u>256,027</u>		<u>536,689</u>	
	1,014,217		1,186,560	
Cost of sales:				
Purchases	-		149	
Subcontract	<u>-</u>		<u>1,500</u>	
	-		1,649	
GROSS PROFIT		1,014,217		1,184,911
Expenditure:				
Directors' remuneration	59,000		60,180	
Social security	7,021		6,751	
Wages	632,925		751,048	
Social security	62,448		68,865	
Pensions	3,038		-	
Recruitment expenses	425		26,648	
Telephone	9,016		9,181	
Postage & stationery	3,878		5,044	
Advertising	7,074		1,098	
Travelling	17,822		21,597	
Motor expenses	5,507		3,172	
Repairs & renewals	-		1,127	
Equipment repairs and maintenance	7,603		883	
Cleaning	1,104		1,076	
Software license	35,545		5,880	
Sundry expenses	1,369		397	
Auditors remuneration	2,750		2,600	
Professional fees			10,534	
Accountancy	859		2,992	
Depreciation	32,947		51,701	
Entertainment	882		1,352	
Bad debts	34,041		4,600	
Promotion & exhibitions	10,660		871	
Rent	29,025		29,025	
Rates & water	8,198		7,821	
Insurance	8,989		8,393	
Light & heat	3,054		2,387	
Computer sundries	8,050		3,455	
Refreshments	1,243		1,790	
Subscriptions	-		1,507	
Staff Benefits	935		6,308	
Training	1,805		2,179	
Accommodation & subsistence	12,819		6,042	
Bad debts recovered	<u>(4,133)</u>		<u>(13,081)</u>	
Carried forward	1,005,899		1,093,423	

TRADING AND PROFIT AND LOSS ACCOUNT
For The Year Ended 31 May 2002

	2002		2001	
	£	£	£	£
Brought forward	1,014,217	1,005,899	1,184,911	1,093,423
		<u>8,318</u>		<u>91,488</u>
Finance costs:				
Bank interest	(646)		948	
Bank charges	<u>1,529</u>		<u>1,637</u>	
		<u>833</u>		<u>2,585</u>
		7435		88,903
Profit / (Loss) on disposal of fixed assets:				
Computer equipment		136		(608)
NET PROFIT		<u>£7,571</u>		<u>£88,295</u>