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LIFECYCLE SOFTWARE LIMITED

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2003

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For The Year Ended 31 May 2003

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COMPANY INFORMATION
For the Year Ended 31 May 2003

DIRECTORS:	KJ Craven Mrs AI Craven
SECRETARY:	KJ Craven
REGISTERED OFFICE:	Phoenix House Bartholomew Street Newbury Berkshire
REGISTERED NUMBER:	03056738 (England and Wales)

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

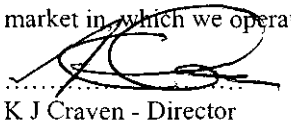
Profit - To maximise the profitability of all business transactions

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 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.

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 2003

The directors present their report with the financial statements of the company for the year ended 31 May 2003.

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 directs holding office on 31 May 2003 in the issued share capital of the company were as follows:

Ordinary £1 shares	**31.5.03**	**31.5.02**
KJ Craven	5000	5000
Mrs AI Craven	5000	5000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

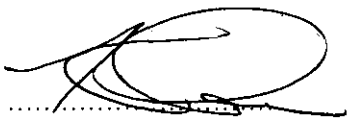
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- 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: 3/11/2003

PROFIT AND LOSS ACCOUNT
For The Year Ended 31 May 2003

	Notes	2003 £	2002 £
TURNOVER	2	**948,011**	1,014,353
GROSS PROFIT		**948,011**	1,014,353
Administrative expenses		**877,002**	1,007,428
OPERATING PROFIT	3	**71,009**	6,925
Interest Receivable and similar charges		**1,468**	646
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**72,477**	7,571
Tax on profit on ordinary activities	4	**6,219**	2,129
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		**66,258**	5,442
Dividends	5	**60,000**	20,000
		6,258	(14,558)
Retained profit brought forward		133,625	148,183
RETAINED PROFIT CARRIED FORWARD		**£139,883**	£133,625

These notes form part of these financial statements

BALANCE SHEET
31 May 2003

	Notes	2003		2002	
		£	£	£	£
FIXED ASSETS:	6		**60,469**		23,819
Tangible assets					
CURRENT ASSETS:					
Debtors	7	**241,769**		160,055	
Cash at bank and in hand		**1,106**		28,803	
		242,875		188,858	
CREDITORS: Amounts falling					
Due within one year	8	**116,207**		69,052	
Bank overdraft		**37,254**		—	
		153,461			
NET CURRENT ASSETS:			**89,414**		119,806
TOTAL ASSETS LESS CURRENT LIABILITIES:			**149,883**		143,625
CAPITAL AND RESERVES:					
Called up share capital	10		**10,000**		10,000
Profit and loss account			**139,883**		133,625
Shareholders' funds			**£149,883**		143,625

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)

For the year ended 31/05/03 the company was entitled to exemption under section 249a (1) of the Companies Act 1985.

No members have required the company to obtain an audit of it's accounts for the year in question in accordance with section 249b (2).

The directors acknowledge their responsibility for: i) Ensuring the company keeps accounting records which comply with section 221; and ii) Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

ON BEHALF OF THE BOARD:



KJ Craven – DIRECTOR

Approved by the Board on 3/11/2003

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 May 2003

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:

	2003
United Kingdom	85%
Europe	13%
North and South America	2%

3. OPERATING PROFIT

The operating profit is stated after charging:

	2003	2002
	£	£
Depreciation – owned assets	**19,824**	32,947
Loss/(Profit) on disposal of fixed assets	**—**	136
Auditors' remuneration	**—**	2,750
Pension Costs	**3,850**	3,038
Directors' emoluments and other benefits etc	**4,500**	59,000

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 May 2003

4. TAXATION

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

	2003 £	2002 £
UK corporation tax has been charged at 19%	**6,219**	2,129

5. DIVIDENDS

	2003 £	2002 £
Dividends Paid	**60,000**	20,000

6. TANGIBLE FIXED ASSETS

	Plant and machinery etc.
COST:	
At 1 June 2002	201,523
Additions	56,474
At 31 May 2003	257,997
DEPRECIATION:	
At 1 June 2002	177,704
Charge for year	19,824
At 31 May 2003	197,528
NET BOOK VALUE:	
At 31 May 2003	60,469
At 31 May 2002	23,819

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade debtors	**215,904**	142,745
Other debtors	**23,385**	14,891
Prepayments & accrued income	**2,480**	2,419
	241,769	160,055

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 May 2003

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Trade creditors	**21,059**	16,848
Social security and other taxes	**69,004**	46,679
Taxation	**6,219**	2,129
Accruals and deferred income	**19,925**	3,396
	116,207	69,052

9. OPERATING LEASE COMMITMENTS

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

	2003	2002
	£	£
Expiring:		
Between one and five years	**28,000**	28,000

10. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	2003	2002
			£	£
10,000	Ordinary	£1	**10,000**	10,000

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2003	2002
			£	£
10,000	Ordinary	£1	**10,000**	10,000

11. RELATED PARTY DISCLOSURES

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

The Company made a loan of £11,221 to Mr M. Tague, brother of Mr KJ Craven.
The balance of the loan at 31 May 2003 was £11,221, the loan does not bear interest.

TRADING AND PROFIT AND LOSS ACCOUNT
For The Year Ended 31 May 2003

	2003		2002	
	£	£	£	£
Income:				
Support	**120,067**		58,453	
Implementation	**244,489**		139,308	
Product sales	**67,729**		213,607	
Billing services	**514,055**		346,822	
Consultancy Services	**1,671**		256,027	
	948,011		1,014,217	
GROSS PROFIT		**948,011**		1,014,217
Expenditure:				
Directors' remuneration		**4,500**		59,000
Social security		**—**		7,021
Wages		**633,235**		632,925
Social security		**56,635**		62,448
Pensions		**3,850**		3,038
Recruitment expenses		**—**		425
Telephone		**8,594**		9,016
Postage & stationery		**6,115**		3,878
Advertising		**—**		7,074
Travelling		**10,826**		17,822
Motor expenses		**2,727**		5,507
Repairs & renewals		**793**		
Equipment repairs and maintenance		**413**		7,603
Cleaning		**1,107**		1,104
Software license		**21,883**		35,545
Sundry expenses		**542**		1,369
Auditors remuneration		**—**		2,750
Legal fees		**1,170**		
Accountancy		**1,050**		859
Depreciation		**19,824**		32,947
Entertainment		**360**		882
Bad debts		**8,841**		34,041
Promotion & exhibitions		**—**		10,660
Rent		**35,849**		29,025
Rates & water		**8,230**		8,198
Insurance		**10,909**		8,989
Light & heat		**5,197**		3,054
Computer sundries		**23,616**		8,050
Refreshments		**1,474**		1,243
Staff Benefits		**1,142**		935
Training		**1,408**		1,805
Accommodation & subsistence		**4,212**		12,819
Bad debts recovered		**—**		(4,133)
Carried forward		**874,502**		1,005,899

This page does not form part of the statutory financial statements

TRADING AND PROFIT AND LOSS ACCOUNT
For The Year Ended 31 May 2003

	2003		2002	
	£	£	£	£
Brought forward	**948,011**	**874,502**	1,014,217	1,005,899
Finance costs:				
Bank interest	**(1,468)**		(646)	
Bank charges	**2,500**	**1,032**	1,529	833
		72,477		7,435
Loss/Profit on disposal of fixed assets:				
Plant & machinery		—		(136)
NET PROFIT		**£ 72,477**		£7,571