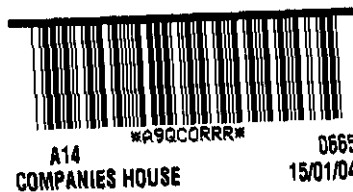


Energis Integration Services Limited

**Directors' report and financial
statements**

Registered number 1949601

31 March 2003



Contents

Directors' report	1
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

The directors present their annual report and the financial statements for the year ended 31 March 2003.

Principal activities

The Company's principal activity was the supply, integration and associated technical support services for complex enterprise wide local and wide area networks for major corporate users. On 1 September 2001 the business and assets of the Company were transferred to Energis Communications Limited. The Company has not traded since this date.

Review of business

On 16 July 2002 the Company was party to a sale and purchase agreement whereby Energis Plc sold the Energis Holdings Limited group, of which the Company is a member, and other assets to Chelys Limited.

The Directors' and their Interests in Shares of the Company

The directors of the Company during the year ended 31 March 2003 are listed below:

	Appointed	Resigned
D. Wickham	16.07.02	27.09.02
W. Trent	16.07.02	27.09.02
A. Norman	25.09.02	
J. Pluthero	10.09.02	

The directors had no interests in the shares of the Company. Messrs Pluthero and Norman have interests in the share capital of Chelys Limited which will be disclosed in that Company's accounts.

Auditors

KPMG LLP were appointed as auditors during the year.

By order of the board



J. Pluthero
Director

185 Park Street
London
SE1 9DY

25 July 2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Energis Integration Services Limited

We have audited the financial statements on pages 4 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 March 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

25 July 2003

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Profit and loss account
for the year ended 31 March 2003

	<i>Note</i>	2003 £	2002 £
Turnover	2	-	11,780,340
Cost of sales		-	(8,380,181)
		<hr/>	<hr/>
Gross profit		-	3,400,159
Operating costs		-	(3,532,739)
		<hr/>	<hr/>
Operating loss	4	-	(132,580)
Other interest receivable and similar income	7	-	5,655
Interest payable and similar charges	7	-	(2,743)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	8	-	(129,668)
Taxation		-	-
		<hr/>	<hr/>
Loss for the financial year		-	(129,668)
		<hr/>	<hr/>
Retained loss for the financial year	11	-	(129,668)
		<hr/>	<hr/>

The Company had no recognised gains and losses other than those included in the loss for the year and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical equivalents.

A reconciliation of movements in shareholders' funds is not provided as the only movement was the loss for the year.

Balance sheet
at 31 March 2003

	<i>Note</i>	2003 £	2002 £
Current assets			
Debtors	9	1,307,116	1,307,116
		<hr/>	<hr/>
Net current assets		1,307,116	1,307,116
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	300,000	300,000
Profit and loss account	11	1,007,116	1,007,116
		<hr/>	<hr/>
Equity shareholders' funds		1,307,116	1,307,116
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 25 July 2003 and were signed on its behalf by:



J Pluthero
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies, which have been applied consistently for all periods presented are set out below.

Turnover

Turnover represents the value of goods and services supplied and is stated net of VAT and trade discounts. Contracted income is recognised as turnover in proportion to the value of service provided, where contracts are for periods of less than one year or where contract revenues are in fixed instalments. The policy for recognition of turnover from long term contracts is set out below.

Currency translation

Transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Monetary assets or liabilities denominated in foreign currencies which are held at year end are translated at year-end rates of exchange. Exchange differences on monetary items are taken to the profit and loss account.

Long term contracts

Turnover on long term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payment on account is recorded within debtors as amounts recoverable on contracts.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on tangible fixed assets on a straight line basis from the time they are available for use, at rates estimated to write off their costs over their estimated useful lives. Upon retirement or sale, the cost of assets disposed and the related accumulated depreciation are removed from the financial statements and any resulting gain or loss is taken to the profit and loss account.

The principal economic lives used for this purpose are:

	Years
Leasehold premises and improvements	1 to 5
Motor vehicles	4
Fixtures, fittings & office equipment	4
Computer equipment and demonstration equipment	4

The Company's depreciation policies are reviewed on a regular basis against the background of rapidly changing technology and competitive developments.

Notes (continued)

1 Accounting policies (continued)

Stock

Stock represents finished goods and goods for resale and is stated at the lower of cost and net realisable value.

Impairment

Regular reviews are conducted on intangible and tangible carrying values and impairment tests are performed when changing circumstances or current events indicate the carrying values may not be recoverable. An impairment is recognised to the extent that the carrying value cannot be recovered either through the sale of the asset or through the discounted future cash flows from operating the asset. Impairment provisions are charged to depreciation or amortisation in the year.

Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Assets held under leases which confer rights and obligations similar to those attaching to owned assets are capitalised as tangible fixed assets and the capital element of the leasing commitments is disclosed as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element of the lease payments is charged against profit in proportion to the reducing capital element outstanding.

The capitalised values of the assets are written off on a straight line basis over the shorter of the periods of the leases and the useful lives of the assets concerned.

Deferred taxation

Deferred taxation is provided using a full provision method on certain timing differences between the recognition of gains and losses on an accounting basis and the recognition of those gains and losses on a tax basis. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they are to be recovered. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

Pension scheme arrangements

The Company participates in a defined contribution pension scheme. Pension costs are accounted for by charging to the profit and loss account the contributions payable in respect of the accounting period.

Notes (continued)

2 Turnover

All turnover is attributable to the provision of telecommunications services and consists of sales primarily made in the United Kingdom. The Company operates in a single business segment for the provision of telecommunications services in the United Kingdom.

3 Cash flow statement

The Company is a wholly owned subsidiary of Chelys Limited, and is included in the consolidated financial statements of that Company, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (Revised 1996).

4 Operating (loss)/profit

	2003 £	2002 £
<i>Operating profit/(loss) is arrived at after charging:</i>		
Depreciation of owned assets	-	142,893
Depreciation of assets held under finance leases	-	16,550
Amortisation of QUEST shares to net realisable value	-	53,737
Operating lease rentals:		
Land and buildings	-	92,110
Equipment and motor vehicles	-	102,449
Auditors' remuneration: Audit services	-	9,900
Bad debt expenses	-	5,000
	<hr/>	<hr/>

Audit fees have been borne by other group companies in 2003.

Notes (continued)

5 Remuneration of directors

	2003 £	2002 £
Directors' emoluments	-	114,329
Company pension contributions to defined contribution schemes	-	9,333
Compensation for loss of office	-	94,717
	<u>-</u>	<u>218,379</u>

Directors emoluments are borne by other group companies

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Sales and marketing	-	44
Operations	-	45
Administration	-	17
	<u>-</u>	<u>106</u>

The average number of employees for 2002 has been calculated on the first 5 months of the year. From September 2001 there were no employees of the company.

The aggregate payroll costs of these persons were as follows:

	2003 £	2002 £
Wages and salaries	-	2,146,935
Social security costs	-	225,279
Other pension costs	-	66,394
	<u>-</u>	<u>2,438,608</u>

Notes (continued)

7 Net interest receivable

	2003 £	2002 £
Interest payable:		
Bank interest	-	(2,407)
Finance leases	-	(336)
	<hr/>	<hr/>
	-	(2,743)
Interest receivable	-	5,655
	<hr/>	<hr/>
	-	2,912
	<hr/>	<hr/>

8 Taxation

A reconciliation between the UK tax credit at the statutory rate of 30% (2001:30%) and the actual tax credit is as follows:

	2003 £	2002 £
UK corporation tax credit at 30% (2002:30%) of loss on ordinary activities before taxation	-	38,900
Permanent differences:		
Other	-	(42,371)
Group relief received without payment	-	13,123
Timing differences:		
Movement on deferred tax not recognised	-	(9,652)
	<hr/>	<hr/>
Total tax credit per accounts	-	-
	<hr/>	<hr/>

9 Debtors: amounts falling due within one year

	2003 £	2002 £
Amounts owed by group undertakings	1,307,116	1,307,116
	<hr/>	<hr/>
	1,307,116	1,307,116
	<hr/>	<hr/>

Notes (continued)

10 Called up share capital

	2003	2002
	£	£
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
300,000 ordinary shares of £1 each	300,000	300,000
	<hr/>	<hr/>

11 Reserves

	Profit and loss account £
At 31 March 2002 and 2003	1,007,116
	<hr/>

12 Commitments

The Company had no capital or operating lease commitments at 31 March 2003 (2002: *£nil*).

The Company is party to cross guarantees between the Company, the Company's parent, the Company's ultimate parent and fellow subsidiaries for certain loans of Chelys Group. At March 2003, £709.9 million of these loans were held by other group companies.

13 Pensions

During the prior year the Company participated in four defined contribution schemes run by CGU life, Gartmore Pooled Pensions Limited, Standard Life and Professional Life. The schemes are available to all employees.

The pension cost for the prior year was £66,394.

There is no significant difference between the charge for the prior year and the amounts actually paid.

14 Related party transactions

The Company is a wholly owned subsidiary of Chelys Limited and as such is not required to disclose details of transactions and balances with other 90 percent owned subsidiaries of Chelys Limited.

Notes *(continued)*

15 Ultimate holding company

The ultimate holding Company is Chelys Ltd whose Company Secretary can be contacted at:

Chelys Ltd
185 Park Street
London
SE1 9DY

The largest and smallest group in which the results of the Company are consolidated is headed by Chelys limited.