

iForce™ Limited

Formerly Eros Marketing Support Services Limited

Financial statements with directors' and auditors' report
for the year ended 31 December 2000

Registered number: 3441816



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Company information

Directors

Mr A Johnson (Resigned 2 April 2002)
Mr M Peacock (Resigned 2 April 2002)
Mr D Birnbaum (Appointed 2 April 2002)
Mr J Reeve (Appointed 2 April 2002)
Mr J Solomon (Appointed 2 April 2002)
Mr C Van Riet (Appointed 2 April 2002)
Mr A G Rice (Appointed 13 February 2001, resigned 2 April 2002)

Secretary

Mr A G Rice (Resigned 2 April 2002)
Mr J Solomon (Appointed 2 April 2002)

Registered office

Imber Court Business Park
Orchard Lane
East Molesey
Surrey
KT8 0BZ

Auditors

Deloitte & Touche
London

Bankers

The Royal Bank of Scotland Plc
London City Office
62-63 Threadneedle Street
London
EC2R 8LA

Directors Report

The directors present their report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 2000.

Statement of Directors' responsibilities

United Kingdom company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on a 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 accounts comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Change of name

During the year, Eros Marketing Support Services Limited changed its name to iForce™ Limited.

Principal activities

The company is principally engaged in providing customer communications handling services including database management, telephone and mail response handling, stock management and fulfilment, e-commerce and internet services for a wide range of clients.

Results and dividends

There was a loss for the year after taxation amounting to £4,251,339 (1999: loss of £588,326).

The directors do not recommend the payment of a dividend for the year (1999: £nil) under review and recommend that the deficit of £4,251,339 (1999 - £588,326) be transferred to reserves.

A summary of the period's trading is given on page 6 of the accounts.

Directors' report (continued)

Post balance sheet event

On 2 April 2002, the company was disposed of to Hamsard 2428 Limited. As part of the disposal agreement, iForce™ Group Limited (the former ultimate holding company) waived all rights to the balances owed by iForce™ Limited to them. The waiver of the rights to all balances owed to iForce™ Group Limited by iForce Limited has not been reflected in these accounts since it is not permitted under accounting standards. A proforma balance sheet showing the effect of the subsequent waiver on the balance sheet of iForce Limited at 31 December 2000 is set out below.

	£
Fixed assets	1,934,826
Current assets	
- Stock	131,088
- Debtors	3,239,553
- Cash	920,080
Creditors: amounts falling due within one year	(2,255,380)
Creditors: amounts falling due after one year	(33,840)
Net assets	<u>3,936,327</u>
Capital and reserves	
- Called up share capital	2,000,000
- Profit and loss account reserves	1,936,327
Equity shareholder's funds	<u>3,936,327</u>

Directors

The directors who served during the year and to date are detailed on page 1. None of the directors has any interest in the share capital of the company.

The interests of the directors who held office at 31 December 2000 in the shares of the ultimate parent undertaking, iForce Group Limited, are as follows:

	Number of ordinary shares held		Number of B preference shares held	
	At 1 January 2000	At 31 December 2000	At 1 January 2000	At 31 December 2000
Mr MR Peacock	37,500	37,500	-	37,500
Mr AG Rice	37,500	37,500	-	37,500
Mr ADM Johnson	14,222	14,222	-	14,222

Certain directors hold options to subscribe for shares in the company as detailed below:

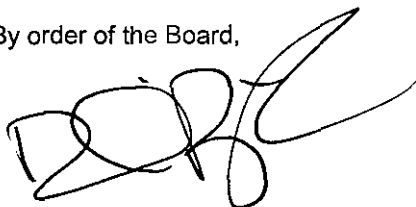
Options	At 1 January 2000	Number Granted	At 31 December 2000	Exercise Price £	Expiry Date	Class of shares
Mr MR Peacock	-	9,750	9,750	58	None	Ordinary
Mr AG Rice	-	9,750	9,750	58	None	Ordinary

Directors' report (continued)

Auditors

Arthur Andersen resigned on 31 July 2002. Deloitte & Touche were appointed on 1 August 2002 to fill the casual vacancy. The directors will place a resolution before the annual general meeting to reappoint Deloitte & Touche as auditors for the ensuing year.

By order of the Board,

A handwritten signature in black ink, appearing to be 'D Birnbaum', written over a horizontal line.

D Birnbaum
Director

14 November 2002

Independent auditors' report

To the Shareholders of iForce™ Limited

We have audited the financial statements of iForce™ Limited for the year ended 31 December 2000 which comprise the Profit and Loss Account, the Balance Sheet, and the related Notes to the accounts numbered 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements.

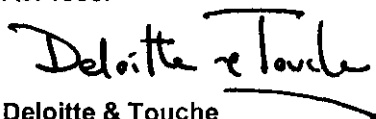
Basis of opinion

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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 affairs of the company at 31 December 2000 and of the company's loss for the year then ended and have been prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors
London

14 November 2002

Profit and loss account
For the year ended 31 December 2000

	Notes	2000 £	1999 £
Turnover		6,923,856	6,850,042
Cost of sales		<u>(3,815,722)</u>	<u>(3,841,728)</u>
Gross profit		3,108,134	3,008,314
Administration expenses		<u>(7,362,234)</u>	<u>(3,604,182)</u>
Operating loss	3	(4,254,100)	(595,868)
Interest receivable and similar income	5	44,470	47,548
Interest payable and similar charges	6	(41,709)	(40,006)
Loss on ordinary activities before taxation		<u>(4,251,339)</u>	<u>(588,326)</u>
Taxation	7	-	-
Loss for the financial year	16	<u>(4,251,339)</u>	<u>(588,326)</u>

There were no recognised gains or losses other than the loss for each year.


The accompanying notes are an integral part of these accounts.

All of the above results are derived from continuing operations.

Balance sheet
At 31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Intangible assets – goodwill	8	-	148,941
Tangible assets	9	1,934,826	1,089,599
		<u>1,934,826</u>	<u>1,238,540</u>
Current assets			
Stocks	10	131,088	97,285
Debtors	11	3,239,553	2,441,822
Cash at bank and in hand		920,080	360,078
		<u>4,290,721</u>	<u>2,899,185</u>
Creditors: amounts falling due within one year	12	<u>(9,674,945)</u>	<u>(3,341,026)</u>
Net current liabilities		<u>(5,384,224)</u>	<u>(441,841)</u>
Total assets less current liabilities		<u>(3,449,398)</u>	<u>796,699</u>
Creditors: amounts falling due after more than one year	13	<u>(33,840)</u>	<u>(28,598)</u>
Net (liabilities)/assets		<u>(3,483,238)</u>	<u>768,101</u>
Capital and reserves			
Called up share capital	15	2,000,000	2,000,000
Profit and loss	16	<u>(5,483,238)</u>	<u>(1,231,899)</u>
Equity shareholder's (deficit)/funds	17	<u>(3,483,238)</u>	<u>768,101</u>

The accounts on pages 6 to 16 were approved by the Board on 14 November 2002 and signed on its behalf by:


D Birnbaum
Director

The accompanying notes are an integral part of these accounts.

Notes to the accounts

For the year ended 31 December 2000

1 Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The accounts have been prepared on a going concern basis which the directors consider appropriate in light of the fact that on 2 April 2002, the company was acquired by Hamsard 2428 Limited, a holding company with investment from Firebird Capital and Lynx New Media Ventures, bringing new investment of £4.5m into the new group.

b) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for impairment. Depreciation has been calculated on the straight line method and aims to write down the cost, less estimated residual value, of tangible fixed assets over their expected useful lives, using the following periods:

Leasehold improvements	Over the term of the lease
Plant, machinery and database equipment	4-10 years
Fixtures, fittings and office equipment	4-10 years
Motor vehicles	4 years

c) Intangible assets – goodwill

Goodwill arising on the acquisition of the trade and assets of a business, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of 20 years. Provision is made for any impairment.

d) Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

Notes to the accounts (continued)

1 Statement of accounting policies (continued)

f) Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

g) Pension costs

The pension premiums payable are in respect of defined contribution schemes. The annual instalments are charged to the profit and loss account. The company has no potential further liability in respect of pensions.

h) Cash flow statement

In accordance with Financial Reporting Standard Number 1 (Revised) the company has not prepared a cash flow statement as it is a wholly owned subsidiary of a UK parent undertaking which produces a consolidated cash flow statement.

i) Turnover

The company's turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year. Turnover is derived solely from the company's principal activity in the United Kingdom and relates to one class of business.

Notes to the accounts (continued)

2 Post balance sheet event

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- Cash	920,080
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Creditors: amounts falling due after one year	(33,840)
Net assets	<u>3,936,327</u>
Capital and reserves	
- Called up share capital	2,000,000
- Profit and loss account reserves	<u>1,936,327</u>
Equity shareholder's funds	<u>3,936,327</u>

3 Operating loss

The operating loss is stated after charging:

	2000 £	1999 £
Depreciation of tangible fixed assets	307,584	149,227
Amortisation of goodwill	8,352	8,182
Provision for diminution in value of goodwill	140,589	-
Staff costs (note 4)	4,069,970	2,046,841
Auditors' remuneration - audit services	13,500	12,000
Hire of plant and machinery - operating leases	155,258	77,680
Rent of land and buildings - operating leases	<u>1,008,822</u>	<u>801,265</u>

Notes to the accounts (continued)

4 Staff costs

	2000 £	1999 £
Wages and salaries	3,702,768	1,771,673
Social security costs	333,332	257,647
Pension costs	33,870	17,521
	<u>4,069,970</u>	<u>2,046,841</u>

The average monthly number of employees during the year was as follows:

	2000 Number	1999 Number
Administration	69	63
Production	64	57
	<u>133</u>	<u>120</u>

Remuneration in respect of directors was as follows:

	2000 £	1999 £
Aggregate emoluments	286,307	121,749
Pension contributions	12,500	-
	<u>298,807</u>	<u>121,749</u>

The highest paid director was paid £262,193 in the year ended 31 December 2000.

The number of directors who were members of money purchase pension schemes during the year was nil (1999:nil).

5 Interest receivable and similar income

	2000 £	1999 £
Bank interest	<u>44,470</u>	<u>47,548</u>

6 Interest payable and similar charges

	2000 £	1999 £
Bank loans and overdrafts	38,295	33,869
Finance lease and hire purchase agreements	3,414	6,137
	<u>41,709</u>	<u>40,006</u>

Notes to the accounts (continued)

7 Taxation

The taxation charge based on the result on ordinary activities for the period is £nil (1999: £nil).

The company has no provided deferred taxation liability (1999: £nil) but does have a potential deferred tax liability of £89,402 (1999: £39,514) which arises from accelerated capital allowances.

The company has a potential deferred tax asset of £1,592,665 (1999 : £330,269) resulting from accumulated trading losses.

8 Intangible fixed assets

	£
Cost	
At 1 January 2000 and 31 December 2000	167,051
Amortisation	
At 1 January 2000	18,110
Charge for the year	8,352
Provision for diminution in value	140,589
At 31 December 2000	167,051
Net book value	
At 31 December 2000	-
At 1 January 2000	148,941

Notes to the accounts (continued)

9 Tangible fixed assets

	Leasehold Improvements £	Plant, machinery and database equipment £	Fixtures, fittings and office equipment £	Motor vehicles £	Total £
Cost					
1 January 2000	547,855	535,828	204,164	61,132	1,348,979
Additions	-	710,654	449,408	404	1,160,466
Disposals	-	-	-	(16,600)	(16,600)
31 December 2000	<u>547,855</u>	<u>1,246,482</u>	<u>653,572</u>	<u>44,936</u>	<u>2,492,845</u>
Depreciation					
1 January 2000	100,096	92,876	43,913	22,495	259,380
Charge for year	54,276	193,929	45,033	14,346	307,584
Disposals	-	-	-	(8,945)	(8,945)
31 December 2000	<u>154,372</u>	<u>286,805</u>	<u>88,946</u>	<u>27,896</u>	<u>558,019</u>
Net book value					
1 January 2000	<u>447,759</u>	<u>442,952</u>	<u>160,251</u>	<u>38,637</u>	<u>1,089,599</u>
31 December 2000	<u>393,483</u>	<u>959,677</u>	<u>564,626</u>	<u>17,040</u>	<u>1,934,826</u>

Included in the net book value of tangible fixed assets is £31,138 (1999: £76,525) of assets held under finance leases and hire purchase agreements. The depreciation charge on these assets during the period was £8,460 (1999: £21,808).

10 Stocks

	2000 £	1999 £
Material and consumable stores	52,921	60,622
Work in progress	<u>78,167</u>	<u>36,663</u>
	<u>131,088</u>	<u>97,285</u>

There is no material difference between the balance sheet value of stocks and their replacement costs.

Notes to the accounts (continued)

11 Debtors: amounts falling due within one year

	2000 £	1999 £
Trade debtors	2,163,938	2,060,532
Other debtors	106,526	-
Prepayments and accrued income	969,089	381,290
	<u>3,239,553</u>	<u>2,441,822</u>

12 Creditors: amounts falling due within one year

	2000 £	1999 £
Finance leases and hire purchase agreements	27,995	27,516
Bank overdraft	-	517,714
Trade creditors	1,224,431	901,855
Amount owed to parent undertakings	7,419,565	727,133
Other taxes and social security	163,814	102,610
Other creditors	67,223	240,176
Accruals and deferred income	771,917	824,022
	<u>9,674,945</u>	<u>3,341,026</u>

13 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Finance lease and hire purchase agreements	-	28,598
Other	33,840	-
	<u>33,840</u>	<u>28,598</u>

14 Obligations under finance lease and hire purchase agreements

	2000 £	1999 £
Amounts payable		
- within one year	27,995	27,516
- between two and five years	-	28,598
	<u>27,995</u>	<u>56,114</u>

Notes to the accounts (continued)

15 Called up share capital

	2000 £	1999 £
Authorised		
3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>
Allotted, called up and fully paid		
2,000,000 ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

16 Reserves

	Profit and loss account £
At 1 January 2000	(1,231,899)
Loss for the financial year	<u>(4,251,339)</u>
At 31 December 2000	<u>(5,483,238)</u>

17 Reconciliation of movements in shareholder's (deficit)/funds

	2000 £
At 1 January 2000	768,101
Loss for the financial year	<u>(4,251,339)</u>
At 31 December 2000	<u>(3,483,238)</u>

18 Capital commitments

Capital commitments at 31 December amounted to £241,000 (1999 : nil).

Notes to the accounts (continued)

19 Leasing commitments

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as detailed below.

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	153	-	34,544
Within two to five years	123,300	71,860	123,300	74,788
After more than five years	849,350	-	570,800	-
	<u>972,650</u>	<u>72,013</u>	<u>694,100</u>	<u>109,332</u>

20 Parent company

The immediate parent undertaking at 31 December 2000 was iForce Holdings Limited and ultimate parent undertaking at that date was iForce Group Limited, formerly Dataforce Group Limited, both companies being incorporated in the United Kingdom.

iForce Group Limited was the parent company of both the smallest and largest group for which consolidated accounts are prepared that include the company. Copies of these group accounts are available from Companies House.

On 2 April 2002, the company was acquired by Hamsard 2428 Limited, a holding company with investment from Firebird Capital and Lynx New Media Ventures, bringing new investment of £4.5 million into the new group.

21 Related party transactions

The company takes advantage of the exemption in Financial Reporting Standard Number 8 for 90% subsidiaries not to disclose transactions with fellow members of the same group for the period January to May when Mailforce Limited was a member of the Group.

Between June and December 2000, iForce™ Limited purchased call centre services of £224,078 from Mailforce Limited, a company under common control and a fellow subsidiary until May 2000.

In the same period, there were management charges of £54,601 from Mailforce Limited to iForce Limited and management charges of £13,895 from iForce Limited to Mailforce Limited.