

**SOFTCARD SOLUTIONS LIMITED
FINANCIAL STATEMENTS
PERIOD ENDED 31ST DECEMBER 1999**

REGISTRATION NO: 3678919 (England and Wales)



SOFTCARD SOLUTIONS LIMITED
FINANCIAL STATEMENTS
PERIOD ENDED 31ST DECEMBER 1999

Company Number: 3678919

Registered Office: 299 Northborough Road
Norbury
London SW16 4TR

Directors: Philip Myers Esq.
Noel Stephens Esq.
James Richard Hirst Esq. (Resigned 9/8/99)

Secretary: Philip Myers Esq.

Bankers: Barclays Bank Plc
Piccadilly Corporate Banking Centre
Pall Mall Corporate Group
50 Pall Mall
London SW1 1QA

Solicitors: Denton Wilde Sapte
Five Chancery Lane
Clifford's Inn
London EC4A 1BU

Auditors: Leroy Reid & Co
Chartered Certified Accountants & Registered Auditors
299 Northborough Road
Norbury
London SW16 4TR

**SOFTCARD SOLUTIONS LIMITED
INDEX TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31ST DECEMBER 1999**

CONTENTS	PAGE
Report of the Directors	1-3
Auditors' Report	4
Accounting Policies	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Accounts	8-10

**REPORT OF THE DIRECTORS TO THE MEMBERS
OF
SOFTCARD SOLUTIONS LIMITED**

The directors present their report and the accounts for the period ended 31st December 1999.

Principal activities and review of business

The principal activity of the company is that of software development and implementation.

The directors consider the loss on ordinary activities before taxation was kept to a particularly satisfactory low level considering this was the first year of trading.

Details of the company's results for the year are shown on page 6 of the accounts.

Research and development and future developments

The company continues to seek to develop new smartcard products; and in that view the staff and consultants work exhaustively.

The directors expect the investing company to exploit product development which should equate to future sales.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	Ordinary 'A' Shares of 0.01p each	Ordinary 'B' Shares of 0.01p each
Noel Stephens Esq.	401,000	8,000
Philip Myers Esq.	-	150,000
James Richard Hirst Esq. (Resigned 9/8/99)	-	9,000

Although Mr. Hirst resigned as a director he has retained his 'B' shareholding in the company

Directors share options

The following share options have been granted to directors:

**Unauthorised share option scheme
31st December 1999
Ordinary 'C' Shares of 0.01p each**

Philip Myers Esq.	14,000
Noel Stephens	45,500

None of the Directors options disclosed above lapsed or were exercised during the period.

**REPORT OF THE DIRECTORS TO THE MEMBERS
OF
SOFTCARD SOLUTIONS LIMITED**

Notes

Name	Date of Option	No of Shares	Option Price	Performance related conditions of exercise
Philip Myers Esq.	31.12.99	14,000	£1	None
Noel Stephens Esq.	31.12.99	45,500	£1	None

Year 2000 Compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption.

This is a complex and pervasive issue. The operation of our business depends to an extent not only on our own computer systems, but also to some degree on those of other organisations with which we are involved. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A company-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is well advanced. In addition a significant risk analysis has been performed to determine the impact of the issue on all our activities. The Board receives regular reports on progress.

Action plans have been developed and are being progressed to deal with those systems which have been identified as not currently being fully 2000 compliant. These action plans have been completed well in advance of the 31st December 1999 and the associated costs have been met from the company's normal capital expenditure budget.

Given the complexity of the problem it is not possible for any organisation to guarantee that no Year 2000 problems will remain because at least some level of failure may still occur. However the Board believes that it has achieved an acceptable state of readiness and has also provided resources to deal promptly with significant failures or issues that might arise.

Directors' Responsibilities for the financial statements

The law requires us as directors to prepare the 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 and loss for that period. In preparing the financial statements, the directors are required to:

1. select suitable accounting policies and then apply them consistently throughout the year
2. make judgements and estimates that are reasonable and prudent
3. state whether applicable accounting standards have been followed, subject to any material departures that should be disclosed and explained in the financial statements
4. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**REPORT OF THE DIRECTORS TO THE MEMBERS
OF
SOFTCARD SOLUTIONS LIMITED**

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities should they exist.

Events since the end of the year

The company has been approached by a potential investor who wishes to acquire a 30% stake in the company and invest funds into the company for future growth.

Auditors

The auditors Leroy Reid & Co, will be proposed for reappointment in accordance with S385 of the Companies Act 1985.

This report was approved by the board on 8th March 2000 and signed on its behalf.



Philip Myers Esq.
Director

SOFTCARD SOLUTIONS LIMITED**Auditors' Report to the Shareholders of Softcard Solutions Limited.**

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors.

As described on page 2, 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.

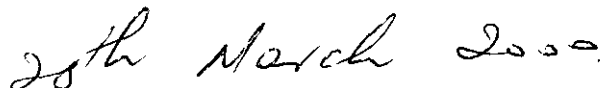
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



LEROY REID & CO
CHARTERED CERTIFIED ACCOUNTANTS & REGISTERED AUDITORS
299 Northborough Road
Norbury
London SW16 4TR



**SOFTCARD SOLUTIONS LIMITED
PRINCIPAL ACCOUNTING POLICIES
PERIOD ENDED 31ST DECEMBER 1999**

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies of the company are set out below.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided as principal excluding value added tax and trade discounts.

Research and Development

Expenditure on research and development is written off in the year it is incurred, except that development expenditure incurred on an individual project is carried forward as permitted by SSAP13 when its future recoverability can reasonably be regarded as assured. The expenditure carried forward is treated as an intangible fixed asset and amortised over its estimated economic life of four years so as to match the expenditure with the anticipated sales from the related project.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Furniture & Fittings	25% reducing balance basis
Office Equipment	25% straight line basis

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

SOFTCARD SOLUTIONS LIMITED
PROFIT AND LOSS ACCOUNT
PERIOD ENDED 31ST DECEMBER 1999

	NOTES	1999
Turnover		212,573
Cost of Sales		<u>(177,508)</u>
Gross Profit		35,065
Administrative Expenses		<u>(127,949)</u>
Loss on ordinary activities before interest	1	(92,884)
Other Interest Receivable and similar income	2	5,891
Interest payable and similar charges	3	<u>(8)</u>
Loss on ordinary activities before taxation		(87,001)
Tax on profit on ordinary activities	4	=
Loss on ordinary activities after taxation		(87,001)
Retained Profit Brought forward		=
Retained Loss Carried forward		<u><u>(£87,001)</u></u>

The profit / (loss) for the year represents the total recognised gains / (losses) for the period.

None of the company's activities were acquired or discontinued during the period.

The accompanying notes form an integral part of the financial statements.

SOFTCARD SOLUTIONS LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 1999

	NOTES	1999
Fixed Assets		
Intangible assets	7	45,000
Tangible Assets	8	<u>20,340</u>
		65,340
Current Assets		
Debtors	9	13,359
Cash at bank and in hand		<u>154,830</u>
		168,189
Creditors: Amounts falling due within one year	10	<u>(23,530)</u>
Net Current Assets		<u>144,659</u>
Total Assets less current liabilities		<u><u>£209,999</u></u>
Capital and Reserves		
Called up Share Capital	11	8,910
Share Premium Account	12	288,090
Profit and Loss Account		<u>(87,001)</u>
Shareholders' funds - all equity	13	<u><u>£209,999</u></u>

The financial statements were approved by the board of directors on 8th March 2000 and signed on its behalf.



Noel Stephens
Director

The accompanying notes form an integral part of the accounts.

SOFTCARD SOLUTIONS LIMITED
NOTES TO THE ACCOUNTS
PERIOD ENDED 31ST DECEMBER 1999

1. Operating loss

The operating loss is stated after charging:

	1999
Amortisation of intangible assets	15,000
Depreciation of tangible assets	6,780
Operating lease rentals	
- Others	8,010
Auditors Remuneration	
- for audit services	2,000
- for other services	1,022

2. Other Interest Receivable and Similar Income

1999

Bank interest receivable	<u>£5,891</u>
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3. Interest Payable and Similar Charges

1999

Bank interest payable	<u>£8</u>
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4. Taxation

1999

Corporation Tax @ (1999 21%)	=
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5. Staff Costs

Wages and Salaries	39,200
Social Security costs	<u>4,170</u>
	<u>£43,370</u>

The average number of employees, including directors during the year was as follows:

	1999
Office and Administration	1
Development and Consultancy	2

6. Directors Remuneration

There is no directors' remuneration and one director is not employed on a full time basis.

SOFTCARD SOLUTIONS LIMITED
NOTES TO THE ACCOUNTS
PERIOD ENDED 31ST DECEMBER 1999

7. Intangible fixed assets

	Development Costs
Cost	
At 1st January 1999	-
Additions	<u>60,000</u>
	<u>60,000</u>
Amortisation	
At 1st January 1999	-
Charge for the Year	<u>15,000</u>
	<u>15,000</u>
Net Book Values	
At 31st December 1999	<u>£45,000</u>

The Research and development have been capitalised in accordance with the provision of SSAP13.

8. Tangible Fixed Assets

	Equipment	Furniture & Fittings	Total
Cost or Valuation			
At 1st January 1999	-	-	-
Additions	<u>23,482</u>	<u>3,638</u>	<u>27,120</u>
At 31st December 1999	<u>23,482</u>	<u>3,638</u>	<u>27,120</u>
Depreciation			
At 1st January 1999	-	-	-
Charge for the Year	<u>5,871</u>	<u>909</u>	<u>6,780</u>
At 31st December 1999	<u>5,871</u>	<u>909</u>	<u>6,780</u>
Net Book Value			
At 31st December 1999	<u>£17,611</u>	<u>£2,729</u>	<u>£20,340</u>

9. Debtors

	1999
Trade Debtors	4,363
Other Debtors	<u>8,996</u>
	<u>£13,359</u>

SOFTCARD SOLUTIONS LIMITED
NOTES TO THE ACCOUNTS
PERIOD ENDED 31ST DECEMBER 1999

10. Creditors: Amounts Falling due Within One Year

Trade Creditors	21,450
Directors Loan account	80
Accruals and deferred income	<u>2,000</u>
	<u>£23,530</u>

11. Share Capital**1999****Authorised**

700,000 Ordinary 'A' Shares of 0.01p each	7,000
1,000,000 Ordinary 'B' Shares of 0.01p each	10,000
300,000 Ordinary 'C' Shares of 0.01p each	<u>3,000</u>

£20,000**Allotted, called up and fully paid**

600,000 'A' Ordinary Shares of 0.01p each	6,000
291,000 'B' Ordinary Shares of 0.01p each	<u>2,910</u>

£8,910**12. Share Premium Account**

Balance at 1st January 1999	-
Arising on shares issued during the year	<u>288,090</u>

Balance at 31st December 1999	<u>£288,090</u>
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13. Reconciliation of Shareholders funds**1999**

New Share Capital subscribed	8,910
Other recognised gains and losses	288,090
Loss for the Period	<u>(87,001)</u>

Net Addition to shareholders funds	209,999
Opening shareholders' funds	-

Closing shareholders' funds	<u>£209,999</u>
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14. Post Balance Sheet Events

The company has received a letter of intent from a major company to acquire 30% of the share capital and make a substantial capital injection to support the continued development of the company.

15. Capital Commitments

At the year end 31st December 1999 Softcard Solutions Limited has plans for expenditure and growth based on the previously stated investment transaction being completed.