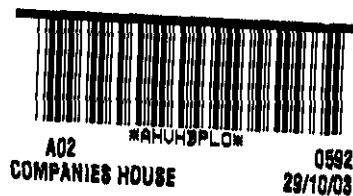

CRESTA GROUP LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002**



CRESTA GROUP LIMITED

COMPANY INFORMATION

DIRECTORS	N R V W Pointon R C V W Pointon E A Smith J M Winn (appointed 07/03/2002) D V Cotterell (appointed 09/10/2002)
SECRETARY	K R Pointon
COMPANY NUMBER	3857864
REGISTERED OFFICE	Mill Lane House Ightham Sevenoaks Kent TN15 9BH
AUDITORS	Duncombe & Co Chartered Accountants & Registered Auditors Beech Hill Glassenbury Road Cranbrook Kent TN17 2QJ

CRESTA GROUP LIMITED

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Company detailed profit and loss account	23 - 26

CRESTA GROUP LIMITED

DIRECTORS' REPORT **For the year ended 31 December 2002**

The directors present their report and the financial statements for the year ended 31 December 2002.

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 group and of the profit or loss of the group 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 group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The group's principal activity during the period was computer software consultancy and related services.

2002 was a difficult year for the Cresta group that involved significant restructuring to permit the group to be in stronger shape to trade its way out of the recession.

The post of non-executive Chairman was filled by a senior executive from one of our software clients and later in the year a new CEO joined the group.

By the end of the year we had terminated two senior management positions, sold our majority interest in Cresta Testing Inc and ceased activity in the Nordic region. This enabled us to concentrate on our core businesses marketing their services to the UK. In spite of a difficult trading year as a group we did business with over 50 clients and despite one-off restructuring costs, the UK operations' losses were not significant.

With a strengthening pipeline of opportunities we expect revenues to increase in 2003 against a backdrop of a reduced cost base.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £412,613 (2001 - Loss £779,469) .

The directors do not recommend the payment of a dividend.

CRESTA GROUP LIMITED

DIRECTORS' REPORT For the year ended 31 December 2002

DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued share capital was:

	Ordinary shares of 1 each		10% redeemable preference shares of £1 each	
	<u>31/12/02</u>	<u>1/1/02</u>	<u>31/12/02</u>	<u>1/1/02</u>
N R V W Pointon	5,067,527	4,367,002	5,000	-
R C V W Pointon	5,744,076	5,043,551	30,000	-
M D Davies (resigned 28/10/2002)	4,367,002	4,367,002	-	-
E A Smith	5,067,527	4,367,002	-	-
S W Waithe (resigned 18/12/2002)	4,367,002	4,367,002	-	-
J M Winn (appointed 07/03/2002)	525,394	-	-	-
D V Cotterell (appointed 09/10/2002)	-	-	-	-

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The company is exempt from the legal requirement to prepare consolidated financial statements because the group is classified as medium-sized under the Companies Act 1985. The directors have voluntarily elected to prepare consolidated financial statements for the year ended 31 december 2002, to assist the shareholders and other users of its accounts.

AUDITORS

The auditors, Duncombe & Co, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 21 May 2003 and signed on its behalf.



K R Pointon
Secretary

CRESTA GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CRESTA GROUP LIMITED

I have audited the financial statements of Cresta Group Limited for the year ended 31 December 2002 set out on pages 5 to 22. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 11.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards

I report to you my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. I also report to you if, in my opinion, the Directors' Report is not consistent with the financial statements, if the group has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

I read the Directors' Report and consider the implications for my report if I become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

I conducted my 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 circumstances of the company and the group, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements. However the evidence available to me was limited because the financial statements of Cresta Testing Inc, a company registered in the USA, have not been formally audited by that company's accountants. The accountants carried out a review of the company's financial statements and stated that they were not aware of any material modifications that should be made in order for them to be in conformity with generally accepted accounting principles. During the year Cresta Group Limited reduced its shareholding in Cresta Testing Inc from 100% to less than 20% and the company has been excluded from consolidation from the date of the share disposal. Any error in the financial statements of Cresta Testing Inc will therefore affect only the consolidated profit and loss account and not the consolidated balance sheet.

In addition Cresta Testing Limited, a subsidiary company registered in Barbados, was sold during the year. The directors of Cresta Testing Limited have formally certified that the company has not traded during the year, but I have seen no independent evidence to confirm this. The value of the company's net assets at the start of the year was trivial.

CRESTA GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CRESTA GROUP LIMITED

QUALIFIED OPINION

Except for any adjustments that might have been found to be necessary had a full audit been carried out on the financial statements of Cresta Testing Inc, and had independent evidence been available as to the activities of Cresta Testing Limited (Barbados), in my opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 December 2002 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, as amended.

In respect alone of the limitation of my work relating to the subsidiary companies Cresta Testing Inc and Cresta Testing limited (Barbados):

I have not obtained all the information and explanations that I considered necessary for the purpose of my audit; and

I was unable to determine whether proper accounting records had been maintained.

Duncombe & Co

Duncombe & Co

Chartered Accountants
Registered Auditors
Beech Hill
Glassenbury Road
Cranbrook
Kent
TN17 2QJ

22 May 2003

CRESTA GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2002

		Year ended 31 December 2002	Year ended 31 December 2001
	Note		
TURNOVER	1,2	5,425,868	6,212,567
Cost of sales		(2,750,158)	(3,483,792)
GROSS PROFIT		<u>2,675,710</u>	<u>2,728,775</u>
Administrative expenses		(2,918,738)	(3,828,675)
OPERATING LOSS	3	(243,028)	(1,099,900)
Loss on disposal of investments		(117,563)	-
Interest receivable		4,984	9,548
Interest payable	6	(13,328)	(8,698)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(368,935)	(1,099,050)
TAX ON LOSS ON ORDINARY ACTIVITIES	7	(43,678)	319,581
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	14	(412,613)	(779,469)
RETAINED LOSS FOR THE FINANCIAL YEAR	14	<u>£ (412,613)</u>	<u>£ (779,469)</u>

All amounts relate to continuing operations.

The notes on pages 10 to 22 form part of these financial statements.

CRESTA GROUP LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2002

	Year ended 31 December 2002	<i>Year ended 31 December 2001</i>
LOSS FOR THE FINANCIAL YEAR	(412,613)	<i>(779,469)</i>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	£ (412,613)	<i>£ (779,469)</i>

The notes on pages 10 to 22 form part of these financial statements.

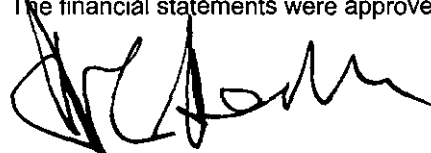
CRESTA GROUP LIMITED

CONSOLIDATED BALANCE SHEET
As at 31 December 2002

		2002	2001
	Note		
FIXED ASSETS			
Tangible fixed assets	8	202,419	265,849
CURRENT ASSETS			
Debtors	10	819,642	1,521,385
Cash at bank and in hand		37,181	128,831
		<u>856,823</u>	<u>1,650,216</u>
CREDITORS: amounts falling due within one year	11	<u>(914,235)</u>	<u>(1,528,482)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(57,412)</u>	<u>121,734</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		145,007	387,583
CREDITORS: amounts falling due after more than one year	12	<u>(9,719)</u>	<u>-</u>
NET ASSETS		<u>£ 135,288</u>	<u>£ 387,583</u>
CAPITAL AND RESERVES			
Called up share capital	13	200,288	129,526
Share premium account	14	77,850	3,612
Other reserves	14	(83,293)	(98,611)
Profit and loss account	14	(59,557)	353,056
SHAREHOLDERS' FUNDS	15	<u>£ 135,288</u>	<u>£ 387,583</u>

Shareholders' funds include non-equity interests.

The financial statements were approved by the board on 21 May 2003 and signed on its behalf.



D V Cotterell
Director

The notes on pages 10 to 22 form part of these financial statements.

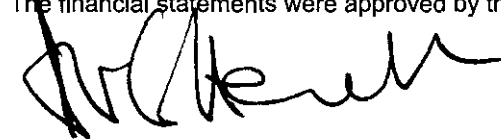
CRESTA GROUP LIMITED

COMPANY BALANCE SHEET
As at 31 December 2002

		2002	2001
	Note		
FIXED ASSETS			
Tangible fixed assets	8	201,395	244,142
Investments	9	16,871	223,940
		<u>218,266</u>	<u>468,082</u>
CURRENT ASSETS			
Debtors	10	805,621	1,288,574
Cash at bank and in hand		3,140	10,081
		<u>808,761</u>	<u>1,298,655</u>
CREDITORS: amounts falling due within one year	11	<u>(944,024)</u>	<u>(1,552,070)</u>
NET CURRENT LIABILITIES		<u>(135,263)</u>	<u>(253,415)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>83,003</u>	<u>214,667</u>
CREDITORS: amounts falling due after more than one year	12	<u>(9,719)</u>	<u>-</u>
NET ASSETS		<u>£ 73,284</u>	<u>£ 214,667</u>
CAPITAL AND RESERVES			
Called up share capital	13	200,288	129,526
Share premium account	14	77,850	3,612
Profit and loss account	14	(204,854)	81,529
SHAREHOLDERS' FUNDS	15	<u>£ 73,284</u>	<u>£ 214,667</u>

Shareholders' funds include non-equity interests.

The financial statements were approved by the board on 21 May 2003 and signed on its behalf.



D V Cotterell
Director

The notes on pages 10 to 22 form part of these financial statements.

CRESTA GROUP LIMITED

CASH FLOW STATEMENT
For the year ended 31 December 2002

		Year ended 31 December 2002	Year ended 31 December 2001
	Note		
Net cash flow from operating activities	16	132,256	(348,689)
Returns on investments and servicing of finance	17	(8,344)	850
Taxation		183,958	17,070
Capital expenditure and financial investment	17	(189,507)	(282,835)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		118,363	(613,604)
Financing	17	55,000	9,138
INCREASE/(DECREASE) IN CASH IN THE PERIOD		£ 173,363	£ (604,466)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 18)
For the year ended 31 December 2002

	Year ended 31 December 2002	Year ended 31 December 2001
Increase/(Decrease) in cash in the period	173,363	(604,466)
MOVEMENT IN NET DEBT IN THE PERIOD	173,363	(604,466)
Net (debt)/funds at 1 January 2002	(229,460)	375,006
NET DEBT AT 31 DECEMBER 2002	£ (56,097)	£ (229,460)

The notes on pages 10 to 22 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Cresta Group Limited and all of its subsidiary undertakings ('subsidiaries').

The results of subsidiaries sold are included up to the effective date of disposal.

1.3 Investments

Share in subsidiaries are valued at cost less provision for permanent impairment.

1.4 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.5 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:

Leasehold property and improvements are amortised on a straight line basis over the period to the first break date, or the term of the lease if no break date.

Plant and equipment, including computer hardware and software, are depreciated at 30% of cost per annum.

1.6 Operating leases

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

1.7 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets and earnings of overseas subsidiaries that are not intended to be remitted to the UK. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)**1.8 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 loss.

1.9 Pensions

The company contributes to personal pension schemes on behalf of selected employees and the pension charge represents the amounts payable by the company to the schemes in respect of the year.

1.10 Deferred property benefits

The value of rent free periods is amortised over the period to the first break date, or the term of the lease if no break date.

2. TURNOVER

The whole of the turnover is attributable to the one principal activity of the group being computer software consultancy and related services.

A geographical analysis of turnover is as follows:

	Year ended 31 December 2002	Year ended 31 December 2001
Sales - UK	4,180,955	4,093,854
Sales - Other EU	485,267	328,733
Sales - Rest of world	759,646	1,789,980
	<u>£ 5,425,868</u>	<u>£ 6,212,567</u>

3. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	Year ended 31 December 2002	Year ended 31 December 2001
Depreciation of tangible fixed assets:		
- owned by the company	131,998	90,302
Auditor's remuneration	7,408	40,061
Operating lease rentals:		
- other operating leases	177,183	216,155
Difference on foreign exchange	10,477	(295)
	<u> </u>	<u> </u>

Auditors fees for the Company were £6,000 (2001:£1,318)

CRESTA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	Year ended 31 December 2002	Year ended 31 December 2001
Wages and salaries	2,040,242	2,405,268
Social security costs	140,607	205,405
Other pension costs	800	-
	<u>£ 2,181,649</u>	<u>£ 2,610,673</u>

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

Year ended 31 December 2002 No.	Year ended 31 December 2001 No.
<u>33</u>	<u>30</u>

5. DIRECTORS' REMUNERATION

	Year ended 31 December 2002	Year ended 31 December 2001
Emoluments	<u>£ 435,073</u>	<u>£ 108,633</u>
Compensation for loss of office	<u>£ 30,000</u>	<u>£ -</u>

The highest paid director received remuneration of £125,000 (2001 - £83,632).

Details of share options granted to directors are given in note 24.

CRESTA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

6. INTEREST PAYABLE

	Year ended 31 December 2002	Year ended 31 December 2001
On bank loans and overdrafts	712	1,819
On other loans	12,501	6,879
Other interest payable	115	-
	<u>£ 13,328</u>	<u>£ 8,698</u>

7. TAXATION

	Year ended 31 December 2002	Year ended 31 December 2001
Analysis of tax charge/(credit) in year		
UK corporation tax charge/(credit) on profit/(loss) of the year	5,083	(182,244)
Foreign tax on income for the year	38,595	(137,337)
	<u>£ 43,678</u>	<u>£ (319,581)</u>
Tax on profit/(loss) on ordinary activities		

Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 31 December 2002	Year ended 31 December 2001
Loss on ordinary activities before tax	(368,935)	(1,099,050)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30)	(110,681)	(329,715)
Effects of:		
Expenses and losses not deductible for tax purposes	62,609	11,679
Capital allowances for period less than depreciation	24,024	(9,458)
Claims for Small Companies' relief	2,840	5,781
Different rate taxes on overseas earnings	64,886	2,132
	<u>£ 43,678</u>	<u>£ (319,581)</u>
Current tax charge/(credit) for year (see note above)		

There were no factors that may affect future tax charges.

CRESTA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

8. TANGIBLE FIXED ASSETS

	Land and buildings	Plant and equipment	Total
Group			
Cost			
At 1 January 2002	5,178	359,910	365,088
Additions	-	94,784	94,784
Disposals	(5,178)	(36,365)	(41,543)
At 31 December 2002	-	418,329	418,329
Depreciation			
At 1 January 2002	553	98,686	99,239
Charge for the year	556	131,442	131,998
On disposals	(1,109)	(14,218)	(15,327)
At 31 December 2002	-	215,910	215,910
Net book value			
At 31 December 2002	£ -	£ 202,419	£ 202,419
At 31 December 2001 as restated	£ 4,625	£ 261,224	£ 265,849
Company			
Cost			
At 1 January 2002			337,336
Additions			90,697
Disposals			(11,668)
At 31 December 2002			416,365
Depreciation			
At 1 January 2002			93,194
Charge for the year			127,673
On disposals			(5,897)
At 31 December 2002			214,970
Net book value			
At 31 December 2002			£ 201,395
At 31 December 2001 as restated			£ 244,142

CRESTA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

9. FIXED ASSET INVESTMENTS

Company	Share in group under- takings	Total
Cost or valuation		
At 1 January 2002	223,940	223,940
Disposals	(207,069)	(207,069)
At 31 December 2002	<u>£ 16,871</u>	<u>£ 16,871</u>

10. DEBTORS

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
Due within one year				
Trade debtors	566,818	916,941	552,797	668,970
Amounts owed by group undertakings	-	-	-	255,897
Other debtors	72,508	542,680	72,508	307,198
Called up share capital not paid	90,000	-	90,000	-
Prepayments and accrued income	90,316	61,764	90,316	56,509
	<u>£ 819,642</u>	<u>£ 1,521,385</u>	<u>£ 805,621</u>	<u>£ 1,288,574</u>

Included within other debtors due within one year are loans to directors of subsidiary companies, amounting to £nil (2001 - £2,512). The maximum amount outstanding during the year was £2,512.

11. CREDITORS:
Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
Bank loans and overdrafts	93,278	358,291	78,345	358,291
Trade creditors	342,669	791,164	317,962	619,130
Amounts owed to group undertakings	-	-	70,613	325,804
Corporation tax	5,083	10,686	5,083	5,137
Social security and other taxes	218,994	52,755	218,994	40,661
Other creditors	10,968	84,968	9,784	75,937
Accruals and deferred income	243,243	230,618	243,243	127,110
	<u>£ 914,235</u>	<u>£ 1,528,482</u>	<u>£ 944,024</u>	<u>£ 1,552,070</u>

CRESTA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

12. CREDITORS:
Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
Other creditors	£ 9,719	£ -	£ 9,719	£ -

13. SHARE CAPITAL

	2002	2001
Authorised		
200,000,000 Ordinary shares of 0.5p each	1,000,000	1,000,000
500,000 10% redeemable preference shares of £1 each	500,000	-
	<u>£ 1,500,000</u>	<u>£ 1,000,000</u>
Allotted, called up and fully paid		
29,057,500 Ordinary shares of 0.5p each	145,288	129,526
55,000 10% redeemable preference shares of £1 each	55,000	-
	<u>£ 200,288</u>	<u>£ 129,526</u>

During the year, the company issued 3,152,363 ordinary 0.5p shares for cash at 2.855p per share, representing a total premium of £74,238. The ordinary shares were unpaid at 31 December 2002. The company also issued 50,000 £1 10% redeemable preference shares for cash at par value.

The preference shares are redeemable by the company at any time at par value, and they take preference over the ordinary shares in the event of any winding up of the company. With effect from 30 December 2002 the shares carry a coupon of 10% per annum payable quarterly, and any outstanding interest at the redemption date is payable with the redemption payment. Payment of interest on these shares has preference over any distribution of profits to the ordinary shareholders. The preference shares carry no voting or other rights.

CRESTA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

14. RESERVES

	Share premium account	Other reserves	Profit and loss account
Group			
At 1 January 2002	3,612	(98,611)	353,056
Loss retained for the year	-	-	(412,613)
Premium on shares issued during the year	74,238		
Consolidation adjustments	-	15,318	-
At 31 December 2002	<u>£ 77,850</u>	<u>£ (83,293)</u>	<u>£ (59,557)</u>
		Share premium account	Profit and loss account
Company			
At 1 January 2002		3,612	81,529
Loss retained for the year		-	(286,383)
Premium on shares issued during the year		74,238	
At 31 December 2002		<u>£ 77,850</u>	<u>£ (204,854)</u>

CRESTA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002	2001
Group		
Loss for the year	(412,613)	(779,469)
Shares issued during the year	70,762	5,526
Share premium on shares issued (net of expenses)	74,238	3,612
Adjustments to reserves arising upon consolidation	15,318	8,659
	<u>(252,295)</u>	<u>(761,672)</u>
Opening shareholders' funds	387,583	1,149,255
Closing shareholders' funds	<u>£ 135,288</u>	<u>£ 387,583</u>
Analysis of shareholders' funds		
Non-equity interests	55,000	-
Equity interests	80,288	387,583
	<u>£ 135,288</u>	<u>£ 387,583</u>
	2002	2001
Company		
Loss for the year	(286,383)	45,048
Shares issued during the year	70,762	5,526
Share premium on shares issued (net of expenses)	74,238	3,612
	<u>(141,383)</u>	<u>54,186</u>
Opening shareholders' funds	214,667	160,481
Closing shareholders' funds	<u>£ 73,284</u>	<u>£ 214,667</u>
Analysis of shareholders' funds		
Non-equity interests	55,000	-
Equity interests	18,284	214,667
	<u>£ 73,284</u>	<u>£ 214,667</u>

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.

The loss for the year dealt with in the accounts of the company was £281,300 (2001 profit - £50,185). The loss for the year included losses of £305,845 (2001: £nil) arising from the disposal of the company's majority shareholding in Cresta Testing Inc and its shareholding in Cresta Testing Limited (Barbados), and profits of £146,251 (2001: £nil) arising from the cancellation of intercompany loans upon the dissolution of the UK subsidiaries.

CRESTA GROUP LIMITED

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16. NET CASH FLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 2002	Year ended 31 December 2001
Operating loss	(243,028)	(1,099,900)
Depreciation of tangible fixed assets	131,998	90,302
Loss on disposal of tangible fixed assets	3,376	-
Decrease in debtors	558,504	906,590
Decrease in creditors	(333,912)	(254,340)
Foreign exchange gains and losses	15,318	8,659
NET CASH INFLOW/(OUTFLOW) FROM OPERATIONS	£ 132,256	£ (348,689)

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year ended 31 December 2002	Year ended 31 December 2001
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	4,984	9,548
Interest paid	(13,328)	(8,698)
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	£ (8,344)	£ 850
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(94,784)	(282,835)
Sale of tangible fixed assets	22,840	-
Sale of unlisted and other investments	(117,563)	-
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	£ (189,507)	£ (282,835)

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	Year ended 31 December 2002	Year ended 31 December 2001
FINANCING		
Issue of ordinary shares	-	9,138
Issue of non-equity shares	55,000	-
NET CASH INFLOW FROM FINANCING	<u>£ 55,000</u>	<u>£ 9,138</u>

18. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2002	Cash flow	Other non-cash changes	31 December 2002
Cash at bank and in hand:	128,831	(91,650)	-	37,181
Bank overdraft	(358,291)	265,013	-	(93,278)
NET DEBT	<u>£ (229,460)</u>	<u>£ 173,363</u>	<u>£ -</u>	<u>£ (56,097)</u>

19. PENSION COMMITMENTS

The company contributes to personal pension schemes on behalf of selected employees. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the fund and amounted to £800 (2000 - £nil).

CRESTA GROUP LIMITED

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20. OPERATING LEASE COMMITMENTS

At 31 December 2002 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2002	2001
Group		
Expiry date:		
Within 1 year	-	13,986
Between 2 and 5 years	127,245	-
	<u>127,245</u>	<u>-</u>

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2002	2001
Company		
Expiry date:		
Between 2 and 5 years	124,020	-
	<u>124,020</u>	<u>-</u>

21. PRINCIPAL SUBSIDIARIES**Principal subsidiaries**

Company name	Country	Percentage Shareholding	Description
Cresta Testing Limited	UK	100	dormant
Cresta Resources Limited	UK	100	dormant
Cresta Info Systems Ltd	UK	100	dormant
Cresta Testing Ltd	Ireland	100	software testing

The three UK subsidiary companies transferred their businesses and assets to Cresta Group Limited during 2001. They have remained dormant throughout 2002 and were in the course of being struck off the register at the year end. There were no assets or liabilities to consolidate at the balance sheet date.

On 31 October 2002 Cresta Group Limited reduced its shareholding in Cresta Testing Incorporated, a company registered in the USA, from 100% to 16.8%. Cresta Group Limited no longer provides financial support to the company, and it is no longer able to exercise any significant influence over the company's operating, financial and other policies. It is therefore considered that Cresta Group Limited does not have a participating interest in the company as defined by Financial reporting Standard 9, and the company's results and assets and liabilities since 31 October 2002 are excluded from the consolidated financial statements. The remaining investment is shown in the parent company's financial statements at cost.

Also on 31 October 2002 the company sold its entire shareholding in Cresta Testing Limited, a company registered in Barbados.

CRESTA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2002

22. TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

During the year the group purchased computer consultancy and marketing services from other companies controlled by persons who were directors or participators in the company or its subsidiaries, as follows:

	Value of transactions	Balance due at end of year
R C V W Pointon	(1,557)	25,000
K R Pointon	22,318	-
D O'Riordan	98,243	17,004
M D Davies	(31,184)	10,000
E A Smith	-	10,000
S W Waithe	15,645	9,649

During the year the company sold an 83.2% shareholding in a loss-making subsidiary Cresta Testing Inc to a shareholder and director, S W Waithe, for £14,062. The company incurred a loss on the sale of £69,483 and also wrote off an intercompany loan of £236,331. The company also sold its entire shareholding in Cresta Testing Limited (Barbados), a dormant subsidiary, to S W Waithe for \$1.

23. SHARE OPTIONS

The company operates an unapproved share option scheme for employees and certain directors, entitling them to purchase ordinary 0.5p shares. Options were granted at various dates during the year, at prices equal to the fair value of the group on the grant date. The options may be exercised upon the sale or public listing of the company, and they automatically lapse after ten years from the grant date, or upon the holder ceasing to be an employee of a company in the Cresta group. The unexercised options do not qualify for dividends, participation in capital on winding up, or the right to vote at meetings of the company. The movements on the share option scheme during the year were as follows:

Unlapsed options at 31 December 2001	1,050,166
Options granted during the year	3,668,455
Options lapsing during the year	(852,861)
Unlapsed options at 31 December 2002	3,865,760

The unapproved share options granted during the year include options granted to directors as follows:

	Number of shares	Grant date	Price per share (£)
M Winn	955,476	31/03/02	0.036
D Cotterell	1,910,952	30/09/02	0.024

The exercise of options by Messrs Winn and Cotterell is subject to the group achieving a target value at the date of sale or listing. 58,333 unapproved share options granted to A Waithe, a director of Cresta Testing Inc, have now lapsed.