

# ITIM GROUP LIMITED

## CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

31 December 1999



# ITIM GROUP LIMITED

## DIRECTORS AND OFFICERS

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### DIRECTORS

MA Athar  
CA Collins  
JE Fallon  
NS Teasdale  
IT Hobson  
O Olsen

### SECRETARY

JE Fallon

### REGISTERED OFFICE

22 Ebury Street  
London SW1W 0LU

### AUDITORS

Baker Tilly  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

### BANKERS

National Westminster Bank plc  
PO Box 592  
18 Cromwell Place  
London SW7 2LB

# ITIM GROUP LIMITED

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## CHAIRMAN'S STATEMENT

I am pleased to report that 1999 was yet another successful year for the group. After taking account of acquisitions, revenue grew by 31.6% to £8,237,069 and profit before taxation grew from £11,559 to £324,116.

The performance of ITIM UK Limited was particularly pleasing with revenue increasing by 25.3% to £5,291,701 and profit before tax increasing from £60,995 to £159,110. This increase was achieved in a year when our clients were reluctant to undertake major projects, preferring to concentrate on preparing for Year 2000 and when some of our leading consultants were re-deployed into other business activities. Results from ITIM Associates, Inc. were disappointing. Revenue fell by 10.1% to £1,874,658 and profit before tax fell from £10,620 to a loss of £82,333. The loss was attributable to a change in focus away from the successful human resource contracting business to consulting with costs increasing significantly. During the second half of the year we reversed this change and the company is now profitable again. For the post-acquisition period, our new acquisition, Datafit Group Limited, generated Revenue of £1,017,381 and contributed a profit before taxation of £181,401. This was particularly pleasing in view of the uncertainty and business disruption at the time of the acquisition.

Whilst I am pleased that we continue to grow our business I believe we can do even better. Since the formation of the company in 1993 we have had one objective – to help our clients find solutions to their problems by the innovative application of technology. We have provided that help primarily through our business consulting services although an increasing number of our clients have also taken advantage of our advanced technology expertise and the low cost software development we have been able to arrange and manage through ITIM Pakistan.

The business landscape is changing dramatically. It is not an exaggeration to describe the arrival of “e-commerce” as the biggest change facing business since the Industrial Revolution. In this new environment our clients are increasingly looking to us to provide more than just the intellectual solutions to their problems. Not only do they want us to design solutions, they also want us to build and operate some of the underlying processes for them.

We have decided to do exactly that. We are building a business with the capability to design, build and, where we believe appropriate, operate new systems and processes. This strategy will also allow us to benefit from the commercial ideas and opportunities, which constantly flow through our businesses. We will develop each opportunity until we decide to “operate” or “sell” it.

In 1999 we started to put in place some of the building blocks necessary to achieve our strategy.

To strengthen our capacity to “build” both bespoke and resale product solutions we acquired Datafit Group Limited in June 1999 and we entered into negotiations to acquire ITIM Associates (Pvt.) Limited (ITIM Pakistan) in December 1999.

Datafit is a long established business with particular expertise in retail and database solutions. Datafit's products are installed in over 70,000 workstations and POS terminals in over 15 countries world-wide. Since the acquisition we have transformed Datafit's retail products into what we believe to be the world's first comprehensive in-store retail solution developed as a web-server for Linux. Named “Chameleon” the new product was launched in May of this year, less than one year after the acquisition.

I established ITIM Pakistan in 1994 to provide a low cost software development capability, but with world class standards. This company has grown alongside the UK business. We now believe the time is right to acquire ITIM Pakistan to fully exploit the benefits of our UK based technology team and the Datafit business. Whilst we do not envisage the merging of all our software capabilities, we will be able to collaborate more effectively on product development and technology innovation.

# ITIM GROUP LIMITED

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## CHAIRMAN'S STATEMENT

In late 1998 and early 1999 we started working with MBA Direct Limited to build an Internet based recruitment system for qualified MBA's. We believed the prospects for the business were excellent and we decided to take a 22% stake in the company. Since that time they have successfully secured further funding and they continue to progress to plan. We are continuing to work with them on the development of their web service capability. Our involvement with MBA Direct convinced us of our ability to bring "ideas to reality".

To establish our position as an "e-process" service provider, we embarked upon the development of a unique product and service "e-ledger" which is itim's, patent pending, a web-based combined ledger. e-ledger will provide both buyers and sellers with a single view of transactions and will deliver radical cost savings for trading partners. By hosting the e-ledger on the web and drawing transactions through Tradewind (see below), e-ledger will eliminate significant levels of non-value added work in accounting departments.

In March of this year we made an initial investment in Blueprint Electronic Commerce Limited ("Tradewind") with an option to acquire the whole business. Tradewind enables companies to exchange business documents electronically, irrespective of the communication protocol, or application, being used. By linking Tradewind and e-ledger we will be able to offer a truly unique product and service.

In April 2000, we acquired 50% of the equity in Travel Systems Integration Limited ("Nanosoft") and agreed to acquire the remaining 50% within the next two years. Nanosoft specialise in the provision of systems solutions for the travel industry. Having collaborated with Nanosoft to build an Internet based facility to enable travel operators to manage "inbound" travel, we became convinced of the potential for total travel management on the web. We are now working together to build a comprehensive "inbound and outbound" service for use by all travel operators.

In addition to these exciting initiatives, we have also developed other Internet based solutions for digital asset management and sales and resource management. We are currently "web-enabling" our Corporate Expenses Management System.

I believe the group is now poised for a period of outstanding growth and success. Last year saw the group start to become "acquisitive". This will continue in the current year and in the foreseeable future. To implement our strategy in full we will, of course require significant additional funding. We are currently exploring different alternatives to ensure we have the appropriate capital structure going forward. I am pleased to announce that Oliver Olsen has joined the group board as Chief Financial Officer. Oliver joins us from Credit Suisse First Boston where he was involved in the Telecoms sector and his experience will be invaluable in the future.

We have a truly outstanding team of people within the group. We need to continue recruiting and we will not compromise on the quality of the people we invite to join us. The continued innovation of our team is what both we, and our clients, value most. In 1998 we introduced an unapproved share option scheme which has proved both successful and popular. Most of the options have now been allocated and we are considering a new scheme for the future.

I want to thank each and every member of our team for making the ITIM group successful.



Ali Athar  
CHAIRMAN

29 JUNE 2000

# ITIM GROUP LIMITED

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## DIRECTORS' REPORT

The directors present their report and the financial statements of the company and the group for the year ended 31 December 1999.

## PRINCIPAL ACTIVITIES

The principal activity of the company and its subsidiaries during the year was the provision of management consultancy, employment services and advanced technical systems expertise to help clients find solutions to their business problems.

## ACQUISITIONS AND BUSINESS DEVELOPMENT

During the year the group strengthened its position in advanced technical systems and internet based technology through acquisitions and strategic investments.

On 19 January 1999 the company acquired 22% of the share capital in MBA Direct Limited a company which provides "web" based recruitment services to other companies and to MBA qualified individuals. After the "second round" of financing, the company now holds 15.1% of the equity.

On 4 June 1999 the company acquired Datafit Group Limited, a company specialising in the development and distribution of software products principally to "retail" customers.

In December 1999 the company entered into negotiations to acquire ITIM Associates (Pvt.) Limited, a company based in Karachi, Pakistan and specialising in the development of advanced software systems for customers principally based in Europe. This transaction is conditional upon Pakistan Government approval.

Further details of these transactions are set out in note 7 to the accounts.

## POST BALANCE SHEET EVENTS

Since the end of the financial year the company has continued to make strategic investments in internet technology based service companies.

On the 3 March 2000 the company subscribed for £200,000 12% Convertible Redeemable Unsecured Loan Stock 2002 in Blueprint Electronic Commerce Limited ("Tradewind"), a company providing sophisticated internet services to those companies requiring "EDI over the web". The company has the option to acquire the whole of the Ordinary share capital in Tradewind over the period to 3 March 2002.

On 14 April 2000 the company acquired 50% of the equity in Travel Systems Integration Limited ("Nanosoft") a company providing "web" based services to the travel industry. The company has also agreed to acquire the remaining 50% of the equity by 30 June 2001.

Further details of these transactions are set out in note 20 to the accounts.

# ITIM GROUP LIMITED

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## DIRECTORS' REPORT REVIEW OF THE BUSINESS

The profit and loss account for the company and the group is set out on page 9.

During the year the group made a profit before taxation of £324,116 (1998: £11,599). As described in the Chairman's Statement on page 2, the group had another year of significant growth and development. Datafit contributed £181,401 to the profit before taxation for the period from the date of acquisition. The directors believe that the acquisition of Datafit and the other investments described in this report, provide the group with additional complementary products and services which will ensure the continued growth and success of the group.

## DIVIDENDS

The directors do not recommend payment of a dividend.

## DIRECTORS

The following directors have held office since 1 January 1999:

MA Athar  
CA Collins  
JE Fallon  
NJ Teasdale  
IT Hobson  
O Olsen (appointed 5 June 2000)

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Directors' interests in the shares of the company, including family interests, were as follows:

	"A" Ordinary	
	31.12.99	1.1.99
MA Athar	3,935,967	3,909,300
CA Collins	634,950	634,950
IT Hobson	40,000	-

## CHANGES IN SHARE CAPITAL

On 25 March 1999 Mr I T Hobson subscribed for 40,000 "A" Ordinary shares of 10p each fully paid at £1.00 per share.

On 4 June 1999 the company issued 80,000 "A" Ordinary shares of 10p each fully paid at £1.50 per share as part consideration for the acquisition of Datafit Group Limited.

## UNAPPROVED SHARE OPTION SCHEME

In 1998 the company established an Unapproved Share Option Scheme.

Under the scheme, a maximum of 600,000 "A" Ordinary shares in the company can be made available to employees of the group over three years. Options can be offered directly or through "Participating Units" which are issued through each operating subsidiary. The number of options to be granted will depend upon the relative performance of the subsidiaries.

# ITIM GROUP LIMITED

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## DIRECTORS' REPORT

During the year 5000 options were issued to JE Fallon at a price of £1 each and 10,000 options were issued to IT Hobson at a price of £1 each. Additionally, 10,000 options were issued to employees at a price of £1 each

During the year 517,414 Participating Units were issued at a price of £1.50 each.  
No Participating Units were issued to directors in the year.

## YEAR 2000

The group has completed a comprehensive Year 2000 compliance programme and to date no significant problems have arisen.

## INTRODUCTION OF THE EURO

All relevant parts of the group will be able to handle transactions in Euros when required.

## EMPLOYEE INVOLVEMENT

The group keeps employees informed on a regular basis of current activities, progress and general matters of interest by various methods including verbal, written and electronic newsletters which all employees participate in. There are also formal group meetings throughout the year for all employees.

## EMPLOYMENT OF DISABLED PERSONS

The group's policy and practice is to encourage the recruitment and subsequent training, career development and promotion of disabled persons on the basis of their aptitudes and abilities and the retention and retraining of employees who become disabled.

The group is an equal opportunity employer.

## AUDITORS

Baker Tilly have indicated to the directors that they will not be seeking re-appointment as auditors of the company at the forthcoming Annual General Meeting. A resolution for the appointment of Ernst & Young as auditors of the company will be proposed at that meeting.

By order of the board,



JE Fallon  
Secretary

29 JUNE 2000

# ITIM GROUP LIMITED

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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 the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. Select suitable accounting policies and then apply them consistently;
- b. Make judgements and estimates that are reasonable and prudent;
- c. State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d. 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 the group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## AUDITORS' REPORT TO THE MEMBERS OF ITIM GROUP LIMITED

We have audited the financial statements on pages 9 to 22.

### **Respective responsibilities of directors and auditors**

As described on page 7 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 group'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 affairs of the group and company at 31 December 1999 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY  
Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

29 JUNE 2000

# ITIM GROUP LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

	<i>Notes</i>	Acquisitions £	Continuing Operations £	1999 Total £	1998 Total £
TURNOVER	1	1,017,381	7,219,688	8,237,069	6,258,566
Cost of sales		(291,006)	(4,606,319)	(4,897,325)	(4,405,257)
Gross profit		<u>726,375</u>	<u>2,613,369</u>	<u>3,339,744</u>	<u>1,853,309</u>
Administrative expenses		(539,104)	(2,064,485)	(2,603,589)	(1,451,228)
Research and development expenditure		-	(390,690)	(390,690)	(411,434)
Amortisation of goodwill		-	(27,979)	(27,979)	(867)
OPERATING PROFIT/(LOSS)		<u>187,271</u>	<u>130,215</u>	<u>317,486</u>	<u>(10,220)</u>
Interest receivable		-	28,328	28,328	33,623
Interest payable	2	(5,870)	(15,828)	(21,698)	(11,804)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>181,401</u>	<u>142,715</u>	<u>324,116</u>	<u>11,599</u>
Taxation	5			(96,657)	(9,453)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION, RETAINED	13			<u>227,459</u>	<u>2,146</u>

# ITIM GROUP LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 1999

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	1999 £	1998 £
Profit for the financial year	227,459	2,146
Currency translation difference on foreign currency subsidiaries	1,519	(693)
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	<u>228,978</u>	<u>1,453</u>

### NOTE OF HISTORICAL COST PROFITS AND LOSSES for the year ended 31 December 1999

There is no material difference between the reported profit and the profit restated on an historical cost basis.

# ITIM GROUP LIMITED

## BALANCE SHEET

31 December 1999

	<i>Notes</i>	Group		Company	
		1999	1998	1999	1998
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	6	314,925	171,345	3,938	-
Investments	7	45,000	-	844,052	498,002
Intangible fixed assets	8	918,056	16,466	-	-
		<u>1,277,981</u>	<u>187,811</u>	<u>847,990</u>	<u>498,002</u>
<b>CURRENT ASSETS</b>					
Debtors	9	1,786,094	1,284,438	731,698	79,562
Cash at bank and in hand		717,745	1,136,855	89,556	872,206
		<u>2,503,839</u>	<u>2,421,293</u>	<u>821,254</u>	<u>951,768</u>
CREDITORS: Amounts falling due within one year	10	1,725,613	1,221,816	47,188	40,002
NET CURRENT ASSETS		<u>778,226</u>	<u>1,199,477</u>	<u>774,066</u>	<u>911,766</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,056,207	1,387,288	1,622,056	1,409,768
CREDITORS: Amounts falling due after more than one year	11	371,708	77,879	-	-
		<u>1,684,499</u>	<u>1,309,409</u>	<u>1,622,056</u>	<u>1,409,768</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12	612,000	600,000	612,000	600,000
Share premium account	14	978,594	844,482	978,594	844,482
Profit and loss account	13	93,905	(135,073)	31,462	(34,714)
SHAREHOLDERS' FUNDS	15	<u>1,684,499</u>	<u>1,309,409</u>	<u>1,622,056</u>	<u>1,409,768</u>

Approved by the board on 29<sup>th</sup> June 2000



Director

# ITIM GROUP LIMITED

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

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

### BASIS OF CONSOLIDATION

The consolidated financial statements include the results of ITIM UK Limited, ITIM Group Limited and ITIM Associates Inc.

The results of DF Solutions Limited have been included in the accounts using the acquisition accounting method.

### TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Fixtures and fittings	25% reducing balance
Computer equipment	Straight line over 3 years.
Office refurbishment	over the lease term.

### GOODWILL

Goodwill arising on acquisitions and consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiary and other businesses is capitalised and written off over its useful life, which has been estimated by the directors to be 20 years.

### LEASED ASSETS AND OBLIGATIONS

Assets purchased under lease and hire purchase contracts are included in fixed assets and depreciated in accordance with the policy above. The liabilities, net of finance charges allocated to future periods, are included in creditors. The finance charges are taken to the profit and loss account in the period in which they are paid.

### PENSIONS CONTRIBUTIONS

Pension contributions are charged to the profit and loss account in the year they are payable.

### RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off in the year in which it is incurred.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of services provided to customers.

### DEFERRED TAXATION

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

# ITIM GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

### 1 TURNOVER

The analysis of the group's turnover by geographical area is set out below. All turnover and profit before taxation derive from the group's principal activities.

	Group	
	1999	1998
	£	£
United Kingdom	5,592,606	3,668,605
Rest of Europe	599,825	570,245
United States of America	1,874,658	2,019,716
Rest of World	169,980	-
	<u>8,237,069</u>	<u>6,258,566</u>

### 2 INTEREST PAYABLE

On bank loans, overdrafts and other loans repayable within 5 years:

	Group	
	1999	1998
	£	£
Bank loans and overdrafts	11,394	8,298
Finance leases and hire purchase contracts	10,304	3,506
	<u>21,698</u>	<u>11,804</u>

### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

Depreciation and amounts written off tangible fixed assets:

Charge for the year:

owned assets	50,933	62,000
leased assets	46,069	27,179
Amortisation of goodwill	27,979	867
Profit on disposals	-	(2,211)
Operating lease rentals:		
Plant and machinery	3,490	3,500
Auditors' remuneration	12,000	8,000
	<u></u>	<u></u>

# ITIM GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1999

4	EMPLOYEES	Group	
		1999 No.	1998 No.
	The average weekly number of persons (including directors) employed by the group during the year was:		
	Selling & Administration	22	9
	Consultants (Business & Technical), development & Services	62	41
		<u>84</u>	<u>50</u>
		=====	=====
		Group	
		1999	1998
		£	£
	Staff costs for the above persons:		
	Wages and salaries	3,258,878	2,324,190
	Social security costs	324,977	208,089
	Other pension costs	157,424	77,117
	Other benefits	58,347	28,898
		<u>3,799,626</u>	<u>2,638,294</u>
		=====	=====
		Group	
	DIRECTORS' REMUNERATION	1999	1998
		£	£
	Aggregate emoluments	325,990	284,234
	Pension contributions (money purchase schemes)	16,561	15,000
		<u>342,551</u>	<u>299,234</u>
		=====	=====
	Total emoluments		
	Directors emoluments disclosed above include the following payments to the highest paid director:		
	Aggregate emoluments	140,000	121,000
	Pension contributions (money purchase schemes)	10,500	10,500
		<u>150,500</u>	<u>131,500</u>
		=====	=====
		Number	Number
	The number of directors to whom relevant benefits are accruing under:		
	money purchase pension schemes was	2	2
		Group	
5	TAXATION	1999	1998
		£	£
	Based on the profit for the year:		
	UK corporation tax at 20% (1998: 21%)	90,000	7,088
	US taxation	264	2,365
	Under provision in previous year	6,393	-
		<u>96,657</u>	<u>9,453</u>
		=====	=====

# ITIM GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1999

6 TANGIBLE FIXED ASSETS	<i>Office refurbishments</i>	<i>Fixtures &amp; equipment</i>	<i>Total</i>
GROUP	£	£	£
Cost			
1 January 1999	-	377,843	377,843
Disposals	-	(117,834)	(117,834)
Additions	100,093	81,340	181,433
Purchase of subsidiary	21,256	296,780	318,036
Exchange difference	-	1,277	1,277
31 December 1999	<u>121,349</u>	<u>639,406</u>	<u>760,755</u>
Depreciation			
1 January 1999	-	206,498	206,498
Charged in the year	552	96,450	97,002
Disposals	-	(117,834)	(117,834)
Purchase of subsidiary	20,294	239,444	259,738
Exchange difference	-	426	426
31 December 1999	<u>20,846</u>	<u>424,984</u>	<u>445,830</u>
Net book value			
31 December 1999	<u>100,503</u>	<u>214,422</u>	<u>314,925</u>
31 December 1998	<u>-</u>	<u>171,345</u>	<u>171,345</u>

The net book value of fixtures and equipment includes £94,930 (1998: £100,070) in respect of assets held under finance leases.

COMPANY	<i>Fixtures &amp; equipment</i>
Cost	£
Additions	5,907
31 December 1999	<u>5,907</u>
Depreciation	
Charged in the year	1,969
31 December 1999	<u>1,969</u>
Net book value	
31 December 1999	<u>3,938</u>

# ITIM GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1999

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7	FIXED ASSETS INVESTMENTS		<i>Unlisted</i>
			£
	COMPANY		
	Cost and net book value:		
	1 January 1999		498,002
	Additions		346,050
	31 December 1999		<u>844,052</u>
	GROUP		
	Additions		45,000
	31 December 1999		<u>45,000</u>
	ITIM UK Limited	100%	Management consultancy and advanced technical systems services
	ITIM Associates Inc	100%	Management consultancy and employment services
	ITIM Software Limited	100%	Dormant
	Datafit Group Limited	100%	Retail Point of Sale and database solutions.
	Other investments:		
	MBA Direct Limited	15.1%	Internet based recruitment service

ITIM UK Limited, ITIM Software Limited, Datafit Group Limited and MBA Direct Limited are incorporated in England and Wales. ITIM Associates Inc is incorporated in the USA.

On 19 January 1999 the company subscribed for 100 Ordinary shares of £1 per share, fully paid at £450 per share, representing 22% of the then Ordinary issued share capital, in MBA Direct Limited ("MBA Direct"). In September 1999 Independent News & Media Group subscribed for further shares in MBA Direct Limited after which the company's holding was reduced to 15.1% of the issued Ordinary share capital.

On 4 June 1999 the company acquired 100% of the Preferred Ordinary shares, 98.5% of the Ordinary shares, 100% of the "A" Preferred shares and 100% of the "B" Preferred shares in Datafit Group Limited ("Datafit"). The remaining Ordinary shares were acquired before 17 March 2000. In addition the company acquired the benefit of certain loans payable to shareholders and directors of Datafit. The overall consideration for the share capital and loans amounted to £404,410, of which £88,285 is payable by reference to future sales revenue. Mr MA Athar was both a director and shareholder in Datafit and received 26,667 "A" Ordinary shares of 10p each fully paid in the company in exchange for his shareholding in Datafit.

# ITIM GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1999

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On 31 December 1999 the company entered into negotiations to acquire 100% of the Ordinary shares in ITIM Associates (Pvt.) Limited ("ITIM Pakistan"), a computer software development business registered and based in Karachi, Pakistan. The consideration for the transaction is to be satisfied by the issue of 305,999 new "A" Ordinary shares of 10p each fully paid in the company and Pakistan Rs. 125,000 in cash. Additionally, 16,105 share options in the company will be offered to the management and employees of ITIM Pakistan. This transaction is conditional upon receiving appropriate Pakistan Government approval.

Mr MA Athar is a shareholder in ITIM Pakistan and, upon completion, will receive 193,263 "A" Ordinary shares of 10p each fully paid in the company in exchange for his shares in Pakistan.

8	INTANGIBLE FIXED ASSETS	<i>Goodwill</i> £
	1 January 1999	17,333
	Additions	929,569
	31 December 1999	<u>946,902</u>
	Amortisation	
	1 January 1999	867
	Charged in the year	27,979
	31 December 1999	<u>28,846</u>
	Net book value	
	31 December 1999	<u>918,056</u>
	31 December 1998	<u><u>16,466</u></u>

**ITIM GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1999

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8 INTANGIBLE FIXED ASSETS  
(contd)

	<i>Fair Value of Net assets acquired</i>
Acquisition of Datafit Group Limited	
Fixed assets	58,298
Debtors	449,512
Bank overdraft and loans	(30,641)
Creditors due within one year	(880,185)
Creditors due after one year	(649,433)
	<u>(1,052,449)</u>
Loans due to ITIM Group Limited	423,930
	<u>(628,519)</u>
Consideration	
Share issue	(120,000)
Cash	(181,050)
	<u>(301,050)</u>
Goodwill	<u>(929,569)</u>

9	DEBTORS	Group		Company	
		1999	1998	1999	1998
		£	£	£	£
	Due within one year:				
	Trade debtors	1,499,996	1,212,359	-	-
	Other debtors	77,953	23,361	-	-
	Amounts due from subsidiary companies	-	-	718,198	79,562
	Prepayments	208,145	48,718	13,500	-
		<u>1,786,094</u>	<u>1,284,438</u>	<u>731,698</u>	<u>79,562</u>

# ITIM GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1999

10	CREDITORS: Amounts falling due within one year	Group		Company	
		1999 £	1998 £	1999 £	1998 £
	Bank loan and overdraft	102,704	58,852	-	-
	Trade creditors	387,423	463,821	-	-
	Obligations under finance leases	38,108	35,789	-	-
	Other creditors	253,481	92,276	12,812	40,000
	Directors loan account	-	45,000	-	-
	Corporation tax	90,000	8,175	-	-
	Amounts due to subsidiary companies	-	-	-	2
	Other taxation and social security costs	311,821	321,072	-	-
	Accruals and deferred income	542,076	196,831	34,376	-
		<u>1,725,613</u>	<u>1,221,816</u>	<u>47,188</u>	<u>40,002</u>
		=====	=====	=====	=====
11	CREDITORS: Amounts falling due in more than one year	Group		Company	
		1999 £	1998 £	1999 £	1998 £
	Obligations under finance leases	56,095	63,476	-	-
	Bank loan	49,116	14,024	-	-
	Other creditors	266,497	379	-	-
		<u>371,708</u>	<u>77,879</u>	<u>-</u>	<u>-</u>
		=====	=====	=====	=====

The bank loans, the aggregate total of which amount to £92,067, represents two loans, one loan of £17,067 which is repayable in monthly instalments of £3,154 at an interest rate of 2.75% above the bank's base rate and is repayable within one year. The other loan of £75,000 is repayable over a period of 3 years at £2,157 per month and at an interest rate of 2.5% above the banks base rate. Both loans are secured by mortgage debenture over the company's assets.

# ITIM GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1999

12	SHARE CAPITAL	Group & Company 1999 £	Group & Company 1998 £
	Authorised:		
	8,980,000 'A' ordinary shares of 10p each	898,000	898,000
	1,020,000 'B' ordinary shares of 10p each	102,000	102,000
		<u>1,000,000</u>	<u>1,000,000</u>
	Allotted, issued and fully paid:		
	5,100,000 'A' ordinary shares of 10p each	510,000	498,000
	1,020,000 'B' ordinary shares of 10p each	102,000	102,000
		<u>612,000</u>	<u>600,000</u>

On 25 March 1999, 40,000 A ordinary shares of 10p each were issued at £1.00 per share.

On 22 July 1999, 80,000 A ordinary shares of 10p each were issued at £1.50 per share.

13	PROFIT AND LOSS ACCOUNT	Group 1999 £	1998 £	Company 1999 £	1998 £
	1 January 1999	(135,073)	284,144	(34,714)	-
	Profit/(loss) for the financial year	227,459	2,146	66,176	(34,714)
	Foreign exchange movement	1,519	(693)	-	-
	Reserve created upon merger	-	(420,670)	-	-
	31 December 1999	<u>93,905</u>	<u>(135,073)</u>	<u>31,462</u>	<u>(34,714)</u>
14	SHARE PREMIUM ACCOUNT GROUP			£	
	1 January 1999			844,482	
	Premium on shares issued (net of expenses)			134,112	
	31 December 1999			<u>978,594</u>	

# ITIM GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

15	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	Group		Company	
		1999 £	1998 £	1999 £	1998 £
	Profit/(loss) for the financial year	227,459	2,146	66,176	(34,714)
	Foreign exchange movement	1,519	(693)	-	-
	Issue of shares (net of expenses)	146,112	1,444,482	146,112	1,444,482
	Reserve created upon merger	-	(420,670)	-	-
	Share premium	-	(9,900)	-	-
	Share capital	-	(200)	-	-
	Opening shareholders' funds	1,309,409	294,244	1,409,768	-
	Closing shareholders' funds	<u>1,684,499</u>	<u>1,309,409</u>	<u>1,622,056</u>	<u>1,409,768</u>

### 16 PENSION COMMITMENTS

The company and group make contributions to individual pension schemes (money purchase). The annual commitment under this scheme is for contributions of £157,424 (1998: £77,117).

### 17 COMMITMENTS UNDER OPERATING LEASES

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
Land and buildings				
expiring in the second to fifth year	166,599	136,156		
expiring after five years	50,892	50,244		
Other				
expiring in the first year	33,781	48,836		
expiring in the second to fifth year	5,383	18,077		
	<u>256,655</u>	<u>253,313</u>	<u>Nil</u>	<u>Nil</u>

### 18 RELATED PARTY TRANSACTIONS

#### Material Interest of Directors

During the year the group was provided with services to the value of £797,338 (1998: £457,202) from ITIM Associates (Pvt.) Limited a company incorporated in Pakistan, in which Mr MA Athar is materially interested as a shareholder. The services were provided on a normal trading basis.

### 19 PROFIT AND LOSS ACCOUNT

The company has taken advantage of the exemption conferred by s.230 Companies Act 1985 in not publishing its own profit and loss account. The company made a profit of £66,176 in the year to 31 December 1999.

# ITIM GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

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### 20 POST BALANCE SHEET EVENTS

On 3 March 2000, the company subscribed for £200,000 12% Convertible Redeemable Unsecured Loan Stock 2002 ("Loan Stock") at par in Blueprint Electronic Commerce Limited ("Tradewind") and entered into an agreement ("the Agreement") to acquire all the existing share capital.

If the company decides to acquire 56% of the share capital in Tradewind (as described below), then the Loan Stock is convertible into 26% of the enlarged equity in Tradewind.

The Agreement enables the company to acquire 56% of the enlarged equity in Tradewind at any time up until 30 October 2000 for consideration of £1,350,000 to be satisfied in cash and the remaining 18% of the enlarged equity within two years from 3 March 2000. The consideration for the last 18% is £640,000 to be satisfied by the issue of new "A" Ordinary shares in the company. The timing, and the number, of new shares to be issued will be the earlier of:

- (a) Any Initial Public Offering ("IPO"), in which case the number of shares to be issued will be calculated by dividing the consideration by 80% of the IPO share price.
- (b) 3 March 2002, in which case the number of shares to be issued will be calculated by dividing the consideration by the "weighted average share price". The weighted average share price will be calculated by dividing the total subscription price by the total number of shares issued in the two-year period.

The company and Tradewind are currently exploring the possibility of the company exercising its option on revised terms.

On 14 April 2000 the company acquired 50% of the Ordinary share capital in Travel Systems Integration Limited ("Nanosoft") in recognition of services provided to Nanosoft by ITIM Associates (Pvt.) Limited. On the same date the company agreed to acquire all the remaining shares for a consideration of £1,000,000 to be satisfied by the issue of "A" Ordinary shares of £0.10p each fully paid. The new shares will be issued at the earlier of:

- (a) Any Initial Public Offering ("IPO") in which case the number of shares to be issued will be calculated by dividing the consideration by 80% of the IPO share price, or
- (b) 30 June 2001, in which case a "derived share price" will be determined based upon a company value of £115,000,000. The number of shares to be issued will be calculated by dividing the consideration by 80% of the derived share price.

From any new shares issued, as part of the acquisition of Nanosoft will be subject to deferred vesting.

In December 1999 the company entered into negotiations to acquire ITIM Associates (Pvt.) Limited, a company based in Karachi, Pakistan and specialising in the development of advanced software systems for customers principally based in Europe. This transaction is conditional upon Pakistan Government approval.