

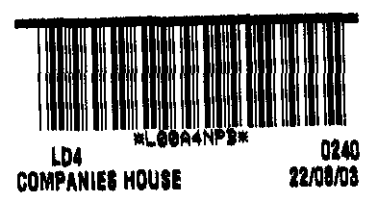
3486926

ITIM GROUP LIMITED
(formerly ITIM Group plc)

Report and Accounts

31 December 2002

ERNST & YOUNG



ITIM Group Limited (formerly ITIM Group plc)

Registered No. 3486926

DIRECTORS

M A Athar
J E Fallon
N S Teasdale
C Pelly
P Landale
R N Frosell
S Amer

SECRETARY

C A Collins

AUDITORS

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS

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

SOLICITORS

Hardwick Stallards
Centurion House
31 Jewry Street
London EC3N 2ER

REGISTERED OFFICE

The Studio D
22 Ebury Street
London SW1W 0LU

ITIM Group Limited (formerly ITIM Group plc)

CHAIRMAN'S STATEMENT

In 1999, Itim set out a strategy to change its business from a pure consulting business to a business based on consulting and software revenues.

We believed that in the sectors we operate in, which are predominantly Retail, Leisure and Travel, the emerging technologies of the Internet would have a dramatic impact in reshaping and transforming the efficiency and effectiveness of their supply chains. We consequently began a programme of investment in technology solutions that would give significant cost savings to companies in those sectors.

We initially focused on four key products and their associated technologies: **Chameleon**, which provides customised EPoS solutions that integrate and provide real-time information to enterprise and supply chain systems; **Tradeledger**, an ASP that provides a collaborative application for central billing; **Tradewind**, a web-based service that provides fast, reliable, low cost exchange of data between businesses; and **Travel Studio** which helps inbound tour operators manage reservations, inventory and financial information in real-time.

During 2000-2001 we invested over £3m in R&D in developing these highly innovative technology solutions.

In 2002 we have continued this R&D, investing an additional £1m. We continued the development of a totally innovative and unique solution for the premium travel sector supply chain, which we have called **Travel Aggregator**. This enables customers (eg. outbound tour operators) to reserve inventory managed by inbound tour operators through a real-time Internet 'pipe' that links into Travel Studio. We also began the R&D work on another innovative technology called **Collaborative Works**, which will eventually provide us with a rapid application development environment to enable us to create additional web-based supply chain business applications for our customers. We also achieved an industry 'first' by deploying Chameleon as a fully functional EPoS solution operating on a hand-held terminal. This is now being used by British industry to solve the immense challenge of handling peak trading periods when customers are forced to queue for service.

In December 2002 we also acquired **Zygon** which was developing a product called **Z4** which we believe, with further R&D and repositioning, can provide a unique foundation for product management across supply chains, "from concept to consumer".

We used the Zygon acquisition to strengthen ITIM's balance sheet by converting long-term debt held by our two VC investors (Advent and European Technology Fund) into equity and also by bringing £1.5m cash in from the majority of Zygon's existing investors (mainly, but not only, 3i). We used some £0.4m of this cash partially to pay for the transaction as well as to begin the significant head-reductions planned to bring Zygon at or as close as possible to breakeven (planned to be achieved in the 2nd half of 2003). The balance of the cash brought in through the Zygon acquisition will primarily be used during 2003 to complete the integration/turnaround and begin the further innovative development of **Z4**.

We also acquired a strong and vibrant marketing team that had previously worked for Zygon, adding significantly to ITIM's strategic resources which are required to support our ambitious future growth plans.

Although on the surface our turnover decreased from £8.4m in 2001 to £7.7m in 2002, after discounting Itim Inc.'s turnover from both years (our US subsidiary which we disposed of at the end of 2002), our year-on-year turnover increased by £0.4m from £6.8m in 2001 to £7.2m in 2002. This was a commendable performance given the severe trading difficulties that similar businesses in our sector have experienced during 2002.

The main reason for disposing of our US subsidiary was that it was a very low margin business, based mainly on IT 'body-shopping' for a discrete number of clients, and as such was never going to be an asset to the group in achieving our core business objective of helping companies transform their supply chains. It also improved our balance sheet by removing net current liabilities amounting to over £90k.

CHAIRMAN'S STATEMENT

Our losses increased from (£0.7m) to (£1.6m) due mainly to difficult economic conditions, but also from our continued investment in R&D and in the one-off reorganisation costs incurred as a result of the Zygon acquisition. However, we are now experiencing an increase in turnover in 2003 resulting mainly from these investments and hence we are increasingly confident that this temporary downturn in profitability will soon be reversed.

An important aspect of our overall financials is that we managed to maintain our gross margins at or around the 40% mark despite significant pricing pressures driven by the economic downturn.

In 2002, we also saw significant growth in our product revenue streams, winning a number of new customers particularly through Chameleon, Tradewind and Travel Studio. This continued to confirm that the R&D investments we have been progressively making in software technologies are going to deliver significant long-term benefits both for our customers and for our shareholders.

So 2002 ended reasonably for us with enough indications for continued optimism in our strategy.

As always, we had to endure cutbacks and some disappointments due to market conditions. Consequently, I am continuously grateful to our employees who have shown remarkable resilience and strength to stick with the business and show faith in the strategy.



M. A. Athar
Chairman

20 AUG 2003

ITIM Group Limited (formerly ITIM Group plc)

DIRECTORS' REPORT

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

RESULTS AND DIVIDENDS

During the year the group made a loss before taxation of £1,577,000 (2001 - loss £849,000). The directors do not recommend payment of a dividend (2001 - £nil).

PRINCIPAL ACTIVITIES

The principal activity of the company and its subsidiaries during the year was the provision of management consultancy and technology solutions to help clients drive improvements in efficiency and effectiveness.

FUTURE DEVELOPMENTS

In addition to reviewing the profitability and development of the existing consulting business, the group plans to continue to invest in the development of software products. Investment in development is important in order to establish new sales.

ACQUISITIONS AND BUSINESS DEVELOPMENT

The group continues with its strategy to supplement the consulting business by developing its software businesses both by organic growth and investment and also by pursuing acquisition or merger opportunities.

CHANGE OF COMPANY NAME

The group re-registered as a private limited company on 13 December 2002.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

M A Athar
C A Collins (Resigned 13 December 2002)
C Pelly
J E Fallon
N S Teasdale
S Amer (Appointed 10 April 2002, Resigned 28 November 2002, Re-appointed 27 February 2003)
P Landale (Appointed 13 December 2002)
R N Frosell

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

	Ordinary shares	
	2002 No.	2001 No.
M A Athar	4,113,125	4,113,125
C A Collins	634,950	634,950
P Landale	236,577	-

Of the shares held by M A Athar, 4,086,458 shares are held through discretionary trusts of which M A Athar is a beneficiary.

J E Fallon has the right to subscribe for 15,000 shares in the company at £1.50 per share.

DIRECTORS' REPORT

CHANGES IN SHARE CAPITAL

During the year, the authorised share capital was altered. The "A", "B", "C" and "D" class ordinary 10p shares were redesignated as ordinary 10p shares. Then the authorised share capital of the company was increased to 14,000,000 shares with the creation of 3,600,000 ordinary shares of 10p each.

During the year the convertible loan notes and associated interest were converted into 1,840,000 ordinary 10p shares. Issue costs of £5,000 were incurred. In association with the acquisition of Zygon Systems Limited 3,780,000 ordinary 10p shares were issued on 13 December 2002. Issue costs of £11,000 were incurred.

UNAPPROVED SHARE OPTION SCHEME

In 1998 the company established an unapproved share option scheme. Under the scheme, a maximum of 600,000 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 granted and to be granted is dependent on the relative performance of the subsidiaries.

At 31 December 2002 the total options outstanding were as follows:

Issued in:	1997	45,320 at £1.00 per option
	1998	92,648 at £1.50 per option
	1999	91,674 at £3.00 per option
	2000	272,100 at £3.00 per option

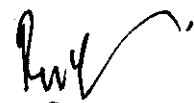
The options are exercisable between 3 and 7 years from the date of issue and were issued at market value.

Subsequent to the year end the rules of the option scheme were adjusted to give the directors total discretion as to the number of shares over which options may be granted and to reflect the fact that options will now be created over fixed numbers of shares, rather than the calculation from participation units that applied during the year.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the group's auditors will be put to the members at the Annual General Meeting.

On behalf of the board



R N Frosell
Director

20 AUG 2003

DIRECTORS' REPORT

Company law requires the directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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 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 group and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS REPORT
to the members of ITIM Group Limited
(formerly ITIM Group plc)

We have audited the group's accounts for the year ended 31 December 2002, which comprise the Group profit and loss account, Group statement of total recognised gains and losses, Group reconciliation of shareholders' funds, Group balance sheet, Company balance sheet, Group statement of cash flows and the related notes 1 to 27. These accounts have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 group is not disclosed.

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

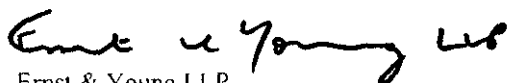
Basis of audit opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and 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.



Ernst & Young LLP
Registered Auditor
London

20 AUG 2003

ITIM Group Limited (formerly ITIM Group plc)

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

		<i>Discontinued</i>	<i>Continuing</i>	<i>2002</i>	<i>2001</i>
	<i>Acquisitions</i>	<i>operations</i>	<i>operations</i>	<i>Total</i>	<i>Total</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
TURNOVER	2	97	549	7,015	7,661
Cost of sales		(87)	(467)	(4,050)	(4,604)
GROSS PROFIT		10	82	2,965	3,057
Administrative expenses		(290)	(91)	(2,920)	(3,301)
Research and development		-	-	(1,010)	(1,010)
Amortisation of goodwill		-	-	(178)	(178)
Deemed profit on disposal	7	-	-	169	169
Profit on disposal	12	-	-	42	42
Re-organisation costs	26	-	-	(234)	(234)
OPERATING LOSS	3	(280)	(9)	(1,166)	(1,455)
Interest receivable		1	-	14	15
Interest payable	6	-	(5)	(132)	(137)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(279)	(14)	(1,284)	(1,577)
Taxation	8			174	218
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION				(1,403)	(631)
MINORITY INTERESTS					
Equity				(25)	(73)
LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY				(1,428)	(704)

There are no recognised gains or losses other than those shown above.

ITIM Group Limited (formerly ITIM Group plc)

RECONCILIATION OF SHAREHOLDERS' FUNDS

for the year ended 31 December 2002

	2002	Group 2001
	£000	£000
Total recognised losses	(1,428)	(704)
New shares issued (net of expenses)	5,490	1,200
Foreign exchange movements	(10)	-
Total movements during the year	4,052	496
Opening shareholders' funds	2,570	2,074
Closing shareholders' funds	6,622	2,570

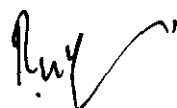
ITIM Group Limited (formerly ITIM Group plc)

GROUP BALANCE SHEET

at 31 December 2002

	Notes	2002 £000	2001 £000
FIXED ASSETS			
Intangible fixed assets	9	5,451	3,128
Tangible assets	10	506	525
Investments	11	46	46
		<u>6,003</u>	<u>3,699</u>
CURRENT ASSETS			
Debtors	13	2,029	2,698
Cash at bank and in hand		1,501	316
		<u>3,530</u>	<u>3,014</u>
CREDITORS: amounts falling due within one year	14	(2,480)	(2,630)
NET CURRENT ASSETS		<u>1,050</u>	<u>384</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,053</u>	<u>4,083</u>
CREDITORS: amounts falling due after more than one year	15	(375)	(1,548)
MINORITY INTERESTS			
Equity		(56)	35
		<u>6,622</u>	<u>2,570</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,289	726
Share premium account	18	9,915	4,988
Profit and loss account	19	(4,582)	(3,144)
EQUITY SHAREHOLDERS' FUNDS		<u>6,622</u>	<u>2,570</u>

Approved by the board on

)
) Directors

20 AUG 2003

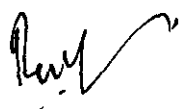
ITIM Group Limited (formerly ITIM Group plc)

COMPANY BALANCE SHEET

at 31 December 2002

	<i>Notes</i>	2002 £000	2001 £000
FIXED ASSETS			
Tangible assets	10	27	114
Investments	11	7,764	3,495
		<u>7,791</u>	<u>3,609</u>
CURRENT ASSETS			
Debtors	13	1,447	1,900
Cash at bank and in hand		56	172
		<u>1,503</u>	<u>2,072</u>
CREDITORS: amounts falling due within one year	14	(1,247)	(229)
		<u>256</u>	<u>1,843</u>
NET CURRENT ASSETS			
		<u>8,047</u>	<u>5,452</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	15	(105)	(1,286)
		<u>7,942</u>	<u>4,166</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,289	726
Share premium account	18	9,915	4,988
Profit and loss account	19	(3,262)	(1,548)
		<u>7,942</u>	<u>4,166</u>
EQUITY SHAREHOLDERS' FUNDS			
		<u>7,942</u>	<u>4,166</u>

Approved by the board on

)
) Directors

20 AUG 2003

ITIM Group Limited (formerly ITIM Group plc)

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 2002

	Notes	2002 £000	2001 £000
NET CASH INFLOW)/(OUTFLOW) FROM OPERATING ACTIVITIES	20(a)	5	(460)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Bank interest paid		(21)	(41)
Interest element of finance lease rental payments		(15)	(28)
Interest received		15	30
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(21)	(39)
TAXATION			
Corporation tax paid		-	-
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(154)	(364)
Settlement consideration for Blueprint		-	(50)
Proceeds from sale of tangible fixed assets		-	22
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(154)	(392)
ACQUISITIONS			
Purchase of subsidiary undertakings		(26)	(13)
Disposal of subsidiary shareholdings		381	-
Cash acquired with subsidiary undertakings		1,557	198
NET CASH INFLOW FROM ACQUISITIONS		1,912	185
NET CASH INFLOW BEFORE FINANCING		1,742	(706)
FINANCING			
Issue of share capital (net of expenses)		-	200
Repayments of capital element of finance lease rentals		(236)	(150)
Loan repayments		-	(89)
New loans		-	100
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		(236)	61
INCREASE/(DECREASE) IN CASH		1,506	(645)

ITIM Group Limited (formerly ITIM Group plc)

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 2002

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS / (DEBT)

	2002	2001
	£000	£000
INCREASE / (DECREASE) IN CASH IN THE YEAR	1,506	(645)
Net cash outflow/(inflow) from increase in debt and lease financing	236	(39)
Conversion of loan notes to share capital (Note 17)	1,056	-
MOVEMENT IN NET DEBT IN THE YEAR	2,801	(684)
NET DEBT AT 1 JANUARY	(1,768)	(1,084)
NET FUNDS / (DEBT) AT 31 DECEMBER (NOTE 21(b))	1,033	(1,768)

NOTES TO THE ACCOUNTS

at 31 December 2002

1. ACCOUNTING POLICIES

Going concern basis

The accounts have been prepared on a going concern basis. The losses incurred by the company represent its investment in software development and it has remained the directors' policy to ensure that proper finance is available to support this development.

Based on budgets and forecasts the directors consider that the currently available financial resources are sufficient to support the company for the foreseeable future. There are uncertainties in the ability of the company to meet these budgets and forecasts, but the directors believe that they could take actions to enable the company to trade within its facilities should expected revenues not be achieved.

The directors have considered the financial position of the company and the information available to them and have concluded that the accounts should be prepared on the going concern basis.

Accounting convention

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of ITIM Group Limited and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for ITIM Group Limited as permitted by section 230 of the Companies Act 1985.

The cost of acquisition represents the cash value of the consideration and/or the market value of the shares issued on the date the offer became unconditional, plus expenses.

In calculating goodwill, the total consideration, both actual and deferred is taken into account. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. This contingent consideration is re-assessed annually. The difference between the present value and the total amount payable at a future date gives rise to a finance charge which is charged to the profit and loss account and credited to the liability over the period in which the consideration is deferred. The discount used approximates to market rates.

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. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

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 over its expected useful life, as follows:

Fixtures and fittings	-	25% per annum on a reducing balance basis
Computer equipment	-	straight line over 3 years
Office refurbishment	-	over the lease term

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE ACCOUNTS

at 31 December 2002

1. ACCOUNTING POLICIES (continued)

Fixed asset investments

Investments are included at cost less amounts written off.

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Research and development

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

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Group

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

1. ACCOUNTING POLICIES (continued)

Leased assets and obligations

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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

Pension contributions

The company operates a defined contribution and individual money purchase schemes. Contributions are charged to the profit and loss account in the year they are payable.

Turnover

Turnover represents the invoiced value, net of value added tax, of services and products provided to customers.

2. TURNOVER

Turnover, is derived from the group's principal activities.

An analysis of turnover by geographical market is given below:

	2002	2001
	£000	£000
United Kingdom	6,681	6,761
Rest of Europe	96	291
United States of America	766	1,270
Rest of World	118	72
	<u>7,661</u>	<u>8,394</u>

3. OPERATING LOSS

This is stated after charging/(crediting):

	2002	2001
	£000	£000
Amortisation of goodwill	178	164
Auditors' remuneration - audit	35	51
- other	28	25
Depreciation of owned fixed assets	336	220
Depreciation of leased assets	98	102
Operating lease rentals - plant and machinery	18	61
- land and buildings	281	338
(Loss)/profit on disposals of fixed assets	(5)	6
	<u> </u>	<u> </u>

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

4. DIRECTORS' REMUNERATION

	2002	2001
	£000	£000
Aggregate emoluments	551	332
Pension contributions (money purchase schemes)	9	9
	<u>560</u>	<u>341</u>

	2002	2001
	No.	No.
Members of money purchase pension schemes	<u>2</u>	<u>2</u>

The amounts in respect of the highest paid director are as follows:

	2002	2001
	£000	£000
Aggregate emoluments	220	142
Pension contributions (money purchase schemes)	4	6
	<u>224</u>	<u>148</u>

5. STAFF COSTS

	2002	2001
	£000	£000
Wages and salaries	3,881	4,483
Social security costs	382	411
Other pension costs	165	183
Other benefits	40	101
	<u>4,468</u>	<u>5,178</u>

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

	2002	2001
	No.	No.
Selling and administration	44	76
Consultants (business and technical), development and services	148	106
	<u>192</u>	<u>182</u>

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

6. INTEREST PAYABLE

	2002	2001
	£000	£000
Interest on bank loans, overdrafts and other loans repayable within five years:		
Bank loans and overdrafts	21	41
Finance leases and hire purchase contracts	15	21
Convertible loan note	101	112
	<u>137</u>	<u>174</u>

7. DEEMED DISPOSAL

In February 2001 ITIM Group Limited entered into an agreement with a third party investor in Open Destinations Ltd ("ODL"). At 31 December 2002 the third party investor held 18.3% (2001 - 10.9%) of the equity share capital of ODL.

The issue of equity to the investor for £500,000 results in a dilution of ITIM Group Limited's shareholding in ODL. The additional investment of £341,955 during 2002 results in a deemed profit on dilution of £169,400 for ITIM Group Limited. The Group's stake in ODL equity share capital falls from 87.5% to 77.5%.

8. TAXATION

(a) Analysis of credit in the period

	2002	2001
	£000	£000
Current corporation tax credit	(188)	(215)
Adjustments to current taxation in respect of prior years	14	(3)
Total tax credit for the year	<u>(174)</u>	<u>(218)</u>

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

8. TAXATION (Continued)

(b) Factors affecting tax credit for the year:

	2002 £000	2001 £000
Loss on ordinary activities before tax	(1,682)	(849)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(505)	(255)
Effects of:		
Expenses not deductible for tax purposes	176	96
Non-taxable income	(19)	(169)
50% R&D expenditure uplift	(152)	(199)
Depreciation in excess of capital allowances	25	13
Other timing differences	1	(1)
Capital gain	-	5
Losses surrendered for R&D credit	352	377
Group relief	6	-
Tax losses carried forward	196	208
Utilisation of tax losses	(167)	(68)
Adjustment in respect of prior period	14	(3)
Pre-acquisition tax adjustments	87	-
R&D tax credit	(188)	(215)
Trade charges	-	(7)
Current tax credit for the year	(174)	(218)

(c) Factors which may affect future tax charges

No deferred tax has been provided for as within the group there are tax adjusted losses to carry forward of £4.1m (2001-£3.1m) which, after other timing differences, results in a deferred tax asset of approximately £1,053k (2001-£930k), which has not been recognised. The timing and extent of future reversal cannot be ascertained at this point.

	2002 £000	2001 £000
Unrecognised deferred tax asset	1,053	930

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS
at 31 December 2002

9. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i>	<i>Negative</i>	<i>Total</i>
	<i>£000</i>	<i>Goodwill</i>	<i>£000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:			
At 1 January 2002	3,415	-	3,415
Additions (See note 12)	2,614	(3)	2,611
Deemed disposal on dilution	(107)	-	(107)
At 31 December 2002	<u>5,922</u>	<u>(3)</u>	<u>5,919</u>
Amortisation:			
At 1 January 2002	287	-	287
Provided during the year	178	-	178
At 31 December 2002	<u>465</u>	<u>-</u>	<u>465</u>
Net book value:			
At 31 December 2002	<u>5,457</u>	<u>(3)</u>	<u>5,454</u>
At 1 January 2002	<u>3,128</u>	<u>-</u>	<u>3,128</u>

10. TANGIBLE FIXED ASSETS

Group

	<i>Office</i>	<i>Fixtures and</i>	<i>Total</i>
	<i>refurbishment</i>	<i>equipment</i>	<i>£000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:			
At 1 January 2002	205	1,413	1,618
Acquisition of subsidiary undertakings	83	621	704
Disposal of subsidiary undertakings	-	(84)	(84)
Additions	16	138	154
Disposals	-	(37)	(37)
At 31 December 2002	<u>304</u>	<u>2,051</u>	<u>2,355</u>
Depreciation:			
At 1 January 2002	91	1,002	1,093
Acquisition of subsidiary undertaking	66	368	434
Disposal of subsidiary undertakings	-	(73)	(73)
Provided during the year	46	388	434
Disposals	-	(39)	(39)
At 31 December 2002	<u>203</u>	<u>1,646</u>	<u>1,849</u>
Net book value:			
At 31 December 2002	<u>101</u>	<u>405</u>	<u>506</u>
At 1 January 2002	<u>114</u>	<u>411</u>	<u>525</u>

Net book value of fixtures and equipment held under finance leases and hire purchase contracts was £54,290 (2001 - £111,278).

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

10. TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Fixtures and equipment £000</i>
Cost:	
At 1 January 2002 and 31 December 2002	203
Depreciation:	
At 1 January 2002	89
Provided during the year	87
At 31 December 2002	176
Net book value:	
At 31 December 2002	27
At 1 January 2002	114

11. INVESTMENTS

<i>Company</i>	<i>Unlisted shares in group undertakings £000</i>	<i>Other unlisted investment £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2002	3,449	46	3,495
Additions	4,336	-	4,336
Disposals	(67)	-	(67)
At 31 December 2002	7,718	46	7,764

Group

Cost:	<i>£000</i>
At 1 January 2002 and 31 December 2002	46

<i>Principal subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Percentage holding</i>	<i>Principal activity</i>
ITIM UK Limited	England and Wales	100%	Management consultancy and advanced technical systems services
ITIM Software Limited	England and Wales	100%	Dormant
Datafit Group Limited	England and Wales	100%	Retail Point of Sale and database solutions
Blueprint Electronic Commerce Limited	England and Wales	100%	Electronic commerce services
ITIM Associates (Pvt.) Limited	Pakistan	100%	Technical systems services

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS
at 31 December 2002

11. INVESTMENTS (continued)

<i>Principal subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Percentage holding</i>	<i>Principal activity</i>
Open Destinations Limited	England and Wales	77.5%	Sale and development of software for the travel industry
Zygon Systems Limited	England and Wales	100%	Software consultancy and supply
eProsper Limited	England and Wales	100% held by ITIM UK	Electronic commerce services
<i>Other investments</i>			
MBA Direct Limited	England and Wales	15.1%	Internet based recruitment service
Pacific Knowledge Platform Inc	Singapore	10.83%	Electronic commerce services

12. ACQUISITIONS / DISPOSALS

eProsper Limited

In March 2002 the Group's wholly owned subsidiary, ITIM UK Limited, acquired a 100% interest in the equity share capital of eProsper Limited.

Analysis of the acquisition of eProsper Limited:

Net assets at date of acquisition:

	<i>Book value</i>	<i>Adjustment to remove Director Loans</i>	<i>Fair value to group</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Tangible fixed assets	16	-	16
Debtors	30	-	30
Cash	3	-	3
Creditors due within one year	(37)	17	(20)
Net assets	12	17	29
Net assets acquired			29
Negative goodwill arising on acquisition			(3)
Cost of acquisition			26
Cash consideration			26

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

12. ACQUISITIONS / DISPOSALS (continued)

Zygon Systems Limited

On 13 December 2002 the Group acquired 100% of the equity share capital of Zygon Systems Limited.

	<i>Book value £000</i>	<i>Adjustments £000</i>	<i>Fair value to group £000</i>
Tangible fixed assets	174	-	174
Debtors	622	-	622
Cash	1,554	-	1,554
Creditors due within one year	(343)	-	(343)
Creditors due after more than 1 year	(70)	-	(70)
Pre-acquisition trading adjustment	-	(214)	(214)
Net assets	<u>1,937</u>	<u>(214)</u>	1,723
Goodwill arising on acquisition			2,611
Cost of acquisition			<u>4,334</u>
Discharged by:			
Fair value of equity consideration (3,780,000 ordinary 10p shares)			4,300
Other costs of acquisition			
Legal fees			23
Issue cost			11
Cost of acquisition			<u>4,334</u>

ITIM Associates Inc

On 28 November 2002 the group disposed of 24% of its interest in ITIM Associates Inc. On 31 December 2002 the group disposed of its remaining 76% interest in ITIM Associates Inc.

	<i>Book value £000</i>	<i>Adjustment for Inter- company balances £000</i>	<i>Fair value to group £000</i>
Tangible fixed assets	9	-	9
Debtors	15	-	15
Bank Borrowings	(76)	-	(76)
Creditors due within one year	(41)	19	(22)
Net liabilities	<u>(93)</u>	<u>19</u>	(74)
Costs of disposal			32
Profit on disposal			<u>42</u>

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

13. DEBTORS

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£000	£000	£000	£000
Due within one year:				
Trade debtors	1,047	2,056	-	-
Amounts due from subsidiary companies	-	-	1,268	1,812
Other debtors	87	508	48	85
Prepayments and accrued income	254	134	8	3
Corporation Tax	641	-	123	-
	<u>2,029</u>	<u>2,698</u>	<u>1,447</u>	<u>1,900</u>

14. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£000	£000	£000	£000
Bank overdraft	408	729	-	1
Amounts due to subsidiary companies	-	-	1,054	108
Obligations under finance leases	39	112	21	69
Trade creditors	576	468	2	20
Other taxes and social security costs	322	314	-	-
Accruals and deferred income	834	945	61	12
Other creditors	301	62	109	19
	<u>2,480</u>	<u>2,630</u>	<u>1,247</u>	<u>229</u>

15. CREDITORS: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£000	£000	£000	£000
<i>Secured</i>				
Bank loan	8	132	-	-
Convertible loan notes 2005	-	1,059	-	1,059
Obligations under finance leases	13	52	5	27
<i>Unsecured</i>				
Deferred consideration	-	100	-	100
Other creditors	354	205	100	100
	<u>375</u>	<u>1,548</u>	<u>105</u>	<u>1,286</u>

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

15. CREDITORS (continued)

Secured

The bank loan and overdraft are secured by 40% of the debtors under 90 days, plus a guarantee from Mr Ali Athar, limited to a maximum of £400,000.

The convertible loan notes and associated interest have been converted into 1,840,000 ordinary shares on 11 December 2002.

Unsecured

The deferred consideration relating to the acquisition of Blueprint Electronic Commerce Limited was settled in 2002.

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2002 £000	2001 £000
Amounts payable:		
Within one year	44	123
In two to five years	14	57
	<u>58</u>	<u>180</u>
Less finance charges allocated to future periods	6	16
	<u>52</u>	<u>164</u>

Finance leases and hire purchase contracts are analysed as follows:

	2002 £000	2001 £000
Current obligations (note 14)	39	112
Non-current obligations (note 15)	13	52
	<u>52</u>	<u>164</u>

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS (continued)

<i>Company</i>	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
Within one year	24	76
In two to five years	6	30
	<u>30</u>	<u>106</u>
Less finance charges allocated to future periods	4	10
	<u>26</u>	<u>96</u>

Finance leases and hire purchase contracts are analysed as follows:

	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Current obligations (note 14)	21	69
Non-current obligations (note 15)	5	27
	<u>26</u>	<u>96</u>

17. SHARE CAPITAL

	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Authorised:		
8,000,000 "A" ordinary shares of 10p each	-	800
1,500,000 "B" ordinary shares of 10p each	-	150
850,000 "C" ordinary shares of 10p each	-	85
50,000 "D" ordinary shares of 10p each	-	5
14,000,000 ordinary shares of 10p each	1,400	-
	<u>1,400</u>	<u>1,040</u>
Allotted, called up and fully paid:		
5,493,583 "A" ordinary shares of 10p each	-	549
1,039,305 "B" ordinary shares of 10p each	-	104
681,984 "C" ordinary shares of 10p each	-	68
49,369 "D" ordinary shares of 10p each	-	5
12,890,000 ordinary shares of 10p each	1,289	-
	<u>1,289</u>	<u>726</u>

During the year, the authorised share capital was altered. The "A", "B", "C" and "D" class ordinary 10p shares were redesignated as ordinary 10p shares. Then the authorised share capital of the company was increased to 14,000,000 shares with the creation of 3,600,000 ordinary shares of 10p each.

During the year the convertible loan notes and associated interest were converted into 1,840,000 ordinary 10p shares at 65 pence per share. Issue costs of £5,000 were incurred. In association with the acquisition of Zygon Systems Limited 3,780,000 ordinary 10p shares were issued on 13 December 2002 at 114 pence per share. Issue costs of £11,000 were incurred.

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

17. SHARE CAPITAL (continued)

At 31 December 2002 the total options outstanding were as follows:

Issued in:	1997	45,320 at £1.00 per option
	1998	92,648 at £1.50 per option
	1999	91,674 at £3.00 per option
	2000	272,100 at £3.00 per option

The options are exercisable between 3 and 7 years from the date of issue and were issued at market value.

18. SHARE PREMIUM ACCOUNT

	<i>£000</i>
1 January 2002	4,988
Arising on share issues	4,927
	<hr/>
At 31 December 2002	9,915
	<hr/> <hr/>

19. PROFIT AND LOSS ACCOUNT

	<i>Group</i>	<i>Company</i>
	<i>2002</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
At 1 January 2002	(3,144)	(1,548)
Loss for the financial year	(1,428)	(1,714)
Foreign exchange movement	(10)	-
	<hr/>	<hr/>
At 31 December 2002	(4,582)	(3,262)
	<hr/> <hr/>	<hr/> <hr/>

The company has taken advantage of the exemption conferred by section 230 of the Companies Act 1985 in not publishing its own profit and loss account. The company made a loss of £1,714,000 in the year to 31 December 2002 (2001 - loss £589,000).

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

20. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to cash inflow/(outflow) from operating activities

	2002 £000	2001 £000
Operating loss	(1,455)	(681)
Depreciation charges	434	322
Amortisation of intangible assets	178	164
Profit on sale of tangible fixed assets	(5)	(6)
Profit on deemed disposal	(169)	(119)
Profit on disposal	(42)	-
Movement in debtors	745	(398)
Movement in creditors	319	284
Other non-cash items including movements on provisions	-	(26)
Cash inflow/(outflow) from operating activities	<u>5</u>	<u>(460)</u>

(b) Analysis of net (debt) / funds

	<i>At 1 January 2001 £000</i>	<i>Cash flow £000</i>	<i>Non- Cash Movement £000</i>	<i>At 31 December 2002 £000</i>
Cash at bank	316	1,185	-	1,501
Overdraft	(729)	321	-	(408)
Total Cash	<u>(413)</u>	<u>1,506</u>	<u>-</u>	<u>1,093</u>
Finance lease obligations	(164)	236	(124)	(52)
Bank loans non-current	(132)	124	-	(8)
Notes payable	(1,059)	-	1,059	-
	<u>(1,768)</u>	<u>1,854</u>	<u>935</u>	<u>1,033</u>

During the year the convertible loan notes and associated interest were converted into 1,840,000 ordinary 10p shares at 65 pence per share.

21. MINORITY INTERESTS

The equity minority interests represent a holding of 22.5% of the ordinary shares in Open Destinations Limited.

22. CAPITAL COMMITMENTS

The company had no material capital commitments at year-end.

23. PENSION COMMITMENTS

The company and group make contributions to individual pension schemes (money purchase). The amount paid during the year was £165,000 (2001 - £183,000).

ITIM Group Limited (formerly ITIM Group plc)

NOTES TO THE ACCOUNTS

at 31 December 2002

24. **COMMITMENTS UNDER OPERATING LEASES**

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

<i>Group</i>	<i>Land and buildings</i>		<i>Other</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	65	25	2	5
In two to five years	416	223	10	12
In over five years	19	19	-	-
	<u>500</u>	<u>267</u>	<u>12</u>	<u>17</u>

25. **REORGANISATION COSTS**

The Group incurred one off re-organisation costs relating to the integration of Zygon Systems Limited into the group.

26. **RELATED PARTY TRANSACTIONS**

M A Athar, a director of the company, is also a director of Casewise Limited and his trust has a 20% interest in the ordinary share capital of that company. Casewise Limited is a supplier to ITIM Group Limited. All transactions with Casewise Limited were conducted on normal trading terms.

27. **CONTINGENT LIABILITY**

The company has guaranteed the bank overdraft of a subsidiary undertaking to the extent of £400,000 of which £165,000 was utilised as at 31 December 2002 (2001: £348,000).