Qonnectis Plc (formerly IP Holdings Plc) and Subsidiary Undertakings

Company Registration No. 3923150 (England and Wales)

Annual report

For the year ended 30 September 2003

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

DIRECTORS AND ADVISERS

Directors	CP Duggan	(Resigned 26 February 2004)
	R M Taylor	(Appointed 19 August 2003)
	M A Tapia	(Appointed 17 April 2003)
Secretary	RA Macdonald Watson	
Company number	3923150	
Registered office	85 Elsenham Street London SW18 5NX	
Registered auditors	Mazars Clifton Down House Beaufort Buildings Clifton Bristol BS8 4AN	
Bankers	HSBC 2 London Road Twickenham TW1 3RY	
	Allied Irish Bank Sovereign House 361 Kings Street Hammersmith London W6 9NA	
Solicitors	Paul Davidson Taylor Citygate Business Centre Southampton Street Reading Berkshire RG1 2QW	

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

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QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

I was appointed Chairman of the Company on 19th August 2003. This report, which covers the 12 month period to 30th September 2003, has seen a number of very significant changes to the Company.

Early in the year the then Directors of IP Holdings plc (formerly WebOrator plc) realized that to make progress new product lines were needed. Accordingly, in April this strategy was implemented by the successful acquisition of Qonnectis Group Ltd, a company specializing in the provision of technology and services for data communications to and from remote devices, such as for utility meter reading. This also brought into the group as Technologies Director the founder of Qonnectis, Michael Tapia. Following a review of the potential of the original WebOrator offering, a decision was made in July to concentrate on those products and services which had been acquired with Qonnectis Group Ltd. At the same time the two original Executive Directors left the business to devote their time to assisting other companies. To complete this change of focus Michael Tapia became CEO and the Board invited me to become Chairman. This ensured that for the first time there was a division of roles between Chairman and CEO and utilized my prior knowledge of the Qonnectis solution as it had been developed, together with my experience of running companies in the public domain. As the final part of the restructuring of the Company, on the 26th February 2004, Mr Christopher Duggan resigned from the Board.

The duplication of offices was eliminated with the closure of the WebOrator office in Windsor, and improvements made to the financial reporting and management of the combined group, which was renamed as Qonnectis plc.

The turnover for the year largely arose from activities preceding the new strategy outlined above. The loss for the year includes the results of the decision taken when announcing the 9 month results to June to provide fully against the remaining goodwill that had arisen on the original development of WebOrator, which as reported at the interim stage amounted to GBP1,480,000. A further GBP650,000 of the loss reported for the year relates to the expenditure incurred on the WebOrator business and the acquisition activity.

With the focus of the Company on Qonnectis, we set about implementing our plans for that business in its target markets of utility meter reading and automation, energy management and conservation and environmental protection. In July we indicated that part of the future strategy was to make arrangements for the products to be sold and serviced in new territories. The first stage of this has been achieved by the appointment of partners already experienced in our customer sector in Hong Kong and South Africa to add to those already working on sales in Ireland and France. A limited number of further partners are currently being considered.

In December 2003 the Company won its first order for Macao Water, a utility part-owned by Suez Ondeo. Suez Ondeo/Lyonnaise des Eaux had previously been trialing the Qonnectis System in France and is one of the world's largest water services businesses. The functionality provided by Qonnectis enables Macao Water meter data to be connected globally and then published on line in the local language.

The buying cycle for the Qonnectis solution is typically started with a trial for a small number of units to enable the customer to become comfortable with actual functionality against that claimed and to ensure that customer care is of a high order. Success here then should lead to orders of increasing size. The lead time between the first and second stages can be highly variable as with the introduction of any new technologies, despite the often overwhelming economic case for rapid deployment.

CHAIRMAN'S REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2003

We currently have trials based in the UK and internationally including the following; Scottish Water, Vivendi Generale des Eaux, the NHS, the Ministry of Defence, Iceland Supermarkets, another national supermarket chain, Leeds City Council, Johannesburg Water, and Cork County Council. We are confident of sufficient conversions from trial to order to meet our targets. During this time funding will be required to support the sales effort and to ensure exemplary customer care to maximize the chance of success.

In September 2003 we announced that GHW Group plc had agreed to invest GBP300,000 in the share capital of Company by the subscription for 300,000 new B Ordinary Shares of GBP1 each carrying restricted rights. On 10th February 2004 the Company issued these shares following the receipt of the agreed staged payments from GHW between August 2003 and January 2004.

I am also pleased to confirm that on 26 February 2004 the Company entered into an additional agreement with GHW Group plc for that company to subscribe for up to 4,285,716 new ordinary shares at a price of 7p per shares. This would provide an additional £300,000 of working capital to continue the development of the Company's business. The agreement is conditional upon the passing of the resolutions being circulated with the printed accounts. The Company's development plans will require further funding in addition to this, which it is anticipated will be necessary later in the year.

In the meantime, the Company will continue its focus on the conversion of trials and other sales prospects to long term customers through first class products and customer care, the generation of new sales opportunities, and its programme of trade exhibitions, at which it recently won two industry awards.

Enclosed with the Annual Accounts is the Notice of AGM and Proxy Form. Resolutions Nos. 5 and 6 enable allotment of Ordinary Shares at any price which exceeds 1p. As indicated earlier GHW Group plc will be subscribing for New Ordinary Shares at 7p. Resolutions Nos. 7 and 8 will permit the Directors to allot shares without the expense of convening an EGM. Although the Directors have no immediate intention of using this power, it will give them the flexibility to do so. Resolution No. 9 is necessary to tidy up the Articles of Association in connection with Resolutions Nos. 5 and 6. Following the AGM it is the intention of the Company to introduce a share option scheme. This will be designed to enable all those actively involved in the development and success of your Company to be incentivised and to participate in increasing shareholder value.

RM Taylor

R M Taylor
26 February 2004

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

The directors present their report and financial statements for the year ended 30 September 2003.

Directors
The following directors have held office since 1 October 2002:

TM Money	(Resigned 23 July 2003)
RM Shears	(Resigned 23 July 2003)
CP Duggan	(Resigned 26 February 2004)
R M Taylor	(Appointed 19 August 2003)
M A Tapia	(Appointed 17 April 2003)

M Tapia has acted as Company chairman during the financial year

Principal activities and review of the business
During the year the principle activities of the Group changed to the research, development and provision of an integrated solution for remote data communications to established businesses, such as energy and water utilities.

During April 2003, I P Holdings Plc acquired the Qonnectis Group Limited. This group was made up of three companies; Qonnectis Group Limied, Now! Networks Limited and Qonnectis Technologies Limited. The Group was acquired with the issue of 39,625,000 shares. During the year a further 687,000 shares were issued to raise additional finance for the group.

Results and dividends
The consolidated profit and loss account for the year is set out on page 7.

Post balance sheet events
On the 7 October 2003, following the passing of a special resolution at an extraordinary general meeting of the company, the company's name was changed from IP Holdings Plc to Qonnectis Plc.

Going concern
The Company is dependent on obtaining further finance in order to meet its liabilities as they fall due. The Company has made an arrangement with GHW plc to inject cash to provide for 6 months activity at the current rate of activity, subject to a review on progress after 3 months. Following this period the Company anticipates raising further funds either through an offer to the public or through private investment or both. The accounts have been prepared on a going concern basis on the assumption that this strategy will be successful. If this assumption proves to be incorrect, adjustments would have to be made to reduce the value of the assets to their recoverable amount, to provide for any further liabilities which might arise and to reclassify fixed assets.

Directors' interests
The directors' interests in the shares of the company and other group companies were as stated below:

Qonnectis Plc (Formerly known as I P Holdings Plc)

	Ordinary shares of 10p each	
	30 September 2003	1 October 2002
CP Duggan	658,000	658,000
R M Taylor	1,450,403	-
M A Tapia	19,413,082	-

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2003

The directors had no interest in any other group company.

Creditor payment policy
The Group's current policy concerning the payment of trade creditors is to:
- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Group's contractual and other legal obligations.

Auditors
Hacker Young resigned as auditors during the year and Mazars were appointed. In accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

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 of the 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;
-state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
-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 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.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by OFEX.

On behalf of the board

M A Tapia
Director
26 February 2004

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

We have audited the financial statements of Qonnectis Plc (formerly IP Holdings Plc) and Subsidiary Undertakings on pages 7 to 23 for the year ended 30 September 2003. These financial statements have been prepared under the historical cost convention and 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 auditor's 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 on page 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and 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.

Fundamental uncertainty
In forming our opinion, we have considered the disclosures made in note 1 of the financial statements concerning the basis of preparation. The Company is dependent on obtaining further finance in order to meet its liabilities as they fall due. The Company has made an arrangement with GHW plc to inject cash to provide for 6 months activity at the current rate of activity, subject to a review on progress after 3 months. Following this period the Company anticipates raising further funds either through an offer to the public or through private investment or both. The accounts have been prepared on a going concern basis on the assumption that this strategy will be successful. If this assumption proves to be incorrect, adjustments would have to be made to reduce the value of the assets to their recoverable amount, to provide for any further liabilities which might arise and to reclassify fixed assets. Our opinion is not qualified in this respect.

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 30 September 2003 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars

Mazars
Chartered Accountants
Registered Auditors

8 March 2004
Clifton Down House
Beaufort Buildings
Clifton
Bristol BS8 4AN

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Notes	Year ended 30 September 2003 £	6 Months ended 30 September 2002 £
Turnover	2	17,247	14,521
Cost of sales		(17,209)	(3,046)
Gross profit		38	11,475
Administrative expenses		(2,611,241)	(212,277)
Other operating income		4,371	-
Operating loss	3	(2,606,832)	(200,802)
Other interest receivable and similar income		1,902	826
Interest payable and similar charges	4	(16,856)	(2,632)
Loss on ordinary activities before taxation		(2,621,786)	(202,608)
Tax on loss on ordinary activities	6	(60,000)	80,000
Loss on ordinary activities after taxation		(2,681,786)	(122,608)
Loss per share	5	(4.39p)	(0.32p)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

BALANCE SHEETS
AS AT 30 SEPTEMBER 2003

		Group		Company	
		2003	2002	2003	2002
	Notes	£	£	£	£
Fixed assets					
Intangible assets	8	4,100,959	1,521,557	-	-
Tangible assets	9	7,298	18,398	-	-
Investments	10	-	-	3,962,500	1,644,999
		4,108,257	1,539,955	3,962,500	1,644,999
Current assets					
Debtors	12	40,837	148,240	1,854,735	1,149,732
Cash at bank and in hand		78,196	90,322	60,585	61,406
		119,033	238,562	1,915,320	1,211,138
Creditors: amounts falling due within one year	13	(395,571)	(55,512)	(128,290)	(10,694)
Net current (liabilities)/assets		(276,538)	183,050	1,787,030	1,200,444
Total assets less current liabilities		3,831,719	1,723,005	5,749,530	2,845,443
Creditors: amounts falling due after more than one year	14	(141,000)	-	-	-
		3,690,719	1,723,005	5,749,530	2,845,443
Capital and reserves					
Called up share capital	15	8,627,882	3,978,382	8,627,882	3,978,382
Share premium account	16	584,573	584,573	584,573	584,573
Profit and loss account	16	(5,521,736)	(2,839,950)	(3,462,925)	(1,717,512)
Shareholders' funds - equity interests	17	3,690,719	1,723,005	5,749,530	2,845,443

The financial statements were approved by the board on 26 February 2004

M A Tapia
Director

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Year ended 30 September 2003		6 Months ended 30 September 2002	
	£	£	£	£
Net cash outflow from operating activities		(652,421)		(142,068)
Returns on investments and servicing of finance				
Interest received	1,902		826	
Interest paid	(16,856)		(2,632)	
Net cash outflow for returns on investments and servicing of finance		(14,954)		(1,806)
Acquisitions and disposals				
Purchase of subsidiary undertakings (net of cash acquired)	(182,987)		-	
Net cash inflow/(outflow) for acquisitions and disposals		(182,987)		-
Net cash outflow before management of liquid resources and financing		(850,362)		(143,874)
Financing				
Issue of ordinary share capital	687,000		219,260	
New long term bank loan	180,000		-	
Repayment of long term bank loan	(3,000)		-	
Capital element of hire purchase contracts	(1,104)		(6,439)	
Net cash inflow from financing		862,896		212,821
Increase in cash in the year		12,534		68,947

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

1	**Reconciliation of operating loss to net cash outflow from operating activities**	2003	2002
		£	£
	Operating loss	(2,606,832)	(200,802)
	Depreciation of tangible assets	23,842	9,533
	Amortisation of intangible assets	1,617,741	41,124
	Decrease/(increase) in debtors	132,538	90,353
	Increase in creditors within one year	180,290	(2,276)
	Net cash outflow from operating activities	(652,421)	(62,068)

2	**Analysis of net (debt)/funds**	1 October 2002	Cash flow	Other non-cash changes	30 September 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	90,322	(12,126)	-	78,196
	Bank overdrafts	(24,660)	24,660	-	-
		65,662	12,534	-	78,196
	Finance leases	(1,104)	1,104	-	-
	Debts falling due within one year	-	(36,000)	-	(36,000)
	Debts falling due after one year	-	(141,000)	-	(141,000)
		(1,104)	(175,896)	-	(177,000)
	Net funds/(debt)	64,558	(163,362)	-	(98,804)

3	**Reconciliation of net cash flow to movement in net debt**	2003	2002
		£	£
	Increase in cash in the year	12,534	68,947
	Cash inflow from increase in debt	(175,896)	6,441
	Movement in net (debt)/funds in the year	(163,362)	75,388
	Opening net funds	64,558	(10,830)
	Closing net (debt)/funds	(98,804)	64,558

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

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1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The Company is dependent on obtaining further finance in order to meet its liabilities as they fall due. The Company has made an arrangement with GHW plc to inject cash to provide for 6 months activity at the current rate of activity, subject to a review on progress after 3 months. Following this period the Company anticipates raising further funds either through an offer to the public or through private investment or both. The accounts have been prepared on a going concern basis on the assumption that this strategy will be successful. If this assumption proves to be incorrect, adjustments would have to be made to reduce the value of the assets to their recoverable amount, to provide for any further liabilities which might arise and to reclassify fixed assets.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 September 2003. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.5 Goodwill

Goodwill may arise on acquisition of subsidiary undertakings. Goodwill represents the excess of costs over fair value of group assets aquired. In accordance with Financial Reporting Standard 10 such goodwill is capitalised as an intangible asset and amortised by equal installments against profits over expected life. The expected life normally is 20 years. Where the directors consider an impairment in goodwill is appropriate provision will be made for such an impairment.

1.6 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Development Tools and Equipment	25% straight line
Plant and machinery	33% straight line
Fixtures, fittings & equipment	33% Straight line

1 Accounting policies (continued)

1.8 Leasing

Assets held under finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.9 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.10 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.11 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

	2003	2002
	£	£
Operating loss is stated after charging:		
Depreciation of intangible assets	1,617,741	41,124
Depreciation of tangible assets	23,842	9,533
Research and development	6,405	-
Operating lease rentals	23,406	9,236
Auditors' remuneration (company £3,000; 2002: £3,000)	10,100	3,000
Remuneration of auditors for non-audit work	31,196	1,000

The depreciation of intangible assets includes £1,480,433 relating to the full write down of Goodwill in the year for WebOrator.

The company is confident that the auditor independence has not been compromised during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2003

4 Interest payable	2003	2002
	£	£
On bank loans and overdrafts	4,308	70
Lease finance charges	-	238
On overdue tax	10,923	2,324
Other interest	1,625	-
	16,856	2,632

5 Loss per share

The loss per share is based on the consolidated loss after tax for the year of £2,681,786 and on 61,154,895 ordinary shares being the weighted average number of shares in issue during the year (30 September 2002: based on loss after tax for the period of £122,608 and on 38,814,307 ordinary shares being the weighted average number of shares in issue in the period)

6 Taxation	2003	2002
	£	£
Domestic current year tax		
U.K. corporation tax	-	(80,000)
Adjustment for prior years	60,000	-
Current tax charge	60,000	(80,000)
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(2,621,786)	(202,608)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2002: 19.00%)	(498,139)	(38,496)
Effects of:		
Non deductible expenses	62,750	12,170
Depreciation add back	318,377	1,552
Capital allowances	(1,409)	-
Tax losses	118,421	157
Other tax adjustments	60,000	(55,383)
	558,139	(41,504)
Current tax charge	60,000	(80,000)

The company has losses available for carry forward against future trading profits.

7 Loss for the financial year

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows:

	2003	2002
	£	£
Holding company's loss for the financial year	(1,745,413)	(18,359)

8 Intangible fixed assets
Group

	Goodwill
	£
Cost	
At 1 October 2002	3,289,858
Additions	4,197,143
At 30 September 2003	7,487,001
Amortisation	
At 1 October 2002	1,768,301
Charge for the year	1,617,741
At 30 September 2003	3,386,042
Net book value	
At 30 September 2003	4,100,959
At 30 September 2002	1,521,557

Goodwill represents the amount by which the cost of the acquired subsidiary undertaking exceeded the aggregate fair values of its identifiable assets and liabilities.

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2003

9 Tangible fixed assets
Group

	Development Tools and Equipment	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 October 2002	-	-	57,775	57,775
Additions on acquisition	1,790	10,696	256	12,742
At 30 September 2003	1,790	10,696	58,031	70,517
Depreciation				
At 1 October 2002	-	-	39,377	39,377
Charge for the year	1,422	3,914	18,506	23,842
At 30 September 2003	1,422	3,914	57,883	63,219
Net book value				
At 30 September 2003	368	6,782	148	7,298
At 30 September 2002	-	-	18,398	18,398

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
Net book values			
At 30 September 2003	-	-	-
At 30 September 2002	11,867	-	11,867
Depreciation charge for the year			
30 September 2003	-	-	-
30 September 2002	4,974	-	4,974

10 Fixed asset investments

Company

	Shares in group undertakings £
Cost	
At 1 October 2002	1,644,999
Additions	3,962,500
Revaluation	(1,644,999)
At 30 September 2003	3,962,500
At 30 September 2002	1,644,999

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	**%**
Subsidiary undertakings			
Now! Networks Limited	England and Wales	Ordinary	100
Qonnectis Technologies Limited	England and Wales	Ordinary	100
Qonnectis Group Limited	England and Wales	Ordinary	100
WebOrator.Com Limited	England and Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Now! Networks Limited	The development and marketing of electronic and information technology
Qonnectis Technologies Limited	Dormant
Qonnectis Group Limited	Business to business internet service
WebOrator.Com Limited	Business to business internet service

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2003

11 Acquisitions

During April 2003 the company acquired the whole of the issued share capital of Qonnectis Group Limited for a total consideration of £3,962,500. The consideration was satisifed by the issue of 39,625,000 ordinary shares of 10p each. The group has used the acquisition accounting method to account for the purchase.

The assets and liabilities of Qonnectis Group Limited are set out below:

Tangible Fixed assets		12,742
Current assets		
Debtors	85,136	
Current liabilities		
Creditors	149,534	
Bank loans and overdrafts	182,987	
Net liabilities		(234,643)
Goodwill		4,197,143
		3,962,500
Satisfied by:		
Shares allotted		3,962,500

At the date of acquisition Now!Networks Limited, the main trading company of Qonnectis Group Limited had made a loss to date of £126,350. In the previous year this company had a loss of £317,941. The year end for this company was 30 September 2002.

12 Debtors

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts owed by group undertakings	-	-	1,854,735	1,086,928
Corporation tax	20,000	80,000	-	-
Called up share capital not paid	110	-	-	-
Other debtors	18,437	229	-	-
Prepayments and accrued income	2,290	68,011	-	62,804
	40,837	148,240	1,854,735	1,149,732

QONNECTIS PLC (FORMERLY IP HOLDINGS PLC) AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2003

13 Creditors : amounts falling due within one year

	Group 2003 £	2002 £	Company 2003 £	2002 £
Bank loans and overdrafts	36,000	24,660	-	-
Net obligations under finance lease and hire purchase contracts	-	1,104	-	-
Trade creditors	139,370	2,087	-	9,194
Taxes and social security costs	20,824	4,728	-	-
Directors current accounts	15,433	15,433	-	-
Other creditors	24,735	-	-	-
Accruals and deferred income	159,209	7,500	128,290	1,500
	395,571	55,512	128,290	10,694

The directors have no current intention of calling further loan accounts to be repaid. M Tapia has waived his right to £38,000 of emoluments.

Net obligations under finance leases and hire purchase contracts				
Repayable within one year	-	1,104	-	-
Finance charges and interest allocated to future accounting periods	-	-	-	-
	-	1,104	-	-

14 Creditors : amounts falling due after more than one year

	Group 2003 £	2002 £	Company 2003 £	2002 £
Other loans	141,000	-	-	-
Analysis of loans				
Wholly repayable within five years	177,000	-	-	-
Included in current liabilities	(36,000)	-	-	-
	141,000	-	-	-
Loan maturity analysis				
In more than one year but not more than two years	36,000	-	-	-
In more than two years but not more than five years	105,000	-	-	-

15 Share capital

	2003 £	2002 £
Authorised		
100,000,000 Ordinary shares of 10p each	10,000,000	10,000,000
Allotted, called up and fully paid		
86,278,820 Ordinary shares of 10p each	8,627,882	3,978,382

On the 4 April and the 9 May 2003 the group issued 5,340,500 and 1,529,500 Ordinary shares of 10p each. These were allotted and fully paid at par for cash consideration to provide additional working capital.

On 26 February 2003 39,625,001 Ordinary shares of 10p each were allotted and fully paid at par.

16 Statement of movements on reserves

Group

	Share premium account £	Profit and loss account £
Balance at 1 October 2002	584,573	(2,839,950)
Retained loss for the year	-	(2,681,786)
Balance at 30 September 2003	584,573	(5,521,736)

Company

	Share premium account £	Profit and loss account £
Balance at 1 October 2002	584,573	(1,717,512)
Retained loss for the year	-	(1,745,413)
Balance at 30 September 2003	584,573	(3,462,925)

17 Reconciliation of movements in shareholders' funds

Group

	2003 £	2002 £
Loss for the financial year	(2,681,786)	(122,608)
Proceeds from issue of shares	4,649,500	219,260
Net addition to shareholders' funds	1,967,714	96,652
Opening shareholders' funds	1,723,005	1,626,353
Closing shareholders' funds	3,690,719	1,723,005

Company

	2003 £	2002 £
Loss for the financial year	(1,745,413)	(18,359)
Proceeds from issue of shares	4,649,500	219,260
Net addition to shareholders' funds	2,904,087	200,901
Opening shareholders' funds	2,845,443	2,644,542
Closing shareholders' funds	5,749,530	2,845,443

18 Financial commitments

At 30 September 2003 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2003	**2002**
	£	**£**
Expiry date:		
Between two and five years	-	14,400

19 Directors' emoluments

	2003	**2002**
	£	**£**
Emoluments for qualifying services	131,664	71,665

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	**2002 Number**
Management	3	3
Consultants	6	5
	9	8

Employment costs

	£	**£**
Wages and salaries	189,754	90,936
Social security costs	28,901	9,308
	218,655	100,244

21 Related party transactions

Group

During the year the group paid £12,000 (2002 : £9,465) relating to accountancy and business advisory services to CMR Accountancy and Taxation Services Limited, which is a company under the common control of one of the directors during the year, Mr C P Duggan.

22 Post Balance Sheet Events

Group

On the 10 February 2004 the company issued 300,000 'B' Ordinary shares of £1 each to GHW Plc at a price of £1 per share. The 300,000 was raised in various tranches between August 2003 and February 2004.

On 26 February 2004 the company entered into an additional agreement with GHW Group Plc for that company to subscribe for up to 4,285,716 ordinary shares at a price of 7p per share. This would provide the company with with an additional £300,000 of working capital.

On the 7 October 2003, following the passing of a special resolution at an extraordinary general meeting of the company, the company's name was changed from IP Holdings Plc to Qonnectis Plc.