

**e-xentric PLC**

**Report and Financial Statements**

**Year Ended**

**31 January 2002**



LD4 \*LC6303MR\* 0035  
COMPANIES HOUSE 13/06/02

**BDO**  
BDO Stoy Hayward  
Chartered Accountants

## **e-xentric PLC**

### **Annual report and financial statements for the year ended 31 January 2002**

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##### **Directors**

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#### **Directors**

W A McIntosh\*  
C C Nasser \*  
H E M Osmond\*  
E A C Spencer-Churchill \*  
D J B Taylor\*  
T D Woodcock

\* Non Executive

#### **Secretary and registered office**

T D Woodcock, 54 Baker Street, London, W1U 7DA.

#### **Nominated broker and nominated adviser**

Brewin Dolphin, 36 St Ann Street, Manchester, M60 2EP.

#### **Company number**

3214950

#### **Auditors**

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

#### **Registrars**

Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA.

## **e-xentric PLC**

### **Chairman's statement**

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#### **Year end results**

The audited results of e-xentric PLC for the year to 31 January 2002 show a profit before tax of £1,679,000 (2001 - loss £2,939,000). The profit is stated after accounting for interest income of £1,961,000 (2001 - £2,067,000).

#### **Current status**

The company continues to generate substantial interest income, albeit at levels lower than last year due to a fall in interest rates over the past 12 months. The company has minimal expenses although these will increase in the coming year because of the termination of the advantageous office occupancy arrangement in November 2001. As a result, the company has had to relocate and has incurred some office set up costs which have been capitalised.

Following the disposal of e-xentric (UK) Ltd in December 2000, the company is obliged to change its name at the forthcoming AGM. A resolution will be put to shareholders to change the name of the company to Capital Management Investment PLC.

Progress continues to be made to resolve the litigation issue in France, referred to as a contingent liability in Note 18 of the accounts. The company has filed a robust defence and the hearing is expected to take place in Summer 2002.

The directors have explored a number of investment opportunities and have had wide ranging discussions with potentially attractive businesses. None of these, however, have proved to be sufficiently compelling to enable the directors to make a positive recommendation to shareholders.

e-xentric currently has cash reserves of approximately £41m. The directors are actively exploring methods of maximising shareholder value and remain confident that a value enhancing deal opportunity will arise in the future.

#### **Capital Reduction**

Due mainly to losses reflecting adverse trading by former subsidiaries of the company prior to their disposal, a deficit has accumulated on the company's profit and loss account. The company must eliminate this deficit, which at 31 January 2002, amounted to £2,757,708, in order to pay dividends in the future.

On 26 March 1999 each of the ordinary shares of 10p each in the capital of the company was subdivided into one ordinary share of 1p and one Deferred Share of 9p in order to enable further ordinary shares to be issued for cash by the company at a subscription price below the original nominal value of 10p. The Deferred Shares are not admitted to trading on AIM, are not listed and the rights attaching to them are such that they are effectively valueless.

On 11 May 2000 special resolutions were passed at an AGM of the company to reduce its share capital by cancelling and extinguishing the Deferred Shares, to reduce its share premium account by £740,000 and to make consequential amendments to the articles of association of the Company. As a result of the acquisition of MCA Holdings, which was approved by the company at the same time at the AGM, the focus of management time was the integration of the new business and your directors thought it best to await the outcome of that process before making the application to the High Court. Given the lapse of time the company wishes to revoke the previous resolutions and put new proposals before the shareholders. Special Resolution 5 is proposed to revoke those resolutions.

As at 31 January 2002, the Company had an accumulated deficit on its profit and loss account of £2,757,708. Proposed special resolution 6 seeks to cancel and extinguish the existing Deferred Shares and to reduce the share premium account of the Company by £1,859,076.

In order for the proposed reduction of the capital and share premium account to take effect, the confirmation of the High Court is required. The Court will be concerned to protect the interest of creditors of the Company in connection with the proposed cancellation and reduction and may require the Company to undertake to the Court to credit to a special reserve the profits of the Company earned up to the date on which the cancellation of the Deferred Share become effective (the "**effective date**"). The sums credited to the special reserve will remain undistributable until such time as all creditors as at the effective date shall either have been paid or consented to a distribution. The Company intends to give the Court such undertakings as it may be advised are appropriate.

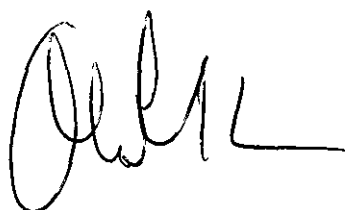
Following the cancellation of the Deferred Shares, the Company will have a single class of shares which are admitted to trading on AIM.

Special Resolution 7 is proposed in order to make amendments to the Articles of Association of the Company consequential to the reduction of capital.

### **Dividend**

The board is not recommending payment of a dividend for the period under review.

WA McIntosh  
**Chairman**



Date 25<sup>th</sup> April 2002

## **e-xentric PLC**

### **Directors**

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The board comprises:

#### **Alan McIntosh, CA Non-Executive Chairman**

Alan McIntosh has been involved with a number of private and public companies. He was Finance Director of Punch Group Limited, the largest independent pub group in the UK until August 2001, and remains a director of Wellington Pub Company PLC. He is also non-executive director of Topps Tiles PLC, the UK's largest tile retailer. He was appointed a director of e-xentric PLC in July 1997 and Chairman in September 1999. In December 2001 he founded Sun Capital Partners with Hugh Osmond.

#### **Hugh Osmond, Non-Executive Director**

Hugh Osmond has been involved with a number of public and private companies. He is chairman of Punch Group Limited and is a director of Wellington Pub Company PLC. Previously he was responsible for the reverse takeover of Star Computers by Pizza Express and served as a director of Pizza Express until 2001. He was appointed a director of e-xentric PLC in July 1996. In December 2001 he founded Sun Capital Partners with Alan McIntosh.

#### **Daniel Taylor, Non-Executive Director**

Dan Taylor was a vice president of First Boston Inc until 1989. He is the Chairman of e-Capital Investments PLC, an AIM listed investment company. He was appointed a director of e-xentric PLC in May 1997.

#### **Charles Nasser, Non-Executive Director**

Charles Nasser is Chief Executive and founder of ClaraNET. He formed the company in 1996 and in 5 years has built it into one of Europe's largest Internet Service Providers with operations in the UK, France, Germany, and Spain, connecting over 600,000 internet users and businesses. He was appointed as a director of e-xentric PLC in January 2000.

#### **Edward Spencer-Churchill, Non-Executive Director**

Edward Spencer-Churchill was previously a management consultant with Bain and Company and currently acts as a consultant to a number of companies both public and private. He was appointed as a director of e-xentric PLC in January 2000.

#### **Tim Woodcock, ACA Finance Director**

Tim Woodcock was appointed as Finance Director in October 1998. He qualified as a Chartered Accountant with Coopers and Lybrand and has been a director of a number of private companies in the retail and leisure sectors. He was Non-Executive Director of First Quench Retailing Limited, the Victoria Wine and Thresher off license chain, up until its sale to Nomura in October 2000.

## e-xentric PLC

### Report of the directors for the year ended 31 January 2002

The directors present their report together with the audited financial statements for the year ended 31 January 2002.

#### Results and dividends

The profit and loss account is set out on page 11 and shows the profit for the year. Further commentary is set out in the Chairman's statement.

The directors do not recommend the payment of a dividend.

#### Principal activities, trading review and future developments

The company's principal activity until 27 December 2000 was the provision of services to the e-commerce market. In 2001 the directors continued to seek further investment opportunities. A trading review and discussion of recent and future developments is given in the Chairman's statement.

#### Charitable and political contributions

During the year the company made no charitable or political contributions (2001 - £Nil).

#### Directors

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

	Percentage warrants at		Warrants at		Ordinary shares of 1p each	
	31.1.2002	31.1.2001	31.1. 2002	31.1.2001	31.1.2002	31.1.2001
H E M Osmond	-	-	-	-	7,352,555	7,352,555
W A McIntosh	-	-	-	-	4,388,480	4,388,480
C C Nasser	30	30	-	-	17,433,134	17,433,134
E A C Spencer-Churchill	20	20	800,000	800,000	7,506,467	7,506,467
D J B Taylor	10	10	-	-	3,177,707	3,143,223
T D Woodcock	-	-	900,000	900,000	1,120,000	1,120,000

One percentage warrant entitles the holder to subscribe for ordinary shares equivalent to one tenth of a per cent of the company's ordinary share capital at an exercise price of 2.25p per share. Subscription rights on these warrants expire on 31 December 2006.

The warrants entitle the warrant holder to subscribe for one ordinary share per warrant at a price of 2.5p per share. Subscription rights on these warrants expire on 31 December 2002.

Charles Nasser's interest includes 30 percentage warrants and 15,760,000 ordinary shares held by Bipolar Holdings Limited, a company owned by the Nasser family.

## e-xentric PLC

### Report of the directors for the year ended 31 January 2002 (*Continued*)

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#### Substantial equity shareholdings

As at 24 April 2002 the company has been notified by the following whose interests total 3% or more of the issued ordinary share capital of the company.

	Ordinary shares of 1p each	
	Number of of shares	Percentage
J P Morgan Fleming	23,692,767	10.2%
Vidacos Nominees Limited	18,758,624	8.1%
Bipolar Holdings Limited	15,760,000	6.8%
e-xentric PLC Employee Share Trust	15,000,000	6.4%
Scudder Threadneedle	10,327,030	4.4%
Chase Nominees Limited	10,158,500	4.4%
BNY (OCS) Nominees Limited	10,076,347	4.3%
Mid Ocean Securities Limited	9,802,617	4.2%
E A C Spencer-Churchill	7,506,467	3.2%
H E M Osmond	7,352,555	3.2%

The company's share price at 31 January 2002 was 14p. The high and low prices during the year were 16.25p and 11.5p respectively.

#### Payment to creditors

The company agrees a variety of terms and conditions for business transactions with its suppliers. Payment is made in accordance with those terms, subject to the terms and conditions being met by the supplier.

The number of days purchases of the company represented by trade creditors at 31 January 2002 was 62.

#### Corporate governance

The company is not listed on the London Stock Exchange, so it is not required to adopt the requirements of the Combined Code. Nevertheless, the board recognises that corporate governance is a key concern to shareholders and other users of financial statements. Accordingly, it is committed to high standards of corporate governance but it considers that the expense of full compliance with the Combined Code is not currently appropriate. However the board intends to ensure that it observes the provisions of the Code, so far as is practicable.

The necessity for full compliance with the provisions of the Combined Code will be reviewed by the Board if acquisitions are made during the forthcoming year.

There is no formal means of communication between the directors and the company's shareholders but directors will make themselves available to answer shareholders' questions.

If suitable businesses are acquired during the current financial period the board intends to put procedures in place in order to implement the guidance *Internal Control: Guidance for Directors on the Combined Code*.

**Report of the directors for the year ended 31 January 2002 (*Continued*)**

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**Corporate governance (*Continued*)**

*Directors*

The board consists of a chairman, Alan McIntosh, one executive director and four other independent non-executive directors. The board meets regularly and although it does not have a formal schedule of matters reserved to it for decision, all important business decisions are taken at board level and board meetings are structured.

Directors are authorised to take independent professional advice if necessary and at the company's expense. This is in addition to the access which every director has to the company secretary. The secretary is charged by the board with ensuring that board procedures are followed.

To enable the board to function effectively and directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of board meetings, this consists of a comprehensive set of papers, including monthly management accounts, minutes of the last board meeting and discussion documents regarding specific matters.

Any director appointed during the year is required, under the provisions of the company's Articles of Association, to retire and seek re-election by shareholders at the next annual general meeting. The Articles also require that one third of the directors retire by rotation each year and seek re-election at the annual general meeting. The directors required to retire are those in office longest since their previous re-election and this means that each director retires at least every three years.

Full details of directors' remuneration and a statement of the company's remuneration policy is set out in the report on remuneration and related matters on pages 7 to 8.

**Going concern**

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**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 profit or loss of the company 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 company will continue in business.



**e-xentric PLC**

**Report of the directors for the year ended 31 January 2002 (Continued)**

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**Directors' responsibilities (Continued)**

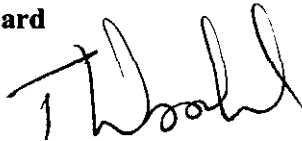
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**By order of the Board**

T D Woodcock



**Secretary**

Date      25 APR 2002

**Report on Remuneration and Related Matters**

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This report covers the remuneration of the Non-Executive as well as the Executive Directors. It therefore covers issues which are the concern of the Board as a whole in addition to those which are dealt with by the Remuneration Committee.

**The Remuneration Committee**

The Remuneration Committee reviews, determines and recommends to the Board for approval the remuneration of all Executive Directors. It has established a framework of policies within which it sets the remuneration package for each Executive Director. The Remuneration Committee is made up wholly of Non-Executive Directors in accordance with the Combined Code recommendation as follows:

H E M Osmond - Chairman  
D J B Taylor  
W A McIntosh

**Remuneration policies**

The objectives of the Remuneration Committee's policies are that Executive Directors should receive compensation which is appropriate to their scale of responsibility and performance, and which will attract, motivate and retain executives of the necessary calibre. The committee also proposes the principles underlying remuneration for other senior executives.

The remuneration package of T D Woodcock consists of annual salary, car allowance, reimbursement of reasonable mobile phone rental and call costs, contributions to a pension scheme and private medical insurance.

T D Woodcock is entitled to participate in the Company's Executive Share Option Scheme and to receive an annual cash bonus.

**Summary of remuneration**

**Salaries of Executive Directors**

In setting salary levels the committee compared the remuneration packages with those for jobs of similar type and seniority in relevant similar companies. In selecting appropriate survey comparators consideration was given to the level of managerial responsibility, size of company and industry sector.

**Bonuses**

Annual cash bonuses are currently based on targets linked to financial performance measured by reference to annual profits. Annual cash bonuses do not form part of the pensionable earnings.

**Pensions**

The Company has contributed to the Executive Director's defined contribution pension scheme at a rate based on basic salary.

**Non-Executive Directors' Fees**

Non-Executive Directors are entitled to submit invoices to the company in respect of fees for their services.

## e-xentric PLC

### Report on Remuneration and Related Matters (Continued)

#### Summary of remuneration (Continued)

##### Service Contracts

The services of the Executive Director are provided under a contract which may be terminated on one year's notice or less following an initial term of office as follows:

	Date initial term expired
T D Woodcock	18 October 1999

Non-Executive Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

#### Table of Directors' Remuneration

	Salary	Bonus	Benefits	Total 2002	Total 2001
	£'000	£'000	£'000	£'000	£'000
<b>Executive Directors</b>					
T D Woodcock (Highest paid director)	68	10	2	80	63

None of the Non-Executive Directors have received any remuneration from the company during the current or prior year.

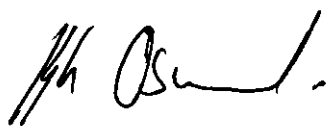
Related party transactions with directors are disclosed in note 16.

	Contributions to defined contribution pension	
	2002	2001
	£'000	£'000
<b>Executive Directors</b>		
T D Woodcock	8	6

The company makes contributions to the personal pension plan of the current Executive Director.

The company made no pension contributions in respect of any of the other directors in the current or prior year.

H E M Osmond  
Chairman of the Remuneration Committee on  
behalf of the Board of Directors



Date 25 APR 2002

**Independent auditors' report to the shareholders of e-xentric PLC**

We have audited the financial statements of e-xentric PLC for the year ended 31 January 2002 on pages 11 to 22 which have been prepared under the accounting policies set out therein.

*Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Report on Remuneration and Related Matters. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

*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 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.

e-xentric PLC

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 January 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward*

**BDO STOY HAYWARD**  
*Chartered Accountants  
and Registered Auditors*  
London

Date      25 APR 2002

# e-xentric PLC

## Profit and loss account for the year ended 31 January 2002

	Note	Total 2002 £'000	Continuing operations 2001 As restated £'000	Discontinued operations 2001 As restated £'000	Total 2001 As restated £'000
Administrative expenses		282	297	204	501
Other operating income		-	30	-	30
<b>Operating loss</b>	3	<b>(282)</b>	<b>(267)</b>	<b>(204)</b>	<b>(471)</b>
Loss on disposal of discontinued operation		-	-	(4,477)	(4,477)
Costs of fundamental reconstruction - contract settlements		-	-	(58)	(58)
<b>Loss on ordinary activities before interest</b>		<b>(282)</b>	<b>(267)</b>	<b>(4,739)</b>	<b>(5,006)</b>
Interest receivable	4	1,961			2,067
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>1,679</b>			<b>(2,939)</b>
Taxation	5	(287)			(440)
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>1,392</b>			<b>(3,379)</b>
<b>Basic earnings/(loss) per share</b>	6	<b>0.60p</b>			<b>(1.57)p</b>
<b>Diluted earnings/(loss) per share</b>	6	<b>0.54p</b>			<b>(1.57)p</b>

All amounts in the current year relate to continuing activities.

All recognised gains and losses are included in the profit and loss account for both accounting periods.

The notes on pages 15 to 22 form part of these financial statements.

**e-xentric PLC****Reconciliation of movements in shareholders' funds for the year ended 31 January 2002**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>As restated £'000</b>
<b>Profit/(loss) for the financial year</b>	<b>1,392</b>	<b>(3,379)</b>
Issue costs relating to share issues	-	(1,379)
Issue of new shares	-	1,851
Share premium on issue of new shares	-	40,680
Redemption of preference shares	-	(230)
	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	<b>1,392</b>	<b>37,543</b>
<b>Opening shareholders' funds</b>	<b>38,984</b>	<b>1,441</b>
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>40,376</b>	<b>38,984</b>
	<hr/>	<hr/>

The notes on pages 15 to 22 form part of these financial statements.

# e-xentric PLC

## Balance sheet at 31 January 2002

	Note	2002 £'000	2002 £'000	2001 As restated £'000	2001 As restated £'000
<b>Fixed assets</b>					
Tangible assets	7		100		10
<b>Current assets</b>					
Debtors	8	21		64	
Cash at bank and in hand		40,874		39,477	
		<u>40,895</u>		<u>39,541</u>	
<b>Creditors: amounts falling due within one year</b>	9	619		567	
<b>Net current assets</b>			<u>40,276</u>		<u>38,974</u>
<b>Total assets less current liabilities</b>			<u>40,376</u>		<u>38,984</u>
<b>Capital and reserves</b>					
Called up share capital	11		3,226		3,226
Share premium account	12		39,907		39,907
Profit and loss account	12		(2,757)		(4,149)
<b>Shareholders' funds - equity</b>			<u>40,376</u>		<u>38,984</u>

The financial statements were approved by the Board on 25 APR 2002

W A McIntosh

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Directors

T D Woodcock

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The notes on pages 15 to 22 form part of these financial statements.



**e-xentric PLC**

**Cash flow statement for the year ended 31 January 2002**

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
<b>Net cash outflow from operating activities</b>	13		(245)		(492)
<b>Returns on investments and servicing of finance</b>					
Interest received			1,961		2,067
<b>Taxation</b>					
UK corporation tax		(138)		-	
Payment for group relief surrendered		(50)		-	
			(188)		-
<b>Capital expenditure and financial investment</b>					
Loans made to subsidiaries		-		(2,728)	
Purchase of fixed assets		(133)		-	
Proceeds from sale of fixed assets		9		-	
			(124)		(2,728)
<b>Acquisitions and disposals</b>					
Purchase of investments in subsidiaries			-		(1,554)
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>			1,404		(2,707)
<b>Management of liquid resources</b>					
Short term deposits			-		1,500
<b>Financing</b>					
Issue of shares		-		41,966	
Issue costs		-		(1,129)	
Repayment of capital portion of finance leases	15	(7)		(7)	
Redemption of preference shares		-		(230)	
			(7)		40,600
<b>Increase in cash in the year</b>	15		1,397		39,393

The notes on pages 15 to 22 form part of these financial statements

**1 Accounting policies**

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

*Fixed asset investments*

Investments held as fixed assets are valued at cost less any provision for impairment.

*Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Fixtures and fittings	-	25% per annum
Motor vehicles	-	25% per annum

*Deferred taxation*

The company has adopted FRS 19 in the current year. This has had no impact on the results or net assets of the company but has resulted in increased disclosures given in note 5.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

*Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

**1 Accounting policies (*Continued*)**

*Pension costs*

The company makes contributions to employees' personal pension schemes. All contributions are charged to the profit and loss account in the year in which they become payable.

*Financial instruments*

In relation to the disclosures made in note 17:

- short term debtors and creditors are not treated as financial assets or financial liabilities; and
- the company does not hold or issue derivative financial instruments for trading purposes nor does it enter any forward exchange contracts.

**2 Employees**

The average number of employees, including directors, during the year was 1.

Details of directors' remuneration are included in the Report on Remuneration and Related Matters (pages 7 and 8).

**3 Operating loss**

	2002 £'000	2001 £'000
This is arrived at after charging:		
Depreciation	34	5
Auditors' remuneration - audit services	9	8
	<u>          </u>	<u>          </u>

**4 Interest receivable**

	2002 £'000	2001 £'000
Bank interest	1,961	2,067
	<u>          </u>	<u>          </u>

**5 Taxation on profit/(loss) from ordinary activities**

	2002 £'000	2001 £'000
UK corporation tax	514	440
Overprovision in prior year	(227)	-
	<u>287</u>	<u>440</u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £'000	2001 As restated £'000
Profit/(loss) on ordinary activities before tax	<u>1,679</u>	<u>(2,939)</u>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 – 30%)	504	(882)
Effects of:		
Expenses not deductible for tax purposes	-	29
Loss on disposal of discontinued operations	-	1,344
Utilisation of tax losses brought forward	-	(51)
Adjustment to tax charge in respect of prior year	(227)	-
Other	10	-
	<u>287</u>	<u>440</u>

**6 Earnings/(loss) per share**

The basic earnings per share of 0.60p (2001 – loss 1.57p) is calculated by reference to the profit after taxation of £1,392,000 (2001 – loss £3,379,000) and the weighted average number of ordinary shares in issue during the year of 232,734,988 (2001 – 214,043,258).

The diluted earnings per share of 0.54p (2001 – loss 1.57p) is based on the above profit and an adjusted number of ordinary shares due to dilutive potential ordinary shares from unexercised warrants as shown below:

	2002 Number	2001 Number
Basic number of shares	232,734,988	214,043,258
Exercise of warrants	26,869,756	-
	<u>259,604,744</u>	<u>214,043,258</u>

**e-xentric PLC**

**Notes forming part of the financial statements for the year ended 31 January 2002 (Continued)**

**7 Tangible assets**

	<b>Fixtures and fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<i>Cost</i>			
At 1 February 2001	-	17	17
Additions	133	-	133
Disposals	-	(17)	(17)
	<hr/>	<hr/>	<hr/>
At 31 January 2002	133	-	133
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 February 2001	-	7	7
Charge for the year	33	1	34
On disposals	-	(8)	(8)
	<hr/>	<hr/>	<hr/>
At 31 January 2002	33	-	33
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 January 2002	100	-	100
	<hr/>	<hr/>	<hr/>
At 31 January 2001	-	10	10
	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £Nil (2001 - £10,000) in respect of assets held under finance leases. The related depreciation charge for the period was £1,000 (2001 - £5,000).

**8 Debtors**

	<b>2002 £'000</b>	<b>2001 £'000</b>
Other debtors	21	39
ACT recoverable	-	25
	<hr/>	<hr/>
Amounts falling due within one year	21	64
	<hr/>	<hr/>

# e-xentric PLC

Notes forming part of the financial statements for the year ended 31 January 2002 (Continued)

## 9 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	90	58
Creditors for taxation and social security	3	2
Corporation tax	514	440
Obligations under finance leases	-	7
Accruals and deferred income	12	60
	<u>619</u>	<u>567</u>

## 10 Deferred taxation

Unprovided deferred tax amounts are as follows:

	2002 £'000	2001 £'000
Unrelieved capital losses	(2,192)	(1,675)
	<u></u>	<u></u>

Amounts in brackets denote a deferred tax asset.

## 11 Share capital

	2002 Number	2002 £'000	2001 Number	2001 £'000
Ordinary shares of 1p each	1,000,000,000	10,000	1,000,000,000	10,000
Deferred shares of 9p each	9,984,800	899	9,984,800	899
Preference shares of £1 each	200,000	200	200,000	200
	<u>1,010,184,800</u>	<u>11,099</u>	<u>1,010,184,800</u>	<u>11,099</u>

	2002 Number	2002 £'000	2001 As restated Number	2001 As restated £'000
Ordinary shares of 1p each	232,734,988	2,327	232,734,988	2,327
Deferred shares of 9p each	9,984,800	899	9,984,800	899
	<u>242,719,788</u>	<u>3,226</u>	<u>242,719,788</u>	<u>3,226</u>

## Notes forming part of the financial statements for the year ended 31 January 2002 (Continued)

**11 Share capital (Continued)**

At 31 January 2002, there were in existence 4,181,741 (2001 - 4,181,741) warrants which will entitle the warrant holder to subscribe for 1 ordinary share per warrant at a price of 2.5p per share. Subscription rights on these warrants will expire on 31 December 2002. There are also percentage warrants in issue which, as a class, convert into a total of 12% of the ordinary shares in existence at the date of conversion. The exercise price is 2.25p per share. Subscription rights on these warrants will expire on 31 December 2006.

The deferred shares have very limited rights and rank behind all other classes of share in the event of a winding up.

Comparative amounts for 2001 have been restated as a result of a prior year adjustment (see note 19).

**12 Reserves**

	Share premium account £'000	Profit and loss account £'000
At beginning of year as previously stated	39,883	(4,124)
Prior year adjustment (note 19)	24	(25)
	<hr/>	<hr/>
At beginning of year as restated	39,907	(4,149)
Retained profit for the year	-	1,392
	<hr/>	<hr/>
At end of year	<u>39,907</u>	<u>(2,757)</u>

**13 Reconciliation of operating loss to net cash outflow from operating activities**

	2002 £'000	2001 £'000
Operating loss	(282)	(471)
Decrease/(increase) in debtors	18	(29)
(Decrease)/increase in creditors	(15)	11
Depreciation	34	5
Fundamental costs of reconstruction - contract settlements	-	(8)
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(245)</u>	<u>(492)</u>

# e-xentric PLC

## Notes forming part of the financial statements for the year ended 31 January 2002 (Continued)

### 14 Reconciliation of net cash to movement in net debt

	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Increase in cash in the year	1,397		39,393	
Cash outflow from decrease in debt and lease financing	7		7	
Cash (inflow)/outflow from (decrease)/increase in liquid resources	-		(1,500)	
Change in net funds resulting from cash flows		1,404		37,900
Movement in net funds in the year		1,404		37,900
Net funds at 1 February		39,470		1,570
Net funds at 31 January		40,874		39,470

### 15 Analysis of changes in net funds

	At 1 February 2001 £'000	Cash flow £'000	At 31 January 2002 £'000
Cash in hand and at bank	39,477	1,397	40,874
Finance leases	(7)	7	-
Net funds	39,470	1,404	40,874

### 16 Related party transactions

Punch Group Limited is a related party as H E M Osmond and W A McIntosh were directors of that company. During the year e-xentric PLC invoiced Punch Group Limited the sum of £Nil (2001 - £30,000) in respect of services provided by T D Woodcock. There was no amount outstanding at the year end (2001 - £Nil).

Wellington Pub Company PLC is a related party as H E M Osmond and W A McIntosh are directors of that company. During the year e-xentric PLC was invoiced £60,000 (2001 - £Nil) for rent and rates by Wellington Pub Company PLC. The creditor outstanding at the year end amounted to £28,000 (2001 - £Nil).

Claranet Limited is a related party as C C Nasser is the Chief Executive and founder of that company. During the year e-xentric PLC purchased fixed assets amounting to £70,000 (2001 - £Nil) from Claranet Limited. The creditor outstanding at the year end amounted to £50,000 (2001 - £Nil).



## 17 Financial instruments

The only financial asset the company has is cash at bank. Cash is held on short term deposit at floating rates of interest determined by reference to LIBOR.

The company has no committed borrowing facilities available at 31 January 2002.

There is no material difference between the book values of the company's financial assets and liabilities and their fair values.

### *Treasury policy*

As explained in the chairman's statement on page 1, the board is currently assessing ways to maximise shareholder value and does not currently hold any significant financial assets or liabilities other than cash of £40.9m (2001 - £39.5m).

The company continues to manage risk by agreeing and reviewing its policies on financial instruments as it holds or issues financial instruments to finance its operations and to manage interest rate risks arising from those operations and from its sources of finance. In addition, various financial instruments, such as trade debtors and trade creditors, arise directly from the company's operations.

It is expected that future operations will be financed by a mixture of cash, bank borrowings and long term loans at fixed or floating rates. In planning the maturity of a debt, the company's policy is to ensure a balance between continuity of funding and flexibility. Working capital requirements will continue to be met out of cash or floating rate overdrafts.

The company does not trade in financial instruments and has no foreign currency exposure.

## 18 Contingent liability

A French company, Ideus S.A., is taking action against e-xentric PLC and e-xentric S.A. for breach of contract in relation to exploratory discussions that e-xentric S.A. had with Ideus S.A.. The total amount of the claim is for 123 million French Francs. e-xentric PLC has taken legal advice and is vigorously defending this claim and a counterclaim has been made. The directors, on the advice of company's lawyers, believe the action to be without merit and consequently no provision has been made.

## 19 Prior year adjustment

During the year ended 31 January 2001 125,000 1p shares were issued at a premium of 19p to 5 On-line Limited in exchange for some intellectual property which was purchased by a former subsidiary of the Company. The intellectual property was subsequently sold as part of the disposal of the subsidiary. The share issue was not recognised in the accounts for the year ended 31 January 2001 and although not material has been accounted for by recognising a prior year adjustment and restating the comparatives. The effect of the prior year adjustment on the results of the preceding period has been to decrease operating profit by £25,000 and to increase share capital and share premium by £1,250 and £23,750 respectively.