

Gladstone plc  
3327360

CONTENTS	PAGE
DIRECTORS, SECRETARY AND ADVISERS	[4]
CHAIRMAN'S STATEMENT	[5]
DIRECTORS' REPORT	[9]
CORPORATE GOVERNANCE	[14]
REPORT OF THE REMUNERATION COMMITTEE	[17]
STATEMENT OF DIRECTORS' RESPONSIBILITIES	[19]
AUDITORS' REPORT	[20]
CONSOLIDATED PROFIT AND LOSS ACCOUNT	[21]
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	[22]
CONSOLIDATED BALANCE SHEET	[23]
COMPANY BALANCE SHEET	[24]
CONSOLIDATED CASH FLOW STATEMENT	[25]
NOTES TO THE FINANCIAL STATEMENTS	[26]
NOTICE OF ANNUAL GENERAL MEETING	[42]
FORM OF PROXY	[43]



**DIRECTORS, SECRETARY AND ADVISERS**

**[4]**

DIRECTORS	Brian K Raven Oliver C Cooke James T Middlehurst The Rt. Hon. Lord Sheppard of Didgemere KCVO, Kt. Anthony Carlton	CHAIRMAN AND CHIEF EXECUTIVE FINANCE DIRECTOR CORPORATE DEVELOPMENT DIRECTOR  NON-EXECUTIVE DIRECTOR NON-EXECUTIVE DIRECTOR
COMPANY SECRETARY	Oliver C Cooke	
REGISTERED OFFICE	Westminster House High Street Egham Surrey TW20 9HY	
COMPANY NUMBER	3327360	
STOCKBROKERS	Beeson Gregory The Registry Royal Mint Court London EC3N 4LB	
AUDITORS	Hacker Young Chartered Accountants St Alphage House 2 Fore Street London EC2Y 5DH	
SOLICITORS	Theodore Goddard 150 Aldersgate Street London EC1A 4EJ	
REGISTRARS	Capita IRG plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU	
PRINCIPAL BANKERS	National Westminster Bank plc City of London Office PO Box 12264 1 Princes Street London EC2R 8PB	

## CHAIRMAN'S STATEMENT

[5]

During its first trading year since the takeover and repositioning of Versalite plc, Gladstone has been developed into an e.business services group through a series of selected acquisitions and through organic growth. We have assembled a capable team of senior executives and begun to build a culture of enterprise and professionalism. The considerable progress that has been made to date is very much in line with the board's original vision for the company.

The current trading period has begun with further progress towards fulfilling our objective of becoming a significant global player within the B2B e-commerce services sector.

## FINANCIAL RESULTS

During the year to 30 June 2000 the group has raised some £30 million in equity capital and has successfully completed the acquisition of six companies, the two most significant being Ge.cache (formerly Microcache) and Ge.world (formerly Ge.media).

Group turnover was £5.8 million, comprising predominantly eight months post acquisition trading for Ge.cache and three months for Ge.world.

Earnings Before Interest, Tax, Depreciation and Amortisation of goodwill (EBITDA) were £121,625. We have adopted this approach for reporting on an ongoing basis in line with common industry practice on both sides of the Atlantic.

Earnings per share before amortisation of goodwill were 0.64p.

The group's net assets at 30 June 2000 were £32 million and cash resources amounted to £11.8 million.

## GROUP STRUCTURE

Gladstone has two main operating divisions: Ge.MRM and Ge.world.

### Ge.MRM (Member Relationship Management)

Ge.MRM provides the essential tools required to retain and grow profitable member relationships. It encompasses the group's three Member Relationship Management businesses; Ge.cache - membership facilities management, Ge.track - membership database management and Ge.clear - membership card payment services. The most significant part of Ge.MRM is Ge.cache.

### Ge.cache (trading as Microcache)

Ge.cache is a leading supplier of membership and facilities management software products and services principally to leisure club operators.

The business was acquired in October 1999 for a consideration of £8.1 million and was subsequently supplemented by the purchases of its Scottish distributor, Microcache (Scotland) Limited, in November 1999 and of Cascade Management Consultants Limited in January 2000. In the 18 years between the company's inception in 1981 and its acquisition by the group in 1999, Microcache had built up an installed base of some 800 sites in the public and private sectors. Since then a further 229 sites have been added, a 28% increase in under 12 months. The company has issued more than 2.3 million membership cards, of which more than 725,000 are chip-based smart cards. The bulk of the customers are based in the UK with additional sites in Europe and Australasia.

### Ge.world

Ge.world was acquired in March this year for a consideration of £13.3 million. It is a Dublin-based provider of linguistic and cultural localisation services to companies that want to distribute software and publishing material globally via the internet or otherwise. Dublin has become a recognised centre of excellence for this area of activity.

The company has grown rapidly since its formation in 1996. At the end of June it employed some 137 staff and had seven offices in Ireland (2), Massachusetts, Colorado, California, Texas and the UK.

The company already has an impressive user base in the online training market in which it specialises and has strong trading links with Smartforce, a leading worldwide supplier of such material. Other key customers include Microsoft, Teach.com, General Motors Acceptance Corp., SkillSoft, Harvard Business School, McGraw Hill and NTT.

## CHAIRMAN'S STATEMENT

[6]

### BUSINESS DEVELOPMENT AND GROWTH PROFILE

Ge.cache recently announced the signing of an important contract with Boots to provide the systems infrastructure for the trial sites of Boots' new health and beauty centres, Boots Wellbeing Services. The first two sites have been opened in Boots' Kensington High Street and Milton Keynes branches and are aimed at proving the Wellbeing concept - a holistic approach to health, fitness and lifestyle - prior to a future national roll out. The centres will provide a variety of services including gym and fitness classes as well as therapies and beauty treatments. Ge.cache's specialist leisure management system will provide key services that include tracking customer usage of Wellbeing centres, controlling bookings for all activities and treatments, and the integration of the Boots Advantage loyalty card scheme with Boots' point of sale systems.

*This is the first time we have reported on full year numbers since the acquisition of Ge.cache and during the period Ge.cache's turnover and profit from operations rose by 42% and 38% respectively, to £5.1 million and £887,000.*

Since the acquisition in March 2000, Ge.world has added 18 new customers. During the six month period to 30 June 2000, Ge.world's turnover on an annualised basis increased by 71% to £5.6 million and operating profit rose by 68% to £758,000.

In June, Gladstone announced that it was committing up to £2.5 million to develop the Ge.world business. This money will be used to develop its Sligo facility, open further production facilities and expand the company's sales operations in the USA, Europe and Japan.

### STRATEGY

It is intended to continue the development of the group both organically and by acquisition, as well as considering joint venture relationships in selected areas.

#### Ge.MRM

Historically both Ge.cache and Membertrack, a company acquired by Gladstone after the balance sheet date, have provided their customers with a range of products and services which have enabled them to manage their own leisure and membership facilities.

The directors believe that opportunities now exist to offer additional services designed to assist customers in optimising the value of their membership relationships.

As a first step Ge.cache has entered into discussions with a number of its existing customers with a view to outsourcing the management of their membership subscriptions and other functions to Ge.cache.

These incremental services will improve the quality of the division's earnings as more of its revenue will be derived from regular monthly fees and from transaction charges. We also believe that an opportunity will be created to leverage the value of customers' membership databases through the tracking of members' behaviour, compiling of lifestyle data and targeting of marketing activities.

In line with previous statements, work is progressing to introduce the capability for members of clubs to make both enquiries and bookings over the internet.

The functionality of smart membership cards will soon enable them to be used to make payments, either on an account or on a prepaid basis, as well as being used for membership and access control. In the first instance payments will be restricted to the club or chain of clubs to which the membership relates but subsequently the facility may be extended to include affiliated participating retailers.

The acquisition of Membertrack will broaden the division's customer base and lead to it being better positioned to take advantage of the opportunities to market its products and services overseas in mainland Europe.

**Ge.world**

We intend to improve Ge.world's operational efficiency by continuing to increase the level of automation within the localisation process, by expanding the production capacity in Sligo and elsewhere and by increasing our representative presence in the USA, Europe and Japan.

**RAISING OF EQUITY CAPITAL**

Gladstone has raised some £30 million in two tranches during the period:

- £10.5 million in October 1999 at the time of the acquisition of Ge.cache, through an open offer of 1.404 billion shares at 0.75p, followed by a 1 for 10 consolidation and;
- £20 million in March 2000 at the time of the acquisition of Ge.world, through a placing of 8 million shares at 250p (after a further 1 for 10 consolidation).

I would like to welcome our new institutional shareholders to the company and to thank them for sharing our confidence in Gladstone's future. I would also like to extend this thank you to all our other shareholders who have acquired and retained stock during the period.

**SUMMARY AND OUTLOOK FOR 2000 AND BEYOND**

I am pleased with the progress Gladstone has made over the last year. Already we have succeeded in assembling a group based around two market leading businesses with histories of rapid growth in both profitability and cash generation. We have a growing customer base on both sides of the Atlantic and product and service offerings with considerable competitive advantages.

The full integration of Membertrack's business into the group together with the organic growth of our existing operations should ensure that the company will demonstrate substantial progress over the next year. We plan to continue to accelerate our progress by strategic acquisition.

We are putting in place the essential strategic initiatives to take the business forward within the UK and internationally. The rapid evolution of the global leisure industry, particularly the membership management opportunity, and the advent of global e.learning, endorse our strategy of developing these two B2B businesses as the cornerstones of a multi-disciplined group.

Brian K Raven

CHAIRMAN

2 October 2000



The directors present their annual report and the audited financial statements of the group and of the company for the year ended 30 June 2000.

#### **Activities, review of business and proposed future developments**

During the year the company has raised some £30 million of equity capital and has successfully completed the acquisition of six companies. Further details of these acquisitions can be found below. The group has now developed into an e.business services provider. A team of capable senior executives has also been assembled. Further details regarding the group's activities can be found in the chairman's statement on page 5.

Note 12 to the financial statements contains a list of the company's subsidiaries as at 30 June 2000.

On 15 September 2000 a circular was sent to shareholders providing details of the proposed acquisition of Membertrack Limited. Membertrack is a private company which competes with Ge.cache Limited (formerly Microcache Limited) for the provision of membership and facilities management software and services to the UK leisure industry. The acquisition will enhance Ge.cache's position as a leading supplier to this sector and will help to create a platform from which to develop into mainland Europe.

#### **Results and dividends**

The results for the year are shown on page 21 and are discussed in more detail in the chairman's statement.

The group reported EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation of goodwill) of £121,625 (1999: £313,117 loss) and profits from its activities of £137,610 (1999: £182,882 loss). After providing £3,802,291 for the amortisation of goodwill arising from the various acquisitions made in the year, in line with the requirements of Financial Reporting Standard 10 'Goodwill and Intangible Fixed Assets', the group reported a loss before taxation amounting to £3,664,681 (1999: £182,882 loss).

The directors do not recommend the payment of a dividend.

#### **Summary of changes to the group structure and to the company's share capital**

On 14 October 1999, the company acquired the entire issued share capital of Ge.cache Limited, a private company that supplies membership and facilities management software products and services principally to leisure club operators, for a consideration of £8.1 million. The consideration was satisfied by the payment of £6 million in cash and by the issue to the vendors of 280,000,000 Gladstone ordinary shares of 0.1p each at 0.75p per share.

In order to finance the acquisition and to provide the group with working capital, the company raised £10.5 million before expenses through an Open Offer and Placing of 1,404,000,000 ordinary shares of 0.1p each at 0.75p per share.

On the same date, the company consolidated every ten existing ordinary shares of 0.1p each into one ordinary share of 1p.

On 4 November 1999, the company acquired the entire issued share capital of Torstar Limited, a private company that provides internet payment and fraud prevention services, for a consideration of £1,500,000. The consideration was satisfied by the payment of £750,000 in cash and by the issue to the vendors of 8,108,109 Gladstone ordinary shares of 1p each at 9.25p per share.

On 5 November 1999, Ge.cache Limited acquired the remaining 50% of the issued share capital of Microcache (Scotland) Limited, its Scottish distributor, for a consideration of £19,300 which was satisfied in cash.

On 10 January 2000, the company acquired the entire issued share capital of Cascade Management Consultants Limited, a private company providing software and independent consultancy services to the UK leisure industry, for a consideration of £100,000 which was satisfied in cash.

On 24 March 2000, the company consolidated every ten existing ordinary shares of 1p each into one ordinary share of 10p.

On the same date, the company acquired the entire issued share capital of In4mation.net Limited, a private company which provides online billboard services and in which Brian K Raven and Oliver C Cooke had an interest, for a consideration

of £192,307. This was satisfied by the issue to the vendors of 76,923 Gladstone ordinary shares of 10p each at £2.50 per share. In4mation.net Limited has two wholly owned subsidiaries, Job4life.net Limited and Like4like.net Limited.

Also on 24 March 2000, the company acquired the entire issued share capital of Ge.world Limited (formerly Ge.media Limited), a private company based in Ireland that provides linguistic and cultural localisation services to companies wishing to distribute computer-based information globally, for £13.4 million. The consideration was satisfied by the payment of £10.1 million in cash and by the issue to the vendors of 1,301,428 of Gladstone's ordinary shares of 10p each at £2.50 per share. The company has one wholly owned subsidiary, Transatlantic Localisation Inc., and owns the majority of the equity in Transware Development Limited.

In order to finance the acquisition and to provide the group with additional working capital, the company raised £20 million before expenses through an Open Offer and Placing of 8,004,368 ordinary shares of 10p each at £2.50 per share.

The company has also acquired a number of newly incorporated companies which have not yet traded.

The results of the above companies have been incorporated into the group's accounts from their respective dates of acquisition.

Further details of Gladstone's share capital, its share premium account and its reserves can be found in notes 18 and 19 to the financial statements.

#### **Directors**

The following directors held office during the year:

Brian K Raven

Oliver C Cooke

James T Middlehurst

The Rt. Hon. Lord Sheppard of Didgemere KCVO, Kt.

Anthony Carlton

Francis W Cook

Appointed 23 May 2000

Appointed 15 October 1999

Appointed 15 October 1999

Resigned 20 September 1999

#### ***Brian K Raven – chairman and chief executive***

Mr Raven founded Gladstone in April 1999. He is a first class honours graduate from Edinburgh University and has over 20 years' experience in the IT and business services sectors. Mr Raven founded Card Clear plc in 1991 and was instrumental in developing the company as an international retail transaction services group. He brought Card Clear to the AIM market in 1995 and grew the business to a market capitalisation of more than £100 million.

#### ***Oliver C Cooke – finance director and company secretary***

Mr Cooke co-founded Gladstone in April 1999 and is a chartered accountant and a Fellow of the Association of Chartered Certified Accountants. He served as finance director of Card Clear plc from 1991 to 1998 and has held a number of other board directorships. Mr Cooke has considerable high level experience in the negotiating and funding of acquisitions. He also served as a non-executive director of another fully listed company, Multi Equipment Rental plc, until his resignation in April 2000.

#### ***James T Middlehurst – corporate development director and managing director of Ge.MRM division***

Mr Middlehurst was CEO of Dorling Kindersley Holdings plc from 1998 to 2000. Before this he was UK managing director of Britannia Music for five years and head of marketing for Allied Irish Bank and Magnet plc. He is a graduate in economics and accounting and has over 20 years' experience in retail, direct marketing and e.tailing.

#### ***The Rt. Hon. Lord Sheppard of Didgemere KCVO, Kt. – non-executive director***

Knighted in 1990, awarded a Life Peerage in 1994 and a KCVO in 1997, Lord Sheppard is a qualified accountant (FCMA), a company secretary (FCIS) and a chartered marketer (CIM). Lord Sheppard worked for 18 years in the motor industry (Ford, Rootes/Chrysler and British Leyland) before joining Grand Metropolitan plc as a board member in 1975. He served as group chief executive from 1986 to 1993 and group chairman from 1987 to 1996. Lord Sheppard holds a number of other directorships including chairman of GB Railways Group plc, McBride plc and Unipart Group. He is also a board member of two animal charities – The Blue Cross and Animal Health Trust.

*Anthony Carlton – non-executive director*

Mr Carlton is a professional stockbroker with over 40 years' experience in financial services, including merchant banking, insurance and portfolio management.

At the forthcoming Annual General Meeting James T Middlehurst will offer himself for election as a director of the company and Oliver C Cooke will retire by rotation and offer himself for re-election.

**Directors' interests**

The beneficial interests of the directors of the company who held office at the end of the financial year were as follows:

	30 June 2000 Ordinary shares of 10p each		30 June 1999 Ordinary shares of 0.1p each	
	Number	Percentage of issued ordinary share capital	Number	Percentage of issued ordinary share capital
Brian K Raven	872,410	2.99	71,600,000	33.15
Oliver C Cooke	436,204	1.49	35,800,000	16.57
James T Middlehurst	20,000	0.07	-	-
The Rt. Hon. Lord Sheppard of Didgemere	149,946	0.51	-	-
Anthony Carlton	49,982	0.17	-	-

The mid-market price of the company's shares on 30 June 2000 was 117 pence. The lowest and highest prices during the year were 74 pence and 655 pence (after taking into account the share consolidations).

None of the directors had an interest in the share capital of the company's subsidiaries at 30 June 2000.

The company has established two share option schemes, the "Gladstone plc 1999 Approved Share Option Scheme" and the "Gladstone plc 1999 Unapproved Share Option Scheme". In addition, certain directors have been granted share options that fall outside the scope of these schemes but which have been approved by the company's shareholders.

The directors' interests in share options at 30 June 2000 were as follows:

	Number of options	Exercise price	Date of grant
i) <i>Gladstone plc 1999 Approved Share Option Scheme:</i>			
James T Middlehurst	14,600	205p	25/4/00
ii) <i>Gladstone plc 1999 Unapproved Share Option Scheme:</i>			
James T Middlehurst – ordinary options	219,545	205p	25/4/00
James T Middlehurst – super options	234,146	205p	25/4/00
	453,691		

The exercise of the ordinary share options is subject to continued full time employment by a group company and to achieving certain performance criteria and can ordinarily take place at any time between 25 April 2003 and 25 April 2010. The exercise of the super options is subject to continued full time employment by a group company and to more stringent performance criteria and can ordinarily take place at any time between 25 April 2005 and 25 April 2012.



iii) Options approved by shareholders:

	Number of options	Exercise price	Date of grant
Brian K Raven	282,596	10p	16/3/99
	1,684,000	75p	16/3/99
	81,081	92p	16/3/99
	754,401	250p	16/3/99
	<u>2,802,078</u>		
Oliver C Cooke	141,404	10p	16/3/99
	842,000	75p	16/3/99
	40,540	92p	16/3/99
	377,201	250p	16/3/99
	<u>1,401,145</u>		

The exercise of the above options can take place at any time before 16 March 2004.

The Rt. Hon. Lord Sheppard of Didgemere	50,000	75p	21/9/99
Anthony Carlton	5,000	75p	21/9/99

The exercise of the above options can take place at any time between 21 September 2001 and 21 September 2008.

No share options were exercised by the directors in the year under review. There have been no changes in the interests of the directors in the share capital of the company between 30 June 2000 and 13 September 2000.

**Substantial shareholdings**

The directors have been notified, or are aware of the following interests in 3% or more of the ordinary share capital of the company at 13 September 2000.

	Ordinary shares of 10p each	
	Number	Percentage
RBSTB Nominees Limited	3,085,846	10.57
Nutraco Nominees Limited	1,475,192	5.05

**Creditor payment policy**

It is the group's policy to establish payment terms with suppliers and to adhere to those terms, provided that the goods and services received are in accordance with the agreed terms and conditions.

As at 30 June 2000 the group average creditor days was 46.

**Post balance sheet event**

By special resolution passed on 14 October 1999, and by approval of the High Court which was obtained on 5 July 2000, the company cancelled its 144,000,000 deferred shares of 0.9p each which had a value of £1,296,000 through the creation of a special reserve account of the same value. On 7 July 2000 the company transferred the sum of £2,981,531 from its share premium account to the special reserve account and applied the balance then standing to the credit of the special reserve to eliminate £4,277,531 of the deficit standing to the profit and loss reserve account. This sum represented the losses arising from the company's former businesses which formed a part of its profit and loss reserve account as at 30 June 1999.

### Employment policy

During the year, the group has consulted with its employees in matters likely to affect their interests and is committed to involving them in the performance and development of the group.

### Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Should existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to such employees as appropriate.

### Fixed assets

Details of movements in fixed assets are set out in notes 10 to 12 to the financial statements.

### Research and development

During the year, the group has engaged in research and development activities. Of the expenditure incurred, £226,207 has been capitalised as development costs (see note 10) and £20,000 has been written off to the profit and loss account as research costs.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing Hacker Young's re-appointment as auditors of the company and authorising the directors to fix their remuneration will be put to the forthcoming Annual General Meeting.

### Annual General Meeting

The notice of the Annual General Meeting is set out at the end of these report and accounts. In addition to the ordinary business to be conducted at the meeting, your attention is drawn to the special business, namely:

- a) the increase of the company's authorised share capital from £5,500,000 to £10,000,000 (an increase of 80%). The proposed increase will create additional authorised but unissued ordinary shares which your board believes is necessary to give it the flexibility to be able to offer ordinary shares as consideration for future acquisitions,
- b) the renewal of the directors' general authority to allot ordinary shares equal to the amount of the company's authorised but unissued share capital immediately after the AGM, expected to be 68,040,514 ordinary shares. The authority will lapse (if not extended or replaced) no later than 15 months from the date of the resolution. Save in relation to proposals which have already been announced, the board has no present intention to exercise this authority,
- c) the disapplication of shareholders' pre-emption rights in relation to rights issues and to other pre-emptive issues to shareholders and otherwise in respect of up to 3,195,948 ordinary shares (representing approximately 10% of the then issued share capital of the company), such authority to expire at the same time as the allotment authority described above.

By order of the board



Oliver C Cooke  
COMPANY SECRETARY  
2 October 2000

### Combined Code

In June 1998 the Listing Rules of the London Stock Exchange were revised to require listed companies to explain how they comply with the Combined Code of Practice on Corporate Governance which embodies the principles contained in the earlier reports of the Cadbury, Greenbury and Hampel Committees ("the Combined Code").

The purpose of this statement is to explain how the company has applied the principles set out in Section 1 of the Combined Code. In the opinion of the directors, the company has complied with all the provisions of the Combined Code since November 1999, with the exception of those detailed in the sections below.

### Board of directors and committees

At the start of the year the company was a 'cash shell' and the principal activity of the two executive directors was to identify and review potential acquisitions. Those duties were carried out jointly and professional advice was sought, where it was considered appropriate.

Following the company's first acquisition in October 1999 two non-executive directors were appointed.

The Combined Code recommends the appointment of three non-executive directors. The directors do not feel that the current size of the company warrants the appointment, with the associated costs, of a third non-executive director. However as the group expands, it is the directors' intention to appoint further non-executive directors.

The roles of chairman and chief executive are currently combined by Brian K Raven. They are not held by two separate directors as recommended by the Combined Code because the company is still at an early stage in its development.

The board currently comprises three executive directors and two non-executive directors and meets regularly throughout the year. The board is responsible for determining policy and business strategy, setting financial and other performance objectives and monitoring achievement. The chairman takes responsibility for the conduct of company and board meetings and ensures that directors are properly briefed to enable full and constructive discussions to take place. However, no formal schedule of matters specifically reserved to the board has been established.

To enable the board to function effectively and to discharge its duties, directors are given full and timely access to all relevant information. They have free access to the advice and services of the company secretary and may seek independent advice at the expense of the company where appropriate. However, no formal procedure has been agreed with the board regarding the circumstances in which individual directors may take independent professional advice.

The Combined Code states that there should be a nomination committee to deal with the appointment of both executive and non-executive directors except in circumstances where the board is small. The directors consider the size of the current board to be small and have not therefore established a nomination committee. The position will be reviewed should the number of directors increase substantially.

The current directors' biographical details are shown on pages 10 and 11.

The non-executive directors are independent of management and are free from any business or any other relationship which could interfere materially with the exercise of their independent judgement. The non-executive directors have been appointed for specified terms and are subject to re-election and to Companies Act provisions relating to the removal of a director. Re-appointment of non-executive directors is not automatic.

The Rt. Hon. Lord Sheppard of Didgemere KCVO, Kt. has been nominated the senior independent director.

Under the company's Articles of Association the appointment of all new directors must be approved by the shareholders in General Meeting. In addition, one third of directors are required to retire and to submit themselves for re-election at each Annual General Meeting.

The directors have established the following two committees, both of which have written terms of reference which deal clearly with their respective authorities and duties:

- an audit committee, which receives and reviews reports from management and the external auditors relating to the interim report and the annual accounts and which comprises Brian K Raven and the two non-executive directors. The committee is chaired by The Rt. Hon. Lord Sheppard of Didgemere KCVO, Kt. As the company only has two non-executive directors, the audit committee has fewer non-executive directors than recommended by the Combined Code,
- a remuneration committee, which determines the remuneration of the executive directors and approves the granting of options to directors and to other senior employees and the performance conditions thereof. This committee comprises the two non-executive directors.

#### Internal control

The board is ultimately responsible for the group's system of internal control and for reviewing its effectiveness. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material mis-statement or loss.

The Combined Code introduced a requirement for directors to review the effectiveness of the group's system of internal controls. This requirement extends beyond a review of the system of internal financial controls to encompass the areas of finance, operations, compliance and risk management.

Guidance for directors is contained in "Internal control: Guidance for Directors on the Combined Code" ("the Turnbull guidance"), which was published in September 1999. However, the directors have taken advantage of the London Stock Exchange's transitional rules and have continued to review and report upon internal financial controls in accordance with the ICAEW's 1994 guidance "Internal Control and Financial Reporting".

The board confirms that they intend to establish the formal procedures necessary to implement the Turnbull guidance during the year ending on 30 June 2001. The directors have only carried out an informal review of the effectiveness of the group's system of internal financial controls during the year whilst the process of integrating newly acquired subsidiaries has been ongoing. The directors plan to carry out a formal review during the coming year.

The key elements of a control system are considered to be:

- A comprehensive budgeting system with an annual budget approved by the board.
- Actual results compared on a monthly basis with budgets and past results as appropriate.
- Identification of business risks faced by the group and determination of the appropriate course of action to manage those risks.
- All significant capital expenditure and organisational changes reviewed and approved by the board.
- A defined organisation structure including the specification of accountability and delegated authority.
- The integrity and competence of personnel to be ensured through high recruitment standards and subsequent training.
- High quality personnel being seen as an essential part of the control environment.

The directors believe that the above points have been effectively addressed during the year.

**Going concern**

The group makes use of the substantial cash balances held with its bankers to meet its day to day working capital requirements.

The directors have thus formed the judgement that at the time of approving the financial statements the group and the company had adequate resources to continue in existence for the foreseeable future. Therefore the directors consider the adoption of the going concern basis in preparing the financial statements to be appropriate.

**Relations with shareholders**

The board attaches considerable importance to the maintenance of good relationships with shareholders. Effective two-way communication with institutional investors and with analysts is achieved via the company's website and presentations.

The Annual General Meeting is regarded as an opportunity to communicate directly with private shareholders. It is intended that the chairman of the audit committee and of the remuneration committee will be available at the Annual General Meeting to answer relevant questions from shareholders. Further information regarding the group can be found on the company's website at [www.gladstoneplc.com](http://www.gladstoneplc.com).

  
Brian K Raven  
CHAIRMAN  
2 October 2000

**The remuneration committee**

The remuneration committee has been established to keep under review the terms of employment of executive directors and to recommend to the board such changes to the directors' remuneration and to the terms of appointment as they consider to be appropriate. The committee's composition, responsibilities and operation comply with the recommendations of the Combined Code. The committee comprises the company's two non-executive directors, The Rt. Hon. Lord Sheppard of Didgemere KVCO, Kt. and Anthony Carlton.

**Remuneration policy**

The objectives of the policy are:

- i) to attract and retain suitably qualified individuals and to ensure that contributions to the attainment of the group's results are fairly rewarded,
- ii) to maintain a competitive package of pay and other benefits which will provide the motivation for future achievement, particularly through reward and share option schemes based on the group's performance,
- iii) to facilitate the building and retention of a team which will work effectively to achieve the group's longer term strategic objectives, especially by aligning their interests with those of shareholders through participation in schemes which provide opportunities for building shareholdings in the company.

In implementing this policy, the remuneration committee has regard to the scales of remuneration and benefits payable in comparable circumstances to people with similar responsibilities, qualifications, skills and experience.

**Service contracts**

The company has entered into service agreements with each of the executive directors, which under normal circumstances are subject to 12 months' notice by either party.

**Directors' emoluments for the year ended 30 June 2000**

	Salary and fees £	Benefits in kind £	Bonus £	Total 2000 £	Total 1999 £
<b>Executive directors:</b>					
Brian K Raven (chairman)	123,294	3,985	75,000	202,279	7,500
Oliver C Cooke	84,420	2,503	51,000	137,923	5,000
James T Middlehurst	22,775	-	10,000	32,775	-
Leslie R Easton	-	-	-	-	71,485
Nicholas L Easton	-	-	-	-	27,225
Ian C Abrahams	-	-	-	-	24,256
<b>Non-executive directors:</b>					
The Rt. Hon. Lord Sheppard of Didgemere	33,000	-	-	33,000	-
Anthony Carlton	22,000	-	-	22,000	-
Francis W Cook	4,715	-	-	4,715	10,186
Stephen J Barclay	-	-	-	-	5,000
<b>Total emoluments excluding pension contributions</b>	<b>290,204</b>	<b>6,488</b>	<b>136,000</b>	<b>432,692</b>	<b>150,652</b>
<b>Total pension contributions</b>				<b>24,800</b>	<b>4,958</b>
<b>Total emoluments including pension contributions</b>				<b>457,492</b>	<b>155,610</b>

**Pension contributions**

The pension contributions paid during the year were as follows:

	£
Brian K Raven	13,274
Oliver C Cooke	9,026
James T Middlehurst	2,500
	<u>24,800</u>

Further details of directors' remuneration during the year are set out in note 9 to the financial statements, which forms a part of this report.

**Pensions schemes**


The company has established the Gladstone plc Directors Pension Scheme which is an Inland Revenue approved small self administered money purchase scheme. Brian K Raven and Oliver C Cooke are the scheme's main trustees and Scottish Equitable plc is retained in the capacity of professional trustee.

**Non-executive directors**

The fees of the non-executive directors are determined by the board and reflect the time that they devote to the company's affairs and additional responsibilities taken on.

**Directors' share options**

Details of the directors' share options can be found in the directors' report. No options were exercised by directors during the year.



The Rt. Hon. Lord Sheppard of Digmeire KCVO, Kt.  
CHAIRMAN OF THE REMUNERATION COMMITTEE  
2 October 2000

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

- i) select suitable accounting policies and then apply them consistently,
- ii) make judgements and estimates that are reasonable and prudent,
- iii) prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business,
- iv) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm that the financial statements comply with the above requirements.

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



**AUDITORS' REPORT**  
**TO THE SHAREHOLDERS OF GLADSTONE PLC**

[20]

We have audited the financial statements on pages 21 to 41. These have been prepared in accordance with the basis and accounting policies set out on pages 26 and 27.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the annual report, including the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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. 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 or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the corporate governance statement on pages 14 to 16 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion of the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications of our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements.

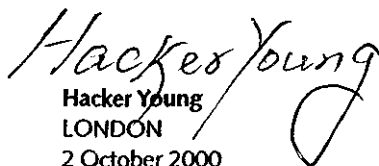
**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30 June 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Hacker Young  
LONDON  
2 October 2000

Chartered accountants  
Registered auditor

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED 30 JUNE 2000

[21]

	Notes	2000 £	1999 £
<b>Turnover</b>	2		
Continuing operations		-	-
Acquisitions		5,807,494	-
		5,807,494	-
Discontinued operations		-	778,255
		5,807,494	778,255
Cost of sales	3 b)	(1,459,160)	(567,165)
<b>Gross profit</b>	3 b)	4,348,334	211,090
Other operating income		13,100	-
Administrative expenses – including amortisation of goodwill arising from acquisitions	3 b)	(8,244,278)	(551,880)
<b>Operating loss</b>	3 a)	(3,882,844)	(340,790)
<i>Calculation of Earnings Before Interest, Taxation, Depreciation and Amortisation of goodwill:</i>			
Operating loss		(3,882,844)	(340,790)
Add back: Depreciation		202,178	27,673
Amortisation of goodwill		3,802,291	-
<b>EBITDA</b>		121,625	(313,117)
<i>Operating loss analysed to show the effect of acquisitions and disposals:</i>			
Continuing operations		(1,022,260)	(111,948)
Acquisitions		(2,860,584)	-
		(3,882,844)	(111,948)
Discontinued operations		-	(228,842)
<b>Operating loss as shown above</b>		(3,882,844)	(340,790)
Profit on sale of discontinued operations		-	168,011
<b>Loss on ordinary activities before interest</b>		(3,882,844)	(172,779)
Interest receivable	4	239,235	-
Interest payable	5	(21,072)	(10,103)
<b>Loss on ordinary activities before taxation</b>		(3,664,681)	(182,882)
<i>Result before taxation analysed to show the effect of the amortisation of goodwill:</i>			
Profit from group operations		137,610	(182,882)
Amortisation of goodwill arising on acquisitions		(3,802,291)	-
<b>Loss on ordinary activities before taxation</b>		(3,664,681)	(182,882)
Taxation	6	(39,774)	-
<b>Loss on ordinary activities after taxation</b>		(3,704,455)	(182,882)
Dividends – equity		-	-
<b>Loss for the year</b>	19	(3,704,455)	(182,882)
<b>Loss per ordinary share (pence)</b>	7		
Basic		(24.36p)	(10.16p)
Before amortisation of goodwill		0.64p	(10.16p)
Diluted		(21.29p)	(8.33p)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 30 JUNE 2000**

**[22]**

	2000 £	1999 £
<b>Loss for the financial year</b>	<b>(3,704,455)</b>	<b>(182,882)</b>
Exchange differences on retranslation of net assets of subsidiary undertakings	56,808	-
<b>Total recognised gains and losses relating to the year</b>	<b>(3,647,647)</b>	<b>(182,882)</b>

**CONSOLIDATED BALANCE SHEET**  
AS AT 30 JUNE 2000

[23]

	Notes	2000		1999	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	10	18,195,109		-	
Tangible assets	11	2,042,127		-	
		20,237,236		-	
<b>Current assets</b>					
Stocks	13	173,585		-	
Debtors	14	2,942,076		6,698	
Cash at bank and in hand		11,792,612		182,863	
		14,908,273		189,561	
<b>Creditors: amounts falling due within one year</b>	15	(2,801,121)		(22,250)	
<b>Net current assets</b>		12,107,152		167,311	
<b>Total assets less current liabilities</b>		32,344,388		167,311	
<b>Creditors: amounts falling due after more than one year</b>	16	(223,946)		-	
<b>Provisions for liabilities and charges</b>	17	(32,675)		-	
<b>Minority interests</b>		(8,277)		-	
<b>Net assets</b>		32,079,490		167,311	
<b>Capital and reserves</b>					
Called up share capital	18	4,215,353		1,512,000	
Share premium account	19	33,641,315		784,842	
Merger reserve	19	2,148,000		2,148,000	
Profit and loss account	19	(7,925,178)		(4,277,531)	
<b>Shareholders' funds</b>					
- equity interests	21	32,079,490		167,311	

The financial statements were approved by the board on 2 October 2000.

  
Brian K Raven  
CHIEF EXECUTIVE

  
Oliver C Cooke  
FINANCE DIRECTOR

**COMPANY BALANCE SHEET**  
AS AT 30 JUNE 2000

[24]

	Notes	2000 £	1999 £
<b>Fixed assets</b>			
Tangible assets	11	178,515	-
Investments	12	23,734,447	393
		23,912,962	393
<b>Current assets</b>			
Debtors	14	721,492	6,305
Cash at bank and in hand		10,815,135	182,863
		11,536,627	189,168
<b>Creditors: amounts falling due within one year</b>	15	(467,824)	(22,250)
<b>Net current assets</b>		11,068,803	166,918
<b>Total assets less current liabilities</b>		34,981,765	167,311
<b>Creditors: amounts falling due after more than one year</b>	16	(31,765)	-
<b>Provision for liabilities and charges</b>	17	(10,175)	-
<b>Net assets</b>		34,939,825	167,311
<b>Capital and reserves</b>			
Called up share capital	18	4,215,353	1,512,000
Share premium account	19	33,641,315	784,842
Merger reserve	19	2,148,000	2,148,000
Profit and loss account	19	(5,064,843)	(4,277,531)
<b>Shareholders' funds - equity interests</b>		34,939,825	167,311

The financial statements were approved by the board on 2 October 2000.

  
Brian K Raven  
CHIEF EXECUTIVE

  
Oliver C Cooke  
FINANCE DIRECTOR

**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2000

[25]

	Notes	2000 £	1999 £
<b>Net cash outflow from operating activities</b>	22	(203,181)	(111,854)
<b>Returns on investments and servicing of finance</b>			
Interest received		239,235	-
Interest paid		(21,072)	(10,103)
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		218,163	(10,103)
		14,982	(121,957)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(423,158)	(3,130)
Receipts from sales of fixed assets		12,773	46,963
Development costs capitalised		(226,207)	-
<b>Net cash (outflow)/inflow for capital expenditure</b>		(636,592)	43,833
<b>Acquisitions and disposals</b>			
Purchase of subsidiaries		(17,457,471)	-
Net funds acquired with subsidiaries		478,772	-
Sale of subsidiary undertakings		-	53,037
<b>Net cash (outflow)/inflow for acquisitions and disposals</b>	26	(16,978,699)	53,037
<b>Net cash outflow before financing</b>		(17,600,309)	(25,087)
<b>Financing</b>			
Proceeds from issue of shares	25	30,540,920	360,000
Costs of share issues		(1,276,971)	(59,404)
Hire purchase capital repayments		(50,465)	(5,151)
Loan repayments		(34,046)	-
<b>Net cash inflow from financing</b>		29,179,438	295,445
<b>Increase in cash</b>		11,579,129	270,358

**1. Accounting policies**

The significant accounting policies, which have been consistently applied in preparing the financial statements are as follows:

**1.1 Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**1.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all of its subsidiary undertakings, include the results of the subsidiaries since their dates of acquisition and have been prepared by applying acquisition accounting. Intra-group sales, profits and balances are eliminated fully on consolidation.

**1.3 Merger relief**

When the company acquires another company, by means of share for share exchange, the merger relief provisions of the Companies Act 1985 are applied, and the difference between the nominal value of the shares issued by the company and the fair value of those shares are taken to a merger reserve account in the company's balance sheet.

**1.4 Goodwill**

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. Goodwill is capitalised as an intangible fixed asset and is amortised in equal annual instalments over the directors' estimate of its useful life (see note 10). If a subsidiary undertaking is subsequently sold, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale.

**1.5 Turnover**

Turnover represents the invoiced value of goods and services, excluding value added tax.

**1.6 Investments**

Fixed asset investments are stated at cost less any provision for impairment.

**1.7 Tangible fixed assets and depreciation**

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

Freehold properties	2%
Short leasehold properties	over the period of the leases
Office equipment and computers	20 - 33 $\frac{1}{3}$ %
Fixtures and fittings	15 - 25%
Motor vehicles	25%

**1.8 Stocks and work in progress**

Stocks and work in progress are valued at the lower of cost and net realisable value after making allowance for obsolete and slow moving items.

**1.9 Leasing**

Assets acquired under hire purchase contracts and 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.

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

**1.10 Foreign currency translation**

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

The assets and liabilities of the foreign subsidiary undertakings are translated into sterling at the rates of exchange ruling at the year end. The results of the foreign subsidiary undertakings are translated into sterling at the average rates of exchange for the accounting period. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings, together from the translation of the overseas subsidiary's results are treated as movements of reserves.

### 1.11 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 capitalised, at cost less provision for any impairment in value, and is amortised on the commencement of sales over the anticipated life of the project, typically two years.

### 1.12 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.

### 1.13 Pensions

Payments to defined contribution pension schemes are charged to the profit and loss account as they become payable.

## 2. Segmental analysis

### By activity:

Software, localisation and electronic commerce services	5,807,494	-
Glazing contracting	-	624,161
Licence fees	-	13,654
Sale of transfers	-	140,440
	5,807,494	778,255

Turnover	
2000	1999
£	£
5,807,494	-
-	624,161
-	13,654
-	140,440
5,807,494	778,255

### By geographical area:

#### i) By destination:

United Kingdom	3,621,437	664,560
Europe	304,461	-
America	1,748,627	-
Rest of world	132,969	113,695
	5,807,494	778,255

Turnover	
2000	1999
£	£
3,621,437	664,560
304,461	-
1,748,627	-
132,969	113,695
5,807,494	778,255

#### ii) By source:

	Net assets		Turnover	
	2000	1999	2000	1999
	£	£	£	£
United Kingdom	30,465,219	167,311	3,887,375	778,255
Europe - Ireland	1,614,271	-	1,920,119	-
	32,079,490	167,311	5,807,494	778,255

	Before amortisation of goodwill	Amortisation of goodwill	Loss before taxation	
	£	£	Total 2000	Total 1999
	£	£	£	£
United Kingdom	(236,686)	(2,956,052)	(3,192,738)	(182,882)
Europe - Ireland	374,296	(846,239)	(471,943)	-
	137,610	(3,802,291)	(3,664,681)	(182,882)



**2. Segmental analysis (continued)**

During the prior year the company sold its two loss-making subsidiaries, Stained Glass Systems Limited and Leslie Easton & Co Limited. These subsidiaries generated the turnover shown in the comparative column of the above accounts. As these subsidiaries have been sold, an analysis of loss before taxation and net assets by type of activity has not been provided.

**3 a) Operating loss**

	2000 £	1999 £
Operating loss is stated after charging:		
Amortisation of goodwill	3,802,291	-
Depreciation of tangible fixed assets	202,178	27,673
Auditors' remuneration - audit services	35,000	6,300
Overseas auditors' remuneration	4,400	-
Operating lease rentals - land and buildings	92,326	10,416
- other	44,338	9,242
Hire of equipment	16,699	-

Fees paid to the auditors for non-audit work during the year ended 30 June 2000 amounted to £125,000 of which £111,000 related to capital transactions and corporate finance work.

**3 b) Cost of sales, gross profit and administrative expenses are analysed between continuing operations, acquisitions and discontinued operations as follows:**

	2000 £	1999 £
<b>Cost of sales</b>		
Continuing	-	-
Acquisitions	1,459,160	-
Discontinued	-	567,165
	<u>1,459,160</u>	<u>567,165</u>
<b>Gross profit</b>		
Continuing	-	-
Acquisitions	4,348,334	-
Discontinuing	-	211,090
	<u>4,348,334</u>	<u>211,090</u>
<b>Administrative expenses</b>		
Continuing	1,172,260	111,948
Acquisitions	7,072,018	-
Discontinued	-	439,932
	<u>8,244,278</u>	<u>551,880</u>

**4. Interest receivable**

	2000 £	1999 £
Bank interest	239,235	-

**5. Interest payable**

	2000 £	1999 £
On bank loans and overdrafts	1,609	8,534
On hire purchase and finance lease agreements	19,463	1,569
	<u>21,072</u>	<u>10,103</u>

6. Taxation

	2000 £	1999 £
UK deferred tax at 30%	2,500	-
Overseas tax	37,274	-
	<u>39,774</u>	<u>-</u>

7. Loss per ordinary share

The basic loss per ordinary share has been calculated using the loss for the year and the weighted average number of ordinary shares in issue during the year as follows:

	2000 £	1999 £
Loss for the year	<u>(3,704,455)</u>	<u>(182,882)</u>
	Number	Number
Weighted average of ordinary shares of 10p each	<u>15,206,763</u>	<u>1,800,000</u>
	pps	pps
Basic loss (pence per share)	<u>(24.36p)</u>	<u>(10.16p)</u>

The basic loss per share before goodwill amortisation has also been presented since, in the opinion of the directors, this provides shareholders with a more appropriate measure of the earnings derived from the group's present businesses. It can be reconciled to basic loss per share as follows:

	2000 pps	1999 pps
Basic loss (pence per share)	(24.36)	(10.16)
Amortisation of goodwill (pence per share)	25.00	-
Earnings/(loss) per share before amortisation of goodwill	<u>0.64p</u>	<u>(10.16p)</u>

The diluted loss per ordinary share, as defined in FRS 14, has been calculated on the following basis:

	2000 £	1999 £
Loss for the year	<u>(3,704,455)</u>	<u>(182,882)</u>
	Number	Number
Weighted average number of ordinary shares in issue as above	<u>15,206,763</u>	<u>1,800,000</u>
Dilution for share options outstanding	<u>2,193,787</u>	<u>394,800</u>
Diluted weighted average number of shares in issue	<u>17,400,550</u>	<u>2,194,800</u>
	pps	pps
Diluted loss (pence per share)	<u>(21.29p)</u>	<u>(8.33p)</u>

The average number of shares for the year ended 30 June 1999 has been restated, in accordance with Financial Reporting Standard 14 "Earnings Per Share", following the share consolidations in October 1999 and March 2000 (see note 18).

8. Employees

	2000 £	1999 £
Wages and salaries	2,276,324	268,953
Social security costs	236,275	27,143
Pension costs	138,014	4,958
	<u>2,650,613</u>	<u>301,054</u>

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

	2000 £	1999 £
Office and administration	13	16
Production	48	-
Sales and marketing	10	-
Development and training	25	-
	<u>96</u>	<u>16</u>

#### 9. Directors' emoluments

	2000 £	1999 £
Emoluments for qualifying services:		
Executive directors' - salary and bonuses	366,489	126,926
- benefits	6,488	8,540
Non-executive directors' fees	59,715	15,186
	<u>432,692</u>	<u>150,652</u>
Pension contributions	24,800	4,958
	<u>457,492</u>	<u>155,610</u>
Emoluments disclosed above include amounts paid to:		
Highest paid director - salary, bonus and benefits	202,279	71,485
- pension contributions	13,274	4,958
	<u>215,553</u>	<u>76,443</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes is 3 (1999-1).

No share options were exercised by directors during the year.

Further details of directors' remuneration are contained within the report of the remuneration committee and details of the directors' interests in share options are set out in the directors' report. This note forms a part of those reports and should be read in conjunction with them.

#### 10. Intangible fixed assets

Group	Development costs	Goodwill	Total
Cost	£	£	£
At 1 July 1999	-	-	-
Additions	226,207	21,771,193	21,997,400
At 30 June 2000	<u>226,207</u>	<u>21,771,193</u>	<u>21,997,400</u>
Amortisation			
At 1 July 1999	-	-	-
Charge for the year	-	3,802,291	3,802,291
At 30 June 2000	-	<u>3,802,291</u>	<u>3,802,291</u>
Net book values			
At 30 June 2000	<u>226,207</u>	<u>17,968,902</u>	<u>18,195,109</u>
At 30 June 1999	-	-	-

The development costs shown above have not been charged to the profit and loss account during the year as the directors believe that they should be capitalised and amortised against income arising after 30 June 2000. Depreciation will be charged on the commencement of sales of the products over the shorter of the anticipated life of the project or two years. During the year the group wrote off £20,000 of research expenditure.

Goodwill arose from the acquisitions of six of the company's subsidiary undertakings during the year. Details of the acquisitions and the goodwill arising on each are shown in note 12 below.

Goodwill is amortised over the period which the directors estimate will represent its useful economic life. In the directors' opinion the value of goodwill acquired on the acquisition of an entity is significantly influenced by the development of that business post acquisition and that its intrinsic life span is therefore limited. The periods over which goodwill is being amortised range from one year to five years and reflect the directors' plans for the development of the acquired entities.

# 11. Tangible fixed assets

Group	Freehold property £	Leasehold properties £	Fixtures and fittings £	Office equipment and computers £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 July 1999	-	-	-	-	-	-
Acquired with subsidiaries	633,621	28,401	563,279	578,923	264,269	2,068,493
Additions	32,125	157,631	231,027	214,716	58,225	693,724
Disposals	-	-	-	-	(45,238)	(45,238)
Exchange adjustments	-	1,329	7,322	31,630	499	40,780
At 30 June 2000	665,746	187,361	801,628	825,269	277,755	2,757,759
<b>Depreciation</b>						
At 1 July 1999	-	-	-	-	-	-
Acquired with subsidiaries	15,867	11,857	210,401	186,438	111,196	535,759
Charge for the year	9,585	11,014	75,502	60,316	45,761	202,178
On disposals	-	-	-	-	(32,465)	(32,465)
Exchange adjustments	-	556	1,302	8,236	66	10,160
At 30 June 2000	25,452	23,427	287,205	254,990	124,558	715,632
<b>Net book value</b>						
At 30 June 2000	640,294	163,934	514,423	570,279	153,197	2,042,127
At 30 June 1999	-	-	-	-	-	-

Included in the above group fixed assets are assets held under finance leases or hire purchase contracts as follows:

	Fixtures and fittings £	Office equipment and computers £	Motor vehicles £	Total £
<b>Net book values</b>				
At 30 June 2000	61,668	361,347	72,289	495,304
At 30 June 1999	-	-	-	-
<b>Depreciation charge for the year</b>				
30 June 2000	5,606	21,959	31,947	59,512
30 June 1999	-	-	-	-

## Company

	Leasehold property £	Fixtures and fittings £	Office equipment and computers £	Total £
<b>Cost</b>				
At 1 July 1999	-	-	-	-
Additions	55,387	119,058	27,736	202,181
At 30 June 2000	55,387	119,058	27,736	202,181
<b>Depreciation</b>				
At 1 July 1999	-	-	-	-
Charge for the year	6,894	12,007	4,765	23,666
At 30 June 2000	6,894	12,007	4,765	23,666
<b>Net book value</b>				
At 30 June 2000	48,493	107,051	22,971	178,515
At 30 June 1999	-	-	-	-

12. Fixed asset investments

Company	Shares in subsidiary undertakings £
Cost	
At 1 July 1999	393
Acquisition of subsidiaries	23,734,054
At 30 June 2000	23,734,447

The group subsidiary undertakings are as follows:

Name of company	Principal activity	Percentage of equity capital held
<i>Held directly:</i>		
Ge.cache Limited	Membership and facilities management systems	100%
Ge.world Limited (formerly Ge.media Limited, registered in Ireland)	Localisation services	100%
Torstar Limited	Internet payment and fraud prevention services	100%
Cascade Management Consultants Limited	Software and consultancy	100%
In4mation.net Limited	Online billboard services	100%
Ge.clear Limited	Internet and card payment services	100%
The Electronic Club Limited	Development of web communities	100%
Ge.MRM Limited	Dormant	100%
Ge.track Limited	Dormant	100%
Ge.mart Limited	Dormant	100%
Ge.ware Limited	Dormant	100%
Ge.world Limited (registered in England)	Dormant	100%
<i>Held indirectly:</i>		
Microcache (Scotland) Limited	Software distribution	100%
Job4life.net Limited	Website development	100%
Like4like.net Limited	Dormant	100%
Transware Development Limited	Holder of intellectual property	100%
Transatlantic Localisation Inc.	Localisation sales agent	100%

All companies were incorporated in England with the exception of Ge.world Limited and Transware Development Limited which were incorporated in Ireland, Transatlantic Localisation Inc. which was incorporated in the USA and Microcache (Scotland) Limited which was incorporated in Scotland.

The main additions to the company's investments during the year ended 30 June 2000 were as follows:

On 14 October 1999, the company acquired the entire issued share capital of Ge.cache Limited for £8.1 million.

On 4 November 1999, the company acquired the entire issued share capital of Torstar Limited for £1,500,000.

On 5 November 1999, the company's subsidiary, Ge.cache Limited, acquired the remaining 50% of the issued share capital of Microcache (Scotland) Limited for £19,300.

On 10 January 2000, the company acquired the entire issued share capital of Cascade Management Consultants Limited for £100,000.

On 24 March 2000, the company acquired the entire issued share capital of In4mation.net Limited and its two subsidiaries, Job4life.net Limited and Like4like.net Limited for £192,307.

On 24 March 2000, the company acquired the entire issued share capital of Ge.world Limited (formerly Ge.media Limited) together with its two subsidiary undertakings, Transware Development Limited and Transatlantic Localisation Inc., for £13,406,120.

12. Fixed asset investments (continued)

The net assets/(liabilities) of the subsidiary companies at the dates of acquisition and the goodwill arising were as follows:

Ge.cache Limited:

	Book values £	Fair value adjustments £	Fair values £
Freehold property	617,754	-	617,754
Other tangible fixed assets	418,815	-	418,815
Stocks	173,803	-	173,803
Debtors	591,481	-	591,481
Cash at bank	91,520	-	91,520
Creditors	(603,019)	(151,795)	(754,814)
Net assets	1,290,354	(151,795)	1,138,559
Goodwill arising on acquisition			7,131,908
Total value of consideration paid and costs incurred			8,270,467
The cost of the acquisition was satisfied as follows:			
Fair value of shares issued to vendors			2,100,000
Cash paid to vendors			6,000,000
Transaction costs			170,467
			8,270,467

The fair value adjustments made to the book values of Ge.cache Limited's assets relate to its corporation tax creditor and to a cost of sales accrual.

Microcache (Scotland) Limited:

	Book values £	Fair value adjustments £	Fair values £
Tangible fixed assets	58,518	-	58,518
Stocks	15,101	-	15,101
Debtors	143,681	-	143,681
Bank overdraft	(16,252)	-	(16,252)
Creditors	(235,992)	(4,025)	(240,017)
Net liabilities	(34,944)	(4,025)	(38,969)
Goodwill arising on acquisition			58,269
Consideration - paid in cash to the vendors			19,300

Book and fair values

	Torstar Limited £	In4mation.net group £	Ge.world group £	Cascade Management Consultants Limited £
Leasehold property	-	-	47,188	-
Other tangible assets	10,084	2,539	372,785	5,052
Stocks	-	-	223,383	-
Debtors	5,349	-	848,524	84
Cash/(bank overdrafts)	(77,509)	2,197	468,212	10,604
Creditors	(8,873)	(7,449)	(1,009,627)	(9,978)
Net (liabilities)/assets	(70,949)	(2,713)	950,465	5,762
Goodwill arising on acquisition	1,588,547	198,944	12,693,975	99,550
Costs of acquisitions	1,517,598	196,231	13,644,440	105,312

12. Fixed asset investments (continued)

	Torstar Limited £	In4mation.net group £	Ge.world group £	Cascade Management Consultants Limited £
The costs of acquisition were satisfied as follows:				
Fair value of shares issued to vendors	750,000	192,307	3,253,570	-
Cash paid to vendors	750,000	-	10,152,550	100,000
Transaction costs	17,598	3,924	238,320	5,312
	1,517,598	196,231	13,644,440	105,312

All acquisitions have been accounted for using the acquisition method of consolidation from their respective dates of acquisition.

The summarised profit and loss accounts of the entities for the period from the beginning of their financial years to the dates on which they were acquired are shown below together with the profits/(loss) after tax of their previous financial years:

	Ge.cache Limited £	Microcache (Scotland) Limited £	Torstar Limited £	In4mation.net group £	Ge.world group £	Cascade Management Consultants Limited £
	1/7/99-14/10/99	1/6/99-5/11/99	1/7/99-4/11/99	Incorporation to 24/3/00	1/1/00-24/3/00	1/9/99-10/1/00
Turnover	1,274,438	383,793	30,420	1,576	946,777	29,690
Operating profit/(loss)	137,688	(2,404)	(37,182)	(53,213)	(226,716)	7,631
Profit/(loss) before tax	137,458	(2,404)	(37,182)	(53,213)	(232,718)	7,631
	Year to 30/6/99	Year to 31/5/99	1/4/98- 30/6/99		Year to 31/12/99	Year to 31/8/99
Profit/(loss) after tax	345,697	(38,571)	(85,519)	n/a	395,832	7,691

The acquired companies had no recognised gains or losses in the above periods other than the profits/losses shown above.

13. Stocks

	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Goods for resale	90,088	-	-	-
Work in progress	83,497	-	-	-
	173,585	-	-	-

14. Debtors

	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Trade debtors	2,595,702	-	-	-
Other debtors	126,290	6,698	71,824	6,305
Prepayments and accrued income	220,084	-	31,839	-
Amounts due from subsidiaries	-	-	617,829	-
	2,942,076	6,698	721,492	6,305

15. Creditors: amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank loan	55,444	-	-	-
Trade creditors	842,701	-	129,862	-
Corporation tax	101,812	-	-	-
Other taxes and social security costs	307,717	-	32,424	-
Other creditors	44,533	8,783	-	8,783
Accruals	1,242,237	13,467	283,110	13,467
Net obligations under hire purchase contracts (note 16)	206,677	-	22,428	-
	<b>2,801,121</b>	<b>22,250</b>	<b>467,824</b>	<b>22,250</b>

The bank loan is repayable in February 2001, incurs interest at 2% above the bank's base rate and is secured by a mortgage over a subsidiary's freehold property.

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Net obligations under hire purchase contracts	223,946	-	31,765	-
<b>Gross obligations under hire purchase contracts</b>				
Repayable within one year	238,126	-	25,644	-
Repayable in one to two years	201,584	-	25,644	-
Repayable between two and five years	54,451	-	10,685	-
	494,161	-	61,973	-
Finance charges allocated to future accounting periods	(63,538)	-	(7,780)	-
	430,623	-	54,193	-
Included within liabilities falling due within one year	(206,677)	-	(22,428)	-
	<b>223,946</b>	<b>-</b>	<b>31,765</b>	<b>-</b>

The hire purchase creditors are secured on the assets concerned.

17. Provision for liabilities and charges

	2000	1999
	£	£
<b>Group</b>		
Provision for Employer's National Insurance arising as a result of gains in the value of employee share options	10,175	-
Provision for deferred tax at 30% (full provision)	22,500	-
	<b>32,675</b>	<b>-</b>
<b>Company</b>		
Provision for Employer's National Insurance arising as a result of gains in the value of employee share options	10,175	-



18. Share capital

	2000 £	1999 £
<b>Authorised</b>		
55,000,000 ordinary shares of 10p each	5,500,000	-
504,000,000 ordinary shares of 0.1p each	-	504,000
144,000,000 deferred shares of 0.9p each	1,296,000	1,296,000
	<b>6,796,000</b>	<b>1,800,000</b>
<b>Allotted, called up and fully paid:</b>		
29,193,529 ordinary shares of 10p each	2,919,353	-
216,000,000 ordinary shares of 0.1p each	-	216,000
144,000,000 deferred shares of 0.9p each	1,296,000	1,296,000
	<b>4,215,353</b>	<b>1,512,000</b>

By a special resolution passed on 14 October 1999, the company increased its authorised share capital to £6,796,000 by the creation of 4,996,000,000 new ordinary shares of 0.1p each.

The deferred shares had restricted participation and distribution rights, and with the sanction of the High Court were cancelled on 7 July 2000 (see note 31).

The movements in the issued ordinary share capital during the year were as follows:

Date of issue	Number of shares of of 0.1p each	Number of shares of of 1p each	Number of shares of 10p each	Premium per share
At 1 July 1999	216,000,000	-	-	-
14 October 1999 – Open Offer	1,404,000,000	-	-	0.65p
14 October 1999 – acquisition of Ge.cache Limited	280,000,000	-	-	0.65p
15 October 1999 – consolidation of 10 ordinary shares of 0.1p each into 1 ordinary share of 1p each	(1,900,000,000)	190,000,000	-	-
5 November 1999 – acquisition of Torstar Limited	-	8,108,109	-	8.25p
24 March 2000 – consolidation of 10 ordinary shares of 1p each into 1 ordinary share of 10p each	-	(198,108,109)	19,810,810	-
24 March 2000 – acquisition of In4mation.net Limited	-	-	76,923	240p
24 March 2000 – acquisition of Ge.world Limited (formerly Ge.media Limited)	-	-	1,301,428	240p
24 March 2000 – Open Offer	-	-	8,004,368	240p
At 30 June 2000	-	-	<b>29,193,529</b>	

18. Share capital (continued)

The company has established two share option schemes for the benefit of directors and employees. In addition, certain other options have been granted which fall outside of the schemes and which have received the separate approval of shareholders. The options outstanding at 30 June 2000 can be summarised as follows:

	Number of shares	Option price	Exercisable between
<i>i) Gladstone plc 1999 Approved Share</i>			
Option Scheme:	416,678	100p	28/10/02 – 28/10/09
	28,571	105p	5/11/02 – 28/10/09
	55,618	112p	15/11/02 – 15/11/09
	24,000	125p	15/11/02 – 15/11/09
	46,150	130p	10/1/03 – 10/1/10
	10,000	137p	1/1/03 – 1/1/10
	29,200	205p	25/4/03 – 25/4/10
<i>ii) Gladstone plc 1999 Unapproved</i>			
Share Option Scheme:	47,619	105p	5/11/02 – 5/11/09
	100,000	125p	15/11/02 – 15/11/09
	153,850	130p	10/1/03 – 10/1/10
	292,750	205p	25/4/03 – 25/4/10
	296,341	205p	24/4/05 – 24/4/12
	223,500	250p	28/3/03 – 28/3/10
<i>iii) Non-scheme:</i>			
	424,000	10p	up to 16/3/04
	8,000	50p	up to 30/6/01
	2,526,000	75p	up to 16/3/04
	55,000	75p	21/9/01 to 21/9/08
	1,131,602	250p	up to 16/3/04

19. Statement of movements on reserves

Group	Share premium account	Merger reserve	Profit and loss account
	£	£	£
At 1 July 1999	784,842	2,148,000	(4,277,531)
Premium on share issues	34,133,444	-	-
Expenses of share issues	(1,276,971)	-	-
Retained loss for the year	-	-	(3,704,455)
Foreign exchange translation differences on foreign currency net investments	-	-	56,808
At 30 June 2000	33,641,315	2,148,000	(7,925,178)

Company	Share premium account	Merger reserve	Profit and loss account
	£	£	£
At 1 July 1999	784,842	2,148,000	(4,277,531)
Premium on share issues	34,133,444	-	-
Expenses of share issues	(1,276,971)	-	-
Retained loss for the year	-	-	(787,312)
At 30 June 2000	33,641,315	2,148,000	(5,064,843)

The merger reserve arose from the original acquisition in 1997 of the company's two loss-making subsidiaries which have subsequently been sold to their management. The acquisition was by means of a share for share exchange and the merger reserve represents the premium on the shares issued by the company.

As set out in note 31, the company's share premium account was reduced on 7 July 2000 by transferring £2,981,531 to a special reserve account. On the same date the company's deferred shares were cancelled by transferring their value of £1,296,000 to the special reserve account. The resulting £4,277,531 was then used to eliminate the deficit standing to the company's profit and loss account as at 1 July 1999.

**20. Loss attributable to members of the parent company**

As permitted by Section 230 of the Companies Act 1985, the parent company has not presented its own profit and loss account. The loss on ordinary activities before and after taxation dealt with in the financial statements of the parent company for the year ended 30 June 2000 was £787,312 (1999: £198,202 loss).

**21. Reconciliation of movements in shareholders' funds**

	2000 £	1999 £
Loss for the year	(3,704,455)	(182,882)
Proceeds from issues of shares	36,836,797	360,000
Cost of share issues written off to share premium account	(1,276,971)	(59,404)
Currency translation differences on foreign currency net investments	56,808	-
Net increase in shareholders' funds	31,912,179	117,714
Opening shareholders' funds at start of the year	167,311	49,597
Closing shareholders' funds at end of the year	32,079,490	167,311

**22. Reconciliation of operating loss to net cash outflow from operating activities**

	2000 £	1999 £
Operating loss	(3,882,844)	(340,790)
Depreciation charges	202,178	27,673
Amortisation of goodwill	3,802,291	-
Irrecoverable VAT written off	-	(28,275)
Decrease/(increase) in stocks	238,702	(4,164)
(Increase)/decrease in debtors	(1,346,259)	92,915
Increase in creditors	782,751	140,787
Net cash outflow from operating activities	(203,181)	(111,854)

**23. Reconciliation of net cash flow to movement in net funds**

	2000 £	1999 £
Increase in cash	11,130,977	270,358
Cash outflow from changes in net debt	84,511	5,151
Change in net debt resulting from cash flows	11,215,488	275,509
New hire purchase contracts	(270,566)	-
Net funds acquired on purchase of subsidiaries	178,760	-
Net debt sold on sale of subsidiaries	-	28,935
Movement in net funds	11,123,682	304,444
Net funds/(debt) at start of the year	182,863	(121,581)
Net funds at end of the year	11,306,545	182,863

24. Analysis of changes in net funds

	1 July 1999 £	Cash flows £	Other non-cash changes £	Acquired with subsidiaries £	30 June 2000 £
Cash at bank and in hand	182,863	11,100,357	30,620	478,772	11,792,612
Debt due within one year	-	34,046	-	(89,490)	(55,444)
Hire purchase contracts	-	50,465	(270,566)	(210,522)	(430,623)
	-	84,511	(270,566)	(300,012)	(486,067)
Total net funds	182,863	11,184,868	(239,946)	178,760	11,306,545

Other non-cash transactions of £270,566 represent the value of hire purchase contracts commenced in the year and the £30,620 relates to the retranslation of the opening cash at bank and in hand balances acquired with the overseas subsidiaries.

25. Major non-cash transactions involving the issue of ordinary share capital

During the year the proceeds from issues of ordinary shares amounted to £36,836,797, of which £6,295,877 formed part of the consideration for the acquisition of subsidiary undertakings. The resulting cash inflow from the issue of ordinary shares was £30,540,920.

26. Cash outflow in respect of subsidiaries acquired

	2000 £
Group costs of acquiring subsidiaries	23,753,348
Cash and overdrafts of businesses acquired	(478,772)
Shares issued	(6,295,877)
Cash outflow in respect of subsidiaries acquired	16,978,699

27. Capital commitments

At 30 June 2000, the group had contracted capital commitments amounting to £32,000 (1999: £Nil).

28. Financial commitments

At 30 June 2000 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
Expiry date:	2000 £	1999 £	2000 £	1999 £
In under one year	5,750	-	41,212	-
Between two and five years	226,241	-	62,732	-

29. Financial instruments

The group raises finance through equity issues and borrowings and places surplus cash on short-term deposits. The primary source of borrowing is hire purchase agreements. The only bank loan within the group at 30 June 2000 was repayable in less than a year and was acquired with one of the subsidiary undertakings.

The main risks associated with the group's financial instruments are interest rate risk and credit risk. The policies for managing these risks are kept under review by the board.

The disclosures below exclude short term debtors and creditors of a trading nature.

a) **Interest rate profile of financial assets**

At 30 June 2000 the group had sterling cash deposits of £11 million, Irish cash deposits at a sterling equivalent of £810,000 and US cash deposits at a sterling equivalent of £39,000. The weighted average interest rate of these deposits was 5.6%. These cash deposits were mainly established from proceeds of Open Offers in the year. The principal purpose of these cash funds is to assist in the development and expansion of the group's businesses.

It is the board's policy that deposits are placed only after due consideration of the current credit-worthiness of the counterparty.

b) **Interest rate and maturity profile of financial liabilities**

The interest rate profile of the group's financial liabilities at 30 June 2000 were as follows;

	Total £	Floating rate financial liabilities £	Fixed rate financial liabilities £	Financial liabilities on which no interest is paid £
In sterling	150,520	55,444	95,076	-
In Irish punts (sterling equivalent)	335,547	-	335,547	-
2000	486,067	55,444	430,623	-
1999	-	-	-	-

The floating rate financial liability is a bank loan. The loan of £55,444 carries an interest rate of 2% above the bank's base rate and is repayable in February 2001.

The fixed rate liabilities comprise hire purchase and finance lease commitments and are repayable within 5 years.

The maturity of the group's financial liabilities is as follows:

	£
In one year or less, or on demand	262,121
In more than one year but not more than two	160,163
In more than two years but not more than five	63,783
	<u>486,067</u>

c) **Borrowing facilities**

At 30 June 2000, the group had no undrawn borrowings under agreed committed facilities.

d) **Fair value of financial assets and liabilities**

The fair value of the group's recorded financial assets and liabilities does not differ materially from their book values.

e) **Foreign currency risk**

The group's objective in managing currency exposures arising from its net investment overseas is to maintain a low level of borrowings. The group has not hedged against currency depreciation but continues to keep the matter under review.

f) **Financial risk management and treasury policies**

The directors recognise that this is an area in which they may need to develop specific policies should the group become exposed to wider financial risks as the business develops.

**30. Transactions with directors**

Brian K Raven and Oliver C Cooke had an aggregate interest in 45% of the issued share capital of In4mation.net Limited at the date at which that company was acquired by the group.

**31. Post balance sheet events**

The company has announced the acquisition of a new trading subsidiary which the directors believe offers the potential for a substantial investment return with a controllable level of risk. Details of the transaction can be found in the circular which was sent to shareholders on 15 September 2000.

By special resolution passed on 14 October 1999, and by approval of the High Court which was obtained on 5 July 2000, the company cancelled its 144,000,000 deferred shares of 0.9p each which had a value of £1,296,000 through the creation of a special reserve account of the same value. On 7 July 2000 the company transferred the sum of £2,981,531 from its share premium account to the special reserve account and applied the balance then standing to the credit of the special reserve to eliminate £4,277,531 of the deficit standing to the profit and loss reserve account. This sum represented the losses resulting from the company's former businesses at 30 June 1999.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the company will be held at the offices of Theodore Goddard at 150 Aldersgate Street, London EC1A 4EJ on 15 November 2000 at 11.30 am to transact the following business:

**Ordinary business**

1. To receive and adopt the directors' report, the financial statements and the auditors' report for the year ended 30 June 2000.
2. To re-appoint Hacker Young as auditors of the company and to authorise the directors to determine the auditors' remuneration.
3. To elect James T Middlehurst as a director of the company.
4. To re-elect Oliver C Cooke as a director who is retiring in accordance with the provisions of the company's Articles of Association.

**Special business**

To consider and, if thought fit, to pass the following resolutions, of which resolutions 5 and 6 will be proposed as ordinary resolutions and resolution 7 will be proposed as a special resolution.

5. That the authorised share capital of the company be increased from £5,500,000 to £10,000,000 by the creation of an additional 45,000,000 ordinary shares of 10p each ranking par passu in all respects with the existing ordinary shares.
6. That the directors be and they are hereby generally and unconditionally authorised, in substitution for all previous powers granted to them, to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount equal to the authorised but unissued share capital of the company in existence immediately after the meeting at which this resolution is passed provided that this authority shall expire at the conclusion of the Annual General Meeting of the company to be held in 2001 or 15 months from the passing of this resolution (if sooner) but so that the company may before such expiry make an offer or agreement which would or might require securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
7. That, subject to the passing of resolution 6 above, the directors be empowered pursuant to section 95 of the Companies Act 1985 ("the Act") to allot equity securities for cash pursuant to the authority conferred by resolution 6 above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - a) the allotment of new equity securities in connection with any rights issue or other offering of new equity securities in favour of the holders of equity securities of the company where the new equity securities attributable to the interests of such persons are proportionate (as nearly as may be) to the respective numbers of the relevant equity securities shares held by them (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractions of such securities or the issue and/or holding or any securities in uncertificated form or legal or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory); and
  - b) to the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £319,595

and shall expire at such time as the general authority conferred on the directors by resolution 6 above expires save that the company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired.

Registered Office  
Westminster House  
High Street  
Egham  
Surrey TW20 9HY

BY ORDER OF THE BOARD  
Oliver C Cooke  
Company Secretary  
2 October 2000

**Notes**

1. Any member entitled to attend and vote may appoint a proxy to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the company. A form of proxy is enclosed for the use of members who are unable to attend the meeting and, to be effective, must be lodged at the office of the registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR not less than 48 hours before the start of the meeting.
2. Shareholders will only be entitled to attend and vote at the meeting if they are registered as the holders of ordinary shares at noon on the date prior to the AGM. This record time is being set for voting at the meeting because of the procedures for updating the register of members of the company in respect of shares held in uncertificated form.