

**Teramedia Limited**

3775703

Report and Financial Statements

Year Ended

31 December 2000



**BDO**

BDO Stoy Hayward  
Chartered Accountants

# **TERAMEDIA LIMITED**

## **Report and financial statements for the year ended 31 December 2000**

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Directors and other company details

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### **Directors**

F Bretherton  
J Calvert  
S Foster  
A Gupta  
R Hill  
A Jones  
M Williams

### **Secretary and registered office**

A Moore, Hilliers Chambers, 21/22 High Street, Marlborough, Wiltshire, SN9 1LW.

### **Company number**

3775703

### **Auditors**

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

## TERAMEDIA LIMITED

### Report of the directors for the year ended 31 December 2000

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The directors present their report together with the audited financial statements for the year ended 31 December 2000. The company was incorporated on 21 May 1999 and therefore the amounts in the 1999 profit and loss account are for the period 21 May 1999 to 31 December 1999.

#### Results and dividends

The directors do not recommend the payment of a dividend. It is proposed that the retained loss of £2,022,008 (1999 - £801,125) be transferred to reserves.

During the year the company incurred a loss £2,022,008 (1999 - £801,125). Given the stage of the business, the directors consider performance for the year to be satisfactory.

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

The company is developing, and plans to operate, an electronic transaction and information infrastructure for land and property professionals. The service will also allow these professionals to order value added products and services related to property conveyancing.

During the year the company succeeded in winning a National Land Information Service licence and also launched the Territorium service and piloted the service with a restricted group of users.

During 2001 the company will roll out a suite of products to capitalise on the NLIS licence.

#### Directors

The directors of the company during the year and their respective shareholdings were:

	31 December 2000 £1 ordinary 'C' shares	31 December 1999 £1 ordinary 'C' shares
F Bretherton	138,750	46,250
J Calvert	-	-
S Foster	-	-
A Gupta (appointed 15 November 2000)	-	-
R Hill	-	-
A Jones	-	-
A Wild (resigned 4 November 2000)	-	-
M Williams	-	-

Under the company's share option incentive plan S Foster has 94,276 options over 'A' £1 ordinary shares outstanding at 31 December 2000 (1999 - 23,636) and R Hill has 37,711 options (1999 - 11,819). Separate to this scheme, F Bretherton has 46,250 (1998 - nil) options over 'C' £1 ordinary shares and A Gupta has 18,855 options over 'A' £1 ordinary shares.

## **TERAMEDIA LIMITED**

### **Report of the directors for the year ended 31 December 2000 (*Continued*)**

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#### **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 year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

#### **On behalf of the Board**



**Director**

Date 2/3/01.

## TERAMEDIA LIMITED

### Report of the auditors

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#### To the shareholders of Teramedia Limited

We have audited the financial statements on pages 4 to 15 which have been prepared under the accounting policies set out on pages 6 and 7.

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

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

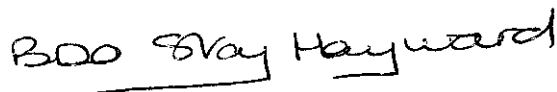
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### *Going concern*

In forming our opinion, we have considered the adequacy of the disclosures made in note 18 to the financial statements concerning the company's dependence on continuing support from its current and future shareholders to remain as a going concern. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

#### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

2 March 2001

**TERAMEDIA LIMITED****Profit and loss account for the year ended 31 December 2000**

	Note	Year ended 31 December 2000 £	Period 21 May 1999 to 31 December 1999 £
Turnover	2	110,686	-
Cost of sales		138,363	-
		<hr/>	<hr/>
Gross loss		(27,677)	-
Administrative expenses		1,980,576	801,125
		<hr/>	<hr/>
Operating loss and ordinary activities before and after taxation	3	(2,008,253)	(801,125)
Net interest payable	4	(13,755)	-
		<hr/>	<hr/>
Loss on ordinary activities before and after taxation		(2,022,008)	(801,125)
Retained deficit brought forward		(801,125)	-
		<hr/>	<hr/>
Retained deficit carried forward		(2,823,133)	(801,125)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 15 form part of these financial statements

# TERAMEDIA LIMITED

## Balance sheet at 31 December 2000

	Note	£	2000 £	£	1999 £
<b>Fixed assets</b>					
Intangible assets	8		235,000		470,000
Tangible assets	9		53,255		30,000
			288,255		500,000
<b>Current assets</b>					
Debtors	10	74,867		325,000	
Cash at bank and in hand		928,380		-	
			1,003,247	325,000	
<b>Creditors: amounts falling due within one year</b>	11	314,926		577,886	
<b>Net current assets/(liabilities)</b>			688,321		(252,886)
<b>Total assets less current liabilities</b>			976,576		247,114
<b>Creditors: amounts falling due after more than one year</b>	12		-		(368,692)
			976,576		(121,578)
<b>Capital and reserves</b>					
Called up share capital	13		3,599,709		620,456
Share scheme reserve	14		-		59,091
Warrant reserve	15		200,000		-
Profit and loss account			(2,823,133)		(801,125)
<b>Shareholders' funds</b>	16		976,576		(121,578)
<b>Analysis of shareholders' funds</b>					
Equity			(1,093,187)		(121,578)
Non-equity			2,069,763		-
			976,576		(121,578)

The financial statements were approved by the Board on 2/3/01.

R Hill  
Director



The notes on pages 6 to 15 form part of these financial statements

## TERAMEDIA LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2000

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#### 1 Accounting policies

The financial statements have been prepared on a going concern basis under the historical cost convention and are in accordance with applicable accounting standards. The principal accounting policies applied during the year are as follows:

##### *Cash flow*

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard No. 1 "Cash flow Statements".

##### *Goodwill and intangible assets*

Goodwill arising on the acquisition of a business is the difference between the fair value of the consideration paid and the fair value of the net assets acquired.

The resulting goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full year following acquisition, and in other years if events or changes in circumstances indicate the carrying value may not be recoverable.

##### *Turnover*

Turnover represents sales to outside customers at invoiced amounts less value added tax.

##### *Depreciation*

Depreciation is provided on tangible fixed assets to write off the cost or valuation, less estimated residual values, over their estimated useful lives on a straight line basis at the following principal rates per annum:

Purchased goodwill	-	50%
Computer equipment	-	33⅓%

##### *Leased assets*

Assets acquired under finance leases are capitalised and written off over the shorter of their useful lives and the terms of the lease. The interest element of the lease charges is apportioned over the period of the lease on the basis of the rate implicit in the lease. Operating lease rentals are charged to the profit and loss account in the year to which they relate.

##### *Pension costs*

The company contributes an amount equal to 5% of each staff member's basic salary to a private pension of their choice. These amounts are charged to the profit and loss account as incurred.



# TERAMEDIA LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

## 1 Accounting policies (*Continued*)

### *Share option incentive scheme*

A charge is made to the profit and loss account and a reserve created in capital and reserves to record the fair value of shares conditionally awarded under the share option incentive plan in accordance with UITF Abstract 17.

### *Warrant reserve*

This reserve was established during the year to record the consideration received for options. When the options are exercised the warrant reserve balance will be offset against the exercise price of the options.

## 2 Turnover

Turnover is wholly attributable to the principal activity of the company, and arises solely within the United Kingdom.

## 3 Operating loss is stated after charging/(crediting):

	Year ended 31 December 2000 £	Period 21 May 1999 to 31 December 1999 £
Depreciation	43,457	-
Amortisation	235,000	-
Auditors remuneration - audit services	7,500	3,500
- other services	-	850
Share option incentive scheme (note 14)	(35,455)	59,091
Operating lease rentals – land and buildings	45,900	-
	<u>          </u>	<u>          </u>

## 4 Net interest payable

	Year ended 31 December 2000 £	Period 21 May 1999 to 31 December 1999 £
Bank interest receivable	3,356	-
Other interest payable	(17,111)	-
	<u>          </u>	<u>          </u>
	(13,755)	-
	<u>          </u>	<u>          </u>

## TERAMEDIA LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

### 5 Employees

	Year ended 31 December 2000 £	Period 21 May 1999 to 31 December 1999 £
Staff costs consist of:		
Wages and salaries	185,899	-
Social security costs	13,564	-
Other pension costs	6,132	-
	<hr/>	<hr/>
	205,595	-
	<hr/>	<hr/>

Employees joined the business between September 2000 and December 2000. The average number of employees, during this period was 6 (1999 - Nil).

### 6 Directors' emoluments

	Year ended 31 December 2000 £	Period 21 May 1999 to 31 December 1999 £
Directors' emoluments consist of:		
Fees and remuneration for management services	98,661	-
Payments to personal pension schemes	1,292	-
Compensation for loss of office	37,730	-
Amounts paid to third parties	8,000	-
	<hr/>	<hr/>
	145,683	-
	<hr/>	<hr/>

In 1999, and the period to September 2000, as disclosed in note 17 two related parties provided consultancy services. In the two amounts, it is not specified how much, if any, is in respect of the directors.

### 7 Taxation

Due to losses arising in the year the company has no liability for corporation tax.

**TERAMEDIA LIMITED**Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

<b>8 Intangible assets</b>	<b>Goodwill £</b>
<i>Cost</i>	
At 1 January 2000 and at 31 December 2000	<b>470,000</b>
<i>Amortisation</i>	
At 1 January 2000	-
Amortisation provided in the year	235,000
At 31 December 2000	<b>235,000</b>
<i>Net book value</i>	
At 31 December 2000	<b>235,000</b>
At 31 December 1999	<b>470,000</b>

The goodwill arose on the acquisition of Geomedia Services on 22 December 1999. The goodwill is being amortised on a straight line basis over 2 years from 1 January 2000.

<b>9 Fixed assets</b>	<b>Computer equipment £</b>
<i>Cost</i>	
At 1 January 2000	30,000
Additions	66,712
At 31 December 2000	<b>96,712</b>
<i>Depreciation</i>	
At 1 January 2000	-
Provided in the year	43,457
At 31 December 2000	<b>43,457</b>
<i>Net book value</i>	
At 31 December 2000	<b>53,255</b>
At 31 December 1999	<b>30,000</b>

**TERAMEDIA LIMITED**Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)**10 Debtors**

	2000 £	1999 £
Called up share capital not paid	-	325,000
Trade debtors	29,221	-
Other debtors	36,639	-
Prepayments and accrued income	9,007	-
	<u>74,867</u>	<u>325,000</u>

All debtors are recoverable in less than one year.

**11 Creditors: amounts falling due within one year**

	2000 £	1999 £
Trade creditors	150,041	-
Tax and social security	16,562	-
Other creditors	-	500,000
Accruals and deferred income	148,323	77,886
	<u>314,926</u>	<u>577,886</u>

Other creditors in 1999 represent the amounts payable on the acquisition of Geomedia Services in 1999.

**12 Creditors: amounts falling due after more than one year**

	2000 £	1999 £
Other creditors	-	368,692
	<u>-</u>	<u>368,692</u>

The other creditors in 1999 fell due for payment after 1 January 2001 and when Teramedia had positive operating cash flow for 3 consecutive months. During 2000 these creditors were settled.

# TERAMEDIA LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)

## 13 Share capital

	2000 Number	1999 Number	Authorised 2000 £	1999 £
'A' ordinary shares of £1 each - equity	2,000,000	2,000,000	2,000,000	2,000,000
'B' ordinary shares of £1 each - equity	-	2,500,000*	-	2,500,000*
'C' ordinary shares of £1 each - equity	8,000,000	5,500,000	8,000,000	5,500,000
Founder preference shares of £1 each - non-equity	1,500,000	-	1,500,000	-
New investor preference shares of £1 each - non-equity	1,000,000	-	1,000,000	-
	<b>12,500,000</b>	<b>10,000,000</b>	<b>12,500,000</b>	<b>10,000,000</b>
	2000 Number	1999 Number	Allotted and called up 2000 £	1999 £
'A' ordinary shares of £1 each - equity	38,656	-	38,656	-
'B' ordinary shares of £1 each - equity	-	295,456*	-	295,456*
'C' ordinary shares of £1 each - equity	1,491,290	325,000	1,491,290	325,000
Founder preference shares of £1 each - non-equity	1,215,597	-	1,215,597	-
New investor preference shares of £1 each - non-equity	854,166	-	854,166	-
	<b>3,599,709</b>	<b>620,456</b>	<b>3,599,709</b>	<b>620,456</b>

\*During the year the 'B' ordinary shares of £1 each were re-designated as 'C' ordinary shares of £1 each.

The 'A', 'B' and 'C' ordinary shares have differing voting rights. On liquidation of the company the 'A', 'B' and 'C' shareholders are treated equally. Dividends can only be distributed if the approval of 51% of the 'C' shareholders is obtained.

During the year the company created two further classes of shares, founder preference shares and new investor preference shares. These two categories of shares have a par value of £1 each and do not confer any rights of participation in the profits of the company, or confer or carry any rights to vote at a general meeting. In the event of a winding up of the company, or other return of capital, these preference shares rank above the 'A', 'B' and 'C' ordinary shares.

## TERAMEDIA LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

#### 13 Share capital (*Continued*)

Both the founder preference shares and new investor preference shares are convertible into 'C' ordinary shares.

The conversion of the new investor preference shares will occur automatically on:

- the company achieving a funding round which values the company of £7.5m or more (post-financing); or
- immediately prior to a listing or sale of the company; or
- a particular new investor preference share holder giving notice to the company of his intention to convert.

The conversion of the founder preference shares will occur when:

- a particular founder preference share holder giving notice to the company of his intention to convert; or
- the company gives notice that it intends to convert all founder preference shares; or
- immediately prior to listing.

The number of 'C' ordinary shares issued on conversion is dependent on the valuation of the company at the date of the conversion of the respective preference shares.

During the year the company issued a total of 2,979,253 shares at par value.

Of this amount, £1,525,000 was received in cash by the company and £1,415,597 of shares were allotted as fully paid in consideration of work performed by shareholders' on behalf of the company, as detailed in the table below:

	KPMG	Intergraph	Total
'C' ordinary shares of £1 each	150,000	50,000	200,000
Founder preference shares of £1 each	400,000	815,597	1,215,597
	<hr/>	<hr/>	<hr/>
	550,000	865,597	1,415,597
	<hr/>	<hr/>	<hr/>

During the year 38,656 'A' ordinary shares were allotted as fully paid to A Wild as part of his termination settlement. Of these shares, 23,636 were allotted from the share scheme reserve (note 14).

**TERAMEDIA LIMITED**Notes forming part of the financial statements for the year ended 31 December 2000 *(Continued)***14 Share scheme reserve**

£

At 1 January 2000	59,091
Share allotted in the year (note 13)	(23,636)
Release to profit and loss account	(35,455)

At 31 December 2000

-

In November 2000, £23,636 of this reserve was used to issue 23,636 'A' ordinary shares of £1 each to A Wild when he left the company.

During the year, the directors' share scheme was replaced by a new scheme which required holders of options to pay for the shares on exercise at rates in excess of par. Accordingly the balance of the reserve was released to the profit and loss account in recognition that it was no longer a cost to the company.

**15 Warrant reserve**

2000

£

1999

£

Warrant reserve

200,000

-

In consideration of work performed for Teramedia by KPMG totalling £150,000 and Intergraph totalling £50,000, Teramedia issued the two shareholders' with options to subscribe to an equivalent value of 'C' £1 ordinary shares at par value. No further amounts are payable on the exercise of these options and the company has no liability to either option holder to return any monies should the options not be exercised.

In addition to the above 200,000 options the company has issued a further 350,000 options to existing shareholders to purchase further 'C' £1 ordinary shares at par value. These options are exercisable by May 2002.

**16 Reconciliation of movements in shareholders' funds**

£

At 1 January 2000	(121,578)
Loss for the year	(2,022,008)
Issue of share capital	2,979,253
Creation of the warrant reserve	200,000
Utilisation and release of the share scheme reserve	(59,091)

At 31 December 2000

976,576

## **TERAMEDIA LIMITED**

**Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)**

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### **17 Related party transactions**

During the year the company entered into the following related party transactions:

Intergraph (UK) Limited owns approximately 11% of the voting share capital of Teramedia, and under the articles of association, is entitled to appoint a director to the board of Teramedia. Mr A Jones was nominated as a director by Intergraph (UK) Limited.

During the year, the company issued 'C' £1 ordinary shares, £1 founder preference shares and options to Intergraph (UK) Limited in settlement amounts owing for consultancy services and recharges for other services provided. The aggregate of debts converted to equity was £915,597, allocated as shown in notes 13 and 15. £89,010 is included in trade creditors at 31 December 2000 owing to Intergraph (UK) Limited. In 1999 consultancy services totalling £301,855 were provided by Intergraph (UK) Limited and Geomedia Services was purchased from them for a consideration of £500,000. The amount due to Intergraph (UK) Limited at 31 December 1999 was £683,673.

K Nominees Limited own approximately 41% of the voting share capital of Teramedia, and under the articles of association, is entitled to appoint a director to the board of Teramedia. Mr J Calvert was nominated as a director by K Nominees Limited.

During the year, the company issued 'C' £1 ordinary shares, £1 founder preference shares and options to K Nominees Limited for consultancy services performed by one of its connected entities. Consultancy services totalling £475,375 were provided during 2000. The aggregate of debts converted to equity was £700,000, allocated as shown in notes 13 and 15. There was no balance outstanding at 31 December 2000. In 1999 consultancy services totalling £425,312 were provided by one of K Nominees Limited's connected entities and the amount due to them at 31 December 1999 was £248,039.

### **18 Going concern**

The company's ability to remain as a going concern is dependent on the continuing support of its current and future shareholders for the development stage of the business. The directors believe that they will obtain additional funding, and discussions with several potential providers of finance continue. Accordingly, the directors consider it appropriate that these financial statements are prepared on a going concern basis.

The financial statements do not include any adjustments that would result from the company not being able to obtain additional funding.



## TERAMEDIA LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

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### 19 Financial commitments

As at 31 December 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings £</b>
Operating leases which expire:	
In two to five years	<b>91,485</b>

The company signed a National Land Information Service licence in November 2000. Licence fees will be payable on commencement of service and these will be recognised as an asset and depreciated over the term of the licence. The final fee is still under review but is expected to be no less favourable than other licence holders.