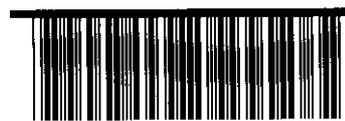


netdecisions holdings Limited

(Registered Number: 3789926)

Directors' Report and Consolidated Financial Statements

For The Period Ended 31st October 1999



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netdecisions holdings Limited and Subsidiary Companies

Financial Statements

For the period ended 31st October 1999

Contents

	Page
Company Information	3
Directors' Report and statement of directors' responsibilities	4
Auditors Report	6
Consolidated profit and loss account	7
Consolidated Balance Sheet	8
Holding company balance sheet	9
Consolidated Cash Flow statement	10
Notes	11

netdecisions holdings Limited and Subsidiary Companies

Number 3789926

Officers and Professional Advisers

Directors

MK Badale
CS Mindenhall

Secretary

CS Mindenhall

Registered Office

Elsinore House
77 Fulham Palace Road
London
W6 8JA

Bankers

The Royal Bank of Scotland
Cavendish Square Branch
28 Cavendish Square
London
W1M 0DB

Auditors

Burgess Hodgson
Camburgh House
27 New Dover Road
Canterbury
Kent
CT1 3DN

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Directors' Report For The Period Ended 31st October 1999

The directors have pleasure in presenting their report together with the financial statements of the group for the period ended 31 October 1999.

Principal Activities

The principal activity of the group during the period under review was the development, marketing and sales of Internet related products and provision of related services.

Results and Dividends

The group made a loss after minority interest of £7,217 after tax for the period ended 31 October 1999 and its financial position at the end of the period is shown in the attached financial statements.

The Directors do not recommend the payment of a dividend for the period under review.

Review of the Business and Future Developments

The Directors are satisfied with the results for the financial period and are confident that the business will grow and develop in the future.

Directors and Their Interests

The directors who served the company during the period together with their interests in the share capital of the Company were as follows:

		At 31 October 1999	At 15 June 1999 Or subsequent date of appointment
		(£0.000025 Ordinary Shares)	(£1 Ordinary Shares)
MK Badale	<i>(appointed 15 June 1999)</i>	80,000	1
CS Mindenhall	<i>(appointed 15 June 1999)</i>	80,000	1

netdecisions holdings Limited and Subsidiary Companies

Directors' Report For The Period Ended 31st October 1999 (*continued*)

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group at the end of the period and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 11 and 12 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

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

Auditors

A resolution to reappoint Burgess Hodgson as auditors for the ensuing year will be proposed at the annual general meeting in accordance with s385 of the Companies Act 1985.

Signed by order of the directors

Registered office
Elsinore House
77 Fulham Palace Road
London
W6 8JA



CS Mindenhall

Approved by the Directors on 01 March 2000.

netdecisions holdings Limited and Subsidiary Companies

Auditors Report To The Shareholders

Period Ended 31st October 1999

We have audited the financial statements on pages 7 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

Respective Responsibilities of the Directors and the Auditors

As described on page 5, 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

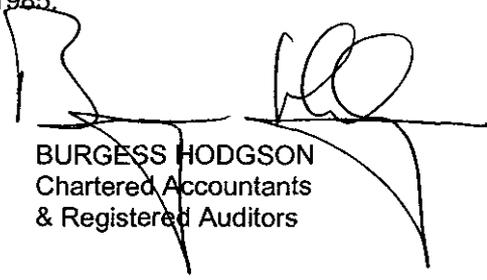
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

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

Opinion

In our opinion the financial statements give a true and fair view of the company's and group's state of affairs as at 31st October 1999 and of its loss for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Camburgh House
27 New Dover Road
Canterbury
Kent
CT1 3DN



BURGESS HODGSON
Chartered Accountants
& Registered Auditors

(March 2000

netdecisions holdings Limited and Subsidiary Companies

Consolidated Profit And Loss Account

For The Period Ended 31st October 1999

	<i>Note</i>	Period Ended 31 st October 1999
Turnover		3,015,551
Cost of Sales		(2,577,888)
Gross Profit		437,663
Administration Expenses		(586,002)
Operating Loss	2	(148,339)
Interest Receivable	5	4,966
Interest Payable and Similar Charges	6	(2,878)
Loss on Ordinary Activities Before Taxation		(146,251)
Taxation	7	(20,000)
Loss on Ordinary Activities After Taxation		(166,251)
Minority Interests (all equity)		159,034
Loss transferred for the period		(7,217)

All the Group's results during the current period are derived from continuing operations. The company had no recognised gains and losses other than the loss for the period.

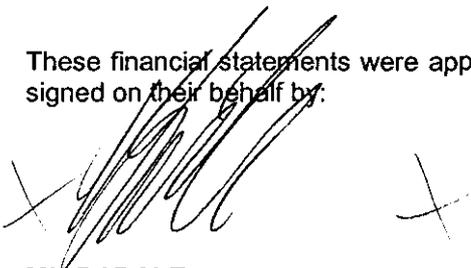
The notes on pages 11 to 20 form part of these financial statements.

netdecisions holdings Limited and Subsidiary Companies

Consolidated Balance Sheet As At 31st October 1999

	Note	Period Ended 31 st October 1999 £
Fixed assets		
Tangible assets	8	414,995
Current assets		
Stock		177,676
Debtors	10	1,078,788
Cash at bank and in hand		1,310,406
		<u>2,566,870</u>
Creditors – amounts falling due within one year	11	<u>(2,986,729)</u>
Net current liabilities		(419,859)
Total assets less current liabilities		(4,864)
Creditors – amounts falling due after more than one year	12	<u>(81,333)</u>
		(86,197)
Minority interests (all equity)		158,984
Net assets		<u>72,787</u>
Capital and reserves		
Called up share capital	14	4
Share premium account	16	80,000
Profit and loss account	15	(7,217)
Total Shareholders' funds	13	<u>72,787</u>

These financial statements were approved by the directors on 01 March 2000 and are signed on their behalf by:


MK BADALE

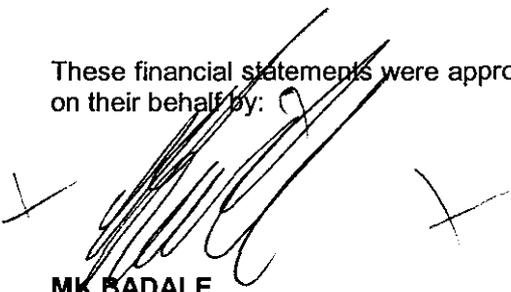
The notes on pages 11 to 20 form part of these financial statements.

netdecisions holdings Limited and Subsidiary Companies

Balance Sheet As At 31st October 1999

	Note	Period ended 31 st October 1999	
		£	£
Fixed assets			
Investments	9		52
Current assets			
Debtors	10	129,950	
Cash at bank and in hand		194	
		<u>130,144</u>	
Creditors – amounts falling due within one year	11	<u>(66,045)</u>	
Net current assets			64,099
Net assets			64,151
Capital and reserves			
Called up share capital	13		4
Share premium account	16		80,000
Profit and loss account	15		(15,853)
Total Shareholders' funds			64,151

These financial statements were approved by the directors on 01 March 2000 and are signed on their behalf by:


MK BADALE

The notes on pages 11 to 20 form part of these financial statements.

netdecisions holdings Limited and Subsidiary Companies

Cash Flow Statement As At 31st October 1999

	Note	Period Ended	
		31 st October 1999	
		£	£
Cash flow from operating activities	17		1,560,420
Returns on investments and servicing of finance	17		2,088
Capital expenditure to acquire fixed assets	17		(490,489)
Net cash (outflow) before financing			1,072,019
Financing			
Issue of ordinary share capital		80,054	
Bank loans (repayments)		158,333	
Net cash inflow/(outflow) from financing			238,387
Decrease in cash in the period			1,310,406
Reconciliation of net cash flow to movement in net debt	17		£
Increase in cash in the period			1,310,406
Cash inflow from increase in debt and lease financing			(158,333)
Movement in net debt resulting from cash flows			1,152,073
Net debt at 1 January 1999			-
Net debt at 31 January 1999			1,152,073

The notes on pages 11 to 20 form part of these financial statements.

netdecisions holdings Limited and Subsidiary Companies

Notes To The Financial Statements – 31st October 1999

1 Accounting Policies

(1) Basis of Accounting

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

(2) Basis of Consolidation

Netdecisions holdings Limited was incorporated on 15 June 1999 and on 9 August 1999 there was a group restructure with netdecisions holdings Limited becoming the new ultimate parent company of the group.

The financial statements have been consolidated using merger accounting and include the results for the 17 months from incorporation of netdecisions Limited and the 7 months from incorporation of training decisions Limited.

(3) Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life less its residual value:

Motor Vehicles	50% p.a. on the straight line method
Computer Equipment	33% p.a. on the straight line method
Furniture, Fixtures and Fittings	20% - 33% p.a. on the straight line method

(4) Stocks

Stocks are valued at the lower of cash and net realisable value after making due allowance for obsolete and slow moving items.

(5) Work in Progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

(6) Software Development Costs

Software development costs are expensed within the profit and loss account as incurred.

(7) Deferred taxation

Deferred taxation is provided using the liability method for timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is, in the opinion of the directors, probable that a liability will crystallise in the near future.

(8) Turnover

Turnover represents amounts recognised on products sold and services provided, net of distributor discounts and value added tax.

Revenue mainly comprises consultancy and services. It has been recognised on the basis of the proportion of work completed.

netdecisions holdings Limited and Subsidiary Companies

Notes To The Financial Statements – 31st October 1999

(9) Leases

Where the group enters into a lease or hire purchase agreement under which it assumes substantially all the risks and rewards of ownership, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life. Future installments payable, net of finance charges, are included within creditors. Rentals paid in the period are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligations.

Other leases are treated as operating leases and the related rental charges are taken to the profit and loss account as incurred.

(10) Turnover

The turnover is attributable to the sale of products, services related to the internet. The directors consider these activities to only comprise one class of business.

The geographical analysis of turnover is as follows:

	17 months ended 31 October 1999 £
United Kingdom	2,995,551
Other	20,000
Total	3,326,057

2 Operating Loss

The operating loss is stated after charging the following:

	Notes	17 months ended 31 October 1999 £
Operating profit is stated after charging		
Staff costs	3	1,244,204
Auditors' remuneration		
- audit fees		15,000
- other fees		9,427
Depreciation of tangible fixed assets		
- owned assets		75,494
Operating leases:		
- Hire of plant and machinery		2305
-Other operating leases		188,788

netdecisions holdings Limited and Subsidiary Companies

Notes To The Financial Statements – 31st October 1999

3 Staff Costs

	17 months ended 31 October 1999 £
<hr/>	
Staff costs including directors' emoluments	
Wages and salaries	1,127,138
Social security costs	117,066
	<hr/>
	1,244,204
	<hr/>
	Number
Average number employed including directors	27
	<hr/>

4 Directors

	17 months ended 31 October 1999 £
<hr/>	
Aggregate emoluments	176,246
	<hr/>

5 Interest Receivable and similar income

	17 months ended 31 October 1999 £
<hr/>	
Bank deposit interest received	4,966
	<hr/>

6 Interest payable

	17 months ended 31 October 1999 £
<hr/>	
Bank loans and overdraft	2,878
	<hr/>

netdecisions holdings Limited and Subsidiary Companies

Notes To The Financial Statements – 31st October 1999

7 Taxation

	17 months ended 31 October 1999 £
Corporation tax on profit on ordinary activities at 20%	20,000

No provision for deferred tax has been made as in the opinion of the directors none is likely to reverse in the foreseeable future. The contingent liability for tax deferred by accelerated capital allowance based on corporation tax at 20% is £24,200.

8 Tangible fixed assets - group

	Furniture, Fixtures & Fittings £	Computer Equipment & Licenses £	Motor Vehicles £	Total £
Cost:				
At 27 May 1998	-	-	-	-
Additions	12,721	442,768	35,000	490,489
Disposals	-	-	-	-
At 31 October 1999	12,721	442,767	35,000	490,489
Depreciation:				
At 27 May 1998	-	-	-	-
Provided in the period	1,551	47,693	26,250	75,494
Accumulated depreciation on disposal	-	-	-	-
At 31 October 1999	1,551	47,692	26,250	75,494
Net book amount:				
At 31 October 1999	11,170	395,075	8,750	414,995
At 27 May 1998	-	-	-	-

netdecisions holdings Limited and Subsidiary Companies

Notes To The Financial Statements – 31st October 1999

9 Fixed Asset Investments

	Group 31 October 1999 £	Company 31 October 1999 £
Subsidiary undertakings		
Netdecisions Limited	-	2
Trainingdecisions Limited	-	50
	-	52

The company owns 100% of the issued ordinary share capital of Netdecisions Limited and 50% of the issued ordinary share capital of Training Decisions Limited.

10 Debtors

	Group 31 October 1999 £	Company 31 October 1999 £
		1
Trade debtors	680,982	-
Other debtors	46,199	-
Amounts owed by group undertakings	-	129,950
Prepayments and accrued income	351,607	-
	1,078,788	129,950

11 Creditors: Amounts falling due within one year

	Group 31 October 1999 £	Company 31 October 1999 £
Trade creditors	911,860	-
Other creditors	1,438,456	50,198
Corporation tax	20,000	-
Other taxation and social security	61,053	-
Accruals	478,360	15,847
Bank loans	77,000	-
	2,986,729	66,045

netdecisions holdings Limited and Subsidiary Companies

Notes To The Financial Statements – 31st October 1999

12 Creditors: Amounts falling due after more than one year

	Group 31 October 1999 £	Company 31 October 1999 £
Bank loans	81,333	-
Maturity of debt		
In one year or less	77,000	-
Between one and two years	63,333	-
Between two and five years	18,000	-
	158,333	-

The bank loans of £158,333 are secured by fixed and floating charges over the assets of the company. There is a cross guarantee regarding the bank facilities of certain group companies.

13 Reconciliation of movements in shareholders' funds

	17 months ended 31 October 1999 £
Loss for the financial year and net movement from Shareholders' funds	(7,217)
Opening shareholders' funds	-
Share capital issued in period	4
Premium on share issues	80,000
Closing shareholders' funds	72,787

netdecisions holdings Limited and Subsidiary Companies

Notes To The Financial Statements – 31st October 1999

14 Called Up Share Capital

	17 months ended 31 October 1999 £
Authorised, 40,000,000 Ordinary Shares of £0.000025 each	1,000
Issued and Fully Paid: 165,000 Ordinary Shares of £0.000025 each (£4.125)	4

During the period, there were the following changes to the company's share capital: -

- (i) each of the 1,000 Ordinary Shares of £1.00 each were sub-divided into 100 Ordinary Shares of 1 pence each;
- (ii) 200 Ordinary Shares of 1 pence each (aggregate nominal value of £2.00) were issued in consideration for the transfer to the company of the entire issued share capital of netdecisions limited;
- (iii) each of the 100,000 Ordinary Shares of 1 pence each were sub-divided into 400 Ordinary Shares of 0.0025 pence each;
- (iv) 4,000 Ordinary Shares of 0.0025 pence each (aggregate nominal value of 10 pence) were issued at a price of £12.50 per share for cash and 1,000 Ordinary Shares of 0.0025 pence each (aggregate nominal value of 2.5 pence) were issued at a price of £30 per share for cash.

Share Option Scheme

The company adopted an Unapproved Company Share Option Plan during the period to 31 October 1999 to provide incentives to employees of the company. Under the rules of the scheme, the Directors may, at their absolute discretion, grant options to Directors and employees of the company or any of its subsidiaries to acquire shares in the company.

During the period, the company granted options for a total of 19,913 Ordinary Shares of 0.0025 pence each to a number of employees of the company. These options may be exercised by the holder, in accordance with and subject to the rules of the scheme, before the tenth anniversary of the date upon which the option was granted. A share allotted on the exercise of an option shall be issued at the market value of a share on the date of the grant of the option or at such other value as the Directors in their absolute discretion may determine. The market value of a share to be determined in accordance with the rules of the scheme.

netdecisions holdings Limited and Subsidiary Companies

Notes To The Financial Statements – 31st October 1999

15 Profit and loss account

	Group 31 October 1999 £	Company 31 October 1999 £
27 May 1998	-	-
Retained loss for the period	(7,217)	(15,853)
31 October 1999	(7,217)	(15,853)

16 Share Premium account

	Group 31 October 1999 £	Company 31 October 1999 £
27 May 1998	-	-
Premium on shares issued in the period	80,000	80,000
31 October 1999	80,000	80,000

17 Notes to the cash flow statement

	17 months ended 31 October 1999 £
Operating profit	(148,339)
Depreciation charges	75,494
(Increase)/decrease in stocks	(177,676)
Decrease/(increase in debtors	(1,078,788)
(Decrease)/increase in creditors	2,889,729
Net cash inflow from operating activities	1,560,420

netdecisions holdings Limited and Subsidiary Companies

Notes To The Financial Statements – 31st October 1999

Analysis of cash flows for headings netted in Cash Flow Statement	17 months ended 31 October 1999 £
Capital Expenditure	
Purchase of fixed assets	(490,489)
Returns on investments and servicing of finance	
Interest received	4,966
Interest paid	(2,878)
Net cash outflow from servicing of finance	2,088

Analysis of Net Debt	At 27 th May 1998 £	Cash Flow £	At 31 October 1999 £
Cash at bank and in hand	-	1,310,406	1,310,406
Bank loans			
< 1 year	-	(77,000)	(77,000)
> 1 year	-	(81,333)	(81,333)
Total	-	1,152,073	1,152,073

18 Other Financial Commitments

	Group 31 October 1999 £	Company 31 st October 1999 £
Land and Buildings		
Expiring		
Within one year	60,318	-
Between two and five years	259,716	-
Other		
Expiring		
Within two to five years	21,300	-

netdecisions holdings Limited and Subsidiary Companies

Notes To The Financial Statements – 31st October 1999

19 Related party transactions

The company is controlled by the directors.

During the period, CS Mindenhall and MK Badale, both Directors of the company, entered into the following transactions with the group requiring disclosure under FRS 8.

	£	£
Sale of motor vehicle to company	17,000	18,000
Expenses paid personally and reimbursed by the company	78,995	54,370

At the end of the period, the directors current accounts included within other creditors in the group accounts showed balances of:-

	£
CS Mindenhall	168,139
MK Badale	192,147

The directors of the company have granted a sub-ordination of £122,000 of the amounts due to them from the group in favour of the group's bankers.