

**ESPOTTING MEDIA (UK) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2002**

haysmacintyre  
Chartered Accountants  
Registered Auditors  
London

Company Number: 3971244



**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 MARCH 2002**

The directors present their report and audited financial statements for the year ended 31 March 2002.

**ACTIVITIES**

The principal activity of the group is the provision of internet search engine services.

**REVIEW OF BUSINESS**

A summary of the year's trading is given on page 5 of the accounts.

**DIVIDENDS**

The directors do not recommend the payment of a dividend in respect of the year covered by the accounts .

The retained loss for the financial year was transferred to reserves.

**FUTURE DEVELOPMENTS**

The company's aim will be to expand its market and range of activities.

**FIXED ASSETS**

Information relating to changes in fixed assets is given in note 7 to the accounts.

**DIRECTORS**

The following have served as directors during the year:

C. C. Allner (appointed 6 December 2001)

N.D.J. Bancroft-Cooke

S.L. Bishop

D. Ishag (appointed 5 May 2001 )

D. Ishag

S. McDonnell (appointed 3 September 2001)

C. Linde

On 7 July 2002 J. Bunis was appointed as a director of the company.

None of the directors who served during the year had any interest in the ordinary share capital of the company. All of the above are directors of Espotting Media Inc, the ultimate parent company, and their interests in the share capital of that company are shown in that company's financial statements.

**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 MARCH 2002**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

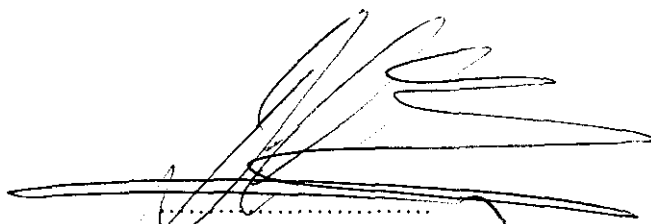
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 group and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ON BEHALF OF THE BOARD**

Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY



.....  
Daniel Ishag  
Director

24 November 2003

We have audited the financial statements of Espotting Media (UK) Limited for the year ended 31 March 2002 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

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

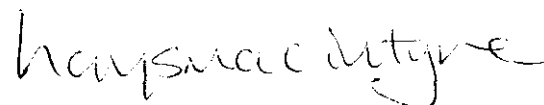
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 state of the group's and the company's affairs as at 31 March 2002 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

haysmacintyre  
Chartered Accountants  
Registered Auditors

24 November 2003



Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2002**

|  | Notes | 2002<br>£           | 2001<br>£           |
|--|-------|---------------------|---------------------|
| <b>TURNOVER</b>                                    |       | 3,741,518           | 45,044              |
| Cost of sales                                      |       | (4,971,409)         | -                   |
|  |       | <hr/>               | <hr/>               |
| <b>GROSS (LOSS)/PROFIT</b>                         |       | (1,229,891)         | 45,044              |
| Administrative expenses                            |       | (3,714,605)         | (1,956,400)         |
|  |       | <hr/>               | <hr/>               |
| <b>OPERATING LOSS</b>                              | 2     | (4,944,496)         | (1,911,356)         |
| Interest receivable and similar charges            |       | 13,688              | -                   |
| Interest payable and similar charges               | 5     | (206,486)           | (4,639)             |
|  |       | <hr/>               | <hr/>               |
| <b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |       | (5,137,294)         | (1,915,995)         |
| Taxation   | 6     | -                   | -                   |
|  |       | <hr/>               | <hr/>               |
| <b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>  |       | (5,137,294)         | (1,915,995)         |
| Dividends  |       | -                   | -                   |
|  |       | <hr/>               | <hr/>               |
| <b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>        | 13    | <u>£(5,137,294)</u> | <u>£(1,915,995)</u> |

The company has no recognised gains or losses other than the losses for the above financial years.

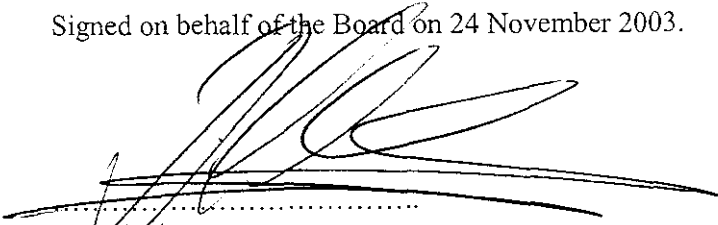
All of the above results relate to continuing operations.

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2002

|  | Notes | 2002               |                     | 2001             |                     |
|--|-------|--------------------|---------------------|------------------|---------------------|
|  |       | £                  | £                   | £                | £                   |
| <b>FIXED ASSETS</b>  |       |                    |                     |                  |                     |
| Tangible assets  | 7     |                    | 391,167             |                  | 128,688             |
| <b>CURRENT ASSETS</b>  |       |                    |                     |                  |                     |
| Debtors  | 9     | 3,439,795          |                     | 118,182          |                     |
| Cash in hand   |       | 904,189            |                     | 42               |                     |
|  |       | <u>4,343,984</u>   |                     | <u>118,224</u>   |                     |
| <b>CREDITORS: amounts falling due within one year</b>          | 10    | <u>(3,134,442)</u> |                     | <u>(410,344)</u> |                     |
| <b>NET CURRENT ASSETS/ (LIABILITIES)</b>                       |       |                    | <u>1,209,542</u>    |                  | <u>(292,120)</u>    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       |                    | 1,600,709           |                  | (163,432)           |
| <b>CREDITORS: amounts falling due after more than one year</b> | 11    |                    | <u>(8,653,996)</u>  |                  | <u>(1,752,562)</u>  |
| <b>NET LIABILITIES</b>   |       |                    | <u>£(7,053,287)</u> |                  | <u>£(1,915,994)</u> |
| <b>CAPITAL AND RESERVES</b>                                    |       |                    |                     |                  |                     |
| Called up share capital  | 12    |                    | 2                   |                  | 1                   |
| Profit and loss account  | 13    |                    | <u>(7,053,289)</u>  |                  | <u>(1,915,995)</u>  |
| <b>SHAREHOLDERS' FUNDS</b>                                     | 14    |                    | <u>£(7,053,287)</u> |                  | <u>£(1,915,994)</u> |

Signed on behalf of the Board on 24 November 2003.

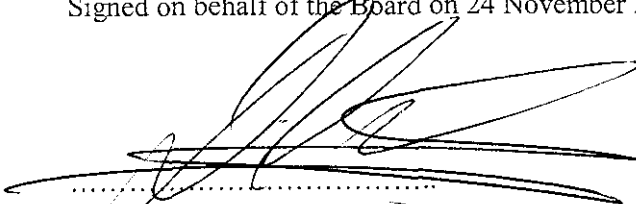
  
Daniel Ishag  
Director

## COMPANY BALANCE SHEET

AS AT 31 MARCH 2002

|  | Notes | 2002             |                     | 2001           |                     |
|--|-------|------------------|---------------------|----------------|---------------------|
|  |       | £                | £                   | £              | £                   |
| <b>FIXED ASSETS</b>  |       |                  |                     |                |                     |
| Tangible assets  | 7     |                  | 388,609             |                | 128,688             |
| Investments  | 8     |                  | 19,903              |                | -                   |
|  |       |                  | <u>408,512</u>      |                | <u>128,688</u>      |
| <b>CURRENT ASSETS</b>  |       |                  |                     |                |                     |
| Debtors  | 9     | 4,831,065        |                     | 118,182        |                     |
| Cash in hand   |       | 634,972          |                     | 42             |                     |
|  |       | <u>5,466,037</u> |                     | <u>118,224</u> |                     |
| <b>CREDITORS:</b> amounts falling due within one year          | 10    | (1,965,415)      |                     | (410,344)      |                     |
| <b>NET CURRENT ASSETS/ (LIABILITIES)</b>                       |       |                  | <u>3,500,622</u>    |                | <u>(292,120)</u>    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       |                  | 3,909,134           |                | (163,432)           |
| <b>CREDITORS:</b> amounts falling due after more than one year | 11    |                  | (8,653,996)         |                | (1,752,562)         |
| <b>NET LIABILITIES</b>   |       |                  | <u>£(4,744,862)</u> |                | <u>£(1,915,994)</u> |
| <b>CAPITAL AND RESERVES</b>                                    |       |                  |                     |                |                     |
| Called up share capital  | 12    |                  | 2                   |                | 1                   |
| Profit and loss account  | 13    |                  | (4,744,864)         |                | (1,915,995)         |
| <b>SHAREHOLDERS' FUNDS</b>                                     |       |                  | <u>£(4,744,862)</u> |                | <u>£(1,915,994)</u> |

Signed on behalf of the Board on 24 November 2003.

  
 Daniel Ishag  
 Director

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2002

|  | Note  | 2002      |                    | 2001      |                    |
|--|-------|-----------|--------------------|-----------|--------------------|
|  |       | £         | £                  | £         | £                  |
| <b>OPERATING LOSS</b>  |       |           | (4,944,496)        |           | (1,911,356)        |
| Depreciation   |       |           | 70,749             |           | 24,978             |
| Increase in debtors  |       |           | (3,321,613)        |           | (118,182)          |
| Increase in creditors  |       |           | 2,670,347          |           | 389,700            |
| <b>NET CASH OUTFLOW FROM<br/>OPERATING ACTIVITIES</b>                                |       |           | <u>(5,525,013)</u> |           | <u>(1,614,860)</u> |
| <b>RETURNS ON INVESTMENTS<br/>AND SERVICING OF FINANCE</b>                           |       |           |                    |           |                    |
| Interest received  |       | 13,688    |                    | -         |                    |
| Interest paid  |       | (206,486) |                    | (4,639)   |                    |
| <b>NET CASH OUTFLOW FROM<br/>RETURNS ON INVESTMENTS<br/>AND SERVICING OF FINANCE</b> |       |           | <u>(192,798)</u>   |           | <u>(4,639)</u>     |
| <b>CAPITAL EXPENDITURE</b>   |       |           |                    |           |                    |
| Payments to acquire tangible<br>Fixed assets   |       |           | (154,925)          |           | (114,024)          |
| <b>NET CASH OUTFLOW FROM<br/>CAPITAL EXPENDITURE</b>                                 |       |           | <u>(154,925)</u>   |           | <u>(114,024)</u>   |
| <b>NET CASH OUTFLOW BEFORE<br/>FINANCING</b>   |       |           | <u>(5,872,736)</u> |           | <u>(1,733,523)</u> |
| <b>FINANCING</b>   |       |           |                    |           |                    |
| New loans  |       | 6,820,188 |                    | 1,727,111 |                    |
| Capital element of lease purchase<br>obligations                                     |       | (36,851)  |                    | -         |                    |
|  |       |           | <u>6,783,337</u>   |           | <u>1,727,111</u>   |
| <b>INCREASE/(DECREASE) IN<br/>CASH</b>   | 15,16 |           | <u>£910,601</u>    |           | <u>£(6,412)</u>    |

The notes on pages 9 to 16 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

## 1. STATEMENT OF ACCOUNTING POLICIES

The particular accounting policies adopted are described below:-

a) **BASIS OF ACCOUNTING**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The group accounts consolidate the accounts of the company and its subsidiary undertakings made up to 31 March. As provided for by Section 230 of the Companies Act 1985 a separate profit and loss account for the parent company has not been prepared.

b) **BASIS OF PREPARATION**

The company had net liabilities at 31 March 2002 and since the year-end has incurred further losses. The directors have prepared projections, covering a period of 12 months from the date these accounts are approved, which demonstrate that the company has sufficient resources to continue in operation for the foreseeable future. On this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis.

c) **TURNOVER**

Turnover represents the total revenue, excluding value added tax, generated during the year.

d) **TANGIBLE FIXED ASSETS**

Tangible fixed assets are shown at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful life at the following rates:-

|                       |         |
|-----------------------|---------|
| Office equipment      | 20%     |
| Computer equipment    | 33%/25% |
| Fixtures and fittings | 20%     |

e) **FOREIGN CURRENCY TRANSACTIONS**

In the accounts, transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

f) **DEFERRED TAX**

Deferred tax is provided using the full provision method to take account of timing differences between the treatment of certain items for accounting purposes and their treatment for tax purposes. Tax deferred or accelerated is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

g) **LEASED ASSETS**

Assets acquired under hire purchase contracts are capitalised and included in tangible fixed assets in the balance sheet and depreciated over their expected useful lives. The resulting lease obligations, net of finance charges in respect of future periods, are included in creditors. The interest element of the instalments is charged to the profit and loss account on a straight line basis over the life of the contract.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## FOR THE YEAR ENDED 31 MARCH 2002

## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

## h) LEASING TRANSACTIONS

Rentals payable under operating leases are charged to the profit and loss account in the year in which they fall due.

## i) RESEARCH AND DEVELOPMENT

Research and development expenditure is written off as incurred.

## 2. OPERATING LOSS

|  | 2002              | 2001              |
|--|-------------------|-------------------|
|  | £                 | £                 |
| The operating loss is stated after charging: |                   |                   |
| Depreciation                                 | 70,749            | 24,978            |
| Auditors' remuneration – audit               | 20,000            | 3,600             |
| Auditors' remuneration – other services      | 20,000            | -                 |
| Operating leases – land and buildings        | 101,245           | 75,327            |
|  | <u>          </u> | <u>          </u> |

## 3. STAFF COSTS

Particulars of employees (including directors) are shown below:

|  | 2002              | 2001              |
|--|-------------------|-------------------|
|  | £                 | £                 |
| Employee costs during the year were :- |                   |                   |
| Wages and salaries                     | 1,554,674         | 732,631           |
| Social security costs                  | 171,619           | 79,466            |
|  | <u>          </u> | <u>          </u> |
|  | £1,726,293        | £812,097          |
|  | <u>          </u> | <u>          </u> |

The average weekly number of persons employed by the company during the year was as follows:

|                | 2002              | 2001              |
|----------------|-------------------|-------------------|
|                | No.               | No.               |
| Administration | 58                | 29                |
|                | <u>          </u> | <u>          </u> |

## 4. DIRECTORS' REMUNERATION

Directors' remuneration was paid in respect of directors of the company as follows:

|                                   | 2002              | 2001              |
|-----------------------------------|-------------------|-------------------|
|                                   | £                 | £                 |
| Remuneration and other emoluments | £327,918          | £156,389          |
|                                   | <u>          </u> | <u>          </u> |

The highest paid director received remuneration of £92,333.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2002

| 5. INTEREST PAYABLE AND SIMILAR CHARGES      | 2002<br>£ | 2001<br>£ |
|--|-----------|-----------|
| Interest payable on bank overdraft           | 172       | 914       |
| Interest payable on hire purchase agreements | 19,678    | 3,725     |
| Interest payable on convertible loans        | 140,778   | -         |
| Other interest                               | 45,858    | -         |
|  | <hr/>     | <hr/>     |
|  | £206,486  | £4,639    |
|  | <hr/>     | <hr/>     |

| 6. TAXATION ON ORDINARY ACTIVITIES             | 2002<br>£ | 2001<br>£ |
|--|-----------|-----------|
| (a) Analysis of tax charge for the year:       |           |           |
| UK corporation tax at current rates (note (b)) | -         | -         |
|  | <hr/>     | <hr/>     |
|  | £ -       | £ -       |
|  | <hr/>     | <hr/>     |

## (b) Factors effecting the tax charge for the year:

The corporation tax assessed for the year is different from the standard rate of corporation in tax in the UK of 30% (2001: 30%). The differences are explained below:

|  |             |             |
|--|-------------|-------------|
| Loss on ordinary activities before tax   | (5,137,294) | (1,915,995) |
| Loss on ordinary activities before tax multiplied by the standard rate of 30% (2001:30%) | (1,541,188) | (574,799)   |
| Effects of:  |             |             |
| Expenses not deductible for tax purposes   | 20,110      | 17,391      |
| Excess of capital allowances over depreciation for the year                              | 2,198       | (37,492)    |
| Overseas earnings taxed at different rates   | (35,119)    | -           |
| Other items  | 26,118      | -           |
| Losses carried forward   | 1,527,881   | 594,900     |
|  | <hr/>       | <hr/>       |
| Current tax charge for the year  | £ -         | £ -         |
|  | <hr/>       | <hr/>       |

## (c) Factors effecting future tax charge:

Tax losses of £6,491,150 are carried forward by the group at the year-end (2001: £1,982,727). The potential deferred tax liability in respect of accelerated capital allowances has been offset by the deferred tax asset represented by the losses. The resultant potential deferred tax asset will be realised as the group becomes profitable.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2002

## 7. FIXED ASSETS

| GROUP                   | Office<br>equipment<br>£ | Computer<br>equipment<br>£ | Fixtures &<br>Fittings<br>£ | Total<br>£      |
|-------------------------|--------------------------|----------------------------|-----------------------------|-----------------|
| <b>Cost</b>             |                          |                            |                             |                 |
| At 1 April 2001         | 1,558                    | 147,475                    | 4,633                       | 153,666         |
| Additions               | 10,454                   | 273,384                    | 49,390                      | 333,228         |
| <b>At 31 March 2002</b> | <u>12,012</u>            | <u>420,859</u>             | <u>54,023</u>               | <u>486,894</u>  |
| <b>Depreciation</b>     |                          |                            |                             |                 |
| At 1 April 2002         | 277                      | 23,833                     | 868                         | 24,978          |
| Charge for the year     | 1,100                    | 67,242                     | 2,407                       | 70,749          |
| <b>At 31 March 2002</b> | <u>1,377</u>             | <u>91,075</u>              | <u>3,275</u>                | <u>95,727</u>   |
| <b>Net book value</b>   |                          |                            |                             |                 |
| <b>At 31 March 2002</b> | <u>£10,635</u>           | <u>£329,784</u>            | <u>£50,748</u>              | <u>£391,167</u> |
| <b>At 31 March 2001</b> | <u>£1,281</u>            | <u>£123,642</u>            | <u>£3,765</u>               | <u>£128,688</u> |

Included within computer equipment are leased assets with a net book value of £195,617 (2001: £50,024) on which £ 35,477 (2001: £8,337) of depreciation has been charged.

| COMPANY                 | Office<br>equipment<br>£ | Computer<br>equipment<br>£ | Fixtures &<br>Fittings<br>£ | Total<br>£      |
|-------------------------|--------------------------|----------------------------|-----------------------------|-----------------|
| <b>Cost</b>             |                          |                            |                             |                 |
| At 1 April 2001         | 1,558                    | 147,475                    | 4,633                       | 153,666         |
| Additions               | 9,370                    | 272,716                    | 48,445                      | 330,531         |
| <b>At 31 March 2002</b> | <u>10,928</u>            | <u>420,191</u>             | <u>53,078</u>               | <u>484,197</u>  |
| <b>Depreciation</b>     |                          |                            |                             |                 |
| At 1 April 2002         | 277                      | 23,833                     | 868                         | 24,978          |
| Charge for the year     | 1,088                    | 67,213                     | 2,309                       | 70,610          |
| <b>At 31 March 2002</b> | <u>1,365</u>             | <u>91,046</u>              | <u>3,177</u>                | <u>95,588</u>   |
| <b>Net book value</b>   |                          |                            |                             |                 |
| <b>At 31 March 2002</b> | <u>£9,563</u>            | <u>£329,145</u>            | <u>£49,901</u>              | <u>£388,609</u> |
| <b>At 31 March 2001</b> | <u>£1,281</u>            | <u>£123,642</u>            | <u>£3,765</u>               | <u>£128,688</u> |

Included within computer equipment are leased assets with a net book value of £195,617 (2001: £50,024) on which £35,477 (2001: £8,337) of depreciation has been charged.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## FOR THE YEAR ENDED 31 MARCH 2002

| 8. INVESTMENTS                             | 2002<br>£ | 2001<br>£ |
|--|-----------|-----------|
| <b>Company</b>                             |           |           |
| <b>Investments in subsidiaries at cost</b> |           |           |
| Balance brought forward                    | -         | -         |
| Additions in the year                      | 19,903    | -         |
|  | <hr/>     | <hr/>     |
| Balance carried forward                    | £19,903   | £ -       |
|  | <hr/>     | <hr/>     |

The additions in the year represent the company's investment in its 2 new subsidiaries, details of which are included below:

|                   | Holding | Activity                                     |
|-------------------|---------|--|
| Espotting Germany | 100%    | Provision of internet search engine services |
| Espotting France  | 100%    | Provision of internet search engine services |

At 31 March 2002 the aggregate net liabilities of Espotting Germany were £1,151,362 and the loss for the period was £1,166,616. At 31 March 2002 the aggregate net liabilities of Espotting France were £1,049,978 and the loss for the period was £1,054,629.

| 9. DEBTORS                               | Group<br>2002<br>£ | Company<br>2002<br>£ | Group and<br>Company<br>2001<br>£ |
|--|--------------------|----------------------|-----------------------------------|
| Trade debtors                            | 1,470,108          | 1,288,863            | 62,010                            |
| Amounts due from subsidiary undertakings | -                  | 2,492,728            | -                                 |
| Other debtors                            | 202,343            | 202,343              | 55,561                            |
| Prepayments and accrued income           | 1,767,344          | 847,131              | 611                               |
|  | <hr/>              | <hr/>                | <hr/>                             |
|  | £3,439,795         | £4,831,065           | £118,182                          |
|  | <hr/>              | <hr/>                | <hr/>                             |

| 10. CREDITORS: amounts falling due within one year | Group<br>2002<br>£ | Company<br>2002<br>£ | Group and<br>Company<br>2001<br>£ |
|--|--------------------|----------------------|-----------------------------------|
| Bank overdraft                                     | -                  | -                    | 6,454                             |
| Amounts due under hire purchase obligations        | 74,397             | 74,397               | 14,191                            |
| Payments on account                                | -                  | -                    | 46,079                            |
| Trade creditors                                    | 948,877            | 645,497              | 214,482                           |
| Other taxation and social security                 | 523,080            | 489,045              | 76,123                            |
| Other creditors                                    | 23,000             | 4,678                | 13,194                            |
| Accruals and deferred income                       | 1,565,088          | 751,798              | 39,821                            |
|  | <hr/>              | <hr/>                | <hr/>                             |
|  | £3,134,442         | £1,965,415           | £410,344                          |
|  | <hr/>              | <hr/>                | <hr/>                             |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2002

| 11. CREDITORS: amounts falling due after one year | Group<br>2002<br>£ | Company<br>2002<br>£ | Group and<br>Company<br>2001<br>£ |
|---|--------------------|----------------------|-----------------------------------|
| Amounts due under hire purchase obligations       | 106,697            | 106,697              | 25,451                            |
| Convertible loan notes                            | 5,522,975          | 5,522,975            | -                                 |
| Amounts due to parent company                     | 3,024,324          | 3,024,324            | 1,727,111                         |
|   | <u>£8,653,996</u>  | <u>£8,653,996</u>    | <u>£1,752,562</u>                 |

The convertible loan notes carry an interest rate of 8% per annum to 31 December 2002, increasing by 1% per annum in each subsequent year to a maximum of 12%. The loan notes are redeemable at par at any time on or after 31 December 2006 by the noteholders.

On redemption, the noteholders also have the option to transfer their loan notes to the parent company, Espotting Media Inc., in exchange for the issue of common stock in the parent company.

The loan notes are secured by way of a fixed charge over the assets of the company.

Obligations under finance leases are payable:

|                           |                 |                |
|---------------------------|-----------------|----------------|
| Between one and two years | 74,397          | 14,191         |
| Between two to five years | 106,697         | 25,451         |
|                           | <u>£181,094</u> | <u>£39,642</u> |

| 12. CALLED UP SHARE CAPITAL         | 2002<br>£     | 2001<br>£     |
|-------------------------------------|---------------|---------------|
| Authorised share capital:           |               |               |
| 1,000 Ordinary share of £1 each     | <u>£1,000</u> | <u>£1,000</u> |
| Authorised, allotted and fully paid |               |               |
| 2 Ordinary shares of £1 each        | <u>£2</u>     | <u>£1</u>     |

During the year one ordinary £1 share was allotted at par value.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## FOR THE YEAR ENDED 31 MARCH 2002

## 13. PROFIT AND LOSS ACCOUNT

|                                      | 2002<br>£           | 2001<br>£           |
|--------------------------------------|---------------------|---------------------|
| <b>Group</b>                         |                     |                     |
| Retained loss brought forward        | (1,915,995)         | -                   |
| Retained loss for the financial year | (5,137,294)         | (1,915,995)         |
|                                      | <u>£(7,053,289)</u> | <u>£(1,915,995)</u> |
| <b>Company</b>                       |                     |                     |
| Retained loss brought forward        | (1,915,995)         | -                   |
| Retained loss for the financial year | (2,828,869)         | (1,915,995)         |
|                                      | <u>£(4,744,864)</u> | <u>£(1,915,995)</u> |

## 14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|                              | 2002<br>£           | 2001<br>£           |
|------------------------------|---------------------|---------------------|
| Opening shareholders' funds  | (1,915,994)         | -                   |
| Loss for the financial year  | (5,137,294)         | (1,915,995)         |
| New share capital subscribed | 1                   | 1                   |
|                              | <u>£(7,053,287)</u> | <u>£(1,915,994)</u> |
| Closing shareholders' funds  |                     |                     |

## 15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

|  | 2002<br>£           | 2001<br>£           |
|--|---------------------|---------------------|
| Increase/(decrease) in cash in the year        | 910,601             | (6,412)             |
| Net cash inflow from loans and lease financing | (6,783,337)         | (1,727,111)         |
|  | <u>(5,872,736)</u>  | <u>(1,733,523)</u>  |
| Change in net debt resulting from cash flows   | (5,872,736)         | (1,733,523)         |
| New finance leases                             | (178,303)           | (39,642)            |
|  | <u>(6,051,039)</u>  | <u>(1,773,165)</u>  |
| Movement in net debt                           | (6,051,039)         | (1,773,165)         |
| Net debt at 1st January 2002                   | (1,773,165)         | -                   |
|  | <u>£(7,824,204)</u> | <u>£(1,773,165)</u> |
| Net debt at 31st December 2002                 |                     |                     |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## FOR THE YEAR ENDED 31 MARCH 2002

| 16. ANALYSIS OF NET DEBT  | At<br>1st April<br>2002<br>£ | Cashflow<br>£ | Other<br>Non-cash<br>Changes<br>£ | At<br>31st March<br>2002<br>£ |
|---------------------------|------------------------------|---------------|-----------------------------------|-------------------------------|
| Cash at bank              | 42                           | 904,147       | -                                 | 904,189                       |
| Overdrafts                | (6,454)                      | 6,454         | -                                 | -                             |
|                           | (6,412)                      | 910,601       | -                                 | 904,189                       |
| Debt due after one year   | (1,727,111)                  | (6,820,188)   | -                                 | (8,547,299)                   |
| Finance lease obligations | (39,642)                     | 36,851        | (178,303)                         | (181,094)                     |
|                           | £(1,773,165)                 | £(5,872,736)  | £(178,303)                        | £(7,824,204)                  |

## 17. CONTROLLING PARTY

The company is a 100% subsidiary of Espotting Media Inc. There is no ultimate controlling party.

## 18. COMMITMENTS UNDER OPERATING LEASES

|  | 2002<br>Land and<br>Buildings<br>£ | 2001<br>Land and<br>Buildings<br>£ |
|--|------------------------------------|------------------------------------|
| Future annual commitments under operating leases<br>are as follows:- |                                    |                                    |
| Amounts payable for more than five years                             | 155,450                            | 100,386                            |
|  | £155,450                           | £100,386                           |

## 19. RELATED PARTY TRANSACTIONS

An amount of £9,514 (2001: £37,476) was paid to Goldberg Linde, an entity in which C W Linde, a director of Espotting (UK) Ltd, is a partner, for legal services.

At the year end an amount of £Nil (2001: £421) was owed by S Bishop, a director of the company. This was overdrawn by a maximum of £421 (2001: £1,334) during the year.

At 31 March 2002 the company owed £3,024,324 (2001: £1,727,111) to its parent company, Espotting Media Inc.

## 19. POST BALANCE SHEET EVENTS

The company is currently in merger negotiations with FindWhat.com, a US listed company.