

Company Registration No. 03973257 (England and Wales)

**AXIOMLAB (FORMERLY AXIOMLAB PLC)**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2004**



# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## COMPANY INFORMATION

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### Directors

Fred Mendelsohn  
Alan Aubrey  
Ray Ingleby

### Secretary

David Parry

### Company number

03973257

### Registered office

28 Orchard Road  
St Annes on Sea  
Lancashire  
FY8 1PF

### Auditors

Lopian Gross Barnett & Co.  
Chartered Accountants  
6th Floor Cardinal House  
20 St. Mary's Parsonage  
Manchester  
M3 2LG

### Business address

City Wharf  
New Bailey Street  
Manchester  
M3 5ER

### Bankers

National Westminster Bank plc  
PO Box 54  
Fishergate  
Preston  
PR1 2BY

Bank of Scotland  
The Mound  
Edinburgh  
EH1 1YS

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# AXIOMLAB (FORMERLY AXIOMLAB PLC)

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# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2004

The directors present their report and financial statements for the year ended 30 April 2004.

### Principal activities and review of the business

During the period the company undertook a Section 425 Companies Act 1985 scheme of arrangement. As part of these arrangements the company de-listed from the Alternative Investment Market and on 2 September 2003 re-registered as an unlimited company. Further details of the scheme of arrangement and group reorganisation are set out in the consolidated accounts of Axiomlab Group plc.

The principal activity of the company continues to be that of managing a portfolio of investments and managing third party funds with the overall intention of providing a shareholder return.

### Results and dividends

The results for the year are set out on page 5.

The directors do not propose that a dividend be paid for the period.

### Directors

The following directors have held office since 1 May 2003:

Fred Mendelsohn

Alan Aubrey

Ray Ingleby

Kaj-Erik Relander

(Resigned 9 September 2003)

Gordon McKenzie

(Resigned 9 September 2003)

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 0.25p each	
	30 April 2004	1 May 2003
Fred Mendelsohn	-	26,400,000
Alan Aubrey	-	-
Ray Ingleby	-	80,400,000

The company's restricted shares (6,000,000 held by Alan Aubrey) were cancelled during the year as part of a group reorganisation, as were the two executive share option schemes (14,300,000 options held by Fred Mendelsohn and 3,500,000 options held by Alan Aubrey). All warrants in issue at 30 April 2003 were also cancelled during the year.

The directors interests in the shares of the ultimate parent company are shown in that company's accounts.

### Auditors

Lopian Gross Barnett & Co. were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2004

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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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

On behalf of the board



Fred Mendelsohn

Director

27 October 2004

# **AXIOMLAB (FORMERLY AXIOMLAB PLC)**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AXIOMLAB (FORMERLY AXIOMLAB PLC)**

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We have audited the financial statements of Axiomlab (formerly Axiomlab plc) on pages 5 to 18 for the year ended 30 April 2004. 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 the directors and auditors**

As described in the statement of directors' responsibilities on page 2 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 directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read 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.

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF AXIOMLAB (FORMERLY AXIOMLAB PLC)

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### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Lopian Gross Barnett & Co.

27 October 2004

Chartered Accountants  
Registered Auditor

6th Floor Cardinal House  
20 St. Mary's Parsonage  
Manchester  
M3 2LG

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 APRIL 2004

	Notes	2004 £	2003 £
Turnover	2	270,237	379,094
Administrative expenses		(1,045,414)	(1,373,502)
Exceptional items			
- Group reorganisation costs		(122,026)	(300,000)
- Unwinding of restricted stock	16	(594,563)	-
<b>Operating loss before impairment provision</b>	3	(1,491,766)	(1,294,408)
Impairment provision	4	(1,244,390)	(2,000,000)
<b>Operating loss after impairment provision</b>		(2,736,156)	(3,294,408)
Other interest receivable and similar income		99,852	282,522
<b>Loss on ordinary activities before taxation</b>		(2,636,304)	(3,011,886)
Tax on loss on ordinary activities	5	-	-
<b>Loss on ordinary activities after taxation</b>	11	(2,636,304)	(3,011,886)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.



# AXIOMLAB (FORMERLY AXIOMLAB PLC)


## BALANCE SHEET AS AT 30 APRIL 2004

		2004		2003	
				as restated (see Note 11)	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	6		8,549		16,447
Investments	7		4,430,360		5,316,322
			<u>4,438,909</u>		<u>5,332,769</u>
<b>Current assets</b>					
Debtors	8	222,780		357,461	
Cash at bank and in hand		1,643,574		5,555,607	
		<u>1,866,354</u>		<u>5,913,068</u>	
<b>Creditors: amounts falling due within one year</b>	9	(161,490)		(460,323)	
<b>Net current assets</b>			<u>1,704,864</u>		<u>5,452,745</u>
<b>Total assets less current liabilities</b>			<u>6,143,773</u>		<u>10,785,514</u>
<b>Capital and reserves</b>					
Called up share capital	10		1,278,477		1,247,114
Share premium account	11		-		16,416,043
Profit and loss account	11		4,865,296		(6,877,643)
<b>Shareholders' funds - equity interests</b>	12		<u>6,143,773</u>		<u>10,785,514</u>

The financial statements were approved by the Board on 27 October 2004



Fred Mendelsohn  
Director

  
 Alan Aubrey  
Director

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2004

	£	2004 £	£	2003 £
Net cash outflow from operating activities		(1,645,877)		(806,739)
<b>Returns on investments and servicing of finance</b>				
Interest received	99,852		282,522	
Net cash inflow for returns on investments and servicing of finance		99,852		282,522
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible assets	(2,143)		(5,514)	
Payments to acquire investments	(358,428)		(1,687,983)	
Net cash outflow for capital expenditure		(360,571)		(1,693,497)
<b>Acquisitions and disposals</b>				
Sale of subsidiary undertakings (net of cash acquired)	-		63,000	
Net cash inflow for acquisitions and from disposals		-		63,000
Net cash outflow before management of liquid resources and financing		(1,906,596)		(2,154,714)
<b>Financing</b>				
Issue of ordinary share capital	1,841,677		-	
Purchase of own shares	(3,847,114)		-	
Issue and purchase of shares	(2,005,437)		-	
Decrease in debt	-		-	
Net cash outflow from financing		(2,005,437)		-
Decrease in cash in the year		(3,912,033)		(2,154,714)

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2004

1	Reconciliation of operating loss to net cash outflow from operating activities	2004	2003
		£	£
	Operating loss before exceptional items and impairment	(775,177)	(994,408)
	Depreciation of tangible assets	10,041	15,807
	Exceptional items - Group reorganisation costs	(122,026)	(300,000)
	- Unwinding of restricted stock	(594,563)	-
	Decrease in debtors	134,681	152,539
	(Decrease)/Increase in creditors within one year	(298,833)	319,323
	<b>Net cash outflow from operating activities</b>	<b>(1,645,877)</b>	<b>(806,739)</b>

2	Analysis of net funds	1 May 2003	Cash flow	Other non-cash changes	30 April 2004
		£	£	£	£
	Cash at bank and in hand	5,555,607	(3,912,033)	-	1,643,574

3	Reconciliation of net cash flow to movement in net funds	2004	2003
		£	£
	Decrease in cash in the year	(3,912,033)	(2,154,714)
	<b>Movement in net funds in the year</b>	<b>(3,912,033)</b>	<b>(2,154,714)</b>
	Opening net funds	5,555,607	7,710,321
	<b>Closing net funds</b>	<b>1,643,574</b>	<b>5,555,607</b>

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2004

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

#### 1.3 Turnover

Turnover, which excludes VAT, represents management and support services, recharges of expenses to portfolio companies and executive search fees.

#### 1.4 Tangible fixed assets and depreciation

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

Fixtures, fittings & equipment	25% - 33% Straight line
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#### 1.5 Leasing

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

#### 1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

The directors consider that the company's equity investments do not generally fall within the Companies Act 1985 definitions of subsidiary or associate undertakings on the basis that the company does not exercise control or significant influence over the operating and financial policies of the investees.

#### 1.7 Deferred taxation

Deferred tax has been calculated according to the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

#### 1.8 Employee Benefit Trust

The company operates an Employee Benefit Trust, which generally holds 5% of amounts invested in investee companies. The shares are held for distribution to executive directors and employees, all of whom are able to participate.

The assets and liabilities of the trust are accounted for together with those of the company on the basis that it has de facto control of the assets in the trust and bears their benefits and risks. Consequently the assets and liabilities of the trust are included within the company's accounts.

#### 1.9 Related party transactions

Under FRS8 - Related Party Disclosures, the company discloses details of material transactions between the reporting entities and related parties. However transactions between the company and other group companies have not been disclosed in accordance with the exemption under FRS8 paragraph 3(e).

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2004

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss	2004 £	2003 £
Operating loss is stated after charging:		
Depreciation of tangible assets	10,041	15,807
Exceptional items - Group reorganisation costs	122,026	300,000
- Unwinding of restricted stock	594,563	-
Operating lease rentals	62,423	76,059
Auditors' remuneration	15,000	19,640

Further details of the exceptional item relating to the unwind of the restricted stock is set out in note 16.

4 Impairment provision	2004 £	2003 £
Amounts written off fixed asset investments:		
- Impairment provision	1,244,390	2,000,000

The impairment provision of £1,244,390 (2003 - £2,000,000) reflects the directors' view of the carrying value of certain investments within the portfolio.

### 5 Taxation

There is no charge for corporation tax for the current or previous year as the company has surplus management expenses of £3.6m at the year end (2003 - £2.5m).

A deferred tax asset has not been recognised in respect of the surplus management expenses as it is uncertain when taxable profits, against which they can be offset, will arise. The estimated value of the deferred tax asset not recognised, measured at a standard rate of 30%, is £1.1m.

The company has impaired the carrying value of investments within its portfolio. The total impairment to date amounts to approximately £7.2m. A deferred tax asset has not been recognised in respect of these potential capital losses as it cannot be anticipated, with reasonable accuracy, when taxable gains, against which they can be offset, will arise. The estimated value of the deferred tax asset not recognised, measured at a standard rate of 30%, is £2.1m.

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2004

### 6 Tangible fixed assets

	Fixtures, fittings & equipment £
<b>Cost</b>	
At 1 May 2003	59,726
Additions	2,143
	<hr/>
At 30 April 2004	61,869
	<hr/>
<b>Depreciation</b>	
At 1 May 2003	43,279
Charge for the year	10,041
	<hr/>
At 30 April 2004	53,320
	<hr/>
<b>Net book value</b>	
At 30 April 2004	8,549
	<hr/>
At 30 April 2003	16,447
	<hr/>

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2004

### 7 Fixed asset investments

	Unlisted investments £	Shares in group undertakings £	Total £
<b>Cost</b>			
At 1 May 2003	8,308,413	3,007,933	11,316,346
Additions	268,334	90,094	358,428
At 30 April 2004	8,576,747	3,098,027	11,674,774
<b>Impairment provision</b>			
At 1 May 2003	3,992,091	2,007,933	6,000,024
Charge for the year	1,244,390	-	1,244,390
At 30 April 2004	5,236,481	2,007,933	7,244,414
<b>Net book value</b>			
At 30 April 2004	3,340,266	1,090,094	4,430,360
At 30 April 2003	4,316,322	1,000,000	5,316,322

#### Holdings of more than 20%

The company has investments in the following principal subsidiary undertakings:

Company	Country of registration or incorporation	Shares held Class	%
<b>Subsidiary undertakings</b>			
Axiomlab Investment Management Limited	England	Ordinary	100
Axiomlab Investment Limited	England	Ordinary	100
Techtran Group Limited	England	Ordinary	90

The principal activity of these undertakings for the last relevant financial year was as follows:

#### Principal activity

Axiomlab Investment Management Limited  
Axiomlab Investment Limited

Fund management services.  
Holding company of investments in trading companies.

Techtran Group Limited

The development of intellectual property created by UK universities with potential for commercial application.

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2004

### 7 Fixed asset investments

(continued)

The company held 100% of the issued share capital of Techtran Group Limited until 24 February 2004 when Techtran Group Limited issued new ordinary shares, to some of its directors. As a result the company's shareholding in Techtran Group Limited was diluted to 89.62%.

#### Significant interests

At 30 April 2004 the company has investments, where it holds 20% or more of the issued share capital, in the following companies.

Company	Country of incorporation	Shares held		Net Assets	Profit / (loss) before tax		Date of financial statements
		Class	%		£	£	
Energetix Group Limited	England	Ordinary	34	(312,057)	(411,249)		31/12/02
Proactis Group Limited	England	Ordinary	29	279,443	55,751		31/07/03
Braddahead Limited	England	Ordinary	24	91,416	(297,717)		31/03/03

In addition to the above the company has a number of other investments where the holding is greater than 20%. These have not been disclosed as they are not considered to be material.

The details of investments that relate to holdings of less than 20% have not been disclosed in accordance with FRS9 - Associated and joint ventures.

### 8 Debtors

	2004	2003
	£	£
Trade debtors	117,890	178,998
Amounts owed by parent and fellow subsidiary undertakings	76,875	138,317
Other debtors	9,043	20,000
Prepayments and accrued income	18,972	20,146
	<u>222,780</u>	<u>357,461</u>



# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2004

9	Creditors: amounts falling due within one year	2004 £	2003 £
	Trade creditors	47,802	37,981
	Amounts owed to subsidiary undertakings	20,000	-
	Taxes and social security costs	18,373	46,342
	Accruals and deferred income	75,315	376,000
		<u>161,490</u>	<u>460,323</u>
10	Share capital	2004 £	2003 £
	<b>Authorised</b>		
	750,000,000 Ordinary shares of 0.25p each	<u>1,875,000</u>	<u>1,875,000</u>
	<b>Allotted, called up and fully paid</b>		
	511,390,652 Ordinary shares of 0.25p each	<u>1,278,477</u>	<u>1,247,114</u>

On 2 September 2003, and as sanctioned by the High Court the company undertook a Section 425 Companies Act 1985 scheme of arrangement. As part of the scheme of arrangement the following took place:

The company's nil paid restricted stock shares of 12,545,000 ordinary shares of 0.25 pence each were paid up in full (nominal value £31,363).

The company's share capital of 750,000,000 ordinary shares of 0.25 pence each (£1,875,000), of which 498,845,652 were issued and paid up (£1,247,114) and 12,545,000 were restricted stock shares (nominal value of £31,363), was cancelled.

The company then created new share capital of 750,000,000 ordinary shares of 0.25 pence each (£1,875,000), of which it issued 511,390,652 shares that were paid up or credited as fully paid (£1,278,477).

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2004

### 11 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 May 2003 (as restated, see below)	16,416,043	(6,877,643)
Retained loss for the year	-	(2,636,304)
Distribution to members	-	(2,600,000)
Premium on shares issued during the year	563,200	-
Transfer from share premium account to profit and loss account	(16,979,243)	16,979,243
Balance at 30 April 2004	-	4,865,296

The company's reserves for the year ended 30 April 2003 have been restated further to the identification of a fundamental error contained within them. The 30 April 2003 accounts, prior to restatement, included a balance brought forward on the merger reserve of £1,909,000, relating to the company's investment in Biz2Bizz Limited. The balance on the merger reserve should have been transferred to the profit and loss account as a movement on reserves at the same time that the company's investment in Biz2Bizz Limited was subject to an impairment provision. The restatement of reserves does not effect the profit and loss account statement nor the company's total reserves.

During the year the company made a call on its restricted stock shares for the payment up in full of each such share. In accordance with the share purchase agreements the participants subscribed for shares at a significant premium over nominal value resulting in an increase in the company's share premium account of £563,200.

Thereafter, as part of the company's scheme of arrangement, the High Court sanctioned the cancellation of the company's share capital and also its share premium account, consequently there is no balance on the share premium account at the year end.

### 12 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Loss for the financial year	(2,636,304)	(3,011,886)
Proceeds from issue of shares	1,841,677	-
Purchase of own shares	(3,847,114)	-
Net depletion in shareholders' funds	(4,641,741)	(3,011,886)
Opening shareholders' funds	10,785,514	13,797,400
Closing shareholders' funds	6,143,773	10,785,514

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2004

### 13 Financial commitments

At 30 April 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2004 £	2003 £
Expiry date:		
In over five years	10,000	10,000

### 14 Directors' emoluments

	Salary / fees £	Other benefits £	Year ended 30 April 2004 £	Salary / fees £	Other benefits £	Period ended 30 April 2003 £
Fred Mendelsohn	125,417	441	125,858	100,000	-	100,000
Alan Aubrey	129,167	121,041	250,208	100,000	10,000	110,000
	254,584	121,482	376,066	200,000	10,000	210,000
<b>Non-executive director</b>						
Ray Ingleby	33,081	441	33,522	70,000	-	70,000
	287,665	121,923	409,588	270,000	10,000	280,000

Included in Alan Aubrey's other benefits for the year is a notional charge of £117,936 in respect of the unwind of the restricted stock scheme.

Details of the directors' interests in shares are shown in the directors' report.

# AXIOMLAB (FORMERLY AXIOMLAB PLC)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2004

### 15 Employees

#### Number of employees

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

	2004 Number	2003 Number
Average number of employees	8	15

#### Employment costs

	£	£
Wages and salaries	499,960	819,013
Social security costs	62,270	85,150
	562,230	904,163

# **AXIOMLAB (FORMERLY AXIOMLAB PLC)**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2004**

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### **16 Restricted stock**

The restricted stock scheme was designed as a mechanism to incentivise the directors and senior management of the company. Under the scheme participants surrendered unapproved share options previously granted in return for nil-paid shares in Axiomlab plc. The subscription price of the shares issued mirrored the exercise price of the options surrendered. Under the scheme a total of 12,545,000 shares were issued at prices that were significantly in excess of the market value of the shares. Under the terms of the scheme the Trustee of the Axiomlab Employee Benefit Trust ("Axiomlab EBT") was to hold the restricted stock scheme shares until such time as the full subscription price was paid.

The dissolution of the restricted stock scheme was a pre-requisite of the scheme of arrangement undertaken on the de-listing of Axiomlab plc. Accordingly the proposed arrangements to implement the scheme's dissolution were approved by the shareholders of the company and the High Court prior to the de-listing. Under the arrangements a call was made for the subscription amounts in respect of all restricted stock shares totalling £594,563. The funding of the subscription was provided by a contribution of cash to the Axiomlab EBT of £520,000 and a loan of £74,563. Axiomlab EBT then paid Axiomlab plc £594,563 to meet the subscription price for the restricted stock shares. The cost of the subscription was not passed onto the restricted stock scheme participants. As a result the profit and loss account of the company includes an expense of £594,563 in respect of meeting this subscription liability. As for the cash cost to the company, £31,000 of employer's National Insurance was paid in relation to the unwind and £106,633 was paid to redeem the shares (as explained below) resulting in a total cash outflow of £137,633. The remainder of the transaction was cash neutral.

The cancellation of the restricted stock scheme resulted in the participants incurring an Income Tax liability. After consultation with the Inland Revenue it was determined that the participant's total tax liability on the unwind of the restricted stock scheme was £101,100. Although the exact amount of the liability was uncertain at the time of the de-listing of Axiomlab plc the requirement to fund this liability was anticipated. Accordingly under the terms of the de-listing the restricted shareholders were only entitled to one Cash Redemption Share for every restricted share held. The cash proceeds from the redemption of these shares totaling £106,633 was sufficient to enable the participants to meet their Income Tax liabilities in respect of the unwind of the scheme.

Full details of the unwind of the restricted stock scheme were presented in Appendix II of the prospectus on the de-listing of Axiomlab plc which is available via Axiomlab's website.

### **17 Post balance sheet events**

On 16 July 2004 Techtran Group Limited secured an investment of £2,000,000 from the AIM-listed IP2IPO plc. In return for the investment IP2IPO plc received a 19.99% equity share in Techtran Group Limited. In addition, IP2IPO plc chief executive David Norwood has been appointed to the Techtran Board as a non-executive director.

Braddahead Limited, an investee company of Axiomlab, sold its business after the year end for total consideration of £1,500,000. In relation to this Axiomlab has received a sum of £312,335 to date, £268,334 of which repaid outstanding loans and preference shares. The directors anticipate that a further £60,000 will be received in respect of Axiomlab's share on liquidation of the company. Axiomlab paid an amount of £32,001 for its equity shares in the company.

At the time of approving the accounts, the directors had entered into preliminary negotiations regarding a potential sale of the company. In the event that a sale goes ahead a group reorganisation will be undertaken to transfer assets that are not part of the acquisition to the Axiomlab Group plc group.