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AXIOMLAB PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 APRIL 2001



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**AXIOMLAB PLC
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DIRECTORS AND ADVISERS

DIRECTORS

Ray Ingleby
Fred Mendelsohn
Alan Aubrey
Senator George Mitchell
Gordon McKenzie
Margaret Morrison
Kaj-Erik Relander

Executive chairman
Managing director
Executive director
Non-executive director
Non-executive director
Non-executive director
Non-executive director

SECRETARY AND REGISTERED OFFICE

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REGISTRATION NUMBER

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REGISTRARS

Northern Registrars
Northern House
Woodsome Park
Fenay Bridge
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AUDITORS

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9 Charlotte Street
Manchester M1 4EU

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OPERATING REVIEW

Background

Axiomlab was admitted to the Alternative Investment Market of the London Stock Exchange plc ("AIM") on 10 August 2000 in conjunction with a placing of 120 million ordinary shares at 5p per share. The company was established to fill, what the directors perceive is, a gap between the angel investment community and larger venture capital organisations in the regions of the UK and Ireland. Axiomlab provides active, strategic and operational support as well as development capital to exciting early-stage technology businesses with the potential for rapid growth. This is due to the board's belief that many early stage businesses, even those with innovative ideas and technologies, require much more than simply an injection of capital to drive them forward.

Building businesses

Central to the Axiomlab approach is the provision of business building expertise alongside the provision of capital. Generally, the board will only approve making an investment where it believes that there is genuine potential to benefit from the assistance and experience of Axiomlab's own people.

The company's executives have provided a range of services to our portfolio companies. These include the refinement and preparation of business plans, the identification and hiring of key personnel (including CEOs and board members), the implementation of financial systems, the provision of assistance with the installation of technology, the development of sales and marketing strategies and the provision of access to potential customers and markets.

RESULTS

During the period ended 30 April 2001, the company recorded a loss on ordinary activities before taxation of £2.439 million. This figure is stated after providing for £1.75 million against the carrying value of certain Internet-related investments in the company's portfolio and interest receivable of £0.135 million on funds raised upon admission to AIM.

REVIEW OF INVESTMENT PORTFOLIO

Period to 30 April 2001

The progress and development of the portfolio companies is summarised as follows:

Casmir

Casmir Limited ("Casmir") has developed knowledge management software that aims to improve workforce productivity and optimise the knowledge of a company, using a collaborative and visual approach. A pilot project with 100 user licences is currently being rolled out at a major multi-national company, with product group members in the UK, Germany and the USA. Casmir's core technology was developed as part of a PhD project at Salford University and in November 2000, Casmir was one of only seven ventures in the UK to be awarded a British Computer Society Medal.

Since our investment, and with the assistance of Axiomlab's personnel, Casmir has established the core product offering and has begun the commercialisation of the software and the development of sales and marketing activities. In addition, it has assisted with the recruitment of key members of the management team, including the chief executive, Sean Keenan, formerly with Logical UK Ltd. More information is available from the Casmir's website at www.casmir.net.

Axiomlab acquired 10 per cent. of the share capital of Casmir for £200,000 on 2 October 2000, valuing Casmir at approximately £2 million following the investment. Subsequently, on 28 May 2001, Axiomlab, in conjunction with several other parties, invested an additional £500,000 to increase its holding to 18.9 per cent. of the share capital, valuing Casmir at £4.5 million following the investment. Axiomlab also holds options to acquire an additional 3.5 per cent. of the enlarged share capital of Casmir. Other shareholders in Casmir include a fund managed by Yorkshire Fund Managers.

"The Axiomlab team provided much needed commercial focus from day one. The capital investment was key of course but of more value was their approach to nurturing start-ups. The approach is one of hands-on help and being able to identify where their expertise can best be used." Dr. Elaine Ferneley, Operations Director, Casmir.

Image-metrics

Image-metrics plc ("Image-metrics") is a software company providing solutions for the automated interpretation of images and video. The software infrastructure layer may be embedded into the existing applications of a variety of providers. The technology of Image-metrics is already deployed in approximately 57,000 computers worldwide in Baltimore Technologies' award winning "PORNsweeper" product and they have completed more licensing deals, one with Royle Golf, a sports training system provider worth approximately £300,000 and a second, initially worth approximately £280,000, with a quoted US media company.

It is believed that the core machine vision technology has widespread applications, including content security, medical imaging, animation, surveillance, digital media management and biometric security. It is estimated that each of these market sectors has significant growth potential. For example, the market for biometric applications is forecast to grow to approximately £1 billion in 2001 and the market for security and surveillance video recording is already worth approximately £600 million per annum. Axiomlab is providing assistance in the strategic direction of Image-metrics as well as the hiring of key personnel, including the chief executive. Axiomlab acquired 15.6 per cent. of the share capital of Image-metrics for £507,000 on 15 December 2000, valuing Image-metrics at approximately £3.3 million following the investment. More information is available from Image-metrics' website at www.image-metrics.com.

"When Axiomlab first arrived, they helped put in place some of the core processes and management structures we needed. Today, Axiomlab are providing invaluable contacts at a senior level within our target channel partners, as well as ensuring that we are well prepared for the technology and financial due diligence requirements of next round funders. Overall, Axiomlab have exceeded our expectations by providing the right help at the right time." David Pilgrim, CEO, Image-metrics.

CSols

CSols plc ("CSols") specialises in the development of software that links analytical instruments used in the laboratory to Laboratory Information Management Systems ("LIMS"). The software facilitates the automatic transfer of data between laboratory instruments and LIMS. This process significantly reduces human error and allows detailed and rapid analysis of such data. CSols' current customer base includes companies such as Pepsico, Roche and Procter & Gamble and is in negotiations with a number of major pharmaceutical companies. CSols announced a deal with Glaxo SmithKline in March 2001, whereby CSols' software will be used in seven Glaxo SmithKline laboratories. CSols recently signed two more deals with major pharmaceutical companies in the USA. The market for CSols' software is estimated at over £300 million, with annual growth of approximately 15 per cent.

Axiomlab acquired 24.2 per cent. of the share capital of CSols for £485,000 on 10 February 2001, valuing CSols at approximately £2 million following the investment. In April 2001, Axiomlab exercised options to increase its shareholding to 25 per cent. and also holds options to invest a further £500,000 at a pre-money valuation of £3 million, exercisable by 12 April 2002. More information is available from the CSols' website at www.csols.com.

"We have worked with Axiomlab for five months now and have already seen significant positive impact on our business. The support we have received has been of the highest quality and value. We believe that there are huge opportunities for our software, Links for LIMS. With Axiomlab's contacts, commercial and strategic help, and investment, we are confident that we can continue to develop rapidly over the next few years." Dr Phillip Goddard, CEO, CSols.

Empiricom

Empiricom Limited ("Empiricom") has developed processes and software that allow the knowledge of an expert on a particular subject to be converted and presented to a non-expert in a way he or she can understand. The directors of Empiricom believe that the software allows a user to move unequivocally from a manual or automated interview with experts (or other knowledge sources) through to the fully working systems. Empiricom's customers and partners include Stratumssoft, Huntsman Petrochemicals Limited, Atos Origin Inc and a leading professional services firm. Axiomlab has assisted in the recruitment of several key members of the Empiricom team, including the executive chairman, Peter Horne, formerly president of the PC division of Mitsubishi Electric and managing director of Apricot Computers Limited.

Axiomlab acquired 21.2 per cent. of the share capital of Empiricom for £850,000 on 29 March 2001, valuing Empiricom at approximately £4 million following the investment. More information is available from Empiricom's website at www.empiricom.co.uk.

"Since the end of March, Empiricom has grown from 5 part-time staff to 15 full-time professionals, taken up new office space in central Manchester, appointed an industry figurehead to the position of executive chairman, and, most excitingly, begun to develop some tremendous business opportunities. These achievements are due in no small measure to hard work and dedication on the part of Axiomlab. We are delighted with progress and are keenly looking forward to developing this partnership." Rick Turner, CEO, Empiricom.

Auctions2business

Auctions2business Limited ("A2B"), based in Manchester, was established to provide a platform for the on-line auction and sale of pre-owned industrial plant, machinery and the web-casting of traditional off-line auctions and sales through its website at www.auctions2business.com. The A2B model operates in conjunction with existing off-line valuation and fulfilment services to service the market for pre-owned plant, machinery and equipment. A2B launched its website at the end of November 2000 and has focused on growing the level of content available on the website. In addition, A2B has signed exclusive contracts with six auctioneers and six dealers, as well as one of the largest insolvency practitioners in the UK, Begbies Traynor, to source content and provide valuation services to A2B. The company has also recruited several individuals from the auctioneering industry who have experience of the market place in both the UK and Europe.

The original direction of A2B has changed in line with market demands. The directors of A2B believe that the market in the UK is currently fragmented and industry consolidation is likely in the future. It is believed that A2B will be well positioned to take advantage of any opportunity to consolidate the off-line auctioneering business within Europe. It currently holds an option to acquire the business and assets of one of the largest Northern based UK auctioneers, SHM Smith Hodgkinson and is progressing discussions with a number of other auctioneers. A2B hired John Eddleston, a former managing partner of SHM Smith Hodgkinson, as CEO and Donald Greenhalgh as a non-executive director, who is also the former non-executive chairman of Allen plc.

Axiomlab acquired 45 per cent. of the share capital of A2B on 10 August 2000 for £1 million. As apart of the consolidation and realignment process, Axiomlab acquired the shareholding from two existing shareholders for a non-cash consideration on 1 June 2001 to increase its shareholding in A2B to 89 per cent.

"Axiomlab have been of immense help to Auctions2business not just in providing the funding needed to develop the business but also in helping with recruitment and hands on involvement in building relationships with suppliers and clients alike. Without this relationship, Auctions2business would not have been able to develop as rapidly as it has."
John Eddleston, CEO, A2B

NetLet

NetLet Holdings Limited ("NetLet"), which now trades as "Great Shower", provides a database of on-line residential lettings accommodation and related services through its website at www.greatshower.com. NetLet has signed a three year contract as the exclusive provider of on-line residential letting accommodation to the National Union of Students in the UK ("NUS"), which comprises approximately 3.2 million members, through the NUS on-line presence at www.nusonline.co.uk. NetLet has focused on systemising the method of delivery of letting services, primarily to educational establishments, as well as centralising the identification of potential residential options.

NetLet is forging links with a number of educational institutions as sources of residential accommodation, as well as with other providers of accommodation, such as property agents and commercial and private landlords. NetLet's board includes Professor Kevin Keasey of Leeds University Business School and Professor David Auckland of the Manchester Science Enterprise Centre as non-executive directors. Axiomlab acquired 60 per cent. of the share capital of NetLet for £300,000 on 10 August 2000. More company information is available from www.greatshower.com.

Firmgrowth

The investment in Firmgrowth Limited ("Firmgrowth") is a passive one made on admission to AIM and is not typical of Axiomlab's investment strategy. Axiomlab, through its subsidiary, acquired 2.5 per cent. of the share capital of Firmgrowth, the parent company of ITM Activate for £2 million. ITM Activate provides on-line student recruitment and lifestyle services through its website at www.activate.co.uk. It has also signed a 30 year agreement with the NUS to provide student-related services and to build the on-line presence at www.nusonline.co.uk. ITM Activate raised additional capital in September 2000 at a pre-money valuation of £300 million. ITM Activate has also signed contracts with a number of blue chip partners including Abbey National, HMV, Microsoft and Top Shop.

Period following the balance sheet date

Following the balance sheet date, the Company has increased its investment in Casmir, as set out above, and invested in two additional technology companies, THERMetica and Get Real Systems.

THERMetica

THERMetica Limited ("THERMetica"), based near Chester, is a company that specialises in licensing thermal energy technology and storage devices. It has recently completed development of a non-mechanical slurry ice machine, which provides significant benefits over existing technologies, such as increased reliability and product lifetime, reduced maintenance costs and an outstanding rate of discharge (cooling time). The device is also smaller and cheaper to produce than comparable products in the market. The THERMetica product has global licensing applications across the process cooling and air conditioning market sectors. The company is currently working with several large multinationals to enter the dairy industry and US air conditioning market. Energy storage devices of this nature are also being employed as a method of reducing peak time electricity costs by acting as a substitute power source when high levels of demand are placed upon utility providers and have received widespread press coverage in light of the on-going Californian energy crisis.

On 14 May 2001, Axiomlab acquired 23.3 per cent. of the ordinary share capital of THERMetica for £350,000 at a valuation of approximately £1.5 million following the investment. THERMetica was founded in 1999 as a joint venture between Energetic Communications and E.A. Technology. THERMetica's CEO, Adrian Hutchings, was previously a director of International Energy Systems, a company that specialised in the development of electro-mechanical flywheel based storage systems.

"We are delighted to be working with Axiomlab in developing the THERMetica business and believe that we have a very strong product that will bring significant cost savings to our customer base within the global dairy and air conditioning markets. We are confident in Axiomlab's ability to help us bring our product to market." Adrian Hutchings, CEO, THERMetica.

Get Real Systems

Get Real Systems Limited ("Get Real Systems"), based near York, has developed a software application called "Proactis" that specializes in streamlining purchasing and controlling expenditure by integrating with most accounting and sales order processing software packages. The software is designed to facilitate and enhance the purchasing process by reducing time and effort, by aggregating purchasing across a business and providing auditable information of stock control.

Get Real Systems has a customer base in the mid-sized corporate and public sector and current customers include NSPCC, Cornhill Insurance and the University of Birmingham. The target market size for the product is estimated at £300 million in Europe. On 25 July, Axiomlab acquired 33 per cent. of the ordinary share capital of Get Real Systems for £1,000,000 at a valuation of £3 million following the investment. More information is available from Get Real Systems' website at www.getrealsystems.com.

"We are very much looking forward to working with Axiomlab in building our business. We had a number of interested parties, but we believe Axiomlab's assistance in terms of strategic insight and commercial contacts will be invaluable."
Kevin McCarthy, MD, Get Real Systems.

MANAGEMENT TEAM, BOARD & ADVISORY PANELS

The board was strengthened with the appointment of Alan Aubrey, a former partner at transaction services at KPMG, as an executive director and as Head of Operations in the North of England, on 1 July 2001. The full-time management team has also been augmented further and now comprises 12 executives, who between them have a broad range of operational experience in information technology, accounting, marketing and venture capital. The individuals are:

Executive directors

- Ray Ingleby, aged 38, formerly the founder, chairman and chief executive of Caribiner International, Inc, a New York Stock Exchange listed company.
- Fred Mendelsohn, aged 38, formerly of McKinsey & Co and Arthur Andersen, a chartered accountant, and a graduate of Harvard Business School (MBA) and Oxford University.
- Alan Aubrey, aged 40, formerly a partner with KPMG in Manchester and Leeds, a chartered accountant, and a graduate of Bradford University (MBA) and Leeds University.

Management team

- Andrew Mayhew, aged 31, formerly of McKinsey & Co and a graduate of Stanford Business School (MBA) and Oxford University.
- Vicky Prezeau, aged 30, formerly of Quidnunc and McKinsey & Co and a graduate of Stanford Business School (MBA) and Cambridge University.
- Dr. Alison Fielding, aged 37, formerly of McKinsey & Co and a graduate of Manchester Business School (MBA) and Glasgow University (PhD and BSc).
- Kate Taylor, aged 33, formerly of McKinsey & Co and a graduate of INSEAD (MBA) and Birmingham University.
- John McArthur, aged 26, formerly of Arthur Andersen Business Consulting and a first-class graduate of Strathclyde University.
- Murray McGowan, aged 24, formerly of McKinsey & Co and a first-class graduate of Heriot-Watt University.
- Gavin Maitland, aged 34, formerly of APP Group, TNT Express Worldwide, Pricewaterhouse Coopers, a chartered accountant, and a graduate of London Business School (MBA) and Dundee University.
- Stephen Durnan, aged 38, formerly an IT specialist contracted to organisations such as Scottish Power and a graduate of the Open University.
- Charles Winward, aged 31, formerly of Pacific Mezzanine Fund and JP Morgan and a graduate of the University of California at Berkeley (MBA) and Bristol University.

The executive directors and management team continue to be supported by four non-executive directors and members of the Advisory Panels. The non-executive directors comprise Senator George Mitchell (Director of, inter alia, Kodak, Walt Disney and Xerox), Gordon McKenzie (Scotland Country Business Manager at Microsoft), Margaret Morrison (Operations Director for Scotland and Ireland at Cisco Systems) and Kaj-Erik Relander (formerly President and Chief Executive Officer of Sonera, the Finnish telecommunications company, and now a partner in Accel Venture Capital).

We have also benefited from the Advisory Panels in the North of England and Scotland, comprising prominent and experienced business individuals who provide support, deal-flow and advice to the Company and its portfolio of investments. The North of England Advisory Panel is chaired by Paul Lee (senior partner of Addleshaw Booth & Co.) and the Scottish Advisory Panel is chaired by Hamish Grossart (chairman of Royal Doulton plc, among other positions).

As part of our regional expansion, we have created a third Advisory Panel, the North East of England Advisory Panel, which was announced on 25 July 2001. The new Advisory Panel is chaired by Rodney Potts (former founder and managing director of Coda, the software company). The North of England Advisory Panel was consequently renamed the North West of England Advisory Panel. In addition, the Advisory Panel in Scotland has been strengthened with the appointments of Chris Gorman, a leading Scottish entrepreneur, and David MacLelland, formerly managing director of Murray Johnstone's private equity business prior to its acquisition by Aberdeen Asset Management. The Advisory Panel in the North West of England has also been strengthened with the appointment of David Cox, a former director of IBM UK Ltd. Ian Ritchie and Ian Rose have in turn stepped down.

FINANCES


On 11 June 2001, the company raised £12 million before expenses through a placing of approximately 209 million new ordinary shares of 5.75p each, through institutions such as Merrill Lynch, CGNU, Prudential and the Bank of Scotland, which the board consider to be a significant achievement in the prevailing economic climate. This should provide a solid foundation for Axiomlab's next phase of progression and growth. As at 17 August 2001, the company had net cash of approximately £11,340,000.

OUTLOOK

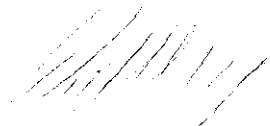
We firmly believe that our current business model can be extended further to allow Axiomlab to become the leading regional provider in the early stage development capital market for technology businesses. The current downturn in the technology sector has provided Axiomlab with the opportunity to source deals on more favourable terms than previously envisaged. While the current value of publicly quoted technology and software businesses has fallen, we do believe strongly in the longer term success of such companies. It is anticipated that the majority of our investments will require at least two years to become significant players in their markets. We have also focused on balancing our portfolio in terms of the range of technologies and the relative stages of development in which we invest. We fully expect that their development should mirror improvements in the capital markets to lead to increased valuation of the portfolio.

In announcing the loss for the period, the board considered it prudent to make a provision to cover our limited investments in the Internet sector, in line with prevailing market sentiment. We are, however, continuing to adapt the business strategies of the existing Internet investments and are actively pursuing such strategies with a view to augmenting shareholder value through a future realisation of these investments. As we build our underlying business, and until we begin the process of realisation of our investments, it is inevitable that the company will incur losses. Your Board will continue to seek to minimise these losses by firmly controlling the underlying cost base.

We are heartened with our achievements to date. In addition to making a number of exciting investments, building a formidable team within Axiomlab and developing a brand in the venture capital community, we have a strong pipeline of potential investment opportunities currently under review. We remain confident that we will continue to build significant shareholder value and thank you, the shareholders, for your continuing support.



Fred Mendelsohn
Managing director



Ray Ingleby
Executive chairman

29 August 2001
www.axiomlab.com

AXIOMLAB PLC
DIRECTORS' REPORT FOR THE PERIOD 11 APRIL 2000 TO 30 APRIL 2001

The directors are pleased to present their report together with the audited financial statements for the period 11 April 2000 to 30 April 2001 ("the period").

Principal activities and review of business

The company's principal activity is the provision of development capital and services to early stage technology businesses. The company was incorporated on 11 April 2000.

Results and dividends

The results for the period are set out in the profit and loss account on page 11. This loss on ordinary activities before taxation reflects the start up costs of the company and salary costs for the period, which were in line with the directors' expectations, as well as a general impairment provision relating to certain Internet-related investments in the portfolio line with your our expectation. The nature of the business as an investment company is that, until the future realisation of some of our portfolio, the company is not likely to be in a profitable position in the short term. Therefore, the directors do not recommend the payment of a dividend.

Fixed assets

Details of changes to fixed assets are given in notes 10 and 11 to the financial statements.

Directors

The directors who served during the period and after the year-end and their beneficial interests in the company's issued ordinary share capital as at the date of this report were:

	Date of appointment	Ordinary shares held '000	Share options granted '000	Share warrants granted '000	Exercise price	Fully diluted %
Executive directors						
R.S. Ingleby	15 April 2000	83,400	-	-	5p	15.14%
F.W. Mendelsohn	15 April 2000	26,400	14,300	-	5p	7.39%
A.J. Aubrey	1 July 2001	-	6,000	-	6.75p	1.09%
Non-executive directors						
Senator G.J. Mitchell	17 July 2000	2,400	-	2,600	5p	0.91%
M. Morrison	17 July 2000	-	-	2,600	5p	0.47%
G. R. McKenzie	17 July 2000	-	-	2,600	5p	0.47%
K-E. Relander	17 July 2000	-	-	2,600	5p	0.47%
		112,200	20,300	10,400		

The share options and share warrants listed above are all exercisable between 10 February 2002 and 10 August 2010, except the share options for A.J. Aubrey, which are exercisable between 2 October 2003 and 2 April 2011.

Material interests

The directors' shareholdings, share options and share warrants are set out as at the date of this report. No director has had any material interest in a contract of significance (other than service contracts) with the company or its subsidiary company during the period.

Substantial shareholdings

At 17 August 2001, the following persons held an interest in the shares of the company that is required to be recorded in the register of substantial interests maintained pursuant to section 211 of the Companies Act 1985.

Person	Number of ordinary shares '000	Ordinary shares in issue %
Chase Nominees Limited	47,800	9.58%
I.P. Rose	29,500	5.91%
Nortrust Nominees Limited	27,800	5.57%
Bank of Scotland	26,100	5.23%
Vidacos Nominees Limited	26,100	5.23%
Clydesdale Bank (Head Office) Nominees Limited	16,830	3.37%

Political and charitable contributions

The company made charitable contributions of £575 during the period. It made no political contributions.

Supplier payment policy

The company's policy is to agree the terms of payment with key suppliers. For all other suppliers, terms are agreed for each transaction. The company endeavours to abide by the terms of payment agreed with suppliers.

Issue of shares

At the date of its incorporation, the authorised share capital of the company was £100,000 divided into 100,000 ordinary shares of £1 each of which two such ordinary shares were in issue and fully paid. On 11 April 2000, the company issued 49,998 ordinary shares of £1 each paid up in cash at par.

On 28 April 2000, each £1 ordinary share was sub-divided into 400 ordinary shares of 0.25p each. At the same time, the company increased its authorised share capital from £100,000 to £1,000,000 by the creation of 360,000,000 ordinary shares. On 28 April 2000, the company issued 108,000,000 ordinary shares of 0.25p each paid up in cash at par.

On 10 August 2000, the company issued 120,000,000 ordinary shares at an issue price of 5p per share via a placing in conjunction with the company's admission to the Alternative Investment Market of the London Stock Exchange plc. The company issued a further 2,150,000 ordinary shares at an issue price of 5p per share to other parties on this date. On 16 August 2000, pursuant to a share sale agreement between the company, Mr I. P. Rose and Mr. R.S. Ingleby dated 11 July 2000, the company issued 40,000,000 ordinary shares at an issue price of 5p per share credited as fully paid in conjunction with the acquisition of the entire share capital of Biz2Bizz Investments Limited.

Details of a further placing of new ordinary shares subsequent to the balance sheet date are shown in note 22 to the financial statements.

Corporate governance

There is no requirement for the directors to report on the Combined Code on Corporate Governance. However, the board supports fully the principles contained in the Combined Code and has sought to comply with the provisions of the Code, in as far as appropriate given the company's size and structure.

The main features of the company's corporate governance procedures are:

- The board has four non-executive directors who take an active role in board matters.
- The company has an audit committee and a remuneration committee. These committees consist of the non-executive directors, with executive directors in attendance.
- The board recognises its overall responsibility for the company's systems of internal control and for monitoring their effectiveness. All activity is organised within a defined structure with formal lines of responsibility and delegation of authority.

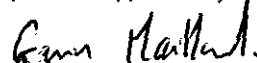
Directors' responsibilities

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

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained; 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 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.

This report was approved by the board on 29 August 2001, and signed on its behalf.



G.S. Maitland
Company secretary
29 August 2001

Independent Auditors' Report to the Shareholders of Axiomlab plc

We have audited the financial statements of Axiomlab plc for the period ended 30 April 2001 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related Notes numbered 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Operating Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 affairs of the company and Group at 30 April 2001 and of the Group's loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

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9 Charlotte Street
Manchester
M1 4EU

29 August 2001

AXIOMLAB PLC
CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE PERIOD TO 30 APRIL 2001

	Notes	Period 11 April 2000 to 30 April 2001 £'000
Turnover	2.	51
Operating expenses		(2,625)
Operating loss before impairment provision		(824)
Impairment provision	3.	(1,750)
Operating loss		<u>(2,574)</u>
Interest receivable		<u>135</u>
Loss on ordinary activities before taxation	4.	<u>(2,439)</u>
Taxation on loss on ordinary activities		<u>-</u>
Loss for the financial period		<u>(2,439)</u>
Basic loss per share (pence)	8.	<u>(1.03)</u>
Fully-diluted loss per share (pence)	8.	<u>(0.84)</u>

The profit and loss account has been prepared on the basis that all operations are continuing. There are no recognised gains or losses in the period other than the loss for the financial period.

The accompanying notes are an integral part of this profit and loss account.

AXIOMLAB PLC
CONSOLIDATED AND COMPANY BALANCE SHEETS
30 APRIL 2001

	Notes	Consolidated 30 April 2001 £'000	Company 30 April 2001 £'000
Fixed assets			
Tangible assets	10.	41	41
Investments	11.	<u>3,794</u>	<u>3,794</u>
		3,835	3,835
Current assets			
Debtors	12.	62	62
Cash at bank		<u>1,730</u>	<u>1,730</u>
		1,792	1,792
Creditors: amounts due within one year	13.	<u>(129)</u>	<u>(129)</u>
Net current assets		<u>1,663</u>	<u>1,663</u>
Net assets		<u>5,498</u>	<u>5,498</u>
Share capital & reserves			
Called up share capital	14.	725	725
Share premium account	15.	5,303	5,303
Merger reserve	16.	1,909	1,909
Profit & loss account	17.	<u>(2,439)</u>	<u>(2,439)</u>
Equity shareholders' funds	18.	<u>5,498</u>	<u>5,498</u>

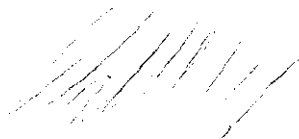
The accompanying notes are an integral part of this balance sheet.

The financial statements on pages 11 to 19 were approved by the board of directors on 29 August 2001 and were signed on their behalf by:



Fred Mendelsohn
Director

29 August 2001



Ray Ingleby
Director

AXIOMLAB PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD TO 30 APRIL 2001

	Notes	£'000	Period 11 April 2000 to 30 April 2001 £'000
Net cash outflow from operating activities	19(a)		(744)
Returns on investments and servicing of finance			135
- Interest receivable			
Capital expenditure			
- Purchase of tangible fixed assets		(54)	
- Investments		(3,544)	(3,598)
Cash outflow before financing			(4,207)
Financing			
Issue of ordinary share capital		6,300	
Expenses of share issue		(363)	5,937
Increase in cash in period	19(b)		<u>1,730</u>

AXIOMLAB PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 APRIL 2001

Notes to the financial information

1. Accounting policies

The financial information has been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial information is prepared in accordance with the historical cost convention.

Accounting period

The accounting period covered by the financial statements is from the date of incorporation on 11 April 2000 to 30 April 2001.

Turnover

Turnover, which excludes value-added tax, consists of management services and costs of personnel travel and subsistence, re-charged to portfolio companies.

Consolidation

The consolidated financial statements include Axiomlab plc and its wholly owned subsidiary, Biz2Bizz Investments Limited. In accordance with applicable Accounting Standards, all other investments in the Company's portfolio are shown as fixed asset investments.

Investments

Fixed asset investments are shown at cost less any provision for impairment. Carrying values are reviewed on a regular basis by the directors.

Under the merger relief provisions of the Companies Act 1985, the company has recorded its investment in its wholly owned subsidiary at the fair value of the shares issued. The premium on the issue of the shares has been credited to the merger reserve

Tangible fixed assets

Depreciation is calculated to write down the cost less residual value of all tangible fixed assets by equal annual instalments over their expected useful economic lives. The rates generally applicable are:

- Computer equipment (hardware and software)	50%
- Office furniture and equipment	50%

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Deferred taxation

Deferred taxation is accounted for using the liability method on taxation deferred or accelerated by reason of timing differences to the extent that in the opinion of the directors the potential tax liability will become payable in the foreseeable future.

2. Turnover

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

3. Impairment provision

Based on the current economic climate, the directors believe that it is prudent to make a provision for the potential impairment of the carrying value of certain Internet-related investments in the portfolio.

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

Auditors' remuneration:

- audit fees

- other

Depreciation of owned tangible fixed assets

Operating lease rentals

Period to
30 April
2001
£'000

8

25

13

7

5. Employee information

The average monthly number of persons (including executive directors but excluding the non-executive directors) employed during the period was:

Period to
30 April
2001
No.

Average number

8

The staff costs for the above persons (including the executive and non-executive directors) were:

Period to
30 April
2001
£'000

Wages and salaries

483

Social security

45

Total staff costs

528

6. Directors' remuneration

Aggregate remuneration

Period to
30 April
2001
£'000

Emoluments

148

Directors' emoluments

	Salary	Taxable benefits	Period to 30 April 2001 £'000
	£'000	£'000	£'000
Executive directors			
R. Ingleby	23	1	24
F. Mendelsohn	<u>92</u>	<u>-</u>	<u>92</u>
	115	1	116
Non-executive directors			
Senator G. Mitchell	8	-	8
G. McKenzie	8	-	8
M. Morrison	8	-	8
K-E Relander	<u>8</u>	<u>-</u>	<u>8</u>
	32	-	32
Aggregate emoluments	<u>147</u>	<u>1</u>	<u>148</u>

Directors' interests

Period to
30 April
2001
Ordinary
shares
'000

The interests of the directors in the ordinary shares

112,200

7. Share options and warrants

Share option scheme

The company operates a share option scheme in relation to the ordinary shares in the company, in which all executive directors and employees are eligible to participate. At the date of these financial statements, 32,525,000 share options had been granted and 525,000 share options had lapsed as follows:

Date of grant	Exercisable between	Exercise price	Number of options granted '000	Number of options lapsed '000	Number of options '000
27 Jul 2000	10 Feb 2002 and 10 Aug 2010	5p	18,600	(400)	18,200
7 Aug 2000	10 Feb 2002 and 10 Aug 2010	5p	700	-	700
14 Nov 2000	14 May 2002 and 14 Nov 2010	11p	2,025	(75)	1,950
4 Dec 2000	4 Jun 2002 and 4 Dec 2010	11p	400	-	400
7 Dec 2000	7 Jun 2002 and 7 Dec 2010	9p	50	(50)	-
4 Feb 2001	4 Aug 2002 and 4 Feb 2011	9p	250	-	250
2 Mar 2001	2 Sep 2002 and 2 Mar 2011	8p	450	-	450
2 Apr 2001	2 Oct 2002 and 2 Apr 2011	6.75p	6,000	-	6,000
21 Jun 2001	21 Dec 2002 and 21 Jun 2011	5p	150	-	150
25 Jun 2001	25 Dec 2002 and 25 Jun 2011	5p	1,500	-	1,500
2 Jul 2001	2 Jan 2003 and 2 Jul 2011	4.75p	1,500	-	1,500
9 Jul 2001	9 Jan 2003 and 9 Jul 2011	4.75p	250	-	250
9 Aug 2001	9 Feb 2003 and 9 Aug 2011	3.75p	650	-	650
Total			32,525	(525)	32,000

Warrants

In addition, the company issued in aggregate 16,350,000 consultant warrants (of which 1,250,000 have since lapsed) to non-executive directors and to certain members of the advisory panels and 5,000,000 adviser warrants to Altium Capital Limited. For each consultant and adviser warrant issued, the holder is entitled to subscribe for one ordinary share at 5p per share. The consultant warrants are exercisable between 10 February 2002 and 10 August 2010, subject to a continuing contractual relationship between the relevant individual and the company. The adviser warrants are exercisable between 10 February 2001 and 10 August 2005.

Provision for national insurance on share options

The company has set up an independently operated employee benefit trust. The trustees of the employee benefit trust have agreed to dispose of some of the ordinary shares they acquire and use the proceeds arising from such disposal to mitigate the company's national insurance liability. The company should be able to fund the cash element of its national insurance exposure without further recourse to its own cash resources.

8. Loss per share

The basic loss per share of 1.03p and fully-diluted loss per share of 0.84p is calculated by reference to the loss for the financial period of £2,439,119 and to the weighted average of 237,022,917 ordinary shares in issue during the year (289,122,917 ordinary shares on a fully diluted basis).

9. Result of parent company

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the period was £2,439,119.

10. Tangible fixed assets

	Group and company Computer equipment £'000
Cost	
Additions	54
At 30 April 2001	54
Depreciation	
Charge for period	13
At 30 April 2001	13
Net book value at 30 April 2001	41
Net book value at 11 April 2000	-

11. Fixed asset investments - unlisted

	Group and company £'000
Cost and net book value	
Additions	5,544
Impairment provision	(1,750)
At 30 April 2001	3,794

Additional information on principal subsidiary undertakings included in the consolidation:

Name	Country of registration	Class of shares held	Percentage of shares held by parent undertaking	Nature of business
Biz2Bizz Investments Limited	England and Wales	Ordinary	100%	Investment holding company

12. Debtors: amounts falling due within one year

	30 April 2001 Group and company £'000
Trade debtors	8
Other debtors	33
Prepayments and accrued income	21
	62

13. Creditors: amounts falling due within one year

	30 April 2001 Group and company £'000
Trade creditors	93
Other taxes and social security	24
Accruals and deferred income	12
	129

14. Called up share capital	30 April 2001 Group and company £'000
<i>Authorised</i> 400,000,000 ordinary shares of 0.25p each	<u>1,000</u>
<i>Allotted, called-up and fully paid</i> 290,150,000 ordinary shares of 0.25p each	<u>725</u>
15. Share premium account	30 April 2001 Group and company £'000
Premium on called up share capital	5,793
Expense of share issue	<u>(490)</u>
	<u>5,303</u>
16. Merger reserve	30 April 2001 Group and company £'000
Share issue	<u>1,909</u>
Reserves at end of period	<u>1,909</u>
17. Profit and loss account	30 April 2001 Group and company £'000
Retained loss for the financial period	<u>(2,439)</u>
Reserves at end of period	<u>(2,439)</u>
18. Reconciliation of movements in shareholders' funds	30 April 2001 Group and company £'000
Retained loss for the financial period	(2,439)
Issue of shares	7,937
Opening shareholders' funds	<u>-</u>
Closing shareholders' funds	<u>5,498</u>

19. Cash flow information

a) Reconciliation of operating profit to net cash outflow from operating activities

	Period to 30 April 2001 £'000
Operating loss	(2,574)
Depreciation	13
Impairment provision	1,750
Increase in debtors	(62)
Increase in creditors	129
Net cash outflow from operating activities	<u>(744)</u>

b) Reconciliation of net cash flow to movement in net funds

	Period to 30 April 2001 £'000
Net funds at start of period	-
Movement in net funds	<u>1,730</u>
Net funds at end of period	<u>1,730</u>

c) Analysis of net funds

	Period to 30 April 2001 £'000
Cash at bank and in hand	<u>1,730</u>

20. Guarantees and other financial commitments

The company had no annual commitments under non-cancellable operating leases at 30 April 2001. The company leases office accommodation on leases of less than one year at a monthly rental of £7,174.

21. Contingent liabilities

The company had no contingent liabilities at 30 April 2001.

22. Post balance sheet events

On 14 May 2001, the board announced a placing of 208,695,652 new ordinary shares of 0.25p each at 5.75p per share to be admitted to trading on the Alternative Investment Market of the London Stock Exchange plc. The placing was approved at an extraordinary general meeting held on 8 June 2001, along with a resolution to increase the authorised share capital from £1,000,000 to £1,875,000 by the creation of 350,000,000 new ordinary shares. The new ordinary shares commenced trading on 11 June 2001. As a result of the resolution, the company's authorised share capital was increased to 750,000,000 ordinary shares, of which 498,845,652 ordinary shares were issued.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the first Annual General Meeting of Axiomlab plc will be held at the Malmaison Hotel, Piccadilly, Manchester, M1 3AQ on Monday 8th October 2001 at 11.00am, for the following purposes:

Ordinary Business

1. To receive and consider the report of the directors and the audited financial statements for the period from 11 April 2000 to 30 April 2001 and the auditors' report thereon. (Resolution No.1)
2. To reappoint the retiring auditors, Arthur Andersen, and to authorise the directors to determine their remuneration. (Resolution No.2)
3. To re-elect as an executive director Ray Ingleby who retires in accordance with the company's Articles of Association (Resolution No.3)
4. To re-elect as an executive director Fred Mendelsohn who retires in accordance with the company's Articles of Association (Resolution No.4)
5. To re-elect as an executive director Alan Aubrey who retires in accordance with the company's Articles of Association (Resolution No.5)
6. To re-elect as a non-executive director Senator George Mitchell who retires in accordance with the company's Articles of Association (Resolution No.6)
7. To re-elect as a non-executive director Margaret Morrison who retires in accordance with the company's Articles of Association (Resolution No.7)
8. To re-elect as a non-executive director Gordon McKenzie who retires in accordance with the company's Articles of Association (Resolution No.8)
9. To re-elect as a non-executive director Kaj-Erik Relander who retires in accordance with the company's Articles of Association (Resolution No.9)

Special Business

To consider and, if thought fit, pass the following resolution as a special resolution:

10. That the directors be and they are empowered pursuant to section 95 of the Companies Act 1985 ("the Act") to allot equity securities for cash pursuant to the authority conferred by paragraph 1.2 of the resolution passed by the company in general meeting on 8th June 2001 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:
 - 10.1 to the allotment of equity securities in connection with an offer of such securities to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - 10.2 to the allotment of equity securities up to a maximum aggregate nominal amount of £137,500 pursuant to the grant of options and/or warrants to subscribe for Ordinary Shares; and
 - 10.3 to the allotment of equity securities (otherwise than pursuant to paragraphs 10.1 or 10.2 above) up to an aggregate nominal amount of £137,500;

and shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on 31st January 2003 save that the company may, before such expiry, make an offer or agreement, which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement notwithstanding that the power conferred hereby has expired, and the expression "equity securities" and references to the allotment of equity securities shall bear the same respective meanings as in section 94 of the Act.

By order of the Board

G.S.Maitland
Company Secretary

29 August 2001

Registered office:
Steam Packet House
76 Cross Street
Manchester M2 4JU

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his place.
2. A proxy need not also be a member.

To be valid, the instrument appointing a proxy (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority in accordance with section 3 of the Powers of Attorney Act 1971) must be deposited at, or posted to, the office of the registrar of the company, Northern Registrars Limited of Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA to be received no less than 48 hours before the time fixed for the Meeting. Completion and return of the form of proxy will not preclude shareholders from attending or voting at the Meeting in person.