

# axiomlab

Report and Financial Statements  
for the year ended 30 April 2002

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**"From great ideas  
through to great  
companies: developing  
early stage businesses"**

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## Directors, Management and Advisers

### Directors

Ray Ingleby Executive chairman

Fred Mendelsohn Managing director

Alan Aubrey Executive director

Senator George Mitchell Non-executive director

Gordon McKenzie Non-executive director

Margaret Morrison Non-executive director

Kaj-Erik Relander Non-executive director

### Company Secretary

Edward G Clark FCA

### Management

Alison Fielding

Tim Hastings

Rod Jones

Andrew Mayhew

John McArthur

Murray McGowan

Vicky Prezeau

Terry Wilcox

Charles Winward

### Registration Number

3973257

### Registered Office

Axiomlab plc  
Steam Packet House  
76 Cross Street  
Manchester, M2 4JU

### Website

[www.axiomlab.com](http://www.axiomlab.com)

### Nominated Adviser

Altium Capital Limited  
5 Ralli Courts  
West Riverside  
Manchester, M3 5FT

### Nominated Broker

Altium Capital Limited  
30 St James's Square  
London, SW1Y 4AL  
(to 14 June 2002)

### Beeson Gregory Group plc

The Registry  
Royal Mint Court  
London, EC3 N4LB  
(from 14 June 2002)

### Bankers

National Westminster Bank plc  
PO Box 54, 2nd Floor  
35 Fishergate  
Preston, PR1 2BY

### Solicitors

Wacks Caller  
Steam Packet House  
76 Cross Street  
Manchester, M24 4JU

### Registrars

Northern Registrars Limited  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield, HD8 0LA

### Auditor

KPMG Audit plc  
St James' Square  
Manchester, M2 6DS

# Executive Directors' Statement and Operating Review

This statement reflects the perspectives of the principal management team: Ray Ingleby (Executive Chairman), Fred Mendelsohn (Managing Director) and Alan Aubrey (Executive Director), who have adopted the operational approach of a private venture capital partnership for Axiomlab.

The vision of the business has been to provide capital and support to early stage businesses that hold intellectual property with strong commercialising potential. During a turbulent year in terms of adverse stock market conditions, a deterioration of the corporate software market and lower research and development spend, the board has continued to apply its strategy consistently. We have witnessed a favourable significant fall in the entry valuations of the businesses in which we typically invest and a reduction in competition for early stage investments.

During the year ended 30 April 2002, we invested a total of £3.13 million. The company recorded a loss on ordinary activities before taxation of £3.34 million. This figure is stated after interest receivable of £383,000 on funds held and after providing for £2.25 million (£1.50 million of which was already provided for in the company's 31 October 2001 interim results) against the carrying value of certain investments in the company's portfolio. Excluding the general impairment provision, this loss was in line with the directors' expectations. The loss consists primarily of the expense of building and supporting a portfolio. As a result of our strategy of investing in a wide portfolio of early stage companies, we fully expect a varying level of return from each of our investments. However, over the longer term, it is anticipated that the gains on our winners on realisation will significantly exceed any cumulative write-downs. The impairment provision reflects a prudent view of the carrying value of our investments and it is possible that further periodic provisions may be required against the portfolio as it grows. Furthermore, this prudent approach is emphasised since gains are only taken when actually realised. Any uplift in the value of a portfolio company, for example from next round financing at a higher level, is not included. A case in point would be the recent uplift in the carrying value of Image-Metrics.

The company successfully raised £12.0 million before expenses through an institutional placing on 11 June 2001 of approximately 209 million new ordinary shares of 5.75p each. The additional finance provides a solid foundation for Axiomlab's next phase of growth. At 30 June 2002, Axiomlab had net cash available of approximately £8.3 million.

We have sought to continue to build selectively a portfolio of investments. During the year, we made investments in Thermetica and Energetix, companies which seek to exploit the potential in the alternative energy sector, that we believe has strong potential. Thermetica has moved from a single patent into a company which has commercialised technology and has already concluded a significant licensing deal. Energetix has agreed a number of contracts providing it with access to intellectual property which it aims to commercialise. We also invested in Get Real Systems and iBase, and after year end, in Tenison, all of which represent niche opportunities in the software sector.

At the time we announced our interim results in December 2001, we made a conscious decision to reduce the pace of our investing and conserve our cash balances until we had a clearer indication of the direction of the external markets. Our pace of investing regained momentum in March 2002, reflecting the board's view of the quality of investing opportunities available. By focusing our efforts on our existing portfolio, we have also distilled our approach of providing business support to our investments, concentrating on three key areas: strategic direction, sales support and senior management recruitment. To supplement existing skills, we have made three specific recent hires. Terry Wilcox and Rod Jones have experience in sales as well as turnaround situations, and Tim Hastings has joined as head of our executive search business. Empiricom, Auctions2Business, Thermetica, Casmir and Energetix have all benefited from this focus.

With regards to our limited internet related investments, Auctions2Business, NetLet and Firmgrowth, we have provided, where appropriate, support and strategic direction to these companies to make their proposition more suitable to the economic environment. For example, with Auctions2Business, we have developed their business model from an internet portal to a consolidator of the fragmented plant and machinery auctioneer sector and in the case of NetLet, we have adopted a model of providing universities with a platform to outsource their accommodation management. For both of these businesses, we have provided small sums of loan capital to allow them the opportunity to alter their business model and seek to realise their potential. In

the case of CSols and Empiricom, where the sales cycle has lengthened and where we were the sole investor, following our investment committee review, we have made limited additional funds available.

During the year, we received authorisation from the Financial Services Authority to provide corporate finance services. This should benefit our efforts in assisting our portfolio, as well as third party companies, source further funding. We have recently assisted in the co-ordination of a fund-raising for Image-Metrics from a syndicate of venture capitalists.

The April 2002 budget introduced legislation to exempt, in certain circumstances, the tax payable on successful realisation of substantial shareholdings. We are discussing with KPMG, the group's tax advisers, the structuring and nature of investments required to benefit from this significant UK tax policy change.

### Portfolio Review

Since flotation on the Alternative Investment Market, Axiomlab has made twelve investments, covering a spectrum of early stage businesses. Our approach continues to be hands-on and to provide capital as well as selective assistance to aid the growth of our portfolio. Across our investments, we have provided support in the form of developing a clear strategic plan, mentoring executives, targeting sales, hiring executives and non-executives, and financing.

**Image-Metrics Plc** ([www.image-metrics.com](http://www.image-metrics.com)), based in Stockport, was established in 2000. It is a specialist software company providing solutions for the automated interpretation of images and video. Axiomlab originally invested £507,000 for a 15.6 per cent stake which was slightly increased to 15.8 per cent by participation in a rights issue in February 2002 where Axiomlab invested a further £94,000. In June 2002, the company raised £2.9 million of new money from a syndicate of new investors. Axiomlab's stake has been uplifted in value by this fund-raising round. It now holds 9.8 per cent of the newly funded company.

Since its investment in Image-Metrics approximately 18 months ago, Axiomlab has provided business building support to the start-up entity, helped create the organisational structure, developed and clarified the business strategy and assisted in the recruitment of key personnel for the company's continuing successful development.

The company focuses on three core markets, which are security, medical, and media. The security business unit targets the CCTV and biometrics markets, particularly focusing on the automation of tasks performed by human guards. The company recently secured five licensing contracts for their core technology platform, including one with Baxall Limited. The medical business unit addresses two core markets: medical diagnostics involving computer-aided detection (CAD), and life sciences, addressing automated cell screening technology for global pharmaceutical firms. The media business unit covers variable reimaging of images to support advertising and marketing campaigns, with a focus on the commercialisation of facial motion capture technology.

The additional funding was provided by a syndicate, largely introduced by Axiomlab, comprising MC Capital Europe (part of Mitsubishi Corporation), Saffron Hill Ventures, and a technology fund managed by Close Brothers. This sequence of funding is consistent with the Axiomlab stated strategy approach of providing seed capital and business building support to attempt to create value and reduce risk profile, prior to new independent investors providing further funding for an investee company's ongoing success.

The company's management team is headed by David Pilgrim and non-executive directors include Sir Geoffrey Dear, non-executive chairman of Reliant Security Services and a former H.M. Chief Constable, and Steven Edwards, founder of Geneva Technology, as well as representatives from MC Capital and Saffron Hill Ventures.

**Thermetica Limited** ([www.thermetica.com](http://www.thermetica.com)), based in Chester, was established in July 1999. Axiomlab invested £350,000 during May 2001 for 23.3 per cent of equity. Since investment, the company has commercialised its technology. The company operates a royalty licensing model and has a very low overhead.

## Executive Directors' Statement and Operating Review continued

Thermetica's technology comprises a non-mechanical slurry ice machine (i-Storm™), which the directors believe provides significant benefits over existing technologies, such as increased reliability and product lifetime, reduced maintenance costs and a faster rate of discharge (cooling time). It is believed by the directors that the device is also smaller and cheaper to produce than comparable products in the market. The technology can be applied to many situations where rapid chilling is required. Thermetica has recently secured a contract with the largest supplier of process engineering equipment to the New Zealand dairy market. This relationship will allow Thermetica to market their i-Storm™ device initially to some 14,000 farms in New Zealand, and then as part of the company's ongoing distribution strategy across Australasia, Europe and the US. Management are also looking to adapt the i-Storm™ technology to the air-conditioning market, particularly in the US, to be used as a substitute power source when high levels of demand are placed upon utility providers, enabling reductions in peak time electricity costs.

The company is led by Geoff Barker. Alan Aubrey acts as non-executive director on behalf of Axiomlab.

**The Energetix Group Limited** ([www.energetixgroup.com](http://www.energetixgroup.com)), based in Capenhurst, was established in 1997 to identify, secure, and commercialise intellectual property of early stage, distributed, renewable and energy efficiency technologies. In November 2001, Axiomlab initially invested £625,000 via a mixture of debt and equity, for 40 per cent of Energetix. Following a subsequent restructuring, Axiomlab now holds 35 per cent of the equity. It is envisaged that the royalty licensing model of Thermetica will be followed in respect of the exploitation of the Energetix technologies.

There is significant demand for new technologies in energy supply markets caused by drivers such as power shortages and blackouts, market deregulation and government-driven environmental targets leading to tax incentives and penalties.

Underpinning much of Energetix's activities is a network of relationships with industrial partners and academic institutions, such as EA Technology Limited and Manchester Innovation Ltd (a wholly owned subsidiary of the University of Manchester). The company also has an agreement with British Nuclear Fuels Plc that allows Energetix exclusively to review commercialisation opportunities for certain non-nuclear technologies. This network has already generated a number of opportunities such as Thermetica (via EA Technology) and Energetic Laser Technologies Ltd (from Manchester Innovation), which is a subsidiary of Energetix.

Adrian Hutchings is the CEO of Energetix and Anton Elsborg, previously CFO at David Brown Group Plc, has been appointed as CFO.

**CSols Plc** ([www.csols.com](http://www.csols.com)), based in Runcorn, was established in 2000. It is a software company providing technology for the automation and manipulation of analytical laboratory data flows. This supports the transition to paperless operations and seeks to improve productivity and efficiency of quality assurance and R&D laboratories.

Axiomlab originally invested £500,000 between February 2001 and April 2001 for 25 per cent of the equity. Subsequently, further to an existing option, Axiomlab has agreed to invest a further £460,000. Axiomlab has already invested £265,000 during the current financial year. The additional investment of £460,000 would increase Axiomlab's percentage of equity to 59.2 per cent.

CSols' core flagship product automates manual and paper-based processes common in most laboratories. It integrates certain analytical instruments with higher level business systems such as laboratory information management systems ("LIMS") and enterprise resource planning systems. Industries served include pharmaceutical manufacturing, pharmaceutical research and development, biotechnology, food and beverage, chemical and petrochemical. Clients served during the year included GSK, Novartis, The Environment Agency and Pepsico.

Following a half-year in line with expectations, the company experienced lengthening sales cycles, particularly following the tragic events of September 11, with a number of customers postponing buying decisions. Accordingly, overheads were reduced to focus on an indirect sales model. However, sales have

recently picked up pace and recent orders from existing customers such as Napp Pharmaceuticals, Alcontrol and PerkinElmer have been complemented with new business from the likes of ITS Caleb Brett in the Netherlands. A partnership agreement has been made with a major UK government agency and the first orders from this venture are under discussion. Similarly, relationships with third party vendors are looking promising - for example, with recent new business in France via SpectraLIMS.

The company's management team is led by Dr Philip Goddard. David Southworth, former CEO of Skillsgroup plc, and Ray Ingleby serve the company as non-executive directors.

**Empiricom Technologies Limited** ([www.empiricom.co.uk](http://www.empiricom.co.uk)), based in Manchester, was established in 1997. It has developed software which enables the creation of intelligent systems that contain human expertise and decision making capacity. It is aimed at capturing key expertise and deploying this expertise throughout organisations to enable

staff, customers and suppliers to increase the efficiency of their actions. Recently, Empiricom has formed a strategic alliance with Ethos Limited (who own an e-learning portal for UK clinicians), providing a direct channel to major pharmaceutical companies and medical advisers. It is working on a pilot project for a top ten accountancy firm to provide an expert system for tax advice. It is also in discussions with a national tax authority on a variety of pilot projects. Finally, it has extended its relationship with Huntsman Petrochemicals.

Axiomlab originally invested £850,000 in March 2001. Subsequently, Axiomlab has agreed to invest up to a further £500,000 in Empiricom, of which £275,000 has been invested to date, the remaining £225,000 being subject to performance criteria related to sales levels, product development and pilot projects undertaken. Following the investment of £275,000, Axiomlab holds a stake of 38.4 per cent and this would increase to 43.8 per cent if the remaining £225,000 is invested.

The executive chairman is Dr Peter Horne, and the chief executive Rick Turner. Peter was formerly president of the PC division of Mitsubishi Electric and managing director of Apricot Computers Limited. Vicky Prezeau serves as Axiomlab's non-executive director.

**Get Real Systems Limited** ([www.getrealsystems.co.uk](http://www.getrealsystems.co.uk)), based in York, was

established in 1996. It has developed procurement software to control expenditure and streamline the buying process across a business. By aggregating purchases, controlling expenditure and enabling back-office integration, the company's product aims to reduce time and money spent and enhance operational efficiencies. Axiomlab invested £1 million (£750,000 equity, £250,000 debt) in July 2001 and holds 33 per cent of the equity.

Get Real Systems has a strong customer base in the mid-sized corporate and public sector including the NSPCC, Cornhill Insurance, Birmingham University, and Caerphilly County Council. Following our investment, we conducted a strategic review, as a result of which the company is now focused on a channel-based sales strategy. Axiomlab has provided management support to Get Real Systems with the provision of an interim CEO to help implement that strategy. Rodney Potts, founder and CEO of Coda plc, and Alan Aubrey are non-executive directors of the company.

**iBase Systems Limited** ([www.ibase.com](http://www.ibase.com)), based in Ilkley, was established in 1993. The company provides solutions for the digital storage, organisation, retrieval and web delivery of media files (still and moving images, sound and graphic displays). Axiomlab invested £250,000 at a favourable valuation, for 22.32 per cent of the company's equity.

iBase has a wide range of clients, including Tate Gallery, British Library, British Waterways and British Airways. iBase aims to become the primary platform for digital imaging solutions in the heritage and public sector space as well as increasingly to blue chip corporates.

It is led by Brendan Flattery and non-executives include Ian Barrass as well as representatives from Enterprise VCT and MTI. Fred Mendelsohn acts as non-executive director for Axiomlab.

## Executive Directors' Statement and Operating Review continued

**NetLet Holdings Limited** ([www.netlet.co.uk](http://www.netlet.co.uk)), based in Manchester, was established in 1999. It was originally set up to provide a portal to offer student accommodation services. It has subsequently targeted the universities and licensed its technology to them to enable the matching of students to available accommodation. Universities pay a licence fee and share the revenue generated by third party listings of accommodation. As part of this approach, NetLet has signed an exclusive partnership arrangement with Unipol (a leader in student housing services and training). This partnership should enable the national roll-out later this year of regional portals for universities and educational establishments. Unipol, through its vehicle Leeds Student Homes Limited, has acquired 9.1 per cent of the equity of NetLet.

Axiomlab invested £300,000 in August 2000 for 60 per cent of the company's equity. As a result of subsequent consolidations, Axiomlab's equity holding has increased to 84 per cent for no additional cash consideration. Axiomlab has also provided £69,000 by way of loans. To enable it to develop its business model further, it is currently in the process of finalising a third party fund-raising of £250,000. It is expected that Axiomlab's equity in the business will be 63 per cent.

NetLet is led by Andrew Lazare and non-executives include Martin Blakey of Unipol, Professor Kevin Keasey of Leeds Business School and Professor David Auckland of the Manchester Science Enterprise Centre. Ray Ingleby is Axiomlab's representative on the board.

**Casmir Limited** ([www.casmir.net](http://www.casmir.net)), based in Salford, was established in April 2000. It has developed knowledge management software aimed at improving workforce productivity, using a collaborative and visual approach. Axiomlab originally invested £200,000 in October 2000 and then subsequently invested a further £500,000 in May 2001, giving the company ownership of 18.9 per cent of the equity.

Casmir conducted a pilot with a leading car manufacturer and signed a number of reseller agreements. However, the knowledge management sector has generally suffered as a result of reduced IT budgets. The business has undergone a cost-cutting exercise to more closely align its scale of operations with its immediate revenue expectations.

The non-executive directors include Dr. Jim Hughes and Sir Jeffrey Ling. Ray Ingleby represents Axiomlab.

**Auctions2Business Limited** ([www.auctions2business.com](http://www.auctions2business.com)), based in Manchester, was established in 2000 to develop an internet portal for use by plant and machinery auctioneers. Axiomlab originally invested £1,000,000 in August 2000 for 45 per cent of equity. A transactional website was successfully developed but limited transactions have actually taken place and it was decided to review the strategy of the business. Auctions2Business is now targeted at consolidating the highly fragmented European auction industry, utilising the portal as the technology tool to facilitate national and international activity across an expanded group. A number of plant and machinery auctioneers have been solicited and in principle agreements are in the process of being signed. As a result of subsequent share capital consolidations, Axiomlab's equity holding has increased to 89 per cent for no additional cash consideration. Axiomlab has also further provided £245,000 by way of loans to develop this consolidation strategy. Ray Ingleby is Axiomlab's non-executive director.

**Firmgrowth Limited** ([www.activate.co.uk](http://www.activate.co.uk)), headquartered in Blackpool, is the holding company of ITM Communications Limited, which operates as a media owner, obtaining revenue from youth and related brands. The company provides on-line student recruitment and lifestyle services through its website and has signed a 30-year agreement with the National Union of Students to provide student-related and on-line services.

Axiomlab's investment in Firmgrowth is untypical: the percentage holding is small and the relationship is passive. Axiomlab, through its subsidiary Biz2Biz Investments Limited, initially acquired 2.5 per cent of the share capital of Firmgrowth for £2 million by way of a share for share exchange. By reason of rights issues by Firmgrowth in which Axiomlab chose not to participate, Axiomlab's current shareholding is 2.2 per cent. Firmgrowth's most recent rights issue was at a £16.5 million post-money valuation. Firmgrowth is currently evaluating a number of financing alternatives. Axiomlab has no representation on Firmgrowth's board.



## Post-Balance Sheet

Tenison Technology EDA Limited ([www.tenisontech.com](http://www.tenisontech.com)), based in Cambridge, founded in 2000, is a spin out from the University of Cambridge's Computer Laboratories. In July 2002, Axiomlab invested £260,000 for 13 per cent of the equity, together with an option over a further 3 per cent. Tenison designs software that enables hardware and software engineers to work together when developing microchips. Tenison has developed proprietary software, "VTOC", which is targeted at reducing the cost and time to market for semiconductor design by allowing embedded software groups to work closely with hardware design teams. An early release of VTOC has been in use at 11 companies worldwide. The funding will be used to launch VTOC into the North American and European markets.

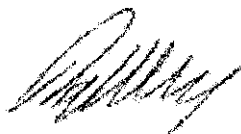
Tenison is led by Dr Jeremy Bennett as CEO. The non-executive directors are Dr David Greaves (founder), Dr Robert Sansom (Chairman), and Dr Keith Monserrat, a director of Sigma Technology Group plc, which co-invested with Axiomlab. Fred Mendelsohn will serve Axiomlab's interests as a non-executive director.

## Outlook

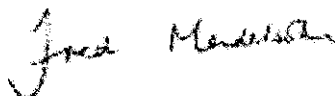
Whilst highly conscious of the value of having a cash holding, we continue to seek to invest in what we consider is a "buyer's market". We are extremely encouraged by our current deal pipeline, which we believe is at its strongest since inception in terms of quality and quantity of deals. We have evolved a professional and systematic approach of assessing and making investments. We have broadened our target investment areas beyond IT and software, to include materials science, alternative energy, environmental and engineering deals, all with the unifying theme of holding intellectual property, which we believe we can valuably commercialise. We have actively focused on the potential of the university sector and have entered our first formal relationship in that space with the Manchester Science Enterprise Centre.

We continue to seek to fulfil our aim to build our reputation and brand as the principal quoted entity in early stage venture capital in the UK.

We would like to thank all our personnel, our board and our advisers for their continued efforts and counsel.



Ray Ingleby



Fred Mendelsohn



Alan Aubrey

18 July 2002

# Directors' Report

The directors present their annual report on the affairs of the company, together with the audited financial statements, for the year ended 30 April 2002.

## Principal activities and review of business

The company's principal activity is the provision of capital and appropriate support to early stage businesses. A detailed review of the business is contained in the preceding Executive Directors' Statement and Operating Review.

## Results and dividends

The results for the period are set out in the profit and loss account on page 12. The loss of £3.34 million has been transferred to reserves. The company is not in a position to commence the payment of a dividend.

## Fixed assets

Details of changes to fixed assets are given in notes 11 and 12 to the financial statements.

## Directors and directors' interests

The directors who served during the year, together with their interests and beneficial interests in the shares of the company at the year end, are set out below.

	At 30 April 2002				At 30 April 2001			
	Ordinary Shares Number	Share Options Number	Warrants Number	Total Number	Ordinary Shares Number	Share Options Number	Warrants Number	Total Number
<b>Executive directors</b>								
Ray Ingleby <sup>(1)</sup>	80,400,000	–	–	80,400,000	83,400,000	–	–	83,400,000
Fred Mendelsohn	26,400,000	–	–	26,400,000	26,400,000	–	–	26,400,000
Alan Aubrey <sup>(2)</sup>	–	3,500,000	–	3,500,000	–	6,000,000	–	6,000,000
<b>Non-executive directors</b>								
Senator George Mitchell	2,400,000	–	2,600,000	5,000,000	2,400,000	–	2,600,000	5,000,000
Margaret Morrison	–	–	2,600,000	2,600,000	–	–	2,600,000	2,600,000
Gordon McKenzie	–	–	2,600,000	2,600,000	–	–	2,600,000	2,600,000
Kaj-Eric Relander	–	–	2,600,000	2,600,000	–	–	2,600,000	2,600,000

Note (1) The movement in the interests of Ray Ingleby since 30 April 2001 reflects a reduction in his beneficial interests following a change in his marital status.

Note (2) On 19 April 2002, Alan Aubrey surrendered options over 6,000,000 new ordinary shares granted under the Unapproved Share Option Plan. On 20 May 2002, 6,000,000 new ordinary shares were issued to the trustees of the Axiomlab Plc Employee Trust (the "Trust") under a restricted share scheme to be beneficially held on behalf of Alan Aubrey, further details of which are set out below.

## Share options and warrants

The company operates two Executive Share Option Schemes: the Axiomlab plc Unapproved Share Option Plan 2000 (the "Unapproved Plan") and the Axiomlab plc 2002 Approved Share Option Scheme (the "Approved Scheme"), the latter being approved by the Inland Revenue and constituted on 22 April 2002. All executive directors and employees are entitled to participate in both of these schemes at the absolute discretion of the board, based on a recommendation from the Remuneration Committee which consists of Senator George Mitchell (Chairman), Margaret Morrison and Gordon McKenzie.

Options and warrants may not be exercised earlier than 18 months from grant/issue in respect of the first 25 per cent of the shares within an option/warrant; 24 months from grant/issue in respect of the second

25 per cent; 30 months from grant/issue in respect of the third 25 per cent; and 36 months in respect of the fourth and final 25 per cent.

All warrants above are exercisable between 10 February 2002 and 9 August 2010 at an exercise price of 5 pence per new ordinary share.

On 19 February 2002, Alan Aubrey was granted options over 3,500,000 new ordinary shares under the Unapproved Plan at 2.5 pence per ordinary share. These options are exercisable between 19 August 2003 and 18 February 2012.

### Restricted Share Scheme

Following the balance sheet date, the company introduced a restricted share scheme (the "Restricted Scheme") as an alternative form of employee incentivisation. The scheme closely mirrors the company's Unapproved Plan and Approved Scheme, but has beneficial tax implications in terms of future National Insurance obligations for the company and a lower potential tax rate for employees. Under the terms of the Restricted Scheme, the board may recommend that ordinary shares are issued nil paid to the trustees of the Axiomlab Plc Employee Trust (the "Trust") which are beneficially held on behalf of Axiomlab's executive directors and employees until they become eligible to be paid-up and are subsequently fully paid-up by the relevant employee. The employees take the risk of share ownership on entering the restricted scheme.

On 19 April 2002, Alan Aubrey surrendered 6,000,000 options granted on 2 April 2001 under the Unapproved Plan, with an exercise period of 2 October 2002 to 1 April 2011. On 20 May 2002, 6,000,000 new ordinary shares were issued to the Trust under the restricted scheme on behalf of Alan Aubrey with the same vesting dates and price as the 6,000,000 options previously granted under the Unapproved Plan and subsequently surrendered. In addition, a number of employees also chose to participate in the Restricted Scheme.

### Substantial shareholdings

At 3 July 2002, the company had been notified of the following interests in 3 per cent or more of the nominal value of its issued capital, pursuant to section 211 of the Companies Act 1985.

	Number of ordinary shares 000	Ordinary shares in issue %
Chase Nominees Limited	47,800	9.35
Vidacos Nominees Limited	34,200	6.69
Nortrust Nominees Limited	26,289	5.14
Bank of Scotland	26,100	5.10
I.P. Rose	21,140	4.14
Clydesdale Bank (Head Office) Nominees Limited	16,830	3.29

### Political and charitable contributions

The company made charitable contributions of £250 (period ended 30 April 2001: £575) during the year.

### 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. The number of days' purchases outstanding for payment by the company at the year end was 12 (2001: 37).

# Directors' Report

continued

## Issue of shares

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 of 0.25p each. 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.

## Corporate governance

There is no requirement for the directors to report on the Combined Code on Corporate Governance. However, the board recognises its overall responsibility for the company's systems of internal control and for monitoring their effectiveness. Accordingly, 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, which consists of the non-executive directors, with executive directors in attendance.
- All business 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 affairs of the company and the group and of the profit or loss of the group for that period. In preparing these 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Auditor

Andersen resigned as auditor of the company on 5 June 2002. KPMG Audit Plc were appointed as auditor on 6 June 2002. In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 18 July 2002, and signed on its behalf by:



E G Clark  
Company Secretary

18 July 2002

Steam Packet House  
76 Cross Street  
Manchester, M2 4JU

# Independent Auditor's Report

to the members of Axiomlab plc

We have audited the financial statements on pages 12 to 21.

## Respective responsibilities of directors and auditor

The directors are responsible for preparing the Annual Report. As described on page 10, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

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 other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## 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 judgements 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 the group as at 30 April 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit plc  
Chartered Accountants  
Registered Auditor

18 July 2002

**Axiomlab plc**  
**Consolidated Profit and Loss Account**  
for the year ended 30 April 2002

		<b>Year ended 30 April 2002</b>	<b>Period ended 30 April 2001</b>
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
Turnover	2	303	51
Operating expenses		(1,772)	(875)
Operating loss		(1,469)	(824)
Impairment provision		(2,250)	(1,750)
Loss before interest		(3,719)	(2,574)
Interest receivable		383	135
Loss on ordinary activities before taxation	4	(3,336)	(2,439)
Taxation on loss on ordinary activities	6	—	—
Loss for the financial period		(3,336)	(2,439)
Loss per share:			
Basic loss per share (pence)	9	(0.70)	(1.03)
Fully diluted loss per share (pence)	9	(0.64)	(0.84)

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.

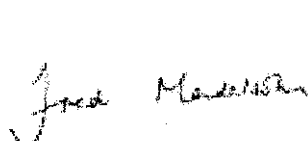
The accompanying notes are an integral part of this consolidated profit and loss account.

**Axiomlab plc**  
**Consolidated and Company Balance Sheets**  
as at 30 April 2002

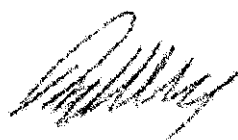
	Notes	Group		Company	
		2002 £000	2001 £000	2002 £000	2001 £000
<b>Fixed assets</b>					
Tangible assets	11	30	41	30	41
Investments	12	4,674	3,794	4,674	3,794
		<b>4,704</b>	<b>3,835</b>	<b>4,704</b>	<b>3,835</b>
<b>Current assets</b>					
Debtors	13	510	62	510	62
Cash at bank		8,724	1,730	8,724	1,730
		<b>9,234</b>	<b>1,792</b>	<b>9,234</b>	<b>1,792</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(141)</b>	<b>(129)</b>	<b>(141)</b>	<b>(129)</b>
<b>Net current assets</b>		<b>9,093</b>	<b>1,663</b>	<b>9,093</b>	<b>1,663</b>
<b>Net assets</b>		<b>13,797</b>	<b>5,498</b>	<b>13,797</b>	<b>5,498</b>
<b>Share capital and reserves</b>					
Called up share capital	15	1,247	725	1,247	725
Share premium account	16	16,416	5,303	16,416	5,303
Merger reserves	17	1,909	1,909	1,909	1,909
Profit and loss account	18	(5,775)	(2,439)	(5,775)	(2,439)
<b>Equity shareholders' funds</b>	19	<b>13,797</b>	<b>5,498</b>	<b>13,797</b>	<b>5,498</b>

The accompanying notes are an integral part of these balance sheets.

The financial statements on pages 12 to 21 were approved by the board of directors on 18 July 2002 and were signed on their behalf by:



**Fred Mendelsohn**  
Director



**Ray Ingleby**  
Director

18 July 2002

**Axiomlab plc**  
**Consolidated Cash Flow Statement**  
for the year ended 30 April 2002

	Notes	Year ended 30 April 2002 £000	Period ended 30 April 2001 £000
<b>Reconciliation of operating loss to net cash outflow from operating activities</b>			
Operating loss		(3,719)	(2,574)
Depreciation		17	13
Impairment provision		2,250	1,750
Increase in debtors		(448)	(62)
Increase in creditors		12	129
<b>Net cash outflow from operating activities</b>		<b>(1,888)</b>	<b>(744)</b>
<b>Returns on investments and servicing of finance — interest receivable</b>		<b>383</b>	<b>135</b>
<b>Capital expenditure</b>			
— purchase of tangible fixed assets		(6)	(54)
— purchase of fixed asset investments		(3,130)	(3,544)
<b>Cash outflow before financing</b>		<b>(4,641)</b>	<b>(4,207)</b>
<b>Financing</b>			
Issue of ordinary share capital		12,000	6,300
Expenses of share issue		(365)	(363)
<b>Increase in cash in period</b>	20	<b>6,994</b>	<b>1,730</b>



# Notes to the Consolidated Financial Statements

for the year ended 30 April 2002

## 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.

The company has adopted Financial Reporting Standard ("FRS") 17 – Retirement Benefits, FRS 18 – Accounting Policies and FRS 19 – Deferred Taxation during the period.

### **Basis of accounting**

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

### **Accounting period**

These financial statements present the results for the year ended 30 April 2002. The comparatives reflect the period from the date of incorporation on 11 April 2000 to 30 April 2001.

### **Turnover**

Turnover, which excludes value added tax, consists of management services, executive search income 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.

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.

### **Investments**

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

In accordance with the Companies Act 1985, investments where the company's interest exceeds fifty per cent of the equity share capital are classified as investments since they are held exclusively with a view to subsequent resale. FRS 2 permits such classification if the resale is expected to occur within 12 months of its acquisition or the investment was acquired as a result of enforcement of a security.

The directors consider that as these investments are held as part of its portfolio, with a view to the ultimate realisation of capital gains, consolidation would not give a true and fair view of the company's activities or interest in these companies and it is necessary to account for them as investments. The directors believe that it is impracticable to quantify the effect of this departure on the reported results for the year.

### **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	30%
(hardware and software)	
— Office furniture and equipment	10%

### **Operating leases**

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

### **Taxation**

The charge for tax is based on the result for the year and takes into account the tax deferred because of the treatment of certain items for tax and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

# Notes to the Consolidated Financial Statements

for the year ended 30 April 2002 (continued)

## 2. Turnover

The total turnover of the company for the period has principally been derived from fees for board seat representation and executive search.

## 3. Segmental analysis

The group operates in one geographical area, the UK. The group has a number of activities, but none sufficiently material to warrant provision of segmental information.

## 4. Loss on ordinary activities before taxation

	Year ended 30 April 2002 £000	Period ended 30 April 2001 £000
<b>Loss on ordinary activities before taxation is stated after charging:</b>		
<b>Auditors' remuneration:</b>		
Audit fees	8	8
Other	45	25
Depreciation of owned tangible fixed assets	17	13
Impairment of fixed asset investments	2,250	1,750
Operating lease rentals	76	7

The impairment provision of £2.25 million (period ended 30 April 2001: £1.75 million) reflects the directors' view of the carrying value of certain investments within the portfolio.

## 5. Employee information

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

	Year ended 30 April 2002	Period ended 30 April 2001
Average number	15	8

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

	Year ended 30 April 2002 £000	Period ended 30 April 2001 £000
Wages and salaries	707	483
Social security	388	45
Total staff costs	1,095	528

## 6. Taxation

There is no charge for corporation tax for the year (period ended 30 April 2001: nil) as the company has accumulated tax losses of £2.3 million at the year end. The potential deferred tax asset of £0.7 million in respect of these losses has not been recognised, in accordance with the recognition criteria of FRS 19.

# 7. Directors' remuneration

	Salary/ Fees £000	Other benefits £000	Year ended 30 April 2002 £000	Salary/ Fees £000	Other benefits £000	Period ended 30 April 2001 £000
<b>Executive directors</b>						
Ray Ingleby	63	—	63	23	1	24
Fred Mendelsohn	100	7	107	92	—	92
Alan Aubrey	100	17	117	—	—	—
	263	24	287	115	1	116
<b>Non-executive directors</b>						
Senator George Mitchell	10	—	10	8	—	8
Gordon McKenzie	10	—	10	8	—	8
Margaret Morrison	10	—	10	8	—	8
Kaj-Eric Relander	10	—	10	8	—	8
	40	—	40	32	—	32
Total emoluments	303	24	327	147	1	148

# 8. Share options and warrants

The company operates two Executive Share Option Schemes, the Axiomlab plc Unapproved Share Option Plan 2000 (the "Unapproved Plan") and the Axiomlab plc 2002 Approved Share Option Scheme (the "Approved Scheme"). All executive directors and employees are eligible to participate. At the date of these financial statements, 46,475,000 (2001: 32,525,000) share options had been granted and 17,340,000 (2001: 525,000) share options had lapsed or been surrendered as follows:

Date of grant	Exercisable between	Exercise price	Number of options granted 000	Number of options lapsed/ surrendered 000	Number of options outstanding 000
27 July 2000	10 Feb 2002 and 9 Aug 2010	5p	18,600	2,500	16,100
7 Aug 2000	10 Feb 2002 and 9 Aug 2010	5p	700	50	650
14 Nov 2000	14 May 2002 and 13 Nov 2010	11p	2,025	75	1,950
4 Dec 2000	4 June 2002 and 3 Dec 2010	11p	450	50	400
4 Feb 2001	4 Aug 2002 and 3 Feb 2011	9p	250	250	—
2 Mar 2001	2 Sept 2002 and 1 Mar 2011	8p	450	—	450
2 Apr 2001	2 Oct 2002 and 1 Apr 2011	6.75p	6,000	6,000	—
21 June 2001	21 Dec 2002 and 20 June 2011	5p	200	200	—
25 June 2001	25 Dec 2002 and 24 June 2011	5p	1,500	650	850
2 July 2001	2 Jan 2003 and 1 July 2011	4.75p	1,500	1,500	—
9 July 2001	9 Jan 2003 and 8 July 2011	4.75p	250	—	250
30 July 2001	30 Jan 2003 and 29 July 2011	4p	1,500	100	1,400
1 Aug 2001	1 Feb 2003 and 31 July 2011	4p	50	50	—
9 Aug 2001	9 Feb 2003 and 8 Aug 2011	3.75p	650	395	255
14 Nov 2001	14 May 2003 and 13 Nov 2011	2.75p	2,000	2,000	—
3 Dec 2001	3 June 2003 and 2 Dec 2011	3p	750	750	—
18 Dec 2001	18 June 2003 and 17 Dec 2011	2.25p	50	—	50
30 Jan 2002	30 July 2003 and 29 Jan 2012	2.5p	50	50	—
18 Feb 2002	18 Aug 2003 and 17 Feb 2012	2.5p	1,500	120	1,380
19 Feb 2002	19 Aug 2003 and 18 Feb 2012	2.5p	7,000	2,600	4,400
24 Apr 2002	24 Oct 2003 and 23 Apr 2012	3.75p	1,000	—	1,000
Total			46,475	17,340	29,135

# Notes to the Consolidated Financial Statements

for the year ended 30 April 2002 (continued)

## 8. Share options and warrants continued

### Warrants

The company has issued in aggregate 17,225,000 (2001: 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 between 3.5p and 5p per share. The consultant warrants are exercisable between 10 February 2002 and 29 August 2011. The adviser warrants are exercisable between 10 February 2001 and 29 August 2005.

### Restricted Share Scheme

Following the balance sheet date, the company introduced a restricted share scheme (the "Restricted Scheme") under which the board may recommend that ordinary shares are issued nil paid to the trustees of the Axiomlab plc Employee Benefit Trust (the "Trust") to be beneficially held on behalf of Axiomlab's executive directors and employees until they become eligible to be paid up and are subsequently fully paid up. The scheme closely mirrors the company's Unapproved Plan and Approved Scheme but has tax implications that are beneficial for both the company and individual employees.

During the year, 12,545,000 of the share options surrendered were surrendered with a view to participating in the Restricted Scheme. On 20 May 2002, 12,545,000 shares were issued under the Restricted Scheme. The exercise price to be paid for these restricted shares is the higher of the mid-market price on the date of issue to the Trust, or the price of the equal number of share options surrendered. Dates on which the shares can be acquired mirror precisely the dates of the equal number of the original share options surrendered.

### Provision for National Insurance on share options

The company operates an employee benefit trust, which should, in the opinion of the directors, be able to fund the cash element of any National Insurance amounts arising from the exercise of unapproved options currently in issue.

## 9. Loss per share

The basic loss per share of 0.70p (period ended 30 April 2001: 1.03p) and fully diluted loss per share of 0.64p (period ended 30 April 2001: 0.84p) is calculated by reference to the loss for the financial period of £3,335,637 (period ended 30 April 2001: £2,439,119) and to the weighted average of 474,831,358 (period ended 30 April 2001: 237,022,917) ordinary shares in issue during the year, and 518,367,865 (period ended 30 April 2001: 289,122,917) ordinary shares on a fully diluted basis.

## 10. 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 year was £3.34 million (period ended 30 April 2001: £2.44 million).

## 11. Tangible fixed assets

	Group and company		
	Computer equipment £000	Fixtures & fittings £000	Total £000
<b>Cost</b>			
At 30 April 2001	54	—	54
Additions	—	6	6
<b>At 30 April 2002</b>	<b>54</b>	<b>6</b>	<b>60</b>
<b>Depreciation</b>			
At 30 April 2001	13	—	13
Charge for year	17	—	17
<b>At 30 April 2002</b>	<b>30</b>	<b>—</b>	<b>30</b>
<b>Net book value at 30 April 2002</b>	<b>24</b>	<b>6</b>	<b>30</b>
Net book value at 30 April 2001	41	—	41

## 12. Fixed asset investments — unlisted

	Group and company £000
<b>Cost</b>	
At 30 April 2001	5,544
Additions	3,130
<b>At 30 April 2002</b>	<b>8,674</b>
<b>Impairment provision</b>	
At 30 April 2001	(1,750)
Charge for the year	(2,250)
<b>At 30 April 2002</b>	<b>(4,000)</b>
<b>Net book value at 30 April 2002</b>	<b>4,674</b>
Net book value at 30 April 2001	3,794

## 13. Debtors: amounts falling due within one year

	Group and company	
	30 April 2002 £000	30 April 2001 £000
Trade debtors	173	8
Other debtors	335	33
Prepayments and accrued income	2	21
	<b>510</b>	<b>62</b>

## 14. Creditors: amounts falling due within one year

	Group and company	
	30 April 2002 £000	30 April 2001 £000
Trade creditors	22	93
Other taxes and social security	38	24
Accruals and deferred income	81	12
	<b>141</b>	<b>129</b>

## 15. Called up share capital

	Group and company	
	30 April 2002 £000	30 April 2001 £000
<b>Authorised</b>		
Ordinary shares of 0.25p each	1,875	1,000
<b>Allotted, called up and fully paid</b>		
Ordinary shares of 0.25p each	<b>1,247</b>	<b>725</b>

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 in order to raise finance for new investments. 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 of 0.25p each. 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.

# Notes to the Consolidated Financial Statements

for the year ended 30 April 2002 (continued)

## 16. Share premium account

	Group and company	
	30 April 2002	30 April 2001
	£000	£000
At 30 April 2001	5,303	—
Premium on issue of called up share capital	11,478	5,793
Expenses on share issue	(365)	(490)
At 30 April 2002	16,416	5,303

## 17. Merger reserve

	Group and company	
	30 April 2002	30 April 2001
	£000	£000
30 April 2002 and 30 April 2001	1,909	1,909

## 18. Profit and loss account

	Group and company	
	30 April 2002	30 April 2001
	£000	£000
At 30 April 2001	(2,439)	—
Retained loss for the period	(3,336)	(2,439)
At 30 April 2002	(5,775)	(2,439)

## 19. Reconciliation of movements in shareholders' funds

	Group and company	
	30 April 2002	30 April 2001
	£000	£000
Retained loss for the financial period	(3,336)	(2,439)
Nominal value on issue of shares	522	725
Premium on issue of shares	11,478	5,793
Expenses on issue of shares	(365)	(490)
Merger reserve	—	1,909
Movement during the period	8,299	5,498
Opening shareholders' funds	5,498	—
Closing shareholders' funds	13,797	5,498

## 20. Cash flow

### a) Reconciliation of net cash flow to movement in net funds

	Year ended 30 April 2002 £000	Period ended 30 April 2001 £000
Net funds at start of period	1,730	—
Movement in net funds	6,994	1,730
Net funds	8,724	1,730

### b) Analysis of net funds

	Year ended 30 April 2002 £000	Period ended 30 April 2001 £000
Net funds	8,724	1,730

## 21. Guarantees and other financial commitments

The company had no annual commitments under non-cancellable operating leases at 30 April 2002 (30 April 2001: £nil). The company leases office accommodation on leases of less than one year at a monthly rental of £7,452 (30 April 2001: £7,174).

## 22. Contingent liabilities

The group and company had no contingent liabilities at 30 April 2002 (2001: nil).

## 23. Derivatives and other financial instruments

The group's financial instruments comprise cash together with short-term deposits. As allowed by FRS 13, trade creditors, trade debtors and short-term debtors have been excluded from the following disclosures.

### Interest rate risk

The group's policy is to limit its exposure to interest rates by placing free funds on short-term deposit, reflecting working capital requirements and market conditions.

At 30 April 2002, the group's cash deposits comprised:

	Year ended 30 April 2002 £000	Period ended 30 April 2001 £000
Sterling	8,724	1,730

## 24. Post-balance sheet events

### Empiricom Technology Limited

On 27 May 2002, an additional equity investment was made in Empiricom of £275,000. Axiomlab currently owns 37.4 per cent of Empiricom's equity.

### Tenison Technology EDA Limited

In July 2002, Axiomlab invested £260,000 for 13 per cent of equity in Tenison.

### CSols Plc

In July 2002, Axiomlab invested a further £85,000 in CSols as part of an agreement to make additional investment up to £460,000. Axiomlab has invested £350,000 of the £460,000.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the second Annual General Meeting of Axiomlab plc will be held at the offices of Wacks Caller, Steam Packet House, 76 Cross Street, Manchester, M2 4JU on Monday 30 September 2002 at 10.00 a.m., for the following purposes:

## Ordinary Business

1. To receive and consider the report of the directors and the audited financial statements for the year to 30 April 2002 and the auditor's report thereon. (Resolution No. 1)
2. To reappoint the retiring auditor, KPMG Audit Plc and to authorise the directors to determine the auditor's remuneration. (Resolution No. 2)
3. To re-elect as an executive director Alan Aubrey 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)

## Special Business

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

5. 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 8 June 2001 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:
  - 5.1. 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
  - 5.2. 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
  - 5.3. to the allotment of equity securities (otherwise than pursuant to paragraphs 5.1 or 5.2 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 31 December 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. (Resolution No. 5)

By order of the board

**E G Clark**  
Company Secretary  
18 July 2002  
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.
3. 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 not 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.



# Axiomlab plc Form of Proxy

at 18 July 2002

For use at the Annual General Meeting to be held at the offices of Wacks Caller, Steam Packet House, 76 Cross Street, Manchester, M2 4JU on Monday 30 September 2002 at 10.00 a.m.

I/We .....  
(Please complete in block capitals)

being (a) member(s) of the above named company hereby appoint ..... or failing him the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on Monday 30 September 2002 and at any adjournment thereof. My/Our proxy is to vote as indicated below in respect of the Resolutions set out in the Notice of Meeting

	For	Against
<b>Resolution 1: Ordinary Resolution</b> To receive and consider the Report of the Directors and the audited financial statements for the period from 1 May 2001 to 30 April 2002 and the Auditors' Report thereon.		
<b>Resolution 2: Ordinary Resolution</b> To reappoint the retiring auditor, KPMG Audit Plc and to authorise the directors to determine the auditor's remuneration.		
<b>Resolution 3: Ordinary Resolution</b> To re-elect Alan Aubrey as an executive director.		
<b>Resolution 4: Ordinary Resolution</b> To re-elect Fred Mendelsohn as an executive director.		
<b>Resolution 5: Special Resolution</b> To empower the directors to allot equity securities other than on a pre-emptive basis.		

Signed or Sealed: ..... Dated: .....2002

Optional: Please provide your e-mail address if you would like to receive periodic updates on Axiomlab plc and its investments .....

## Notes:

1. Please indicate with an 'X' how you wish your votes to be cast. On receipt of this form duly signed and in the absence of any specific directions, the proxy will vote or abstain at his discretion.
2. Only one of joint holders needs to sign.
3. If a member wishes to appoint as a proxy a person other than the Chairman of the meeting, the name and address of the other person should be inserted in block capitals in the space provided. A proxy need not be a member of the company but must attend the meeting in person. Any alteration or deletion must be signed or initialled.
4. In the case of a corporation this proxy form should be given under its seal or signed on its behalf by an attorney or duly authorised officer. In the case of joint holders the signature of any one of them will suffice, but the names of all joint holders should be shown.
5. Use of this proxy form does not preclude a member from attending the meeting and voting in person.

To be valid, this proxy form must be lodged 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, at the company's Registrars, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA, not less than 48 hours before the meeting or any adjournment thereof or, in the case of a poll, not less than 48 hours before the time appointed for taking the poll.

Second fold

BUSINESS REPLY SERVICE  
Licence No. HF 106

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**Northern Registrars Limited  
Northern House  
Woodsome Park  
Fenay Bridge  
HUDDERSFIELD  
HD8 0JQ**

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and tuck in flap opposite