

Financial Statements

Flintstone Technologies Plc
(formerly CFB Technologies Plc)

For the period 2 January 2001 (date of incorporation) to 31 March 2001

Registered Number: 4134409

ERNST & YOUNG



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FLINTSTONE TECHNOLOGIES PLC

DIRECTORS

D M A Chestnutt
J G Martin
I W Woodcock
J S Murray-Smith
G Hirsch

SECRETARY

R L Smith

AUDITORS

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BANKERS

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INDEX	PAGE
Report of the directors	1 - 2
Statement of directors' responsibilities	3
Report of the auditors	4
Pro forma group profit and loss account	5
Statutory group profit and loss account	6
Group balance sheet	7
Company balance sheet	8
Group cash flow statement	9
Notes to the financial statements	10 - 26

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the group for the period ended 31 March 2001.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company was incorporated on 2 January 2001. The principal activity of the company is that of a holding company. The principal activity of the group are those of the sourcing and development of new technologies for commercial purposes.

Following the Board's decision on 16 February 2001 to postpone the company's placing and application for admission to AIM, the directors decided to keep the company private despite interest from other companies. The short term funding of the company has been secured by the following after the balance sheet date:-

- Issue of 2,890,000 new shares at 50p per share, raising £1,445,000.
- Sale of a portion of the company's investment in Intellikraft Limited for £500,000.
- A loan from Mr I W Woodcock of £500,000.

In April 2002 the directors appointed Collins Stewart Limited, brokers, as their nominated advisor to raise up to £5.4m Sterling and to obtain a listing on the alternative Investment Market.

GROUP STRUCTURE AND REORGANISATION

In December 2000 negotiations took place for a share for share exchange with the shareholders of CFB (Isle of Man) Limited with the intention for the acquisition of the entire share capital of CFB (Isle of Man) Limited by the company. Offers had been made to all shareholders of CFB (Isle of Man) Limited with the company agreeing to issue 2 ordinary shares in the company for every 1 held in CFB (Isle of Man) Limited. Offers in respect of 96.9% of the shares were accepted. The remaining 3.1% was not accepted or rejected as the beneficial owner identified would not confirm their ownership of the relevant shares. On the 9 February 2001 the company issued shares to the 96.9% of shareholders who accepted the offer. The offer made in respect of 3.1% shares was not withdrawn nor was there any lapse date, the only proviso being that when the offer was accepted it would be on the same terms as the issue of shares comprising 96.9% of the ordinary share capital. It was the intention of the company to ensure that the offer would be accepted and accordingly the directors were confident that this would occur. The directors believed it appropriate to account for the transaction as the acquisition of the entire share capital of CFB (Isle of Man) Limited from the 9 February 2001, and to reflect the remaining 3.1% as shares to be issued. In March 2002, the holder of the shares in CFB (Isle of Man) Limited accepted the offer and shares in the company were issued on the same terms as these issued on 9 February 2001. Accordingly, as permitted by FRS 6 for a group reconstruction, the combination has been merger accounted for as if the group has been in place throughout the whole period covered by the accounts.

On 10 May 2000, CFB (Isle of Man) Limited acquired 64.2% of the share capital of Breakthrough Innovations Group Limited and 82.1% of the share capital of Internet World Sports Limited.

RESULTS AND DIVIDENDS

The pro forma group loss for the year, after taxation amounted to £1,115,000 (2000: pro-forma profit of £36,000). The directors do not recommend the payment of a dividend.

REPORT OF THE DIRECTORS (continued)

DIRECTORS

The directors of the company during the year and their interest in the ordinary shares of the company were:-

	Appointed	Resigned	Interest in the share capital 31 March 2001	Interest in share capital on date of appointment
LCI Directors Limited	2 January 2001	2 January 2001	-	-
D M A Chestnutt	2 January 2001		1,000,000	-
J G Martin	2 January 2001		1,510,000	-
I W Woodcock	2 January 2001	23 May 2001	5,697,540	-
J J Taylor	2 January 2001	12 April 2001	1,100,000	-

In addition, as at 31 March 2001, 7,106 shares were held by a nominee company to the order of the directors.

Mr J S Murray Smith was appointed a director on 14 May 2001 and Mr Hirsch and I W Woodcock were appointed directors on 30 November 2001. I W Woodcock has announced his intention to resign on the 20 June 2002.

GOING CONCERN

The directors have embarked on a fundraising exercise and have appointed advisors to assist in raising additional equity of approximately £5.4 million for the company. A placing agreement has been entered into with Collins Stewart Limited that they acquire any shares they are unable to place with other investors and the directors' believe it is appropriate for the financial statements to be prepared on the going concern basis.

CREDITOR PAYMENT POLICY AND PRACTICE

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 March 2001 the company had an average of 95 days outstanding in trade creditors.

AUDITORS

During the period Ernst & Young LLP were appointed auditors of the company by the directors. Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting.

Approved by the Board

.....Director

.....Director

21 June.....2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

INDEPENDENT REPORT OF THE AUDITORS

To the members of Flintstone Technologies Plc

We have audited the group financial statements for the year ended 31 March 2001 which comprise the Pro forma Group Profit and Loss Account, Statutory Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the United Kingdom 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 group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the company as at 31 March 2001 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Luton

21 JUNE.....2002

**PRO FORMA GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2001**

	Notes	12 months to 31 March 2001 £'000	15 months to 31 March 2000 £'000
Turnover – continuing operations	2	209	804
Administrative expenses – continuing operations		(1,927)	(1,077)
Administrative expenses – pre exceptional items		(1,342)	(1,077)
Exceptional administrative expenses – aborted listing costs		(300)	-
Administrative expenses - acquisitions		(285)	-
Operating loss		(1,718)	(273)
Continuing operations		(1,433)	(273)
Acquisitions		(285)	-
Profit on sale of fixed asset investments	11 (a)	500	280
(Loss)/profit on ordinary activities before investment income, interest and taxation	3	(1,218)	7
Other interest receivable		36	50
Interest payable and similar charges	6	(18)	(18)
(Loss)/profit on ordinary activities before taxation		(1,200)	39
Taxation on (loss)/profit on ordinary activities	7	3	(3)
(Loss)/profit on ordinary activities after taxation		(1,197)	36
Minority interest: equity		82	-
(Loss)/profit for the financial year attributable to members of the parent company	19	(1,115)	36

All the activities arise from continuing operations.

There are no recognised gains or losses other than the loss for the 12 months to 31 March 2001 of £1,115,000 and the profit for the 15 months to 31 March 2000 of £36,000.

**STATUTORY GROUP PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 2 JANUARY 2001 TO 31 MARCH 2001**

	2001 £'000
Turnover	33
Administrative expenses	(876)
Administrative expenses – pre exceptional items	(576)
Exceptional administrative expenses – aborted listing costs	(300)
	<hr/>
Loss on ordinary activities before investment income, interest and taxation	(843)
Other interest receivable	6
Interest payable and similar charges	(6)
	<hr/>
Loss on ordinary activities before taxation	(843)
Taxation on profit on ordinary activities	3
	<hr/>
Loss on ordinary activities after taxation	(840)
Minority interest: equity	-
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Loss for the financial period attributable to members of the parent company	(840)
	<hr/> <hr/>

All activities are continuing and the loss is attributable to the operations of the CFB (Isle of Man) Limited group that was acquired on the 9 February 2001.

GROUP BALANCE SHEET
AS AT 31 MARCH 2001

	Notes	31 March 2001 £'000	Pro-forma 31 March 2000 £'000
Fixed assets			
Intangible assets	8	-	-
Tangible assets	9	47	43
Investments	11	336	11
		<u>383</u>	<u>54</u>
Current assets			
Debtors	12	802	1,149
Cash at bank and in hand		80	137
		<u>882</u>	<u>1,286</u>
Creditors: amounts falling due within one year	13	<u>1,174</u>	<u>194</u>
Net current (liabilities)/assets		<u>(292)</u>	<u>1,092</u>
Creditors: amounts falling due after more than one year	14	<u>15</u>	<u>366</u>
Minority interests: equity		107	-
		<u>183</u>	<u>780</u>
Capital and reserves			
Called up share capital	18	1,095	1,095
Shares to be issued	18	35	35
Merger reserve	19	147	(371)
Profit and loss account	19	(1,094)	21
Equity shareholders' funds		<u>183</u>	<u>780</u>

 Director

21 June 2002 Date

Director

Date

COMPANY BALANCE SHEET
AT 31 MARCH 2001

	Notes	31 March 2001 £'000
Fixed assets		
Investment in subsidiary	10	1,130
		<u>1,130</u>
Capital and reserves		
Called up share capital	18	1,095
Shares to be issued	18	35
Profit and loss account	19	-
		<u>1,130</u>
Equity shareholders' funds		<u>1,130</u>

[Signature] Director

21 June 2002 Date

..... Director

..... Date

GROUP CASH FLOW STATEMENT
AT 31 MARCH 2001

	Notes	12 months to 31 March 2001 £'000	15 months to 31 March 2000 £'000
Cash outflow from operating activities	22 (a)	(1,159)	(1,053)
Returns on investment and servicing of finance			
Interest element of finance lease rental payments		(4)	(1)
Interest received		3	-
Interest paid		(3)	-
		(4)	(1)
Taxation			
Taxation paid		-	-
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		(36)	-
Payments to acquire tangible fixed assets		(8)	(47)
Payments to acquire investments		(1)	(14)
Receipts from sale of fixed asset investments		500	285
		455	224
Acquisitions and disposals			
Net cash acquired with subsidiary undertakings	22 (d)	3	-
		3	-
Financing			
Issue of ordinary share capital in CFB (Isle of Man)		524	553
Limited prior to share for share exchange			
New loans	22 (c)	268	313
Capital element of finance lease rental payments	22 (c)	(10)	20
Repayment of loans		(134)	-
		648	886
(Decrease)/increase in cash		(57)	56

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001

1. ACCOUNTING POLICIES

(i) **Basis of preparation**

The consolidated financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

The financial statements have been prepared on the going concern basis on the assumption that additional capital will be available to enable the group, headed by the company, to continue operating. The directors have embarked on a fundraising exercise and have appointed advisors to assist in raising additional equity of approximately £5.4 million for the company. The company has entered into a placing agreement with Collins Stewart Limited that they will acquire any shares they are unable to place with other investors and the directors believe it is appropriate for the financial statements to be prepared on the going concern basis.

(ii) **Basis of consolidation**

The group financial statements consolidate the financial information of the company and of its subsidiaries. The financial information of each company in the group has been prepared to 31 March 2001. No profit and loss account is presented for Flintstone Technologies Plc as permitted by Section 230 of the Companies Acts 1985. The result of Flintstone Technologies plc for the period 2 January 2001 to 31 March 2001 is £Nil.

Flintstone Technologies Plc was incorporated on 2 January 2001. In December 2000 negotiations took place for a share for share exchange with the shareholders of CFB (Isle of Man) Limited with the intention for the acquisition of the entire share capital of CFB (Isle of Man) Limited by the company. Offers had been made to all shareholders of CFB (Isle of Man) Limited with the company agreeing to issue 2 ordinary shares in the company for every 1 held in CFB (Isle of Man) Limited. Offers in respect of 96.9% of the shares were accepted. The remaining 3.1% was not accepted or rejected as the beneficial owners identified would not confirm their ownership of the relevant shares. On the 9 February 2001 the company issued shares to the 96.9% of shareholders who accepted the offer. The offer made in respect of 3.1% shares was not withdrawn nor was there any lapse date, the only proviso being that when the offer was accepted it would be on the same terms as the issue of shares comprising 96.9% of the ordinary share capital. It was the intention of the company to ensure that the offer would be accepted and accordingly the directors were confident that this would occur. The directors believed it appropriate to account for the transaction as the acquisition of the entire share capital of CFB (Isle of Man) Limited from the 9 February 2001, and to reflect the remaining 3.1% as shares to be issued. In March 2002, the holder of the shares in CFB (Isle of Man) Limited accepted the offer and shares in the company were issued on the same terms as these issued on 9 February 2001. This transaction has been treated as a group reorganisation and accordingly, as permitted by Financial Reporting Standard No. 6, the combination has been merger accounted for as if the group as currently constituted had been in place throughout the whole period covered by these accounts.

The group profit and loss account for the financial year and the comparatives for the group balance sheet and profit and loss account have been presented on a pro forma basis as though they had always been part of Flintstone Technologies Plc, despite this company being incorporated on 2 January 2001, in order to compare meaningfully the performance of the underlying group.

The statutory group profit and loss account for the period is presented on page 6.

Breakthrough Innovations Group Limited and Internet World Sport (Isle of Man) Limited have been included in the group accounts using the acquisition method of accounting. Accordingly, the proforma group profit and loss account and statement of cash flows include the results and cash flows for these companies for the period from their acquisition on 8 May 2000. The purchase consideration has been allocated to assets and liabilities on the basis of their fair value at the date of acquisitions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)**

1. ACCOUNTING POLICIES (Continued)

(iii) Goodwill

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

(iv) Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of the acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of each accounting period.

(v) Tangible fixed assets

Fixed assets are depreciated at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life in instalments as follows:-

Fixtures, fittings and equipment	-	25% per annum
Motor vehicles	-	25% per annum
Computer equipment	-	25% per annum

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

(vi) Leased assets

Assets held under finance leases, which are leases where substantially all the risks and rewards of the asset have been passed to the group, are included in tangible fixed assets at their capital value and depreciated over their useful economic lives. Lease payments consist of capital and interest elements and the interest is charged to the profit and loss account.

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

(vii) Investments

Investments are held as part of an investment portfolio and are stated at cost less provision for permanent diminution in value.

Certain investments within the group's investment fund fall within the definition of associated undertakings contained in the Companies Act 1985. In accordance with FRS9, "Associates and Joint Ventures", such investments are treated consistently with other investments in the fund, and consequently are not equity accounted for.

It is not practicable to determine the effect of this departure from the Companies Act 1985 on the financial statements.

(viii) Government grants

Government grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

1. ACCOUNTING POLICIES (Continued)

(ix) **Deferred taxation**

Deferred taxation is provided using the liability method on all timing differences, to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

(x) **Financial instruments**

The group does not enter into hedging or speculative derivative contracts.

Financial assets included within fixed assets are recognised in the balance sheet at cost less permanent diminution in value. Financial assets included within current assets are stated at the lower of cost and net realisable value.

2. **TURNOVER AND SEGMENTAL ANALYSIS**

Turnover, which arises from continuing activities, is stated net of value added tax and comprises management and consultancy fees for services rendered and is recognised on an accruals basis.

The group operates in one principal area of activity, technology commercialisation. It operates within one geographical market, the British Isles. Turnover and profit arise in this area of activity and this region.

3. **OPERATING LOSS**

The operating loss is stated after charging/(crediting):-

	Pro forma 12 months to 31 March 2001 £'000	Pro forma 15 months to 31 March 2000 £'000
Auditors remuneration: other	152	-
Auditors remuneration: audit	30	10
Directors' fees	21	-
Depreciation on owned assets	10	6
Depreciation on assets held under finance leases	11	4
Government grants	(57)	-
Amortisation of goodwill	3	-
Impairment in goodwill	53	-
Operating lease rentals	22	22
Amortisation of intangible assets	10	-
Impairment in intangible fixed assets	192	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

4. STAFF COSTS

	Pro forma 12 months to 31 March 2001 £'000	Pro forma 15 months to 31 March 2000 £'000
Wages and salaries	565	322
Social security costs	62	32
	<u>627</u>	<u>354</u>

The average number of employees during the year was made up as follows:-

	Pro forma 12 months to 31 March 2001 £'000	Pro forma 15 months to 31 March 2000 £'000
Sourcing and development of technology	13	8
Administration	2	2
	<u>15</u>	<u>10</u>

5. DIRECTORS' REMUNERATION

	Pro forma 12 months to 31 March 2001 £'000	Pro forma 15 months to 31 March 2000 £'000
Executive directors	184	93

Payments to directors consists of basic salaries only, no fees, benefits, bonuses, compensation for loss of office or pensions have been paid.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Pro forma 12 months to 31 March 2001 £'000	Pro forma 15 months to 31 March 2000 £'000
Other loans	14	17
Finance charges payable under finance leases	4	1
	<u>18</u>	<u>18</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Group	Pro forma 12 months to 31 March 2001 £'000	Pro forma 15 months to 31 March 2000 £'000
Corporation tax based on results for the period:-		
Current year	-	3
Prior year over provision	(3)	-
	<u>(3)</u>	<u>3</u>

8. INTANGIBLE ASSETS

Group	Patents £'000	Goodwill £'000	Total £'000
Cost			
As at 1 April 2000	-	-	-
Acquisition of subsidiary undertakings	165	56	221
Additions during period	37	-	37
	<u>202</u>	<u>56</u>	<u>258</u>
As at 31 March 2001	202	56	258
Provisions/amortisation			
As at 1 April 2000	-	-	-
Amortisation	10	3	13
Impairment in value	192	53	245
	<u>202</u>	<u>56</u>	<u>258</u>
As at 31 March 2001	202	56	258
Net book value at 31 March 2001	-	-	-
Net book value at 31 March 2000	-	-	-

Following a review of the activity of subsidiaries, the group has provided in full against patents held by subsidiaries and goodwill arising on acquisition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

9. TANGIBLE FIXED ASSETS

Group	Fixtures, fittings & equipment £'000	Motor Vehicles £'000	Computer Equipment £'000	Total £'000
At 31 March 2000	19	7	30	56
Additions	3	-	5	8
On acquisition of subsidiaries	-	17	-	17
At 31 March 2001	22	24	35	81
Depreciation				
At 31 March 2000	3	4	6	13
Charge for the year	5	6	10	21
At 31 March 2001	8	10	16	34
Net book value				
At 31 March 2001	14	14	19	47
At 31 March 2000	16	3	24	43

Included in tangible assets are the following amounts relating to leased assets.

Group	Fixtures fittings & equipment £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost				
As at 31 March 2000	9	-	16	25
As at 31 March 2001	9	17	16	42
Depreciation				
As at 31 March 2000	1	-	3	4
As at 31 March 2001	3	4	9	16
Net book value				
As at 31 March 2000	8	-	13	21
As at 31 March 2001	6	13	7	26
Depreciation charge for the year	2	4	6	12

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

10. INVESTMENT IN SUBSIDIARIES (company)

	31 March 2001 £'000
Cost brought forward	-
Additions	1,130
	<u>1,130</u>

Directly held	No. of ordinary shares	% Held	Cost £	Nature of business
CFB (Isle of Man) Limited				
- issued	1,095,500	96.9%	1,095,500	Sourcing and development of new technologies for commercial purposes
- shares to be issued	<u>35,000</u>	3.1%	<u>35,000</u>	
	1,130,500		1,130,500	

CFB (Isle of Man) Limited is incorporated in the Isle of Man. As noted in note 1(ii) although the effective holding is 96.9% at 31 March 2001 the directors consider it appropriate to account for the investment as a wholly owned subsidiary.

Indirectly held	No. of ordinary shares	% Effectively held	Cost £	Nature of business
Breakthrough Innovations Group Ltd*	642	64.2%	64	Consumer product development
Internet World Sport (Isle of Man) Limited**	2	82.1%	2	Patent holding company (consumer goods)
			<u>66</u>	

Both subsidiary companies are incorporated in the Isle of Man.

* 64.2% owned by CFB (Isle of Man) Limited

** 50% owned by CFB (Isle of Man) Limited and 50% held by Breakthrough Innovations Group Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

11. INVESTMENTS

(a) Group	Pro forma 12 months to 31 March 2001 £'000	Pro forma 15 months to 31 March 2000 £'000
Cost brought forward	11	49
Additions	325	14
Disposals	-	(5)
Amounts written off	-	(47)
	<u>336</u>	<u>11</u>

During the year, the group disposed of 200 shares in Keronite Limited at a historic cost of £200 for proceeds of £500,000. There was no taxation charge on this disposal due to taxation losses that were available.

(b) Group

	No. of Shares	Type of Shares	Share Capital	Nominal Value	Nature of Business
Relevare Limited (formerly Search Works) *	93,350	Ordinary	11.49%	9,335	Website categorisation service provider
Dotcom Publishing Limited *	150	Ordinary	50.00%	150	Internet editorial content provider (dormant)
Keronite Limited *	2,000	Ordinary	12.40%	200	Surface engineering (light alloys)
Isle Firestop Limited **	5,992	Ordinary	29.96%	600	Fire retardant chemicals and processes
IntelliKraft Limited *	216,446 275,000	Ordinary Preference	21.04% 57.89%	2,504 275,000	Piezo-ceramics based electronic systems
Hardide Limited *	240,000 50,000	Ordinary Preference	24.00% 100.00%	2,400 50,000	Surface engineering (heavy metal)
Isle Technologies Limited **	4,000	Ordinary	40.00%	400	Patent holding company
Isle Bright Limited **	4,000	Ordinary	40.00%	400	Dormant
Isle Eco-Mag Limited **	3,700	Ordinary	37.00%	370	Dormant
Simpl-eCash.com Limited *	1	Ordinary	50.00%	1	Dormant

* incorporated in the United Kingdom

** incorporated in the Isle of Man

An analysis of the group interest in the capital and reserves in those investments where the group has an equity interest of 20% or more is as follows:

	£'000
Dotcom Publishing Limited:	
Net liabilities at 31 March 2001	(108)
Groups share thereof	(52)
Loss for the period to 31 March 2001	<u>(108)</u>
Group share thereof	<u>(52)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

11. INVESTMENTS (Continued)

IntelliKraft Limited:

The company was incorporated on 26 May 2000 and no published accounts ending on or before 31 March 2001 are available. The interest in the company was diluted to 10.02% in the 2002 financial year when IntelliKraft issued additional shares.

Hardide Limited:

The company's first year end is 30 September 2001 and no published accounts are yet available.

Isle Firestop Limited

During 2002 this company was acquired by Firestop Chemicals Limited in a share for share exchange. The group has an interest in Firestop Chemicals Limited. No published accounts are available for both companies.

12. DEBTORS

	2001 Group £'000	2001 Company £'000	Pro forma 2000 Group £'000
Other debtors	11		10
Trade debtors	791	-	1,139
	<u>802</u>	<u>-</u>	<u>1,149</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2001 Group £'000	2001 Company £'000	Pro forma 2000 Group £'000
Obligations under finance leases	16	12	-	8
Income tax		-	-	3
Other tax and social security		102	-	55
Trade creditors and accruals		502	-	23
Other creditors		84	-	80
Due to directors	15	27	-	25
Due to related parties				
Keogh Ventures Limited		158	-	-
Kymbra Limited		11	-	-
Pantheon Securities Limited		203	-	-
Hardide Limited		75	-	-
		<u>1,174</u>	<u>-</u>	<u>194</u>

The loan from Pantheon Securities Limited, a shareholder, is unsecured and carries interest at 8% per annum. On 20 April 2001, £200,000 of this loan has been converted to 400,000 ordinary shares in the company. The interest charged for the year on this loan was £3,000.

Keogh Ventures Limited and Kymbra Limited are beneficially owned by I Woodcock, the amounts due to these companies carry interest at 6% per annum and will be repaid within one year. The interest charged for the year on these loans was £11,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2001 Group £'000	2001 Company £'000	Pro forma 2000 Group £'000
Due to directors	15	-	-	41
Due to related parties:-				
Keogh Ventures Limited		-	-	302
Kymbra Limited		-	-	11
Obligations under finance leases	16	15	-	12
		<u>15</u>	<u>-</u>	<u>366</u>

The amounts due to directors represented an interest free loan.

15. DUE TO DIRECTORS

	2001 Group £'000	2001 Company £'000	Pro forma 2000 Group £'000
I W Woodcock (resigned 23 May 2001)	26	-	62
J G Martin	1	-	1
J Taylor	-	-	3
	<u>27</u>	<u>-</u>	<u>66</u>

16. OBLIGATIONS UNDER LEASE AND HIRE PURCHASE CONTRACTS

The future minimum lease payments the company is committed to under finance leases are as follows:-

	2001 Group £'000	2001 Company £'000	Pro forma 2000 Group £'000
Within one year	15	-	10
Within two to five years	16	-	15
	<u>31</u>	<u>-</u>	<u>25</u>
Less finance charges allocated to future periods	(4)	-	(5)
	<u>27</u>	<u>-</u>	<u>20</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

17. DEFERRED TAXATION

Group

Deferred taxation (assets)/liabilities arising on accelerated capital allowances and tax losses provided in the accounts and amounts not provided are as follows:-

	2001 £'000	Pro forma 2000 £'000
Provided	-	-
Not provided: accelerated capital allowances	-	3
tax losses	(34)	-

18. SHARE CAPITAL

Authorised and issued	2001 £
Authorised:	
40,000,000 ordinary equity shares of £0.05 each	2,000,000
Allotted, called up and fully paid	
21,910,000 ordinary equity shares of £0.05 each	1,095,500

The company was incorporated with an authorised share capital of £2,000,000 divided into 40,000,000 ordinary shares of 5 pence each of which two shares were issued nil paid to the subscribers to the Memorandum of Association of the company. On 2 January 2001 one subscriber share was transferred to David Chestnutt and the other was transferred to Justin Martin.

On 31 January 2001 by or pursuant to resolutions of the company passed on that date:-

- The directors were generally and unconditionally authorised in accordance with Section 80 of the Act to the exercise all the powers of the company to allot relevant securities (within the meaning of Section 80 (2) of the Act) up to a nominal value of £2,000,000;
- The directors were authorised pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 (2) of the Act) for cash pursuant to the authority referred to above as if Section 89 (1) of the Act did not apply to such allotment provided that such power was limited to:-
 - (i) the allotment of 6,923,077 ordinary shares in connection with the placing;
 - (ii) the allotment of 582,815 ordinary shares pursuant to the warrants;
 - (iii) the grant of options over 1,590,000 ordinary shares pursuant to the Share Option Scheme;
 - (iv) the allotment (other than pursuant to sub-paragraphs (i) to (iii) above) of equity securities up to a maximum aggregate nominal amount of £218,556 (being equal to 15 per cent of the issued ordinary share capital of the company immediately following the placing).

The directors had not allotted ordinary shares pursuant to warrants. On 19 June 2002 options were granted under Part C of the Share Option Scheme to I W Woodcock over 160,000 ordinary shares at an exercise price of 33p each. On the 5 June 2002 these authorities were altered (see note 26). On the 27 March 2002, the Flintstone Technologies Enterprise Management Incentive Scheme was introduced. Under this scheme, options to subscribe for the company's shares have been granted to certain directors and employees. On 27 March 2002 1,160,000 options were granted to directors and 300,000 options were granted to employees at 25p each. These options were cancelled on 19 June 2002 and on this date 1,160,000 options were granted to directors and 300,000 options were granted to employees at 33p each.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

18. SHARE CAPITAL (continued)

On 9 February 2001 the directors allotted 21,909,998 ordinary shares in part consideration of the company acquiring 100% of the issued share capital of CFB (Isle of Man) Limited pursuant to a share for share exchange agreement dated 9 February 2001. The remaining 3.1% of the shares were issued on 27 March 2002 once the beneficial holder had been determined (see note 1 (ii)).

Shares to be issued

	2001 £'000	2000 £'000
Shares to be issued (700,000 shares at 5p per share)	35	35

These shares were issued on 27 March 2002 in final settlement of the acquisition of the entire issued share capital of CFB (Isle of Man) Limited.

19. RESERVES

Group	Profit and Loss account £'000	Merger Reserve £'000
As at 1 April 2000 – as previously reported by CFB (Isle of Man) Limited	21	-
Merger adjustment	-	(371)
Loss for the period	(1,115)	-
On share for share exchange	-	518
As at 31 March 2001	(1,094)	147
Company		
As at 2 January 2001	-	-
Result for the period	-	-
As at 31 March 2001	-	-

20. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

Group	Pro forma 31 March 2001 £'000	Pro forma 31 March 2000 £'000
(Loss)/profit for the year	(1,115)	36
On share for share exchange	518	-
Opening shareholders' funds	(597) 780	36 744
Closing shareholders' funds	183	780

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

21. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	31 March 2001 £'000
Company	
On issue of share capital	1,095
Shares to be issued	35
	<hr/>
Closing shareholders' funds	1,130
	<hr/>

22. NOTES TO THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF OPERATING (LOSS) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Pro forma 31 March 2001 £'000	Pro forma 31 March 2000 £'000
Operating loss	(1,718)	(273)
Depreciation of tangible fixed assets	21	10
Provision against fixed asset investments	-	47
Decrease/(increase) in operating debtors and prepayments	60	(1,043)
(Decrease)/increase in operating creditors and accruals	220	206
Amortisation of goodwill	56	-
Provision against patents	202	-
	<hr/>	<hr/>
Cash outflow from operating activities	(1,159)	(1,053)
	<hr/>	<hr/>

(b) ANALYSIS OF NET DEBT

	At 1 April 2000 £'000	Cash flow £'000	Other non-cash movements £'000	Acquisitions £'000	At 31 March 2001 £'000
Cash	137	(57)	-	-	80
Liquid resources					
Finance lease obligations	(20)	10	-	(17)	(27)
Long term loans	(313)	-	313	-	-
Short term loans	-	(134)	(313)	-	(447)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	(196)	(181)	-	(17)	(394)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)

22. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(c) RECONCILIATION OF MOVEMENT IN NET DEBT

	Pro forma 31 March 2001 £'000	Pro forma 31 March 2000 £'000
(Decrease)/increase in cash in the period	(57)	56
Repayment of loans	134	-
Cash inflow from increase in loans	(268)	(313)
Increase in finance leases	-	(20)
Repayment of capital element of finance lease	10	-
	<hr/>	<hr/>
Change in net debt resulting from cash flows	(181)	(277)
Finance lease acquired with subsidiary	(17)	-
	<hr/>	<hr/>
Movement in net debt	(198)	(277)
Net (debt)/funds at beginning of period	(196)	81
	<hr/>	<hr/>
Net (debt)/funds at the end of the period	(394)	(196)
	<hr/>	<hr/>

During the period ended 31 March 2001 £325,000 of short term debt was converted into preference shares in the debtor companies. The group purchased an interest in CFB (Isle of Man) Limited in consideration of the issue of 21,909,998 ordinary shares at £0.05 each.

As accrual has been made for £300,000 exceptional aborted listing costs.

(d) PURCHASE OF SUBSIDIARIES

On 8 May 2000, CFB (Isle of Man) Limited acquired 64.2% of Breakthrough Innovations Group Limited and 50% of Internet World Sport (Isle of Man) Limited for a combined cash consideration of £66. Goodwill arising on the acquisitions has been written off in the profit and loss account during the year to 31 March 2001.

Analysis of the acquisitions:-

Net assets at date of acquisitions:-

	£
Tangible fixed assets	17
Intangible fixed assets	165
Cash	3
Finance lease obligations	(17)
Other debtors	4
Other creditors	(252)
	<hr/>
	(80)
Goodwill	56
Minority interest in acquired net liabilities	24
	<hr/>
Total consideration	-
	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)**

22. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

In the current year, Breakthrough Innovations Group Limited utilised £165,000 in operating activities. Internet World Sport (Isle of Man) Limited utilised £120,000 in operating activities.

In the prior period ended 31 March 2000, Breakthrough Innovations Group Limited incurred a loss of £42,000 and Internet World Sport (Isle of Man) Limited incurred a loss of £25,000. In the period from 1 April to 8 May 2000, Breakthrough Innovations Group Limited incurred a loss of £18,000 and the results of Internet World Sport (Isle of Man) Limited was £Nil. There were no differences between book and the final fair value of assets acquired.

23. OTHER RELATED PARTY TRANSACTIONS

As detailed in Note 11, the group has investments in certain companies. The directors of the company are also on the board of directors of these companies. The group provides funds to these companies and charges them interest and management fees:-

	Pro forma 31 March 2001 £'000	Pro forma 31 March 2000 £'000
Management fees receivable	209	777
Management fees are receivable from Intellikraft Limited, Keronite Limited and Hardide Limited.		
Interest receivable	33	50
Debt provided for	235	200
	31 March 2001 £'000	Pro forma 31 March 2000 £'000
Trade debtors	791	1,089
Other debtors	.	564

During the year ended 31 March 2001, Intellikraft Limited and Hardide Limited converted £275,000 and £50,000 respectively of their trade debtor balances into preference shares. (See note 11(b)).

As detailed in notes 13, 14 and 15 there are loans made to common directors by a subsidiary company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)**

24. OPERATING LEASES

Annual commitments under non-cancellable leases are as follows:-

	31 March 2001 £'000	Pro forma 31 March 2000 £'000
Land and buildings		
Operating lease expiring in over 5 years	22	22

25. COMMITMENTS

The group is committed to provide finance up to an amount of £12,336 to another company to assist that company with its development.

26. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date the following events have occurred:

- Issue of 2,890,000 new shares at 50p per share, raising £1,445,000.
- Sale of a portion of the company's investment in Intellikraft Limited for £500,000.
- A loan from Mr I W Woodcock of £500,000.
- On 6 March 2002 the group disposed of its holding in Breakthrough Innovations Group Limited.
- The group disposed of its holdings in Dotcom Publishing Limited on 25 March 2002.
- On 27 March 2002 the company issued the remaining 3.1% of the issued share capital of CFB (Isle of Man) limited in a share for share exchange for a total consideration of £35,000.
- On 27 March 2002 the group disposed of its holdings in Internet World Sport (Isle of Man) Limited.
- At a Extraordinary General Meeting on 5 June 2002 the authorised share capital of the company was increased to 80,000,000 ordinary shares of £0.05 each. In addition the company by or pursuant to a special resolution passed on that date:
 - The directors were generally and unconditionally authorised in accordance with Section 80 of the Act to the exercise all the powers of the company to allot relevant securities (within the meaning of Section 80 (2) of the Act) up to a nominal value of £2,727,300.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001 (Continued)**

26. POST BALANCE SHEET EVENTS (continued)

- The directors were authorised pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 (2) of the Act) for cash pursuant to the authority referred to above as if Section 89 (1) of the Act did not apply to such allotment provided that such power was limited to:
 - i) the allotment up to 15,000,000 ordinary shares in connection with the placing;
 - ii) the grant of an option in favour of Collins Stewart Limited pursuant to the CS Option Agreement in respect of up to 809,080 ordinary shares;
 - iii) the grant options over ordinary shares representing up to 10 per cent of the issued share capital of the company pursuant to the Share Option Scheme;
 - iv) the allotment (other than pursuant to sub paragraphs i) and iii) above) of equity securities up to a maximum aggregate nominal amount of £70,000 (being approximately 5 per cent of the issued ordinary share capital of the company immediately following the placing).