

Lost Wax Media Limited
(Registered Number 3136132)

Financial Statements

For The Year Ended 30 April 2001



Lost Wax Media Limited

Directors' Report For The Year Ended 30 April 2001

The directors present their annual report together with the audited financial statements of the Company for the year ended 30 April 2001.

Principal Activity

The principal activity of the Company throughout the year continued to be that of e-commerce software development, including development and hosting of electronic markets and corporate, e-commerce purchasing or selling solutions on its proprietary software and ASP (Application Service Provider) platform.

Review Of The Business And Future Developments

The directors are satisfied with the growth in turnover and the establishment of an expanded operational capacity through an increased staffing level and the acquisition of additional office space. Liquidity has improved in the year and the Company's capital base has been further strengthened through the issuance of additional share capital to new investors.

The plans for the forthcoming year include further growth in turnover and operational capacity as well as additional strengthening of the equity capital base to fully exploit positive market opportunities.

Results And Dividends

The Company's loss for the financial year is £2,037,000 (2000 Profit: £31,000). The directors do not propose a dividend (2000: £nil).

Statement Of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 April 2001 and that applicable accounting standards have been followed.

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

Share Capital

On 2nd August 2000 the Company issued the following shares:

- 54,926 Ordinary £0.05p C shares with proceeds of £1,692,735
- 6,490 Ordinary £0.05p D shares with proceeds of £200,022.

On 13 December 2000, the Board consented to the issue of a number of 'D' Shares to fund the commercial development of the Company's agent based B2B e-commerce platform.

On 22 December 2000, the authorised share capital of the Company was increased to £705,000 by the creation of an additional 100,000 'C' Ordinary Shares of £0.05 each and 3,000,000 'D' Ordinary Shares of £0.05 each.

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Directors' Report For The Year Ended 30 April 2001

Share Capital (Continued)

On 23 January 2001, all the 'A' Ordinary, 'B' Ordinary, 'C' Ordinary, 'D' Ordinary and Unclassified Shares (each having a nominal value of £0.05) were sub-divided into 100 shares of £0.0005 each.

On 23 January 2001, following the exercise of options by a number of eligible employees, 7,406,700 'B' Ordinary Shares of £0.0005 were issued.

The 'D' Ordinary Shares of £0.0005 were allotted on the dates and in the amounts set out below:

- On 23 January 2001 528,700 'D' Ordinary Shares of £0.0005 were issued to raise additional working capital of £100,000.
- On 24 January 2001, a further 81,200 'D' Ordinary Shares of £0.0005 were issued to raise additional working capital of £25,025.
- On 29 January 2001, a further 486,700 'D' Ordinary Shares of £0.0005 were issued to raise additional working capital of £150,000.

Directors And Their Interests

The directors who held office during the year are given below:

*M Harris	(Chairman)	Appointed 1 January 2001
*R. Hornstein		Appointed 1 January 2001
*R. O'Shea		Appointed 2 nd August 2000
T S Ilube		
J J Stanfield		
H S Andersen		
*J S Giannamore		
*S F Tye	(Alternate director for J S Giannamore)	

*Non-executive directors

The beneficial interests in the issued share capital of the directors who held office at the year end were as follows:

	30 April 2001	30 April 2000
	£ 0.0005p	£0.05p
M Harris – C shares	10,000,000	-
T S Ilube – A shares	55,225,000	552,250
J J Stanfield – A shares	24,407,500	244,075
H S Andersen – A shares	1,321,700	13,217
H S Andersen – B shares	416,700	-
R O'Shea – C shares	5,492,600	-
J S Giannamore – C shares	8,333,300	83,333
J S Giannamore – D shares	1,321,700	13,217
S F Tye – C shares	8,333,300	83,333
S F Tye – D shares	793,000	7,930

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Directors' Report For The Year Ended 30 April 2001

Directors And Their Interests (Continued)

The following director held options to subscribe for 'B' ordinary shares of 5p each in the Company as noted below in accordance with the rules of the company share option scheme:

	Subscription price	Options exercisable between	Options at 30 April 2001	Options at 30 April 2000
H S Andersen	£1.00 per share (2000)	28.3.2000 – 28.3.2003	-	4,167
J S Giannamore	£0.014 per share	15.8.2000-15.8.2003	500,000	-

On 8th June 2000 H S Andersen exercised 4,167 options to purchase 4,167 'B' Class ordinary shares at £1.00 each

Research And Development

During the year the company continued the development of an ASP (Application Service Provider) platform for electronic markets, which was launched in the second half of the year. These costs were capitalised in the period.

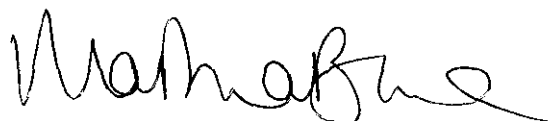
Fixed Assets

The movements in fixed assets of the Company are disclosed in note 9 & 10 to the financial statements.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



Martha Bruce
Secretary

11 July 2001

PricewaterhouseCoopers
West London Office
Harman House
1 George Street
Uxbridge UB8 1QQ
Telephone +44 (0) 1895 273333
Facsimile +44 (0) 1895 274777

Auditors' Report To The Members Of Lost Wax Media Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 1, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 April 2001 and of its loss for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
West London
11 July 2001

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6RH. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Lost Wax Media Limited

Profit And Loss Account For The Year Ended 30 April 2001

	<i>Note</i>	2001 £ 000's	2000 £ 000's *As restated
Turnover	2	4,808	1,595
Cost of sales		(3,716)	(1,074)
Gross profit		1,092	521
Administrative expenses		(3,247)	(498)
Operating (loss) / profit	3	(2,155)	23
Interest payable and similar charges	4	(27)	(1)
Interest receivable	5	133	19
(Loss) / profit on ordinary activities before taxation		(2,049)	41
Taxation	8	12	(10)
Retained /(Loss) / profit for the financial year	18,19	(2,037)	31

All of the company's operations are classed as continuing.

The company has no recognised gains or losses other than the retained loss for the year.

A statement of the movement on reserves appears as note 18 to the financial statements.

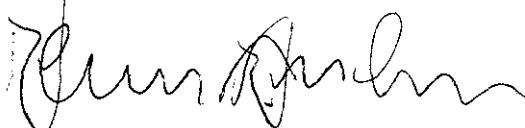
*Subsequent to management's review of the allocation of expenses to cost of sales in the current year, the prior year expenses have been restated to reflect the current year treatment for consistency. This has no impact on the prior year results.

Lost Wax Media Limited

Balance Sheet As At 30 April 2001

	<i>Note</i>	2001 £ 000's	2000 £ 000's
Fixed assets			
Tangible assets	<i>9</i>	533	412
Intangible assets	<i>10</i>	592	254
		1,125	666
Current assets			
Debtors	<i>11</i>	1,583	752
Cash at bank and in hand		1,808	2,569
		3,391	3,321
Creditors – amounts falling due within one year	<i>12</i>	1,057	794
Net current assets		2,334	2,527
Total assets less current liabilities		3,459	3,193
Creditor – amounts falling due after one year	<i>13</i>	198	91
Provision for liabilities and charges	<i>14</i>	15	-
		3,246	3,102
Capital and reserves			
Called up share capital	<i>17</i>	75	67
Share premium account	<i>18</i>	5,173	3,000
Profit and loss account	<i>18</i>	(2,002)	35
Total Shareholders' funds	<i>19</i>	3,246	3,102

Approved by the Board and signed on its behalf by:



H S Andersen

11 July 2001

The notes on pages 7 to 16 form part of these financial statements.

Lost Wax Media Limited

Notes To The Financial Statements For The Year Ended 30th April 2001

1 Accounting Policies

The principal accounting policies which are adopted consistently in the preparation of the financial statements are set out below.

(1) Basis Of Preparation

The directors believe the company has sufficient financial resources to continue trading for the foreseeable future and accordingly they consider it appropriate for the financial statements to be prepared on a going concern basis.

(2) Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(3) Turnover

Turnover represents income from services, consultancy, licence sales and ASP hosting fees excluding Value Added Tax.

Services and consultancy work is undertaken for customers either on the basis that time and materials are billed as incurred or according to the terms of fixed price contracts. With respect to the former, turnover and profits are recognised according to time worked. With respect to fixed price contracts, turnover is recognised according to the percentage of completion. All losses are recognised as soon as incurred or foreseen.

Licence income derived from software products is recognised upon delivery of the product if no significant vendor obligations remain and if collection of the resulting receivable is deemed probable.

The ASP hosting fee is payable in consideration for the company providing a hosting service to the customer and the use of the company's software by the customer. The hosting fee is recognised over the hosting period and related hosting costs are recognised as they are incurred.

(4) Tangible Fixed Assets

Tangible fixed assets are stated at their purchase price.

Depreciation is provided for at rates calculated to write off each asset on a straight line basis over its estimated useful life. The principal annual rates in use are:

Leasehold improvements	33%
Computer equipment	33%
Office equipment	25%
Fixtures and fittings	25%
Technology infrastructure	25%

(5) Intangible Assets

Intangible assets are stated at cost.

Amortisation is provided for at rates calculated to write off each asset on a straight line basis over its estimated useful economic life. The principal rates in use are:

Software licenses	25%
Capitalised development costs	33 $\frac{1}{3}$ %

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Notes To The Financial Statements For The Year Ended 30 April 2001 (Continued)

1 Accounting Policies (Continued)

(6) Deferred Taxation

Provision is made at appropriate rates for taxation deferred in respect of all material timing differences only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

(7) Research and Development

Expense incurred on research is expensed to the profit and loss account as incurred. Development costs are capitalised and amortised in accordance with the provisions of SSAP 13. Development costs are only capitalised once the state of technological feasibility has been reached. Capitalised costs are amortised over the economic life, commencing from the date of development completion.

(8) Leases

The cost of assets held under finance leases is included under tangible assets and depreciation is provided in accordance with the Company's accounting policy for the class of asset concerned. The interest cost is charged over the term of the lease in accordance with applicable accounting standards and the capital element of future lease payments is included in creditors. Rentals under operating leases are charged to the profit and loss account on a straight-line basis as they arise over the lease term.

(9) Pensions

The Company has a defined contribution Group Personal Pension Plan. The pension costs charged represent contributions payable by the Company to the plan on behalf of the employees.

(10) Share Options

The cost to the Company of granting options to employees is charged to the profit and loss account over the performance period. The cost is calculated as the difference between the fair value of the shares at the date of grant and the cost to the employee of the rights.

The provision for the employer's National Insurance contributions on share options granted is charged to the profit and loss account over the performance period. This provision is adjusted each year to reflect changes in the fair value of the Company's shares. This adjustment is taken to the profit and loss account over the remaining performance period.

(11) Foreign Currencies

Assets and liabilities denoted in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Transactions are recorded at the prevailing rate at the date of the transaction. Exchange differences are dealt with through the profit and loss account.

(12) Cashflow

No cashflow statement has been prepared in accordance with the special provisions of part VII of the Companies' Act 1985 related to small companies.

2 Turnover

The turnover and profit for the year before taxation are attributable to the one principal activity of the Company and arose by destination as disclosed below:

Destination	2001 £ 000's	2000 £ 000's
United Kingdom	4,801	1,485
Europe	7	110
Total	4,808	1,595

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Notes To The Financial Statements For The Year Ended 30 April 2001 (Continued)

3 Operating Profit

	<i>Note</i>	2001 £ 000's	2000 £ 000's
The operating profit is stated after charging:			
Staff costs	6	3,419	1,001
Depreciation			
- owned assets	9	56	23
- leased and hire purchase assets	9	115	4
Amortisation of intangible fixed assets			
- owned assets	9	147	2
- leased and hire purchase assets	9	15	-
Operating lease charges			
- other operating leases		112	
Auditor's remuneration			
- audit		20	6
- non-audit services		8	1
Write back of accrual, not required		-	(112)

4 Interest Payable And Similar Charge

	2001 £ 000's	2000 £ 000's
Interest payable on bank overdraft (repayable within one year)	1	-
Interest payable on Hire Purchase agreements	26	1
Total	27	1

5 Interest Receivable And Similar Income

	2001 £ 000's	2000 £ 000's
Interest receivable on short term deposits	133	19

6 Staff Costs

	2001 £ 000's	2000 £ 000's
Staff costs, including director's remuneration were as follows:		
Salaries and wages	2,995	897
Social Security costs	330	95
Pension contributions	94	9
	3,419	1,001

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Notes To The Financial Statements For The Year Ended 30 April 2001 (Continued)

6 Staff Costs (Continued)

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

	2001 Number	2000 Number
Administration	9	2
Consultancy and Sales	61	24
Total	70	26

7 Directors' Remuneration

	2001 £ 000's	2000 £ 000's
Emoluments for services as directors (excluding pension contributions)	291	145
- of which paid as fees	11	-

One director (2000: nil) exercised share options during the year.

Aggregate pension contributions in respect of three directors under defined contribution schemes paid during the year were £ 9,000 (2000: £5,000). The highest paid director received emoluments in the year of £110,000, pension contributions of £1,000 and exercised share options in the year.

8 Taxation

	2001 £ 000's	2000 £ 000's
The taxation charge for the year was as follows:		
Corporation tax at an effective rate of 20% (2000: 20%)		
- Current year	-	(2)
Deferred Tax		
- Current year	-	12
- Prior year	(12)	-
	(12)	10

Deferred Taxation

The amount provided in respect of deferred taxation represents the net provision on timing differences at a corporation tax rate of 20 % (2000: 20%).

	Unprovided		Provided	
	2001 £ 000's	2000 £ 000's	2001 £ 000's	2000 £ 000's
Capital Allowance	37	-	-	47
Taxation losses	(410)	-	-	(35)
	(373)	-	-	12

Lost Wax Media Limited

Notes To The Financial Statements For The Year Ended 30 April 2001 (Continued)

9 Tangible Fixed Assets

	Leasehold Improvements £ 000's	Technology infrastructure £ 000's	Computer and office equipment £ 000's	Fixtures and fittings £ 000's	Total £ 000's
Cost					
At 1 May 2000	-	365	90	2	457
Additions	58	27	182	25	292
At 30 April 2001	58	392	272	27	749
Depreciation					
At 1 May 2000	-	8	36	1	45
Charge for the year	5	93	71	2	171
At 30 April 2001	5	101	107	3	216
Net Book Value					
At 30 April 2001	53	291	165	24	533
At 30 April 2000	-	357	54	1	412

Included in the above are assets held under finance lease and hire purchase contracts as follows:

	Technology Infrastructure		Computer and office equipment	
	2001	2000	2001	2000
	£ 000's	£ 000's	£ 000's	£ 000's
Cost	304	199	164	-
Accumulated depreciation	74	4	45	-
Net book value	230	195	119	-
Depreciation charged in the year	70	4	45	-

Lost Wax Media Limited

Notes To The Financial Statements For The Year Ended 30 April 2001 (Continued)

10 Intangible Assets

	Software licenses £ 000's	Development costs £ 000's	Total £ 000's
Cost			
At 1 May 2000	44	212	256
Additions	224	276	500
At 30 April 2001	268	488	756
Amortisation			
At 1 May 2000	2	-	2
Charge for year	53	109	162
At 30 April 2001	55	109	164
Net book value			
At 30 April 2001	213	379	592
At 30 April 2000	42	212	254

Included in the above are assets held under finance lease and hire purchase contracts as follows:

	Software Licenses	
	2001 £ 000's	2000 £ 000's
Cost	108	-
Accumulated depreciation	15	-
Net book value	93	-
Depreciation charged in the year	15	-

11 Debtors

	2001 £ 000's	2000 £ 000's
Trade debtors	1,381	550
Other debtors	146	130
Amount recoverable on contracts	17	-
Prepayments	39	72
	1,583	752

Lost Wax Media Limited

Notes To The Financial Statements For The Year Ended 30 April 2001 (Continued)

12 Creditors: Amounts Falling Due Within One Year

	2001 £ 000's	2000 £ 000's
Trade creditors	436	514
Finance leases and hire purchase agreements	180	101
Corporation tax	-	10
Other taxation and Social Security	267	50
Other creditors	10	4
Accruals and deferred income	164	115
	1,057	794

13 Creditors: Amounts Falling Due After More Than One Year

	2001 £ 000's	2000 £ 000's
Finance leases and hire purchase agreements	198	90

14 Provision for liabilities and charges

	2001 £ 000's	2000 £ 000's
Contract provisions	15	-

15 Finance Leases And Hire Purchase Agreements

Future minimum payments under hire purchase agreements are as follows:

	2001 £ 000's	2000 £ 000's
Within 1 year	223	107
Between 2-5 years	250	98
After 5 years	-	-
Total gross payments	473	205
Less finance charges included in the above	(95)	14
	378	191

Lost Wax Media Limited

Notes To The Financial Statements For The Year Ended 30 April 2001 (Continued)

16 Operating Lease Commitments

At 30th April 2001 the company had the following minimum annual rentals payable under operating lease commitments:

	Land & Building	
	2001 £ 000's	2000 £ 000's
Within 1 year	-	-
Between 2-5 years	336	-
After 5 years	-	-
	336	-

17 Share Capital

Authorised	Number	2001	Number	2000
	Ordinary shares of £0.0005p	£ 000's	Ordinary shares of £0.05p	£ 000's
'A' Ordinary shares	95,500,000	48	955,000	48
'B' Ordinary shares	100,000,000	50	1,000,000	50
'C' Ordinary shares	36,666,600	18	266,666	14
'D' Ordinary shares	325,000,000	163	250,000	12
Unclassified ordinary shares	852,833,400	426	8,528,334	426
	1,410,000,000	705	11,000,000	550
Issued	Number	2001	Number	2000
	Ordinary shares of £ 0.0005p	£ 000's	Ordinary shares of £0.05p	£ 000's
'A' Ordinary shares	95,500,000	48	955,000	48
'B' Ordinary shares	7,406,700	4	-	-
'C' Ordinary shares	32,159,200	16	266,666	13
'D' Ordinary shares	14,537,000	7	127,914	6
Unclassified ordinary shares	-	-	-	-
	149,602,900	75	1,349,580	67

Allotments of Shares

On 2nd August 2000 the Company issued the following shares:

- 54,926 Ordinary £0.05p C shares with proceeds of £1,692,735.
- 6,490 Ordinary £0.05p D shares with proceeds of £200,022.

Lost Wax Media Limited

Notes To The Financial Statements For The Year Ended 30 April 2001 (Continued)

17 Share Capital (Continued)

On 22 December 2000, the authorised share capital of the Company was increased to £705,000 by the creation of an additional 100,000 'C' Ordinary Shares of £0.05 each and 3,000,000 'D' Ordinary Shares of £0.05 each.

On 23 January 2001, all the 'A' Ordinary, 'B' Ordinary, 'C' Ordinary, 'D' Ordinary and Unclassified Shares (each having a nominal value of £0.05) were sub-divided into 100 shares of £0.0005 each.

On 23 January 2001, following the exercise of options by a number of eligible employees, 7,406,700 'B' Ordinary Shares of £0.0005 were issued.

The 'D' Ordinary Shares of £0.0005 were allotted on the dates and in the amounts set out below:

- On 23 January 2001 528,700 'D' Ordinary Shares of £0.0005 were issued to raise additional working capital of £100,000.
- On 24 January 2001, a further 81,200 'D' Ordinary Shares of £0.0005 were issued to raise additional working capital of £25,025.
- On 29 January 2001, a further 486,700 'D' Ordinary Shares of £0.0005 were issued to raise additional working capital of £150,000.

Rights Attaching To Ordinary Share Classes

The 'A' Ordinary Shares, 'C' Ordinary Shares and 'D' Ordinary Shares entitle holders to:

- Receive dividends and/or distributions of profit or income.
- Receive notice, attend and vote at General Meetings of the Company.

The 'B' Ordinary Shares do not entitle the holders thereof to those rights set out above. If a holder of 'B' Ordinary Shares ceases to be a director or employee of the Company, all 'B' Ordinary Shares held are subject to a deemed transfer notice on the date of cessation of employment. Under such a deemed transfer, the sale price for the shares will be their par value.

The 'A' Ordinary Shares entitle the holders to appoint and remove sufficient directors (defined as 'A Directors' in the Articles of Association) to ensure a simple majority of directors at any time and the 'C' Ordinary Shares entitle the holders thereof to appoint and remove a 'Special Director' (as defined in the Articles of Association).

In addition, the holders of both 'A' and 'C' Ordinary Shares have pre-emption on transfer rights.

In the event a controlling interest is gained or held by any person who is not an original member all 'D' Ordinary shares then in issue will automatically be converted into 'B' shares, without the requirement of a directors or members resolution to take effect.

Share Options

At 30 April 2001 a total of 3,051,000 'B' Ordinary Share options were outstanding with exercise prices ranging from £0.0005 to £0.014.

Lost Wax Media Limited

Notes To The Financial Statements For The Year Ended 30 April 2001 (Continued)

18 Reserves

	Share premium account £ 000's	Profit and loss account £ 000's	Total £ 000's
At 1 May 2000	3,000	35	3,035
Retained loss for the year	-	(2,037)	(2,037)
Shares issued in the year	2,173	-	2,173
At 30 April 2001	5,173	(2,002)	3,171

19 Reconciliation Of Movement On Shareholders' Funds

	2001 £ 000's	2000 £ 000's
(Loss)/profit for the financial year	(2,037)	31
Net proceeds of issue of ordinary share capital	2,181	3,020
Opening shareholders' funds at 1 May	3,102	51
Closing shareholders' funds at 30 April	3,246	3,102