



web-angel is an investment accelerator, focusing on wireless and e-business technology, products and services.

Its aim is to generate substantial gains from investing in businesses which utilise the outstanding strategy consulting corporate finance and venture capital skills of web-angel's three Founders. These services assist emerging technology businesses to rapidly propel their growth and fulfil their potential in the exciting and dynamic new economy.

## WEB-ANGEL'S FOUNDERS



### OC&C Strategy Consultants

Leading international strategy consulting firm

Developing breakthrough growth strategies for many of the world's largest and most successful businesses and also for early stage companies

Active in all industry verticals (expertise in wireless, broadband & e-business)

Over 400 professionals in 20 offices globally through the OC&C McKenna network



RSA based VC house

\$700m funds under management

100% returns on technology investment

### ERMGASSEN & Co

Independent corporate finance house

Pan European focus, specialising in cross-border Corporate Finance transactions and private placements



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## THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of web-angel plc will be held at the offices of Nabarro Nathanson, Lacon House, 84 Theobald's Road, London WC1X 8RW, on 23 July 2001 at 11am.

## CHAIRMAN'S STATEMENT

### **Introduction**

Since web-angel's inception last year, your Board has been developing the foundations of an exciting and successful investment accelerator business focussing on wireless and e-business technology, products and services.

Market sentiment towards early stage technology investment businesses has deteriorated during the last twelve months, with a number of publicly quoted companies changing their strategies. However, web-angel's significant competitive advantages continue to give the business great potential. In particular the input of its three founding partners: Brait SA ("Brait"), Ermgassen & Co Ltd ("Ermgassen & Co") and OC&C Strategy Consultants Ltd ("OC&C"), which brings its US partner McKenna, provides web-angel with a highly skilled network and significant operational benefits.

### **Financial Results**

The results include only seven months trading of web-angel, with the first five months of the year reflecting the costs and expenses of the discontinued business.

The overall loss for the year of £1.25 million is partly off set by unrealised investment revaluation gains of £0.86 million. Ignoring goodwill amortized during the year, the total recognised gains for the year would have been £0.21 million, which is a solid achievement, given the difficult market conditions and the modest size of the initial investment portfolio.

At the year-end the Group had £4.84 million of cash which provides the Group with sufficient funds for present requirements. As indicated at the time of admission the Company's principal objective is capital growth from its investments and it does not expect to recommend the payment of dividends in the foreseeable future.

### **The Portfolio**

The Group's investment portfolio has been cautiously expanded during the period since acquisition, comprising seven active investments at the year-end. Overall the progress made by the portfolio has been good with evaluated returns, taking into account provisions against investments, of 43 per cent in just seven months. These returns have resulted from the revaluation of three of our investments of which each has raised significant additional funds at valuations considerably above the cost of web-angel's investment position. However, in revaluing these investments your Directors have significantly discounted that price, due to the challenging ongoing fundraising climate facing our investee companies. For similar reasons provision has been made against a number of the investments where the future of the investment appears uncertain.

As reported at the half year we have started to focus increasingly on wireless technology businesses. The attractions of wireless investment are that it will leverage our existing expertise, capabilities and networks, which include both BT and Vodafone. It also gives us the opportunity to build on our close relationship with McKenna Venture Accelerator ("MVA"), the US Venture Capital fund with which we are associated, who are keen to assist in the rollout of European businesses into the US and to identify US businesses which need help to access the European market.

### **Progress since Year-end**

On 3 April 2001 the Company announced that it had helped to create and taken a 9.26 per cent stake in a Stockholm based corporate venturing company, Auxema AB, aimed at exploiting wireless technologies from AU-System's existing and future intellectual property. This venture combines the skills of web-angel and MVA, with the technology-focused skills of one of Scandinavia's most prominent venture capital houses, IT Provider, and the world class wireless technology skills of AU-System. Your Board believes access to AU-System's proven technology base provides exciting prospects and our expectation is that between 6 and 12 new companies will be created over the next three years.

We have also taken a 4.4 per cent interest in Icontrol Transactions Inc ("Icontrol"), a US investment in which MVA took an approximate 30 per cent stake and is responsible for providing acceleration services to. Products developed include voice authentication technology and BioCert server software. This example illustrates how we utilise our strong global networks both to identify investment opportunities and drive their value.

Chris Eyles, Chief Executive, has decided that he wishes to pursue interests outside of web-angel, including a relocation to Australia, and has resigned from the Board. I am pleased to report that Jens Bjaröy has joined the Board as Business Development Director. Jens has been responsible for developing our Stockholm office and was instrumental in securing the AU-System venturing relationship. For an interim period, I will more closely supervise the business. The day-to-day operations will be jointly led by Nick Tamblын and Jens Bjaröy. Nick will focus on all financial, procedural and control matters. Jens will focus on portfolio management and development.

Olav Ermgassen, the Founder and principal shareholder of Ermgassen & Co, joins the Board as a non-executive director replacing Christopher Stainforth who has stepped aside. Christopher will however remain, through his role at Ermgassen & Co, closely connected with web-angel and we will continue to benefit from his corporate finance skills and network. Lars Åhrnell has agreed to assume the Chairmanship of the Investment Committee having previously been Deputy Chairman.

I would like to take this opportunity to thank both Chris Eyles and Christopher Stainforth for their contribution to the creation and development of web-angel.

Despite a challenging climate, the outlook for the Company remains one of good opportunity. We are increasingly focusing on wireless technology, an arena that your Board believes has exciting potential. Importantly, the AU-System corporate venturing agreement gives us access to a wealth of proven technology and business concepts supported by global partners.

We have already seen, through our investment in Icontrol, the value of our relationship with MVA. Through this relationship and those with our Founders and AU-System, we aim to strengthen further our portfolio of wireless technology investments. I also expect that during the coming year we will continue to develop our existing investments and, although the dramatically changed investment climate makes progress more difficult, we intend to secure other important industry relationships that will add value to the Company.

**Penny L Hughes**  
Chairman  
14 June 2001

## BOARD OF DIRECTORS

**Penny Hughes, Chairman**

Penny was formerly president for the UK and Ireland division of the Coca-Cola Company. She now holds a number of directorships of companies which include companies listed on the official list of the UK Listing Authority. She is currently a non-executive director of, Skandinaviska Enskilda Banken AB, Trinity Mirror plc and Vodafone plc.

**Nick Tamblyn, Finance Director**

Nick Tambllyn was Chief Executive and Finance Director of the Company before its acquisition of the web-angel Limited Partnership. He qualified as a chartered accountant as well as passing his institute of Taxation exams with KPMG in Birmingham, following which he worked in Hong Kong for three years for the firm before returning to the UK and being appointed a partner specialising in audit and corporate finance.

**Jens Bjaröy, Business Development Director**

Jens-R. Bjaröy is a qualified architect from Zürich Institute of Technology and a BA in Economics from St. Gallen School of Business and an MBA from INSEAD. He has more than 20 years of international business experience as investment advisor running his own business from Singapore, Malaysia, France, USA, Sweden and UK. For the last couple of years he has been active in the Swedish wireless market and with partners developed a number of successful companies in internet security and system integration, which were sold to some of the major technical consulting companies.

**Olav Ermgassen, Non-Executive Director**

Olav Ermgassen is a founding partner of Ermgassen & Co. He is a qualified German lawyer and holds a doctorate degree in law from the University of Freiburg and an MBA from INSEAD. He has more than 20 years corporate finance experience in London, New York and Tokyo with Hambros Bank, JP Morgan, Morgan Stanley and Ermgassen & Co. Prior to founding Ermgassen & Co. in 1988, he headed Morgan Stanley's division for Corporate Finance for German speaking countries, and set up Morgan Stanley GmbH, Frankfurt, of which he was the first Managing Director.

**Paul Jessiman, Non-Executive Director**

Paul, a graduate in commerce and law, qualified as a solicitor in the United Kingdom, and worked at Clifford Chance in London and later in Hong Kong on a range of corporate finance transactions. He is currently the chief executive officer of the Brait Technology and Innovation Fund 1, a South African fund launched in 1999, and a director of Brait Capital Partners Limited. He has accumulated substantial experience as a technology investor and has been engaged in sourcing, negotiating, executing, overseeing and exiting technology investments at Brait.

**Peter Jungen, Non-Executive Director**

Peter is an entrepreneur and is the founder and chairman of Peter Jungen Holding GmbH, an investment company with interests in various industrial and service businesses. He holds an MBA from University of Cologne, Germany. After graduation, he joined a large German private group. He spent 20 years as managing director, and later on as chief executive, of STRABAG, one of the largest German civil engineering groups. After a successful turnaround of this company, he started to set up his own entrepreneurial activities in 1991. He is a member of several boards and advisory councils of large German financial institutions. He is President of Business Angels Netzwerk Deutschland, and Vice President of European Business Angels Network. He is also a board member of the New York Philharmonic Orchestra.

**Geoff Mott, Non-Executive Director**

Geoff Mott is CEO of The McKenna Group, a global strategy consulting firm that combines a strong understanding of technology and fast-moving markets to create strategies that help companies lead and succeed. Geoff has over 20 years of management consulting experience in areas such as telecommunications, financial services, and e-business infrastructure. In addition to developing The McKenna Group's base of emerging technology clients, he played an integral role in the funding and launch of the McKenna Venture Accelerator (MVA) which invests in seed and early stage companies. Geoff is on the board of several US and European technology companies.

**Chris Outram, Non-Executive Director**

Chris is Chairman of OC&C. He has 20 years' experience of advising clients on their long-term strategies, investment and mergers and acquisitions, gained with Boston Consulting Group, Booz Allen and Hamilton and OC&C. He holds an MBA with distinction from INSEAD. More recently he has been advising US and European businesses on e- and m-business strategies.

**INVESTMENT COMMITTEE****Lars Åhrell**

Dr Lars Åhrell was from 1987 until January 2000 executive chairman of Tufton Capital Limited, which is a private equity house specialising in development and recovery situations where a significant number of investments have a technological base. The typical size of equity investments was between £0.5 million and £2.5 million. Lars Åhrell has also worked with SIAR, a European based strategy consultant where he became managing director of GVA (UK) Limited, a company involved in offshore floating structures particularly in the North Sea. He has held in the past and still holds a number of non-executive directorships with both UK and overseas public and private companies. Lars is chairman of the Investment Committee.

**Alex Birch**

Alex Birch, a director of OC&C, has been involved in business consulting since 1985 and more specifically with new technology businesses since 1994. He has advised both large corporations and small businesses on internet strategy and is a Director of two of web-angel's portfolio companies. He holds an MBA with distinction from IMD and is co-author of "The Age of E-Tail", a book on on-line retailing.

**Michael Jary**

Michael Jary is a director of OC&C. He leads OC&C's global practice in marketing-intensive industries, working with the boards of retail, consumer and media corporations in Europe, the USA and Japan. He has fifteen years experience as a strategy consultant with OC&C and Booz Allen and Hamilton and holds an MBA with distinction from INSEAD. He is author of "Retail Power Plays", a best-selling book on brand strategy.

**Walter Zinsser**

Walter Zinsser is a director of Ermgassen & Co and has spent his career in fund management, having been J.P. Morgan Investment Management's Head of International Equity Management and Chief Investment Officer for Europe and Japan. In 1989, he joined Ermgassen & Co, where he is responsible for investment management and investment advisory services. Until December 1999, he managed the US Quality Arbitrage Fund, a hedge fund, and he is currently an adviser to the United Nations on a US\$700 million pension fund.

**Other Members**

Jens Bjaröy, Nick Tamblyn, Paul Jessiman and Olav Ermgassen are also members of the Investment Committee as well as being Directors.

## OPERATIONAL REVIEW

### Review of Portfolio

The web-angel portfolio comprised of seven investments at the end of year, which since then has risen to nine. The overall performance of the portfolio has been good and has supported web-angel's business rationale. The gross return on investments taking into account unrealised revaluation gains at 31 December 2000 was 43 per cent. Given that this has been achieved during only seven months and that a conservative stance has been taken to revaluations, this is highly encouraging. The existing investment portfolio comprises largely of e-commerce driven investments, however we expect that the mix of the portfolio will change significantly during the current year with an increasing emphasis on technologies, products and services which have wireless applications.

Progress by the principal investments within the portfolio together with the services provided by the Group to these companies are detailed below:



Ascot Drummond Limited ("Ascot Drummond") is a provider of outsourced back-office services for small to medium size enterprises, delivered over the internet. During the year web-angel increased its stake to 5.93 per cent, however subsequently this stake has been reduced to 3.81 per cent, as a result of the first tranche of funding of £3.25 million received from Mercury Private Equity. This funding was done at a significant premium to web-angel's base cost of investment.

Services supplied by web-angel to Ascot Drummond during the year have included marketing, strategy work and the related financial modelling. Alex Birch, a partner of OC&C, is a Director of Ascot Drummond and helps monitor and provide ongoing assistance to the Company on behalf of web-angel.



Delsy Electronic Components AG ("Delsy") produces a unique fingerprint identification system the prime use of which will be in e and m-commerce security. The Delsy system has also been used for access controls security and Robert Bosch GmbH are looking to apply the sensor in the automotive sector.

During December 2000 Delsy secured £2.95 million (EUR 4.65 million) in funding led by Falke Bank AG, the Dusseldorf Investment Bank, giving a pre-money valuation of £29.5 million (EUR 46.5 million). Ermgassen & Co acted as advisors for the financing and are represented on the supervisory board. This fundraising valued the business at almost three times higher than the value at which web-angel invested.



ETC (Electronic Trading Company) Limited ("ETC") is in the process of developing an electronic trading platform for a range of insurance products including travel, motor and household insurances. The platform has been designed so that it can be easily re-branded for use by a range of trading partners with established consumer brands. ETC having already entered into arrangements with over ten companies to provide an e-commerce trading platform for their "own branded" online insurance sales.

web-angel's investment of 9.5 per cent prior to any conversion resulting from AON's recent investment was built up in two tranches during the year. The first tranche arose out of the provision of e-business strategy advice and services with a follow on cash investment of £300,000 made in August.

In December, ETC entered into a strategic partnership and associated funding and services agreement with AON. This was a major step forward and has enabled ETC to accelerate the growth of the business and to broaden ETC's product range. The valuation of ETC inherent in the AON agreement is significantly higher than at the time web-angel invested. Brait introduced this investment to web-angel and has an equity interest in ETC itself.

**Information Superhighway Limited**

Information Superhighway ("Infosh") is an internet-enabled, business-to-business applications provider for magazine subscription marketing services to the publishing industry. Infosh has developed an extensive proprietary database of magazines and is now seeking an industry partner to help aggressively develop the business.

web-angel provided assistance with both the marketing strategy and business planning using the services of OC&C.

**medicalconferences.com**

Online Medical Conferences Limited ("MCX") provides an online database of medical conferences covering over 37,000 upcoming medical conferences. The site has been developed and has been hosted by Intuitive Media who are shareholders in the business. The site currently attracts above 25,000 visits per month. web-angel provided services to MCX validating the original concept and assisting in identifying product hosting strategic partners.



ShoppingGate.com Inc ("ShoppingGate") offers an integrated solution for small and medium enterprises throughout Europe that wish to enter into the world of e-commerce. ShoppingGate enables SMEs to participate on the internet in an environment which is attractive for the end-user. In addition, it offers "full service" solutions for shop structuring, mall placement and the international processing of payments and logistics for the consumer. ShoppingGate's revenue will come from transaction fees for payments, licences and leasing fees arising from agreements with SMEs, franchising fees and income from advertising and promotional campaigns. Despite having received additional funding in December 2000 ShoppingGate is experiencing difficulties scaling its business and as such provision has been made against this investment.



YBag is personalised buyer-driven shopping service. It uses a reverse-auction type model and is Europe's first shop by request e-service allowing buyers to type exactly what they want (rather than being restricted to pull down menus) and within hours receive into a personal email 'bag' specific and direct offers from competing sellers bidding for their business.

The YBag site was launched in March 2000. It has managed to attract 30,000 registered buyers (consumers) to date. YBag has over 2,500 registered suppliers, and was recently nominated in the Top 100 sites in Europe. YBag was also runner up at the New Media Age Awards in the 'Special Category for Innovation'.

Ybag is currently seeking to align itself with a strategic partner. Efforts are continuing in this respect but with the current adverse market sentiment provision has been made against this investment.

**Other Investments**

The difficult market conditions have undermined progress on CoreCollector, MiNetwork Limited and Brand Offers, and they are no longer included within the portfolio investment numbers. No cash investment was made in these companies and although time was spent working on these companies, no earned investment has been reflected in these accounts.

## Operational and Staffing Structure

The Board recognise the strengths and competitive advantages that the Company has and continues to develop. Brait SA, Ermgassen & Co and OC&C, the three Founders of web-angel, and continuing largest shareholders, provide the Company with a number of very significant benefits.

By calling on the resources of Ermgassen & Co, OC&C and Brait, web-angel is able to provide professional advisory and consultancy services to investee companies in strategy formulation, corporate finance advice, business plan development, fund raising and implementation. web-angel also has access to an international network of offices, as well as the highly skilled individuals employed by the Founders. The ability to utilise the staff of the Founders ensures not only that the business is highly scaleable but that the most appropriate skills to each investment can be utilised. It has meant that only a small team of staff is employed directly by web-angel.

The corporate finance advice is provided by Ermgassen & Co, who specialise in cross-border corporate finance transactions, private placements and investments throughout Europe. The consulting services are supplied through OC&C, an international strategic consulting firm with offices throughout Europe, USA and associated offices in Eastern Europe and South America. OC&C has established a strong pedigree in serving both rapidly growing new technology businesses alongside its primary client base of large multi-national corporations such as BT, Cadbury Schweppes, B&Q and Apax Partners. Brait has provided web-angel with technology related VC skills to assist in both assessing new potential investments and managing the portfolio of investments.

The McKenna Group, OC&C's e- and m-business strategy partner in Silicon Valley, was instrumental in the formation of the MVA fund in the US as well as in Japan. web-angel has close working links with these funds both as a result of the AU-System's venturing arrangement and other co-investment opportunities, of which the investment in Icontrol was the first example. This allows us to have a truly global integrated network to identify and develop technology investments, when combined with the networks of our Founders, as set out below:

### Our International Network



Note: **Cities** are served through a strategic alliance

This structure has allowed the wealth of knowledge and contacts available to web-angel to be harnessed, not only to make the original investment decisions but to help provide ongoing support and to drive each of the investments to value.

**Scandinavian Office**

We opened our Stockholm office which is run by Jens Bjaröy in August 2000, with the intention that it would focus on wireless investments covering products and services that are delivered over wireless networks and the supporting technology. In particular it is seeking to identify proven technologies, products and services which have an established presence in the local market place but need assistance in scaling and rolling out the business both throughout Europe and globally. web-angel's network and services, incorporating those of its Founders, is particularly valuable to these businesses and in return web-angel is able to secure highly attractive investment positions.

The office has been directly responsible for securing the AU-Sytem's corporate venturing opportunity and has also worked on a number of other direct investment opportunities. A portion of the Stockholm office and staff costs are contributed to by MVA.

**Founder Related Agreements**

A number of changes have recently been made to both the agreements acquiring the Partners of web-angel Limited Partnership and to the Service Agreement entered into with the three Founders of web-angel. These changes, which are summarised on page 11, include revised incentive arrangements involving cancellation of the obligation to issue additional consideration shares. They provide a further demonstration of the support that is being shown by the Founders.

## FINANCIAL REVIEW

### Trading

The results for the year include seven month's trading of web-angel with the first five months of the year reflecting the costs and expenses of the discontinued business and identifying a suitable new business. The trading performance is in line with expectations with sales to investee companies contributing a gross profit of £0.19 million. The loss for the year of £1.25 million does not in many ways reflect the full extent of the progress achieved in that it includes £0.2 million of administrative costs relating to the first five months of the year and goodwill amortisation £0.6 million. In addition, unrealised investment revaluation gains of £0.86 million have been taken directly to reserves. Ignoring goodwill amortisation and administrative costs relating to discontinued operations, the improvement in net assets from investing activities would amount to £0.41 million which is satisfactory given the size of the portfolio and difficult investment climate.

### Balance Sheet

The balance sheet reflects the impact of the acquisition of web-angel at a cost of £23.7 million including expenses. The consideration for the acquisition was the issue of 90,747,755 ordinary shares of 1p each. The fair value of web-angel's net assets was £3.56 million giving rise to goodwill of £20.14 million which is being amortised over 20 years.

The investment portfolio of web-angel at the time of acquisition was valued at £0.59 million subsequent to this date net additions of £0.75 million have been made. The valuation of these investments have been increased from £1.34 million to £1.93 million at 31 December as a result of revaluations net of provisions of £0.59 million. This improvement in portfolio values reflects an increase of 43 per cent.

Debtors include £0.34 million, relating to discontinued operations, held in escrow as a result of a long standing legal dispute, these funds are expected to be released during the current year. Cash at bank at the year-end amounted to £4.84 million, which provides adequate funds to support the current business requirements. However, these funds mean that the Company does not have the financial resources to be involved in the second or subsequent fund raising rounds of investee companies.


### Treasury Policies

The Group is financing its operations including ongoing investments from cash deposits, as the investment portfolio is not at a stage where realisations are expected in the next twelve months following which, the portfolio is expected to mature and be realised over a period of approximately two years. Although the Group's investments tend to be denominated in either sterling, Euro, or US dollars no hedging of such positions is considered appropriate unless a binding investment commitment exists which may give rise to foreign currency exposure.

The Group's excess cash is invested in £ sterling in the London Money Market through reputable banks, for term lengths that depend on the anticipated requirement for the funds but do not exceed one year. The Group adopts a conservative policy towards the management of its cash and has not engaged in any speculative trades. Your Board is responsible for approving the treasury policies adopted within the Group.

### Accounts Preparation

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

A handwritten signature in black ink, appearing to read "N J Tamblyn".

**N J Tamblyn**  
Finance Director  
14 June 2001

## DIRECTORS' REPORT

## Activities

The Group's principal activities changed during the year to providing advisory and consultancy services to developing technology businesses in conjunction with making cash investments in such businesses. The Group's previous principal activities which were discontinued during 1999 had been the development of proved and near proved oil and gas reserves in the USA.

## Results and Dividend

The results of the Group for the year ended 31 December 2000 are set out in the profit and loss account on page 18.

The Directors do not propose to recommend the payment of a dividend (1999: £Nil).

## Donations

The Group made no political or charitable donations during the year ended 31 December 2000.

## Subsequent Events

Details of post balance sheet events are set out in note 27 to the financial statements. Further details of these events and the background to them are set out in both the Chairman's Statement and the Review of Operations.

### **Creditor Payment Policy**

The Company does not follow any code or standard on payment practice, but it is the Company's policy to settle all debts with its creditors on a timely basis, taking account of the credit period given by each supplier. The number of days billings outstanding from trade suppliers at 31 December 2000 for the Company and Group was approximately 30 days.

## Directors

The Directors of the Company during the year were as follows:

P L Hughes\* (Chairman appointed 8 June 2000)

J F Billington\* (Chairman resigned 8 June 2000)

C D Eyles (appointed 8 June 2000)

N J Tambllyn

P Jessiman\* (appointed 8 June 2000)

P Jungen\* (appointed 8 June 2000)

G P Mott\* (appointed 8 June 2000)

C D Outram\* (appointed 8 June 2000)

C G Stainforth\* (appointed 8 June 2000)

D Howard-Orchard\* (resigned 8 June 2000)

J A Hoskinson\* (resigned 8 June 2000)

\* Non-executive

Subsequent to the year-end, on 14 June 2001 Jens Bjaröy and Olav Ermgassen were appointed to the Board with both Chris Eyles and Christopher Stainforth resigning.

In accordance with the Company's Articles of Association, Nick Tambllyn retires by rotation at the Annual General Meeting and being eligible offers himself for re-election and Penny Hughes, Paul Jessiman, Peter Jungen, Geoff Mott, Christopher Outram, Jens Bjarøy and Olav Ermgassen being appointed since the last annual general meeting offer themselves up for re-election. The unexpired term of the service contracts of the Directors offering themselves for re-election are detailed in the Remuneration Report.

## Directors' Interests in the Company

The Directors at 31 December 2000 had, according to the Register of Directors' interests maintained in accordance with Section 325 of the Companies Act 1985, the following interests in the share capital of the Company:

	At 31 December 2000		At 1 January 2000 or if later, date of appointment	
	Ordinary shares	Share Options	Ordinary Shares	Share Options
P L Hughes	–	2,592,793	–	2,592,793
C D Eyles	3,629,909	–	3,629,909	–
C D Outram	29,039,282*	–	29,039,282*	–
N J Tamblyn	259,812	800,000	209,812	800,000

\* 29,039,281 of these shares are held by Circle Investments Limited as nominee for OC&C Strategy Consultants Limited Partnership and the remaining share is held by Second Circle Limited as nominee for OC&C Strategy Consultants Limited. Christopher Outram is a limited partner in OC&C Strategy Consultants Limited Partnership and a Director of OC&C Strategy Consultants Limited.

Details of the share options to subscribe for the Company's ordinary shares are set out in the Directors' Remuneration Report and Note 19b.

## Substantial Shareholdings

At 14 June 2001 the following had notified the Company that they were interested in 3% or more of its issued ordinary share capital:

	Number of Shares	%
Circle Investments Limited	61,708,471	47.5
Brait International Limited	29,039,282	22.3
Haut Terre Investments Ltd	8,329,158	6.4

Other than the interests set out above the Directors are not aware of any other person with a beneficial holding or interest of 3% or more in the issued ordinary share capital of the Company. The shares registered in the name of Circle Investments Limited include the shares in which OC&C Strategy Consultants Limited Partnership has an interest detailed above, as well as the shares in which the Ermgassen Trust, the Ziwagi Trust and the Ermgassen & Co Limited Employee Benefit Trust have an interest.

## Revisions to Acquisition Agreement

In the acquisition agreement to acquire the Partners of web-angel Limited Partnership, the Company agreed subject to the achievement by the Group of certain performance related criteria to pay further consideration by the issue of additional shares representing up to 16% of the Company's ordinary share capital. Each of the parties that were entitled to receive additional shares have agreed to waive such rights. The Chris Eyles Family Trust will receive £25,000 for waiving its rights to up to 4% of the Company's ordinary share capital. No payment is being made to the other parties. The Founders of web-angel have also waived their future contractual rights to a carried interest on investments they have introduced to the Company under the Service Agreement dated 26 April 2000 between them and the Company, although they may still be awarded an interest at the discretion of the Investment Committee.

## Capital Reorganisation and Capital Reduction

In order to enable the Company to eliminate the accumulated deficit on its profit and loss account, the Ordinary Shares of 10p were divided into one ordinary share of 1p each and one deferred share of 9p each during the year. The Board intends in due course to seek the confirmation of the High Court for the cancellation of all of the issued deferred shares. If confirmation from the High Court for such cancellation is forthcoming, all the issued deferred shares will be cancelled, and the reserve thereby created will be used to eliminate the accumulated profit and loss account deficit. This will help to enable the Company to pay dividends in the future, although the Company's principal objective will remain capital growth from its investments.

As at last year's Annual General Meeting, in accordance with limits prescribed by the organising bodies representing the interests of institutional shareholders, a special resolution (number 10) will be proposed to renew the power to allot for cash, free of pre-emption rights, equity securities up to an aggregate nominal amount of £65,000 (representing approximately 5% of the issued ordinary share capital) and otherwise pursuant to a pre-emptive offer to shareholders until the next following Annual General Meeting or, if earlier, the date 15 months after the passing of the resolution.

The authority for the Company to purchase its own ordinary shares given last year expires at the Annual General Meeting and your Directors propose that it should be renewed and extended in the terms of resolution number 11, which will be proposed as a special resolution, in respect of up to 13,003,465 ordinary shares of 1p each in the capital of the Company. This figure represents approximately 10% of the issued ordinary share capital of the Company. The authority will expire at the next following Annual General Meeting or, if earlier, the date 15 months after the passing of the resolution.

This authority gives the Company greater flexibility in managing its capital resources. The Directors intend to use the authority now sought only if they are satisfied such purchases would be in the long term interests of shareholders and would result in an increase in earnings per share. They consider it prudent that they should be able to act at short notice and make such purchases should market conditions and the price of the ordinary shares so justify. Any shares purchased under this authority will be cancelled and the number of shares in issue reduced accordingly. No such purchases were made by the Company under the terms of the authority granted in 2000. The maximum price which may be paid for an ordinary share shall be an amount equal to 5% above the average of the middle market prices for the 10 dealing days prior to purchase.

An item of special business to be considered at the Annual General Meeting relates to the proposed establishment of the web-angel Executive Share Option Scheme ("the Scheme"). The Scheme will replace the Employee Share Option Scheme which ceased on 9 August 2000. A summary of the key features of the Scheme is set out in Appendix 1 to this document. An ordinary resolution (number 12) will be proposed to approve and adopt the Scheme.

A resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the Company.

On behalf of the Board

**N J Tamblyn**  
Lacon House, Theobald's Road  
London WC1X 8RW  
14 June 2001

## DIRECTOR'S REMUNERATION REPORT

### Directors' Emoluments

The Company's Remuneration Committee consists of the Chairman, Penny Hughes, Peter Jungen and Geoff Mott. Whenever appropriate, independent advice is taken by the Committee.

The Committee, on behalf of the Board, has specific responsibility for determining the remuneration of each of the Executive Directors and in calculating the individual salary package particular attention is paid to ensuring that an appropriate balance is maintained between reward and performance. Details of the emoluments paid to individual Directors are set out in the table below. The remuneration of Non-Executive Directors is determined by the Board.

	Salary & Fees £	Bonus £	Pension £	2000 Total £	Salary & Fees £	Pension £	1999 Total £
<b>Executive Directors</b>							
CD Eyles	56,389	-	-	<b>56,389</b>	-	-	-
NJ Tambllyn	99,484	25,000	9,948	<b>134,432</b>	98,333	9,833	108,166
D Howard-Orchard	-	-	-	-	221,543*	-	221,543
Sub Total	<b>155,873</b>	<b>25,000</b>	<b>9,948</b>	<b>190,821</b>	<b>319,876</b>	<b>9,833</b>	<b>329,709</b>
<b>Non-Executive Directors</b>							
PL Hughes	56,389	-	-	<b>56,389</b>	-	-	-
P Jungen	11,667	-	-	<b>11,667</b>	-	-	-
D Howard-Orchard	9,000	-	-	<b>9,000</b>	2,500	-	2,500
JA Hoskinson	6,000	-	-	<b>6,000</b>	1,000	-	1,000
P Jessiman	-	-	-	-	-	-	-
G Mott	-	-	-	-	-	-	-
C Outram	-	-	-	-	-	-	-
C Stainforth	-	-	-	-	-	-	-
Sub Total	<b>83,056</b>	<b>-</b>	<b>-</b>	<b>83,056</b>	<b>3,500</b>	<b>-</b>	<b>3,500</b>
Total	<b>238,929</b>	<b>25,000</b>	<b>9,948</b>	<b>273,877</b>	<b>323,376</b>	<b>9,833</b>	<b>333,209</b>

\* D Howard-Orchard payment in 1999 included a contract variation payment of £150,000

The bonus payable to Nick Tambllyn is due under an agreement reached prior to the acquisition of web-angel whereby Mr Tambllyn is entitled to the bonus out of the additional recoveries of £145,000 achieved to date on the closure of Agrigen Limited. Nick Tambllyn's service agreement is terminable by not less than 24 months' written notice by either party. The agreement was initially with the Company but was replaced by an agreement on similar terms with web-angel Services Ltd in June 2000.

Chris Eyles had a contract requiring 12 months' notice, which has been terminated by mutual consent although he will continue to provide services as a consultant to the Group through Nexus Strategic Consultants & Associates Ltd for a period of six months from his resignation at a cost of £25,000.

Penny Hughes' contract is terminable by 12 months' notice by either party. The other non-executive directors have fixed two year contracts to 7 June 2002, with only Peter Jungen receiving payment for his services. Mr Jungen receives £20,000 per annum.

### Directors' Interests in Share Option Scheme

The Company operates an Employee Share Option Scheme, which ceased on 9 August 2000 after which no new options can be granted. At 31 December 2000 options had been granted under the rules of the scheme on 1,575,000 ordinary shares (1999: 2,153,703) of which the following had been issued to a director who was in office at 31 December 2000.

### ***Directors' Share Options***

Period during which options exercisable	06.07.98- 05.07.02	05.06.99- 04.06.03	29.10.00- 28.10.04	Total at 31.12.00
Exercise price	15p	15p	17p	
NJ Tamblyn	300,000	200,000	300,000	800,000

In addition to the options granted to a director under the Employee Share Option Scheme, options were granted on 8 June 2000 over 2,592,793 ordinary shares at an exercise price of 31 pence to Penny Hughes. The exercise period being from 8 June 2001 to 7 June 2003.

During the year Mr Derek Howard-Orchard who was a director at the time, exercised options over 100,000 ordinary shares at an exercise price of 15 pence per share.

## CORPORATE GOVERNANCE

Following the cancellation of the Company's listing of its shares on the official list and the move to AIM during the year the Company is no longer required to report on how it has applied the Principles of the Combined Code or whether or not it has complied with the Provisions of the Combined Code.

### **Board Structure**

Following the acquisition of web-angel, the Board of Directors comprised eight members, two Executives and six Non-Executives including the Chairman. Short biographical details of each Director are provided on pages 3 and 4. The Chairman, Mr Jungen and Mr Mott sit on the Audit and Remuneration Committees.

The Board meets regularly during the year with a formal schedule of matters specifically reserved to it for decision. In addition, management accounts and cash flow forecasts are distributed to the Board for review and consideration together with management reports covering all key aspects of the business. Should decisions be required between Board Meetings papers are circulated to all Board Members containing information on the issues involved. Any decision taken in this regard is then duly ratified at the next formal Board Meeting.

The Audit Committee meets twice yearly to review and report to the Board on matters related to the published Financial Statements and systems of Internal Financial Control. The external auditors are invited to attend these meetings to discuss audit related issues.

The Remuneration Committee meets at least once a year to determine the remuneration of Executive Directors and other senior staff as appropriate.

### **Investment Committee**

The Company created an Investment Committee on completion of the acquisition of web-angel to approve and monitor investment related decisions. Short biographical details of each of the Members of the Investment Committee are provided on page 4.

The Committee meets regularly both to consider specific new investment proposals as well as to review progress on the portfolio as a whole. The Board of Directors has delegated authority to the Investment Committee to approve either the acquisition or disposal of investments where the cost or value is expected to be less than £300,000. For decisions involving larger monetary amounts or strategic investments approval by both the Investment Committee and Board of Directors is required. The authority levels for the Investment Committee are kept under review by the Board and can be varied at any time at the Board's discretion.

### **Internal Financial Control**

The Directors acknowledge their responsibility for the Group's systems of internal control which are designed to allow the Board to monitor the Group's overall financial position and help to protect its assets. Such systems can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve group objectives. Lines of responsibility and delegations of authority are documented. Control procedures are designed to ensure the complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. The scope for effective segregation of duties is limited given staff numbers but the close involvement of the executive directors ensures appropriate control procedures are maintained.

The Directors are responsible for identification and evaluation of key risks applicable to the business including those affecting the Group's investments. The Directors, Audit Committee and Investment Committee all play a part in monitoring the systems of internal control and reporting.

### **Relations with Shareholders**

Communications with shareholders are given a high priority with both the Company's Annual Report and Accounts and Interim Report and Accounts sent to all shareholders. In addition, the Company's web site provides details of public announcements made during the year and provides further background information on the Group.

The Board uses the Annual General Meeting to provide shareholders with an opportunity to raise questions on matters of interest to them.

Details of the Resolutions to be proposed at the AGM on 23 July 2001 can be found in the Notice of AGM on pages 36 and 37. Shareholders are encouraged to attend this meeting.

### ***Directors' Responsibilities Statement***

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to 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 Group and to prevent and detect fraud and other irregularities.

## AUDITORS' REPORT

We have audited the financial statements on pages 18 to 35.

### **Respective Responsibilities and Directors and Auditors**

The Directors are responsible for preparing the directors' report and as described on page 16 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, 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. 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.

### **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 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 Company and the Group as at 31 December 2000 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**  
London, 14 June 2001

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2000 £'000	1999 £'000
<b>Turnover</b>	2	<b>265</b>	2,346
Cost of sales		<b>(78)</b>	(1,923)
<b>Gross profit</b>		<b>187</b>	423
Administrative expenses:			
Amortisation of goodwill	11	<b>(595)</b>	–
Other		<b>(958)</b>	(654)
		<b>(1,553)</b>	(654)
<b>Operating loss</b>	2	<b>(1,366)</b>	(231)
Exceptional gain on closure of former associate	3	<b>145</b>	30
Exceptional loss on disposal of discontinued operations		–	(3,227)
Interest receivable and similar income	4	<b>249</b>	142
Amounts written off investments		<b>(274)</b>	–
Interest payable and similar charges	5	–	(345)
Loss on ordinary activities before taxation	6	<b>(1,246)</b>	(3,631)
Taxation	9	–	(82)
Loss on ordinary activities after taxation and retained loss for the year	20(b)	<b>(1,246)</b>	(3,713)
<b>Loss per share</b>	10	<b>(1.4)p</b>	(9.5)p
<b>Diluted loss per share</b>	10	<b>(1.4)p</b>	(9.5)p

All items included in arriving at the operating loss for 1999 relate to discontinued operations. The operating loss for 2000 relates to acquisitions with the exception of administrative expenses relating to discontinued operations of £200,000.

The notes on pages 22 to 35 form part of these financial statements.

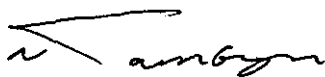
# CONSOLIDATED BALANCE SHEET as at 31 December 2000

	Notes	2000 £'000	2000 £'000	1999 £'000	1999 £'000
<b>Fixed assets</b>					
Intangible assets	11		19,545		-
Tangible assets	12a		15		17
Investments	13a		1,928		-
			21,488		17
<b>Current assets</b>					
Stocks	14	65		-	
Debtors	15	579		466	
Investments	13c	147		75	
Cash at bank	16	4,840		3,523	
		5,631		4,064	
<b>Creditors: amounts falling due within one year</b>	17	(622)		(401)	
<b>Net current assets</b>			5,009		3,663
<b>Total assets less current liabilities and net assets</b>			26,497		3,680
<b>Capital and reserves</b>					
Called up share capital	19a		4,800		3,889
Share premium account	20b		331		272
Investment revaluation reserve	20b		855		-
Other reserves	20b		22,841		608
Profit and loss account	20b		(2,330)		(1,089)
<b>Shareholders' funds - equity</b>			26,497		3,680

The financial statements on pages 18 to 35 were approved by the Board of Directors on 14 June 2001 and were signed on its behalf by:



**PL Hughes**  
Chairman



**NJ Tamblyn**  
Finance Director

The notes on pages 22 to 35 form part of these financial statements.

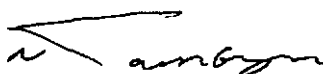
# COMPANY BALANCE SHEET as at 31 December 2000

	Notes	£'000	2000 £'000	1999 £'000
<b>Fixed assets</b>				
Tangible assets	12b		3	17
Investments	13b		27,972	2,346
			<b>27,975</b>	<b>2,363</b>
<b>Current assets</b>				
Debtors	15	2,041		1,494
Investments	13c	147		75
Cash at bank	16	4,604		719
			<b>6,792</b>	<b>2,288</b>
<b>Creditors: amounts falling due within one year</b>	17	(8,085)		(1,578)
<b>Net current (liabilities)/assets</b>			<b>(1,293)</b>	<b>710</b>
<b>Total assets less current liabilities/assets and net assets</b>			<b>26,682</b>	<b>3,073</b>
<b>Capital and reserves</b>				
Called up share capital	19a		4,800	3,889
Share premium account	20b		331	272
Investment revaluation reserve	20b		855	-
Other reserves	20b		22,233	-
Profit and loss account	20b		(1,537)	(1,088)
<b>Shareholders' funds - equity</b>			<b>26,682</b>	<b>3,073</b>

The financial statements on pages 18 to 35 were approved by the Board of Directors on 14 June 2001 and were signed on its behalf by:



**PL Hughes**  
Chairman



**NJ Tamblyn**  
Finance Director

The notes on pages 22 to 35 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

			2000		1999
	Notes	£'000	£'000	£'000	£'000
<b>Net cash (outflow)/inflow from operating activities</b>	21a		(978)		1,060
<b>Returns on investments and servicing of finance</b>					
Interest received		241		105	
Interest paid		-		(412)	
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>			241		(307)
<b>Taxation</b>			(88)		-
<b>Capital expenditure and financial investment</b>					
Purchase of investments		(778)		-	
Disposal of investments		25		-	
Expenditure on oil and gas interests		-		(324)	
Sale of oil and gas interests		-		11,784	
Financing loans to former associate		-		(149)	
Purchases of other fixed assets		(18)		-	
Sale of other fixed assets		-		274	
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>			(771)		11,585
<b>Acquisitions</b>					
Acquisition of subsidiary undertakings			(558)		-
<b>Net cash (outflow)/inflow before financing</b>			(2,154)		12,338
<b>Management of liquid resources</b>	21b		2,413		(2,950)
<b>Financing</b>					
Issue of share capital			63		-
Loans repaid	21c		-		(9,322)
<b>Increase in cash in the year</b>	21c		322		66

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

	2000	1999
	£'000	£'000
Loss for the financial year	(1,246)	(3,713)
Unrealised revaluation of investments	855	-
Translation differences on foreign currency net investments	5	127
<b>Total recognised gains and losses relating to the financial year</b>	<b>(386)</b>	<b>(3,586)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting Policies

The following accounting policies have been applied consistently, except as noted below following the introduction of new accounting standards, in dealing with items which are considered material in relation to the Group's financial statements.

#### Accounting Convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of investments and in accordance with applicable accounting standards.

#### Basis of Consolidation

The Group financial statements consolidate the financial statements of web-angel plc and all its subsidiary undertakings up to 31 December each year. The results of acquired subsidiary undertakings are included in the consolidated profit and loss account from the date of their acquisition, as are the Group's share of the results of acquired associated companies.

A separate profit and loss account for the Company is not presented as permitted by Section 230 of the Companies Act 1985. The loss for the financial year dealt with in the financial statements of the holding company was £449,000 (1999: £251,000).

#### Associated Companies

Investments in associated companies comprise all interests in companies which are not subsidiary companies and which are held for the long term and over which the Group exercises significant influence. The Group's share of the profits or losses of associated companies is included in the financial statements from the date that they became associated companies. Any difference between the cost of the investment in an associated company and the Group's share of the fair value of its assets is written off against reserves.

#### Goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 January 1998, when FRS 10 Goodwill and tangible assets was adopted, was written off to reserves in the year of acquisition. Such goodwill previously written off to reserves has been fully written back through the profit and loss account as part of the profit or loss on disposal when a subsequent disposal occurred.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of the acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years.

#### Turnover

Turnover in the year comprises the invoiced value of services provided to businesses in which the Group has an investment net of sales tax. Turnover in the prior year comprised the value of sales of oil and gas produced from the Group's directly owned oil and gas producing interests together with related income.

#### Depreciation

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis to write off the cost of assets over their estimated useful lives at the following rates per annum:

Leasehold improvements	8.5%
Fixtures and fittings	20.0%
Equipment	20.0%

#### Stocks

Stocks which comprise work in progress are valued at the lower of cost and net realisable value. It relates to third party services provided which are still to be charged to customers. No internal attributable overhead is included in work in progress.

## 1. Accounting Policies (continued)

### Investments

Investments held as fixed assets other than investments in subsidiary companies are stated at the lower of cost and market value as determined by the Directors. Upward revisions to market value are only made where an increased valuation is supported by a subsequent significant transaction by a new investor, the extent of any uplift booked, being at the discretion of the Directors based, amongst other matters, on market conditions. Provision is made where in the opinion of the Directors there has been a permanent impairment in the value of the investment below its carrying value or a significant transaction by a new investor at a valuation below that at which the investment is valued.

The aggregate surplus arising on the revaluation of investments is transferred to the revaluation reserve. Any deficit arising on revaluation which is deemed to represent an impairment in value is charged to the profit and loss accounts, unless it is related to an investment whose value has been increased in a previous period in which case the deficit is netted off against that investments' revaluation reserve before any excess is charged to the profit and loss account. Any realised gain or loss resulting from the disposal of an investment is recognised in the profit and loss account after charging the amount of any revaluations previously shown in the revaluation reserve.

Investments in subsidiary companies are valued at the lower of cost and market value, with any provision against the cost of the investment, charged to the profit and loss account.

### Pensions

The Company operates a defined contribution pension scheme for certain employees and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

### Leases

All leases entered into by the Group are operating leases, and the rental charges are charged directly to the Profit and Loss account on a straight line basis over the life of the lease.

### Cash and Liquid Resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year, government securities and investments in money market managed funds.

### Foreign Currency Translation

The exchange difference arising on the retranslation of opening net assets is taken directly to reserves together with the differences between profit and loss accounts translated at average rates and at the balance sheet rate. All other translation differences are taken to the profit and loss account, with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against investments denominated in foreign currencies, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Transactions by UK companies with third parties are translated into sterling at the exchange rate prevailing at the date of each transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at the balance sheet date.

### Taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to crystallise in the foreseeable future. It is calculated at the rate at which it is estimated that tax will be payable.

## 2. Geographical Information

	Turnover		Operating Loss		Assets Employed	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
United States of America	-	2,344	-	35	335	2,859
United Kingdom	265	2	(1,366)	(266)	26,162	821
	<b>265</b>	<b>2,346</b>	<b>(1,366)</b>	<b>(231)</b>	<b>26,497</b>	<b>3,680</b>

## 2. Geographical Information (continued)

Turnover by destination is not materially different from turnover by origin. All turnover and operating losses other than £200,000 of administrative expenses, were from continuing operations in 2000 and were derived from the Group's investment related services. In 1999 they were all from the Group's oil and gas operations which were discontinued.

## 3. Exceptional Gain on Closure of Former Associate

In 1999, the exceptional gain comprises a release of provisions against loans to Agrigen of £166,000, of which £75,000 represents a contribution receivable by Agrigen towards previously incurred costs, as a result of the transfer of the benefits of a Thermie Grant to EPR. A further £75,000 is due from EPR directly to the Company as a contribution towards its previously incurred costs resulting in a total gain before the write off of goodwill of £241,000. Goodwill of £211,000 arising on the acquisition of Agrigen, formerly written off directly to reserves was charged to the profit and loss account following the closure of Agrigen's operations, resulting in a net gain for 1999 of £30,000.

The exceptional gain of £145,000 during 2000 comprises further contributions receivable by both Agrigen and the Company in respect of previously incurred costs.

## 4. Interest Receivable and Similar Income

	2000 £'000	1999 £'000
Interest receivable	241	105
Exchange gains	8	37
	<b>249</b>	<b>142</b>

## 5. Interest Payable and Similar Charges

	2000 £'000	1999 £'000
Interest payable and similar charges	–	345

## 6. Loss on Ordinary Activities Before Taxation

The loss on ordinary activities before taxation is stated after charging/(crediting):

	2000 £'000	1999 £'000
Amortisation of goodwill	595	–
Amortisation of oil and gas interests	–	992
Depreciation of tangible fixed assets	9	32
Auditor's remuneration – audit	23	24
Other fees paid to the auditor and its associates	109	30
Operating lease payments – property	22	45
Exchange gains	(8)	(37)

The auditors' remuneration for audit work includes £10,000 (1999: £8,000) in respect of the Company's audit.

## 7. Directors Emoluments

Total emoluments of the Directors of the Company were:

	2000 £'000	1999 £'000
Fees	27	3
Remuneration	237	170
Pension contributions	10	10
Contract variation payment	–	150
	<b>274</b>	<b>333</b>

More detailed information concerning directors' emoluments is set out in the Directors Remuneration Report on pages 13 and 14.

## 8. Staff Numbers and Costs

The aggregate payroll costs of the Group including Directors comprised:

	2000 £'000	1999 £'000
Wages, salaries and fees	338	439
Social security costs	33	79
Employer's pension contributions	10	10
Redundancy payments	20	319
Contract variation payments	–	150
	<b>401</b>	<b>997</b>

The average number of persons, including Directors, employed by the Group during the year was 8 (1999: 10).

## 9. Taxation

No charge for UK corporation tax or US federal income tax arises on the loss for the year (1999: Nil). Alternative minimum US Federal Income Tax of £82,000 was due on the 1999 results.

Following losses in the current year there is a potential deferred tax asset which has not been recognised, as based on available evidence it is regarded as being irrecoverable.

## 10. Loss Per Share and Diluted Loss Per Share

The calculation of loss per share is based on the loss on ordinary activities after taxation of £1,246,000 (1999: loss £3,713,000) and on the weighted average number of 90,581,074 ordinary shares in issue during the year (1999: 38,891,895). There is no dilutive effect in the current year or in 1999.

## 11. Intangible Assets

### Group Intangible Assets

	£'000
At 1 January 2000	–
Goodwill on acquisitions	20,140
Amortisation during year	(595)
<b>At 31 December 2000</b>	<b>19,545</b>

## 12. Tangible Fixed Assets

### (a) Group Tangible Fixed Assets

	Fixtures & fittings £'000	Leasehold improvements £'000	Total £'000
Cost:			
At 1 January 2000	66	14	80
Additions	18	–	18
Disposals	(66)	(14)	(80)
<b>At 31 December 2000</b>	<b>18</b>	<b>–</b>	<b>18</b>
Depreciation:			
At 1 January 2000	56	7	63
Charge for the year	2	7	9
Disposals	(55)	(14)	(69)
<b>At 31 December 2000</b>	<b>3</b>	<b>0</b>	<b>3</b>
Net book value:			
<b>At 31 December 2000</b>	<b>15</b>	<b>–</b>	<b>15</b>
At 1 January 2000	10	7	17

### (b) Company Tangible Fixed Assets

	Fixtures & fittings £'000	Leasehold improvements £'000	Total £'000
Cost:			
At 1 January 2000	66	14	80
Additions	4	–	4
Disposals	(66)	(14)	(80)
<b>At 31 December 2000</b>	<b>4</b>	<b>–</b>	<b>4</b>
Depreciation:			
At 1 January 2000	56	7	63
Charge for the year	–	7	7
Disposals	(55)	(14)	(69)
<b>At 31 December 2000</b>	<b>1</b>	<b>0</b>	<b>1</b>
Net book value:			
<b>At 31 December 2000</b>	<b>3</b>	<b>–</b>	<b>3</b>
At 1 January 2000	10	7	17

### 13. Investments

#### (a) Group Investments

	£'000
Cost at 1 January 2000	–
On acquisitions	594
Additions	778
Disposals	(25)
Revaluations	855
<b>At 31 December</b>	<b>2,202</b>
Amounts provided during the year	(274)
<b>Net book value at 31 December 2000</b>	<b>1,928</b>

The revaluation of investments have been carried out by the directors in accordance with the accounting policy. The historical cost net book value of £1,073,000 is made up of historical cost of £1,347,000 less a provision of £274,000.

#### (b) Company Investments

	Subsidiary undertakings £'000	Other unquoted investments £'000	Total £'000
Cost at 1 January 2000	2,634	–	2,634
On acquisitions	23,698	594	24,292
Other additions	–	778	778
Disposals	–	(25)	(25)
Revaluations	–	855	855
<b>Cost at 31 December 2000</b>	<b>26,332</b>	<b>2,202</b>	<b>28,534</b>
Provisions			
At 1 January 2000	(288)	–	(288)
Provided in the year	–	(274)	(274)
<b>At 31 December 2000</b>	<b>(288)</b>	<b>(274)</b>	<b>(562)</b>
Net book value			
<b>At 31 December 2000</b>	<b>26,044</b>	<b>1,928</b>	<b>27,972</b>
At 31 December 1999	2,346	–	2,346

### (b) Company Investments (continued)

At 31 December 2000 the Company had the following principal subsidiary undertakings:

Name of Company	Proportion of ordinary shares held	Nature of business
United Energy plc (formerly AmBrit International plc)*	100%	Holding company
AmBrit Energy Corp.	100%	Dormant oil & gas production co.
United Energy Properties Ltd*	100%	Property holding company
web-angel Services Ltd*	100%	Consulting & advisory services

\*Owned directly by the Company

A complete list of Group companies will be included in the Company's Annual Return.

The Company also indirectly held a 100% interest in the Web Angel Limited Partnership, an investment partnership.

### (c) Investment in Former Associate

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
At 1 January	(48)	(48)	214	212
Additions	-	-	-	2
	(48)	(48)	214	214
Loans to former associate	777	777	777	777
Exceptional provision against former associate	(582)	(654)	(844)	(916)
	147	75	147	75

Following the placing of Agrigen Limited into Administrative Receivership on 12 March 1999, the investment in associate shown above in the Group and Company has been reclassified as a current asset investment. Provision against the investment has been made in both Group (see note 3) and Company to reduce the investment to its recoverable amount of £147,000 (1999: £75,000).

## 14. Stocks

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Work in progress	65	-	-	-

Work in progress relates to professional services supplied to an investee company un-invoiced at 31 December 2000.

### 15. Debtors: Amounts Falling Due Within One Year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade debtors	384	318	-	6
Amounts owed by group undertakings	-	-	1,883	1,369
Other debtors	195	139	158	110
Prepayments and accrued income	-	9	-	9
	<b>579</b>	<b>466</b>	<b>2,041</b>	<b>1,494</b>

At 31 December 2000, trade debtors of £335,000 (1999: £312,000) related to revenues which have been deposited with the Registry of the Court of Travis County, Texas, USA, pending resolution of a title dispute. No provision has been made against the risk of not recovering these funds as based on legal advice it is believed the funds will be recovered in full.

### 16. Cash at Bank

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Cash	936	573	700	16
Short term deposits	3,904	2,950	3,904	703
	<b>4,840</b>	<b>3,523</b>	<b>4,604</b>	<b>719</b>

### 17. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade creditors	267	36	27	9
Amounts owed to group undertakings	-	-	7,909	1,510
Accruals and deferred income	343	274	149	50
Other creditors including taxation and social security	12	91	-	9
	<b>622</b>	<b>401</b>	<b>8,085</b>	<b>1,578</b>

Amounts owed to group undertakings by the Company includes £3,870,500 due to web-angel Limited Partnership under the terms of two deep discount sterling notes both repayable on or before 31 August 2001 at an effective interest rate of 8% per annum.

### 18. Financial Instruments

The Group's financial assets consist of investments, cash at bank and short term deposits at floating rates of interest. The financial assets at 31 December 2000 were £6,915,000 (1999: £3,598,000) of which 90% were denominated in Sterling and 10% in Euro (1999: 84% denominated in sterling and 16% in US Dollars).

The Group did not have any financial liabilities other than short term creditors as at 31 December 2000 (1999: Nil).

The fair values of financial assets and liabilities at 31 December 2000 and 31 December 1999 were not materially different from their book values.

Further details of the Group's currency and liquidity risks are described in the Financial Review on page 9. The Group has excluded short term debtors and creditors from the disclosures required by FRS13, except the currency disclosures.

## 19. Called Up Share Capital

### (a) Share Capital

	2000 £'000	1999 £'000
<b>Authorised:</b>		
255,000,000 ordinary shares of 1p each (1999: 55,000,000 ordinary shares of 10p each)	2,550	5,500
55,000,000 deferred shares of 9p each	4,950	–
<b>Allotted, called up and fully paid:</b>		
130,034,650 ordinary shares of 1p each (1999: 38,891,895 ordinary shares of 10p each)	1,300	3,889
38,891,895 deferred shares of 9p each	3,500	–
	<b>4,800</b>	<b>3,889</b>

On 8 June 2000 the 38,891,895 ordinary shares of 10p in issue were divided into 38,891,895 ordinary shares of 1p each and 38,891,895 deferred shares of 9p each. On the same date 90,747,755 ordinary shares of 1p each were issued in consideration for the acquisition of the limited partners of the web-angel Limited Partnership.

Subsequent to this date 395,000 ordinary shares of 1p each were issued on the exercise of employee share options.

### (b) Share Options

At 31 December 2000 the following options over the Company's ordinary shares were outstanding:

	Number of shares	Exercise price	Period during which options exercisable
Employee Share Option Scheme	525,000	17p	29.10.00 – 29.04.01
	300,000	15p	06.07.98 – 05.07.02
	150,000	13p	30.10.01 – 30.10.02
	200,000	15p	05.06.99 – 04.06.03
	300,000	17p	29.10.00 – 28.10.04
	100,000	25.5p	06.07.03 – 05.07.07
Other Options	2,592,793	31p	08.06.01 – 07.06.03
	100,000	25.5p	06.07.01 – 05.07.03

The mid-market price of the Company's ordinary shares at 31 December 2000 was 5p per share and the shares had traded in the range of 5p to 31p per share during 2000. The 525,000 options outstanding at 31 December 2000 exercisable on or before 29 April 2001 lapsed unexercised at this date.

## 20. Shareholders' Funds

### (a) Reconciliation of Movement in Shareholders' Funds

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Loss for the financial year	(1,246)	(3,713)	(449)	(251)
Issue of shares	23,203	-	23,203	-
Other recognised gains	860	127	855	-
Goodwill previously written off	-	3,311	-	-
Net increase in shareholders' funds	22,817	(275)	23,609	(251)
Shareholders' funds at 1 January 2000	3,680	3,955	3,073	3,324
<b>Shareholders' funds at 31 December 2000</b>	<b>26,497</b>	<b>3,680</b>	<b>26,682</b>	<b>3,073</b>

### (b) Reserves

	Share premium £'000	Investment revaluation £'000	Other reserves £'000	Profit and loss £'000
<b>Group</b>				
At 1 January 2000	272	-	608	(1,089)
Loss for the financial year	-	-	-	(1,246)
Revaluation of investments	-	855	-	-
Exchange difference on translation of overseas operations/investments	-	-	-	5
On issue of shares	59	-	22,233	-
<b>At 31 December 2000</b>	<b>331</b>	<b>855</b>	<b>22,841</b>	<b>(2,330)</b>

The other reserve arising on consolidation at 1 January 2000 represents the excess of the fair value of the net assets acquired over the fair value of the consideration arising on the acquisition of AmBrit International PLC in February 1992, having applied the merger relief provisions of Section 131 of the Companies Act 1985, after adjustment for the disposal of the US oil and gas interests. The movement during the year represents a merger reserve arising from the premium on the shares issued for the acquisition of each of the partners of Web Angel Limited Partnership in accordance with the provisions of Section 131 of the Companies Act 1985.

	Share premium £'000	Investment revaluation £'000	Other reserves £'000	Profit and loss £'000
<b>Company</b>				
At 1 January 2000	272	-	-	(1,088)
Loss for the financial year	-	-	-	(449)
Revaluation of investments	-	855	-	-
On issue of shares	59	-	22,233	-
<b>At 31 December 2000</b>	<b>331</b>	<b>855</b>	<b>22,233</b>	<b>(1,537)</b>

## 21. Cash Flow

### (a) Reconciliation of Operating Loss to Net Cash Outflow From Operating Activities

	2000 £'000	1999 £'000
Operating loss	(1,366)	(231)
Depreciation	9	32
Amortisation of goodwill	595	992
Other including exchange	10	-
Loss on disposal of tangible fixed assets	11	-
(Increase)/decrease in debtors	(16)	1,083
Decrease in creditors	(156)	(816)
Increase in stocks	(65)	-
Net cash (outflow)/inflow from operating activities	(978)	1,060

### (b) Management of Liquid Resources

	2000 £'000	1999 £'000
Net cash inflow/(outflow) from short term deposits	2,414	(2,950)

### (c) Analysis of Movement in Net Debt

	2000 £'000	1999 £'000
Cashflow	322	66
Net cash on acquisition	3,367	-
Loans repaid	-	9,322
Purchase of / (reduction) in short term investments	(2,414)	2,950
Exchange adjustments	42	(226)
Change in net debt	1,317	12,112
Bank loans	-	(9,047)
Cash at bank	3,523	458
Net debt at beginning of year	3,523	(8,589)
Cash at bank	4,840	3,523
Net cash at bank at end of year	4,840	3,523

## 22. Exceptional Loss on Disposal of Discontinued Operations

	Group 1999 £'000
US oil and gas interests	11,590
Intangible exploration asset	171
Assets disposed of	11,761
Goodwill previously written off to reserves	3,100
	14,861
Net sale proceeds	(11,634)
Loss on disposal of US oil and gas interests	3,227
	£'000
Sale proceeds comprise:	
Gross proceeds	12,501
Severance payments	(459)
Disposal costs	(408)
Net sales proceeds	11,634
Movement in debtors	20
Movement in creditors	130
Cash received from sale of oil and gas interests	11,784

Goodwill of £3.1 million which was not separately recognised on the acquisition of AmBrit International Plc in 1992 due to the application of the merger relief provisions of Section 131 of the Companies Act 1985, has been charged through the profit and loss account in 1999.

## 23. Acquisitions

On 8 June 2000 the Company completed the acquisition of each of the partners of Web-Angel Limited Partnership, namely Ermgassen & Co (Jersey) Limited, OC&C Strategy Consultants (Jersey) Limited, Brait Capital (Jersey) Limited, Angel Holdings (Jersey) Limited and web-angel GP Limited. The consideration for the acquisitions of approximately £23.1 million was satisfied by the issue of 90,747,755 ordinary shares in the capital of the Company. Although further consideration of up to 16 per cent of the Company's ordinary share capital from time to time might also have become payable, the rights to such additional consideration have been waived as further detailed on page 11 of the Directors' Report. The acquisition has been accounted for by the acquisition method of accounting and the resulting goodwill amounting to £20,140,000 has been capitalised and is being written off over 20 years.

## 23. Acquisitions (continued)

	Book and fair value £'000
Fixed asset investments	594
Cash	3,367
Total assets	3,961
Creditors	(403)
Net assets	3,558
Shares issued	23,140
Costs and expenses	558
Cost of acquisition	23,698
Goodwill	20,140

The acquired undertakings made a loss of £221,000 from their dates of incorporation (all between 21 March and 31 March 2001) to the date of their acquisition. The net cash outflow from operating activities includes £467,000 relating to discontinued operations.

## 24. Lease Commitments

The Group's annual commitments under non-cancellable operating leases, which were in respect of office space, were as follows:

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Expiring between two and five years	–	13	–	13

## 25. Capital Commitments and Contingent Liabilities

At 31 December 2000 the Company had commitments for capital expenditure, approved by the Board of Directors but not contracted for, amounting to £275,000 (1999: Nil).

## 26. Related Party Transactions

During the year ended 31 December 2000 the Group has procured the following services all of which are at arms length, from related parties:

- Consulting services from OC&C, procured on behalf of investee companies, at a cost of £143,625. These services were provided at a discount of 25% to their normal charge out rates, in accordance with the terms of the Service Agreement signed with OC&C, Brait and Ermgassen & Co.
- Office accommodation and related costs from OC&C based on an apportionment of the expenditure actually incurred by OC&C of £58,822.
- The free services to be provided under the terms of the Service Agreement by OC&C of US\$500,000 have been fully utilised during the year. The Group has yet to utilise the free services from Ermgassen & Co, in the same amount.

**26. Related Party Transactions (continued)**

The outstanding invoiced amounts owed to OC&C at 31 December 2000, inclusive of value added tax, amounted to £226,547. In addition to the above invoiced amounts, accruals have been made for services to be billed by OC&C and Brait of £35,000 and £40,600 respectively.

Brait, Ermgassen & Co and OC&C are major shareholders in the Company and have Directors on the Board of the Company who are connected with them.

**27. Post Balance Sheet Events**

Subsequent to 31 December 2000 the Company has entered into a corporate venturing agreement with AU-System, IT-Provider and MVA. web-angel plc has secured a 9.26% equity stake in the venture with an agreement to invest, on a discretionary basis, up to £1.9 million over a three year period.

In January 2001 the Company subscribed £170,000 for 4.4% of the equity of Icontrol Transactions Inc. ("Icontrol"), a newly formed United States company that is a provider of mobile commerce authentication services. Icontrol has acquired the intellectual property to certain products which include voice, fingerprint and biocert software.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of web-angel plc will be held at the offices of Nabarro Nathanson, Lacon House, 84 Theobald's Road, London WC1X 8RW on 23 July at 11 am to deal with the following business.

### Ordinary Business

1. To receive the Accounts and the Auditors and Directors Report for the year ended 31 December 2000;
2. To re-appoint KPMG Audit Plc as auditor and to authorise the directors to determine their remuneration;
3. To re-elect as a Director Mrs Penny Hughes;
4. To re-elect as a Director Mr Nick Tamblyn;
5. To re-elect as a Director Mr Paul Jessiman;
6. To re-elect as a Director Mr Geoff Mott;
7. To re-elect as a Director Mr Christopher Outram;
8. To re-elect as Director Mr Jens Bjarøy; and
9. To re-elect as a Director Mr Olav Ermgassen.

### Special Business

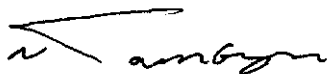
To consider and, if thought fit, pass resolutions 10 and 11 below which will be passed as special resolutions and resolution 12 below which will be passed as an ordinary resolution.

10. THAT the Directors be and are hereby empowered to make allotments for cash of equity securities (as defined in Section 94 (2) of the Act), pursuant to the authority conferred upon them by the passing of resolution 2 set out in the notice of extraordinary general meeting of the Company dated 15 May 2000 as if Section 89 (1) of the Act did not apply to any such allotment PROVIDED THAT the power conferred by this resolution shall be limited to:
  - (a) the allotment of equity securities in connection with a rights issue, open offer or any other offer of equity securities in favour of shareholders where the equity securities respectively attributable under such issue or offer to each shareholder are proportionate (as nearly as may be) to the respective numbers of equity securities held by them on a fixed record date but subject to such exclusions as the Directors may deem fit to deal with fractional entitlements or legal and practical difficulties arising under the laws of, or the requirements of, any statutory or regulatory body in any overseas territory; and
  - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £65,000;and shall expire at the conclusion of the next Annual General Meeting of the Company (or any adjournment thereof) or the date following 15 months after the passing of this resolution (if earlier), unless renewed or extended prior to such time, except that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement that would or might require equity securities to be allotted after such power expires and the Directors may allot equity securities in pursuance of any such offer or agreement up to the maximum amount prescribed in this resolution as if the power hereby conferred had not expired.
11. THAT the Company be and is hereby generally and unconditionally authorised pursuant to Article 11 of the Company's Articles of Association and Chapter VII of the Act to make one or more market purchases (within the meaning of Section 163 (3) of the Act) on the London Stock Exchange Plc of ordinary shares of 1p each in the capital of the Company ("ordinary shares") provided that:
  - (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased shall be 13,003,465 (representing 10 per cent of the Company's issued ordinary share capital).

- (b) the maximum price which may be paid for an ordinary share shall be an amount equal to 5% above the average of the middle market prices derived from the London Stock Exchange Daily Official List for the ten dealing days immediately preceding the day on which the ordinary share is purchased (exclusive of expenses);
- (c) the minimum price which may be paid for an ordinary share shall be 1p exclusive of expenses;
- (d) unless previously renewed, revoked or varied the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company (or any adjournment thereof) or the date following 15 months from the date of the passing of this resolution (if earlier); and
- (e) the Company may under the authority hereby conferred make a contract to purchase ordinary shares under this authority before the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract which purchase or contract would or might be executed wholly or partly after the expiration of such authority.

12. THAT, the web-angel Executive Share Option Scheme to be constituted by the rules produced in draft to this meeting and initialled by the Chairman for the purposes of identification be and is hereby approved and adopted and the Directors be and they are hereby authorised to do all acts and things necessary to carry the said Scheme into effect and to vote, and be counted in the quorum, on any matter connected with the said Scheme notwithstanding that they may be interested in the same (except that no director may count in the quorum or vote in respect of his own participation) and the provisions of the Articles of Association shall be relaxed to the extent so necessary.

BY ORDER OF THE BOARD



NJ Tamblyn  
Company Secretary and Finance Director  
Registered office:  
Lacon House, 84 Theobald's Road  
London WC1X 8RW  
Dated: 29 June 2001

#### NOTES

- (1) A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and on a poll to vote instead of the member. A proxy need not be a member of the Company. To be valid, proxy cards must be lodged not later than 48 hours before the time appointed for the meeting at the offices of the Company's registrars, Capita IRG Plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ. Completion of a form of proxy does not preclude a member from subsequently attending the meeting and voting in person.
- (2) The register of Directors' share interests, copies of the Directors' service agreements and the draft rules of the proposed web-angel Executive Share Option Scheme will be available for inspection at the Registered Office of the Company during normal business hours from the date hereof, and at the place of the Annual General Meeting from 15 minutes before the time appointed for the meeting, until the end of the meeting.
- (3) The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered on the Register of Members as at 11 am on 21 July 2001 shall be entitled to attend and vote at the meeting in respect of the shares registered in their name at such time. Changes to entries on the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and vote at such meeting.

## APPENDIX 1

### ***Principal Terms of the Proposed web-angel Executive Share Option Scheme ("the scheme")***

The Scheme will be administered by the Remuneration Committee and will be divided into two parts. Part A will be designed to be capable of approval by the Board of Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1988. Part B will not be approved by the Board of Inland Revenue.

#### **Part A**

All employees of the Group will be eligible to be nominated for participation. Directors who are employees will also be eligible for participation provided that they have a normal working week of at least 25 hours (excluding meal breaks).

The Remuneration Committee will have absolute discretion in selecting the persons to whom options are to be granted and in determining the number and terms of options to be granted.

Options may normally be granted within the period of 42 days following:

- (i) the date of approval of the Board of Inland Revenue to Part A;
- (ii) the date of the announcement by the Company of its results for any period.

Options may also be granted at any other time when in the opinion of the Remuneration Committee circumstances are considered to be exceptional so as to justify the grant of options.

No person will be entitled as of right to be granted an option. Options will be personal to the option holder and may not be transferred or assigned. Options will be non-pensionable and no payment will be required for an option. No option will be granted more than ten years after the date of adoption of the Scheme.

The holder of an option will be entitled (subject to the terms of the option) to acquire ordinary shares at a price per share to be determined by the Remuneration Committee at the time when the option is granted. The option price may not be less than the higher of the market value of an ordinary share on the day on which the option is granted and if the option is to subscribe for ordinary shares the nominal value of a share.

Each individual's participation will be limited so that the aggregate market value of ordinary shares comprised in subsisting options held by the individual under Part A when aggregated with the market value of ordinary shares comprised in subsisting options held by that individual under any other Inland Revenue approved discretionary share option scheme operated by the Group will not exceed £30,000 (or such higher limit as may from time to time be permitted by the relevant statutory provisions). The aggregate market value of ordinary shares comprised in all options to subscribe granted to an individual under the Scheme may not exceed the higher of five times his annual remuneration and £100,000. At the discretion of the Remuneration Committee exercised options can be disregarded for the purposes of this limit. For the purposes of these limits the market value of an ordinary share is determined at the date of grant of the relevant option.

Options may normally only be exercised during the relevant option period. The option period will be determined by the Remuneration Committee at the date of grant but cannot end more than ten years after the date of grant. As a general rule, options may only be exercised by a person who at the time of exercise is still an employee of the Group. Options may, however, be exercised for a limited period after the option holder ceases to be employed within the Group in certain special circumstances, including the death, retirement, redundancy, ill health, injury or disability of the option holder or where the option holder's employing company or business is disposed of outside the Group or at the discretion of the Remuneration Committee in any other circumstances. Exercise is also possible in the event of an amalgamation, reconstruction or takeover of the Company. In such circumstances an option holder may be allowed to release his rights under options in consideration of the grant to him of equivalent rights over shares in the acquiring company. Options may also be exercised in the event of a voluntary winding up of the Company. Options will normally lapse on the expiry of any of the periods allowed for exercise.

In the event of any variation to the share capital the Directors will have the power to make such adjustments as they consider appropriate to the number of ordinary shares subject to options, the option price payable on exercise of such options and the 15 million limit referred to below. Any such adjustment must receive the prior approval of the Inland Revenue.

No option to subscribe may be granted under the Scheme if immediately thereafter the aggregate number of ordinary shares issued or capable of being issued pursuant to options granted under the Scheme would exceed the greater of 10 per cent. of the ordinary shares at that time in issue or 15 million ordinary shares.

Although the Directors will have the power to amend the provisions of the Scheme, the provisions relating to:

- (i) the class of persons eligible to participate in the Scheme;
- (ii) the maximum entitlement for any one option holder;
- (iii) the basis for determining an option holder's entitlement to ordinary shares or the terms on which they can be acquired; and
- (iv) the adjustments to options in the event of a variation of capital

cannot be amended to the advantage of option holders without the prior approval of shareholders in general meeting (except for amendments which are necessary or desirable to obtain or retain the approval of the Board of Inland Revenue or minor amendments to benefit the administration of the Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders under the Scheme or for the Company or any other member of the Group).

#### Part B

Part B of the Scheme provides for the grant of options outside the terms of Inland Revenue approval but on broadly similar terms to those outlined for Part A (subject as detailed below). Options may normally be granted under Part B within the period of 42 days following the date of the adoption of the Scheme as well as within the other periods specified in Part A. The £30,000 individual limit on the grant of options does not apply to options granted under Part B. The exercise of any options granted under Part B will be conditional on the option holder complying with such arrangements as may be specified by the Company for the payment of any liability of the option holder on exercise to income tax or national insurance contributions (whether of the employee or the Company). Options may be transferable at the discretion of the Directors on such terms as the Directors may in their absolute discretion determine. The exercise of any options transferred will be subject to the rules of the Scheme and generally will only be exercisable if the original grantee is still an employee of the Group.

Options may be granted under Part B to the trustee of the web-angel employee benefit trust on such terms as the Directors in their absolute discretion determine. It is envisaged that options will only be granted to the trustee if the trustee surrenders the current right it has to subscribe for up to 5,185,586 ordinary shares at a price of 1 pence per share subject to the performance related criteria set out in the AIM admission document dated 15 May 2000. Options over 5,000,000 ordinary shares will be granted to the trustee under Part B. Ordinary shares acquired by the trustee on exercise of options may be distributed to beneficiaries of the trust by gift or sale as determined by the trustee in accordance with the terms of the trust deed which constitutes the trust.

The notice of annual general meeting at pages 36 and 37 contains an ordinary resolution (number 12) to be proposed at that meeting which if approved will establish the Scheme.

## DIRECTORS AND ADVISERS

Directors	PL Hughes	Chairman*
	J-R Bjaröy	Business Development Director
	NJ Tamblyn	Finance Director
	Q Ermgassen	*
	P Jessiman	*
	P Jungen	*
	G Mott	*
	C Outram	*
	*non-executive	

Secretary NJ Tamblyn

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84 Theobald's Road  
London WC1X 8RW

Registered Number 1712354

Auditor KPMG Audit plc  
Chartered Accountants  
8 Salisbury Square  
London WC1X 8RW

Nominated Advisers Ernst & Young  
One Colmore Row  
Birmingham B3 2BD

Nominated Broker Peel Hunt & Company Limited  
62 Threadneedle Street  
London ECR 8HP

Solicitors Nabarro Nathanson  
Lacon House  
84 Theobald's Road  
London WC1X 8RW

Registrars Capita IRG Ltd  
Balfour House  
390/398 High Road  
Ilford, Essex IG1 1NQ

Principal Bankers Lloyds TSB Bank plc  
4/6 Copthall Avenue  
London EC2R 7DA

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