

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

TOUCH (GoE) PLC

31 JANUARY 2000

Registered No. 2885607



TOUCH (GoE) PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2000

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TOUCH (GoE) PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

The directors of the company together with their dates of appointment are listed below:

Vincent J Isaacs	Chairman	
Paul M Ashley	Managing Director	
Andrew D Stimpson ACA	Director	
Kevin M Beerling ACA	Director	Appointed 07/06/99

SECRETARY

Peter D Katz FCA ATII

REGISTERED OFFICE

Cardinal Tower
12 Farringdon Road
London EC1M 3NN

BANKERS

Midland Bank plc
27-32 Poultry
London EC2P 2BX

SOLICITORS

Olswang
90 Long Acre
London WC2E 9TT

AUDITORS

Arthur Andersen
Chartered Accountants
20 Old Bailey
London
EC4M 7AN

TOUCH (GoE) PLC

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 January 2000.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £1,190,526 (profit for 17 months ended 31 January 1999 - £374,150) and has been deducted from reserves.

The directors do not recommend any dividend on the ordinary shares in respect of the year ended 31 January 2000 (17 months ended 31 January 1999 - £Nil).

PRINCIPAL ACTIVITIES

The company's principal activity is the provision of marketing services.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Touch operates the only geographical multi-application smart card scheme that covers civic facilities, retail stores, transport and universities on the one Touch card. In this regard it is breaking new ground. There are now 108,000 cards in operation and it is anticipated that this figure will increase. Turnover for this company has increased to £110,721 from a low base (17 months ended 31 January 1999: £23,215). The operating loss was £1,184,212 (17 months ended 31 January 1999 loss: £1,063,841)

The main revenue for Touch with the smart card scheme is linked to transactions in local retailers. To date this has not increased as fast as we had hoped. However, we believe that, as part of a wider series of services to be offered to local and national companies and local authorities, this scheme has a unique combination of features that should allow it to secure strong local franchises in its chosen areas.

We have recently launched the first version of a local portal for Nottingham that will link all of our different stakeholders together (see touchnottingham.com). These include the local authority, businesses, consumers, students and other services providers. We will then be selling vital web services on the ground via our established sales force and linking the web enabled businesses to our portal. It is expected that listing fees from the portal will complement our other card service fees. In addition, this combination of an online presence and, through the card scheme, an offline presence, should allow us to communicate with our stakeholders at a much lower cost than before.

We consider the enlarged Touch business model to be predominantly in the area of steady repeating business to business revenue. However, we have also designed the business to be able to benefit from marketing data generated online and offline that can greatly assist our clients or Touch directly in the future.

DIRECTORS AND THEIR INTERESTS

None of the directors have any interest in the shares of the company.

Details of directors' interests in the shares of Ambient plc are given in that company's financial statements.

CLOSE COMPANY STATUS

In the opinion of the directors the company is a close company for taxation purposes.

TOUCH (GoE) PLC

DIRECTORS' REPORT (CONTINUED)

SUPPLIER PAYMENT POLICY

The company's policy is to settle terms of payment with suppliers when agreeing terms for each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 January 2000 were equivalent to 28 days (1999: 82 days) purchases based on an average daily amount invoiced by suppliers during the period.

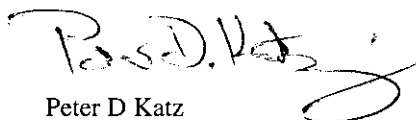
IMPACT OF YEAR 2000

All the company's relevant systems and equipment were addressed in advance of the year 2000 and the event passed with no significant impact on the company's business.

AUDITORS

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

Approved by order of the Board of Directors
and signed on behalf of the Board



Peter D Katz
Secretary

31 July 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

TOUCH (GoE) PLC

AUDITORS' REPORT

To the Shareholders of Touch (GoE) plc:

We have audited the accounts on pages 7 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5, the company's directors are responsible for the preparation of 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.

BASIS OF 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 January 2000 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
20 Old Bailey
London
EC4M 7AN

31 July 2000

TOUCH (GoE) PLC**PROFIT AND LOSS ACCOUNT**

For the year ended 31 January 2000

	Notes	Year ended 31 January 2000 £	17 months ended 31 January 1999 £
TURNOVER	2	110,721	23,215
Cost of sales		(420,461)	(132,544)
Gross loss		<u>(309,740)</u>	<u>(109,329)</u>
Administrative expenses		(874,472)	(954,512)
OPERATING LOSS	3	<u>(1,184,212)</u>	<u>(1,063,841)</u>
Interest receivable		244	631
Interest payable	6	(6,558)	(176,864)
Exceptional item – write back of debts	7	-	1,614,224
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,190,526)</u>	<u>374,150</u>
Tax on (loss)/profit on ordinary activities	8	-	-
RETAINED (LOSS)/PROFIT AFTER TAXATION FOR THE FINANCIAL PERIOD		<u><u>(1,190,526)</u></u>	<u><u>374,150</u></u>

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no other gains or losses other than the loss for the year of £1,190,526 (profit for 1999 - £374,150). All results derive from continuing operations.

TOUCH (GoE) PLC

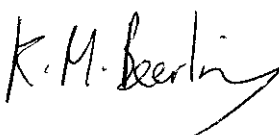
BALANCE SHEET

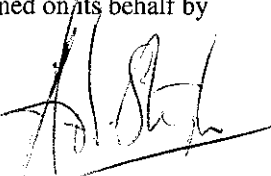
As at 31 January 2000

		31 January 2000	31 January 1999
	Notes	£	£
FIXED ASSETS			
Tangible assets	9	237,160	249,846
Investments	10	20,052	20,052
		<u>257,212</u>	<u>269,898</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	11	121,400	79,349
Cash at bank and in hand		157	183
		<u>121,557</u>	<u>79,532</u>
CREDITORS: amounts falling due within one year	12	(4,341,182)	(3,114,668)
NET CURRENT LIABILITIES		<u>(4,219,625)</u>	<u>(3,035,136)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(3,962,413)	(2,765,238)
CREDITORS: amounts falling due after more than one year	13	(24,195)	(30,844)
NET LIABILITIES		<u>(3,986,608)</u>	<u>(2,796,082)</u>
CAPITAL AND RESERVES			
Called-up share capital	14	5,200,000	5,200,000
Share premium		1,071,088	1,071,088
Profit and loss account		(10,257,696)	(9,067,170)
SHAREHOLDERS' DEFICIT		<u>(3,986,608)</u>	<u>(2,796,082)</u>

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

Approved by the board on 31 July 2000, and signed on its behalf by


Kevin M Beerling
Director


Andrew D Stimpson
Director

TOUCH (GoE) PLC

**COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' DEFICIT AND
STATEMENT OF MOVEMENTS ON RESERVES**

For the year ended 31 January 2000

	Issued Share capital £	Share premium account £	Profit and loss account £	Year ended 31 January 2000 £	Period ended 31 January 1999 £
At beginning of period	5,200,000	1,071,088	(9,067,170)	(2,796,082)	(4,870,232)
Retained (loss)/profit for the period	-	-	(1,190,526)	(1,190,526)	374,150
Issue of share capital	-	-	-	-	1,700,000
At end of period	<u>5,200,000</u>	<u>1,071,088</u>	<u>(10,257,696)</u>	<u>(3,986,608)</u>	<u>(2,796,082)</u>

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies are described below.

Basis of preparation

The financial statements have been prepared under the historical cost convention. The parent company, Ambient plc undertakes to support Touch (GoE) plc, in the event that it becomes necessary. The Directors consider that this will enable the company to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The company has taken advantage of the exemption under the Financial Reporting Standard No.1 (revised) 'Cash flow Statements' not to present a cash flow statement as it is a wholly owned subsidiary of an EC parent company, which publishes a consolidated cash flow statement.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, as follows:

Leasehold improvements	- lease term
Office equipment	- 4 years
Motor vehicles	- 3 years
Fixtures and fittings	- 4 years
Computer equipment	- 3 years

Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes to the extent that they are expected to reverse in the foreseeable future. The deferred tax is calculated at the rates at which it is expected that tax will arise.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors within or after one year. The assets are depreciated over the shorter of the lease term or their useful lives. The interest element of rental obligations is apportioned over the term of the lease.

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

Operating lease rentals receivable

Rentals receivable from assets leased to customers under operating leases are credited to the profit and loss account when they become receivable.

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 OPERATING LOSS

	Year ended 31 January 2000 £	17 months ended 31 January 1999 £
This is stated after charging/(crediting):		
Auditors' remuneration -audit services	3,000	17,050
Depreciation of owned assets	86,151	127,447
Depreciation of assets held under finance leases and hire purchase contracts	12,626	3,429
Operating lease rentals paid - land and buildings	14,950	8,524
-other operating leases	8,635	10,741
Rentals received under operating leases	<u>(18,299)</u>	<u>(3,770)</u>

4 DIRECTORS' REMUNERATION

	Year ended 31 January 2000 £	17 months ended 31 January 1999 £
Directors' emoluments		
Other remuneration	<u>78,750</u>	<u>99,502</u>

Kevin M Beerling, Vincent J Isaacs and Andrew D Stimpson are remunerated for services to the group as a whole and their emoluments are disclosed in the financial statements of Ambient plc.

5 STAFF COSTS

	Year ended 31 January 2000 £	17 months ended 31 January 1999 £
Staff costs during the period (including directors)		
Wages and salaries	382,241	364,152
Social security costs	<u>39,238</u>	<u>36,773</u>
	<u>421,479</u>	<u>400,925</u>
Average number of persons employed (including directors)	Number	Number
Total	<u>11</u>	<u>9</u>

6 INTEREST PAYABLE

	Year ended 31 January 2000 £	17 months ended 31 January 1999 £
Bank loans	1,094	73,321
Other loans	-	101,887
Finance charges payable under finance leases and hire purchase contracts	<u>5,464</u>	<u>1,656</u>
	<u>6,558</u>	<u>176,864</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 EXCEPTIONAL ITEM

The prior period exceptional item totalling £1,614,224 comprised the write back of the following debts:

£1,700,000 of 10% convertible unsecured loan stock previously issued by the company was converted to 3,400,000 ordinary shares, with nominal value of 50p. The stockholders waived the outstanding unpaid interest. The resultant exceptional profit was £321,813.

A £1,000,000 loan from Gerling Global General and Reinsurance Company Limited to the company and all associated outstanding interest charges of £262,411 were agreed to be discharged by a cash settlement of £500,000. The resultant exceptional profit was £762,411.

In July 1998 Vincent J Isaacs waived an outstanding unsecured loan of £530,000. The resultant exceptional profit was £530,000.

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no UK tax charge for the year (17 months ended 31 January 1999 - £nil) due to tax losses carried forward in the company. The different treatment of items for accounts and taxation purposes gives rise to a deferred tax asset which, for prudence, has not been recognised.

9 TANGIBLE FIXED ASSETS

	Motor vehicles £	Plant and machinery £	Total £
Cost			
At 1 February 1999	41,321	570,833	612,154
Additions	-	86,091	86,091
Disposals	-	(36,433)	(36,433)
At 31 January 2000	<u>41,321</u>	<u>620,491</u>	<u>661,812</u>
Depreciation			
At 1 February 1999	3,429	358,879	362,308
Provided during the year	12,626	86,151	98,777
Disposals	-	(36,433)	(36,433)
At 31 January 2000	<u>16,055</u>	<u>408,597</u>	<u>424,652</u>
Net book value			
At 31 January 2000	<u>25,266</u>	<u>211,894</u>	<u>237,160</u>
At 31 January 1999	<u>37,892</u>	<u>211,954</u>	<u>249,846</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 TANGIBLE FIXED ASSETS (CONTINUED)

Included in motor vehicles above are the following amounts relating to leased assets and assets acquired under hire purchase contracts:

	Motor Vehicles £
Cost	
At 1 February 1999	41,321
Additions	-
At 31 January 2000	<u>41,321</u>
Depreciation	
At 1 February 1999	3,429
Provided during the year	<u>12,626</u>
At 31 January 2000	<u>16,055</u>
Net book value	
At 31 January 2000	<u>25,266</u>
At 31 January 1999	<u>37,892</u>

Assets acquired for the purpose of renting under operating leases have a cost of £55,000 (1999 - £55,000) with associated accumulated depreciation of £24,444 (1999 - £6,111).

10 INVESTMENTS

Parent Company Shares
£

At 1 February 1999 and 31 January 2000 20,050

The investment in own shares arises because The Guild of Excellence Employee Benefit Trustees Limited holds shares in Ambient plc for distribution to employees of Touch(GoE) plc at the discretion of the Trustees.

None of the shares held by The Guild of Excellence Employee Benefit Trustees Limited at 31 January 2000 had been unconditionally offered to employees and so, in accordance with UITF Abstract 13, the assets and liabilities of the trust company relating to these shares have been included within the accounts of The Guild of Excellence Employee Benefit Trustees Limited.

The investment is held at historic cost.

Investment in
subsidiary
undertakings
£

At 1 February 1999 and 31 January 2000 2

The subsidiaries of Touch (GoE) plc, which are all incorporated in Great Britain and registered in England and Wales are as follows:

Name of company	% holding	Nature of business
The Guild of Excellence Employee Benefit Trustees Limited	100%	Non-trading

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 **DEBTORS:** amounts falling due within one year

	31 January 2000 £	31 January 1999 £
Trade debtors	71,722	8,558
Amounts owed by group undertakings	111	49,392
VAT	11,695	6,038
Other debtors	8,523	10,429
Prepayments and accrued income	29,349	4,932
	<u>121,400</u>	<u>79,349</u>

12 **CREDITORS:** amounts falling due within one year

	31 January 2000 £	31 January 1999 £
Obligations under finance leases and hire purchase contracts	7,123	5,021
Bank loans and overdrafts	34,200	34,518
Trade creditors	76,966	132,897
Amounts owed to group undertakings	4,161,558	2,838,057
Taxes and social security	10,530	21,585
Accruals and deferred income	50,805	82,590
	<u>4,341,182</u>	<u>3,114,668</u>

13 **CREDITORS:** amounts falling due after more than one year

	31 January 2000 £	31 January 1999 £
Obligations under finance leases and hire purchase contracts - between two and five years	<u>24,195</u>	<u>30,844</u>

14 **CALLED-UP SHARE CAPITAL**

	31 January 2000 £	31 January 1999 £
<i>Authorised:</i>		
13,500,000 ordinary shares of 50p each	<u>6,750,000</u>	<u>6,750,000</u>
<i>Allotted, called up and fully paid</i>		
10,400,000 ordinary shares of 50p each	<u>5,200,000</u>	<u>5,200,000</u>

15 **OPERATING LEASE COMMITMENTS**

At 31 January 2000 the company was committed to making the following payments during the next year in respect of operating leases:

	Motor vehicles £	Land and buildings £	Total £
Leases which expire:			
Within two to five years	<u>14,741</u>	<u>-</u>	<u>14,741</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 PENSION SCHEME

No contributions were made during the period to the Guild of Excellence plc Directors Pension Scheme.

This is a money purchase scheme with one eligible member, being Vincent J Isaacs.

17 RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemption in Financial Reporting Standard Number 8 from disclosure in respect of intragroup related party transactions.

18 ULTIMATE PARENT COMPANY

The company's ultimate parent and controlling company is Ambient plc which is incorporated in the United Kingdom.

The accounts of the Ambient plc can be obtained from that company's registered office, which is Cardinal Tower, 12 Farringdon Road, London EC1M 3NN.