

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**TOUCH (GoE) PLC**

**31 JANUARY 2002**

**Registered No. 2885607**



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# **TOUCH (GoE) PLC**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2002**

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**TOUCH (GoE) PLC**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2002**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

The directors of the company who served during the year are listed below:

|                       |                   |
|-----------------------|-------------------|
| Vincent J Isaacs      | Chairman          |
| Paul M Ashley         | Managing Director |
| Andrew D Stimpson ACA | Director          |
| Kevin M Beerling ACA  | Director          |

**SECRETARY**

Peter D Katz FCA ATII

**REGISTERED OFFICE**

Cardinal Tower  
12 Farringdon Road  
London EC1M 3NN

**BANKERS**

HSBC  
27-32 Poultry  
London EC2P 2BX

Barclays Bank  
54 Lombard Street  
London EC3V 9EX

**SOLICITORS**

Olswang  
90 Long Acre  
London WC2E 9TT

**AUDITORS**

Arthur Andersen  
Chartered Accountants  
180 Strand  
London  
WC2R 1BL

## **TOUCH (GoE) PLC**

### **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 January 2002.

### **RESULTS AND DIVIDENDS**

Consolidated financial statements have been prepared comprising the results of the company and its wholly owned subsidiary Touch (NW) Limited since it commenced trading on 18 April 2001.

The loss for the year after taxation amounted to £2,279,000 (2001 - loss £1,948,000) 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 2002 (2001 - £nil).

### **PRINCIPAL ACTIVITIES**

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

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

This year has seen Touch acquire the business and certain assets of Commercial Net Works (UK) Limited (now renamed Touch NW) - an internet services telesales operation - and develop its own range of products such that its operational results have changed dramatically over the period under review. Turnover for the group has increased to £1.5 million (year ended 31 January 2001: £0.2 million) with a significant contribution coming from Touch NW. The operating loss was £2.3 million (year ended 31 January 2001 loss: £1.9 million) reflecting new investment into the local portal and internet services business and the closure of certain loss making areas of the business. Importantly, the revenue for Touch for the second half increased by 79% over the first half and the operating losses declined by 26% including the results of Touch NW.

Touch is focussed on selling integrated internet services to a range of businesses. At the low priced end of the product range these services include domain name creation and management services and the creation of high quality efficient web sites with links to our newly launched network of local portals. The prices of these services aimed at SMEs - which are sold over the phone and through a field sales force managed from Touch NW - range from low hundreds to £2,500 for the web site product "Webpro". At the more highly priced end of the range of Touch products we sell our Dynaportal product. This can be priced at up to £20,000 before any design or other work is undertaken. This full portal offering is relevant for larger companies and other organisations including clubs, societies and trade bodies who have large and often complicated communities to manage.

From the work that is undertaken in the market selling our products we believe that there is a very real demand for new higher quality web site products and portal products at reasonable prices that are sold directly with services to the end user. This type of selling is essential at this stage in the cycle of the products life as it is quite common for buyers to have a relatively low understanding of the functionality that is available to them. Importantly, we also detect that pricing of these products is not decreasing and we are maintaining good operational margins together with encouraging levels of recurring revenue pricing structures.

## **TOUCH (GoE) PLC**

### **DIRECTORS' REPORT (CONTINUED)**

#### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)**

We now run our field sales force selling the SME Touch products out of our Touch NW offices in Burnley. This operation, which also runs the telesales operation has created an encouraging level of sales momentum for Touch where the database of clients currently stands at approximately 6,500. This is added to by approximately 45 new customers per week at current levels of operation together with a further number of clients from the database being up-sold higher value products. These clients account for increasing amounts of revenue that we expect to occur next year on renewal or via monthly direct debit that allows us to plan for future break-even in this business within the coming financial year. It is also important to note that this operation is considerably cheaper to operate than an equivalent one in the South East.

We consider the Touch internet services business model to be characterised by steady repeating business to business revenue acquired at a profitable cost which is scalable. We believe that Touch has value to add in this area and can secure its client base with good value products that are distinguishable from others together with high levels of service. This fits the Ambient model and we are actively seeking to build on it via acquisition where we believe that there are strong cost synergies and definable revenue synergies that can be enjoyed by inter alia, upselling clients from one set of products to the range provided by Touch.

#### **ACQUISITION**

On 18 April 2001, the company acquired through a new wholly owned subsidiary Touch (NW) Limited the business and certain assets of Commercial Net Works (UK) Limited for a cash consideration of £207,000. In addition, Touch (NW) Limited assumed the responsibility to discharge debt of £216,000.

#### **DIRECTORS AND THEIR INTERESTS**

Details of share options in the company held by directors were as follows:

| Name of Director | Date Granted | Exercise Price | Exercise Period | Ordinary shares of 1p each |                    |
|------------------|--------------|----------------|-----------------|----------------------------|--------------------|
|                  |              |                |                 | 31 January<br>2002         | 31 January<br>2001 |
| Paul M Ashley    | 01/03/01     | 1p             | Note a          | 13,000,000                 | -                  |
| Paul M Ashley    | 31/01/02     | 1p             | Note a          | 22,500,000                 | -                  |

Note a - exercisable from the earlier of the third anniversary of the date of grant and the second anniversary of the earliest to occur of the date of a listing, sale or change of control and expire ten years from the date of grant.

In addition, on 31 January 2002, Paul M Ashley was granted conditional share options in the company over 21,300,000 ordinary shares of 1 pence each with an exercise price of 1 pence each that will vest in tranches if the group meets certain financial targets over the next two years.

#### **CHANGES IN SHARE CAPITAL**

Details of changes in the share capital of the company are disclosed in note 14 to the financial statements.

## **TOUCH (GoE) PLC**

### **DIRECTORS' REPORT (CONTINUED)**

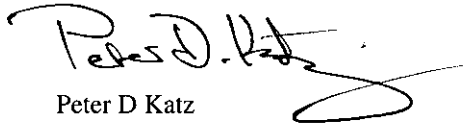
#### **SUPPLIER PAYMENT POLICY**

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 2002 were equivalent to 19 days (2001: 28 days) purchases based on an average daily amount invoiced by suppliers during the period.

#### **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

A handwritten signature in black ink, appearing to read 'Peter D. Katz', with a stylized flourish extending from the end.

Peter D Katz  
Secretary

15 March 2002

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 group and of the profit or loss of the group for that period.

After making enquiries, the directors have a reasonable expectation that the company and the group have 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 financial statements.

In preparing the 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; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

**INDEPENDENT AUDITORS' REPORT**

To the Shareholders of Touch (GoE) plc:

We have audited the financial statements of Touch (GoE) plc for the year ended 31 January 2002 which comprise the Profit and loss account, Statement of total recognised gains and losses, Balance sheets, Combined statement of movements in shareholders' funds and statement of movements on reserves and the related notes numbered 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report and Statement of directors' responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 of the group at 31 January 2002 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Arthur Andersen*

**Arthur Andersen**

Chartered Accountants and Registered Auditors

180 Strand  
London  
WC2R 1BL

15 March 2002

**TOUCH (GoE) PLC**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 31 January 2002

|                                                            | Notes    | Year ended<br>31 January 2002<br>£'000 | Year ended<br>31 January 2001<br>£'000 |
|------------------------------------------------------------|----------|----------------------------------------|----------------------------------------|
| <b>TURNOVER</b>                                            | <b>1</b> |                                        |                                        |
| Existing operations                                        |          | 371                                    | 176                                    |
| Acquisition                                                |          | 1,087                                  | -                                      |
| Continuing operations                                      |          | <u>1,458</u>                           | <u>176</u>                             |
| Cost of sales                                              |          | (1,541)                                | (1,173)                                |
| Gross loss                                                 |          | <u>(83)</u>                            | <u>(997)</u>                           |
| Administrative expenses                                    |          | (2,185)                                | (948)                                  |
| <b>OPERATING LOSS</b>                                      | <b>2</b> |                                        |                                        |
| Existing operations                                        |          | (2,120)                                | (1,945)                                |
| Acquisition                                                |          | (148)                                  | -                                      |
| Continuing operations                                      |          | <u>(2,268)</u>                         | <u>(1,945)</u>                         |
| Interest payable                                           | <b>5</b> | (11)                                   | (3)                                    |
| <b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>         |          | <u>(2,279)</u>                         | <u>(1,948)</u>                         |
| Tax on loss on ordinary activities                         | <b>6</b> | -                                      | -                                      |
| <b>RETAINED LOSS AFTER TAXATION FOR THE FINANCIAL YEAR</b> |          | <u>(2,279)</u>                         | <u>(1,948)</u>                         |

The accompanying notes are an integral part of this consolidated 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 £2,279,000 (2001 – loss of £1,948,000).

**TOUCH (GoE) PLC**

**CONSOLIDATED BALANCE SHEET**

As at 31 January 2002

|                                                                |       | 31 January 2002   | 31 January 2001       |
|----------------------------------------------------------------|-------|-------------------|-----------------------|
|                                                                | Notes | £'000             | £'000                 |
| <b>FIXED ASSETS</b>                                            |       |                   |                       |
| Intangible assets                                              |       |                   |                       |
| - goodwill                                                     | 8     | 627               | 102                   |
| - other                                                        | 8     | 83                | 70                    |
| Tangible assets                                                | 9     | 351               | 510                   |
| Investments                                                    | 10    | 20                | 20                    |
|                                                                |       | <u>1,081</u>      | <u>702</u>            |
| <b>CURRENT ASSETS</b>                                          |       |                   |                       |
| Debtors: amounts falling due within one year                   | 11    | 61                | 334                   |
| Cash at bank and in hand                                       |       | 1,865             | 6                     |
|                                                                |       | <u>1,926</u>      | <u>340</u>            |
| <b>CREDITORS: amounts falling due within one year</b>          | 12    | <u>(2,187)</u>    | <u>(327)</u>          |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>                        |       | <u>(261)</u>      | <u>13</u>             |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       | 820               | 715                   |
| <b>CREDITORS: amounts falling due after more than one year</b> | 13    | <u>(34)</u>       | <u>(6,650)</u>        |
| <b>NET ASSETS/(LIABILITIES)</b>                                |       | <u><u>786</u></u> | <u><u>(5,935)</u></u> |
| <b>CAPITAL AND RESERVES</b>                                    |       |                   |                       |
| Called-up share capital                                        | 14    | 14,200            | 5,200                 |
| Share premium                                                  |       | 1,071             | 1,071                 |
| Profit and loss account                                        |       | <u>(14,485)</u>   | <u>(12,206)</u>       |
| <b>SHAREHOLDERS' FUNDS/(DEFICIT)</b>                           |       | <u><u>786</u></u> | <u><u>(5,935)</u></u> |

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

**TOUCH (GoE) PLC**

**COMPANY BALANCE SHEET**

As at 31 January 2002

|                                                                |           | 31 January 2002   | 31 January 2001       |
|----------------------------------------------------------------|-----------|-------------------|-----------------------|
|                                                                | Notes     | £'000             | £'000                 |
| <b>FIXED ASSETS</b>                                            |           |                   |                       |
| Intangible assets                                              |           |                   |                       |
| - goodwill                                                     | 8         | 97                | 102                   |
| - other                                                        | 8         | 83                | 70                    |
| Tangible assets                                                | 9         | 311               | 510                   |
| Investments                                                    | 10        | 20                | 20                    |
|                                                                |           | <u>511</u>        | <u>702</u>            |
| <b>CURRENT ASSETS</b>                                          |           |                   |                       |
| Debtors: amounts falling due within one year                   | 11        | 532               | 334                   |
| Cash at bank and in hand                                       |           | 1,815             | 6                     |
|                                                                |           | <u>2,347</u>      | <u>340</u>            |
| <b>CREDITORS: amounts falling due within one year</b>          | <b>12</b> | <u>(1,890)</u>    | <u>(327)</u>          |
| <b>NET CURRENT ASSETS</b>                                      |           | <u>457</u>        | <u>13</u>             |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |           | <u>968</u>        | <u>715</u>            |
| <b>CREDITORS: amounts falling due after more than one year</b> | <b>13</b> | <u>(34)</u>       | <u>(6,650)</u>        |
| <b>NET ASSETS/(LIABILITIES)</b>                                |           | <u><u>934</u></u> | <u><u>(5,935)</u></u> |
| <b>CAPITAL AND RESERVES</b>                                    |           |                   |                       |
| Called-up share capital                                        | 14        | 14,200            | 5,200                 |
| Share premium                                                  |           | 1,071             | 1,071                 |
| Profit and loss account                                        |           | <u>(14,337)</u>   | <u>(12,206)</u>       |
| <b>SHAREHOLDERS' FUNDS/(DEFICIT)</b>                           |           | <u><u>934</u></u> | <u><u>(5,935)</u></u> |

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

Approved by the board on 15 March 2002, and signed on its behalf by



Kevin M Beerling  
Director



Andrew D Stimpson  
Director

**TOUCH (GoE) PLC**

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

For the year ended 31 January 2002

**GROUP**

|                            | Issued<br>share capital<br>£'000 | Share premium<br>£'000 | Profit and<br>loss account<br>£'000 | Year ended<br>31 January 2002<br>£'000 | Year ended<br>31 January 2001<br>£'000 |
|----------------------------|----------------------------------|------------------------|-------------------------------------|----------------------------------------|----------------------------------------|
| At beginning of year       | 5,200                            | 1,071                  | (12,206)                            | (5,935)                                | (3,987)                                |
| Retained loss for the year | -                                | -                      | (2,279)                             | (2,279)                                | (1,948)                                |
| Issue of share capital     | 9,000                            | -                      | -                                   | 9,000                                  | -                                      |
| At end of year             | <u>14,200</u>                    | <u>1,071</u>           | <u>(14,485)</u>                     | <u>786</u>                             | <u>(5,935)</u>                         |

**COMPANY**

|                            | Issued<br>share capital<br>£'000 | Share premium<br>£'000 | Profit and<br>loss account<br>£'000 | Year ended<br>31 January 2002<br>£'000 | Year ended<br>31 January 2001<br>£'000 |
|----------------------------|----------------------------------|------------------------|-------------------------------------|----------------------------------------|----------------------------------------|
| At beginning of year       | 5,200                            | 1,071                  | (12,206)                            | (5,935)                                | (3,987)                                |
| Retained loss for the year | -                                | -                      | (2,131)                             | (2,131)                                | (1,948)                                |
| Issue of share capital     | 9,000                            | -                      | -                                   | 9,000                                  | -                                      |
| At end of year             | <u>14,200</u>                    | <u>1,071</u>           | <u>(14,337)</u>                     | <u>934</u>                             | <u>(5,935)</u>                         |

## TOUCH (GoE) PLC

### STATEMENT OF ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the policy for deferred tax following the adoption of FRS19 in the current year.

#### *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.

#### *Basis of consolidation*

The financial statements consolidate the accounts of Touch (GoE) plc and its subsidiary undertakings drawn up to 31 January each year. The results of businesses acquired are consolidated for the periods from which control passed. Acquisitions are accounted for under the acquisition method.

#### *Intangible assets – goodwill*

Goodwill, representing the excess of fair value of consideration given over the fair value of identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is a maximum of 20 years.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

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   |
| Plant, vehicles and equipment | - 3 to 4 years |

#### *Investments*

Fixed asset investments are shown at cost less provision for impairment.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### *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.

## NOTES TO THE FINANCIAL STATEMENTS

## 1 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.

## 2 OPERATING LOSS

|                                                                              | Year ended<br>31 January 2002<br>£'000 | Year ended<br>31 January 2001<br>£'000 |
|------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| This is stated after charging/(crediting):                                   |                                        |                                        |
| Auditors' remuneration -audit services                                       | 10                                     | 5                                      |
| Amortisation of intangible assets                                            | 77                                     | 10                                     |
| Depreciation of owned assets                                                 | 270                                    | 179                                    |
| Depreciation of assets held under finance leases and hire purchase contracts | 37                                     | 14                                     |
| Operating lease rentals paid - land and buildings                            | 65                                     | 19                                     |
| - other                                                                      | 20                                     | -                                      |
| Rentals received under operating leases                                      | <u>(8)</u>                             | <u>(19)</u>                            |

## 3 DIRECTORS' REMUNERATION

|                       | Year ended<br>31 January 2002<br>£'000 | Year ended<br>31 January 2001<br>£'000 |
|-----------------------|----------------------------------------|----------------------------------------|
| Directors' emoluments |                                        |                                        |
| Remuneration          | <u>93</u>                              | <u>93</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.

## 4 STAFF COSTS

|                                                          | Year ended<br>31 January 2002<br>£'000 | Year ended<br>31 January 2001<br>£'000 |
|----------------------------------------------------------|----------------------------------------|----------------------------------------|
| Staff costs during the period (including directors)      |                                        |                                        |
| Wages and salaries                                       | 1,718                                  | 775                                    |
| Social security costs                                    | <u>136</u>                             | <u>84</u>                              |
|                                                          | <u>1,854</u>                           | <u>859</u>                             |
| Average number of persons employed (including directors) | Number                                 | Number                                 |
| Total                                                    | <u>103</u>                             | <u>26</u>                              |

## 5 INTEREST PAYABLE

|                                                                          | Year ended<br>31 January 2002<br>£'000 | Year ended<br>31 January 2001<br>£'000 |
|--------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Finance charges payable under finance leases and hire purchase contracts | <u>11</u>                              | <u>3</u>                               |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no current UK tax charge for the year (2001- £nil) due to losses made in the year. The accumulated tax losses give rise to a potential deferred tax asset of £3,948,000 (2001 - £3,265,000) which, for prudence, has not been recognised.

## 7 LOSS ATTRIBUTABLE TO TOUCH (GoE) PLC

The loss for the financial year dealt with in the financial statements of the parent company, Touch (GoE) plc was £2,131,000 (2001 - loss £1,948,000). As provided by Section 230 of the Companies Act 1985, no profit and loss account is presented in respect of the parent company.

## 8 INTANGIBLE FIXED ASSETS

| <b>GROUP</b>             | <b>Goodwill<br/>£'000</b> | <b>Licences<br/>£'000</b> |
|--------------------------|---------------------------|---------------------------|
| <b>Cost</b>              |                           |                           |
| At 1 February 2001       | 102                       | 80                        |
| Additions                | 551                       | 64                        |
| At 31 January 2002       | <u>653</u>                | <u>144</u>                |
| <b>Amortisation</b>      |                           |                           |
| At 1 February 2001       | -                         | 10                        |
| Provided during the year | 26                        | 51                        |
| At 31 January 2002       | <u>26</u>                 | <u>61</u>                 |
| <b>Net book value</b>    |                           |                           |
| At 31 January 2002       | <u>627</u>                | <u>83</u>                 |
| At 31 January 2001       | <u>102</u>                | <u>70</u>                 |

| <b>COMPANY</b>           | <b>Goodwill<br/>£'000</b> | <b>Licences<br/>£'000</b> |
|--------------------------|---------------------------|---------------------------|
| <b>Cost</b>              |                           |                           |
| At 1 February 2001       | 102                       | 80                        |
| Additions                | -                         | 64                        |
| At 31 January 2002       | <u>102</u>                | <u>144</u>                |
| <b>Amortisation</b>      |                           |                           |
| At 1 February 2001       | -                         | 10                        |
| Provided during the year | 5                         | 51                        |
| At 31 January 2002       | <u>5</u>                  | <u>61</u>                 |
| <b>Net book value</b>    |                           |                           |
| At 31 January 2002       | <u>97</u>                 | <u>83</u>                 |
| At 31 January 2001       | <u>102</u>                | <u>70</u>                 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9 TANGIBLE FIXED ASSETS

|                          | Leasehold<br>improvements | Plant, vehicles<br>and equipment | Total        |
|--------------------------|---------------------------|----------------------------------|--------------|
| GROUP                    | £'000                     | £'000                            | £'000        |
| <b>Cost</b>              |                           |                                  |              |
| At 1 February 2001       | 14                        | 1,114                            | 1,128        |
| Additions                | 19                        | 102                              | 121          |
| Assets acquired          | -                         | 30                               | 30           |
| Disposals                | -                         | (24)                             | (24)         |
| At 31 January 2002       | <u>33</u>                 | <u>1,222</u>                     | <u>1,255</u> |
| <b>Depreciation</b>      |                           |                                  |              |
| At 1 February 2001       | -                         | 618                              | 618          |
| Provided during the year | 6                         | 301                              | 307          |
| Disposals                | -                         | (21)                             | (21)         |
| At 31 January 2002       | <u>6</u>                  | <u>898</u>                       | <u>904</u>   |
| <b>Net book value</b>    |                           |                                  |              |
| At 31 January 2002       | <u>27</u>                 | <u>324</u>                       | <u>351</u>   |
| At 31 January 2001       | <u>14</u>                 | <u>496</u>                       | <u>510</u>   |

Leased assets included above:

|                       |          |           |           |
|-----------------------|----------|-----------|-----------|
| <b>Net book value</b> |          |           |           |
| At 31 January 2002    | <u>-</u> | <u>51</u> | <u>51</u> |
| At 31 January 2001    | <u>-</u> | <u>88</u> | <u>88</u> |

|                          | Leasehold<br>improvements | Plant, vehicles<br>and equipment | Total        |
|--------------------------|---------------------------|----------------------------------|--------------|
| COMPANY                  | £'000                     | £'000                            | £'000        |
| <b>Cost</b>              |                           |                                  |              |
| At 1 February 2001       | 14                        | 1,114                            | 1,128        |
| Additions                | 19                        | 86                               | 105          |
| Disposals                | -                         | (24)                             | (24)         |
| At 31 January 2002       | <u>33</u>                 | <u>1,176</u>                     | <u>1,209</u> |
| <b>Depreciation</b>      |                           |                                  |              |
| At 1 February 2001       | -                         | 618                              | 618          |
| Provided during the year | 6                         | 295                              | 301          |
| Disposals                | -                         | (21)                             | (21)         |
| At 31 January 2002       | <u>6</u>                  | <u>892</u>                       | <u>898</u>   |
| <b>Net book value</b>    |                           |                                  |              |
| At 31 January 2002       | <u>27</u>                 | <u>284</u>                       | <u>311</u>   |
| At 31 January 2001       | <u>14</u>                 | <u>496</u>                       | <u>510</u>   |

Leased assets included above:

|                       |          |           |           |
|-----------------------|----------|-----------|-----------|
| <b>Net book value</b> |          |           |           |
| At 31 January 2002    | <u>-</u> | <u>51</u> | <u>51</u> |
| At 31 January 2001    | <u>-</u> | <u>88</u> | <u>88</u> |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 10 INVESTMENTS

| Company and Group                      | Parent<br>company shares<br>£'000 |
|----------------------------------------|-----------------------------------|
| At 31 January 2001 and 31 January 2002 | <u>20</u>                         |

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 2002 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<br>subsidiary<br>undertakings<br>£'000 |
|----------------------------------------|------------------------------------------------------|
| At 1 February 2001 and 31 January 2002 | <u>-</u>                                             |

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<br>business         |
|-----------------------------------------------------------|-----------|-------------------------------|
| Touch (NW) Limited                                        | 100%      | Marketing and<br>web services |
| The Guild of Excellence Employee Benefit Trustees Limited | 100%      | Non-trading                   |
| Touchjobs Limited                                         | 100%      | Non-trading                   |

## 11 DEBTORS: amounts falling due within one year

|                                       | Group                       |                             | Company                     |                             |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                       | 31 January<br>2002<br>£'000 | 31 January<br>2001<br>£'000 | 31 January<br>2002<br>£'000 | 31 January<br>2001<br>£'000 |
| Trade debtors                         | 27                          | 189                         | 10                          | 189                         |
| Amounts owed by<br>group undertakings | 3                           | -                           | 504                         | -                           |
| VAT                                   | 4                           | 28                          | 4                           | 28                          |
| Other debtors                         | 10                          | 106                         | 1                           | 106                         |
| Prepayments and<br>accrued income     | 17                          | 11                          | 13                          | 11                          |
|                                       | <u>61</u>                   | <u>334</u>                  | <u>532</u>                  | <u>334</u>                  |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 12 CREDITORS: amounts falling due within one year

|                                                              | Group                       |                             | Company                     |                             |
|--------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                              | 31 January<br>2002<br>£'000 | 31 January<br>2001<br>£'000 | 31 January<br>2002<br>£'000 | 31 January<br>2001<br>£'000 |
| Obligations under finance leases and hire purchase contracts | 30                          | 36                          | 30                          | 36                          |
| Trade creditors                                              | 97                          | 63                          | 38                          | 63                          |
| Amounts owed to group undertakings                           | 1,789                       | -                           | 1,741                       | -                           |
| Other creditors                                              | 18                          | -                           | -                           | -                           |
| Taxes and social security                                    | 62                          | 39                          | 15                          | 39                          |
| Accruals and deferred income                                 | 191                         | 189                         | 66                          | 189                         |
|                                                              | <u>2,187</u>                | <u>327</u>                  | <u>1,890</u>                | <u>327</u>                  |

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

|                                                                                  | Group                       |                             | Company                     |                             |
|----------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                                                  | 31 January<br>2002<br>£'000 | 31 January<br>2001<br>£'000 | 31 January<br>2002<br>£'000 | 31 January<br>2001<br>£'000 |
| Obligations under finance leases and hire purchase contracts falling due between |                             |                             |                             |                             |
| - one to two years                                                               | 31                          | -                           | 31                          | -                           |
| - two to five years                                                              | 3                           | 78                          | 3                           | 78                          |
| Amounts owed to group undertakings                                               | -                           | 6,572                       | -                           | 6,572                       |
|                                                                                  | <u>34</u>                   | <u>6,650</u>                | <u>34</u>                   | <u>6,650</u>                |

## 14 CALLED-UP SHARE CAPITAL

|                                                 | 31 January 2002<br>£'000 | 31 January 2001<br>£'000 |
|-------------------------------------------------|--------------------------|--------------------------|
| <i>Authorised:</i>                              |                          |                          |
| 1,600,000,000 ordinary shares of 1p each        |                          |                          |
| (2001 – 675,000,000 ordinary shares of 1p each) | <u>16,000</u>            | <u>6,750</u>             |
| <i>Allotted, called up and fully paid</i>       |                          |                          |
| 1,420,000,000 ordinary shares of 1p each        |                          |                          |
| (2001 – 520,000,000 ordinary shares of 1p each) | <u>14,200</u>            | <u>5,200</u>             |

On 29 January 2002, the company increased its authorised share capital by 925,000,000 ordinary shares and issued 900,000,000 ordinary shares of 1 pence each to Ambient plc at a price of 1 pence per ordinary share. The total proceeds of £9,000,000 were used to discharge intra-group debt and provide working capital for the group's activities.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 14 CALLED-UP SHARE CAPITAL (CONTINUED)

Options have been granted under the Touch (GoE) plc unapproved share option scheme to subscribe for ordinary shares of the company as follows:

| Date of grant   | Number of shares under option at 31 January 2002 | Exercise price (pence) | Exercise period |
|-----------------|--------------------------------------------------|------------------------|-----------------|
| 1 March 2001    | 15,560,000                                       | 1p                     | note a          |
| 31 January 2002 | <u>63,500,000</u>                                | 1p                     | note a          |
|                 | <u>79,060,000</u>                                |                        |                 |

note a - exercisable from the earlier of the third anniversary of the date of grant and the second anniversary of the earliest to occur of the date of a listing, sale or change of control and expire ten years from the date of grant.

In addition, on 31 January 2002 a further 56,910,000 conditional share options in the company were granted at an exercise price of 1 pence that will vest in tranches if the group meets certain financial targets over the next two years.

## 15 OPERATING LEASE COMMITMENTS

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

|                            | 31 January 2002             |                | 31 January 2001             |                |
|----------------------------|-----------------------------|----------------|-----------------------------|----------------|
|                            | Land and buildings<br>£'000 | Other<br>£'000 | Land and buildings<br>£'000 | Other<br>£'000 |
| Leases which expire        |                             |                |                             |                |
| - within one year          | 1                           | 10             | 6                           | -              |
| - within two to five years | <u>36</u>                   | <u>-</u>       | <u>41</u>                   | <u>-</u>       |
|                            | <u>37</u>                   | <u>10</u>      | <u>47</u>                   | <u>-</u>       |

## 16 ACQUISITION

On 18 April 2001, the company through its wholly owned subsidiary Touch (NW) Limited acquired the business and certain assets of Commercial Net Works (UK) Limited for a cash consideration of £207,000. In addition, Touch (NW) Limited assumed the responsibility to discharge debt of £216,000.

The book value and fair values of the net liabilities immediately prior to acquisition were as follows:

|                               | Book value<br>£'000 | Accounting policy<br>alignments<br>£'000 | Fair value<br>adjustments<br>£'000 | Fair value<br>£'000 |
|-------------------------------|---------------------|------------------------------------------|------------------------------------|---------------------|
| Intangible fixed assets       | 94                  | (94)                                     | -                                  | -                   |
| Tangible fixed assets         | 102                 | -                                        | (72)                               | 30                  |
| Current assets                | 10                  | -                                        | (10)                               | -                   |
| Creditors due within one year | <u>(216)</u>        | <u>-</u>                                 | <u>(117)</u>                       | <u>(333)</u>        |
|                               | <u>(10)</u>         | <u>(94)</u>                              | <u>(199)</u>                       | <u>(303)</u>        |
| Total consideration           |                     |                                          |                                    | <u>248</u>          |
| Goodwill                      |                     |                                          |                                    | <u>551</u>          |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 16 ACQUISITION (CONTINUED)

The accounting policy alignments comprise adjustments to not recognise internally generated goodwill as an intangible asset.

The fair value adjustments represent accelerated depreciation on fixed assets whose estimated economic lives have been shortened, the write down of debtors to reflect current assets at their net realisable value and accruals for unprovided liabilities.

The total consideration comprises: £'000

|                      |            |
|----------------------|------------|
| Cash                 | 207        |
| Acquisition expenses | <u>41</u>  |
|                      | <u>248</u> |

## 17 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.

## 18 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.

## 19 ULTIMATE PARENT COMPANY

The company's ultimate parent and controlling company is Ambient plc which is incorporated in the United Kingdom. The financial statements of the Ambient plc can be obtained from that company's registered office, which is Cardinal Tower, 12 Farringdon Road, London EC1M 3NN.