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travel

ONLINE



seaforths

One of the top 15 business travel agents in the UK utilising award winning TicketWindow E-Commerce Technology.

"Seaforths On Line, a travel booking product, is the greatest innovation in travel since the Wright Brothers. We have made significant reductions in cost as well as management time."

Fraser Innes, Managing Director
Petroline WellSystems



global traveller

One stop shop travel reservations. Internet access to 650 airlines, 43,000 hotels and more than 2 million special and package fares. Best Deals available for business and leisure travellers.

"The TelMe.com and TelMe Global Traveller brands are achieving rapid sales growth which should be further accelerated through its recently announced agreements with Telewest, Egg and Freeserve."

Citywire.co.uk
31.3.00

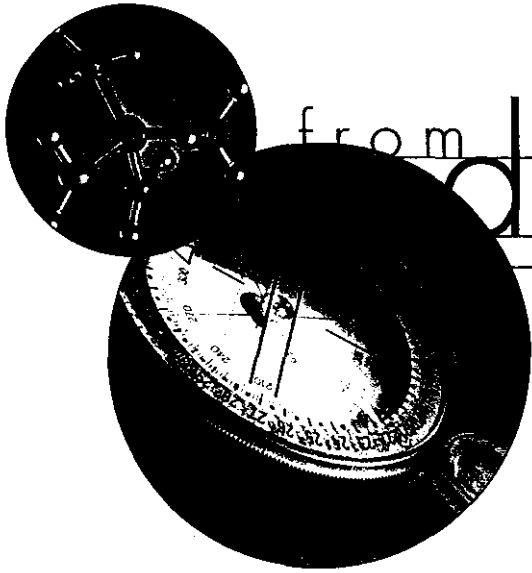


farebase

Providers of content and technology to the travel industry.

"Our partnership with Farebase has enabled us to grow and prosper in this fast changing world of information technology."

John Flin, Managing Director
Wallace Arnold Worldchoice



from data to
KNOWLEDGE



GB Information Management

Market leading database solutions providing a unique combination of data, software and services to support leading edge and large-scale customer relationship management programmes.

"GB Information Management are key in the consultancy and analytical market place."

Database Marketing
- Jan '00



datacare

The leading independent provider of telephone numbering services to corporates.



business information

Comprehensive information for businesses online, company information and credit checking, market research tools and comprehensive business and customer directories.



CHAIRMAN'S STATEMENT

OVERVIEW

During the year your company has made significant progress. The financial highlights of the year were:

- The Group operating loss for the year before the amortisation of goodwill and other intangibles was £1.4 million (1999: £3.1 million).
- Cash absorbed by operations for the full year was £0.7 million (1999: £1.8 million). In the last six months the Group moved towards profitability and generated cash of £0.2 million from operations.
- Gross sales increased to £51.6 million (1999: £31.7 million) and turnover was £14 million (1999: £10 million).
- Cash balances at 31 March 2000 were £4 million (1999: £4 million). Short-term borrowings were £1.4 million (1999: £1.1 million) giving net cash balances available to the Group of £2.6 million (1999: £2.9 million).

GROUP REVIEW

The Group has three operating divisions:

- Customer Information & Database Management (CIDM)
- Online Services
- Corporate Travel

CIDM

This division is represented by GB Information Management and Datacare. It provides name address and telephone number data capture, management and enhancement software and services and is used by businesses to validate names, addresses and telephone numbers. Bureau and data analysis services are also provided which enable the analysis and creation of databases for improved consumer targeting. Customer database outsourcing, a rapidly growing service, allows corporates with large databases to outsource the management and interpretation of their customer databases. The division is performing well and profitably.

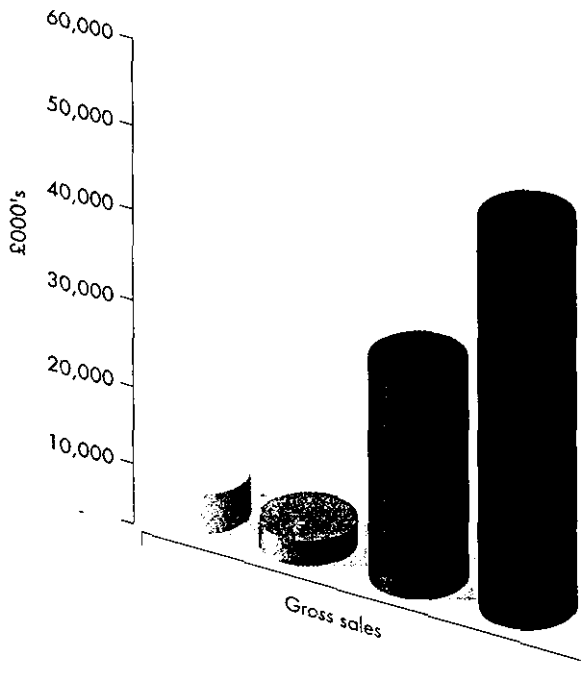
ONLINE SERVICES

This division provides the operations and development for the electronic commerce activities of the Group. The division provides online business information and travel services in both business-to-business and business-to-consumer markets under the Online brand TelMe. It also licenses electronic commerce systems both in the UK and overseas.

Under the Farebase brand it distributes information and technology to the UK travel trade. In August 1999, the Group launched TelMe Global Traveller, an Internet travel service, which has been developed using the Ticket Window Technology, acquired a year earlier. This service has achieved significant success. In November 1999, annualised gross sales were £1 million and by May this year, they had grown to £5 million. This division is currently loss making as a result of the investment in research and development and promotional expenditure needed to establish the new products.

CORPORATE TRAVEL

Corporate Travel is represented by Seaforths Travel Limited which is one of the top 15 business travel agents in the UK. The division's performance earlier in the year was disappointing but in recent months we have seen a significant improvement and the division has now moved into profit. Seaforths plays a vital role in the booking fulfillment process and in providing content for TelMe Global Traveller.



ACQUISITIONS

In November 1999, the Group acquired Farebase Limited, an information provider to the travel industry. The company also sells software to travel agents and is an important element in our plans to become a leading Internet travel service provider. The Farebase data was combined with that of TelMe Global Traveller in mid May to create a one-stop leisure and business travel service. Farebase is profitable and growing.

Our strategy for the coming year will be to make further acquisitions of profitable businesses where these have clear synergies with our existing businesses.

CHANGE OF NAME

In February the Group changed its name from Phonelink plc, which has ceased to be meaningful in the context of its new activities. The new name, TelMe.com plc, is also the Web address of the Group's Internet trading platform.

BOARD APPOINTMENT

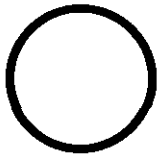
In April 2000, the company announced the appointment, as a Non-Executive Director, of John Walker-Haworth. John had worked with the Group as an advisor over a number of years at S.G. Warburg. He is also Deputy Chairman of the Takeover Panel. His experience and knowledge will be a great asset to the business moving forward.

PROSPECTS

TelMe.com is now a well-balanced business with excellent prospects. The volatility in the market of Internet stocks has affected the public perception of the company, however, our Internet interests are growing impressively, operating alongside our other profitable interests. It is our strong expectation that our improving performance in the year ahead will create a Group of stability and strength. We are grateful to Graham Ramsey and his colleagues for their ongoing dedication and contribution.

Sir G C Brunton
Chairman
14 June 2000

CHIEF EXECUTIVE'S REVIEW



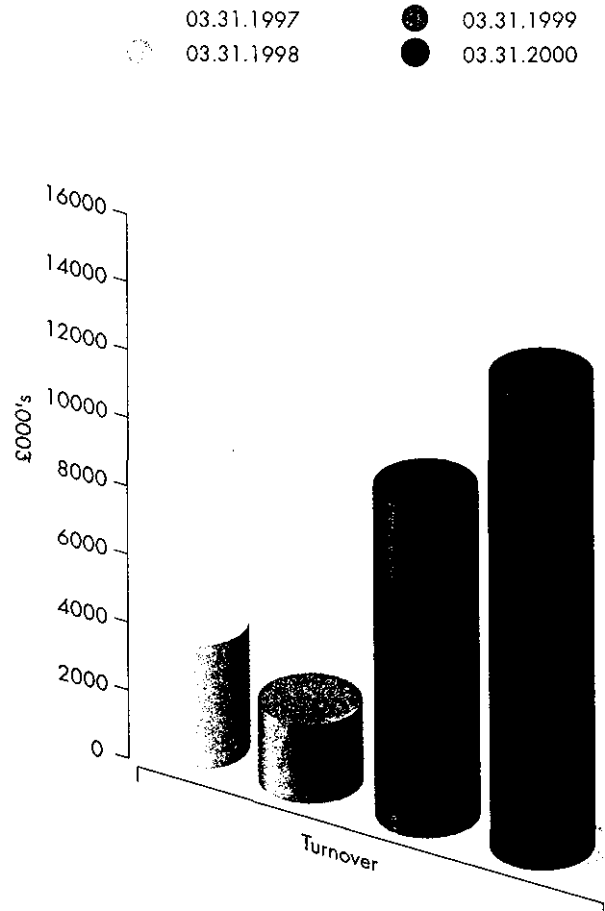
Over the last three years the company has expanded substantially by acquisition and organic growth. TelMe.com is now a business with an established customer base and strong revenue streams. The activities of the Group's three divisions are complimentary and interact to service a combined customer base providing innovative products and proven services in rapidly expanding markets, both at home and abroad. The Group is committed to achieving growth by increased e-commerce trading and the provision of customer relationship management services. We have focused technical development in the areas of key competence and where a market need is clearly defined.

CUSTOMER RELATIONSHIP MANAGEMENT SERVICE

The year to 31 March 2000 has been a year of substantial restructuring and re-organization, which has created a sound platform for organic growth. In our customer information and database management division, which is the amalgamation of DataCare with GB Information Management, we identified, that real growth could be achieved by providing a "Customer Relationship Management" service, following an increasing need for companies to collect and retain detailed knowledge of their customers. Projects have been undertaken for major companies including Nestle, London Electricity, W H Smith and Demon Internet. An important aspect of this capability is that as we collect information about our own customers who use the TelMe Internet Portal, we have the capability to manage the database and apply state of the art market analysis tools to expand further our relationship with existing customers as well as identifying potential new users.

CORPORATE TRAVEL DIVISION

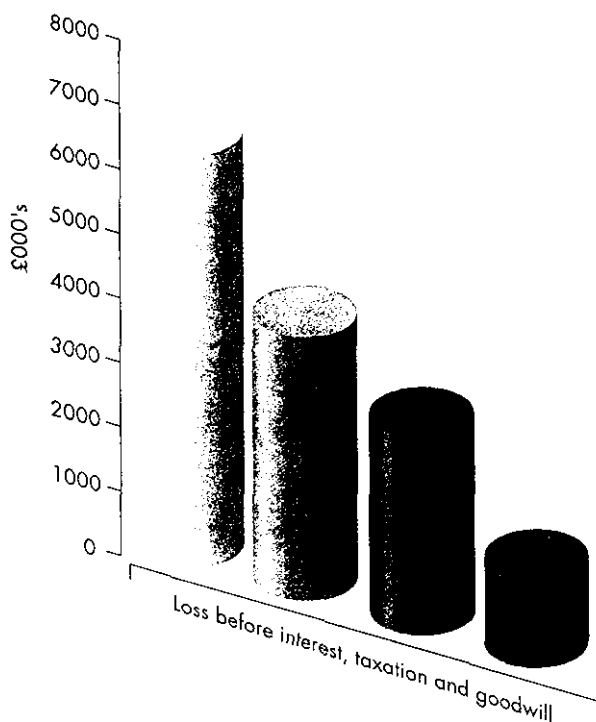
Following an increase in the activity of established customers the corporate travel division comprising Seaforths Travel is now performing well, with the acquisition of new clients and a strengthening of the management team. Recent success in winning new business in a competitive environment is due to the cost saving Seaforths is able to achieve in annual travel expenditure for corporate clients. TicketWindow technology has made this possible coupled with Seaforths' commitment to providing the most economic business travel service. The proportion of travel booked electronically has continued to increase during the year further improving the efficiency of our business and service to our clients.



TRADING AGREEMENTS

Seaforths' extensive travel experience, its infrastructure geared to managing large numbers of transactions and the volume of traffic needed to secure favourable deals with suppliers has proved to be a great asset in the successful launch of TelMe Global Traveller. The first advertisement for this Internet product appeared in early January 2000. The impact of this highly effective but relatively low budget campaign has seen a substantial and sustained growth in site visits and bookings. The range of flights and hotel options available, ease of use and highly competitive fares has stimulated positive press comment. To maximize brand exposure and drive traffic to the TelMe Global Traveller portal, we have signed a number of important affiliate deals. Some of the better-known names with whom we have partnership agreements in place are Egg, Freeserve, World Online, 1Travel.com (USA) and Worldchoicetravel (USA). In addition, the development to enable access to TelMe Global Traveller and make bookings via an interactive television has been completed and an agreement with Telewest is in place where TelMe is one of the very first companies offering travel services to television viewers online. We have also perfected the technology which enables travel bookings via a WAP (Wireless Application Protocol) phone. This exciting new development will enable us to exploit the opportunity of this vast potential market.

● 03.31.1997 ● 03.31.1999
 ● 03.31.1998 ● 03.31.2000



ACQUISITION OF FAREBASE

During the year we have developed and improved our range of electronic commerce products and have concentrated our efforts on providing technology for the travel industry. This has resulted in a refocus of our sales activity to give greater emphasis to the sales of technology licenses internationally. To accelerate our progress in this area Farebase was acquired in October of last year and its acquisition is of great importance to our strategy going forward. Farebase supplies 700 travel agents in the UK with inventory collected using its interrogation tools from tour operators' databases of package holidays, charter and scheduled flights. The combination of the Farebase and TicketWindow technology has resulted in improved products for existing Farebase customers and new products to add to our portfolio of travel E-commerce technology. The inventory collected will also appear on the TelMe Global Traveller portal broadening its appeal to leisure travellers.

TICKETWINDOW

E-commerce travel technology which includes "TicketWindow", the corporate travel booking and management software, and "TicketWindow Internet Booking Engines" has now been licensed in the UK, Europe, and India. Based on current trends we believe that ongoing sales of these systems will provide a valuable revenue stream. A technology license has also been agreed with ATP (Netherlands) enabling them to provide an exclusive travel service to the Internet service provider World Online in most European countries. We have also signed an exclusive deal with ATP to provide fulfillment of tickets for this service in the UK.

STRONGER SECOND HALF

Results in the second half of the year have been very encouraging boosted by eleven new data outsourcing contracts, increased travel bookings generated by electronic trading and revenue from travel technology licensing agreements signed both in the UK and overseas. We are committed to ensuring the Group grows in size and strength with the capability to deliver improved results.

G J Ramsey
 Chief Executive Officer
 14 June 2000

FINANCIAL AND OPERATING REVIEW

As explained in the Chairman's statement and Chief Executive's review, the Group further consolidated its position in existing markets during the year and expanded its activities through acquisition.

The Group's gross sales and turnover continued to grow. Turnover reached £14 million compared to £10 million in 1999 and £3.2 million in 1998, representing an increase of 335% over two years.

Gross profitability improved during the year and operating expenses grew less quickly than turnover despite heavy marketing costs for TelMe Global Traveller towards the year end to yield an operating loss before the amortisation of goodwill and other intangibles of £1.4 million (1999: £3.1 million). The retained loss for the year was £2.1 million (1999: £3.4 million). The second half of the year saw performance continue to improve compared to the first half. Turnover was 20% higher than the first half, losses were much reduced and the Group's operations generated cash of £0.2 million compared to cash absorbed of £0.9 million in the first half.

The Group's cash position and liquidity remained encouraging with cash balances of £4.0 million (1999: £4.0 million) and short term borrowings of £1.4 million (1999: £1.1 million) giving net cash balances available to the Group at 31 March 2000 of £2.6 million (1999: £2.9 million).

GROSS SALES

Gross sales represent the value of goods and services invoiced to customers for which the Group is responsible. This includes the value of amounts invoiced for bought in services from airlines and other operators which are charged on to customers by the Corporate Travel division and the Online Services division. The Group earns commissions and fees as a result of generating gross sales. These commissions and fees are disclosed under turnover for the Group.

TURNOVER

Turnover increased during the year by 40% to £14 million (1999: £10 million). This was attributable to organic growth within existing businesses, the inclusion of full year results for acquisitions made part way through the previous year and to the acquisition of Farebase Limited which took place in November 1999.

The components of turnover during the year were as follows:

Customer Information and Database Management (CIDM)

This division comprises the activities of GB Information Management ("GB") and DataCare, both of which operate in the Customer Relationship Management (CRM) and direct marketing sectors. The DataCare business which was part of the Group before

the acquisition of GB was formally merged with GB during the year. Synergies arising from the merger assisted the seasonal upturn in the latter part of the year to yield particularly strong growth in the second half with turnover up 23% compared to the first half.

The move towards generating a higher proportion of turnover, from providing outsourcing services for the management of customer databases, continued with significant business wins during the year. These arrangements with clients such as Nestle, London Electricity, W H Smith and Demon Internet are typically long term and high value and have had a positive impact on the structure and quality of the CIDM division's income.

Online Services Division

This division comprises the Group's Internet and Technology businesses which have been brought together during the year. Turnover is derived principally from commission on the sale of Internet travel services through TelMe Global Traveller (www.Telme.com), the provision of online business information through the TelMe business information product and the sale of software and Internet booking engine licences for TelMe Ticket Window.

Turnover in the year was £1.3 million (1999: £1.2 million), including £0.3 million from Farebase. Turnover associated with the TelMe business information product reduced during the year by around 35%. This product, which makes use of proprietary technology, retains a loyal following of customers but is no longer actively sold as a core product within the Group. Sales of all other products and services within the Online Services division experienced organic growth during the period.

Corporate Travel

The Corporate Travel division saw recovery during the year in its core markets. Progress was also made into new and growing markets including computer services and financial services. A presence in Covent Garden in Central London also assisted the sales recovery and sales growth continued in the second half of the year. This was despite an expected down turn because of the seasonally slow Christmas period and fears of travelling around the time of the millennium. Turnover for the year was £3.5 million (1999: £2.4 million).

GROSS PROFIT AND COST OF SALES

Gross profit for the year increased from £7.5 million to £11 million. The increase was as a result of both higher turnover and a richer sales mix resulting from quicker growth within our higher margin businesses. Expressed as a percentage of turnover, gross margin for the Group increased during the year from 75% to 79%.

In terms of distribution, seasonal factors together with strong performances from all divisions in later months meant that £6.3 million of the £11 million gross profit was generated in the second half.

OTHER OPERATING EXPENSES

Other operating expenses excluding goodwill were £12.5 million (1999: £10.7 million). On a like for like basis, excluding exceptional costs, other operating expenses increased year on year by 30%. This growth in operating expenses compares favourably with the increase in turnover of 40% and increase in gross profit of 46%. The Group maintained a high level of commitment to Research and Development during the year with expenditure of £1.6 million (1999: £1.5 million) on the development of new products and services and improvement of existing products and services.

GOODWILL AMORTISATION

The Group has followed Financial Reporting Standard 10 and consequently purchased goodwill arising on consolidation in respect of the acquisition during the year has been capitalised. This goodwill is amortised to nil by equal annual instalments over its useful economic life. For the acquisition made during the year the Board has estimated the useful economic life of the purchased goodwill to be ten years. The goodwill amortisation charge for the year ending 31 March 2000 in respect of acquisitions made during the year and in previous years was £0.6 million (1999: £0.4 million).

OPERATING LOSS

The net operating loss for the year before the amortisation of goodwill and other intangibles was £1.4 million (1999: £3.1 million). After the amortisation of goodwill and other intangibles, the operating loss was £2.1 million. The components of this balance were as follows:

Customer Information and Database Management

This division generated operating profits of £1.2 million before goodwill amortisation (1999: £0.7 million) and £0.7 million after goodwill amortisation (1999: £0.4 million).

This business traditionally performs better in the second half than the first half because of seasonality. This was magnified in the current year as a result of particularly strong organic growth in the second half of the year. Operating profits after goodwill amortisation for the second half were £1.0 million compared with a loss of £0.3 million in the first half.

Online Services

The Online Services division incurred an operating loss of £1.8 million (1999: £2.9 million). During the year, new products were developed and launched, such as the Internet travel service TelMe Global Traveller, and the scope of our online travel activities were expanded by the acquisition of Farebase Limited. The Ticket Window software product acquired last year was further developed and adapted to be sold to small and medium sized travel agents internationally in the form of Internet booking engines. This enables these agents to provide their

clients with cost effective Internet access to their services. With a significant number of potential customers worldwide and with sales success already achieved, the early signs for this business are promising.

Of the £1.8 million operating loss for the year, £1.3 million was incurred in the second half. The increase in second half losses was principally as a result of the marketing and staff resource directed towards the launch and market testing of TelMe Global Traveller. These have reduced since the year end as the product has settled into its post launch marketing cycle.

Corporate Travel

The Corporate Travel division continued to perform below expectations particularly in the first half of the year because of the ongoing impact of the low oil price on its oil services industry customers. The underlying performance improved significantly in the second half despite the seasonal downturn at Christmas which was more marked than previously because of fears of travelling at the time of the millennium. Of the loss for the year of £246,000, £202,000 was attributable to the first half and £44,000 was attributed to the second half year.

CENTRAL COSTS

Central costs incorporate the costs of the Group's Head Office and Board, and the costs of certain central functions and services not allocated to the Group's divisions.

INTEREST RECEIVABLE LESS PAYABLE

Interest is earned on cash balances which are invested in accordance with the Group's Treasury Policy. Net interest receivable during the year reduced from £219,000 to £39,000. This was as a result of lower average cash balances and lower prevailing interest rates throughout the year.

TAXATION

The Group did not incur a taxation charge in the year in respect of its ongoing businesses or its acquired Farebase business. At 31 March 2000, the Group had losses available for offset against the future trading profits of certain of its business activities of £19.3 million (1999: £18.8 million).

AMOUNTS TRANSFERRED FROM RESERVES

The amount transferred from reserves to cover trading losses was £2.1 million down from £3.4 million in the previous year.

FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise bank loans, finance leases and hire purchase contracts, cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

BALANCE SHEET AND LIQUIDITY

Explanations of the most significant movements in the balance sheet during the year are as follows:

Intangible assets

The carrying value of intangible assets at 31 March 2000 was £11.8 million (1999: £12.4 million). During the year additional goodwill arose on the acquisition of Farebase Limited resulting in an increase in the value of goodwill of £0.4 million. A provision for goodwill which arose last year in respect of earn out arrangements for the acquisition of Seaforths of £0.2 million was reversed which reduced the accrued cost of the acquisition and, therefore, goodwill by £0.2 million in the Group's books. The carrying value of goodwill on acquisitions and other intangible assets was further reduced by amortisation in accordance with the Group's accounting policies by £0.6 million and £0.2 million respectively.

The accrual for goodwill arising on the acquisition of GB in relation to the earn out arrangements remains in the accounts at £3.4 million representing the estimate of earn out which may be due at the end of the earn out period in August 2000. This estimate is based on the actual performance of GB to the end of March 2000 in conjunction with the forecast performance to the end of the earn out period. The amount of actual earn out due at the end of August 2000 will be paid as follows:

- The first 35% of any earn out amount due will be paid by the issue of new ordinary shares at the average market price over the 28 dealing days preceding the end of the earn out period.
- The balance of 65% of any earn out amount due will be paid either by the issue of new ordinary shares, the price being determined in the same way as above, or by the payment of cash.

The method of payment adopted will be at the option of the Board and will be influenced by factors such as alternative uses for Group cash.

In accordance with Financial Reporting Standard (FRS) 7, the balance sheet at 31 March 2000 assumes that the total amount due under the earn out will be paid by the issue of new ordinary shares. In order to be consistent this treatment has also been adopted for the comparative figures for the year to 31 March 1999.

DEBTORS

Debtors at the year end were £6.8 million (1999: £6 million) comprising £6 million of trade debtors and £0.8 million of other debtors. The level of trade debtors is a function of the value of gross sales for travel services within the Corporate Travel and Online Services divisions. The full value of gross sales is reflected in trade debtors.

CASH AND SHORT TERM DEPOSITS AND LIQUIDITY

At 31 March 2000, the Group had cash and short term deposits of £4 million (1999: £4 million). The Group also had overdrafts of £1.4 million (1999: £1.1 million) giving net cash balances available to the Group of £2.6 million (1999: £2.9 million). During the year the Group raised £1 million net of costs by way of a placing to fund the marketing of its TelMe Global Traveller product. The principle uses of cash during the year were the investment in Group fixed assets of £0.5 million, the repayment of the capital element of loans of £0.1 million and the payment of corporation tax in relation to a pre-acquisition tax liability of GB of £0.1 million. Operating activities, including the marketing of TelMe Global Traveller, absorbed £0.9 million of cash in the first half of the year but generated £0.2 million of cash in the second half of the year giving net cash consumed by operations for the year of £0.7 million.

R A Law
Group Finance Director

14 June 2000

DIRECTORS AND OFFICERS

EXECUTIVE DIRECTORS

Graham Ramsey - Chief Executive Officer (Aged 48)
Became a director and was appointed Chief Executive Officer in January 1997. He joined TelMe.com plc from United News and Media Group where he was Group Managing Director of United Advertising Publications.

Iain Barrie Johnston (Aged 34)
Became a director in July 1998 following the acquisition of GB Mailing Systems Limited, where he was Chairman and Managing Director. He is also a director of the Direct Marketing Association.

NON-EXECUTIVE DIRECTORS

Sir Gordon Charles Brunton - Chairman (Aged 78)
Became a member of the Board and was appointed Chairman in May 1993. He is also Chairman of a number of other private companies.

Richard Reynolds (Aged 61)
Appointed to the Board in February 1997. Formerly Chairman of GPT and a director of GEC, he is also a director of The National Grid Group plc and Photobition plc and is Chairman of Wavionix Limited.

Richard Anthony Law - Group Finance Director (Aged 40)
Appointed to the Board in June 1995. Before joining TelMe.com plc he was a Corporate Financier with Ernst & Young.

John Trevor Harrison (Aged 60)
Appointed to the Board in June 1995. He is also a non-executive director of a number of UK companies and a director of the Chelsea Building Society.

John Walker-Haworth (Aged 55)
Appointed to the Board in April 2000. He is currently an adviser to UBS Warburg. For twenty years he was a director of S.G. Warburg and Co and its successor organisations. He is also Deputy Chairman of the Takeover Panel.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises J T Harrison (Committee Chairman), Sir G C Brunton, R Reynolds and J Walker-Haworth. This committee liaises with the Group's auditors and reviews the Group's accounting policies, internal controls and its financial reporting.

Nomination Committee

The Nomination Committee comprises of the whole Board and is chaired by Sir G C Brunton. This committee is responsible for proposing candidates for appointment to the Board.

COMPANY SECRETARY

R A Law

Remuneration Committee

The Remuneration Committee comprises Sir G C Brunton (Committee Chairman), J T Harrison, R Reynolds and J Walker-Haworth. This committee sets the remuneration of the Group's executive directors.



DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 March 2000.

PRINCIPAL ACTIVITY

The principal activity of the Group during the period has been the development, sale and support of business and electronic commerce software, the provision of marketing database services, the licensing of technology and the operation of a business travel agency.

REVIEW OF OPERATIONS

The Group results are set out in the Group profit and loss account on page 19. A review of the Group's activities and the future development of the Group is contained in the Chairman's statement and Chief Executive's review on pages 4 to 7.

DIVIDENDS

The Directors do not recommend the payment of a final dividend.

EMPLOYEES

The employment policies of the Group embody the principles of equal opportunity and the Group does not discriminate against anyone on any grounds. The Group ensures that every consideration is given to applications for employment from disabled persons. If an employee became disabled, every effort would be taken to offer suitable alternative employment within the Group and assistance with retraining.

The Group keeps employees informed by periodic staff briefings and internal announcements and takes account of any comments and feedback provided by employees in the formulation of its policies and procedures.

Emphasis is placed upon providing a safe and healthy working environment.

MARKET VALUE OF LAND AND BUILDINGS

The freehold land and buildings of the Group comprise office accommodation at its Prenton site and its Great Yarmouth site. The properties were valued on 8 May 2000 and 31 March 2000 respectively.

The combined market value of the properties was £0.91 million compared to a combined net book value shown in the financial statements of £0.98 million.

The Directors consider the market value of land and buildings to be inappropriate for the continued use in the business and accordingly have included freehold land and buildings at their net book value.

RESEARCH AND DEVELOPMENT

The Group has continued to attach a high priority to research and development throughout the period aimed at the development of new products. During the year ended 31 March 2000, approximately 9% of the Group's staff were employed in research and development activities.

EVENTS SINCE THE BALANCE SHEET DATE

John Walker-Haworth was appointed to the Board as a non-executive director on 5 April 2000. His details are contained in the Directors and Officers section on page 11.

Following the unanimous decision of shareholders at an EGM held on 23 February 2000, the name of the Company was changed from PhoneLink plc to TelMe.com plc with effect from 1 April 2000.

Under an agreement dated 13 July 1998, between TelMe.com plc and Alterian Limited, TelMe.com plc acquired an option, subject to certain conditions, to subscribe for any new shares to be issued by Alterian Limited to parties other than existing shareholders. TelMe.com plc received notification in May 2000 of Alterian's intention to undertake a public placing of new shares to raise funds for the development of the business. Having considered the opportunity and the conditions attaching, the Board of TelMe.com plc resolved not to take up its option.

SUBSTANTIAL SHAREHOLDERS

As at 14 June 2000, the following interests, within the meaning of Part VI of the Companies Act 1985, which represented 3 per cent or more of the issued share capital of the Company had been disclosed to the Company.

	No.	Percentage
Mr and Mrs T J Burke	9,981,403	13.8%
Newton Investment	9,108,941	12.6%
Management		
Reggeborgh Participaties	3,990,000	5.5%
Mr P Chapman	3,835,448	5.3%
Mrs J Mills	2,100,107	3.0%

DIRECTORS AND THEIR INTERESTS

The names and brief biographical details of Directors at the date of this report are set out on page 11.

The Directors who served during the year ended 31 March 2000, and details of their interests in the share capital of the Company, are set out in the Report on Directors' Remuneration on pages 14 and 15. J Walker-Haworth was appointed to the Board on 5 April 2000 and in accordance with the Articles of Association will retire at the Annual General Meeting and being eligible has indicated his willingness to be re-appointed.

In addition, G Ramsey and R Reynolds will retire by rotation and being eligible have indicated their willingness to be re-elected.

G Ramsey's service contract is subject to a notice period of 12 months. The service agreements for R Reynolds and J Walker-Haworth are subject to notice periods of one month.

RENEWAL OF AUTHORITY TO ALLOT SHARES

An Ordinary Resolution will be put to shareholders pursuant to Section 80 of the Companies Act 1985, to authorise the Directors to allot relevant securities without the prior consent of shareholders.

The £195,572 nominal amount of relevant securities to which this authority relates represents approximately 10.8% of the nominal amount of issued share capital of the Company as at 14 June 2000. This authority is in addition to the authority granted in respect of the deferred consideration shares for the acquisition of GB Mailing Systems Limited, but replaces the authority granted at the EGM held on 23 February 2000. This authority, together with the authority granted in respect of the deferred consideration shares for the acquisition of GB Mailing Systems Limited represents the authorised, but unissued share capital of the Company. Except for the allotment of relevant securities pursuant to the exercise of share options and the deferred consideration in respect of the acquisition of GB Mailing Systems Limited, as described in the circular dated 26 June 1998, the Directors have no present intention of issuing any shares.

This resolution (Resolution 6) will be proposed as an ordinary resolution.

DIS-APPLICATION OF PRE-EMPTION RIGHTS

A Special Resolution will be put to the shareholders pursuant to Section 95 of the Companies Act 1985, empowering the Directors to allot equity securities for cash without first being required to offer such shares to existing shareholders. The £90,238 nominal amount of equity securities to which this authority relates represents approximately 5% of the issued share capital of the Company as at 14 June 2000.

This resolution (Resolution 7) will be proposed as a special resolution.

POLICY ON PAYMENT OF SUPPLIERS

Payment dates are established according to the agreed date of delivery of goods or provision of services and receipt of a correct invoice. Each business within the Group agrees the length of payment terms with each of its main suppliers. Invoices from all other suppliers which are not the subject of dispute are paid on or before the end of the month following the month of invoice. The number of days purchases in trade creditors at the balance sheet date was 37.

DONATIONS

The Group made no charitable or political donations during the year.

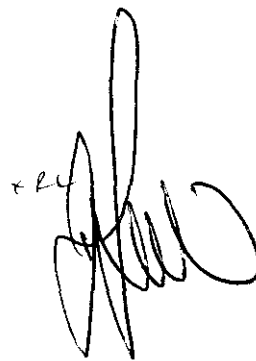
YEAR 2000

The Group successfully completed all aspects of its Year 2000 project during 1999, including rectification, testing and contingency planning. No significant problems arose in its operations or any other area on the rollover from 1999 to 2000. However, the Group remains vigilant for potential latent problems.

AUDITORS

A resolution proposing the re-appointment of Ernst & Young as auditors to the Company will be put to the members at the Annual General Meeting.

By Order of the Board
R A Law - Secretary
14 June 2000



REPORT ON DIRECTORS' REMUNERATION

INTRODUCTION

The members of the Group's Remuneration Committee are Sir G C Brunton (Chairman), J T Harrison, R Reynolds and J Walker-Haworth.

The remuneration of each executive director is determined on behalf of the Board by the Remuneration Committee in accordance with provision B.2.1 of the Combined Code. It has an agreed framework of policies within which it recommends the remuneration package for each executive director. The remuneration of the non-executive directors is determined by the Board.

REMUNERATION POLICY

The company's policy is that executive directors should receive remuneration which is appropriate to their scale of responsibility and performance and which will attract, motivate and retain executives of the necessary calibre. The performance of directors is the major consideration when setting the levels of remuneration.

The remuneration packages of executive directors comprise annual salary, share options, health and car benefits, prolonged disability insurance and pension contributions.

SALARIES

In assessing the remuneration of executive directors, the Company compares the levels of remuneration offered to directors of similar type and seniority in other UK companies whose activities are similar to those of TelMe.com plc.

During the year ended 31 March 2000, the executive directors received increases in salary to adequately reward and incentivise them.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of non-executive directors is determined by the Board of directors in accordance with the Company's Articles of Association. They do not participate in any of the Company's bonus, share option or other incentive schemes.

PENSIONS

The Company does not have a contributory pension scheme. All pension payments for directors are paid directly into the directors' personal pension plans.

OTHER BENEFITS

The executive directors are provided with permanent health and private medical insurance. Any benefits arising are included in the remuneration details set out in this report.

In addition to health and medical cover, executive directors are eligible for other benefits which include the provision of a fully expensed company car or a company car allowance payment.

NOTICE PERIODS

Each of the executive directors except I B Johnston has a contract of service which is terminable by the Company on giving 12 months

notice. I B Johnston's contract is terminable by the Company on giving 12 month's notice commencing at any time after 31 July 2001.

DIRECTORS' INTERESTS

Set out below are the interests of the directors and their families in the share capital of the Company.

Ordinary shares of 2.5p	2000	1999
Sir G C Brunton	281,103	281,103
G Ramsey	9,534 *	9,534 *
R A Law	9,534	9,534
J T Harrison	15,254	15,254
I B Johnston	854,552 *	1,019,552 *

The shareholding of Sir G C Brunton reflects the inclusion of 68,200 shares held for Lady Gillian Brunton in a nominee holding account which are included by virtue of their status as immediate members of the same family.

* In addition to the shareholding shown above, G Ramsey has a non-beneficial interest in 125,000 ordinary shares held under an option agreement dated 5 November 1996. The agreement was made between firstly G Ramsey and secondly T J Burke, H Burke and I Woolsey which grants G Ramsey an option to purchase 125,000 shares from the other parties to the agreement. The option is exercisable at anytime from 6 January 1997. Under a revised agreement dated 8 February 2000, the exercise price was changed from 91p to 40p per share. As at 14 June 2000, no part of the option had been exercised.

♦ In addition to the shareholding shown above, I B Johnston has a non-beneficial interest in 428,142 ordinary shares in his capacity as trustee for shares held on behalf of the Chapman Family Trust.

EXECUTIVE SHARE OPTION SCHEME

TelMe.com plc has operated an Executive Share Option Scheme since May 1993 under which executive directors, managers and staff of the Group are granted options over shares in TelMe.com plc at prevailing market prices at the date of grant.

Options are granted to executive directors at the discretion of the Remuneration Committee and on the basis of their performance.

Set out on page 15 are the interests of the directors in the Executive Share Option Scheme operated by the Company.

At 31 March 2000, the price of the Company's shares quoted on the London Stock Exchange was 103.5p and the highest and lowest prices during the year ended 31 March 2000 were 238.5p and 28.5p respectively. There have been no other changes to directors' interests in the shares of the Company from the end of the year to 14 June 2000. Full details of the directors' interests in the shares and options of the Company are contained in the Register of Directors' Interests which is open to inspection.

DIRECTORS' REMUNERATION

	Salaries/ Fees £'000	Cash in lieu of benefits in kind £'000	Benefits in kind £'000	Other £'000	2000 Total £'000	1999 Total £'000
Sir G C Brunton	17	-	-	10*	27	35
G Ramsey*	160	3	13	-	176	172
R A Law*	85	-	12	-	97	93
I B Johnston*	95	11	1	-	107	74
T J Burke (resigned 31/07/1999)	24	-	-	-	24	51
J T Harrison	12	-	-	-	12	20
R Reynolds	12	-	-	-	12	20
	<u>405</u>	<u>14</u>	<u>26</u>	<u>10</u>	<u>455</u>	<u>465</u>

- * denotes executive director
- reimbursement of non-executive director's office and administration expenses

During the year Sir G C Brunton, J T Harrison and R Reynolds waived a proportion of their fees due under their service agreements. The amount of fees waived for Sir G C Brunton was £10,000 and £8,000 for both J T Harrison and R Reynolds.

H M Holterman and J H Jansen resigned as non-executive Directors on 31 July 1999 and 16 March 2000, respectively. During the year and previous year, neither H M Holterman or J H Jansen received any remuneration.

DIRECTORS' PENSION ARRANGEMENTS (DEFINED CONTRIBUTION)

	2000 Total £'000	1999 Total £'000
G Ramsey	16	16
R A Law	8	8
I B Johnston	5	4
	<u>29</u>	<u>28</u>

DIRECTORS' INTERESTS IN THE EXECUTIVE SHARE OPTION SCHEME

Share options

	At 31.3.99	Granted during financial year	Exercised during financial year	Lapsed during financial year	At 31.3.00	Option price (p)	Date exercisable
G Ramsey	50,000	-	-	-	50,000	60.00	2000-2007
	200,000	-	-	-	200,000	57.00	2000-2007
	200,000	-	-	-	200,000	36.25	2000-2007
	200,000	-	-	-	200,000	45.00	2001-2008
	200,000	-	-	-	200,000	41.50	2002-2009
	-	200,000	-	-	200,000	100.50	2002-2009
	<u>850,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>1,050,000</u>		
R A Law	41,080	-	-	-	41,080	315.97	1997-2004
	55,000	-	-	-	55,000	200.00	1999-2006
	20,000	-	-	-	20,000	39.50	2000-2007
	70,000	-	-	-	70,000	36.25	2000-2007
	75,000	-	-	-	75,000	31.50	2001-2008
	-	150,000	-	-	150,000	100.50	2002-2009
	<u>261,080</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>411,080</u>		

No share options were exercised in the year ending 31 March 2000 (1999: Nil).

The mid-market price of the ordinary shares at 31 March 2000 was 103.5p and the range during the year was 28.5p to 238.5p.

On behalf of the Board - Sir G C Brunton 14 June 2000

CORPORATE GOVERNANCE

COMPLIANCE WITH THE COMBINED CODE

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the Code provisions set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ron Hampel. The Company has been in full compliance with the provisions set out in Section 1 of the Combined Code throughout the year, with the exception of the following:

- The Board did not nominate a senior, independent non-executive director other than the Chairman during the financial year ended 31 March 2000. The Board is of the view that stakeholders should be free to contact any of its non-executive directors, and it has decided that it is not appropriate to nominate a single senior independent member. In this respect, therefore, the Company has not complied with this one detail of provision A.2.1 of the Combined Code.
- The period of notice for I B Johnston exceeds 12 months. The longer period was negotiated as part of the acquisition agreement of GB Mailing Systems Limited. The notice period under I B Johnston's service agreement is 12 months notice commencing on the first anniversary of the end of the earn out period. The end of the earn out period is 31 July 2000.

A statement of the directors' responsibilities in respect of the accounts is set out on page 18. Below is a brief description of the role of the Board and its Committees followed by statements regarding the Group's relations with investors, going concern and internal financial control.

THE WORKINGS OF THE BOARD AND ITS COMMITTEES

The Board

The Board currently comprises the non-executive Chairman, the Chief Executive, two other executive directors and three non-executive directors and is responsible to shareholders for the proper management of the Group. The biographies of all the directors together with details of the membership of the various committees of the Board appears on page 11. The non-executive directors are

independent of the Group and bring a range of experience and judgement to bear on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. To enable the Board to discharge its duties, all directors have full and timely access to all relevant information. The Board meets regularly to review trading performance, ensure adequate funding, set and monitor strategy, examine major acquisition opportunities and to report to shareholders.

The following Committees deal with specific aspects of the Group's affairs:

Audit Committee

The Audit Committee comprises of non-executive directors and is chaired by J T Harrison. The Committee provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Chief Executive and Finance Director. The Audit Committee is responsible for reviewing a wide range of financial matters including the half year and annual accounts before their submission to the Board and monitoring the controls which are in force to ensure the integrity of the financial information reported to shareholders. The Audit Committee reviews the appointment of external auditors and their remuneration both for audit work and non-audit work and discusses the nature and scope of the audit with the external auditors.

Remuneration Committee

The Remuneration Committee is chaired by Sir G C Brunton and comprises of non-executive directors. The Remuneration Committee has responsibility for determining the remuneration, contract terms and other benefits for executive directors, including the performance-related bonus scheme.

The Report on Directors' Remuneration, which includes details of directors' remuneration, pension entitlements and benefits together with information on service contracts, is set out on pages 14 to 15.

Nomination Committee

The Nomination Committee is chaired by Sir G C Brunton and comprises of the whole Board. The Committee is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. In appropriate cases, recruitment consultants are used to assist the process.

RELATIONS WITH SHAREHOLDERS

Communications with shareholders are given a high priority. The Financial and Operating Review on pages 8 to 10 includes a detailed review of the business. There is established dialogue with institutional shareholders including presentations after the Company's preliminary announcement of the year end results and at the half year.

The Chairman aims to ensure that the Chairman of the Audit, Remuneration and Nomination Committees are available at Annual General Meetings to answer questions. Details of resolutions to be proposed at the forthcoming Annual General Meeting can be found in the Notice of the Meeting sent to all shareholders.

GOING CONCERN

After making enquiries, 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.

INTERNAL FINANCIAL CONTROL

The Board has overall responsibility for the Group's system of internal financial control. This system is designed to provide reasonable but not absolute assurance against material mis-statement or loss. The full Board meets regularly and has adopted a schedule of matters which require a decision of the Board to ensure that full and effective control is maintained.

The Group has an organisational structure with clearly defined lines of responsibility and delegation of authority. There are also established procedures and reporting systems for monitoring the performance of the Group's businesses. The Audit Committee reviews the effectiveness of the system of internal financial control of the Group and receives reports from the executive management and external auditors at both the half year and the full year ends.

The Directors have delegated to executive management the detailed implementation of the system of internal financial control throughout the Group. This includes financial controls which assist the Board in meeting its responsibilities for the integrity and accuracy of the Group's accounting records. The Group Report and Accounts, prepared from these records, complies with generally accepted accounting principles.

The external auditors also review and test the system of internal financial control and the data contained in the Report and Accounts to the extent necessary for expressing their opinion on the Group Report and Accounts.

During the year to 31 March 2000, the Board reviewed and reported on the effectiveness of the Group's system of internal financial controls in accordance with the transitional approach for the Combined Code. Following publication of The Internal Control Working Parties Guidance (the Turnbull Report), the Group has set up formal procedures which are outlined below and will be implemented during the coming year.

During the year a procedure for risk review, appraisal and ranking was successfully introduced. This enables divisional management to generate a detailed risk profile for all significant business risks. The results of the risk reviews, which will be reviewed regularly and formally updated biannually, are reviewed by the relevant division and Group management and form the basis for future risk management. All significant resulting internal controls and agreed risk improvement recommendations are monitored by the Group Finance Director and any significant findings are brought to the attention of the Audit Committee and the Board.

As part of this procedure, internal control teams have been established at each division of the Group. These teams are chaired by the respective divisional managing director. There is also a Group Internal Control Co-ordinator whose function is one of collating and presenting the results of the divisional risk reviews and also establishing and monitoring the Group's risk management functions. The Internal Controls Co-ordinator reports directly to the Chief Executive and Group Finance Director on matters of internal control and risk management. Reports on the internal controls of the Group are then made to the Board through the Audit Committee. During the financial year commencing 1 April 2000 this work will be developed further to enable the Company to fully implement provisions D.2 and D.2.1 of the Combined Code in line with the recommendations contained within the Turnbull Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The following statement, which should be read in conjunction with the Auditors' Report set out below, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the accounts; and
- make judgements and estimates that are reasonable and prudent.

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

AUDITORS REPORT

AUDITORS REPORT TO THE SHAREHOLDERS OF TelMe.com plc

We have audited the accounts on pages 19 to 36 which have been prepared under the historical cost convention and the accounting policies set out on page 23.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the annual report. As described above, this includes responsibility for preparing the accounts 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, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts 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 accounts, 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 the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement on page 16 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the

Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

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 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 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 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 and of the Group as at 31 March 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.

Ernst & Young
Registered Auditor
Manchester
14 June 2000

Ernst & Young

GROUP PROFIT AND LOSS ACCOUNT

Year ended 31 March 2000

	Note	Continuing Operations	Aquisitions	2000 £'000	1999 £'000
		2000 £'000	2000 £'000	2000 £'000	1999 £'000
Gross Sales					
Customer Information and Database Management		9,181	-	9,181	6,398
Online Services		2,197	301	2,498	1,238
Corporate Travel		39,917	-	39,917	24,079
		<u>51,295</u>	<u>301</u>	<u>51,596</u>	<u>31,715</u>
Turnover	2				
Customer Information and Database Management		9,181	-	9,181	6,398
Online Services		1,005	301	1,306	1,238
Corporate Travel		3,487	-	3,487	2,378
		<u>13,673</u>	<u>301</u>	<u>13,974</u>	<u>10,014</u>
Cost of sales		<u>(2,950)</u>	<u>(15)</u>	<u>(2,965)</u>	<u>(2,492)</u>
Gross profit		10,723	286	11,009	7,522
Other operating expenses (excluding goodwill amortisation)		(12,303)	(237)	(12,540)	(10,708)
Goodwill amortisation		<u>(596)</u>	<u>(17)</u>	<u>(613)</u>	<u>(411)</u>
Operating (loss) / profit	2, 3				
Customer Information and Database Management		745	-	745	383
Online Services		(1,850)	32	(1,818)	(2,896)
Corporate Travel		(246)	-	(246)	(310)
Central Costs		<u>(825)</u>	<u>-</u>	<u>(825)</u>	<u>(774)</u>
		<u>(2,176)</u>	<u>32</u>	<u>(2,144)</u>	<u>(3,597)</u>
Loss from interest in associated undertakings				-	(3)
Interest receivable less payable	5			<u>39</u>	<u>219</u>
Loss on ordinary activities before taxation				(2,105)	(3,381)
Taxation	6			-	-
Loss on ordinary activities after taxation				<u>(2,105)</u>	<u>(3,381)</u>
Dividend				-	-
Amount transferred from reserves	16			<u>(2,105)</u>	<u>(3,381)</u>
Loss per 2.5p ordinary share (pence)	7			<u>(3.0)p</u>	<u>(5.4)p</u>
Loss per 2.5p ordinary share (pence) - diluted	7			<u>(3.0)p</u>	<u>(5.4)p</u>
Adjusted loss per 2.5p ordinary share (pence) - before goodwill amortisation and exceptional items	7			<u>(2.1)p</u>	<u>(3.0)p</u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2000.

There were no other recognised gains or losses in the year ended 31 March 2000 or in the year ended 31 March 1999 apart from those shown in the profit and loss account for the year.

GROUP BALANCE SHEET

As at 31 March 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Intangible assets	8	11,838	12,388
Tangible assets	9	2,178	2,273
		<u>14,016</u>	<u>14,661</u>
Current assets			
Stocks	11	1	11
Debtors	12	6,752	5,996
Cash and short term deposits		4,036	4,033
		<u>10,789</u>	<u>10,040</u>
Creditors: amount falling due within one year	13	<u>(7,745)</u>	<u>(6,616)</u>
Net current assets		<u>3,044</u>	<u>3,424</u>
Total assets less current liabilities		17,060	18,085
Creditors: amounts falling due after more than one year	14	<u>(443)</u>	<u>(743)</u>
		<u>16,617</u>	<u>17,342</u>
Capital and reserves			
Called up share capital	15	1,805	1,718
Share premium account	16	31,219	30,294
Merger reserve	16	7,757	7,389
Shares not yet issued	17	3,400	3,400
Profit and loss account	16	<u>(27,564)</u>	<u>(25,459)</u>
Shareholders funds attributable to equity interests		<u>16,617</u>	<u>17,342</u>

Approved by the Board on 14 June 2000.

G Ramsey - Director
R A Law - Director



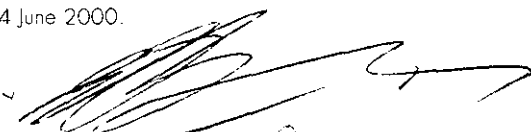

COMPANY BALANCE SHEET

As at 31 March 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Intangible assets	8	527	687
Tangible assets	9	1,272	1,255
Investments	10	6,543	6,669
		<u>8,342</u>	<u>8,611</u>
Current assets			
Stocks	11	-	9
Debtors	12	2,109	1,967
Cash and short term deposits		3,934	4,033
		<u>6,043</u>	<u>6,009</u>
Creditors: amounts falling due within one year	13	<u>(4,118)</u>	<u>(3,730)</u>
Net current assets		<u>1,925</u>	<u>2,279</u>
Total assets less current liabilities		10,267	10,890
Creditors: amount falling due after more than one year	14	<u>(11)</u>	<u>(258)</u>
		<u>10,256</u>	<u>10,632</u>
Capital and reserves			
Called up share capital	15	1,805	1,718
Share premium account	16	31,219	30,294
Shares not yet issued	17	3,400	3,400
Profit and loss account	16	(26,168)	(24,780)
Shareholders funds attributable to equity interests		<u>10,256</u>	<u>10,632</u>

Approved by the Board on 14 June 2000.

G Ramsey - Director
R A Law - Director

GROUP STATEMENT OF CASH FLOWS

Year ended 31 March 2000

	Note	2000 £'000	2000 £'000	1999 £'000	1999 £'000
Net cash outflow from operating activities	18(a)		(653)		(1,793)
Returns on investments and servicing of finance					
Interest received		199		390	
Interest paid		(154)		(157)	
Interest element of finance lease rental payments		<u>(6)</u>		<u>(14)</u>	
Taxation			39		219
Corporation tax paid			(92)		(237)
Capital expenditure					
Payments to acquire tangible fixed assets		(470)		(575)	
Receipts from the sale of tangible fixed assets		<u>54</u>		<u>213</u>	
Acquisitions and disposals			(416)		(362)
Disposal of associated undertaking		-		2	
Acquisitions of subsidiary undertakings		(42)		(2,557)	
Net cash / (overdrafts) acquired with subsidiary undertakings		<u>29</u>		<u>(194)</u>	
			<u>(13)</u>		<u>(2,749)</u>
Cash outflow before use of management of liquid resources and financing			(1,135)		(4,922)
Management of liquid resources					
Cash withdrawn from short term deposits			1,997		5,714
Financing					
Proceeds from issue of ordinary shares		990		-	
Share issue costs		(10)		(250)	
Repayment of capital element of finance leases		(100)		(60)	
Repayment of capital element of loans		<u>(44)</u>		<u>-</u>	
			<u>836</u>		<u>(310)</u>
Increase in cash	18(b)		<u>1,698</u>		<u>482</u>

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The Group accounts consolidate the accounts of TelMe.com plc and its subsidiary undertakings drawn up to 31 March each year. No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985.

Farebase Limited has been included in the Group accounts using the acquisition method of accounting. Accordingly the Group profit and loss account and statement of cash flows include the results and cash flows of that business. No transfer of share premium account is made on account of premiums on shares issued in consideration for the acquisition of companies which fulfil the conditions of Section 131 of the Companies Act 1985 in respect of merger relief.

Gross Sales

Gross sales represents the value of goods and services invoiced to customers exclusive of value added tax. This additional disclosure is included to illustrate the impact on the value of amounts invoiced to customers of bought in services from airlines and other operators which are charged on to customers by the Corporate Travel Division in the invoiced amounts. Turnover for the Corporate Travel Division represents *commission income net of the cost of bought in services charged directly to the customer.*

Turnover

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

Recognition of licensing income

Revenue is recognised in the period of the sale of software licences for established products where the costs of fulfilling vendor obligations under the licence agreements have been shown historically to be insignificant and are estimated to continue to be insignificant.

Revenue associated with the sale of software licences for other products where the cost of fulfilling vendor obligations under the licence agreement are significant, or are yet to be determined with accuracy, is credited to the profit and loss account over the period to which the licence relates.

The cost of fulfilling vendor obligations under the licence agreements are expensed as incurred.

Revenue associated with specific technology agreements is recognised in accordance with the provision of the relevant agreement and on the basis of the work done.

Deferred taxation

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

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

Research and development

Research and development costs are written off in the period in which they are incurred.

Leasing and hire purchase agreements

Assets held under finance leases and hire purchase agreements are capitalised in the balance sheet and depreciated over their useful lives. The capital elements of future obligations are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding. Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Goodwill

Goodwill arising on acquisitions since 1 April 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets

An intangible asset purchased separately from a business is capitalised at its cost. An intangible asset acquired as part of an acquisition of a business is capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of an intangible asset is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is not provided on freehold land. Depreciation is provided on all other tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	2 to 10% straight line (dependent upon the structure and composition of the building)
Short leasehold	lease term
Motor vehicles	25% straight line
Computer equipment	25% straight line
Office fixtures, fittings, plant and machinery	10 to 25% straight line

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

Stocks

Stocks are stated at the lower of cost and net realisable value.

Pensions

The company does not have a contributory pension scheme. Payments are made to individual private defined contribution pension arrangements. Contributions are charged in the profit and loss account as they become payable.

NOTES TO THE ACCOUNTS CONTINUED

2. SEGMENTAL INFORMATION

Turnover and operating loss arise from the provision of goods and services to customers in the United Kingdom by the Group's Online Services, Customer Information and Database Management and Corporate Travel activities in the United Kingdom. The analysis of turnover and operating loss by activity is shown on the face of the profit and loss account.

The table below sets out the capital employed for each of the Group's business segments.

	2000 £'000	1999 £'000
Customer Information and Database Management	7,988	8,886
Online Services	340	(81)
Corporate Travel	<u>6,233</u>	<u>6,777</u>
	14,561	15,582
Cash	4,036	4,033
Unallocated liabilities	<u>(1,980)</u>	<u>(2,273)</u>
	<u>16,617</u>	<u>17,342</u>

Unallocated liabilities comprise overdrafts, loans, taxation, liabilities under finance leases and contingent purchase consideration.

3. OPERATING LOSS

(a) Operating loss is stated after charging:	2000 £'000	1999 £'000
Goodwill amortisation	613	411
Amortisation of intangible fixed assets	160	113
Depreciation of owned fixed assets	456	745
Depreciation of assets held under finance leases and hire purchase agreements	86	95
Operating lease rentals		
land and buildings	247	166
plant and machinery	105	4
other	261	223
Research and development expenditure	1,586	1,515
(b) Auditors' remuneration was as follows:	2000 £'000	1999 £'000
Audit services	51	47
The fees for non-audit services amounted to £37,000 (1999: £393,000) of which, £4,000 related to the acquisition of Farebase Limited.		
(c) Included in other operating expenses are exceptional costs which can be analysed as follows:	2000 £'000	1999 £'000
Provision against assets no longer used	-	369
FRS 11 provision against tangible fixed assets	-	515
Redundancy costs	-	100
Costs of aborted acquisition	-	100
	<u>-</u>	<u>1,084</u>
(d) Other operating expenses:	2000 £'000	1999 £'000
Administrative expenses	11,655	10,413
Distribution costs	<u>1,498</u>	<u>706</u>
	13,153	11,119
Less: goodwill amortisation	<u>(613)</u>	<u>(411)</u>
	<u>12,540</u>	<u>10,708</u>

NOTES TO THE ACCOUNTS CONTINUED

4. STAFF COSTS	2000 £'000	1999 £'000
Wages and salaries	5,874	4,747
Social security costs	596	454
Other pension costs	148	107
	<u>6,618</u>	<u>5,308</u>

The average monthly number of employees during the year within each category was as follows:

	2000 No.	1999 No.
Research and development	20	22
Production	32	20
Selling and administration	215	212
	<u>267</u>	<u>254</u>

The number of employees at 31 March 2000 was 297 (1999: 238)

Details of the remuneration, pension entitlements and share options of each director are included in the Report on Directors' Remuneration on pages 14 to 15.

5. INTEREST RECEIVABLE LESS PAYABLE	2000 £'000	1999 £'000
Bank interest receivable	204	390
Bank interest payable	(121)	(131)
Finance charges payable under finance leases and hire purchase agreements	(6)	(14)
Loan interest payable	(38)	(26)
Net interest receivable	<u>39</u>	<u>219</u>

6. TAXATION

There was no tax charge/credit for the year.

At 31 March 2000, there were trading losses of £19,300,000 (1999: £18,800,000) available for offset against the future trading profits of certain of the Group's trading activities. There were also capital losses of £213,000 (1999: £187,000) for offset against future capital gains. At 31 March 2000, there was no potential liability to deferred tax (1999: £Nil).

The potential deferred tax asset of the group is as follows:	2000 £000	1999 £000
Accelerated capital allowances	1,319	1,079
Other timing differences	205	68
Trading losses	5,802	5,657
	<u>7,326</u>	<u>6,804</u>

The above calculations are based on corporation taxation rates of 30%.

NOTES TO THE ACCOUNTS CONTINUED

7. EARNINGS PER ORDINARY SHARE

Earnings per share have been calculated in accordance with Financial Reporting Standard 14 by reference to the following:

Earnings per share are based on	2000 pence	2000 £'000	1999 pence	1999 £'000
Loss after taxation	(3.0)	(2,105)	(5.4)	(3,381)
Add exceptional items	-	-	1.7	1,084
Add goodwill amortisation	0.9	613	0.7	411
Adjusted loss after taxation	<u>(2.1)</u>	<u>(1,492)</u>	<u>(3.0)</u>	<u>(1,886)</u>
			2000 No.	1999 No.
Weighted average number of shares in issue			70,080,556	62,768,440
Diluted effect of share options			-	-
Diluted weighted average number of shares in issue			<u>70,080,556</u>	<u>62,768,440</u>

The directors consider that EPS calculated on the adjusted loss is an appropriate measure of the Group's performance.

8. INTANGIBLE FIXED ASSETS

Group	Ticket Window £'000	Goodwill £'000	Total £'000
Cost			
At 1 April 1999	800	12,112	12,912
Acquisition of subsidiary undertakings	-	423	423
Adjustment to accrued earn out - Seaforths Travel Limited	-	(200)	(200)
At 31 March 2000	<u>800</u>	<u>12,335</u>	<u>13,135</u>
Amortisation			
At 1 April 1999	113	411	524
Provided during the year	160	613	773
At 31 March 2000	<u>273</u>	<u>1,024</u>	<u>1,297</u>
Net book value			
At 31 March 2000	<u>527</u>	<u>11,311</u>	<u>11,838</u>
At 1 April 1999	<u>687</u>	<u>11,701</u>	<u>12,388</u>

Goodwill arising on the acquisition of GB Mailing Systems Limited and Seaforths Travel Limited is being amortised evenly over the directors' estimate of its useful economic life of 20 years. Goodwill arising on the acquisition of Farebase Limited is being amortised evenly over the directors' estimate of its useful economic life of 10 years. No goodwill had previously been written off to reserves.

Ticket Window, an electronic travel booking system, was acquired at cost as part of the acquisition of Seaforths Travel Limited. It was transferred from Seaforths to TelMe.com on 13 July 1998. Ticket Window is being amortised evenly over the directors' estimate of its useful economic life of 5 years.

NOTES TO THE ACCOUNTS CONTINUED

Company	Ticket Window £'000
Cost	
At 1 April 1999 and 31 March 2000	<u>800</u>
Amortisation	
At 1 April 1999	113
Provided during the year	<u>160</u>
At 31 March 2000	<u>273</u>
Net book value	
At 31 March 2000	<u>527</u>
At 1 April 1999	<u>687</u>

9. TANGIBLE FIXED ASSETS

Group

	Freehold land and buildings £'000	Short leasehold buildings £'000	Motor vehicles £'000	Computer equipment £'000	Office fixtures, fittings, plant & machinery £'000	Total £'000
Cost						
At 1 April 1999	1,229	1	351	3,571	1,067	6,219
Acquired on acquisition	-	-	24	51	26	101
Additions	-	-	-	412	58	470
Disposals	-	-	(166)	(17)	-	(183)
At 31 March 2000	<u>1,229</u>	<u>1</u>	<u>209</u>	<u>4,017</u>	<u>1,151</u>	<u>6,607</u>
Depreciation						
At 1 April 1999	231	1	151	2,857	706	3,946
Acquired on acquisition	-	-	10	34	20	64
Provided during the year	19	-	67	355	101	542
Disposals	-	-	(116)	(7)	-	(123)
At 31 March 2000	<u>250</u>	<u>1</u>	<u>112</u>	<u>3,239</u>	<u>827</u>	<u>4,429</u>
Net book value						
At 31 March 2000	<u>979</u>	<u>-</u>	<u>97</u>	<u>778</u>	<u>324</u>	<u>2,178</u>
At 1 April 1999	<u>998</u>	<u>-</u>	<u>200</u>	<u>714</u>	<u>361</u>	<u>2,273</u>

Freehold land and buildings includes £215,000 (1999: £215,000) in respect of land.

The net book value in respect of assets held under finance leases and hire purchase agreements is £108,000 (1999: £228,000).

NOTES TO THE ACCOUNTS CONTINUED

Company	Freehold land and buildings £'000	Short leasehold buildings £'000	Motor vehicles £'000	Computer equipment £'000	Office fixtures, fittings, plant & machinery £'000	Total £'000
Cost						
At 1 April 1999	667	1	191	3,060	749	4,668
Additions	-	-	-	381	14	395
Disposals	-	-	(74)	(17)	-	(91)
At 31 March 2000	<u>667</u>	<u>1</u>	<u>117</u>	<u>3,424</u>	<u>763</u>	<u>4,972</u>
Depreciation						
At 1 April 1999	207	1	72	2,610	523	3,413
Provided during the year	10	-	35	243	59	347
Disposals	-	-	(53)	(7)	-	(60)
At 31 March 2000	<u>217</u>	<u>1</u>	<u>54</u>	<u>2,846</u>	<u>582</u>	<u>3,700</u>
Net book value						
At 31 March 2000	<u>450</u>	<u>-</u>	<u>63</u>	<u>578</u>	<u>181</u>	<u>1,272</u>
At 1 April 1999	<u>460</u>	<u>-</u>	<u>119</u>	<u>450</u>	<u>226</u>	<u>1,255</u>

Freehold land and buildings includes £75,000 (1999: £75,000) in respect of land.

The net book value in respect of assets held under finance leases and hire purchase agreements is £74,000 (1999: £147,000).

NOTES TO THE ACCOUNTS CONTINUED

10. INVESTMENTS

Company	Subsidiary undertakings £'000
Cost	
At 1 April 1999	6,669
Additions	74
Adjustment to accrued earn out - Seaforths Travel Limited	<u>(200)</u>
At 31 March 2000	<u>6,543</u>
Amounts written off	
At 1 April 1999	-
Provided in the year	-
At 31 March 2000	<u>-</u>
Net book value	
At 31 March 2000	<u>6,543</u>
At 1 April 1999	<u>6,669</u>

Details of the investments in which the Group and the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Subsidiary undertakings

Name of company	Description of holding	Proportion of voting rights and shares held	Nature of business
Seaforths Travel Limited	Ordinary shares	100%	Business travel
Minerva Technology Services Limited*	Ordinary shares	100%	Software services
Farebase Limited	Ordinary shares	100%	Travel information
Phonelink Data Limited	Ordinary shares	100%	Dormant
The TelMe Group Limited	Ordinary shares	100%	Dormant
TelMe Global Traveller Limited	Ordinary shares	100%	Dormant
DOT Limited	Ordinary shares	100%	Dormant
GB Mailing Systems Limited	Ordinary shares	100%	Dormant
GB Information Management Limited	Ordinary shares	100%	Dormant
GB Group Limited	Ordinary shares	100%	Dormant

*Minerva Technology Services Limited is indirectly owned by the Group as a result of the Group's ownership of Seaforths Travel Limited.

NOTES TO THE ACCOUNTS CONTINUED

On 1 November 1999, the Group acquired 100% of the share capital of Farebase Limited. Details of the acquisition are set out below:

	Farebase Limited £'000
Purchase consideration - ordinary shares with a par value of £31,250	400
Fees associated with the acquisition	42
Total consideration	<u>442</u>
Tangible fixed assets	37
Debtors	30
Cash at bank and in hand	29
Creditors	(65)
Obligations under finance lease and hire purchase agreements	<u>(12)</u>
Fair value of net assets acquired	19
Goodwill arising on acquisition	423
	<u>442</u>

There were no fair value adjustments arising on the acquisition of Farebase Limited.

Historic results for Farebase Limited were as follows:

	Year ended 31 October 1999 £'000	Year ended 31 October 1998 £'000
Turnover: continuing operations	626	576
Cost of sales	(88)	(95)
Gross profit	<u>538</u>	<u>481</u>
Net operating expenses	(554)	(437)
Operating (loss) / profit: continuing operations	<u>(16)</u>	<u>44</u>
Net interest receivable	4	1
(Loss) / profit on ordinary activities before taxation	<u>(12)</u>	<u>45</u>
Taxation on (loss) / profit on ordinary activities	(5)	(11)
(Loss) / profit on ordinary activities after taxation	<u>(17)</u>	<u>34</u>
Proposed dividend	(23)	-
(Loss) / profit retained for the year	<u>(40)</u>	<u>34</u>

There were no other recognised gains or losses in the years to 31 October 1999 and 31 October 1998 apart from those shown above.

NOTES TO THE ACCOUNTS CONTINUED

11. STOCKS

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Consumables	1	11	-	9
	<u>1</u>	<u>11</u>	<u>-</u>	<u>9</u>

The difference between the purchase price of stocks and their replacement cost is not material.

12. DEBTORS

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade debtors	5,962	5,456	2,097	1,828
Due from subsidiary undertakings	-	-	-	4
Other debtors, prepayments and accrued income	790	540	12	135
	<u>6,752</u>	<u>5,996</u>	<u>2,109</u>	<u>1,967</u>

All the above amounts are due within one year.

13. CREDITORS - amounts falling due within one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank overdraft	1,423	1,121	-	-
Obligations under finance leases and hire purchase agreements	60	92	45	64
Trade creditors	3,251	3,020	643	883
Other taxes and social security costs	525	269	493	223
Corporation tax	54	142	30	123
Accruals and deferred income	2,432	1,972	2,907	2,437
	<u>7,745</u>	<u>6,616</u>	<u>4,118</u>	<u>3,730</u>

Included in accruals and deferred income are advanced licence receipts of £203,000 (1999: £137,000).

The bank overdraft is secured over debtors.

NOTES TO THE ACCOUNTS CONTINUED

14. CREDITORS - amounts falling due after more than one year

	Group		Company	
	2000 £'000	Restated 1999 £'000	2000 £'000	Restated 1999 £'000
Due within one and two years				
Obligations under finance leases and hire purchase agreements	12	56	11	47
Earn out accrued	-	200	-	200
Obligations under loan agreements	96	-	-	-
	<u>108</u>	<u>256</u>	<u>11</u>	<u>247</u>
Due between two and five years				
Obligations under finance leases and hire purchase agreements	-	12	-	11
Obligations under loan agreements	211	120	-	-
	<u>211</u>	<u>132</u>	<u>-</u>	<u>11</u>
Due after more than five years				
Obligations under loan agreements	124	355	-	-
	<u>124</u>	<u>355</u>	<u>-</u>	<u>-</u>
Total	<u>443</u>	<u>743</u>	<u>11</u>	<u>258</u>

Interest during the year was charged on the loan agreements at rates of LIBOR plus 1.5% to LIBOR plus 1.75%. The finance leases and hire purchase agreements are at fixed rates of interest.

The loans are secured by a first legal charge over land and buildings, a mortgage debenture and cash.

15. SHARE CAPITAL

	2000 £'000	1999 £'000
Ordinary shares of 2.5p each		
Authorised	<u>2,250</u>	<u>2,250</u>
Allotted, called up and fully paid	<u>1,805</u>	<u>1,718</u>
During the year the following shares were issued:		
	No.	Price
Acquisition of Farebase Limited	1,250,000	32.00p
Private placing of shares	2,186,680	45.00p
Exercise of share options	20,000	36.25p
	<u>3,456,680</u>	

NOTES TO THE ACCOUNTS CONTINUED

At 31 March 2000, the following options over shares in the Company were outstanding:

Number of shares	Proportion of issued share capital	Exercise price	Date Exercisable
5,905	0.01%	150.93p	1996 to 2003
41,080	0.05%	315.97p	1997 to 2004
41,080	0.05%	211.30p	1998 to 2005
64,500	0.09%	200.00p	1999 to 2006
50,000	0.07%	60.00p	2000 to 2007
200,000	0.28%	57.00p	2000 to 2007
30,000	0.04%	39.50p	2000 to 2007
360,000	0.50%	36.25p	2000 to 2007
200,000	0.28%	45.00p	2001 to 2008
185,000	0.26%	31.50p	2001 to 2008
200,000	0.28%	41.50p	2002 to 2009
1,234,189	1.71%	100.50p	2002 to 2009
<u>2,611,754</u>	<u>3.62%</u>		

The earn out in respect of GB Mailing Systems Limited will operate based on the period from 1 August 1999 to 31 July 2000. Under the earn out agreement the former shareholders of GB Mailing Systems Limited can earn up to a maximum additional £6.0 million. £3.4 million has been provided in the Group accounts for the contingent consideration relating to GB Mailing Systems Limited. A minimum of 35% of the contingent liability will be paid in shares in accordance with the purchase agreement. The Company can determine how much of the contingent consideration will be paid in shares from the minimum of 35% up to the full amount of the contingent consideration. Therefore, £3.4 million has been disclosed as shares which may be issued. The comparative figures for 1999 reflect the treatment which has been adopted in the accounts for the year ended 31 March 2000. These shares do not affect the earnings per share calculation.

16. RESERVES

	Group			Company	
	Share premium account £'000	Merger reserve account £'000	Profit and loss account £'000	Share premium account £'000	Profit and loss account £'000
At 1 April 1999	30,294	7,389	(25,459)	30,294	(24,780)
Arising on issue of shares	935	368	-	935	-
Share issue costs	(10)	-	-	(10)	-
Retained loss for the year	-	-	(2,105)	-	(1,388)
At 31 March 2000	<u>31,219</u>	<u>7,757</u>	<u>(27,564)</u>	<u>31,219</u>	<u>(26,168)</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £'000	Restated 1999 £'000
Total recognised loss	(2,105)	(3,381)
New shares issued (net of issue costs)	1,380	7,650
Shares to be issued	-	3,400
Total movements during the year	<u>(725)</u>	<u>7,669</u>
Shareholders' funds attributable to equity interests at start of year	<u>17,342</u>	<u>9,673</u>
Shareholders' funds attributable to equity interests at 31 March	<u>16,617</u>	<u>17,342</u>

NOTES TO THE ACCOUNTS CONTINUED

18. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating loss to net cash outflows from operating activities	2000 £'000	1999 £'000
Operating loss	(2,144)	(3,597)
Depreciation	542	840
Goodwill amortisation	613	411
Amortisation of intangible fixed assets	160	113
Provision against tangible fixed assets	-	369
FRS 11 provision against tangible fixed assets	-	515
Loss / (Profit) on disposal of tangible fixed assets	6	(26)
(Increase) / Decrease in debtors	(726)	270
Decrease in stocks	10	3
Increase / (Decrease) in creditors	886	(691)
Net cash outflows from operating activities	<u>(653)</u>	<u>(1,793)</u>

Cash flow includes £Nil (1999: £200,000) for exceptional costs.

(b) Reconciliation of net cash flow to movement in net funds	2000 £'000	1999 £'000
<i>At the beginning of the period</i>	2,277	8,144
Finance leases arising on acquisition	(12)	(289)
Loans arising on acquisition	-	(406)
Decrease in debt	144	60
Increase in cash	1,698	482
Movement in short term deposits with banks	<u>(1,997)</u>	<u>(5,714)</u>
At the end of period	<u>2,110</u>	<u>2,277</u>

(c) Analysis of net funds	At 1 April 1999 £'000	At date of acquisition £'000	Cashflow £'000	At 31 March 2000 £'000
Cash at bank and in hand	1,830	-	2,000	3,830
Short term deposits	2,203	-	(1,997)	206
Sub total	<u>4,033</u>	-	<u>3</u>	<u>4,036</u>
Bank overdraft	(1,121)	-	(302)	(1,423)
Finance leases and hire purchase agreements	(160)	(12)	100	(72)
Loans	(475)	-	44	(431)
	<u>2,277</u>	<u>(12)</u>	<u>(155)</u>	<u>2,110</u>

NOTES TO THE ACCOUNTS CONTINUED

(d) Cashflow arising from acquisition of Farebase Limited	Farebase Limited £000
Net cash inflow from operating activities	80
Returns on investments and servicing of finance	-
Taxation	-
Capital expenditure and financial investment	(4)
Cash inflow before use of liquid resources and financing	76
Repayment of capital element of finance lease rentals	(4)
	<u>72</u>

19 FINANCIAL INSTRUMENTS

A summary of the Group's use of financial instruments is set out in the Financial and Operating Review on pages 8 to 10. The following disclosures relating to financial instruments have been prepared on a basis which excludes short term debtors and creditors which had resulted from the Group's operating activities.

The financial instruments of the Group other than short term debtors and creditors were as follows:	2000	1999
	Book Value	Book Value
	£'000	£'000
Financial assets:		
Cash at bank and in hand	3,830	1,830
Short term deposits	<u>206</u>	<u>2,203</u>
	4,036	4,033
Financial liabilities:		
Bank overdraft	1,423	1,121
Loan agreements	431	475
Obligations under finance leases and hire purchase agreements	72	148
Accrued deferred consideration	<u>-</u>	<u>200</u>
	1,926	1,944

The net book value and fair values of financial instruments are not materially different.

Of the cash and short term deposits held at 31 March 2000, £0.2 million was deposited on the money market for a fixed period of 1 month at a rate of 5.31%. The balance of £3.8 million was placed on overnight deposits at floating rates. Interest is charged on the bank overdraft of £1.4 million at LIBOR plus 2%. The Group's committed borrowing facilities at 31 March 2000 were £2.0 million (1999: £2.0 million) and are due for renewal on 19 August 2000. No derivatives were held by the Group at 31 March 2000 or 31 March 1999. There was no currency exposure at either 31 March 2000 or 31 March 1999 and no hedging took place during either the year ended 31 March 2000 or the year ended 31 March 1999.

NOTES TO THE ACCOUNTS CONTINUED

20. CAPITAL COMMITMENTS

(a) Future capital expenditure	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Contracts entered into but not performed	<u>40</u>	<u>4</u>	<u>4</u>	<u>4</u>
 (b) Operating leases				
Annual commitments under non-cancellable operating leases are as follows:	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Operating leases which expire within one year				
Land and buildings	-	-	-	-
Other	<u>74</u>	<u>2</u>	<u>60</u>	-
	74	2	60	-
Operating leases which expire between one and two years				
Land and buildings	-	-	-	-
Other	<u>78</u>	<u>31</u>	<u>58</u>	<u>13</u>
	78	31	58	13
Operating leases which expire between two and five years				
Land and buildings	166	133	166	52
Other	<u>104</u>	<u>205</u>	<u>78</u>	<u>179</u>
	270	338	244	231
Operating leases which expire after five years				
Land and buildings	88	166	-	166
Other	<u>22</u>	-	-	-
	110	166	-	166
Total	<u><u>532</u></u>	<u><u>537</u></u>	<u><u>362</u></u>	<u><u>410</u></u>

21. OTHER FINANCIAL COMMITMENTS

TelMe.com plc entered into an agreement with the International Air Transport Association (IATA) on 11 August 1998 to provide a cross company guarantee on behalf of Seaforths Travel Limited. The maximum value of the cross guarantee is £1.6 million and is terminable by either party on 3 month's notice.

On 27 May 1999, TelMe.com entered into a separate agreement with the Civil Aviation Authority (CAA) to provide a cross guarantee on behalf of Seaforths Travel Limited. This is a standard requirement of the CAA for holding companies of travel operators. The maximum value of the cross guarantee is £6.0 million and is terminable by either party on 3 month's notice.



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