themutual.net plc

Report and Financial Statements

Period ended

30 April 2001

BDO Stoy Hayward
Chartered Accountants

themutual.net plc

Annual report and financial statements for the period ended 30 April 2001

Contents

Directors	Vince Smith	(Non-Executive Chairman)
	Ben Heaton	(Managing Director)
	Peter Coveney	(Financial Director)
	Anna Soobrattee	(Technology Director)
	Daryl Arnold	(Non-Executive Director)

Secretary and registered office	Peter Coveney FCA, 6/7 St Cross Street, Hatton Garden, London, EC1N 8UB.
Company number	03925319
Nominated advisor	Brewin Dolphin Securities Limited, 48 St Vincent Street, Glasgow, G2 5TS.
Nominated broker	Bell Lawrie White (a division of Brewin Dolphin Securities Limited) 48 St Vincent Street, Glasgow, G2 5TS.
Auditors	BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.
Principal bankers	Barclays Bank plc, London Corporate Banking, 50 Pall Mall, London, SW1 1QB.
Solicitors	Berwin Leighton, Adelaide House, London Bridge, London, EC4R 9HR.

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Chairman's statement

Results for the period ended 30 April 2001

The company was admitted to the Alternative Investment Market on 20 June 2000 after raising £2.25 million from investors. These annual results represent our first as a publicly traded company.

Since my interim statement the group has successfully completed a thorough review of its activities and has completed it's repositioning as a permission email marketing and financial information company. This market is expected to grow significantly over the next few years. As a result of this focus and the cost cutting measures taken in December I am very pleased to report that the group traded profitably in the last four months of the financial period. This was consequently reflected in the results for the entire financial period which indicate that the group performed markedly better in the latter half than the first half of the period.

themutual.net is well positioned to benefit from the growing email marketing revenues having developed:

- its own delivery platform;
- in house design and development expertise;
- campaign tracking and reporting;
- active profiling and collection of demographic data.

The company has established a number of important client relationships providing recurring revenues. Campaigns include: Lycos, Coca-Cola, TD Waterhouse, The Economist, FT.com, Virgin Money, HSBC, Kodak, Scottish Widows, Abbey National and BT.

As part of its decision to concentrate on email marketing the group has eliminated further operational and content costs from its websites. Website advertising revenue relies on user visits while email has far greater 'reach' by taking the advertiser to the users inbox. The company is adopting a number of innovative marketing techniques in conjunction with partners to improve the response rate from email marketing on behalf of clients. The results from these initiatives are encouraging.

On 17 July 2001 we announced we had signed Heads of Terms for the acquisition of keepAhead Limited. I see this as a very positive move, with strong synergies, which should enable us to grow our database and revenues while sharing technical expertise and sales resources. Further details should be released once contracts are exchanged.

In my interim report I stated that 'the group is moving in the right direction'. I believe that it continues to do so and your Board remains committed to building on it's achievements and achieving sustainable profitability in the short term.

Vince Smith
Chairman

Date 21/08/01

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Report of the directors for the period ended 30 April 2001

The directors present their report together with the audited financial statements for the period ended 30 April 2001.

Results and dividends

The consolidated profit and loss account is set out on page 6 and shows the result for the period.

No dividend is recommended in respect of the period.

Principal activities, trading review and future developments

The principal activity of the Group is internet based marketing and the provision of financial information.

The company was incorporated on 9 February 2000. On 3 and 4 May 2000, the company acquired the entire share capital of Hague Limited and Freequotes.co.uk Limited respectively.

A review of the business and future developments is contained in the Chairman's statement on page 1.

Directors

The directors of the Company during the period were:

B J D Heaton	(appointed 9 February 2000)
V R J Smith	(appointed 12 June 2000)
S E Wajcenberg	(appointed 9 February 2000 and resigned 21 January 2001)
P N Coveney	(appointed 1 April 2000)
D J Arnold	(appointed 24 May 2000)
A Z Soobrattee	(appointed 9 June 2000)

The beneficial interests of the directors' at the period end in the share capital of the company were as follows:

	Deferred shares of £1 each 2001	**Ordinary shares of 0.0001p each 2001**
B J D Heaton	21,666	424,874,118
P N Coveney	2,647	90,371,976

Share options

Share options were granted to directors during the period. These are disclosed in note 17 to the financial statements.

Creditors' payment policy

The Group did not have a formal policy for payment of creditors during the period and invoices were paid as received and authorised. At the year end trade creditors of the Group represented 53 days purchases. The parent company did not make any trade purchases.

Corporate governance

The directors acknowledge the importance of the 'Principles of Good Governance and Code of Best Practice' published by the London Stock Exchange (usually described as the 'Combined Code') and intend to apply them as appropriate to the company given its size and nature.

The Company holds Board meetings regularly throughout the year at which financial and other reports are considered.

An Audit Committee has been established comprising two non-executive directors. A quorum shall be at least two members. A Remuneration Committee has also been established comprising of the two non-executive directors which will meet as and when necessary but at least annually to review, inter alia, the performance and salaries of the executive directors.

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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

BDO Stoy Hayward, who were appointed as first auditors of the company by the directors, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

P Coveney

Secretary

Date 21/08/01

To the shareholders of themutual.net plc

We have audited the financial statements of themutual.net plc on pages 6 to 24 which have been prepared under the accounting policies set out on pages 10 and 11.

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 group is not disclosed.

We read 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 the Chairman's Statement. 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 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 30 April 2001 and of the Group's result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

21 August 2001

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Consolidated profit and loss account for the period ended 30 April 2001

	Note	2001 £	2000 £
Turnover	2	**476,472**	273,326
Administrative expenses		**1,728,971**	988,966
Operating loss	6	**(1,252,499)**	(715,640)
Interest receivable		**35,521**	130
Interest payable and similar charges	7	**(4,122)**	(1,036)
Loss on ordinary activities before and after taxation and retained loss for the period		**(1,221,100)**	(716,546)
Loss per share			
- Basic and diluted	9	**(0.035)p**	(0.037)p

All amounts related to continuing activities.
All recognised gains and losses have been included in the profit and loss account.

The notes on pages 10 to 24 form part of these financial statements.

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Consolidated balance sheet at 30 April 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Intangible assets	11		173,828		-
Tangible assets	12		61,425		70,378
Investments	13		-		33
			235,253		70,411
Current assets					
Debtors	14	257,248		135,482	
Cash at bank and in hand		299,347		301,350	
		556,595		436,832	
Creditors: amounts falling due within one year	15	223,223		984,499	
Net current assets/(liabilities)			333,372		(547,667)
Total assets less current liabilities			568,625		(477,256)
Creditors: amounts falling due after more than one year	16		(6,697)		(16,955)
			561,928		(494,211)
Capital and reserves					
Called up share capital	17		103,683		101,961
Share premium account	18		2,275,517		-
Other reserves	18		120,374		120,374
Profit and loss account	18		(1,937,646)		(716,546)
Shareholders' funds			561,928		(494,211)

Included within Group shareholders' funds is an amount of £100,000 (2000 - £100,000) in respect of non-equity interests. This consists of the issued deferred share capital (note 17).

The financial statements were approved by the Board on 21/08/01

P N Coveney
Director

The notes on pages 10 to 24 form part of these financial statements.

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Company balance sheet at 30 April 2001

	Note	£	£
Fixed assets			
Investments	13		2,119,691
Current assets			
Debtors	14	42	
Cash at bank and in hand		294,131	
		294,173	
Net current assets			294,173
Total assets less current liabilities			2,413,864
Capital and reserves			
Called up share capital	17		103,683
Share premium account	18		2,275,517
Profit and loss account	18		34,664
Shareholders' funds			2,413,864

Included within Company shareholders' funds is an amount of £100,000 in respect of non-equity interests. This consists of the issued deferred share capital (note 17).

The financial statements were approved by the Board on 21/08/01

P N Coveney
Director

The notes on pages 10 to 24 form part of these financial statements.

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Consolidated cash flow statement for the period ended 30 April 2001

	Note	2001 £	2001 £	2000 £	2000 £
Net cash (outflow)/inflow from operating activities	21		(2,070,255)		133,959
Returns on investments and servicing of finance					
Interest received		35,521		131	
Interest paid		(4,122)		(1,036)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			31,399		(905)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(41,456)		(51,841)	
Purchase of intangible fixed assets		(194,041)		-	
Sale of tangible fixed assets		2,276		-	
Purchase of fixed asset investment		-		(33)	
Net cash outflow from capital expenditure and financial investment			(233,221)		(51,874)
Net cash (outflow)/inflow before management of liquid resources and financing			(2,272,077)		81,180
Management of liquid resources					
Increase in short term deposits		(38,854)		(241,146)	
Cash outflow from management of liquid resources			(38,854)		(241,146)
Financing					
Issue of shares		2,277,239		222,293	
Capital element of finance leases		(7,165)		(2,123)	
Net cash inflow from financing			2,270,074		220,170
(Decrease)/increase in cash	22		(40,857)		60,204

The notes on pages 10 to 24 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of the company and all of its subsidiary undertakings using the merger method of accounting.

Merger accounting

Where merger accounting is used, the investments are recorded in the company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the group financial statements, the merged parent undertaking along with its subsidiary undertakings are treated as if they had always been members of the group. The corresponding figures for the previous year include the results for the three companies for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the parent company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to reserves.

Turnover

Turnover represents sales to outside customers at invoiced amounts (or where applicable, invoiceable value of work conducted) less value added tax.

Intangible fixed assets

Amortisation is provided on all intangible fixed assets to write off the cost over their expected useful lives. The amortisation rates are as follows:

Database of Thestreet.co.uk - 4 years

Investments

Fixed asset investments are carried at cost unless the directors are of the opinion that an impairment in value has occurred, in which case a provision is made to reflect the impairment in value.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Fixtures, fittings and equipment - 30 months straight line

1 Accounting policies *(Continued)*

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Acquisitions

On 3 May 2000, the Company acquired the entire issued share capital of Hague Limited and Freequotes.co.uk Limited for the following consideration:

	Hague Limited £
980,530,488 ordinary shares of 0.0001 pence each	**981**
49,999 deferred shares of £1 each	**49,999**

	Freequotes.co.uk Limited £
980,530,491 ordinary shares of 0.0001 pence each	**980**
49,999 deferred shares of £1 each	**49,999**

Both acquisitions have been accounted for under the merger method of accounting.

3 Acquisitions *(Continued)*

The fair value of consideration paid for the acquisition of Freequotes.co.uk Limited and Hague Limited is estimated at £2.75m in total.

Given that the merger of the entities took place three days into the financial period, the directors believe it would be meaningless to include summary profit and loss statements for Freequotes.co.uk Limited and Hague Limited for the two days ended 2 May 2000. Additionally the directors have not included a summary profit and loss statement for the combined entity for the 363 days ended 30 April 2001 as this would not be materially different to that of the group profit and loss account for the period ended 30 April 2001 shown on page 7.

Summary profit and loss statements for the merged entities for the prior period are as follows:

	Hague Limited	Freequotes.co.uk Limited	Total
	£	£	£
Turnover	94,577	178,749	273,326
Operating loss	(269,955)	(446,685)	(716,640)
Loss before tax	(270,508)	(446,038)	(716,546)
Taxation	-	-	-
Loss after tax	(270,508)	(446,038)	(716,546)

The directors believe that the book value of the net assets/(liabilities) of the merger entities at the date of the merger were not materially different from the book values as at 30 April 2000. These are as follows:

	£
Themututal.net plc	648
Hague Limited	(268,300)
Freequotes.co.uk Limited	(407,728)

No adjustments to the net assets of Freequotes.co.uk Limited and Hague Limited were necessary to achieve consistency of accounting policies.

4 Employees

	2001 £	2000 £
Staff costs consist of:		
Wages and salaries	**349,226**	222,013
Social security costs	**34,124**	23,233
	383,350	245,246

	Number	Number
The average number of employees, including directors, during the period was	**12**	5

5 Directors' emoluments

	2001 £	2000 £
Fees and other emoluments	**180,874**	155,020
Compensation for loss of office	**15,000**	15,000

Share options

The directors during the period and their beneficial interest in options to purchase ordinary shares in the company which were granted and vested during the period, were as follows:

	Date of grant	Number of options granted	Number of options vested in period	Exercise price	Expiry date
P Coveney	23 May 2000	25,000,000	8,333,333	0.0001p	23 May 2010
	6 March 2001	92,065,255	30,688,418	0.105p	6 March 2011
B Heaton	6 March 2001	92,065,255	30,688,418	0.105p	6 March 2011
A Soobrattee	23 May 2000	10,000,000	4,000,000	0.0001p	23 May 2010
	31 October 2000	10,000,000	3,333,333	0.2125p	31 October 2010

Only vested options may be exercised at any time in whole or in part.

No options were exercised during the period.

5 Directors' emoluments *(Continued)*

Other directors' transactions

Included in other debtors of the Group is a current account balance with a director B Heaton. It is non interest bearing in nature and amounted to £219 owing to the company at 30 April 2001 (2000 - £Nil). The maximum amount outstanding at any point in the period was £3,000. Subsequent to the period end a further £2,781 was advanced to B Heaton.

6 Operating loss

	2001 £	2000 £
This has been arrived at after charging/(crediting):		
Auditors' remuneration - audit (company £7,000)	**11,000**	10,000
- non audit	**8,780**	-
Depreciation of tangible fixed assets	**41,903**	6,378
Amortisation of intangible fixed assets	**20,213**	-
Loss on disposal of tangible fixed assets	**2,730**	-
AIM costs	**489,342**	-

7 Interest payable and similar charges

	2001 £	2000 £
Bank loans and overdrafts	**786**	449
Finance leases	**3,336**	587
	4,122	1,036

8 Taxation

There is no tax charge for the year due to the loss arising.

The group has approximately £1.4m (2000 - £685,771) of tax losses available for carrying forward against future trading profits. This figure has yet to be approved by The Inland Revenue.

9 Loss per share

The calculation of loss per share is based on the loss for the period of £1,221,100 (2000 - £716,546) and on the weighted average number of shares in issue during the period of 3,478,805,878 (2000 - 1,961,060,979). The calculation of the diluted loss per share is the same as the basic loss per share because the potential ordinary shares are antidilutive.

10 Profit for the financial period

In accordance with the exemption allowed by Section 230 of the Companies act 1985 the company has not presented its own profit and loss account. The company profit after tax for the period ended 30 April 2001 was £34,664.

11 Intangible assets - Group

	Total £
Cost	
At 1 May 2000	-
Additions	194,041
At 30 April 2001	**194,041**
Amortisation	
At 1 May 2000	-
Charge for the period	20,213
At 30 April 2001	**20,213**
Net book value	
At 30 April 2001	**173,828**
At 30 April 2000	-

The group acquired the database of Thestreet.co.uk Limited during the period for a consideration of £194,041 (including associated acquisition costs). It has treated the acquisition as an intangible fixed asset in accordance with Financial Reporting Standard 10, "Goodwill and Intangible assets". The asset is being amortised over four years.

12 Tangible assets - Group

	Fixtures, fittings and equipment £
Cost	
At 1 May 2000	76,756
Additions	41,456
Disposals	(10,262)
At 30 April 2001	**107,950**
Depreciation	
At 1 May 2000	6,378
Charge for the period	41,903
On disposals	(1,756)
At 30 April 2001	**46,525**
Net book value	
At 30 April 2001	**61,425**
At 30 April 2000	70,378

The net book value of tangible fixed assets includes an amount of £13,288 (2000 - £23,254) in respect of assets held under finance leases. The related depreciation charge for the period was £9,966 (2000 - £1,611).

13 Investments

Company

The following were subsidiary undertakings at the end of the period. All are unlisted, and have been included in the consolidated financial statements;

Subsidiary	Country of incorporation	Class of share capital held	Nature of business	Percentage holding %
Hague Limited	England and Wales	Ordinary	Permission based e-mail marketing	100
Freequotes.co.uk Limited	England and Wales	Ordinary	Permission based e-mail marketing	100

13 Investments *(Continued)*

	Loans due from subsidiary undertakings £	Group undertakings £	Total £
Cost and net book value			
At 9 February 2000	-	-	-
Additions	2,017,732	101,959	2,119,691
At 30 April 2001	**2,017,732**	**101,959**	**2,119,691**

On 4 May 2000, the company acquired the entire share capital of both Hague Limited and Freequotes.co.uk Limited. Both subsidiary undertakings are carried at a cost of £50,979.50 each. Both acquisitions were satisfied by the issue of (in total) 99,998 founder shares and 1,961,060,979 ordinary shares of the company at par value.

Other fixed asset investments

Group	**£**
Cost	
At 1 May 2000 and at 30 April 2001	**33**
Amounts written off	
At 1 May 2000	-
During the period	33
At 30 April 2001	**33**
Net book amount	
At 30 April 2001	-
At 30 April 2000	33

14 Debtors

	Group 2001 £	Group 2000 £	Company 2001 £
Trade debtors	**220,970**	76,470	**-**
Other debtors	**2,537**	21,696	**42**
Prepayments and accrued income	**33,741**	37,316	**-**
	257,248	135,482	**42**

All amounts fall due for payment within one year.

15 Creditors: amounts falling due within one year

	Group 2001 £	Group 2000 £
Trade creditors	**135,285**	355,427
Social security and other taxes	**13,988**	104,056
Obligations under finance leases	**8,930**	5,837
Other creditors	**-**	437,939
Accruals and deferred income	**65,020**	81,240
	223,223	984,499

16 Creditors: amounts falling due after more than one year

	Group 2001 £	Group 2000 £
Obligations under finance leases	**6,697**	16,955

	Finance leases Group 2001 £	Finance leases Group 2000 £
In more than one year but not more than two years	**6,697**	7,165
In more than two years but not more than five years	**-**	9,790
	6,697	16,955

17 Share capital

	Authorised	
Group and company	**2001 Number**	**2001 £**
Ordinary shares of 0.0001p each	**10,000,000,000**	**10,000**
Deferred shares of £1 each	**100,000**	**100,000**
	10,000,100,000	**110,000**

	Allotted, issued and fully paid	
	2001 Number	**2001 £**
Ordinary shares of 0.0001p each	**3,682,610,214**	**3,683**
Deferred shares of £1 each	**100,000**	**100,000**
	3,682,710,214	**103,683**

During the period 3,682,610,214 ordinary shares with an aggregate nominal value of £3,683 and deferred shares with an aggregate nominal value of £100,000 were allotted.

Of the ordinary shares, 169,119,577 were allotted at a total premium of £432,331, 1,264,297,615 at a total premium of £1,843,186 and 2,249,193,022 were allotted at nominal value.

All deferred shares issued during the period were at nominal value.

As described in note 13, the acquisition of Hague Limited and Freequotes.co.uk Limited was satisfied by the issue of 99,998 deferred shares and 1,961,060,979 ordinary shares of the Company at par value.

The difference between the total consideration and nominal value of the allotted new shares has been credited to the share premium account.

The rights and restrictions attached to and imposed on the deferred shares are as follows:

a) The deferred shares shall not confer upon the holders thereof as a class, the right to receive any dividend, distribution or other participation in the profits of the company.

b) The deferred shares do not entitle the holders to receive notice of or to attend and speak or vote as any general meeting of the company.

17 Share capital *(Continued)*

c) On a distribution of assets on liquidation or otherwise, the surplus assets of the company remaining after payment of its liabilities shall be applied:

i) first in repaying to the holders of the deferred shares the nominal amounts and any premium paid up or credited as paid up on such shares; and

ii) second, the balance of such assets shall belong to and be distributed among the holders of the ordinary shares in proportion to the nominal amounts paid up on the ordinary shares held by them respectively.

Other share options

At 30 April 2001 the following share options to purchase ordinary shares in the company were in issue:

Date of grant	Number of options granted	Number of options vested in period	Exercise price	Expiry date
23 May 2000	63,000,000	18,166,666	0.0001p	23 May 2010
31 October 2000	55,500,000	8,083,333	0.2125p	31 October 2010
6 March 2001	184,130,510	61,376,836	0.105p	6 March 2011

Only vested options may be exercised at any time in whole or in part.

18 Movements on reserves

Group	Share premium account £	Merger reserve £	Profit and loss account £	Total £
At 1 May 2000 as previously reported:				
Hague Limited	-	-	(270,507)	(270,507)
Freequotes.co.uk Limited	219,611	-	(446,039)	(226,428)
Consolidation adjustment *	-	(48,772)	-	(48,772)
Consolidation adjustment **	-	(50,465)	-	(50,465)
Merger adjustment	(219,611)	219,611	-	-
As restated	-	120,374	(716,546)	(596,172)
Loss for the financial period	-	-	(1,221,100)	(1,221,100)
Arising on issue of shares	2,275,517	-	-	2,275,517
At 30 April 2001	**2,275,517**	**120,374**	**(1,937,646)**	**458,245**

* This consolidation adjustment represents the difference between the nominal value of both deferred (£1) and ordinary (0.0001 pence) shares issued to former Hague Limited shareholders and the nominal value of 0.001 pence of the Hague Limited shares acquired.

** This consolidation adjustment represents the difference between the nominal value of both deferred (£1) and ordinary (0.0001 pence) shares issued to former Freequotes.co.uk Limited shareholders and the nominal value of one pence of the Freequotes.co.uk Limited shares acquired.

Company	Share premium account £	Profit and loss account £	Total £
At 9 February 2000	-	-	-
Profit for period	-	34,664	34,664
Arising on issue of shares	2,275,517	-	2,275,517
At 30 April 2001	**2,275,517**	**34,664**	**2,310,181**

19 Reconciliation of movements on shareholders' funds/(deficit)

	Group 2001 £	Group 2000 £	Company 2001 £
Retained profit/(loss)	**(1,221,100)**	(716,546)	**34,664**
Issue of shares	**2,277,239**	-	**2,379,200**
Net increase/(reduction) in shareholders' funds	**1,056,139**	(716,546)	**2,413,864**
Opening shareholders' (deficit)/funds	**(494,211)**	222,335	**-**
Closing shareholders' funds/(deficit)	**561,928**	(494,211)	**2,413,864**

20 Financial instruments

Other than short term debtors and creditors, which have not been treated as financial assets and liabilities for the purposes of the disclosures required by FRS 13 'Financial instruments and similar items', the group's financial assets and liabilities comprise cash at bank, investments, finance lease obligations and non-equity shares issued by the company. The group has not entered into derivatives.

Operations to date have been financed through the placing of shares and it is Board policy for the time being not to finance the groups operations through borrowings, save for a small amount of finance lease obligations.

The company is exposed to interest rate risk only in as much as surplus cash balances are placed on short term deposit, which bear interest at rates which generally moves in accordance with LIBOR. The rate on such deposits at the period end was 4.5%. Holders of the non-equity shares do not receive a return on their investment, and have no specified maturity date.

There is no material difference between the book and fair value of financial assets and liabilities, except for the non-equity shares which have an estimated fair value of £Nil.

21 Net cash outflow from operating activities

	2001 £	2000 £
Operating loss	**(1,252,499)**	(715,640)
Depreciation of tangible fixed assets	**41,903**	6,378
Amortisation of intangible fixed assets	**20,213**	-
Provision against investments	**33**	-
Decrease/(increase) in debtors	**(118,266)**	(135,482)
Increase/(decrease) in creditors	**(764,369)**	978,703
Loss on disposal of fixed assets	**2,730**	-
Net cash outflow from operating activities	**(2,070,255)**	**133,959**

22 Reconciliation of net cash flow to movement in net funds

	2001 £	2000 £
(Decrease)/increase in cash in the period	**(40,857)**	60,204
Cash outflow from decrease in debt and lease financing	**7,165**	2,123
Cash outflow from increase in liquid resources	**38,854**	241,146
Change in net funds arising from cash flows	**5,162**	303,473
New finance leases	**-**	(24,915)
Movement in net funds in the period	**5,162**	278,558
Net funds at start of period	**278,558**	-
Net funds at 30 April 2001 (note 23)	**283,720**	278,558

23 Analysis of net funds

	At start of period £'000	Cash flows £'000	At end of period £'000
Cash in hand and at bank	60,204	(40,857)	**19,347**
Liquid resources	241,146	38,854	**280,000**
Finance leases	(22,792)	7,165	**(15,627)**
Total	278,558	5,162	**283,720**

24 Related party transactions

Mr D Arnold is a director and major shareholder of Profero Limited to which sales of £5,525 (2000 - £Nil) were made during the period by Hague Limited.

Additionally purchases of £10,376 (2000 - £5,000) were made by Hague Limited during the period from Profero Limited.

All transactions were conducted on an arms length basis on normal trading terms. At 30 April 2001, £6,492 (2000 - £Nil) was owed to Hague Limited by Profero Limited and £Nil (2000 - £5,875) was owed from Hague Limited to Profero Limited.