

Web Sharesop (Holdings) Plc

Financial Statements

for the 18 month period ended

31 July 2001

Company No. 3981468

**Smith & Williamson
Chartered Accountants
Guildford**

Web Shareshop (Holdings) Plc
for the period ended 31 July 2001

Contents

	Page
Directors and Advisers	1
Chairman's Statement	2-3
Board of Directors	4
Report of the Directors	5-7
Statement of directors' responsibilities	8
Report of the Auditors	9
Consolidated Profit and Loss Account	10
Consolidated Balance Sheet	11
Company Balance Sheet	12
Consolidated Cash Flow Statement	13
Notes to the Financial Statements	14-22

Web Shareshop (Holdings) Plc

Directors and Advisers

Directors	William Jackson Eirion Andrew Charles Neubauer Robert Stephen Wilkinson ACA Ulick Simon Burke FCIFA John Watkins, FCA
Business address	Walkden House 3-10 Melton Street London NW1 2EB
Secretary and registered office	John Watkins, FCA Onslow Bridge Chambers Bridge Street Guildford Surrey GU1 4RA
Registered number	3981468
Nominated advisor	Grant Thornton Enterprise House Isambard Brunel Road Portsmouth Hampshire PO1 2RZ
Nominated broker	Keith Bayley Rogers & Co Ebbark House 93/95 Borough High Street London SE1 1NL
Solicitors to the Company	Clyde & Co Beaufort House Chertsey Street Guildford Surrey GU1 4HA
Auditors	Smith & Williamson Onslow Bridge Chambers Bridge Street Guildford Surrey GU1 4RA
Bankers	HSBC Bank plc 168 High Street Guildford Surrey GU1 3YU
Registrars	Connaught St Michaels Limited PO Box 30 Cresta House, Alma Street Luton Bedfordshire LU1 2PU

Web Shareshop (Holdings) Plc and Subsidiaries

Chairman's Statement

I am pleased to present my first statement to shareholders.

Results

Results for the 18 months to 31 July 2001 record an operating loss of £1,181,547, offset by net interest of £50,233, leaving a loss before taxation for the period of £1,131,314. This reflects mainly site development costs and servicing costs, professional advice and business development costs. It also reflects the fact that, owing to market conditions, we have been unable to launch a Placings Club. At 31 July 2001, the company had £725,097 cash in the bank, net current assets of £632,477 and net assets of £673,407.

Comments and background

Since my appointment on 14 December 2000, I have focused on the development of the Placings Club concept since it is fundamental to Web Shareshop's business plan. Key to its success is the willingness of private investors to pay subscriptions in order to have access to a supply of Placings. Subscription income has been seen as the main source of revenue to Web Shareshop, since 'handling' fees and any commissions from sponsors would be relatively modest.

During the last quarter of 1999 and first quarter of 2000, we have no doubt that private investors would have been willing to pay substantial subscriptions to have access to (at least some) of the many Placings which were floated. In 2000, we counted 200 Placings on AIM and 50 on the main market. However, despite the euphoria, Placings had a mixed performance. £1,000 invested in all AIM Placings in 2000 would have produced £1,004 by year-end, dragged down by the Internet stocks debacle. On the main market, a similar investment would have yielded a more healthy £1,135 – an overall 13.5% increase in the year was significantly better than the FTSE index (but would Placings Club members have been able to resist the pure Internet plays that later performed so miserably?).

We have regularly monitored Placings performance in 2001. At August 14, our analysis of 61 new issues on AIM in the year showed that £1,000 invested in each Placing would have been worth £1,004 – up 4% before brokers' commissions. Over the same period, £1,000 invested in 10 issues on the main market would have been worth £879 – down 12%. Of course, the tragic events of September 11 created new instability in the markets. Placings performance at October 15 had degenerated with an overall decrease of 23% for main market Placings and 16% for AIM Placings - compared with a decline of 17% in the FTSE 100. In short, money invested in Placings during the year performed roughly at or below the level of the main market.

In August this year, The Association of Private Client Stockbrokers (APCIMS) published research into private investor online trading activities, stating that it revealed that "the new generation of investors is facing its first bear market by slowing down activity and waiting an upturn". Stockbrokers – particularly online stockbrokers – testify to this, as they report significantly reduced trading. We have also researched private investors' online take-up of offers for subscription - there are now a number of sites where offers are displayed. Our information is that take-up has been universally disappointing.

The board judges it unlikely that market conditions and sentiment will improve in the near term. Therefore, were the company to launch a Placings Club before an improvement, it is our view that it would fail to achieve sufficient response from private investors to make it profitable.

We have recalculated the company's cashflow on the basis of a possible launch in March/April 2002. After allowing for capital adequacy, this reveals a shortfall in funding, even after reducing overheads and staff to a minimum level from May of this year. Therefore, it is not a viable business model for the immediate future.

Potential partners

As I announced in my statement accompanying the Interim Report on 16 May 2001, your board has been seeking appropriate alliances in order to find a viable business model in these markets. We have had discussions with a number of potential partners in the financial services arena. I am pleased to announce that we have taken a very positive step forward. Mr Bruce Rowan, a respected entrepreneur with a highly successful business model, is joining the board and has agreed to subscribe for 6.45 million shares in the company.

Web Shareshop (Holdings) Plc and Subsidiaries

Chairman's Statement - Continued

Mr Rowan brings his expertise in underwriting fundraising for listed and unlisted companies, which he has deployed successfully for a number of companies over the last 3 years. Mr Rowan is a controlling shareholder in Sunvest Corporation Ltd, a company listed on the Australian Stock Exchange (ASX), which recorded a profit before tax of circa £700,000 in the year ending June 2000. Sunvest has stakes ranging from 5% to 37% in 8 companies – 4 quoted on ASX, 2 on AIM and 2 on OFEX. He also has stakes in his own name in a number of other AIM and OFEX companies.

The board proposes to use Mr Rowan's skills, experience and contacts in the coming year to underwrite fundraising for small IPO and pre-IPO businesses. Mr Rowan believes that his activities will produce significant profits and a significantly improved share price over the next 12 months, when he expects to see many opportunities for entrepreneurial underwriting.

This step enables the company and its shareholders to remain focused on new issues and pre-IPO stocks but with a proven business model which the board believes will achieve attractive results, regardless of current market volatility.

William Jackson

17 October 2001

Web Shreshop (Holdings) Plc and Subsidiaries

Board of Directors

William Jackson – Chairman and Chief Executive

William Jackson has managed the Company's operations from the date of his appointment, 14 December 2000.

E Andrew C Neubauer – Technical Director

Andrew Neubauer was managing director until William Jackson was appointed chief executive on 14 December 2000.

Mr U Simon Burke, FCIFA – Compliance Director

Mr John Watkins, FCA – Finance Director

John Watkins, a chartered accountant in practice has had responsibility for the Company's financial matters from 5 April 2001; prior to that date he was non-executive.

Robert S Wilkinson, ACA – Non-executive

Robert Wilkinson was Finance Director until 5 April 2001 when he became non-executive.

Web Shareshop (Holdings) Plc and Subsidiaries

Directors' Report

The Directors present their first report on the affairs of the Company and Group, together with the accounts and auditors' report, for the period from the date of incorporation, 20 April 2000, to 31 July 2001.

Principal activities and business review

The principal activity of the Group is the promotion and facilitation of private investors' participation in new issues and the provision of information to actual and potential new issue investors.

The Company was incorporated as a public limited company on 20 April 2000. On 30 May 2000 the Company acquired The Web Shareshop Limited by way of a share for share exchange.

On 9 June 2000 the Company made an offer for subscription through which it raised £1,569,540 of new capital. The Company's shares were admitted for trading to the Alternative Investment Market on 5 September 2000. A further 133,330 shares were issued and admitted to the Alternative Investment Market in October 2000.

The developments during the period are given in the Chairman's statement.

Results and dividends

The Company's results are set out in the profit and loss account on page 10. The audited accounts for the period ended 31 July 2001 are set out on pages 10 to 22.

The Directors do not recommend the payment of a dividend.

Directors and their interests

The Directors who served during the period, together with all their beneficial interests in the shares of the Company at 31 July 2001 are as follows:

			31 July 2001		31 July 2001
			Ordinary shares of £0.01 each	Percentage %	Share options
Ulick Simon Burke	Appointed 20 April 2000	Note 1	260,000	1.31%	-
William Jackson	Appointed 14 December 2000	Note 2	-	-	1,964,580
John McNair	Appointed 20 April 2000; resigned 14 December 2000		1,500,000	7.58%	-
Eirion Andrew Charles Neubauer	Appointed 20 April 2000	Note 3	2,900,000	14.66%	-
John Watkins	Appointed 23 May 2000	Note 4	500,000	2.53%	-
Robert Stephen Wilkinson	Appointed 20 April 2000	Note 5	200,000	1.01%	-
John Woolgar	Appointed 20 April 2000; Resigned 14 December 2000		2,600,000	13.15%	-

Note 1: Of these, 120,000 shares are held by ALPs FS Limited of which Simon Burke is a director and major shareholder.

Note 2: On 21 May 2001, the Company established an unapproved share option plan and granted options over 1,964,580 Ordinary shares of £0.01 at an exercise price of £0.05 per share.

Note 3: Held in trust for the benefit of minor children. Options over 1,220,700 Ordinary shares were surrendered during the period.

Note 4: Of these, 200,000 shares are held by his wife, Nicolette Ann Wilkinson.

Web Shreshop (Holdings) Plc and Subsidiaries

Directors' Report - Continued

Directors and their interests - continued

Apart from the interests above, no director held any other interests in the share capital of the Company, during the year. No changes in the interests disclosed above have taken place since the year end. No directors had any interests in the share capital of the Company at incorporation.

Non-executive directors

John McNair was non-executive chairman of the Company until he resigned on 14 December 2000.

John Watkins was appointed a non-executive director on 23 May 2000, but relinquished this role on 5 April when he became the finance director; Robert Wilkinson, previously finance director, became non-executive director on the same date.

Substantial shareholdings

On 7 September 2001, the following were registered as being interested in 3% or more of the Company's ordinary share capital:

	Ordinary shares of £0.01 each	Percentage of issued share capital
John McNair	1,500,000	7.58%
Eirion Andrew Charles Neubauer	2,900,000	14.66%
Rock (Nominees) Limited	900,000	4.55%
John Woolgar	2,600,000	13.15%

Share capital

Information relating to shares issued during the period is given in note 14 to the accounts.

Payment of suppliers

The Company's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that suppliers are aware of the terms of payment and to abide by them. It is usual for suppliers to be paid within 14 days of receipt of an invoice. Trade creditors of the Company at the year-end were equivalent to 30 days based on the average daily amount invoiced by suppliers during the year.

Post balance sheet event

The post balance sheet events are set out in note 22 to the accounts.

Auditors

Smith & Williamson were appointed in the period and the Directors will place a resolution before the annual general meeting to reappoint Smith & Williamson as auditors for the coming year.

Remuneration

The remuneration of the Directors has been fixed by the board as a whole. This has been achieved acknowledging the need to maximise the effectiveness of the Company's limited resources during the period. In view of the Company's inability to fully implement the planned revenue earning activities during the period, with a single exception, each of the Directors made a voluntary waiver of remuneration which, in the aggregate, amounted to £162,667.

Full details of the Directors' remuneration for the period to 31 July 2001 are set out in note 5 to the accounts.

Web Shreshop (Holdings) Plc and Subsidiaries

Directors' Report - Continued

Management incentives

At this time, the Company has no bonus, share purchase, share option or other management incentive scheme except that the Chairman has options under an unapproved share option scheme over Ordinary shares as noted above. In accordance with legislation, the Company has introduced a stakeholders pension plan for the benefit of employees.

Corporate Governance

It is the intention of the board to comply with the recommendations of the Combined Code on corporate governance. Such procedures will be established as are considered to be appropriate for the size of the business.

Control procedures

The board has approved financial budgets and cash forecasts; in addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting.

By order of the board

John Watkins

Director and Company Secretary

17 October 2001

Web Shreshop (Holdings) Plc and Subsidiaries

Statement of Directors' Responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and 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 company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Web Shreshop (Holdings) Plc and Subsidiaries

Independent Auditors' Report

We have audited the financial statements of Web Shreshop (Holdings) Plc for the period from 20 April 2000 (the date of incorporation) to 31 July 2001 on pages 10 to 22. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read other information contained in the Financial Statements 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 audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 group's and company's affairs as at 31 July 2001 and of the group's loss for the period from 20 April 2000 to 31 July 2001 and have been properly prepared in accordance with the Companies Act 1985.

Smith & Williamson
Chartered Accountants and Registered Auditors
Guildford

17 October 2001

Web Shreshop (Holdings) Plc and Subsidiaries

Consolidated Profit and Loss Account

for the period ended 31 July 2001

	<u>Notes</u>	18 month period ended 31 July 2001 £	12 month period ended 31 January 2000 £
Turnover	1	3,385	-
Cost of sales		(824)	-
Gross Profit		<u>2,561</u>	<u>-</u>
Administrative expenses		(1,184,108)	(45,245)
Operating loss on ordinary activities	2	<u>(1,181,547)</u>	<u>(45,245)</u>
Interest receivable	3	50,456	-
Interest payable	3	(223)	-
Loss on ordinary activities before taxation		<u>(1,131,314)</u>	<u>(45,245)</u>
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation	15	<u>(1,131,314)</u> =====	<u>(45,245)</u> =====
Loss per share			
Basic and diluted	8	<u>(6.5p)</u> =====	<u>(1.9p)</u> =====

The accompanying notes form an integral part of the consolidated profit and loss account.

There are no other recognised gains or losses in either period other than those included in the above profit and loss account.

All of the operations are considered to be continuing.

Web Shreshop (Holdings) Plc and Subsidiaries

Consolidated Balance Sheet

as at 31 July 2001

	Notes	31 July 2001 £	31 January 2000 £
Fixed assets			
Intangible assets	9	9,000	14,400
Tangible assets	10	31,930	3,642
Investments		-	2
		<u>40,930</u>	<u>18,044</u>
Current assets			
Debtors	12	62,454	4,639
Cash at bank and in hand		725,097	368,355
		<u>787,551</u>	<u>372,994</u>
Creditors: Amounts falling due within one year	13	(155,074)	(18,333)
Net current assets		<u>632,477</u>	<u>354,661</u>
Total assets less current liabilities		<u>673,407</u>	<u>372,705</u>
Capital and reserves			
Called-up share capital	14	197,791	67,050
Share premium account	15	1,227,765	350,900
Profit and loss account	15	(1,176,559)	(45,245)
Merger reserve	15	424,410	-
Shareholders' funds - equity interest	16	<u>673,407</u>	<u>372,705</u>

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

Web Shareshop (Holdings) Plc and Subsidiaries

Company Balance Sheet

as at 31 July 2001

	Note	2001 £
Fixed assets		
Investments	11	144,140
Current assets		
Debtors	12	1,283,433
Net current assets		<u>1,283,433</u>
Total assets less current liabilities		<u>1,427,573</u> =====
Capital and reserves		
Called-up share capital	14	197,791
Share premium account	15	1,227,765
Profit and loss account	15	2,017
Shareholders' funds - equity interests	16	<u>1,427,573</u> =====

The accounts on pages 10 to 22 were approved by the board of directors on 17 October 2001 and signed on its behalf by:

William Jackson
Chairman and Chief Executive

John Watkins
Company Director

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

Web Sharesop (Holdings) Plc and Subsidiaries

Consolidated Cash Flow Statement

for the period ended 31 July 2001

	<u>Notes</u>	18 month period ended 31 July 2001 £	12 month period ended 31 January 2000 £
Net cash outflow from operating activities	17	(1,148,747)	(27,859)
Returns on investments and servicing of finance	18	50,233	-
Capital expenditure and financial investment	18	(69,465)	(21,734)
Acquisitions and disposals	18	-	(2)
		-----	-----
Cash outflow before management of liquid resources and financing		(1,167,979)	(49,595)
Management of liquid resources	18	(700,562)	-
Financing	18	1,432,016	417,950
(Decrease)/increase in cash in the period		----- -----	----- -----

The accompanying notes form an integral part of this consolidated cash flow statement.

Web Shareshop (Holdings) Plc and Subsidiaries

Statement of Accounting Policies

for the period ended 31 July 2001

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Basis of accounting

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

Basis of consolidation

The group accounts consolidate the accounts of Web Shareshop (Holdings) plc and its subsidiaries drawn up to 31 July 2001. On 20 April 2000, Web Shareshop (Holdings) plc acquired the entire share capital of The Web Shareshop Limited, the consideration for which was the issue of shares in Web Shareshop (Holdings) plc. This transaction meets the definition of a group reorganisation as set out in Financial Reporting Standard 6 'Mergers and Acquisitions' and accordingly has been accounted for as a merger. The financial information for the current 18 month period and the year ended 31 July 2000 has been presented as if The Web Shareshop Limited had been owned by Web Shareshop (Holdings) plc throughout both accounting periods.

Intangible fixed assets

Acquired ideas, concepts and intellectual property are written off in equal annual instalments over their estimated useful economic life of 5 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	50% straight line
Fixtures and fittings	20% straight line

The above policy was introduced on 1 February 2000, the previous policy was as follows:

Computer equipment	20% straight line
--------------------	-------------------

By introducing a new policy on computer depreciation, the accounts have been affected by an additional depreciation charge of £23,958.

The directors feel that the revised rate more realistically reflects the useful working lives of the assets.

Investments

Fixed asset investments are stated at cost less any provision for impairment.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

Website design and software development costs

Website design and software development costs are written off to the profit and loss account as incurred.

Web Shareshop (Holdings) Plc and Subsidiaries

Notes to the Accounts

for the period ended 31 July 2001

1. Turnover

The total turnover of the group for the period has been derived from its principal activity which is wholly undertaken in the United Kingdom.

2. Operating loss

Operating loss is stated after charging:

	18 month period ended 31 July 2001 £	12 month period ended 31 January 2000 £
Auditors remuneration - audit	15,000	1,500
- non-audit services	12,000	-
Depreciation of tangible assets	40,732	92
Amortisation of intangible assets	5,400	3,600
Website design and software development costs	250,000	-
Loss on disposal of tangible fixed assets	445	-
	=====	=====

3. Interest

Interest receivable:

Bank interest	50,456	-
	=====	=====

Interest payable:

Bank loans and overdrafts	223	-
	=====	=====

4. Staff costs

The average monthly number of employees (including executive directors) was:

	Number	Number
Management	7	4
Administration	3	-
	-----	-----
	10	4
	===	===

	2001	2000
	£	£

Their aggregate remuneration comprised:

Wages and salaries	120,019	-
Social security costs	12,364	-
	-----	-----
	132,383	-
	=====	=====

Web Shreshop (Holdings) Plc and Subsidiaries

Notes to the Accounts - continued

for the period ended 31 July 2001

5. Directors' emoluments

	18 month period ended 31 July 2001 £	12 month period ended 31 January 2000 £
J Woolgar	42,000	-
R S Wilkinson	13,958	-
A Neubauer	9,250	-
U S Burke	3,959	-
Directors emoluments	<u>69,167</u>	<u>-</u>

No other directors received any emoluments in the period. Disclosure of director's related party transactions can be found in note 20 to the accounts.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. During the period W Jackson was granted options over 1,964,580 ordinary shares at £0.05 per share. The options are exercisable between 21 May 2001 up to and including 28 February 2006.

6. Tax on loss on ordinary activities

There is no provision for taxation in either year because of the losses incurred.

7. Profit attributable to parent undertaking

The profit for the financial year dealt with in the accounts of the parent company was £2,017. As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

8. Loss per share

The basic earnings per share is derived by dividing the loss for the year attributable to ordinary shareholders of £1,131,314 by the weighted average number of shares in issue, calculated as 17,410,380.

There were no diluting factors in the period.

Web Shareshop (Holdings) Plc and Subsidiaries

Notes to the Accounts - continued

for the period ended 31 July 2001

9. Intangible fixed assets - goodwill

	Total £
Group	
Cost	
At 1 February 2000	18,000
Additions	-
At 31 July 2001	<u>18,000</u>
Amortisation	
At 1 February 2000	3,600
Amortisation for the period	5,400
At 31 July 2001	<u>9,000</u>
Net book value	
At 31 July 2001	9,000
At 1 February 2000	<u><u>14,400</u></u>

10. Tangible fixed assets

	Computer Equipment £	Fixtures & fittings £	Total £
Cost			
At 1 February 2000	1,195	2,539	3,734
Additions	70,665	-	70,665
Disposals	-	(2,539)	(2,539)
At 31 July 2001	<u>71,860</u>	<u>-</u>	<u>71,860</u>
Depreciation			
At 1 February 2000	40	52	92
Charge for the year	39,890	842	40,732
On disposals	-	(894)	(894)
At 31 July 2001	<u>39,930</u>	<u>-</u>	<u>39,930</u>
Net book value			
At 31 July 2001	<u>31,930</u>	<u>-</u>	<u>31,930</u>
At 1 February 2000	<u>1,155</u>	<u>2,487</u>	<u>3,642</u>

Web Shareshop (Holdings) Plc and Subsidiaries

Notes to the Accounts - continued

for the period ended 31 July 2001

11. Fixed asset investments

Company

	2001
	£
Cost	
At 1 February 2000	-
Additions	144,140
	<u>144,140</u>
At 31 July 2001	=====

The parent company and the group hold more than 20% of the share capital of the following companies.

Company	Country of registration	Class	Proportion held by group	Nature of business
The Web Shareshop Limited	England & Wales	Ordinary	100%	Provision of information for private investors and facilitation of new issues
New Issues On Line Limited	England & Wales	Ordinary	100%	Dormant
The New Issue Investment Company Limited	England & Wales	Ordinary	100%	Dormant

12. Debtors

	<u>Group</u>		<u>Company</u>
	2001	2000	2001
	£	£	£
Amounts falling due within one year:			
Amounts owed by group undertakings - see note 22	-	250	1,283,433
Other debtors	14,942	4,389	-
Prepayments and accrued income	47,512	-	-
	<u>62,454</u>	<u>4,639</u>	<u>1,283,433</u>
	=====	=====	=====

13. Creditors: amounts falling due within one year

	<u>Group</u>	
	2001	2000
	£	£
Bank overdraft	92,705	-
Trade creditors	31,440	15,709
Directors current accounts	-	212
Other creditors	1,187	2
Accruals and deferred income	29,742	2,410
	<u>155,074</u>	<u>18,333</u>
	=====	=====

The bank overdraft reflects uncleared cheques at the period end.

Web Shareshop (Holdings) Plc and Subsidiaries

Notes to the Accounts - continued

for the period ended 31 July 2001

14. Called-up share capital

<u>Notes</u>	31 July 2001 £	31 January 2000 £
Authorised:		
100,000,000 ordinary shares of £0.01 each	1,000,000	150,000
	=====	=====
Allotted, called up and fully paid		
	Number	£
Subscriber shares	2	0
Issued 30 May 2000 as consideration for the acquisition of 100% of the share capital in The Web Shareshop Ltd	14,413,998	144,140
Issued for cash @ £0.30 per share 19 July 2000	4,348,800	43,488
Issued for cash @ £0.30 per share 29 August 2000	883,000	8,830
Issued for cash @ £0.30 per share 18 October 2000	133,330	1,333
	-----	-----
Total issued at 31 July 2001	19,779,130	197,791
	-----	-----

Options have been granted under the company's unapproved share option scheme to subscribe for ordinary shares of the company as follows:

Number of shares under option	Subscription price per share	Exercise period
1,964,580	£0.05	21 May 2001 to 28 February 2006

15. Reserves

Group

	Share premium account	Profit and loss account	Merger reserve
	£	£	£
As at 1 February 2000	350,900	(45,245)	-
Issue of shares	1,204,988	-	-
Share issue costs	(328,123)	-	-
Loss for the period	-	(1,131,314)	-
Merger reserve arising on consolidation	-	-	424,410
	-----	-----	-----
As at 31 July 2001	1,227,765	(1,176,559)	424,410
	=====	=====	=====

Company

	£	£
As at 1 February 2000	350,900	-
Issue of shares	1,204,988	-
Share issue costs	(328,123)	-
Retained profit for the period	-	2,017
	-----	-----
As at 31 July 2001	1,227,765	2,017
	=====	=====

Web Shareshop (Holdings) Plc and Subsidiaries

Notes to the Accounts - continued

for the period ended 31 July 2001

16. Movement on equity shareholders' funds

	31 July 2001 £	31 January 2000 £
Group		
Loss for the period	(1,131,314)	(45,245)
Proceeds of share issues, net of costs - see note 18	1,432,016	417,950
	<u>300,702</u>	<u>372,705</u>
Net increase in shareholders' funds	300,702	372,705
Opening shareholders' funds	372,705	-
	<u>673,407</u>	<u>372,705</u>
Closing equity shareholders' funds	<u>673,407</u>	<u>372,705</u>
Company		
Profit/(loss) for the period	2,017	(45,245)
Proceeds of share issues, net of costs	1,425,556	418,130
	<u>1,427,573</u>	<u>372,885</u>
Closing equity shareholders' funds	<u>1,427,573</u>	<u>372,885</u>

17. Reconciliation of operating loss to operating cash flows

	31 July 2001 £	31 January 2000 £
Operating loss	(1,181,547)	(45,245)
Depreciation charges	40,732	92
Loss on sale of tangible fixed assets	445	-
Amortisation	5,400	3,600
Increase in debtors	(57,815)	(4,639)
Increase in creditors	44,038	18,333
	<u>(1,148,747)</u>	<u>(27,859)</u>
Net cash outflow from operating activities	<u>(1,148,747)</u>	<u>(27,859)</u>

Web Shareshop (Holdings) Plc and Subsidiaries

Notes to the Accounts - continued

for the period ended 31 July 2001

18. Analysis of cash flows

	31 July 2001 £	31 January 2000 £
Returns on investments and servicing of finance		
Interest received	50,456	-
Interest paid	(223)	-
Net cash inflow	<u>50,233</u> =====	<u>-</u> =====
Capital expenditure and financial investment		
Purchase of intangible fixed assets	-	(18,000)
Purchase of tangible fixed assets	(70,665)	(3,734)
Sale of tangible fixed assets	1,200	-
Net cash outflow	<u>(69,465)</u> =====	<u>(21,734)</u> =====
Management of liquid resources		
Cash placed on deposit	(700,562)	-
Net cash outflow	<u>(700,562)</u> =====	<u>-</u> =====
Financing		
Issue of ordinary share capital	1,760,139	431,000
Expenses paid in connection with share issues	(328,123)	(13,050)
Net cash inflow	<u>1,432,016</u> =====	<u>417,950</u> =====

19. Analysis and reconciliation of net debt

	1 February 2000 £	Cash flow £	31 July 2001 £
Cash in hand and at bank	368,355	356,742	725,097
Overdraft	-	(92,705)	(92,705)
Cash placed on deposit	-	(700,562)	(700,562)
Net debt	<u>368,355</u> =====	<u>(436,525)</u> =====	<u>(68,170)</u> =====
(Decrease)\increase in cash in the period\year		2001 £ (436,525)	2000 £ 368,355
Movement in net debts in year		<u>(436,525)</u>	<u>368,355</u>
Net funds at 1 February 2000	368,355		-
Net debt\ funds at 31 July 2001		<u>(68,170)</u> =====	<u>368,355</u> =====

Web Shreshop (Holdings) Plc and Subsidiaries

Notes to the Accounts - continued

for the period ended 31 July 2001

20. Related party transactions

The director, Andrew Neubauer, is the managing director and a major shareholder of Airtime Interactive Marketing Limited from which the Company made purchases of £679,597 in the year (2000 : £nil). The balance outstanding at the year end was £28,742.

The director, Simon Burke, is a director and a major shareholder of ALPs FS Limited. By an agreement dated 15 August 1999 The Web Shreshop Limited appointed ALPs FS Limited as its authorised representative for the purpose of compliance with the requirements of the Financial Services Act.

The director, John Watkins, FCA received the sum of £4,233 (2000 : £nil) during the period through his business for normal professional services and the company purchased services to the value of £4,821 (2000 : £nil) from Guild Group Limited, formerly Insider Publishing Limited of which Mr Watkins is a director and shareholder. Balances outstanding at the year end were £nil.

The resigned director, John Woolgar, is the proprietor of Capital Ideas from which the company purchased services of £nil (2000 : £17,500). The balance outstanding at the year end was £nil.

The director, William Jackson, is a director and major shareholder of Panmark Limited from which the company purchased services to the value of £37,389 (2000 : £nil) in the year. The balance outstanding at the year end was £nil.

21. Financial commitments

At 31 July 2001 the Company has a quarterly commitment of £51,908 to Airtime Interactive due to expire on 31 March 2002.

22. Post balance sheet events

On 27 September 2001 the company converted the group loan account of £1,283,433 into 4,278,110 New ordinary shares of £0.01 each in The Web Shreshop Limited for a consideration of £1,283,433.

On 16 October 2001 the Company concluded an agreement with Mr Bruce Rowan under which he will subscribe for 6,450,000 New Ordinary shares of £0.01 in the Company.