



ARTHURANDERSEN

uc.com Ltd

Report and accounts for the 8 month period ended
31 December 1999

Registered number: 3762366



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Directors and their advisers

Directors

Chairman

J.A. Paulsen

Executive Directors

P.S. Meyer

R.J. Robinson

A.E. Dacre

Non Executive Directors

J. Putzeys

P.J. Boylan

B. Van der Vorm

Company Secretary

R.J. Robinson

Registered Office

Hammersley House

5-8 Warwick Street

London W1R 5RA

Bankers

Barclays Bank plc

Docklands Branch

Hertsmere House

Hertsmere Road

London E14 4AA

Auditors

Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street

London

WC2R 2PS

Solicitors

S J Berwin

222 Grays Inn Road

London WC1X 8HB

Registered number

3762366

Directors' report

For the period ended 31 December 1999

The directors have pleasure in presenting their report on the affairs of uc.com Ltd ("the company") and its subsidiary undertakings (together "the group"), together with the accounts and auditors' report for the period ended 31 December 1999.

Principal activities

The principal activities of the group comprise the provision of services within the business-to-business e-marketplace. These services include electronic payment services, application service providers and e-consulting services.

Incorporation

The company was incorporated on 26 April 1999.

Results and dividends

The loss for the period on ordinary activities after taxation amounted to £10,041,187.

The directors do not recommend the payment of a dividend.

Review of the business and future developments

uc.com is continuing to make progress in acquiring, integrating, and developing e-commerce and e-services companies that serve the business-to-business ("B2B") sector in Europe and Asia Pacific. Our customers are benefiting from the application of innovative B2B products and services that uc.com offers as a fully integrated provider of global e-solutions.

The first period of trading has seen our group develop its mission to be a fully integrated global platform and network in internet infrastructure and B2B e-commerce segments. For the financial period ending 31 December 1999, we are pleased to report two key acquisitions, one in the payment systems sector and the other in the application service provider sector.

A number of other acquisitions were completed since December 1999 and we have worked closely with the management teams of the acquired companies to maximise their market potential and development.

A substantial portfolio of soundly operated companies has been built up across the targeted sectors in Europe and we are now expanding fast in the Asia Pacific market.

We have established our own Internet investment vehicle, uc capital. The vehicle differentiates itself from its parent by seeking out minority interest of strategic stakes in "any stage" e-businesses.

The team has demonstrated a clear and rapid sense of purpose in achieving its corporate objectives during the second half of 2000.

Review of the business and future developments (continued)

Strategic Alliances

We announced our first strategic alliance with First Data Corporation, a world leader in electronic commerce and payment services. uc.com is First Data Corporation's preferred e-commerce payment gateway provider outside North America with a new co-operation agreement for North America. We are actively working on a number of similar strategic alliances in the other sectors.

WAP Payments

In June, Securetrading launched a newly developed Wireless Application Protocol (WAP) payment service. This allows e-merchants to accept credit/debit card payments with real time authorisation from WAP enabled internet sites using our payments service. This is the first provider of such a service in the European market place and we have great expectations for this very dynamic technology.

uc.com Asia

uc.com Asia has recently completed a number of acquisitions. These will further enhance the entrepreneurial spirit, adaptability and resilience of the existing Hong Kong operations.

Restructuring

To provide better focus, the Group has been restructured at both board and operational levels to provide clearer functional responsibility and greater accuracy of execution. The board is confident about its operational execution and in bringing the company and/or its various divisions to market.

In addition to our internal costs in developing the business, external legal and accounting costs have been incurred as due diligence has been carried out on all targets.

Funding

The company has raised £13.3 million of equity funds since 31 December 1999 and further equity funding of £30 million is expected to be received during the month of October which will provide the group with sufficient funds to finance the group's working capital requirements and further acquisitions over the coming twelve months.

Directors' report (continued)

Significant events

Details of subsequent events are given in note 27 to the accounts.

Directors

The directors who served during the period and subsequently were as follows:

J.A. Paulsen	(appointed 27 April 1999)
J. Putzeys	(appointed 21 March 2000)
P.S. Meyer	(appointed 15 June 2000)
R.J. Robinson	(appointed 27 June 2000)
P.J. Boylan	(appointed 1 August 2000)
A.E. Dacre	(appointed 15 August 2000)
B. Van der Vorm	(appointed 7 August 2000)
A.S. Georgeou	(appointed 26 April 1999, resigned 27 April 1999)
P.R. Wild	(appointed 26 April 1999, resigned 27 April 1999)
B. O'Dea	(appointed 27 April 1999, resigned 18 August 1999)
R.S. Shaw Jr	(appointed 6 January 2000, resigned 27 June 2000)
T.M.S. Connor	(appointed 2 March 2000, resigned 11 August 2000)
E.J. Stoddart	(appointed 23 March 2000, resigned 27 June 2000)

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

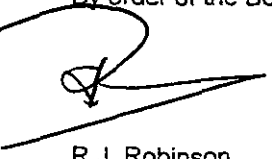
	Ordinary shares of £0.0001			
	31 December 1999		On incorporation	
	'A' shares '000s	'B' shares	'A' shares '000s	'B' shares
J.A. Paulsen	241,200	10	241,200	10

Full details of the remuneration of the directors and pension benefits are set out in the notes to the accounts.

Auditors

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

By order of the Board



R.J. Robinson
Secretary

29 September 2000

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and 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;
- 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 accounts; and
- prepare the accounts 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 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 company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the Shareholders of uc.com Ltd:

We have audited the accounts on pages 8 to 34 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 14.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of 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 and by our profession's ethical guidance.

Basis of opinion

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

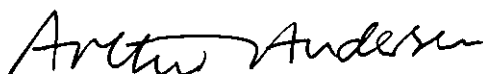
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Going concern

In forming our opinion, we have considered the adequacy of the disclosure made in note 1 to the accounts concerning the uncertainty as to the Group's future funding. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

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 December 1999 and of the group's loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS

29 September 2000

Consolidated profit and loss account

For the period ended 31 December 1999

	Notes	1999 £
Turnover	2	126,433
Administrative expenses		
- charge in respect of employee share options	3	(5,028,727)
- other expenses		<u>(5,147,278)</u>
Operating loss		<u>(10,049,572)</u>
Interest receivable	7	8,997
Interest payable	8	<u>(612)</u>
Loss on ordinary activities before taxation	4	<u>(10,041,187)</u>
Tax on loss on ordinary activities	9	-
Retained loss for the financial period	19	<u><u>(10,041,187)</u></u>

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

The above results were derived from continuing operations throughout the period.

Consolidated statement of total recognised gains and losses

For the period ended 31 December 1999

	Notes	1999 £
Loss for the financial period		(10,041,187)
Unrealised gain on deemed disposal of shares in subsidiary undertaking	19	<u>3,293,268</u>
Total recognised gains and losses relating to the period		<u><u>(6,747,919)</u></u>

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Consolidated balance sheet

31 December 1999

	Notes	1999 £
Fixed assets		
Patents and trademarks	10	10,306
Goodwill	10	9,384,518
Tangible assets	11	114,097
Investments	12	122,000
		<u>9,630,921</u>
Current assets		
Debtors	13	720,184
Cash at bank and in hand		856,758
		<u>1,576,942</u>
Creditors: Amounts falling due within one year	14	<u>(3,567,794)</u>
Net current liabilities		<u>(1,990,852)</u>
Total assets less current liabilities		7,640,069
Creditors: Amounts falling due after more than one year	15	<u>(361,936)</u>
		<u>7,278,133</u>
Capital and reserves		
Called-up share capital	18	34,677
Share premium account	19	8,956,119
Other reserves	19	3,293,268
Profit and loss account	19	<u>(5,012,460)</u>
Equity shareholders' funds	20	7,271,604
Minority interests	21	6,529
		<u>7,278,133</u>

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

Signed on behalf of the Board

J.A. Paulsen

Director

J. Putzeys

Director

29 September 2000

Company balance sheet

31 December 1999

	Notes	1999 £
Fixed assets		
Patents and trademarks	10	10,306
Goodwill	10	1,703,850
Tangible assets	11	28,989
Investments	12	<u>160,000</u>
		1,903,145
Current assets		
Debtors	13	6,344,173
Cash at bank and in hand		<u>673,443</u>
		7,017,616
Creditors: Amounts falling due within one year	14	<u>(1,892,910)</u>
		5,124,706
		<u>7,027,851</u>
Capital and reserves		
Called-up share capital	18	34,677
Share premium account	19	8,956,119
Profit and loss account	19	<u>(1,962,945)</u>
Equity shareholders' funds		<u>7,027,851</u>

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

Signed on behalf of the Board

J.A. Paulsen



Director

J. Putzeys



Director

29 September 2000

Consolidated cash flow statement

For the period ended 31 December 1999

	Notes	1999 £
Net cash outflow from operating activities	22	(3,920,323)
Returns on investments and servicing of finance	23	8,385
Capital expenditure and financial investment	23	(939,859)
Acquisitions and disposals	23	(1,485,233)
Cash outflow before financing		<u>(6,337,030)</u>
Financing	23	<u>7,193,788</u>
Increase in cash in the period		<u>856,758</u>

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

Notes to accounts

For the period ended 31 December 1999

1 Accounting policies

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

Basis of preparation

The company has raised £13.3 million of equity funds since 31 December 1999 and is expecting to raise a further £30 million of equity funds within the next month. These total funds are expected to be sufficient to meet the working capital needs of the Group for the next twelve months. On the assumption that the additional funds are received, the directors have prepared the accounts on a going concern basis. The accounts do not include any adjustments that would result in the event that these, or significant alternative funds, are not received.

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 uc.com Ltd and its subsidiary undertakings drawn up to 31 December 1999. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

No profit and loss account is presented for uc.com Ltd as provided by Section 230 of the Companies Act 1985. The company's loss for the financial period was £6,991,672.

Intangible fixed assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, subject to a maximum of 20 years. Provision is made for any impairment.

Intangible fixed assets – patents and trademarks

The cost of acquiring and registering domain names is included at cost and amortised in equal annual instalments over their expected useful lives between 3 to 5 years. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value, of each asset on a straight line basis over its expected useful life.

The expected useful lives of the principal categories are:

Computer equipment	3 years
Furniture and equipment	3 years

Notes to accounts (continued)

1 Accounting policies (continued)

Consulting projects

Consulting projects are assessed on a project by project basis and are reflected in the profit and loss account by recording turnover and related costs as project activity progresses. Where the outcome of each project can be ascertained with reasonable certainty before its conclusion, the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for the project. Full provision is made for losses on all projects in the year in which they are first foreseen.

Investments

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

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Leases

Assets held under finance leases and other similar contracts are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

Taxation

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

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post retirement benefits are always recognised in full.

Pension costs

The amount charged to the profit and loss account for defined contribution schemes in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to accounts (continued)

1 Accounting policies (continued)

Employee share options

The cost of awards to employees that take the form of shares or rights to shares are charged to the profit and loss account on a straight line basis over the period to which the employee's performance relates. The charge is based on the directors estimate of the fair value of the shares at the date an award is made to participants in the scheme, and a reasonable expectation of the extent to which performance will be met. Subsequent adjustments are made if appropriate to deal with changes in the probability of performance being met.

Turnover

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

2 Turnover

Group turnover for the period was attributable to e-consulting services and was derived from the following geographical areas:

	1999 £
United Kingdom	115,933
Middle East	10,500
	<hr/> 126,433 <hr/>

3 Charge in respect of employee share options

Abstract 17 "Employee Share Schemes" ("UITF 17"), issued by the Urgent Issues Task Force of the Accounting Standards Board, requires a charge to be recognised in the profit and loss account in respect of the company's employee incentive scheme.

The charge recognised in the consolidated profit and loss account is £5,028,727 calculated in accordance with UITF 17 and using the straight-line basis to allocate the total charge across the period to which the performance relates. There is no underlying cash outflow or other financial liability associated with the charge, nor does it give rise to a reduction in assets or shareholders' funds. In addition, there is no impact on distributable profits and, as a result, the company's ability to pay dividends is not affected.

Notes to accounts (continued)

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	1999 £
Auditors' remuneration	
- audit services	40,000
- other services	20,000
Amortisation of intangible fixed assets	
- patents and trademarks	697
- goodwill	131,065
Depreciation of tangible fixed assets	
- owned assets	5,836
Amounts written off investments	239,000
Operating lease rentals	
- land and buildings	64,058
- other assets	27,135
	<u>27,135</u>

5 Staff costs

Staff costs (including directors)

	1999 £
Wages and salaries	1,328,175
Social security costs	129,312
Pension contributions	16,995
	<u>1,474,482</u>

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

	1999 Number
Office management and acquisitions	14
	<u>14</u>

Notes to accounts (continued)

6 Directors' remuneration

Remuneration

The remuneration of the directors was as follows:

	1999 £
Emoluments	209,101
Contributions to money purchase pension schemes	5,088
Payments to third parties for directors' services	17,000
	<u>231,189</u>

Pensions

The number of directors who were members of pension schemes was as follows:

	1999 Number
Money purchase pension scheme	<u>1</u>

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	1999 £
Emoluments	159,101
Contributions to money purchase pension schemes	5,088
	<u>164,189</u>

None of the directors were granted or exercised any share options during the period.

Loans to directors

Included in other debtors and called-up share capital not paid is £39,120 in aggregate in respect of amounts due to the company by J.A. Paulsen, a director. No repayments were received in the period; the maximum amount outstanding during the period was £39,120. These amounts were interest free and repaid on 21 March 2000.

Notes to accounts (continued)

7 Interest receivable

	1999 £
Bank interest	<u>8,997</u>

8 Interest payable

	1999 £
Bank overdraft	272
Other interest payable	<u>340</u>
	<u>612</u>

9 Tax on loss on ordinary activities

There is no tax charge for the period ended 31 December 1999 due to the losses. Losses are available for relief against future profits for taxation purposes.

10 Intangible fixed assets

	Goodwill	Patents and trademarks	Total
<i>Group</i>	£	£	£
Cost			
Additions	9,515,583	11,003	<u>9,526,586</u>
At 31 December 1999	<u>9,515,583</u>	<u>11,003</u>	<u>9,526,586</u>
Amortisation			
Amortisation for the period	131,065	697	<u>131,762</u>
At 31 December 1999	<u>131,065</u>	<u>697</u>	<u>131,762</u>
Net book value			
At 31 December 1999	<u>9,384,518</u>	<u>10,306</u>	<u>9,394,824</u>

Goodwill arising on the acquisition of the business is being amortised over a period of 7 years.

Notes to accounts (continued)

10 Intangible fixed assets (continued)

	Goodwill	Patents and trademarks	Total
<i>Company</i>	£	£	£
Cost			
Additions	1,834,915	11,003	1,845,918
At 31 December 1999	<u>1,834,915</u>	<u>11,003</u>	<u>1,845,918</u>
Amortisation			
Amortisation for the period	131,065	697	131,762
At 31 December 1999	<u>131,065</u>	<u>697</u>	<u>131,762</u>
Net book value			
At 31 December 1999	<u>1,703,850</u>	<u>10,306</u>	<u>1,714,156</u>

Goodwill arising on the acquisition of the business is being amortised over a period of 7 years.

11 Tangible fixed assets

	Computer equipment	Furniture and equipment	Total
<i>Group</i>	£	£	£
Cost			
Additions	15,978	18,847	34,825
Acquisition of subsidiary undertakings	81,854	3,254	85,108
At 31 December 1999	<u>97,832</u>	<u>22,101</u>	<u>119,933</u>
Depreciation			
Charge for the period	2,794	3,042	5,836
At 31 December 1999	<u>2,794</u>	<u>3,042</u>	<u>5,836</u>
Net book value			
At 31 December 1999	<u>95,038</u>	<u>19,059</u>	<u>114,097</u>

Included in computer equipment are amounts relating to assets acquired under finance leases with a net book value of £29,868.

Notes to accounts (continued)

11 Tangible fixed assets (continued)

<i>Company</i>	Computer equipment £	Furniture and equipment £	Total £
Cost			
Additions	15,978	18,847	34,825
At 31 December 1999	<u>15,978</u>	<u>18,847</u>	<u>34,825</u>
Depreciation			
Charge for the period	2,794	3,042	5,836
At 31 December 1999	<u>2,794</u>	<u>3,042</u>	<u>5,836</u>
Net book value			
At 31 December 1999	<u>13,184</u>	<u>15,805</u>	<u>28,989</u>

12 Fixed asset investments

<i>Group</i>	Other investments £
Cost	
Additions	361,000
At 31 December 1999	<u>361,000</u>
Amounts written off	
Written off in the period	239,000
At 31 December 1999	<u>239,000</u>
Net book value	
At 31 December 1999	<u>122,000</u>

<i>Company</i>	Subsidiary undertakings £	Other investments £	Total £
Cost			
Additions	38,000	361,000	399,000
At 31 December 1999	<u>38,000</u>	<u>361,000</u>	<u>399,000</u>
Amounts written off			
Written off in the period	-	239,000	239,000
At 31 December 1999	<u>-</u>	<u>239,000</u>	<u>239,000</u>
Net book value			
At 31 December 1999	<u>38,000</u>	<u>122,000</u>	<u>160,000</u>

Notes to accounts (continued)

12 Fixed asset investments (continued)

The other investments in group and company comprised a convertible loan to PC Dynamics N.V., a company incorporated in Holland, and shares purchased in Globalis Ltd and Lipton Consulting Ltd, both incorporated in England and Wales. The directors have expressed their intention to convert the loan to PC Dynamics N.V. into shares during the year ended 31 December 2000. The holdings in each case will be less than 20%.

Principal group investments

The parent company and the group have investments in the following subsidiary undertakings which principally affected the losses or net assets of the group.

Subsidiary undertakings	Principal activity	Description of shares held	Proportion of nominal value of shares held by:	
			Group	Company
uc.com e-commerce Limited	Holding company	Ordinary	97.3%	97.3%
Securetrading Limited	Payment systems	Ordinary	100%	-
Worldsystems.com Limited	Sale of internet domain names	Ordinary	100%	-
Coconut Software Limited	Application service provision	Ordinary	80%	-
uc.com consulting Limited	Consultancy/project development	Ordinary	100%	100%
uc capital.com Limited	Dormant	Ordinary	100%	100%
uc market makers Limited	Dormant	Ordinary	100%	100%
uc.com Global Holdings Limited	Dormant	Ordinary	100%	100%
Cashoo.com Limited	Dormant	Ordinary	80%	-

With the exception of Coconut Software Limited which is incorporated in Jersey all of the above companies are incorporated in England and Wales.

Acquisition of subsidiary undertakings

On 23 December 1999, uc.com e-commerce Limited acquired 100% of the issued share capital of Securetrading Limited and Worldsystems.com Limited and 80% of the issued share capital of Cashoo.com Limited (dormant company) for a combined consideration of £4,927,840, including costs and adjustment for the time value of money.

The amount of goodwill arising as a result of the acquisition is £5,281,588.

On 31 December 1999, uc.com e-commerce Limited acquired 80% of the issued share capital of Coconut Software Limited for a consideration of £2,361,020, including costs and adjustment for the time value of money.

The amount of goodwill arising as a result of the acquisition is £2,399,080.

The directors consider that the book value of the amounts acquired for all subsidiary undertaking acquisitions were equivalent to their fair value. There were no changes in respect of accounting policy alignments.

Notes to accounts (continued)

12 Fixed asset investments (continued)

Acquisition of subsidiary undertakings (continued)

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group at the date of acquisition:

	Securetrading Limited £	Worldsystems. com Limited and Cashoo.com Limited £	Total £
Tangible fixed assets	6,106	48,019	54,125
Debtors	84,437	386,713	471,150
Cash at bank	134,558	43,520	178,078
Total assets	225,101	478,252	703,353
Trade creditors	9,358	110,429	119,787
Other creditors	555,842	381,472	937,314
Total liabilities	565,200	491,901	1,057,101
Net liabilities	(340,099)	(13,649)	(353,748)
100% thereof	(340,099)	(13,649)	(353,748)

The consideration comprised:

	£	£	£
Shares allotted in subsidiary undertaking	1,238,585	11,415	1,250,000
Cash paid (including costs)	1,328,638	12,245	1,340,883
Shares to be allotted in subsidiary undertaking	1,238,585	11,415	1,250,000
Deferred cash consideration	1,077,032	9,925	1,086,957
	4,882,840	45,000	4,927,840
Goodwill arising on acquisition	5,222,939	58,649	5,281,588

Notes to accounts (continued)

12 Fixed asset investments (continued)

Acquisition of subsidiary undertakings (continued)

	Coconut Software Limited £
Tangible fixed assets	30,983
Fixed asset investments	200
Debtors	61,570
Cash at bank	5,237
Total assets	<u>97,990</u>
Trade creditors	8,718
Other creditors	136,847
Total liabilities	<u>145,565</u>
Net liabilities	<u>(47,575)</u>
80% thereof	<u>(38,060)</u>

The consideration comprised:

	£
Shares allotted in uc.com Ltd	750,000
Shares allotted in subsidiary undertaking	800,000
Cash paid (including costs)	143,194
Deferred cash consideration	667,826
	<u>2,361,020</u>
Goodwill arising on acquisition	<u>2,399,080</u>

The holders of the minority interest in Coconut Software Limited and Cashoo.com Limited have the option to convert their minority interest into shares of uc.com Ltd and uc.com e-commerce Limited respectively.

The terms of the sale and purchase agreement for Securetrading Limited, Worldsystems.com Limited and Cashoo.com Limited include an option for the vendors, after 23 March 2001, subject to certain conditions, to buy back the respective companies for the consideration paid to acquire the companies plus settlement of previous working capital advances. The directors have reviewed this condition and are of the opinion that this option will not be exercised in the foreseeable future.

Notes to accounts (continued)

12 Fixed asset investments (continued)

Acquisition of subsidiary undertakings (continued)

Summarised unaudited profit and loss account for the year ended 31 December 1999

	Securetrading Limited £	Worldsystems. com Limited and Cashoo.com Limited £	Total £
Turnover	137,014	413,640	550,654
Operating expenses	(449,086)	(434,249)	(883,335)
Loss before taxation	(312,072)	(20,609)	(332,681)
Taxation	-	-	-
Loss after taxation	<u>(312,072)</u>	<u>(20,609)</u>	<u>(332,681)</u>
Loss after taxation for the year ended 31 December 1998	<u>(29,550)</u>	<u>(6,508)</u>	<u>(36,058)</u>

There were no other recognised gains and losses other than the loss after taxation above.

Summarised unaudited profit and loss account for the sixteen months ended 31 December 1999

	Coconut Software Limited £
Turnover	148,981
Operating expenses	(195,692)
Loss before taxation	(46,711)
Taxation	(322)
Loss after taxation	<u>(47,033)</u>
Loss after taxation for the period ended 31 August 1998	<u>(1,138)</u>

There were no other recognised gains and losses other than the loss after taxation above.

There was no trading activity recognised in the consolidated profit and loss account for the above entities for the period ended 31 December 1999 as no material revenue, expenses or cashflows were earned, incurred, distributed or received between the respective acquisition dates and 31 December 1999.

Notes to accounts (continued)

12 Fixed asset investments (continued)

Acquisition of business

On 30 June 1999 the company acquired the trade and net liabilities of Brainware Europe Limited.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group at the date of acquisition. The directors consider that the book value of the amounts acquired were equal to their fair value. There were no changes in respect of accounting policy alignments.

	Brainware Europe trade and net liabilities £
Tangible fixed assets	4,366
Other debtors	67,449
Trade creditors	(165,443)
Bank overdraft	(113,272)
Taxation and social security costs	(360,528)
Corporation tax	(26,000)
Loans	(773,806)
Other creditors	(399,669)
	<hr/>
	(1,766,903)
Goodwill	1,834,915
	<hr/>
Consideration (including costs of acquisition)	68,012
	<hr/>

The consideration comprised :

	£
Acquisition costs (unpaid)	68,012
	<hr/>

Included in the acquisition were various intellectual property rights, employment contracts and the benefits of various Heads of Agreement and discussions with a number of acquisition targets.

Notes to accounts (continued)

13 Debtors

	<u>Group</u>	<u>Company</u>
	1999	1999
	£	£
Trade debtors	142,487	-
Amounts owed by group undertakings	-	6,017,073
VAT	108,597	50,592
Other debtors	193,791	221,739
Called-up share capital not paid	28,708	28,708
Prepayments and accrued income	62,130	26,061
Advanced payments and related costs on acquisitions	184,471	-
	<u>720,184</u>	<u>6,344,173</u>

Advanced payments and related costs on acquisitions relate to advances made against intended future acquisitions together with related research, introductory, legal and accounting costs.

14 Creditors: Amounts falling due within one year

	<u>Group</u>	<u>Company</u>
	1999	1999
	£	£
Bank overdraft	91,188	91,188
Obligations under finance leases (note 16)	14,565	-
Bank loan	1,351	-
Trade creditors	324,598	185,569
Amounts due to group undertakings	-	22,800
Taxation and social security	420,889	397,206
Corporation tax	26,000	26,000
Other creditors	181,993	142,880
Accruals and deferred income	1,100,253	1,027,267
Deferred consideration for the acquisition of subsidiary undertakings	1,406,957	-
	<u>3,567,794</u>	<u>1,892,910</u>

Deferred consideration for the acquisition of subsidiary undertakings relates to the unpaid consideration due in respect of acquisitions completed during the period.

Notes to accounts (continued)

15 Creditors: Amounts falling due after more than one year

	<u>Group</u>
	1999
	£
Deferred consideration for the acquisition of subsidiary undertakings	347,826
Obligations under finance leases (note 16)	<u>14,110</u>
	<u>361,936</u>

16 Obligations under finance leases

	<u>Group</u>
	1999
	£
Between one and two years	14,569
Between two and five years	<u>17,812</u>
	32,381
Less: finance charges allocated to future periods	<u>(3,706)</u>
	<u>28,675</u>
Finance leases are shown as:	
Current obligation (note 14)	14,565
Non-current obligations (note 15)	<u>14,110</u>
	<u>28,675</u>

17 Financial commitments

Capital commitments

There were no capital commitments other than the acquisitions in progress at period end. Details of these are disclosed in note 27 to these accounts.

Notes to accounts (continued)

17 Financial commitments (continued)

Operating leases

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

	1999	
	Land and buildings £	Other £
Group		
On leases expiring:		
- within one year	88,683	30,991
- between two and five years	95,631	49,055
	<u>184,314</u>	<u>80,046</u>
	1999	
	Land and buildings £	Other £
Company		
On leases expiring:		
- within one year	85,410	6,338
- between two and five years	-	49,055
	<u>85,410</u>	<u>55,393</u>

18 Called-up share capital

	1999 £
<i>Authorised</i>	
999,999,990 'A' ordinary shares of £0.0001 each	100,000
10 'B' ordinary shares of £0.0001 each	-
	<u>100,000</u>
<i>Allotted and called-up</i>	
346,773,317 'A' ordinary shares of £0.0001 each	34,677
10 'B' ordinary shares of £0.0001 each	-
	<u>34,677</u>

Notes to accounts (continued)

18 Called-up share capital (continued)

a) Share capital

During the period 336,906,484 'A' ordinary shares of £0.0001 each with an aggregate nominal value of £33,691 were issued for cash of £7,550,952. A further 7,366,833 'A' ordinary shares of £0.0001 each with an aggregate nominal value of £737 were issued for a value of £1,118,300 in lieu of services and settlement of certain liabilities. A further 2,500,000 'A' ordinary shares of £0.0001 each with an aggregate nominal value of £250 were issued at a value of £750,000 in part consideration for the acquisition of a subsidiary undertaking.

10 'B' Ordinary shares of £0.0001 each were also issued in the period.

b) Voting and dividend rights

The 'A' shares have between them no more than 49.5% of the total voting rights, the 'B' shares which are all held by J.A. Paulsen, a director, have no less than 50.5% of the total voting rights. The 'A' and 'B' shares rank pari passu in respect of dividend rights.

c) Share options

At 31 December 1999 the following options remained outstanding in respect of the company's ordinary shares:

<u>Date of Grant</u>	<u>Numbers of shares subject to option</u>	<u>Exercise price per share</u>
1 May 1999	10,290,000	£0.0001
1 May 1999	750,000	£0.30
28 June 1999	33,000,000	£0.0001
23 August 1999	2,500	£0.0001
30 August 1999	100,000	£0.0001
30 August 1999	150,000	£0.30
12 October 1999	20,000	£0.0001
20 December 1999	20,000	£0.0001

The options have vesting periods ranging from the date of grant to 1 May 2002.

Notes to accounts (continued)

19 Reserves

	Group			Total £
	Profit and loss account £	Share premium account £	Other reserves £	
Retained loss for the period	(10,041,187)	-	-	(10,041,187)
Share issues	-	9,384,575	-	9,384,575
Expenses of equity share issues	-	(428,456)	-	(428,456)
Unrealised gain on deemed disposal of shares in subsidiary undertaking	-	-	3,293,268	3,293,268
Charge in respect of employee share options	5,028,727	-	-	5,028,727
At 31 December 1999	<u>(5,012,460)</u>	<u>8,956,119</u>	<u>3,293,268</u>	<u>7,236,927</u>

Other reserves

Included in other reserves is a non-distributable unrealised gain on the deemed disposal of shares in uc.com e-commerce Limited. During the year additional shares in uc.com e-commerce Limited were issued to third parties as part consideration for the acquisitions of Securetrading Limited, Worldsystems.com Limited, Cashoo.com Limited and Coconut Software Limited reducing the company's interest in uc.com e-commerce Limited from 100% to 97.3% resulting in a gain on disposal of £3,293,268 on consolidation. This unrealised gain has been credited to other reserves.

	Company		
	Profit and loss account £	Share premium account £	Total £
Retained loss for the period	(6,991,672)	-	(6,991,672)
Share issues	-	9,384,575	9,384,575
Expenses of equity share issues	-	(428,456)	(428,456)
Charge in respect of employee share options	5,028,727	-	5,028,727
At 31 December 1999	<u>(1,962,945)</u>	<u>8,956,119</u>	<u>6,993,174</u>

Notes to accounts (continued)

20 Reconciliation of movements in equity shareholders' funds

	1999 £
Loss for the financial period	(10,041,187)
Other recognised gains and losses relating to the period:	
- Unrealised gain on deemed disposal of shares in subsidiary undertaking	3,293,268
Charge in respect of employee share options	5,028,727
	<u>(1,719,192)</u>
New shares issued	8,990,796
Net addition to shareholders' funds	7,271,604
Opening shareholders' funds	-
Closing shareholders' funds	<u>7,271,604</u>

21 Minority interests

	1999 £
Acquisition of subsidiary undertakings	(9,515)
Minority interest arising on deemed disposal of shares in subsidiary undertaking	6,529
Provision for non-recoverability of group minority interest receivable	9,515
	<u>6,529</u>
At 31 December 1999	<u>6,529</u>

22 Reconciliation of operating loss to net cash outflow from operating activities

	1999 £
Operating loss	(10,049,572)
Depreciation charges	5,836
Amounts written off investments	239,000
Amortisation charges	131,762
Shares issued in lieu of services and settlement of certain liabilities	412,000
Minority interest receivable written off	9,515
Charge in respect of employee share options	5,028,727
Increase in debtors	(382,527)
Increase in creditors	684,936
Net cash outflow from operating activities	<u>(3,920,323)</u>

Notes to accounts (continued)

23 Analysis of cash flows

Returns on investments and servicing of finance

	Notes	1999 £
Interest received		8,997
Interest paid		(612)
Net cash inflow		<u>8,385</u>

Capital expenditure and financial investment

		1999 £
Purchase of trade investments		361,000
Purchase of tangible fixed assets		34,825
Purchase of intangible fixed assets		11,003
Loans to acquisition targets		533,031
Net cash outflow		<u>939,859</u>

Acquisitions and disposals

		1999 £
Acquisitions in progress		184,471
Purchase of subsidiary undertakings	12	1,484,077
Net cash acquired with subsidiary undertakings	12	(183,315)
Net cash outflow		<u>1,485,233</u>

Financing

		1999 £
Issue of ordinary share capital (net of issue costs)		7,193,788
Net cash inflow		<u>7,193,788</u>

Notes to accounts (continued)

24 Analysis and reconciliation of net funds

	Cash flow £	Acquisitions (excl cash and overdrafts) £	31 December 1999 £
Cash in hand and at bank	856,758	-	856,758
Debt due within 1 year	-	(1,351)	(1,351)
Finance leases	-	(28,675)	(28,675)
	-	(30,026)	(30,026)
Net funds	856,758	(30,026)	826,732

	1999 £
Increase in cash in the period	856,758
Loans and finance leases acquired with subsidiaries	(30,026)
Movement in net funds in the period	826,732
Net funds at 31 December 1999	826,732

25 Major non-cash transactions

Shares with a value of £1,118,300 were issued in lieu of services and in settlement of certain liabilities.

Shares with a value of £2,800,000 were issued by the group in part consideration for the acquisition of subsidiary undertakings. Further details of the acquisitions are set out in note 12 to these accounts.

26 Pension obligations

The group contributed to a defined contribution scheme for which the pension cost charge for the period amounted to £16,995.

27 Subsequent events

Securetrading Limited and Worldsystems.com Limited

The acquisitions of Securetrading and Worldsystems.com were made on the basis that uc.com e-commerce Limited would hold an 80% interest in both companies. Subsequent to the year end the directors became aware that a number of shares previously issued by the acquired companies may not have been validly issued. The directors sought legal advice and obtained counsel's opinion on 20 September 2000 that the shares presently held by the minority in the acquired companies were void and that uc.com e-commerce Limited held a 100% interest in both companies. The directors have confirmed that it is their intention to rectify this matter in the most effective way reinstating, at no cost to the group, the 20% minority interest in both entities.

Notes to accounts (continued)

27 Subsequent events (continued)

Acquisitions

Since the period end, the group has completed four acquisitions; an 80% interest in an overseas company and a UK company, as well as an 84% and 100% interest in two overseas companies. The total purchase consideration comprises the issue of 7.1 million shares in uc.com Ltd, 1 million shares in uc.com e-commerce Limited and £1.7 million in cash. The deferred consideration is £3.8 million, consisting of £2.4 million in cash and the balance in shares to the value of £1.4 million.

A number of other acquisitions are in progress and should be completed during the year ended 31 December 2000.

On 14 March 2000, the group subscribed HK\$5 million (£394,000) for a 50% interest in uc.com Asia Limited, a Hong Kong based joint venture company formed to take advantage of investment opportunities in the growing Far East and South East Asian Markets. A further HK\$5 million (£394,000) will be subscribed in due course by both joint venture parties to fully capitalise the company.

The group has also acquired a 25% interest in a company developing an online recruitment market for temporary staff appointments, at a cost of £152,000.

Cash received for shares

Since 31 December 1999, the company has received £13.3 million for 125 million 'A' shares to provide working capital and funds to finance current and future acquisitions.

Strategic alliance

On 22 May 2000, the group entered into a strategic alliance with First Data Merchant Services Corporation, a Florida based corporation, for the provision of payment gateway and related solutions worldwide outside North America with a new co-operation agreement for North America.

Reorganisation

As part of an ongoing reorganisation of the group into its four identified business lines, the previous terms determining consideration arising on acquisitions completed in the period and subsequently have been varied so that no additional earn out or contingent consideration based on turnover and profit targets is payable.

Further, the group has confirmed its intention to transfer the interests in Coconut Software Limited and another business acquired subsequent to the period end from uc.com e-commerce Limited to the appropriate group holding company for their respective business activities.

28 Related party transactions

The company purchased with effect from 30 June 1999, the business, undertaking and goodwill of Brainware Europe Limited, a company of which J.A. Paulsen was a director and controlling shareholder. Details of this transaction are disclosed in note 12 to these accounts.

K. Wood and A.R. Jones, directors of Securetrading Limited, Worldsystems.com Limited and Cashoo.com Limited, are also directors and controlling shareholders of North Wales Internet Limited. At 31 December 1999, the group was owed £5,875 by North Wales Internet Limited, and the group owed £22,818 to North Wales Internet Limited. During 1999, Securetrading Limited sold services of £5,000 to North Wales Internet Limited.

During 1999, Securetrading Limited bought services of £6,000 from A.R. Jones trading as Technology GWE. This amount was paid by Securetrading Limited during 1999.

During 1999, Securetrading Limited bought services of £3,000 from K. Wood trading as K.W. Consultancy Services. This amount was paid during 1999.

Included in other debtors is a loan of £3,481 owed to the group by K. Wood. This amount is still outstanding at the date of approval of these accounts.

During 1999, Worldsystems.com Limited bought services of £5,187 from K. Wood trading as K.W. Consultancy Services. A balance of £2,569 is outstanding owed to K. Wood at 31 December 1999 and is included within trade creditors.

At 31 December 1999, the group was owed £5,372 by Rural Computer Systems Limited, a company of which K. Wood is a director and controlling shareholder. This amount has been provided for in the accounts. A further £3,650 was owed to Rural Computer Systems Limited by the group at 31 December 1999 and is included within trade creditors.

29 Controlling party

J.A. Paulsen, a director of uc.com Ltd, controls the company as a result of controlling directly, more than 50.5% of the issued share capital of uc.com Ltd, in the form of 'B' ordinary shares.