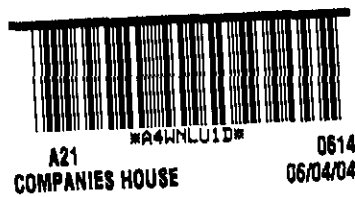


**FUNDAMENTAL-e**  
**INVESTMENTS PLC**  
**FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2003**

Registered number: 3557654



**HAINES WATTS**  
Chartered Accountants & Registered Auditors  
Bridge House  
157 Ashley Road  
Hale, Altrincham  
Cheshire  
WA14 2UT

# FUNDAMENTAL—e INVESTMENTS PLC

## FINANCIAL STATEMENTS

30 September 2003

### CONTENTS

	<i>Page</i>
Chairman's Statement	1
Directors' Report	4
<i>Report of the Remuneration Committee</i>	7
Corporate Governance	9
Statement of Directors' Responsibilities	12
Auditors' Report	13
Consolidated Profit and Loss Account	15
Consolidated Balance Sheet	16
Company Balance Sheet	17
Consolidated Cash Flow Statement	18
Notes to the Financial Statements	20
Directors and Professional Advisers	31
Notice of Annual General Meeting	32
Form of Proxy	

**FUNDAMENTAL-e INVESTMENTS PLC****CHAIRMAN'S STATEMENT****30 September 2003****Fundamental e Investments plc**

Since the publication of Fundamental e Investment Plc's (the 'Company') interim results for the period to 31 March 2003, your company has seen a great deal of change and the beginnings of a new and exciting future.

**Results**

The Company's results, for the year to 30 September 2003, clearly show the need for the changes that are now underway. Although creditable given the adverse trading conditions during the period, the profit on ordinary activities before taxation of £201,094 (2002-£610,898) on a turnover of £9,561,824 (2002 - £13,480,196) reflects the third consecutive year of decline under the previous business model.

It is your company's ambition over the next twelve months to become the UK's leading provider of a new generation of multi-media entertainment and communication systems. Our recent strategic acquisitions in telecoms, audio visual and gaming, together with the creation of specialist national distribution and marketing businesses, means that your company is well placed to achieve this ambition.

**New Strategy**

Since my arrival on the board as a non-executive Director in November 2003, and subsequent appointment as Chairman in January 2004, I have started to implement this new strategy by building on your Group's previous role as a niche electronic components supplier and aiming to establish it rapidly as a major multi media provider for domestic and business customers.

Over the past four months, your board has, through acquisition, already started to put in place the structure to achieve these objectives. Through the rest of the year, we shall be launching a new range of unique products and services combining computer hardware, telecoms, internet, games, and flat screen technology.

These include:

- The UK's first on line interactive telephone network, available for domestic and business use at discounted rates
- Affordable Plasma, LCD and flat screen technology
- Integrated domestic and business telecoms, entertainment and business systems

**FUNDAMENTAL-e INVESTMENTS PLC****CHAIRMAN'S STATEMENT****30 September 2003****New Company**

Today your Company announces the formation of 'Fundamental Multi Media Systems Limited' ('FMS') FMS will act as the sales and marketing interface for the Company's other recently acquired businesses namely Europass Telecom Limited, Purely Plasma Limited and Proactive Games Limited.

CCM Limited, the Company's computer components supply subsidiary, has been refocused to broaden its business base and provide the stock management and distribution operation for the group. As part of this process, the business has moved to a purpose designed facility in Altrincham. These premises will house not only CCM Limited but also Purely Plasma Limited.

**New Group Chief Executive**

I am also pleased to announce today the appointment of Jonathan Nelson as Group Chief Executive. Jonathan has been central to the developing strategy of your company since joining the board in February.

**Operational Review & Post-Balance Sheet Events**

In the past twelve months your company has acquired three companies, refocused its existing subsidiary, CCM, and realised its investment in WAP Integrators plc.

**Europass Telecom Limited (ETL)**

The Company acquired 51% of Europass Telecom Limited in February 2004. The business is a leading supplier of premium rate and discount rate telephone calls in the UK and in Spain. It has also acquired the exclusive license to create the UK's most advanced internet telephone network for domestic and business users. The Company has been trialling this product for the past two months with very promising results. The end user benefits are immense, and include telephone calls worldwide at almost zero cost, network plug in anywhere globally and one single global number. It is your Company's intention to introduce this product into the market during the next six months.

**Purely Plasma Limited (PPL)**

The Company acquired the business in August 2003. PPL provide the latest in flat screen technologies, such as Plasma and LCD, to wholesale and trade customers. This business is in the process of developing a number of specialist products, including integration with online technologies, computing and home entertainment systems, to deliver a truly integrated front-end solution for domestic and business use. PPL is also pioneering the design, manufacture and distribution of an exciting range of furniture centred around flat screens for modern living.

**Proactive Games Limited (PAG)**

The company acquired 70% of PAG in January 2004. It specialises in acquiring and publishing computer games and distributing peripherals. Aside from its growing product range, it also has strong trading relationships with some of Europe's leading high street retailers, thereby providing excellent opportunities for cross-sales with the Group's screen and telecoms businesses.

# FUNDAMENTAL-e INVESTMENTS PLC

## CHAIRMAN'S STATEMENT

30 September 2003

### **Fundamental Multi Media Systems Limited (FMS)**

The Company's most recent addition, FMS provides the sales interface with the end user and will be responsible for the sales and marketing of the Company's products and services. The business is already developing a range of routes to market, including on-line, retail, joint venture and business partnerships with other complimentary business to business and business to consumer organisations. Through FMS, the company will also offer an integrated media package, combining the various products and services of the Group's constituent businesses.

### **CCM Limited (CCM)**

The Company's original subsidiary, CCM will continue to operate its niche computer components business, but is already extending its product range and supply routes. CCM will provide the central ordering, stocking and supply operation for the group within the UK.

### **WAP Integrators Plc**

WAP Integrators Plc was wound up in May 2003 with the Company realising £216,000 for shareholders from its original investment of £100,000.

### **Directors**

I would like to thank Robert Durstan and Peter Kitson, formerly the Company's Chairman and Chief Executive respectively who have left the business to develop their other business interests in January this year, for all their efforts.

In the short time that I have been the Chairman of the Company, I have been struck by the dynamism of its staff, and the willingness on their part to embrace change.

Together I believe that we have created a winning combination of sound infrastructure with market leading technologies. It promises to be an exciting and rewarding year ahead.

Simon Eagle  
Chairman



March 2004

# FUNDAMENTAL-e INVESTMENTS PLC

## DIRECTORS' REPORT

30 September 2003

The Directors present their report together with the financial statements for the year ended 30 September 2003.

### Principal activity

The principal activity of the Group is that of the distribution of computer components. However the Directors have adopted a new strategy of investing in fast growth companies and intend to turn the company into an investment company.

### Business review, results and dividend

A review of the business is contained in the Chairman's statement on pages 1 to 3.

The Directors have recommended the following dividends:

	2003	2002
	£	£
Dividends paid on ordinary shares	495,000	990,000
	<hr/>	<hr/>

### Investments

On 9 January 2004, Fundamental-e Investments Plc agreed to acquire 70% of the issued share capital of Proactive Games Limited for a consideration of £150,000. The consideration will be satisfied by the issue of 4,285,714 new ordinary shares of Fundamental-e Investments Plc when certain performance targets have been met by Proactive Games Limited. Proactive Games Limited specialises in acquiring computer games and distribution peripherals.

On 2 February 2004, Fundamental-e Investments Plc acquired 51% of the issued share capital of Europass Telecom Limited for a consideration to be satisfied by the issue of 12,750,000 new ordinary shares of Fundamental-e Investments Plc. The consideration will be paid when certain performance targets have been met. Europass Telecom specialises in supplying premium and discount rate telephone calls in the UK and Spain.

Most recently, the Company has formed 'Fundamental Multi-Media Systems Limited'. Fundamental Multi Media Systems Limited provides a sales and marketing interface with the end users and is responsible for the sales and marketing of the Company's products and services. It will also offer an integrated media package combining the products and services of the Group's businesses.

# FUNDAMENTAL-e INVESTMENTS PLC

## DIRECTORS' REPORT

30 September 2003

### Directors

The present membership of the Board is set out below. The board comprises 1 Chairman and 2 executive directors.

Mr Eagle is the executive Chairman of the Company. He has over twenty-five years experience in the finance industry, and is also executive Chairman of SP Holdings Plc and non-executive director of Easier Plc.

### Directors and Directors interests

The directors who held office during the year were as follows:-

S Willmott	(resigned 13 August 2003)
R H Durston	(resigned 2 January 2004)
P Kitson	(resigned 2 January 2004)
I Ashworth	(appointed 13 August 2003)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company at the end of the year as recorded in the register of directors' share interests.

R H Durston	50,000 shares
P Kitson	-
I Ashworth	-

Mr Eagle was appointed director of the company on 18 November 2003 and as Chairman on 2 January 2004.

On 11 November 2003, Mr Eagle acquired 16,500,000 ordinary shares, representing 10% of the issued ordinary share capital of the company, through Winterway Investment Corporation.

Mr Eagle retires by rotation and being eligible offers himself for re-election.

Mr Nelson was appointed director of the company on 5 February 2004.

### Employment policies

The Company depends on the skills and commitment of its employees in order to achieve its objectives. Company staff at every level are encouraged to make their fullest possible contribution to its success.

The Company's selection, training, development and promotion policies ensure equal opportunities for all employees regardless of gender, marital status, race, age or disability. All decisions are based on merit.

**FUNDAMENTAL-e INVESTMENTS PLC****DIRECTORS' REPORT****30 September 2003****Share Option**

No share options were outstanding at 30 September 2003 and no options have been granted since that date.

**Substantial shareholders other than directors**

As at 10<sup>th</sup> March 2004 the following interests of 3% or more in the issued share capital of the company appeared in the register maintained under the provisions of section 211 of the Companies Act 1985.

<b>Name</b>	<b>Number of ordinary shares</b>	<b>Shareholding percentage</b>
Pershing Keen Nominees Limited	83,540,500	50.6%
Littledown Nominees Limited	30,666,668	18.6%

**Policy on the payment of creditors**

Payment terms are agreed with each supplier at the time business is transacted and it is each group company's policy to adhere to those terms. At 30 September 2003 trade creditors represented 21 days purchases.

**Donations**

During the period, no political or charitable donations were made.

**Auditors**

A resolution in accordance with section 384 of the Companies Act 1985 for the reappointment of Haines Watts as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



.....  
Director

15 March 2004

# FUNDAMENTAL—e INVESTMENTS PLC

## REPORT OF THE REMUNERATION COMMITTEE

30 September 2003

### **The Committee**

The Remuneration Committee comprises two executive directors. The Committee reviews at least annually, all aspects of the executive directors' performance, remuneration and incentives. The awarding of bonuses to the executive Directors and any changes to their remuneration packages or incentive schemes require the prior approval of the Committee.

The Committee is directly accountable to shareholders, and will report to shareholders annually in the Report and Accounts. The Committee will also be present at the Annual General Meeting of the Company to answer any questions shareholders may have about remuneration issues.

### **Compliance with best practice**

The Committee seeks to comply with the Combined Code of Best Practice on Corporate Governance with respect to the setting, monitoring and disclosure of the remuneration of the directors.

### **Remuneration Policy**

*The Company is committed to generating above average returns for shareholders and the Remuneration Committee recognises that this objective will not be achieved unless the Company attracts and retains individuals of sufficiently high calibre at Board and senior management levels. The Committee is responsible for determining how these individuals will be rewarded and incentivised.*

### **Basic salary and benefits**

*In considering each Director's performance, the Committee will make reference to the contribution each individual has made and also the performance of the Company.*

The Directors' remuneration packages and terms of employment will be considered relative to best practice and also relative to the terms and conditions of employment of other senior employees of the Company.

Each Director's basic salary and principal benefits are set out on page 8.

### **Service agreements**

No director has a service agreement with notice period that exceeds 12 months.

**FUNDAMENTAL-e INVESTMENTS PLC**  
**REPORT OF THE REMUNERATION COMMITTEE**

**30 September 2003**

**Fees for Non-Executive Directors**

The fees of the non-executive directors are determined by the board as a whole.

Non-executive directors do not participate in, or vote on, any discussion relating to their own remuneration.

The non-executive directors are entitled to no other benefits.

**Share options**

The Committee considers that share options are one of the mechanisms by which directors can be given appropriate longer term incentives. The grant of options to directors under the Company's option scheme requires the approval of the Remuneration Committee. In considering whether such a grant is appropriate, the Committee will make reference to the director's remuneration package as a whole, and to the period over which options are exercisable. Where appropriate, performance criteria are attached to the exercise of options.

There were no Directors with share options during the year and no options have been granted since the year end.

**Directors' Service contracts and emoluments**

	S Willmott (resigned 13 August 2003)	P Kitson (resigned 2 January 2004)	I Ashworth (appointed 13 August 2003)	J Nelson (appointed 5 February 2004)
Position	Finance Director	Executive Director	Finance Director	Executive Director
Basic Salary	£28,000pa	£28,000pa	£29,000pa	£ Nil
Notice	12 months	3 months	12 months	12 months



*Chairman – Remuneration Committee*

15 March 2004

## FUNDAMENTAL-e INVESTMENTS PLC

### CORPORATE GOVERNANCE

30 September 2003

On July 2003, the Financial Reporting Council agreed the text of the new Combined Code on Corporate Governance. This new code comes into effect for reporting years beginning on or after 1 November 2003. The Board support the principle of good governance and during the course of 2004 the new Code will be reviewed and appropriate principles adopted.

Companies that have securities traded on the Alternative Investment Market are not required to comply with the disclosures of the Combined Code. However, the Group has adopted procedures to institute good governance insofar as is practical and appropriate for a group of its size and has chosen to make the voluntary disclosures.

#### Directors

The Board currently comprises a Chairman and two executive directors.

The Board has an established Audit Committee and Remuneration Committee with duties and responsibilities formally delegated to them

#### Audit Committee

Jonathan Nelson (Director)

Ian Ashworth (Director)

#### Remuneration Committee

Jonathan Nelson (Director)

Ian Ashworth (Director)

#### Audit Committee & Auditors

The Audit Committee currently comprises two executive directors.

It assists the Board in meeting its responsibilities in respect of internal controls and external financial reporting.

The Audit Committee also reviews the results of the external audit. It considers the cost effectiveness, objectivity and independence of the auditors, particularly by taking into account other non-audit services provided by them.

#### Internal Controls

The board aims to maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets. In applying this principle the Directors are responsible for the Group's system of internal controls, financial and otherwise, recognising that such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

In accordance with the Combined Code guidance the Directors confirm that the Group has implemented an on-going process for identifying, evaluating and managing significant risks affecting the Group. This process has been in place during the financial year and for the period up to approval.

## FUNDAMENTAL-e INVESTMENTS PLC

### CORPORATE GOVERNANCE

30 September 2003

In carrying out their responsibility, the Directors have put in place a framework to ensure that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible.

#### **Internal Audit**

The Board has considered the need for internal audit, but has decided that because of the size of the Group it cannot be justified at present. The Board will review this decision again next year.

#### **Remuneration Committee**

*The remuneration committee currently comprises two executive directors.*

The remuneration committee is responsible for setting the remuneration of the executive directors and the senior management having due regard to the interest of the shareholders.

#### **Going Concern**

The Directors are satisfied that the group has adequate resources to continue in existence for the foreseeable future and for this reason, they continue to adopt the going concern basis of preparing the accounts.

The Board is committed to proper standards of Corporate Governance and will keep procedures under review as the Code develops.

## FUNDAMENTAL-e INVESTMENTS PLC

### CORPORATE GOVERNANCE

30 September 2003

#### **Report by the auditors to the Directors of Fundamental-e Investments plc on Corporate Governance Matters**

In addition to our audit of the accounts, we have reviewed your statements above concerning the Company's compliance with the paragraphs of the Combined Code specified by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

#### **Basis of Opinion**

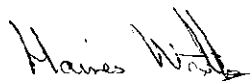
We carried out our review having regard to the Bulletin 1995/1 "Disclosures relating to Corporate Governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Company's Corporate Governance procedures nor on the ability of the Company to continue in operational existence.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code issued in June 1998 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

#### **Opinion**

In our opinion, your statement on going concern set out under directors' responsibilities on page 12 has provided the disclosures required under paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and is not inconsistent with the information which came to our attention as a result of our audit work on the accounts.

In our opinion, based on enquiry of certain Directors and officers of the Company and examination of relevant documents, your statement above appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.



#### **HAINES WATTS**

Registered Auditors  
Chartered Accountants  
Hale, Altrincham

15 March 2004

## FUNDAMENTAL-e INVESTMENTS PLC

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

30 September 2003


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 as at 30 September 2003 and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 20, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors report and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the AIM Rules.

On behalf of the Board



Director

15 March 2004

**FUNDAMENTAL—e INVESTMENTS PLC****INDEPENDENT AUDITORS' REPORT****To the members of  
Fundamental—e Investments plc**

We have audited the financial statements on pages 15 to 30, which have been prepared under the historical cost convention and the accounting policies set out on page 20.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**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 on page 12.

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

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

**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 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 error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

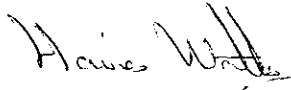
**FUNDAMENTAL-e INVESTMENTS PLC**

**INDEPENDENT AUDITORS' REPORT**

**To the members of  
Fundamental-e Investments plc**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and its subsidiary undertaking as at 30 September 2003 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**HAINES WATTS**  
Registered Auditors  
Chartered Accountants  
Hale, Altrincham

15 March 2004

**FUNDAMENTAL—e INVESTMENTS PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**for the year ended 30 September 2003**

	Note	Year ended 30 September 2003 £	Year ended 30 September 2002 £
Turnover - continuing operations	2	9,561,824	13,480,196
Cost of sales		(7,946,781)	(11,163,297)
Gross profit		<u>1,615,043</u>	<u>2,316,899</u>
Net operating expenses			
Distribution costs		(211,503)	(175,370)
Administrative expenses		(1,190,740)	(1,522,315)
Other operating income	3	164	790
		<u>                    </u>	<u>                    </u>
Operating profit- continuing operations	4	212,964	620,004
Interest payable	6	(11,870)	(9,106)
		<u>                    </u>	<u>                    </u>
Profit on ordinary activities before taxation		201,094	610,898
Taxation	7	(42,154)	(183,867)
		<u>                    </u>	<u>                    </u>
Profit on ordinary activities after taxation		158,940	427,031
Dividends	8	(495,000)	(990,000)
		<u>                    </u>	<u>                    </u>
Retained (loss)/profit	20	(336,060)	(562,969)
		<u>                    </u>	<u>                    </u>
Earnings per share	9	0.10p	0.26p
		<u>                    </u>	<u>                    </u>

Movements in reserves are shown in note 20.

None of the Company's activities were acquired or discontinued during the above financial period. There are no recognised gains and losses in the financial period other than the profit for the period.

# FUNDAMENTAL-e INVESTMENTS PLC

## CONSOLIDATED BALANCE SHEET

at 30 September 2003

	Note	As at 30 September 2003 £	As at 30 September 2002 £
<b>Fixed assets</b>			
Tangible assets	10	128,084	130,733
Investments	11	-	100,000
<b>Current assets</b>			
Stocks	12	402,134	411,940
Debts factored without recourse:	13		
Gross debts (after providing for credit protection fee and accrued interest)		1,284,061	1,420,906
Less: non-returnable proceeds		(549,741)	(257,550)
		<u>734,320</u>	<u>1,163,356</u>
Debtors	14	311,495	323,246
Cash at bank and in hand		217,753	38,782
		<u>1,665,702</u>	<u>1,937,324</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(852,646)</u>	<u>(961,057)</u>
<b>Net current assets</b>		813,056	976,267
<b>Total assets less current liabilities</b>		<u>941,140</u>	<u>1,207,000</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	16	(12,200)	(22,000)
Other provisions	17	(80,000)	-
		<u>848,940</u>	<u>1,185,000</u>
<b>Capital and reserves</b>			
Called up share capital	19	1,650,000	1,650,000
Profit and loss account	20	623,921	959,981
Share Premium account	20	154,919	154,919
Merger reserve	20	(1,579,900)	(1,579,900)
<b>Total equity shareholders' funds</b>	18	<u>848,940</u>	<u>1,185,000</u>

The financial statements on pages 15 to 30 were approved by the Board of Directors on 15 March 2004 and signed on its behalf by:

  
.....  
Director

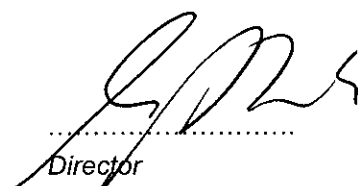
# FUNDAMENTAL-e INVESTMENTS PLC

## BALANCE SHEET

at 30 September 2003

	Note	As at 30 September 2003		As at 30 September 2002	
		£	£	£	£
<b>Fixed assets</b>					
Investments	11		3,605,046		1,699,903
<b>Current assets</b>					
Debtors	14	632,189		1,065,131	
Cash at bank and in hand		217,714		-	
			<u>849,903</u>	<u>1,065,131</u>	
<b>Creditors: amounts falling due within one year</b>	15	(20,966)		(134)	
<b>Net current assets</b>			<u>828,937</u>	<u>1,064,997</u>	
<b>Total assets less current liabilities</b>			<u>4,433,983</u>	<u>2,764,900</u>	
<b>Capital and reserves</b>					
Called up share capital	19		1,650,000		1,650,000
Shares to be issued	19 & 20		2,005,143		-
Share premium account	20		154,919		154,919
Profit and loss account	20		623,921		959,981
<b>Total equity shareholders' funds</b>	18		<u>4,433,983</u>		<u>2,764,900</u>

The financial statements on pages 15 to 30 were approved by the Board of directors on 15 March 2004 and signed on its behalf by:

  
.....  
Director

**FUNDAMENTAL-e INVESTMENTS PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**

for the year ended 30 September 2003

	2003		2002	
	£	£	£	£
<b>Net cash inflow/(outflow) from operating activities</b>		613,848		1,489,868
<b>Returns on investments and servicing of finance</b>				
Interest received	164		790	
Interest paid	(11,870)		(9,106)	
		<hr/>		<hr/>
<b>Net cash outflow from returns on Investments and servicing of finance</b>		(11,706)		(8,316)
<b>Taxation</b>		(163,986)		(366,867)
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets	(82,804)		(14,076)	
Proceeds from disposal of fixed assets investment	217,537		-	
		<hr/>		<hr/>
<b>Net cash outflow from capital expenditure</b>		134,733		(14,076)
<b>Equity dividends paid</b>		(495,000)		(990,000)
		<hr/>		<hr/>
<b>Increase/(decrease) in cash</b>		77,889		110,609
		<hr/> <hr/>		<hr/> <hr/>

**Reconciliation of operating profit to net cash inflow from operating activities**

	2003		2002	
	£	£	£	£
Operating profit	212,800		619,214	
Depreciation	14,231		32,684	
Decrease in stocks	9,806		165,109	
Decrease in debtors	148,595		781,126	
Decrease in creditors	194,731		(108,265)	
Loss on disposal of fixed assets	71,222		-	
Profit on disposal of investments	(117,537)		-	
Increase in provisions	80,000		-	
		<hr/>		<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>		613,848		1,489,868
		<hr/> <hr/>		<hr/> <hr/>

**FUNDAMENTAL-e INVESTMENTS PLC**  
**CONSOLIDATED CASH FLOW STATEMENT (continued)**

for the year ended 30 September 2003

**Reconciliation of net cash flow to movement in net funds**

	2003	2002
	£	£
Increase/(Decrease) in cash in the period	77,889	110,609
Movement in net funds in the period	<u>77,889</u>	<u>110,609</u>
<b>Net debt at 1 October 2002</b>	20,086	(90,523)
<b>Net funds at 30 September 2003</b>	<u>97,975</u>	<u>20,086</u>

**Analysis of changes in net funds**

	At 1 Oct 2002	Cash Flows	At 30 Sep 2003
	£	£	£
Net cash:	38,782	178,970	217,752
Overdrafts	(18,696)	(101,081)	(119,777)
	<u>20,086</u>	<u>77,889</u>	<u>97,975</u>
<b>Net funds</b>	<u>20,086</u>	<u>77,889</u>	<u>97,975</u>

# FUNDAMENTAL—e INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS

30 September 2003

### 1 *Principal Accounting policies*

#### **Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The principal accounting policies of the Company are set out below:

#### **Basis of Consolidation**

The principles of merger accounting have been applied. The profit and loss account for the parent undertaking has not been included as permitted by section 230 of the Companies Act 1985.

#### **Turnover**

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

#### **Depreciation**

Depreciation of fixed assets is calculated to write off their cost less any residual value over their estimated useful lives as follows:

Plant and machinery	20% reducing balance
Fixtures and fittings	20% reducing balance

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

#### **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to receive more, tax.

*Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on taxation rates and laws enacted or substantively enacted at the balance sheet date.*

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated in sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

# FUNDAMENTAL-e INVESTMENTS PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

30 September 2003

### Operating leases

Rentals paid under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### Factoring arrangements

Computer Component Marketing Limited, the subsidiary company, has entered into a factoring agreement. Debts approved by the Factor Company are assigned to it without recourse to the Company. Non-refundable advances are made to Computer Component Marketing Limited by the Factor Company. A linked presentation of the relevant balances is therefore shown on the face of the balance sheet in accordance with the requirements of Financial Reporting Standard Number 5.

## 2 Turnover

The turnover for the year was derived from the Company's principal activity. An analysis of turnover by geographical market is given below:

	Year ended 30 September 2003 £	Year ended 30 September 2002 £
United Kingdom	9,556,931	13,480,196
Other EC countries	4,893	-
	<u>9,561,824</u>	<u>13,480,196</u>

## 3 Interest receivable and similar income

Bank deposit interest	164	790
	<u>164</u>	<u>790</u>

## 4 Operating profit

	Year ended 30 September 2003 £	Year ended 30 September 2002 £
Operating profit is stated after charging		
Auditors' remuneration	10,000	14,000
Auditors' remuneration - non-audit work	5,850	4,850
	<u>15,850</u>	<u>18,850</u>
Depreciation of tangible fixed assets (note 10)		
owned assets	14,231	32,684
Loss on disposal of fixed assets	71,222	-
Profit on disposal of fixed asset investments	(117,537)	-
	<u>(117,537)</u>	<u>-</u>

**FUNDAMENTAL-e INVESTMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**30 September 2003**

	Year ended 30 September 2003 £	Year ended 30 September 2002 £
<b>5</b>	<b>Directors and employees</b>	
	Staff costs (including directors' emoluments)	
	Wages and salaries	669,386
	Social security costs	787,127
	65,641	78,827
	<u>735,027</u>	<u>865,954</u>
	Average monthly number employed including executive directors:	
	Management and administration	11
	Sales and technicians	23
	<u>11</u>	<u>12</u>
	<u>23</u>	<u>26</u>
	<b>Directors</b>	
	Emoluments	73,895
	Amounts paid to third parties in relation to directors' services (see note 22)	12,000
	<u>12,000</u>	<u>12,000</u>
<b>6</b>	<b>Interest payable</b>	
	Year ended 30 September 2003 £	Year ended 30 September 2002 £
	Interest on factoring account	11,870
	<u>11,870</u>	<u>9,106</u>

# FUNDAMENTAL-e INVESTMENTS

## NOTES TO THE FINANCIAL STATEMENTS

30 September 2003

### 7 Tax on profit on ordinary activities

Taxation	2003 £	2002 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year		
At 19% (2002 – 30%)	49,968	162,000
Adjustment in respect of previous years:		
Corporation tax	1,986	(133)
Total current tax	<u>51,954</u>	<u>161,867</u>
Deferred tax:		
Increase in deferred tax provision	(9,800)	22,000
Total deferred tax ( <i>note 16</i> )	<u>12,200</u>	<u>22,000</u>
Tax on profit on ordinary activities	<u>42,154</u>	<u>183,867</u>

#### Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2002 – 30%).

	2003 £	2002 £
Profit on ordinary activities before taxation	201,094	611,640
Profit on ordinary activities by rate of tax	38,208	183,492
Marginal relief	-	(23,011)
Fixed assets	11,855	(741)
Disallowable items	1,140	2,110
Prior year under provision	1,986	133
Sundry tax adjusting items	-	(116)
Indexation on gain on disposal of investment	(1,235)	-
Total current tax	<u>51,954</u>	<u>161,867</u>

**FUNDAMENTAL-e INVESTMENTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**30 September 2003**

<b>8 Dividends</b>	<b>Year ended 30 September 2003 £</b>	<b>Year ended 30 September 2002 £</b>	
Dividend paid on ordinary shares	495,000	990,000	
<hr/>			
<b>9 Earnings per share</b>	<b>Year ended 30 September 2003 £</b>	<b>Year ended 30 September 2002 £</b>	
<i>The calculation of earnings per share is derived as follows :</i>			
Group profit after taxation	158,940	427,031	
<hr/>			
Weighted average number of ordinary shares	165,000,000	165,000,000	
<hr/>			
<b>10 Tangible fixed assets</b>			
<b>Group</b>	<b>Plant and Machinery</b>	<b>Fixtures and Fittings</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>
1 October 2002	215,800	136,327	352,127
Additions	79,186	3,618	82,804
Disposals	(199,748)	(92,868)	(292,616)
	<hr/>	<hr/>	<hr/>
30 September 2003	95,238	47,077	142,315
<hr/>			
<b>Depreciation</b>			
1 October 2002	133,934	87,460	221,394
Charge for year	13,609	622	14,231
On disposals	(133,934)	(87,460)	(221,394)
	<hr/>	<hr/>	<hr/>
30 September 2003	13,609	622	14,231
<hr/>			
<b>Net book amount</b>			
30 September 2003	81,629	46,455	128,084
	<hr/>	<hr/>	<hr/>
1 October 2002	81,866	48,867	130,733
	<hr/>	<hr/>	<hr/>

The Company does not own any tangible fixed assets.

**FUNDAMENTAL-e INVESTMENTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**30 September 2003**

<b>11</b>	<b>Fixed asset investments</b>			
	<b>Company</b>	<b>Other investments</b>	<b>Shares in subsidiary undertakings</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>
	At 1 October 2002	100,000	1,599,903	1,699,903
	Additions in the year	-	2,005,143	2,005,143
	Disposals in the year	(100,000)	-	(100,000)
	At 30 September 2003	-	3,605,046	3,605,046

The parent company holds more than 20% of the equity share capital of the following:

	<b>Country of incorporation</b>	<b>Class of share</b>	<b>Proportion held</b>	<b>Nature of business</b>
<b>Subsidiaries</b>				
PC Domain.co.uk Ltd	England	Ordinary	100%	Dormant
Fundamental-e Growth Investments Ltd	England	Ordinary	100%	Dormant
Computer Component Marketing Ltd	England	Ordinary	100%	Computer component distribution
Purely Plasma Ltd	England	Ordinary	100%	Plasma screen television distribution

**FUNDAMENTAL-e INVESTMENTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**30 September 2003**

**11 Fixed asset investments (cont'd)**

**Other Investments**

Fundamental-e Investments Plc acquired 100% of Purely Plasma Limited share capital on 13 August 2003 for contingent consideration of new shares payable upon Purely Plasma Limited launching a fully operational internet trading site and achieving sales of at least £200,000. The contingent consideration will represent 16% of the issued share capital of Fundamental-e Investments Plc.

The directors expect the contingent consideration to become payable in April 2004, at which time they forecast the fair value of the contingent consideration – based on the company's expected share price at that date – to be £0.0638. Accordingly, £2,005,143 has been included within the cost of investment of Purely Plasma Limited and a corresponding amount has been included within Shareholders' Funds under the caption "shares to be issued".

The expected fair value of the contingent consideration will be kept under review and adjustments made to the cost of investment and to "shares to be issued" as the expected fair value becomes more certain. When the above criteria has been met and the shares are issued, transfers will be made from "shares to be issued" to "share capital" and "share premium" account as necessary to eliminate, after appropriate adjustments to the expected fair value as aforesaid, the amount set aside as "shares to be issued".

Purely Plasma will specialise in the sale and distribution of Plasma and flat screen televisions.

Purely Plasma had not commenced trading at 30 September 2003 and is therefore not included in the consolidated accounts.

**FUNDAMENTAL-e INVESTMENTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**30 September 2003**

<b>12</b>	<b>Stocks</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>
		<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
		<b>2003</b>	<b>2002</b>	<b>2003</b>
		<b>£</b>	<b>£</b>	<b>£</b>
	Goods held for re-sale	402,134	411,940	-
		<hr/>	<hr/>	<hr/>
		402,134	411,940	-
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>13</b>	<b>Debts factored without recourse</b>			
	In addition to non-returnable proceeds received at the balance sheet date, additional unutilised funds amounting to £555,096 were available to draw upon with immediate effect from HSBC Invoice Finance (UK) Limited.			
<b>14</b>	<b>Debtors</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>
		<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
		<b>2003</b>	<b>2002</b>	<b>2003</b>
		<b>£</b>	<b>£</b>	<b>£</b>
	Trade debtors	180,377	240,605	-
	Amounts owing from	-	-	-
	Subsidiary undertakings	-	-	101,320
	Other debtors	83,922	163	100
	Prepayments and accrued income	47,196	82,478	-
	Dividends receivable	-	-	530,769
		<hr/>	<hr/>	<hr/>
		311,495	323,246	632,189
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>15</b>	<b>Creditors: amounts falling due within one year</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>
		<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
		<b>2003</b>	<b>2002</b>	<b>2003</b>
		<b>£</b>	<b>£</b>	<b>£</b>
	Bank loans and overdrafts	119,777	18,696	-
	Trade creditors	572,272	593,048	-
	Corporation tax	49,968	162,000	20,966
	Other taxation and social security	65,541	134,780	-
	Accruals and deferred income	45,088	52,533	-
		<hr/>	<hr/>	<hr/>
		852,646	961,057	20,966
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**FUNDAMENTAL—e INVESTMENTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**30 September 2003**

**16 Deferred taxation**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>

The movement in the deferred taxation provision during the year was:

Provision brought forward	22,000	-
Profit and loss account movement arising during the year	(9,800)	22,000
	12,200	22,000
Provision carried forward	12,200	22,000

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Excess of taxation allowances over depreciation on fixed assets	12,200	22,000
	12,200	22,000
	12,200	22,000

**17 Other provisions**

**Property dilapidation reserve:**

Movement for the year	80,000	-
-----------------------	--------	---

**18 Reconciliation of movements in shareholders' funds**

	<b>Year ended</b>	<b>Year ended</b>	<b>Company</b>
	<b>30 September</b>	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>	
	<b>£</b>	<b>£</b>	<b>£</b>
Profit for the financial period	158,940	427,031	158,940
Dividends	(495,000)	(990,000)	(495,000)
	(336,060)	(562,969)	(336,060)
Net addition to shareholders' funds	(336,060)	(562,969)	(336,060)
shares to be issued	-	-	2,005,143
Opening shareholders' funds	1,185,000	1,747,969	2,764,900
	848,940	1,185,000	4,433,983
Closing shareholders' funds	848,940	1,185,000	4,433,983

**FUNDAMENTAL-e INVESTMENTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**30 September 2003**

**19 Called up share capital**

**Company 2003**

**£**

**Authorised**

400,000,000 ordinary equity shares of 1p each

4,000,000

**Allotted, called up and fully paid**

165,000,000 ordinary equity shares of 1p each

1,650,000

Shares to be issued of 1p each

314,286

**Share Options**

No share options were outstanding as at 30 September 2003.

**20 Share premium and reserves**

	<b>Share Premium Account £</b>	<b>Profit and loss account £</b>	<b>Merger Reserve £</b>
<b>Group</b>			
At 1 October 2002	154,919	959,981	(1,579,900)
Retained profit for the year to 30 September 2003	-	(336,060)	-
	<u>154,919</u>	<u>623,921</u>	<u>(1,579,900)</u>
<b>The Company</b>			
At 1 October 2002	154,919	959,981	
Retained profit for the period	-	(336,060)	
Shares to be issued at a premium	1,690,857		
	<u>1,845,776</u>	<u>623,921</u>	

**FUNDAMENTAL-e INVESTMENTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**30 September 2003**

**21 Guarantees and other financial commitments**

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 30 September 2003:

	<b>30 September 2003</b>	<b>30 September 2003</b>	<b>30 September 2002</b>	<b>30 September 2002</b>
	<b>Land &amp; Buildings</b>	<b>Plant &amp; Other</b>	<b>Land &amp; Buildings</b>	<b>Plant &amp; Other</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Expiring:				
Within one year	-	-	41,611	-
Within two to five years	-	-	-	13,573
More than five years	83,820	8,677	-	-
	<u>83,820</u>	<u>8,677</u>	<u>41,611</u>	<u>13,573</u>

**22 Related parties**

The Company has taken advantage of the exemption in Financial Reporting Standard No 8 (Related Party Transactions) and has not disclosed transactions with group companies.

Rival Software Limited provided management services amounting to £12,000. S Willmott was a director of both Rival Software Limited and Fundamental-e Investments plc during the year.

S Willmott retired as a director of Fundamental-e Investments Plc in August 2003.

**FUNDAMENTAL-e INVESTMENTS PLC**  
**DIRECTORS AND PROFESSIONAL ADVISERS**

**for the year ended 30 September 2003**

Chairman (Non-Executive)	S Eagle
Executive Directors	I Ashworth J Nelson
Company Secretary	G May
Registered Office	2 <sup>nd</sup> Floor, Cambridge House Cambridge Road Harlow Mill Essex CM20 2EQ
Registration Number	3557654
Bankers	National Westminster Bank Plc 19 School Road Sale Cheshire M33 1ZA
Auditors	Haines Watts Chartered Accountants Bridge House 157 Ashley Road Hale Altrincham Cheshire WA14 2UT
Nominated Adviser	City Financial Associates Limited Pountney Hill House 6 Laurence Pountney Hill London EC4R 0BL
Nominated Broker	City Financial Associates Limited Pountney Hill House 6 Laurence Pountney Hill London EC4R 0BL
Solicitors	Wacks Caller Steam Packet House 76 Cross Street Manchester M2 4JU
	Memery Crystal 31 Southampton Row London WC1B 5HT
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU

## FUNDAMENTAL-e INVESTMENTS PLC

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Fundamental-e Investments PLC will be held at 2<sup>nd</sup> Floor, Cambridge House, Cambridge Road, Harlow, Essex, CM20 2EQ on 30 April 2004 for the following purposes:-

#### Ordinary Business

1. To receive and adopt the Report of the Directors and the audited accounts for the period ended 30 September 2003 together with the Auditor's Report thereon.
2. To re-elect as a director ~~J. Ashworth~~..... who retires in accordance with the Company's Articles of Association.
3. To reappoint the retiring auditors, Haines Watts, Bridge House, Hale, Altrincham, Cheshire WA14 2UT and to authorise the Directors to fix their remuneration.



Registered office:  
2<sup>nd</sup> Floor  
Cambridge House  
Cambridge Road  
Harlow  
Essex  
CM20 2EQ

By order of the Board



Company secretary

.....2004..... 2004

#### Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in his place. Members who have lodged forms of proxy are not prevented from attending the meeting and voting in person if they so wish.
2. A proxy need not also be a member of the Company.
3. To be valid, the instrument appointing a proxy, together with, if appropriate, the authority (if any) under which it is signed, or a notarially certified or office copy thereof, must be deposited with Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for the holding of the meeting.