

Helping to bring people together
Annual report 2002



Our mission:

**To provide the essential e-marketplace
for buyers and sellers across Europe.**

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**Growth in
transactions**



84%

Increase in gross profit to £4.9m

36%

Increase in agency gross auction value to £102.3m

49%

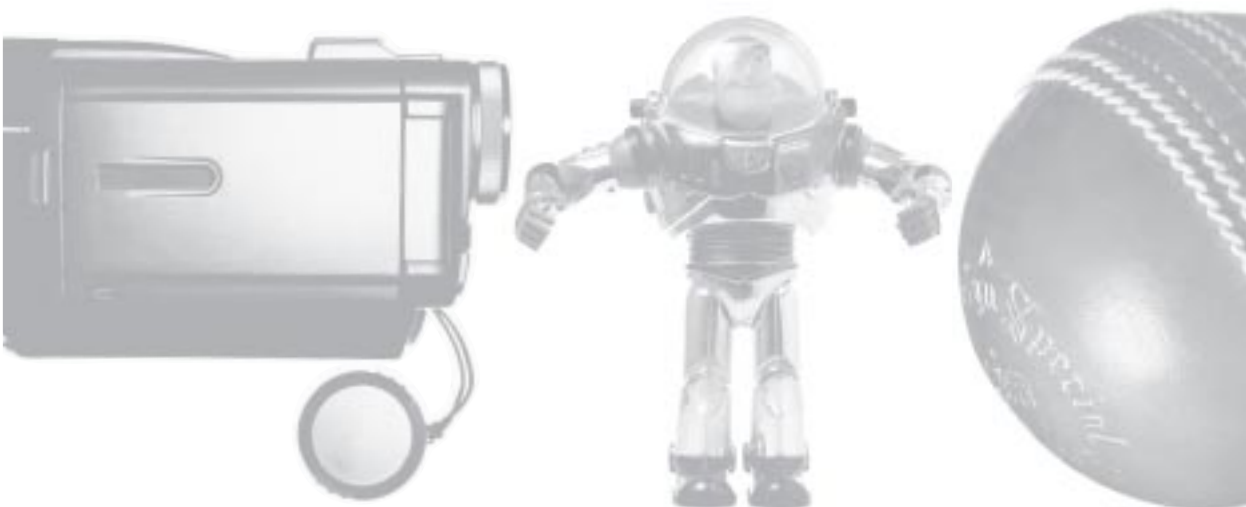
Decrease in trading loss to £25.2m

38%

Increase in members to 4.0m

42%

Reduction in operating expenses to £30.1m
(before goodwill and exceptional items)



Chairman's statement

Substantial progress on all fronts

Over the past year the business has made good progress in our key financial and operating metrics, against a changing economic environment and challenging stock market. We have driven down cash-burn and costs while continuing to grow the business and maximising the return from our marketing spend.

The success we have achieved this year would not have been possible without our entrepreneurial culture, strong local approach and the hard work of all of our employees. I would like to thank them for the tremendous dedication and enthusiasm they show towards our business. Without their focus we would not have made the substantial progress that is so essential to the achievement of our long-term goals.

Growth in key metrics

Our main goal is to reach profitability and two of the key financial metrics that we use to monitor our progress – gross profit and operating expenses improved significantly in the year – gross profit increased by 84% to £4.9 million and operating expenses before goodwill and exceptional items decreased by 42% to £30.1 million, compared to £52.1 million the previous year. Our efforts to optimise our cost structure and increase gross profits will continue over the coming year as we move the Group closer towards profitability whilst also remaining focused on growth.

Jonathan Bulkeley
Chairman



Board

In November 2001 Jim Rose, our Chief Executive Officer since May 1999, became non-executive Deputy Chairman and Mark Zaleski, Chief Operating Officer, was appointed Chief Executive Officer and joined the board. Thomas Power, the founder of the Ecademy, an e-business education network, and Jan Gesmar-Larsen, the former head of Dell Europe, joined the board during 2002. Thomas brings significant networking business experience and Jan is a seasoned executive having worked for several global technology companies. I welcome them to the board and look forward to working with them throughout the year. I would like to take this opportunity to thank Stan Laurent, Adam Singer, Peter Sederowsky and Peter Englander, who have departed from the board during the last year, for their contributions to the development of the Company.

Share price

It has been a challenging year for us in terms of the share price. The directors would like to thank all of our shareholders who have remained dedicated to the Company. Internet and technology shares have continued to suffer this year as a result of ongoing negative sentiment towards the sector. The directors remain focused on increasing shareholder value through continued improvement in operating metrics and by continuing to move the business towards an operating profit.

We care about our customers, we believe in teamwork and we make things happen. Under the leadership of Mark Zaleski, I know that QXL ricardo will build on the foundations in place to deliver an excellent e-commerce experience to our millions of members across Europe. Overall, we are confident of another year of sustained and improving performance building towards profitability and positive cash flow.

Jonathan Bulkeley

Chairman

Efficient
cost control



Chief Executive Officer's review

It has been an exciting six months for me as Chief Executive Officer and we have made significant progress in all areas of the business. Key milestones have been passed: acquisitions have been thoroughly integrated and the business model has been successfully and completely migrated to an agency-based model, whereby we charge for providing the auction platform and services rather than taking ownership of the goods and acting as the seller. Monetisation of the customer base is progressing well: fees have been introduced in the majority of our country operations and over 90% of our Gross Auction Value is now monetised. Trading loss has significantly decreased, operations have been streamlined and resources have been realigned to meet the immediate and longer-term priorities of a fundamentally changed business.

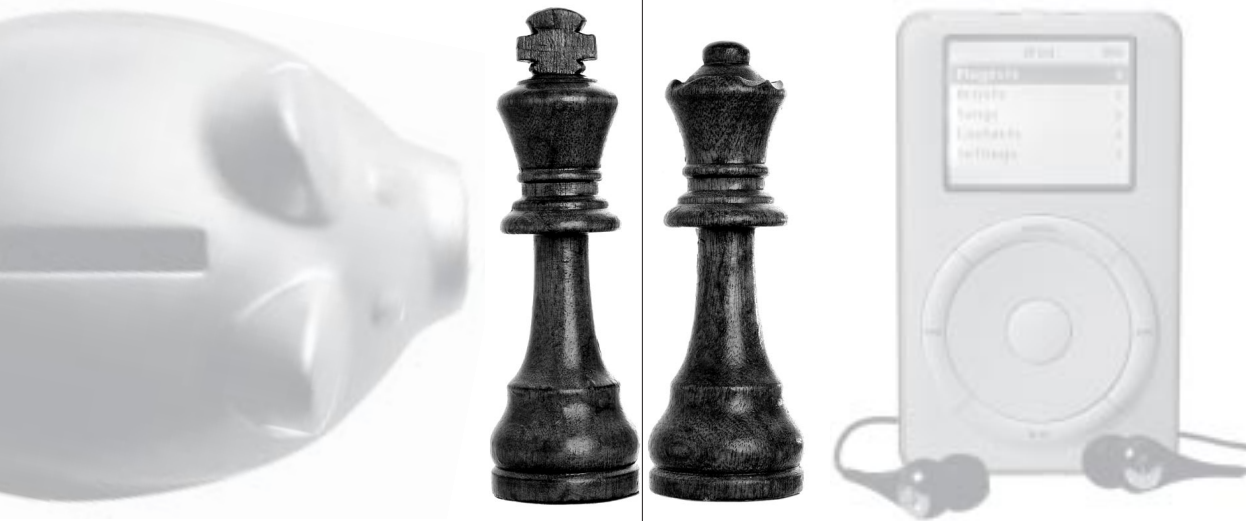
Business performance

Despite these major changes to the businesses, the year to 31 March 2002 saw a substantial increase in the overall level of transactions conducted across the 12 country operations. Our key top line

metric, Agency Gross Auction Value (GAV), increased 36% to £102.3 million for the year (2001: £75.6 million). I was particularly pleased by the performance in the last quarter – GAV increased by 9% whilst transaction volumes, another key metric, grew 23%, compared to the previous quarter. Average transaction values declined over the year from approximately £47 in the first quarter to approximately £38 in the fourth quarter, as both the proportion of consumer sellers on our sites and the variety of products on offer increased. Our member base continues to grow, with over one million members joining our service in the year.

Gross profit increased 84% compared to the previous year. This improvement reflects the solid performance of our business model as we now charge for our service in eight countries. Like other companies, we experienced a decrease in advertising revenues in the fourth quarter due to the general decline in online advertising and also against a seasonally strong December quarter, but we have seen good growth in non-advertising gross profit over the year.

Developing strategic marketing partnerships



We have begun to place a decreasing importance on pursuing third party advertising on our sites where we do not see a clear customer benefit and we see this practice continuing. Going forward, we expect the fees from our recently introduced promotional placements to become an increasingly important contributor to gross profit.

Since joining the Company in October 2000 as Chief Operating Officer, one of my main areas of focus has been to reduce the cost base of the business. Operating expenses (before goodwill and exceptional items) reduced every quarter in the year, with an annual decrease of 42% compared to the previous year. This has been achieved by implementing a strict cost control programme that has resulted in adjusting all areas of the business to a leaner and more focused level of resourcing.

Sales and marketing costs have been significantly reduced – by over 39% as we have evaluated all of our marketing activities and partnerships and maintained only those that we judged to be truly effective. We have also reduced our staffing levels in every

country operation and, as a result, we now have streamlined teams that are focused solely on delivering the best experience for their local customer and thus growth for the business.

During the year, we completed the migration of the technology platforms of many of the businesses we acquired. This migration and technology integration resulted in a decrease in technology costs of over 46%.

At year end, we had cash and cash equivalents of £14.1 million and further funding facilities of £10.7 million, providing, if fully drawn, a total of £24.8 million of financing.

Enhanced customer experience

Our customers are as passionate about auctions as we are. Throughout the year, we have engaged in an active dialogue with our customers, both buyers and sellers, and listened closely to their thoughts on our service. As a result, we have significantly improved and enhanced the many ways we interact with our customers, from e-mail communication to the speed of the site.

Mark Zaleski
Chief Executive Officer



User interface

We continue to 'fine tune' the look and feel of the site, making significant improvements that are primarily based on the outcome of customer focus groups and general feedback from our customers.

We also utilise Intellitacker, our site analysis tool, to analyse how our customers behave on our sites 24 hours a day. As a result, we now have more intuitive navigation and a significantly quicker and easier-to-understand auction process than ever before.

Site performance

In addition to the significant improvements in the user interface, improved technology and architecture have had a major impact on increasing the speed and performance of our site. As a result, our site is measurably quicker to download, very stable and each one of our homepages is now under our target size of 80kb, putting us at the leading edge of e-commerce sites. The QXL.com site consistently ranks in the top three of Revolution Magazine's Keynote Index each week.

Seller tools

In August, we developed and introduced a fixed price facility called 'Buy Now'. The feature offers sellers the ability to offer an item at a set price, whilst providing the buyer with the opportunity to buy the item for the seller's advertised fixed price, effectively closing the auction and immediately completing the purchase. We plan to investigate further alternative pricing formats in the current year.

During the year, we also completed a major upgrade for our bulk upload tool for sellers called 'Quickseller'. It is an application that enables sellers to upload hundreds of items simultaneously as well as manage their inventory and auctions post sale. We have been very pleased with the take up of Quickseller, with thousands of our sellers using it.

Recently we introduced an additional revenue stream programme that offers sellers the opportunity to select various ways to promote their auctions, ranging from homepage placements to highlighting the auction within a search result. The fees

Building a solid platform
for future growth



for these promotional packages vary by country but range from approximately £0.75 for a bold title to £19.95 for homepage placement.

Community development

We take an active role in developing and providing essential tools to our customers to help them feel at ease on our platform and to help them trade successfully. We meet these needs in a number of areas:

- Message Boards – a place for two-way communication between us and our community, providing a very powerful yet simple and cost-effective way for us to receive feedback on our service.
- Auction Watch – a facility allowing our members to alert us to suspicious auctions, helping our auction community to self-police itself.
- Member Ratings – a system whereby buyers and sellers give feedback after the transaction, giving members useful information and feedback prior to entering into a transaction.
- ‘Instant Help’ – a service that provides real-time help to our members via a chat

functionality, allowing our Community Relations teams to answer questions quickly so that customers can continue to participate in the auction.

- Tutorials – on-site pages to guide new users through the buying and selling process, ensuring that someone very new to auctions feels comfortable trading on our site.
- Quality trading environment – tools and services that provide customer reassurance and controls whilst trading.

Marketing initiatives

We continue to market cost-effectively the QXL and ricardo brands and to attract new sellers and buyers online, offline through select media partners and via e-mail.

We have many partnership agreements in place across our country operations with partners who recognise that our platform is a highly effective distribution channel. Examples include: a pan-European relationship with MSN, one with Scandinavia Online, the largest portal in Scandinavia, and with most of the major portals in Poland.

Implementing
new technology



We are very focused on customer relationship management (CRM) programmes throughout the organisation. Through our use of DARTmail, an e-mail platform that enables us to deliver highly targeted and measurable e-mail campaigns cost-effectively, we can reduce our customer acquisition costs and monitor and continue to improve the lifetime value of our customers. We have also enhanced our e-mail programme to target more effectively our customers with newsletter content that is increasingly relevant to the individual. We actively analyse our customer activity and as a result of this data analysis, we target customers with the appropriate activation e-mail to encourage repeat transactions.

In addition to our marketing and co-branding partnership with MSN, we promote auctions on the MSN Messenger tab, providing an additional channel for content delivery and ensuring that we remain at the forefront of multi-device access.

Co-branding programme

We are very pleased with the initial results of our co-branding programme, which we designed and developed in-house and was launched in February 2002. The programme provides our partners with a simple solution to create very quickly an auction channel within their sites, which is operated by QXL, but which maintains their branding throughout the auction experience. Benefits to current and potential partners include the ability to create a new distribution channel for a supplier, to provide their members with an e-commerce facility, and to create revenue opportunities. This programme presents increased revenue opportunities for QXL as well as providing us with a cost-effective customer and content acquisition tool. A number of partnerships have been signed and launched, others will be launched shortly, and many other deals are in the pipeline. Some examples of co-branded partnerships include:

- MSN, Europe's number one web destination, in Denmark, Norway and Sweden.

Creating outstanding customer service



- 78 English football clubs via our agreement with Premium TV, who manage the club sites.
- Ilse, a leading portal in the Netherlands, and with computer sites HCC, Tweakers and VNU.net.
- Kanal 5, a leading television station, and Radio.se in Sweden.
- Bild.de, one of the leading general interest portals in Germany with more than 10 million visits per month.
- The major Polish portals Onet.pl and Gazeta.pl and the GSM portals Miasto Plusa and Telegon.
- Directmedia, the leading music distributor, and Sunrise, a major portal and telecommunication provider in Switzerland, in addition to FUST, one of the largest Swiss retailers.
- Scandinavia Online, the leading portal in Norway.
- TPI, the yellow and white pages site from the Telefonica Group; the portals Tiscali, Hispavista, Todociclismo; IDG magazines; and Subastas.com, the online auction information site, in Spain.

People

Like many companies, we have had to work harder each quarter, and with a leaner, more focused team. We have been fortunate to be able to retain and recruit a highly skilled team to meet the demands of a challenging and changing business. With the dedication, commitment and perseverance of our team I am confident in our ability to continue to drive the business forward.

Outlook

Looking ahead, the current year demands that we continue to focus on our customers, our community of buyers and sellers, and deliver a service and product that meets and exceeds their expectations – one which ultimately helps them to help themselves to trade more successfully. Building on the success of the countries that are trading profitably, we will continue to put pressure on our cost base and we remain fully focused on reaching a profitable trading level for the Group.

Mark Zaleski

Chief Executive Officer

Continuously looking at ways to improve the product



Financial review

Key operating metrics

For the year ended 31 March 2002, the Group completed agency-based auctions of merchandise and services with an aggregate gross auction value of £102.3 million. This represented approximately 99% of the gross auction value in that period and a 36% increase over the previous year's figure of £75.6 million. Principal-based auctions of merchandise and services for the year ended 31 March 2002 had an aggregate gross auction value of £615,000. This represented approximately 1% of the gross auction value in that period and a 96% decrease over the previous year's figure of £13.7 million, reflecting the Group's completion of its migration to a purely agency-based online auction model. Our membership base increased 38% to 4.0 million members as of 31 March 2002, compared to 2.9 million members for the prior year.

Financial statements

Turnover

Despite the increase in operating activity, turnover for the year ended 31 March 2002, decreased by 64% to £5.4 million from £15.1 million for the year ended 31 March 2001. This expected decrease in turnover was due to the Group's migration from the principal-based auction model, where it booked the full value of the transaction as turnover, to the agency-based business model where it books only the fees it receives on a transaction as turnover. However, the benefits of the agency-based model are clearly visible in the strong growth in the gross profit line.

Cost of sales

Cost of sales for the year ended 31 March 2002 decreased 96% to £540,000 from £12.4 million for the year ended 31 March 2001. The decrease was also primarily due to the significant decrease in the value of auctions conducted on a principal basis.

Gross profit

Gross profit for the year ended 31 March 2002 increased 84% to £4.9 million from £2.7 million in the year ended 31 March 2001. The increase was due to the roll-out of fee structures to an increased number of countries, an increase in transaction volumes and the migration to the inherently higher margin agency-based business model. Gross profit as a percentage of gross auction value increased to 4.7% for the year ended 31 March 2002 from 3.0% for the previous year.

Operating expenses

Sales and marketing expenses (excluding goodwill and exceptional items) for the year ended 31 March 2002 decreased 39% to £17.7 million from £29.1 million for the previous year. This significant decrease resulted from an increased focus on cost effective marketing and significant improvements in the Group's analytical systems and data mining capabilities that have allowed it to optimise its marketing spend further.

Technology and development costs (excluding goodwill and exceptional items) for the year ended 31 March 2002 decreased 46% to £7.0 million from £13.1 million for the year ended 31 March 2001. These decreased costs resulted from the rationalisation and integration of multiple auction systems and platforms that had been acquired in the previous financial year. The Group saw progressive improvement in its technology costs throughout the year. Despite these reductions, the Group continued to develop tools and systems to improve further our product and customer experience.

General and administrative costs (excluding goodwill and exceptional items) for the year ended 31 March 2002 decreased 45% to £5.5 million from £10.0 million in the year ended 31 March 2001 as the Group rationalised overhead acquired as a result of acquisitions in the previous financial year. In addition, due to the move away from online auctions in which the Group acts as principal, warehouse and logistics costs and associated overhead have also decreased significantly.

In the year to 31 March 2002 the Group recorded the following non-cash exceptional and goodwill related charges:

- Exceptional goodwill impairment charges of £4.5 million relating to goodwill acquired as a result of the acquisitions of Bidlet and ricardo in the year ending 31 March 2001.
- Goodwill amortisation of £7.8 million.
- An exceptional fixed asset impairment charge of £2.5 million relating to a review of the realisable value of computing assets and a write down of certain software, including a purchased billing system, which had caused problems with the timeliness of invoicing during the year in some countries, but has now been replaced.
- An exceptional provision for irrecoverable VAT of £538,000 relating to a dispute with the VAT authorities in France.

Note 2 to the accounts provides an analysis of these operating expenses.

	31 March 2002 £'000	31 March 2001 £'000
Reconciliation of trading loss to loss on ordinary activities		
Trading loss	25,225	49,478
Goodwill amortisation	7,849	16,304
Exceptional goodwill impairment	4,508	77,941
National insurance on options	-	(2,378)
Provision for irrecoverable VAT	538	-
Exceptional fixed asset impairment	2,526	-
Restructuring costs	-	924
Total operating loss	40,646	142,269
Share of joint venture	-	3,417
Net interest receivable	(716)	(2,541)
Loss on ordinary activities before taxation	39,930	143,145

Trading loss (operating loss before goodwill and exceptional items) in the year ended 31 March 2002 was £25.2 million compared to £49.5 million in the year ended 31 March 2001.

Losses on ordinary activities before taxation in the year ended 31 March 2002 were £39.9 million compared to losses of £143.1 million in the year ended 31 March 2001.

Interest

Net interest receivable and similar income of £716,000 million was earned primarily on bank deposits in the year ended 31 March 2002 compared to £2.5 million in the year ended 31 March 2001.

Tax

We have incurred a net loss since our inception and we expect to continue to incur losses in our next financial year. As of 31 March 2002, we had at least £120 million of carry forward tax losses within the Group to offset against future taxable income.

Loss per ordinary share

Our loss per ordinary share for the year was 5.3p, compared to a loss of 30p for the year ended 31 March 2001.

Financing and treasury

In November 2000, the Company announced that it had agreed a financing facility of up to £30 million. Under the terms of the agreement, which were amended in January 2001, the Company agreed to issue convertible bonds in three tranches of £5 million (the 'Convertible Bonds'). The Company also secured up to a further £15 million through an Equity Commitment, under which the Company would issue new ordinary shares.

The first £5 million tranche of Convertible Bonds was issued on 14 February 2001, the second £5 million tranche of Convertible Bonds was issued on 31 May 2001 and the third £5 million tranche of Convertible Bonds was issued on 9 November 2001. All of the funds relating to the Bonds were received on or around the dates of issue.

In February 2002, 26,187,186 ordinary shares were issued pursuant to the conversion of £600,000 of the Company's 2% Convertible Bonds in accordance with their terms.

To date, the Company has issued shares on three occasions in connection with the Equity Commitment. On 29 June 2001 the Company raised £2.5 million by the issue of 33,799,313 ordinary shares at a price of 7.3966p per share. On 26 July 2001 the Company raised a further £900,000 by the issue of 21,058,050 ordinary shares at a price of 4.2739p per share. On 19 March 2002, the Company raised £930,000 by the issue of 40,455,958 ordinary shares at an average price of 2.2988p per share.

Our cash and cash equivalents position at 31 March 2002 was £14.1 million.

The bulk of the Group's financial assets are held in up to three-month Sterling and Euro denominated floating rate deposits.

Cash flow

In the year ended 31 March 2002, we invested £2.5 million to upgrade and develop our systems. We believe that our systems will provide a sound basis for continued expansion in the future.

As a result of our operating losses and our investment in our systems, our cash outflow before management of liquid resources and financing was £23.7 million (2001: £57.0 million). This was offset by receipts from the Convertible Bond of £10 million, from subscriptions under the Equity Commitment of £4.3 million and the utilisation of already existing short-term deposits.

Acquisitions and investments

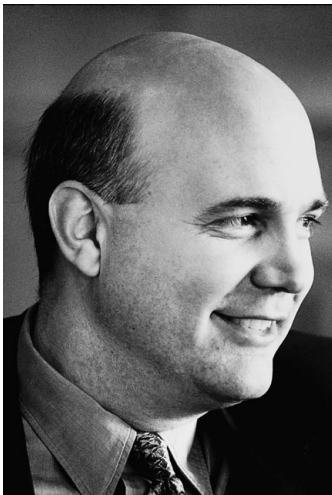
During the year, QXL ricardo plc increased its share of ricardo.de AG from 66.2% to 91.5% pursuant to the exercise of certain exchange rights granted at the time of acquisition. All such rights have now been exercised.

Directors' biographies

Jonathan Brereton Bulkeley

Chairman (41)

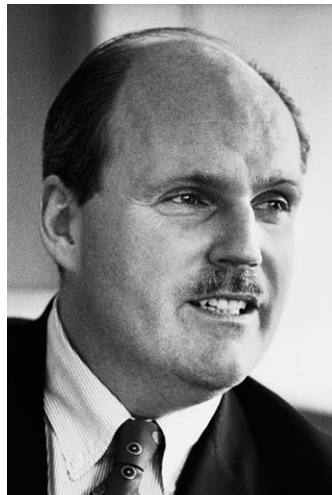
Jonathan Bulkeley has served as the non-executive Chairman of the Board of QXL ricardo plc since February 1998. He is the Chairman and Chief Executive Officer of Lifeminders Inc. and was Chief Executive Officer of barnesandnoble.com Inc. from January 1999 to January 2000. From July 1995 to December 1998, he was Managing Director of America Online Inc.'s joint venture with Bertelsmann AG Online to provide interactive online services in the United Kingdom. From March 1993 to June 1995, Mr Bulkeley was Vice President of Business Development at America Online in the United States. He was also General Manager of Media, responsible for the development and production of all America Online media partnerships. Before joining America Online, Mr Bulkeley was director of marketing and development for Money Magazine and held sales and marketing positions at Time and Discover Magazines. Mr Bulkeley received a BA from Yale University.



James Malcolm Rose

Deputy Chairman (41)

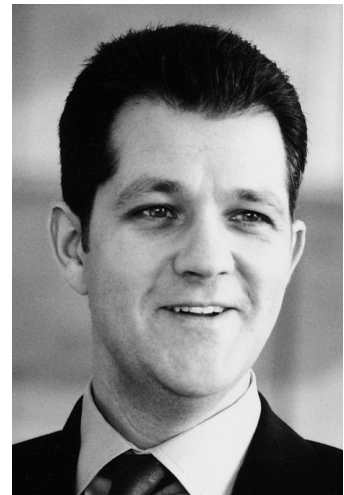
James Rose has served as non-executive Deputy Chairman since November 2001 and from May 1999 to November 2001 served as Chief Executive Officer. In May 2002 Mr Rose was appointed Chief Executive Officer of Media Planning Group U.S., a division of Havas. From August 1998 to May 1999, he served as Chief Executive Officer of United Information Group, the marketing subsidiary of United Business Media. From November 1996 to August 1998, Mr Rose served as CEO of Blackwell Information Services, a global provider of academic and professional information. From December 1993 to November 1996, he was Managing Director in the United Kingdom, Ireland and South Africa for Dun & Bradstreet/AC Nielsen. He was previously with Deloitte & Touche as a management consultant. He received an MBA at the Kellogg School of Management at Northwestern University, Chicago. Mr Rose is currently a non-executive director of MORI (Market & Opinion Research International Ltd).



Mark Xavier Zaleski

Chief Executive Officer (39)

Mark Zaleski was appointed Chief Executive Officer in November 2001 after joining QXL as Chief Operating Officer in October 2000 from Webvan Group, Inc., where he was President of Webvan Operations Inc. and Senior Vice President of Area Operations for Webvan Group. He was a key member of the senior management team that launched the company's operations and led the company's initial public offering in 1999. Prior to joining Webvan in December 1998, Mr Zaleski served as Senior Vice President/Group Managing Director Central Europe, and earlier for Western Europe, for ACNielsen Corporation. From September 1985 to July 1994, he held a variety of senior management positions in the European operations of the Federal Express Corporation.



Robert Simon Dighero

Chief Financial Officer (36)
Robert Dighero has served as Chief Financial Officer of QXL ricardo plc since June 1998 and as a director since August 1999. From October 1995 to June 1998, Mr Dighero was CFO of AOL UK. From January 1995 to October 1995, Mr Dighero worked for Bertelsmann, focusing on acquisition strategies in the new media sector. He had also previously worked as a management consultant at Bain and Company. Mr Dighero received an MA (Hons) and an M Eng (Hons) from Cambridge University and received an MBA with Dean's List honours from INSEAD in France.



Jan Gesmar-Larsen

Non-executive Director (42)
Jan Gesmar-Larsen joined the board as a non-executive director in May 2002. Mr Gesmar-Larsen was previously the head of the European operations of Dell Computer Corporation and prior to that Apple Computer, Inc., Compaq Computer Corporation International and has held several other senior positions in major global companies. He currently serves as a non-executive director of Bang & Olufsen A/S, Capital One Inc. Europe, and Danske Venture Partners and on the advisory board of Apax Partners Holding Limited.



Thomas Peter Power

Non-executive Director (38)
Thomas Power was appointed a non-executive director in February 2002. He is the Chairman and founder of The Ecademy, The E-business Network, which has over 10,000 members globally. An author of the Financial Times report, 'From Supply Chain to Value Chain' and former managing director of the TDS Group, Thomas founded The Ecademy in 1998. In addition to his responsibilities with The Ecademy, he provides strategic consulting to many FTSE chief executives, carries out numerous public speaking engagements and is contracted to write e-business books for various publishers. Thomas has published four books to date on the subject of e-business.



Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2002.

Principal activity

The principal activity of the Group is and is expected to continue to be the provision of a pan-European online auction service. The activities of the Group are set out in more detail in the Chairman's and Chief Executive Officer's reports and in the Financial review.

Directors and directors' interests

The directors of the Company who served throughout the year (except as stated) were:

Director	Role	Date of appointment
Mr J B Bulkeley	Chairman and non-executive director	–
Mr J M Rose	Chief Executive Officer Deputy Chairman and non-executive director	until 9 November 2001 from 9 November 2001
Mr M X Zaleski	Chief Executive Officer	from 9 November 2001
Mr R S Dighero	Chief Financial Officer	–
Mr S M A Laurent	President, Strategic Development	until 31 December 2001
Dr P D Englander	Independent non-executive director	–
Mr T P Power	Independent non-executive director	from 5 February 2002
Mr P U Sederowsky	Independent non-executive director	until 5 February 2002
Mr A N Singer	Independent non-executive director	until 5 February 2002

On 3 May 2002, Mr J Gesmar-Larsen was appointed as an independent non-executive director and Dr P D Englander resigned as a director.

Details of the directors' memberships of the Audit, Remuneration and Nomination Committees are set out on page 16.

Biographical details of the current directors are set out on page 12.

All directors are subject to re-election every three years.

As Messrs Zaleski, Power and Gesmar-Larsen have been appointed as directors since the last annual general meeting, they hold office until this year's annual general meeting and being eligible, offer themselves for election.

Health and safety

It is the Company's policy that its work will be carried out in accordance with the relevant statutory provisions and the Company's health and safety policy. The Company takes all reasonable practical measures to avoid risk to its employees.

All directors, managers and employees have responsibility for implementing the Company's policy, which is distributed through the Company's Employee Handbook, and for ensuring that health and safety considerations are always given due regard.

Insurance

The Company maintains insurance in respect of its directors and officers against any such liabilities as are referred to in Section 310 of the Companies Act 1985.

Dividends

The directors do not recommend the payment of a dividend.

Corporate governance

A report on corporate governance is set out on page 16.

Mr Bulkeley was subject to re-election at the 2000 annual general meeting and Messrs Rose and Dighero were subject to re-election at the 2001 annual general meeting. Consequently no directors are required to retire by rotation at the 2002 annual general meeting.

Details of the directors' individual remuneration, service contracts, interests in shares and share options are shown in the Report of the Remuneration Committee on page 18.

The directors had no material interests, directly or indirectly in any contracts significant to the business of the Group during the year.

Employees

The Company recognises the importance of communicating with its employees to motivate them and fully involve them in the business. It does so through different media, including regular team briefings, a monthly employee bulletin, staff surveys and e-mail updates on major developments. All employees have access to the internet and the Company's website where the Company's quarterly results and business news are posted.

The Company attaches considerable importance to retaining staff and keeping them informed with the progress of the business. This includes regular presentations of business results and the results of the annual employee satisfaction surveys by the directors to all staff members.

Employees are also regularly invited to become stakeholders in the Company by joining the Company's Share Option schemes. Equal opportunities for training, career development and promotion are available to all employees regardless of disability, age, sex, race, religion, colour, nationality or sexual orientation.

Environment

The Company recognises its responsibility to minimise the impact of its business activities on the environment, which complement the Company's position as a provider of online services. The Company is seeking to implement electronic rather than paper invoicing wherever reasonably practicable and to minimise wastage and encourage recycling where possible.

Substantial shareholdings

The following shows substantial shareholdings (i.e. 3% or greater) in the issued ordinary share capital of QXL ricardo plc as notified to the Company at 30 May 2002.

Name of shareholder	Number of ordinary shares	Percentage of share capital
Apax UK VI LP	60,997,440	7.29%
Mr Jonathan Bell	50,685,500	6.06%
AXA Investment Managers UK Limited	36,252,500	4.33%

Directors' interests in the above holdings are as follows:

Mr J Gesmar-Larsen is a member of the advisory board of Apax Partners Holding Limited, one of whose subsidiaries, Apax Partners Limited is the manager of Apax UK VI LP.

Post balance sheet events

Post balance sheet events are detailed in note 30 of the financial statements.

Share purchases

The Company is seeking shareholder authorisation at the 2002 annual general meeting to buy in the market up to 5% of the Company's issued shares. A similar authority was granted at the 2001 annual general meeting but no shares were purchased during the year.

Donations

The Company did not make any charitable donations during the year (2001: Enil). No political donations were made (2001: Enil).

Policy and practice on payment of creditors

It is the Company's policy to abide by the payment terms set by suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The average time taken by the Company to pay suppliers was 31 days (2001: 28 days). The Company does not presently follow any specific code or standard on payment practice.

Annual general meeting

The next annual general meeting of the Company will be held on 1 August 2002. The notice of the meeting, which includes special as well as ordinary business, is given in the accompanying circular.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

By order of the board

TT Parkinson
Company Secretary

London
30 May 2002

Corporate governance

The Company is headed by an effective board that leads and controls the Company. The board is committed to ensuring a high level of business integrity and professionalism and fully endorses the Principles of Good Governance and the Code of Best Practice encompassed in the Combined Code (the 'Combined Code') appended to the Financial Service Authority's Listing Rules. The Company believes that it has substantially complied with the provisions of the Combined Code and with Turnbull guidance on internal control – the areas of non-compliance are referred to below.

Board of directors

The Chairman is responsible for running the board, which currently comprises six directors; two executive directors, two independent non-executive directors and a further two non-executive directors. Biographical details of the directors and their roles can be found on page 12.

None of the non-executive directors is involved in the day-to-day management of the business but the Chairman and Deputy Chairman are not considered independent for the purposes of the Combined Code because of (in the case of the Chairman) the level of his interest in the shares of the Company and (in the case of the Deputy Chairman) his recent executive position with the Company. The other two non-executive directors are considered independent for the purposes of the Combined Code on the grounds that they are not reliant on the Company for income, have not held an executive position within the Group and are not in any relationship with any party that might undermine their independence. Adam Singer was the senior non-independent non-executive director until his resignation on 5 February 2002, and Peter Englander was then the senior independent non-executive director until his resignation on 3 May 2002. Jan Gesmar-Larsen has been the senior independent non-executive director since that date.

The board meets on a regular basis and has a formal schedule of matters reserved specifically for its decision. A schedule of board meetings is agreed at the beginning of each calendar year but additional meetings are held (and have been held during the year) as circumstances require.

The board is supplied with detailed monthly management accounts and summary presentations. These include financial data, cash flows and non-financial metrics and are compared with the board-approved budget and latest expectations. The board regularly requests and reviews further analysis as it considers necessary.

The Group maintains a clear division of responsibility between its Chairman and Chief Executive Officer. The day-to-day management of the business is delegated to the Chief Executive Officer and the Chief Financial Officer. These directors carry out their responsibilities with the help of an executive team who report regularly on day-to-day issues and who meet monthly as a team with the executive directors to discuss and implement the Group's strategy.

The directors have access to the advice and services of the Company Secretary and procedures are in place to allow them to seek professional advice at the Company's expense, should the need arise.

The directors receive training and advice on their responsibilities as necessary. It is proposed to offer training to all of the directors who have joined in the past year similar to the board training day conducted by the Institute of Directors for the then directors in May 2001.

Committees

In addition to the main board, there are three standing board committees: the Remuneration Committee, the Audit Committee and the Nomination Committee.

The Remuneration Committee, which is responsible for setting the remuneration and benefits policies needed to attract and retain executive directors and staff comprises Jonathan Bulkeley, Thomas Power and Jan Gesmar-Larsen. Mr Power was appointed to the Committee on 5 February 2002 in place of Adam Singer who was a member and Chairman of the Committee until his resignation as a director on that date. Mr Gesmar-Larsen was appointed to the Committee on 3 May 2002 in place of Peter Englander who was a member of the Committee until his resignation as a director on that date. Mr Bulkeley currently chairs the Committee pending the appointment of a new independent non-executive director. The Committee meets at least twice a year and more frequently if necessary. The Report of the Remuneration Committee is given on page 18 and contains details of the directors' compensation packages.

The Audit Committee comprises Jonathan Bulkeley and Jan Gesmar-Larsen and is chaired by Mr Bulkeley. Mr Gesmar-Larsen was appointed to the Committee on 3 May 2002 in place of Peter Englander who was a member of the Committee until his resignation as a director on that date. Peter Sederowsky was also a member of the Audit Committee until his resignation as a director on 5 February 2002. The Chief Executive Officer and the Chief Financial Officer attend the Audit Committee meetings by invitation. The Audit Committee meets prior to the announcement of each quarter's results.

The Nomination Committee comprises Jonathan Bulkeley, Thomas Power and Jim Rose and is also chaired by Mr Bulkeley. Mr Power was appointed to the Committee on 5 February 2002 in place of Peter Sederowsky, who was a member until his resignation as a director on that date and Mr Rose was appointed to the Committee on 3 May 2002 in place of Peter Englander who was a member until his resignation as a director on that date. The Nomination Committee meets when required and in principal at least twice a year. Its terms of reference are to ensure there is independence and transparency of the appointments process and proposals to nominate or re-elect directors to the board. Appointments to the board are to be made demonstrably on merit alone.

Shareholder relations

The board considers communications with its shareholders to be of significant importance. The Vice President, Communications and Investor Relations liaises with shareholders on a daily basis and the Chief Executive Officer and Chief Financial Officer speak with institutional shareholders and analysts as necessary.

The annual general meeting provides an opportunity for private shareholders to meet with members of the board and senior executives. The Company will indicate the level of proxies lodged at the annual general meeting. Certain events require the Company to hold extraordinary general meetings and when these are held the Company takes the opportunity of updating shareholders on the business.

Results are published on a quarterly and annual basis and copies of these results are available on the Company's website. The Company also issues Stock Exchange announcements of significant matters relating to the development of the business on an ongoing basis. Copies of all of these are accessible by anyone from the Company's website and shareholders and other interested parties can obtain copies of all reports by writing to the Company Secretary.

Audit and internal control

The Audit Committee operates under terms of reference approved by the board. Its main functions are to:

- recommend and review the appointment of the Company's auditors: their fees, any questions of or relating to their resignation or removal, independence and the nature and extent of non-auditing services;
- review the quarterly and annual preliminary announcement and financial statements before submission to the board;
- discuss the results of the audit and any problems and reservations arising from the preparation and audit of such financial statements, and any other matters which the auditors may wish to discuss;
- review the auditors' management letters and the response thereto of the management of the Company or any of its subsidiaries;
- review the Company's statements on internal control systems prior to endorsement by the board;
- review the internal financial control systems of the Company.

The board is responsible for the Company's system of internal controls. This system is considered to provide reasonable but not absolute assurance against loss or misstatement. The board recognises that the Company is inherently exposed to a relatively high level of risk due to the rapidly evolving nature of the industry in which it operates.

The directors have reviewed the effectiveness of the Company's system of internal control in accordance with the requirements of the Combined Code and the Turnbull guidance.

The key elements of internal control within the Group include:

- the establishment of clear management responsibilities for maintaining an adequate control environment;
- an organisational structure designed to allow rapid response to developments in the business and changes in the control environment;
- twice yearly formal reviews at board level of risks and their mitigation;
- the assessment of key business risks as an integral part of the board and executive team meetings on an ongoing basis;
- documentation and communication of Human Resource policies and procedures;
- regular review of security and integrity of key systems;
- preparation of detailed budgets for board review;
- regular review of results against budgets and latest forecasts.

The board has considered the need for an internal audit function during the year and concluded that such a function is not appropriate for the Company at the present time.

Compliance with the Combined Code

Following the resignations of Adam Singer and Peter Sederowsky as directors on 5 February 2002, the Company has not complied with the provisions of the Combined Code insofar as the independent non-executive directors do not comprise a majority of the non-executive directors and the Audit Committee has only comprised two non-executive directors (only one of whom is considered independent). In addition, the composition of the Remuneration Committee does not meet the guidelines set out in the Combined Code because, although all its members are non-executive directors, Mr Bulkeley is not an independent non-executive director. The Company is actively seeking to appoint a third independent non-executive director to ensure compliance with these provisions.

The directors also believe that it has appropriate systems and procedures in place to satisfy the Turnbull guidance on internal control. A review of the effectiveness of internal controls is performed as part of the year end process and an interim review in October 2001 focused on the effectiveness of these systems and procedures across the Group's overseas subsidiaries.

Going concern

Under Company law the Company's directors are responsible for considering whether it is appropriate to prepare financial statements on a going concern basis. The directors fully appreciate the importance of sufficient cash resources in the industry in which the Company operates. This, together with a lack of borrowing facilities, has meant that throughout the life of the Company significant resource has been expended on cash flow forecasting.

The Company issued Listing Particulars on 11 March 2002 and supplementary Listing Particulars on 18 March 2002 and as required by the Listing Rules made certain statements concerning working capital requirements and funding. The directors confirmed that, taking into account the funding facilities available to the Company, the working capital of the Group was sufficient for at least 12 months from the date of that document. The directors also stated that while the Company had no immediate requirements to raise any additional equity funding, certain subscribers had made claims that they had the right to terminate the Equity Commitment and there was no guarantee that the Company would be able to draw down any further amounts under the Equity Commitment. The statement in the Listing Particulars also confirmed that in the event that the Company were unable to draw down any further funding under the Equity Commitment, it might need to seek additional funding within 24 months of that date and that if this were the case, the directors would reassess plans and, if necessary, develop revised proposals, which could include, for example, an equity issue to a strategic investor or partner.

The directors have therefore been able to satisfy themselves that the Company and Group will be able to continue in business for the foreseeable future. Consequently these financial statements have been prepared on a going concern basis.

Report of the Remuneration Committee

Composition of the Remuneration Committee

Remuneration for executives is reviewed by the Remuneration Committee, which is currently chaired by Mr Bulkeley and also comprises Mr Power and Mr Gesmar-Larsen.

Remuneration policy

The Company's policy is to provide the remuneration package required to attract, retain and motivate its executive directors. This includes a basic salary and benefit package appropriate to the individual's responsibilities having regard to the salary levels of comparable posts. Contributions equal to 5% of the basic salary of the executive directors are also made on their behalf to money-purchase pension schemes.

During the year Mr Rose received bonus payments of £15,000 in respect of the period while he was Chief Executive Officer of the Company. The Remuneration Committee is seeking to extend the performance-related bonus element of executive directors' salaries and to ensure that the total reward packages are aligned with the performance of the Company and the interests of the shareholders.

Senior executives' salary and benefit packages were reviewed by the Remuneration Committee in November 2001 and the rest of Group's employees in April 2002 in conjunction with professional third party advice. The Remuneration Committee's review is considered by the board and adopted if approved.

The board has invited shareholders at the forthcoming annual general meeting to review its policy.

Share options

The Company operates two share option schemes. One is approved by the Inland Revenue under the Income and Corporation Taxes Act 1988 and the other scheme is not Inland Revenue approved. Both schemes have been approved by shareholders.

All employees are offered a grant of options under one or both schemes (as appropriate) on the date they join the Group or on the date they take up permanent terms of employment (if later). Options begin to vest one year after the option grant date and thereafter vest in quarterly increments up to the fourth anniversary of the option grant date. By constructing the share option agreements so that shares vest gradually, the Remuneration Committee believes that executives are focussed on sustaining the performance of the Company in the long term.

It is the Company's policy to grant new options on an annual basis in order to reward ongoing performance and to ensure employee motivation. Most eligible employees were granted options on 21 December 2001 and the executive directors were granted options on 11 February 2002.

The Company proposes to make certain amendments to the share option schemes at the 2002 annual general meeting to bring the operation of these schemes more in line with current market practice. Further details of these changes are set out in the notice of that meeting.

The Board are also considering issuing options (outside the share option schemes) over shares with a current market value of approximately £10,000 to each of the current non-executive directors. The Company believes that such awards would not affect non-executive directors' independence and are appropriate given the Company's desire to limit the cash remuneration payable whilst still recruiting and retaining non-executives of suitable experience, status and expertise. These options would be exercisable by the relevant director at any time during their appointment and for three months after they cease to be a director.

Share options are not granted at a discount.

Service contracts

The executive directors have terms of service which can be terminated by the Company on not less than 12 months' notice (in the case of Mr Dighero) and 6 months' notice (in the case of Mr Zaleski) and by the individual on not less than six months' notice.

Non-executive directors are subject to letters of appointment. Their terms of office last for no more than three years and can be terminated by either party on six months' notice.

Directors are subject to re-election on a regular basis that does not exceed three years. Details of directors subject to re-election at the next annual general meeting are contained in the directors' report.

Directors' reward package information

Details of the current and former directors' individual remuneration (which cover the period during the financial year whilst they were directors as set out on page 14) are as follows:

Directors' remuneration	Basic salary £'000	Bonus £'000	Benefits ⁽¹⁾ £'000	Fees £'000	Total remuneration excluding pensions 31 March 2002 £'000	Total remuneration excluding pensions 31 March 2001 £'000
J B Bulkeley (Chairman)	–	–	–	15	15	15
J M Rose ⁽²⁾	230	15	2	6	253	211
M X Zaleski	98	–	1	–	99	n/a
R S Dighero	163	–	1	–	164	112
S M A Laurent ⁽³⁾	115	–	1	–	116	111
P D Englander	–	–	–	15	15	15
T P Power	–	–	–	2	2	–
P U Sederowsky ⁽⁴⁾	–	–	–	25	25	18
A N Singer	–	–	–	–	–	–
Total	606	15	5	63	689	482

⁽¹⁾ Directors' benefits comprise permanent health insurance and life assurance.

⁽²⁾ Mr Rose resigned from his position as Chief Executive Officer on 9 November 2001 but has remained on the Board as a non-executive director. He has continued (and will continue) to receive cash and non-cash benefits under the terms of his contract of employment for the period to 13 June 2002. The figures above include the estimated money value of these total emoluments to Mr Rose for the period up to 31 March 2002 but not the period since that date which total approximately £71,000. All these payments have been fully provided for in the Company's accounts for the period to 31 March 2002 on the basis that the Company has received substantially all of the benefits provided by Mr Rose's executive contract by that date.

⁽³⁾ Mr Laurent resigned as a director on 31 December 2001 but has continued (and will continue) to receive cash and non-cash benefits under the terms of his contract of employment for the period to 12 December 2002. The figures above do not include the estimated money value of these total emoluments to Mr Laurent for the period since the date of his resignation, which total approximately £149,000 (and of which approximately £113,000 relates to the financial year ending 31 March 2003). All these payments have been fully provided for in the Company's accounts for the period to 31 March 2002 on the basis that the Company has received substantially all of the benefits provided by Mr Laurent's executive contract by that date.

⁽⁴⁾ Mr Sederowsky resigned as a director on 5 February 2002 but is entitled to receive an amount equivalent to the fees payable under his letter of appointment for the six-month period following his date of resignation. The figures above do not include the amounts payable to Mr Sederowsky for this period, which total £15,000 (of which approximately £10,000 relates to the financial year ending 31 March 2003).

Directors' pension entitlements	Payments made into a money purchase scheme 31 March 2002 £'000	Payments made into a money purchase scheme 31 March 2001 £'000
J M Rose ⁽¹⁾	10	4
M X Zaleski	4	n/a
R S Dighero	8	4
S M A Laurent ⁽²⁾	5	2
Total	27	10

⁽¹⁾ Payments into a money purchase scheme have continued (and will continue) to be made on behalf of Mr Rose since his resignation as Chief Executive Officer under the terms of his contract of employment for the period to 13 June 2002. The figures above include the value of these benefits to Mr Rose for the period up to 31 March 2002 but not the period since that date which total approximately £2,000. All these payments have been fully provided for in the Company's accounts for the period to 31 March 2002.

⁽²⁾ Payments into a money purchase scheme have continued (and will continue) to be made on behalf of Mr Laurent under the terms of his contract of employment for the period up to 12 December 2002. The figures above do not include the value of these benefits to Mr Laurent for the period since the date of his resignation which total approximately £7,000 (and of which approximately £5,000 relates to the financial year ending 31 March 2003). All these payments have been fully provided for in the Company's accounts for the period to 31 March 2002.

Directors' interests in shares

The beneficial interests of the directors in the shares of the Company as disclosed by the register maintained pursuant to Section 325 of the Companies Act 1985 as at 31 March 2002, together with such person's interests at 31 March 2001 were:

	Number of ordinary shares	
	At 31 March 2002 Ordinary shares	At 31 March 2001 Ordinary shares
J B Bulkeley	3,754,080	3,754,080
P D Englander	60,997,440	60,997,440

⁽¹⁾ Mr Bulkeley is also a beneficiary of the Fenwick Trust, which held 7,406,850 ordinary shares in the Company at 31 March 2002, (2001: 17,406,850 shares). At 30 May 2002, the Fenwick Trust's holding was 6,856,850 ordinary shares.

⁽²⁾ Dr Englander has a pecuniary interest in Apax UK VI LP. The shareholding disclosed above relates to the total holding of Apax UK VI LP, of which Apax Partners Limited is the manager. Dr Englander is a Director of Apax Partners Limited. Dr Englander disclaimed beneficial ownership of the shares held on record by Apax UK VI LP except to the extent of his pecuniary interest therein. Dr Englander resigned as a director on 3 May 2002.

⁽³⁾ Save as mentioned above, there have been no changes in any of the directors' interests in shares in the Company between 31 March 2002 and 30 May 2002.

The interests of directors in options over shares of the Company as at the end of the financial year were as follows:

	Number of ordinary shares						
	1 April 2001 or date of appointment	Granted during year	Surrendered or lapsed during year	31 March 2002	Exercise price	Exercise period	
J B Bulkeley	1,125,000	–	–	1,125,000	1.5p	Mar 99–Mar 05	
	–	4,000,000	–	4,000,000	1.6p	Feb 03–Feb 12	
	1,125,000	4,000,000		5,125,000			
J M Rose	14,476,075	–	14,476,075	–	9.8–12p	Apr 00–Feb 11	
	307,692*	–	307,692	–	9.8p	Feb 02–Feb 11	
	–	3,000,000	–	3,000,000	1.6p	Feb 03–Feb 12	
	14,783,767	3,000,000	14,783,767	3,000,000			
M X Zaleski	5,962,308	–	–	5,962,308	9.8p	Feb 02–Feb 11	
	307,692*	–	–	307,692	9.8p	Feb 02–Feb 11	
	–	10,000,000	–	10,000,000	1.6p	Feb 03–Feb 12	
	6,270,000	10,000,000		16,270,000			
R S Dighero	5,052,546	–	–	5,052,546	1.5p	Apr 99–Apr 08	
	2,735,268	–	–	2,735,268	9.8p	Feb 02–Feb 11	
	307,692*	–	–	307,692	9.8p	Feb 02–Feb 11	
	–	7,000,000	–	7,000,000	1.6p	Feb 03–Feb 12	
	8,095,506	7,000,000		15,095,506			
Total	30,274,273	24,000,000	14,783,767	39,490,506			

*Denotes options held under the 1999 Approved Employee Share Option Scheme. All other options are held under the 1999 Unapproved Employee Share Option Scheme.

Mr Rose surrendered the options awarded to him as an executive director on 11 February 2002 and was awarded the option set out above in their stead. He retains his rights to these share options for the period he remains a director (and for a period of 3 months thereafter).

The market price of the Company's ordinary shares at the end of the financial year was 0.9p and the range of market prices during the year was between 0.9p and 10.75p.

Compliance

As noted above, the composition of the Remuneration Committee does not comply with the recommendation of the Combined Code. In all other respects (including the provisions set out in Schedule A to the Combined Code) the Remuneration Committee believes that it has complied throughout the year with the best practice provisions annexed to the Listing Rules of the Financial Services Authority.

Jonathan Bulkeley

Chairman of the Remuneration Committee

Statement of directors' responsibilities

The following statement sets out the responsibilities of the directors in relation to the financial statements.

The report of the auditors, shown below, sets out their responsibilities in relation to the financial statements.

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 Company and the Group as at the end of the financial year and of the profit or loss for the financial year. In preparing those financial statements, the directors are required to:

- Select appropriate accounting policies and 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 being disclosed and explained: and

Independent auditors' report to the members of QXL ricardo plc

We have audited the financial statements which comprise the consolidated profit and loss account, the Group and Company balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

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 or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the Chairman's statement, the Chief Executive Officer's review, the Financial Review, the Report of the Remuneration Committee and the corporate governance statement.

- Prepare the financial statements on the going concern basis, unless they consider it to be inappropriate.

The directors confirm that the financial statements comply with the above requirements.

The maintenance and integrity of the Company's website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group, and in that context must have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud, theft and other irregularities.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London
30 May 2002

Consolidated profit and loss account

for the year ended 31 March 2002

	Notes	Year ended 31 March 2002 Excluding exceptional items £'000	Year ended 31 March 2002 Exceptional items £'000	Year ended 31 March 2002 Total £'000	Year ended 31 March 2001 Excluding exceptional items £'000	Year ended 31 March 2001 Exceptional items £'000	Year ended 31 March 2001 Total £'000
Turnover	1	5,415	–	5,415	15,055	–	15,055
Cost of sales	2	(540)	–	(540)	(12,402)	–	(12,402)
Gross profit		4,875	–	4,875	2,653	–	2,653
Distribution costs	2,3	(27,322)	(4,508)	(31,830)	(43,384)	(72,948)	(116,332)
Administrative expenses	2,3	(10,627)	(3,064)	(13,691)	(25,051)	(3,539)	(28,590)
Net operating expenses		(37,949)	(7,572)	(45,521)	(68,435)	(76,487)	(144,922)
Operating loss	2,4	(33,074)	(7,572)	(40,646)	(65,782)	(76,487)	(142,269)
Share of operating loss of joint venture				–			(3,417)
Loss on ordinary activities before interest				(40,646)			(145,686)
Interest receivable and similar income	7			989			2,874
Interest payable and similar charges	8			(273)			(333)
Loss on ordinary activities before taxation				(39,930)			(143,145)
Tax on loss on ordinary activities	9			–			–
Loss on ordinary activities after taxation				(39,930)			(143,145)
Equity minority interests				2,000			4,105
Loss for the financial year				(37,930)			(139,040)
Loss per ordinary share							
– basic and diluted	11			(5.3)p			(30.0)p

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents.

All activities are continuing operations.

Statement of Group total recognised gains and losses

for the year ended 31 March 2002

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Loss attributable to shareholders	(37,930)	(139,040)
Exchange adjustments offset to reserves	(233)	170
Total recognised loss for the year	(38,163)	(138,870)
Prior year adjustment*	–	9,125
Total recognised losses since last annual report	(38,163)	(129,745)

*The prior year adjustment related to an adjustment in respect of National Insurance on share options following the publication of UITF 25. This resulted in the loss for the year ended 31 March 2000 being reduced by £9,125,000: the year ended 31 March 2001 was affected by the same amount.

Group balance sheet

as at 31 March 2002

	Notes	31 March 2002 £'000	31 March 2001 £'000
Fixed assets			
Intangible assets	12	10,727	23,955
Tangible assets	13	1,050	6,337
Investments	14	25	232
		11,802	30,524
Current assets			
Stock	16	34	295
Debtors – due after more than one year	17	321	321
Debtors – due within one year	17	3,335	7,580
Cash at bank and in hand	18	14,093	24,285
		17,783	32,481
Creditors: amounts falling due within one year	19	(5,200)	(13,381)
Net current assets		12,583	19,100
Total assets less current liabilities		24,385	49,624
Creditors: amounts falling due after one year	20	(91)	(413)
2% Convertible Bonds due 2004	21	(14,632)	(5,011)
Provisions for liabilities and charges	22	-	-
Net assets		9,662	44,200
Capital and reserves			
Called up share capital	23	837	635
Share premium account	25	225,637	218,856
Merger reserve	25	9,137	9,137
Profit and loss account	25	(225,216)	(187,053)
Total equity shareholders' funds	26	10,395	41,575
Equity minority interests		(733)	2,625
Capital employed		9,662	44,200

These financial statements were approved by the board of directors on 30 May 2002.

Company balance sheet

as at 31 March 2002

	Notes	31 March 2002 £'000	31 March 2001 £'000
Fixed assets			
Intangible assets	12	-	68
Tangible assets	13	627	4,640
Investments	14	9,619	23,928
		10,246	28,636
Current assets			
Stock	16	-	6
Debtors – due after more than one year	17	321	321
Debtors – due within one year	17	7,748	13,054
Cash at bank and in hand	18	10,927	16,424
		18,996	29,805
Creditors: amounts falling due within one year	19	(3,847)	(6,306)
Net current assets		15,149	23,499
Total assets less current liabilities		25,395	52,135
Creditors: amounts falling due after one year	20	(59)	(97)
2% Convertible Bonds due 2004	21	(14,632)	(5,011)
Provisions for liabilities and charges	22	-	-
Net assets		10,704	47,027
Capital and reserves			
Called up share capital	23	837	635
Share premium account	25	225,637	218,856
Merger reserve	25	2,520	2,520
Profit and loss account	25	(218,290)	(174,984)
Total equity shareholders' funds	26	10,704	47,027

These financial statements which comprise the profit and loss account, the consolidated and Company balance sheets, the cash flow statement, the statement of recognised gains and losses and related notes including the directors' remuneration disclosures were approved by the board of directors on 30 May 2002 and were signed on its behalf by:

R S Dighero
Director

Consolidated cash flow statement

for the year ended 31 March 2002

	Notes	31 March 2002 £'000	31 March 2001 £'000
Net cash outflow from operating activities	29	(24,468)	(56,004)
Returns on investments and servicing of finance			
Interest received		1,005	2,715
Interest paid		(3)	(25)
Issue costs of 2% Convertible Bond		-	(241)
Net cash inflow from returns on investment and servicing of finance		1,002	2,449
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(301)	(2,417)
Sale of tangible fixed assets		92	-
Net cash outflow for capital expenditure and financial investment		(209)	(2,417)
Acquisitions			
Net cash balances acquired with subsidiaries		-	11,214
Payments to acquire trades or businesses		-	(12,261)
Net cash outflow for acquisitions		-	(1,047)
Cash outflow before management of liquid resources* and financing		(23,675)	(57,019)
Management of liquid resources			
Reduction/(increase) in short-term deposits with banks		13,042	56,125
Financing			
Gross receipts from issuing shares and warrants		4,341	603
Issue costs of equity shares and warrants		(570)	(1,667)
Capital element of finance leases repaid		(253)	(294)
Gross receipts from issue of 2% Convertible Bonds		10,000	5,000
Net cash inflow from financing		13,518	3,642
Increase in cash in the year	29	2,885	2,748

*Liquid resources comprise short-term deposits with banks, which mature within 12 months from the date of inception.

Principal accounting policies for the year ended 31 March 2002

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and on a going concern basis.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to the year end. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On the acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account or statement of total recognised gains and losses.

The Company has complied with the merger relief provisions of Section 131 of the Companies Act 1985 and accordingly has credited the premium arising on the issue of shares in the year ended 31 March 2001 to the former owners of Idefi SA to the merger reserve.

FRS 18 – accounting policies

FRS 18 'Accounting Policies' has been adopted in the year to 31 March 2002; this did not require any change in accounting policies. FRS 18 requires the Company to adopt the accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view. It also requires sufficient information to be disclosed in the financial information to enable users to understand the accounting policies adopted and how they have been implemented. The board have undertaken a review of the accounting policies and are satisfied that the most appropriate accounting policies have been adhered to.

Turnover

Turnover represent amounts receivable for merchandise, advertising revenue and services net of VAT, returns and refunds.

Agency-based auctions

When the Group acts as agent, it recognises listing and related fees on listing of an item for auction and success fees and any other relevant commission on the completion of the auction.

Principal-based auctions

When the Group acts as principal, it recognises income once payment is received or authorised and merchandise has been despatched.

Intangible fixed assets

Intangible fixed assets are included at cost or fair value on acquisition. Amortisation is calculated to write off the cost of intangible assets on a straight-line basis over their expected useful economic life. The useful economic life is estimated with reference to the period over which each asset is estimated to be capable of earning revenue. The carrying value of intangible assets is assessed annually and any impairment value is charged to the profit and loss account.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill arising on each acquisition is annually reviewed separately for impairment, and where appropriate, charged to the profit and loss account.

Capitalised goodwill is amortised on a straight-line basis over its expected useful economic life. The expected useful economic life is up to 39 months from the date of acquisition based on future expected earnings.

Tangible fixed assets

Tangible fixed assets are stated at cost or fair value on acquisition less depreciation. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is estimated taking into account obsolescence, technological developments and expected proceeds on disposal. The principal annual rates for this purpose are:

- Furniture and office equipment at 33% per annum on a straight-line basis.
- Computer systems and equipment (including computer servers) at 25% or 33% per annum on a straight-line basis.
- Internal and External Computer Software at 33% or 50% per annum on a straight-line basis.

The Group selects its depreciation rates carefully and reviews them regularly to take into account any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are to be used. The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the profit and loss account.

The Group also capitalises directly identifiable bought in services and own staff costs incurred in establishing its websites and other internal software development costs incurred up to the date that the asset is brought into use. Capitalised projects must have a measurable economic viability in their own right. Amounts capitalised are written down over their expected useful economic lives on a straight-line basis at rates between 6.25% and 12.5% per month.

Development expenditure

Development expenditure includes expenses incurred by the Group to develop and improve the current functionality of the Group's websites. Development costs are expensed through administrative costs as incurred except where, as described above, separately identifiable expenditure has been incurred on bringing specific projects into use.

Finance leases

Where assets are financed by leasing agreements that give rights and obligations approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments during the lease term. The corresponding lease commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the annuity method. Depreciation on the relevant assets and interest are charged to the profit and loss account.

Operating leases

Amounts payable under operating leases are charged to profit and loss on a straight-line basis over the lease term.

Stock

Stock is valued on a first-in-first-out basis and is stated at the lower of cost and net realisable value.

Convertible Bonds

Convertible Bonds, which are convertible at the option of the holder, are stated at net proceeds after deducting issue costs. The interest due on the bonds is charged to the profit and loss account on a monthly basis over the expected life of the bond on the assumption that the bonds will not be converted. The initial carrying value of the bonds is determined by reference to the initial proceeds and the market value of the associated warrants.

Warrants issued in association with the Convertible Bonds

The warrants are stated separately from the bonds and are included as part of shareholders' funds. The warrants are valued based on the market price of the Company's ordinary shares at the time of issue taking into account the exercise price of the warrants.

Issue and finance costs

Issue costs relating to debt are recognised in the profit and loss account on a systematic basis taking into account the terms of the outstanding obligations.

Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction.

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the year, and results of foreign subsidiaries are translated at the average rate of exchange ruling throughout the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies are taken to reserves and reported in the statement of total recognised gains and losses.

All other exchange differences are taken to the profit and loss account as they arise.

Related party transactions

Financial Reporting Standard 8, 'Related Party Transactions', requires the disclosure of the details of material transactions between the reporting entity and related parties. The Company has taken advantage of exemptions under Financial Reporting Standard 8 not to disclose transactions between Group companies.

Stock compensation

The Company charges the difference between the fair value of share options at grant date and the exercise price of the options to the profit and loss account on a straight-line basis over their vesting period.

National Insurance

Employers' National Insurance Contributions become payable on exercise of unapproved share options issued after 5 April 1999 on the difference between the market value of the Company's ordinary shares at the date of exercise and the exercise price of the underlying options. Provision for this liability is made based upon the market value of options at the balance sheet date and spread over the vesting period of the options.

With effect from 1 January 2001, all options granted to UK employees under the Unapproved Employee Share Option Scheme have been granted on the basis that the employee is liable for the employer's National Insurance Contributions.

Pension costs

The Group pays defined contributions to personal money purchase pension schemes for some employees. The charge in the financial statements represents contributions payable in the year.

Deferred tax

The Group has adopted FRS19 in these financial statements. Deferred taxation arises as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more, or a right to pay less taxation in future. The deferred tax liability that is the result of timing differences is recognised in full. Deferred tax assets are only recognised to the extent that, on the basis of all available evidence, they are recoverable. Deferred tax assets and liabilities recognised have not been discounted.

Financial instruments

The Group's financial assets and liabilities are recorded at historical cost, other than the net assets and liabilities of subsidiaries, which are translated into sterling at rates of exchange at the balance sheet date.

Notes to the financial statements

for the year ended 31 March 2002

1 Segmental reporting

	(Loss) before tax			(Loss) before tax		
	Turnover Year ended 31 March 2002 £'000	Before exceptional items Year ended 31 March 2002 £'000	After exceptional items Year ended 31 March 2002 £'000	Turnover Year ended 31 March 2001 £'000	Before exceptional items Year ended 31 March 2001 £'000	After exceptional items Year ended 31 March 2001 £'000
Geographical analysis						
United Kingdom	1,498	(13,622)	(16,148)	6,242	(37,388)	(35,010)
Europe	3,917	(18,736)	(23,782)	8,813	(29,270)	(108,135)
	5,415	(32,358)	(39,930)	15,055	(66,658)	(143,145)

In the period under review materially all turnover and loss by origin and destination was generated from the single activity of providing online auctions. There was no material difference between turnover by origin and turnover by destination.

	31 March 2002 £'000	31 March 2001 £'000
Net (liabilities)/assets		
United Kingdom	(3,781)	14,636
Europe	13,443	29,564
	9,662	44,200

2 Net operating expenses analysis

	31 March 2002 £'000	31 March 2001 £'000
Sales and marketing	17,655	29,117
Exceptional goodwill impairment	4,508	72,948
Goodwill amortisation – sales and marketing	9,667	14,267
Distribution costs	31,830	116,332
General and administrative	5,500	9,977
Goodwill amortisation – technology and development (see note 15)	(1,817)	2,037
Exceptional fixed asset impairment	2,526	–
Exceptional goodwill impairment – technology and development	–	4,993
Technology and development	7,041	13,060
National Insurance on options	–	(2,378)
Provision for irrecoverable VAT	538	–
Restructuring costs	–	924
Share based compensation	(97)	(23)
Administrative expenses	13,691	28,590

3 Exceptional items

	Notes	31 March 2002 £'000	31 March 2001 £'000
Distribution costs			
Goodwill impairment provision	(i)	4,508	72,948
Administration expenses			
Goodwill impairment provision		-	4,993
Provision for irrecoverable VAT	(ii)	538	-
National Insurance provision	(iii)	-	(2,378)
Fixed asset impairment	(iv)	2,526	-
Restructuring costs		-	924
		3,064	3,539

(i) Goodwill impairment provision

Note 15 details the goodwill that has arisen on the investment in subsidiary undertakings during the year.

UK GAAP prescribes that the carrying value of goodwill should be no more than the higher of its value in use and its net realisable value.

Most of the goodwill on the consolidated balance sheet has been attributable to the market value of the Company's shares when they were issued as consideration for acquisitions in previous years. The net realisable value of goodwill, which arose on acquisition, has therefore been reviewed in light of significant decreases in the prices of the Company's shares and of shares for companies in the internet sector in general. Value in use has been calculated using the present value of discounted projected cash flows. A discount rate of 22% was used which was the risk free discount rate adjusted for uncertainties of future earnings.

Having considered these tests, the carrying value of goodwill has been impaired based on its value in use.

The carrying value of goodwill on the consolidated balance sheet is being amortised over periods of up to 39 months from the date of acquisition.

(ii) Provision for irrecoverable VAT

During the year ended 31 March 2002, the Company incurred an exceptional provision for irrecoverable VAT of £538,000 relating to a dispute with the VAT authorities in France.

(iii) National Insurance provision

In the year ended 31 March 2001, the provision for potential National Insurance liabilities made in previous years was reversed as a result of the decrease in the Company's share price. Due to the further decrease in the Company's share price and changes made to the Company's share option schemes, no provision was necessary in the year ended 31 March 2002.

(iv) Fixed asset impairment

UK GAAP prescribes that if the directors consider that their assets are impaired that they should be carried at their recoverable amount, being the higher of net realisable value and value in use. A review of the Group's fixed assets has resulted in an exceptional fixed asset impairment of £2.5 million. This related to a review of the realisable value of computing assets and a write down of certain software including a purchased billing system which had caused problems with the timeliness of invoicing during the year in some countries and which has since been replaced.

4 Operating loss

	31 March 2002 £'000	31 March 2001 £'000
The operating loss is stated after charging		
Exchange gains	(599)	(67)
Amortisation of intangible fixed assets	8,340	16,304
Exceptional write off of goodwill	4,508	77,941
Depreciation of tangible fixed assets – owned assets	2,147	5,814
– under finance leases	521	198
Fixed asset impairment	2,526	–
Loss on disposal of fixed assets	265	–
Operating lease rentals – land and buildings	1,272	384
Auditors' remuneration – audit (Company: £78,000)	196	102
– other services*	343	141
Development expenditure (excluding exceptional item in note 3)	2,521	5,530

*In addition to these amounts, fees of £291,000 were also charged by PricewaterhouseCoopers in connection with the Company's obligations to report in accordance with raising additional funding and has been capitalised as share issue costs.

5 Directors and employees

The average monthly number of persons (including directors) employed by the Group during the year was	31 March 2002 Number	31 March 2001 Number
Sales and marketing	208	211
Technical	25	87
General and administration	24	85
	257	383

Staff costs for the above persons	31 March 2002 £'000	31 March 2001 £'000
Wages and salaries	10,810	9,363
Social security costs	1,064	1,442
Pension costs*	308	243
	12,182	11,048

*The Group contributes to a defined contribution personal pension scheme for certain of its employees.

6 Directors' emoluments

Details of directors' emoluments are shown in the Report of the Remuneration Committee on page 19.

7 Interest receivable and similar income

All interest receivable and similar income consisted of interest earned on bank and money market deposits.

8 Interest payable and similar charges

	31 March 2002 £'000	31 March 2001 £'000
Finance leases	21	52
Interest and issue costs on 2% convertible bonds	252	253
Bank loans and overdrafts	-	28
	273	333

9 Taxation

No taxation charge has arisen for the year. The Group has accumulated estimated tax losses of at least £120 million, (2001: £100 million) available to carry forward and offset against future trading profits. This represents an unprovided deferred tax asset of at least £36 million, (2001: £30 million). Included within this balance are delayed capital allowances of £9 million (2001: £2 million).

The tax for the period is different from the average rate of corporation tax for the Group. The differences are explained below:

	31 March 2002 £'000	31 March 2001 £'000
(Loss)/profit on ordinary activities before tax	(39,930)	(143,145)
Tax on the above at average rate for the Group (30%)	(11,979)	(42,944)
Effect of:		
Deferred tax asset not provided in respect of losses	6,060	17,000
Expenses not deducted for tax purposes	5,919	25,944
	-	-

10 Loss for the year

As permitted by Section 230(1) of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's loss after taxation for the financial year was £43,306,000 (2001: loss £134,103,000).

11 Loss per ordinary share

	31 March 2002 £'000	31 March 2001 £'000
Loss attributable to ordinary shareholders	(37,930)	(139,040)
Weighted average number of shares	713,374	462,706
Per share amount (pence)	(5.3)	(30.0)

In accordance with UK GAAP the number of shares is based on the weighted average number of shares after taking account of the bonus issue of 6 April 2000.

The Company has share options, warrants and convertible bonds which are potentially ordinary shares. However the impact on the net loss of these potential ordinary shares is anti-dilutive.

12 Intangible fixed assets

Group	Goodwill £'000	Other £'000	Total £'000
Cost at 1 April 2001	140,139	631	140,770
Goodwill arising on acquisitions during the year (note 15)	1,437	–	1,437
Fair value provision reversed (note 15)	(1,817)	–	(1,817)
31 March 2002	139,759	631	140,390
Amortisation at 1 April 2001	116,675	140	116,815
Exceptional impairment provision (note 3)	4,508	–	4,508
Charge for the year	7,849	491	8,340
31 March 2002	129,032	631	129,663
Net book value at 31 March 2002	10,727	–	10,727
Net book value at 31 March 2001	23,464	491	23,955

Company	Goodwill and other £'000
Cost at 1 April 2001	3,247
Additions	–
31 March 2002	3,247
Amortisation at 1 April 2001	3,179
Charge for the year	68
31 March 2002	3,247
Net book value at 31 March 2002	–
Net book value at 31 March 2001	68

Other intangible assets include capitalised website development costs.

13 Tangible fixed assets

Group	Furniture and office equipment £'000	Computer systems and equipment £'000	Internal computer software capitalised £'000	External computer software capitalised £'000	Total £'000
Cost at 1 April 2001	676	8,479	2,726	1,364	13,245
Exchange movement	(12)	(43)	(5)	(16)	(76)
Additions	11	120	6	164	301
Disposals	(186)	(204)	–	–	(390)
31 March 2002	489	8,352	2,727	1,512	13,080
Depreciation at 1 April 2001	285	3,780	2,362	481	6,908
Exchange movement	(4)	(26)	(5)	(4)	(39)
Charge for the year	76	1,891	292	409	2,668
Disposals	(17)	(16)	–	–	(33)
Impairment	–	2,002	–	524	2,526
31 March 2002	340	7,631	2,649	1,410	12,030
Net book value at 31 March 2002	149	721	78	102	1,050
Net book value at 31 March 2001	391	4,699	364	883	6,337

Included within 'Computer systems and equipment' are assets held under finance leases, with a net book value of £52,000 (2001: £573,000). Depreciation charged during the year to these assets was £521,000 (2001: £198,000).

An impairment provision was recorded in the current year to reflect computer systems and equipment at their recoverable amount (see note 3).

13 Tangible fixed assets (continued)

Company	Furniture and office equipment £'000	Computer systems and equipment £'000	Internal computer software capitalised £'000	External computer software capitalised £'000	Total £'000
Cost at 1 April 2001	148	6,528	2,467	617	9,760
Additions	–	–	–	148	148
31 March 2002	148	6,528	2,467	765	9,908
Depreciation at 1 April 2001	81	2,599	2,148	292	5,120
Charge for the year	47	1,430	286	141	1,904
Impairment	–	2,002	–	255	2,257
31 March 2002	128	6,031	2,434	688	9,281
Net book value at 31 March 2002	20	497	33	77	627
Net book value at 31 March 2001	67	3,929	319	325	4,640

Included within 'Computer systems and equipment' are assets held under finance leases, with a net book value of £52,000 (2001: £573,000). Depreciation charged during the year to these assets was £521,000 (2001: £198,000).

An impairment provision was recorded in the current year to reflect computer systems and equipment at their recoverable amount (see note 3).

14 Investments

Group	31 March 2002 £'000
At 1 April 2001	232
Additions	50
Impairment provision	(257)
At 31 March 2002	25

Company	31 March 2002 £'000
At 1 April 2001	23,928
Additions through acquisition	4,966
Disposal	(402)
Impairment provision	(18,873)
At 31 March 2002	9,619

14 Investments (continued)

The following subsidiary undertakings have been included in these consolidated financial statements using acquisition accounting:

Name of undertaking	Country of incorporation	Ordinary shares held 31 March 2002	Book value 31 March 2001 £'000	Acquisitions £'000	Disposal £'000	Impairment provision £'000	Book value 31 March 2002 £'000
QXL France Sarl	France	100%	6				6
QXL GmbH	Germany	100%	7,279	2,235		(9,514)	-
QXL Srl	Italy	95% ⁽¹⁾	3			(3)	-
QXL Nederland BV	Netherlands	100%	-				-
QXL Spain SL	Spain	100%	2				2
QXL ricardo OY	Finland	100%	5				5
QXL Sweden AB	Sweden	100%	7			(7)	-
QXL Marketing e Projectos Lda	Portugal	100%	-				-
Quixell Ltd	UK	100%	-				-
QXL.com Ltd	UK	100%	-				-
QXL Auksjon Norge AS	Norway	100%	195			(195)	-
QXL Denmark ApS	Denmark	100%	402		(402)		-
QXL Sp zoo	Poland	100%	38	-			38
(Under incorporation)	Greece	-	2				2
Idefi SA	Luxembourg	100%	-				-
ibidlive NV	Netherlands	62%	-				-
ricardo.ch AG	Switzerland	100% ⁽²⁾	-	2,638		(784)	1,854
Bidlet AB	Sweden	99.6%	7,250			(3,939)	3,311
ricardo.nl BV	Netherlands	100.0% ⁽²⁾	-	1			1
ricardo.de AG	Germany	91.5% ⁽³⁾	8,739	92		(4,431)	4,400
At 31 March 2002			23,928	4,966	(402)	(18,873)	9,619

⁽¹⁾ The other 5% is owned by Quixell Limited (UK).

⁽²⁾ Acquisition was made from ricardo.de AG.

⁽³⁾ QXL ricardo plc holds 2.0% of ricardo.de AG's share capital directly, the remainder is held by its subsidiary QXL GmbH.

Investments are stated at cost less provisions for impairment. The principal activity of all the trading Group companies is the provision of internet auction related services.

QXL ricardo OY, QXL Nederland BV, QXL Marketing e Projectos Lda, Quixell Ltd and QXL Sweden AB were dormant.

QXL Nederland BV has a December year end. All other companies have March year ends.

Acquired subsidiaries

Note 15 discloses how the investments have been treated in the Company's accounts and the goodwill arising on acquisition has been calculated.

15 Acquisitions

QXL ricardo plc has during the year reduced the minority shareholding in its subsidiaries, reassessed the provisional fair value of net assets acquired in prior year acquisitions and restructured the Group. The impact of these activities is described below.

ibidlive NV

At the time of the acquisition of the ibidlive NV the fair value of the acquired Company's liabilities was assessed and an additional liability recorded in the consolidated balance sheet. During this financial year a further review has been performed and the fair value of the assets and liabilities has been confirmed, resulting in £1,817,000 of liabilities being reversed against the acquired goodwill. Since this goodwill had been fully impaired and was valued at zero at 31 March 2001 the reversed amount has been credited to the profit and loss account during the current financial year. The fair value as at acquisition of the net liabilities of ibidlive NV was £823,000.

Idefi SA

For the year ended 31 March 2002, there has been no change in final fair value of the net assets acquired with Idefi SA. The fair value as at acquisition was nil.

Bidlet AB

For the year ended 31 March 2002, there has been no change in final fair value of the net liabilities acquired with Bidlet AB. The fair value as at acquisition was a net deficit of £6,201,000.

ricardo.de AG

For the year ended 31 March 2002, there has been no change in final fair value of the net assets acquired with ricardo.de AG. The fair value as at acquisition was £8,644,000. During the financial year QXL ricardo plc has increased its share of ricardo.de AG from 66.2% at 31 March 2001 to 91.5% at 31 March 2002.

On 3 July 2001 the Company issued 11,145,097 shares under certain exchange rights granted at the time of the acquisition, bringing the total Group interest in ricardo.de AG to 70%.

On 6 December 2001 the Company issued a further 60,841,970 shares under certain exchange rights granted at the time of the acquisition, bringing the total Group interest in ricardo.de AG to 91.5%.

ricardo.ch AG

On 31 March 2002 QXL ricardo plc acquired ricardo.ch AG from ricardo.de AG as part of the restructuring of the Group. The Group acquired 8.5% from the minority shareholders in ricardo.de AG which resulted in further goodwill of £305,000.

ricardo.nl BV

On 31 March 2002 QXL ricardo plc acquired ricardo.nl BV from ricardo.de AG as part of the restructuring of the Group. The Group acquired 8.5% from the minority shareholders in ricardo.de AG which resulted in further goodwill of £218,000.

Fair value table and calculation of goodwill	Book value £'000	Revaluation £'000	Fair value £'000	Consideration £'000	Goodwill £'000
ricardo.de AG					
Net assets:					
Tangible fixed assets	145	–	145		
Investments	1,284	–	1,284		
Debtors	2,350	–	2,350		
Cash at bank	2,600	–	2,600		
Creditors: amounts falling due within one year	(1,179)	–	(1,179)		
Net assets at 6 December 2001	5,200	–	5,200		
Consideration satisfied by:					
Cash (all acquisition costs)					
Shares issued (11,145,097 at 4.5p) on 3 July 2001				502	
Shares issued (60,841,970 at 3.0p) on 6 December 2001				1,825	
Total consideration				2,327	
Total goodwill arising on acquisition					913

The fair value of the net assets at 3 July 2001 was £5,150,000.

16 Stock

	Group 31 March 2002 £'000	Group 31 March 2001 £'000	Company 31 March 2002 £'000	Company 31 March 2001 £'000
Goods for resale	34	295	-	6

17 Debtors

	Group 31 March 2002 £'000	Group 31 March 2001 £'000	Company 31 March 2002 £'000	Company 31 March 2001 £'000
Amounts due within one year				
Trade debtors	910	1,189	324	850
Other debtors	1,302	5,817	191	3,276
Prepayments and accrued income	1,123	574	887	464
Amounts due from subsidiary undertakings	-	-	6,346	8,464
	3,335	7,580	7,748	13,054
Amounts due after more than one year				
Prepayments	321	321	321	321
	321	321	321	321

Intra-group fundings are repayable on demand and interest is charged at a rate of 2% over Sterling LIBOR.

18 Cash at bank and in hand

	Group 31 March 2002 £'000	Group 31 March 2001 £'000	Company 31 March 2002 £'000	Company 31 March 2001 £'000
Cash at bank and in hand	14,093	11,243	10,927	3,382
Short term deposits	-	13,042	-	13,042
	14,093	24,285	10,927	16,424

19 Creditors: amounts falling due within one year

	Group 31 March 2002 £'000	Group 31 March 2001 £'000	Company 31 March 2002 £'000	Company 31 March 2001 £'000
Trade creditors	1,201	5,137	873	3,672
Other taxation and social security	597	1,018	315	1,018
Other creditors	412	3,152	-	663
Amounts due to subsidiary undertakings	-	-	1,481	-
Accruals	2,967	3,836	1,155	715
Finance lease obligations	23	238	23	238
	5,200	13,381	3,847	6,306

20 Creditors: amounts falling due after one year

	Group 31 March 2002 £'000	Group 31 March 2001 £'000	Company 31 March 2002 £'000	Company 31 March 2001 £'000
Finance lease obligations	59	97	59	97
Other creditors	32	316	-	-
	91	413	59	97

Maturity of financial liabilities

Future minimum payments under finance leases are as follows:	Group 31 March 2002 £'000	Group 31 March 2001 £'000	Company 31 March 2002 £'000	Company 31 March 2001 £'000
Due within one year	23	238	23	238
Due in more than one year but not more than two years	28	23	28	23
Due in more than two years but not more than five years	31	74	31	74
	82	335	82	335

The weighted average fixed interest rate implicit on the finance leases is 11.35%.

21 2% Convertible Bonds and associated warrants

On 18 January 2001, the Company entered into an agreement under which it secured £15 million before expenses, by way of a private placement of three series of unsecured convertible bonds (the 'Convertible Bonds') and related Warrants ('Warrants') exercisable into new ordinary shares in the Company. The Warrants are separate from the Convertible Bonds and are non callable.

The Company has received the £15 million due in respect of the Convertible Bonds in equal instalments of £5 million payable on 14 February 2001, 31 May 2001 and 9 November 2001 and has issued all the Convertible Bonds and Warrants in relation to such funding.

The Convertible Bonds issued in relation to the first £5 million instalment (the 'A Bonds') are convertible into a maximum of 116,133,228 ordinary shares at a price equal to the lower of 12.6192p and the average of the three highest of the five lowest daily volume weighted average prices during the 15 trading days prior to the date of delivery of the relevant conversion notice (the 'Floating Conversion Price'). The A Bonds can be converted by the holder into ordinary shares at any time until 13 February 2004. 26,187,186 ordinary shares were issued to some of the Subscribers on 11 February 2002 following the receipt by the Company of a conversion notice in respect of £600,000 of the A Bonds. The Warrants issued to the Subscribers in relation to the issue of the A Bonds are in respect of 19,811,081 ordinary shares at an exercise price of 15.7740p per share.

The Convertible Bonds issued in relation to the second £5 million instalment (the 'B Bonds') are convertible into a maximum of 128,154,743 ordinary shares at a price equal to the lower of 7.3154p and the Floating Conversion Price. The B Bonds can be converted by the holder into ordinary shares at any time until 30 May 2004. The Warrants issued to the Subscribers in relation to this instalment of the funding are in respect of 35,793,031 ordinary shares at an exercise price of 8.7308p per share.

The Convertible Bonds issued in relation to the third £5 million instalment (the 'C Bonds') are convertible into a maximum of 308,870,768 ordinary shares at a price equal to the lower of 3.3936p and the Floating Conversion Price. The C Bonds can be converted by the holder into ordinary shares at any time until 8 November 2004. The Warrants issued to the Subscribers in relation to this instalment of the funding are in respect of 73,668,081 ordinary shares at an exercise price of 4.2420p per share.

Each tranche of Convertible Bonds converts automatically three years after the relevant issue date to the extent not already redeemed or converted ('maturity').

Interest is payable on the Convertible Bonds at a rate of 2% per annum up to the date of conversion or maturity, either in cash or shares of the Company at the Company's discretion.

The ordinary shares into which the Convertible Bonds convert will rank pari passu with all the other ordinary shares of the Company and as such will rank equally for any dividends.

No value was assigned to any of the Warrants because the exercise price was higher than the market value of the Company's ordinary shares at the time of issue.

22 Provisions for liabilities and charges

	Group and Company 31 March 2002 £'000	Group and Company 31 March 2001 £'000
National Insurance on share options		
At 1 April 2001	–	2,432
(Released)/charged during the year	–	(2,378)
Utilised on exercise of options	–	(54)
At 31 March 2002	–	–

Deferred taxation:

The Group has adopted FRS 19 for the year ended 31 March 2002.

A deferred tax asset for losses available for carry forward of £36 million against future taxable profit of £120 million has not been recognised in respect of the trading losses in the Group. This is because UK GAAP requires that deferred tax assets are only recognised to the extent that the transfer of economic benefit in the foreseeable future has reasonable probability.

23 Share capital

	Group and Company 31 March 2002 £'000	Group and Company 31 March 2001 £'000
Authorised		
2,200,000,000 (2001: 1,700,000,000) ordinary shares of £0.001 each	2,200,000	1,700,000
Six special shares of £1 each	6	6
	2,200,006	1,700,006
Allotted, called up and fully paid		
836,549,112 (2001: 635,227,217) ordinary shares of £0.001 each	836,549	635,227
Six (2001: six) special shares of £1 each	6	6

Share issues

The following shares were issued during the year:	Group and Company			Reason for issue
	Number of shares	Share capital £	Share premium £	
April 2001	698,632	699	9,690	Exercise of options
May 2001	3,596	4	203	Shares issued as part payment for the acquisition of ricardo.de AG
May 2001	7,132,093	7,132	402,963	Shares issued to CSFB in lieu of fees
June 2001	33,799,313	33,799	2,466,201	Equity commitment drawdown
July 2001	11,145,097	11,145	490,384	Shares issued as part payment for the acquisition of ricardo.de AG
July 2001	21,058,050	21,058	878,942	Equity commitment drawdown
December 2001	60,841,970	60,842	1,764,417	Shares issued as part payment for the acquisition of ricardo.de AG
February 2002	26,187,186	26,187	573,813	Conversion of 2% Convertible Bonds
March 2002	40,455,958	40,456	889,544	Equity commitment drawdown
	201,321,895	201,322	7,476,157	Movement for the year
	635,227,217	635,227		Ordinary shares outstanding at 1 April 2001
	6	6		Special shares outstanding at 1 April 2001
	836,549,112	836,549		Ordinary shares outstanding at 31 March 2002
	6	6		Special shares outstanding at 31 March 2002

23 Share capital (continued)

Ordinary shares

Ordinary shares are equal in value and have an equitable interest in the Company. The holders of ordinary shares are entitled to any dividends declared in relation thereto by the directors. Each holder of an ordinary share is entitled to one vote at general meetings of the Company. The holders of ordinary shares, upon the liquidation of the Company are entitled to share in the surplus assets of the Company.

Special shares

Pending full exercise of their exchange rights granted at the time of the acquisition of ricardo.de AG, the former majority shareholders of ricardo.de AG were issued in total six special shares in QXL ricardo plc. These special shares gave the holder substantially the same rights they would have had if they had fully exercised their exchange rights over ordinary shares in QXL ricardo plc. As all of the exchange rights have now been exercised, the rights attaching to the special shares have effectively lapsed.

24 Options and warrants in shares

Option holder	At	Granted during year	Number exercised during year	Lapsed during year	Surrendered during year	At	Exercise price	Exercise period
	31 March 2001					31 March 2002		
Directors in total	37,571,420	24,100,000	–	100,000	14,783,767	46,787,653	1.5p – 9.8p	2000 to 2012
Staff in total	25,708,330	36,410,190	698,632	9,569,380	–	51,850,508	1.4p – £4.48	2000 to 2012
A Warrants	19,811,081	–	–	–	–	19,811,081	15.7740p	2001 to 2004
B Warrants	–	35,793,031	–	–	–	35,793,031	8.7308p	2001 to 2004
C Warrants	–	73,668,081	–	–	–	73,668,081	4.2420p	2001 to 2004

Options issued to directors and staff are in respect of ordinary shares. Employee options vest over a four year period based on the date the option is granted.

25 Share premium and reserves

Group and Company	Group			Company		
	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
Balance at 1 April 2001	218,856	9,137	(187,053)	218,856	2,520	(174,984)
Retained loss for the financial year	–	–	(37,930)	–	–	(43,306)
Premium on shares issued as per note 23	7,476	–	–	7,476	–	–
Cost of issue of shares	(695)	–	–	(695)	–	–
Exchange adjustment	–	–	(233)	–	–	–
Balance at 31 March 2002	225,637	9,137	(225,216)	225,637	2,520	(218,290)

26 Reconciliation of movement in equity shareholders' funds

	Group 31 March 2002 £'000	Group 31 March 2001 £'000	Company 31 March 2002 £'000	Company 31 March 2001 £'000
Loss for the year	(37,930)	(139,040)	(43,306)	(134,103)
Issue of capital to former owners of Idefi SAS and I-Deal SA	-	2,525	-	2,525
Issue of capital to former owners of Bidlet AB	-	57,490	-	57,490
Issue of capital to former owners of ibidlive NV	-	6,489	-	6,489
Issue of capital to former owners of ricardo.de AG	2,328	36,202	2,328	36,202
Issue of capital in respect of development of World of Antiques	-	9,293	-	9,293
Issue of capital including share premium	-	(9,294)	-	(9,294)
Equity commitment drawdown	4,330	-	4,330	-
Conversion of 2% Convertible Bonds	600	-	600	-
Shares issued to CSFB in lieu of fees	410	-	410	-
Accrued compensation expense	-	(80)	-	(80)
Options exercised	10	446	10	446
Cost of issue of shares	(695)	(2,231)	(695)	(2,231)
Exchange adjustment	(233)	170	-	-
Net decrease in shareholders' funds	(31,180)	(38,030)	(36,323)	(33,263)
Opening shareholders' funds	41,575	79,605	47,027	80,290
Closing shareholders' funds	10,395	41,575	10,704	47,027

27 Financial commitments

	31 March 2002 £'000	31 March 2001 £'000
Annual commitments under non-cancellable operating leases expiring		
Within one year	771	367
Within two to five years	20	256
After five years	-	-
	791	623

28 Financial instruments**Financial instruments and risk management**

Throughout the period under review it has been the Group's policy that no trading in financial instruments shall be undertaken. Similarly the Group did not undertake any financial hedging arrangements during this period. The year end position reflects these policies and there have been no changes in policies or risks since year end.

The main risks arising from the Group's financial instruments are interest risk and foreign currency risk. Interest rates are monitored to ensure best available returns are achieved. The Group's principal exposure to exchange rate fluctuations arises on the translation of overseas net assets and losses into Sterling for reporting purposes and on the translation of intercompany balances which fund overseas subsidiaries. On an operating basis funds are exchanged monthly into Euros or other European currencies at spot rates to meet the cash needs of the non-UK subsidiaries.

28 Financial instruments (continued)**Short-term debtors and creditors**

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Interest rate profile of financial assets

The interest rate profile of the Group's financial assets at 31 March 2002 was:

Currency	Cash at bank and in hand	Short-term deposits	Total	Cash at bank and in hand	Short-term deposits	Total
	31 March 2002 £'000	31 March 2002 £'000	31 March 2002 £'000	31 March 2001 £'000	31 March 2001 £'000	31 March 2001 £'000
Euro/Euro denominated	2,509	–	2,509	7,161	–	7,161
Sterling	10,927	–	10,927	3,238	13,042	16,280
Swedish Krona	92	–	92	306	–	306
US Dollar	101	–	101	226	–	226
Other	464	–	464	312	–	312
	14,093	–	14,093	11,243	13,042	24,285
Floating rate	14,093	–	14,093	11,243	–	11,243
Fixed rate	–	–	–	–	13,042	13,042
	14,093	–	14,093	11,243	13,042	24,285

Interest rates on floating rate financial assets are linked to base rates.

Funds are held in Euros and other foreign currency accounts to enable the Group to trade and settle its debts in the local currency in which they occur in order to mitigate the Group's exposure to foreign exchange fluctuations.

Interest rate profile and maturity of financial liabilities

At the year end, the Group's liabilities other than short-term payables comprises a finance lease creditor (note 20) and 2% Convertible Bonds (note 21).

Borrowing facilities:

The Group does not have any borrowing facilities excluding the 2% Convertible Bonds.

Currency exposures

At year end, the Group's currency exposures relate to cash and cash equivalents and payables translated at the rate of exchange at that date analysed as follows:

Net foreign currency monetary assets/(liabilities)	US Dollar	Euro	Other	Total
	31 March 2002 £'000	31 March 2002 £'000	31 March 2002 £'000	31 March 2002 £'000
Functional currency of operation				
Sterling	2,440	5,749	8,017	16,206
	2,440	5,749	8,017	16,206

Net foreign currency monetary assets/(liabilities)	US Dollar	Euro	Other	Total
	31 March 2001 £'000	31 March 2001 £'000	31 March 2001 £'000	31 March 2001 £'000
Functional currency of operation				–
Euro/Euro denominated			384	384
Sterling	217	4,072	4,353	8,642
Swedish Krona			6,672	6,672
Other			(36)	(36)
	217	4,072	11,373	15,662

29 Notes to the cash flow statement

	31 March 2002 £'000	31 March 2001 £'000
Reconciliation of operating profit to net cash outflow from operating activities		
Continuing operating activities		
Operating loss	(40,646)	(142,269)
Depreciation of fixed assets	2,668	6,012
Fixed asset impairment	2,526	–
Loss on disposal of fixed assets	265	–
Goodwill impairment provision	4,508	77,941
Amortisation of intangible fixed assets	8,340	16,304
Non cash marketing costs	421	967
Share based compensation	–	(23)
Decrease/(increase) in stocks	261	2,365
Decrease/(increase) in debtors	5,583	3,183
(Decrease)/increase in creditors	(8,394)	(20,484)
Net cash outflow from operating activities	(24,468)	(56,004)

	31 March 2002 £'000	31 March 2001 £'000
Reconciliation of net cash flow to movement in net funds		
(Decrease)/increase in net cash	2,885	2,748
Movements in deposits	(13,042)	(56,125)
Movements in finance leases	253	169
Movement in net funds for the year	(9,904)	(53,208)
Exchange movement	(35)	–
Funds at 1 April 2001	23,950	77,158
Funds at 31 March 2002	14,011	23,950

	1 April 2001 £'000	Cash flows £'000	Exchange movement £'000	31 March 2002 £'000
Reconciliation of movement in net funds				
Cash in bank and in hand	11,243	2,885	(35)	14,093
Short-term deposits	13,042	(13,042)	–	–
	24,285	(10,157)	(35)	14,093
Finance leases due after one year	(97)	38	–	(59)
Finance leases due within one year	(238)	215	–	(23)
Total	23,950	(9,904)	(35)	14,011

30 Post balance sheet events

There are no material post balance sheet events.

31 Related party transactions

There are no material related party transactions, except for acquisition of ricardo.ch AG and ricardo.nl BV described in note 15.

Directors and Company information

Directors

Mr J B Bulkeley (Chairman, non-executive director)
Mr J M Rose (Deputy Chairman)
Mr M X Zaleski (Chief Executive Officer)
Mr R S Dighero (Chief Financial Officer)
Mr J Gesmar-Larsen (Non-executive director)
Mr T P Power (Non-executive director)

Company secretary

Mr T T Parkinson

Company registration number

3430894

Registered office

Landmark House
Hammersmith Bridge Road
London W6 9EJ

Trading address

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Hammersmith Bridge Road
London W6 9EJ

Auditors

PricewaterhouseCoopers
No.1 London Bridge
London SE1 9QL

Solicitors

Shaw Pittman
Tower 42, Level 23
25 Old Broad Street
London EC2N 1NQ

Bankers

National Westminster Bank plc
PO Box 12258
1 Princes Street
London EC2R 8PB

Financial advisers

Altium Capital Limited
30 St James's Square
London SW1Y 4AL

Credit Suisse First Boston
1 Cabot Square
London E14 4QJ

Broker

Credit Suisse First Boston de Zoete & Bevan Limited
1 Cabot Square
London E14 4QJ

Registrars

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Depository

The Bank of New York
101 Barclay Street
New York NY 10286

Listings

The ordinary shares of QXL ricardo plc are listed on the London Stock Exchange under the symbol 'QXL.L'. American Depository Shares (each representing 250 ordinary shares), as evidenced by an American depository receipt ('ADR') are quoted on the Nasdaq National Market under the symbol 'QXLC'. The Company's ordinary shares are also listed on the Frankfurt Stock Exchange in the form of co-ownership shares in a global bearer certificate ('GBC') under the symbol 'QXL.F'.

QXL ricardo plc will file its Annual Report on Form 20-F with the US Securities and Exchange Commission in due course. Holders of ADRs may request a copy of the Company's Annual Report on Form 20-F by writing to:

Investor Relations Department
QXL ricardo plc
Landmark House
Hammersmith Bridge Road
London W6 9EJ
E-mail: alison.cabot@qxl.com

For holders of the co-ownership shares in the GBC, the Annual Report will be available at Credit Suisse First Boston AG, Messe Turm, 60308 Frankfurt, Germany.

Investor relations

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Annual general meeting

The annual general meeting of the Company will be held on 1 August 2002 at 2.00 pm at the offices of:

Financial Dynamics
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

This Annual Report is available in electronic format on the Company's website at www.qxl.com

Group websites

Denmark – www.qxl.dk
Finland – www.qxl.fi
France – www.qxl.fr
Germany – www.ricardo.de
Italy – www.qxl.it
Netherlands – www.ricardo.nl
Norway – www.qxl.no
Poland – www.allegro.pl
Spain – www.qxl.es
Sweden – www.qxl.se
Switzerland – www.ricardo.ch
United Kingdom – www.qxl.com

Forward-looking statements

This document may contain forward-looking statements that relate to the Group's plans, objectives, estimates and goals. The Group's business is subject to numerous risks and uncertainties, including risks associated with: funding requirements; acquisitions; only having a limited operating history; regulation of auctions and the Internet; probable variability in the Group's quarterly operating results; the Group's results of operations not being indicative of future performance; significant losses being incurred as a result of expansion of the Group's business; dependence on growth of online commerce market; risks associated with development and growth of the Group's foreign language web sites; intense competition; failure to develop the Group's brand; failure to expand the Group's systems; risks associated with managing internal growth and retaining and recruiting personnel; international expansion; online commerce security; risks associated with not developing new services, features and functions; risks associated with intellectual property rights; fraudulent activity of our customers and suppliers; and seasonality. These and other risks and uncertainties, which are described in more detail in the Group's Registration Statement dated 7 October 1999, on Form F-1 and Annual Report dated 28 September 2001 on Form 20-F filed with the US Securities and Exchange Commission, in the Group's prospectuses and listing particulars filed with the UK Listing Authority and the Registrar of Companies in England and Wales (the most recent being dated 11 March 2002), in the German Sales and Listing Prospectus dated 23 October 2000 filed with the Frankfurt Stock Exchange (as supplemented on 10 November 2000), could cause the Group's actual results and developments to be materially different from those expressed or implied by any of these forward-looking statements.

Designed and produced
by **Radley Yeldar** (London)



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