Wireless Information Network Limited

Directors' report and financial statements

Registered number 3212199

31 December 2006

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the member of Wireless Information Network Limited	4
Profit and loss account	6
Balance sheet	7
Statement of Total Recognised Gains and Losses	8
Notes	9

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2006

Principal activities

The company is a wholly owned subsidiary of WIN plc

The company's principal activity continues to be the enablement of corporate customers to send and receive text messages, as well as deliver content such as ring tones and icons, to and from large numbers of mobile phone users While text messaging accounts for the substantial proportion of the company's current revenues, it also provides other wireless data services to business customers, including picture messaging and the design, management and packaging of information services to users of wireless devices, including mobile phones

Business review

The profit for the year is shown on page 6

WIN continues to lead the industry in its service offerings to tier-one Mobile Network Operators, large Enterprises and Media and Entertainment businesses

Following tighter regulatory controls and the loss of some client business in the first half of 2006, the directors are pleased with the 2006 result Turnover for the year reached £36 6m (2005 £43 3m) Gross profit was £8 0m (2005 £8 6m)

WIN plc uses gross profit together with gross profit percentage as its key performance indicators in monitoring its subsidiaries The basis of the gross profit calculation is gross profit as a percentage of revenues The result this year is 22 0% (2005 19 9%) The Board continues to be please with this gross profit percentage and is focused on maintaining and increasing this percentage as we move into 2007

There have been no significant events since the balance sheet date

Future Prospects

Current trading continues to reflect the trends identified during 2006, namely a shift to higher value-add content and services, more opportunities in the enterprise market and the continued roll-out of new Interactive Mobile Services with broadcasters and media companies

Financial instruments

Details of the company's financial risk management objectives and policies are set out in note 22 of the financial statements

Principal risks and uncertainties

The principal risk to the business would be a catastrophic failure of any of WIN's core systems, content feeds and network connections This risk has been reduced through the implementation of a dual-site architecture and the dual routing of all traffic Continued investment will be made to minimise these risks

Competitive pressures in the UK are a continuing risk to the company, which could result in losing sales to its key competitors The company manages this risk by providing and implementing innovative new services together with greater value added services to its key clients and by maintaining strong relationships with customers

The company's sales overseas are made in foreign currency, primarily the Euro, and it is therefore exposed to the movement in exchange rates This is partially mitigated by the fact that the company contracts with clients in the same foreign currency The company has bank accounts in foreign currencies to manage this risk

Proposed dividend

The directors do not recommend the payment of a dividend *(2005 £nil)*

Directors' report *(continued)*

Directors and directors' interests

The following directors held office during the year

J Rands
RW Joyce
MA Paver
G Rivers (appointed 14 August 2006)
PL Button (resigned 14 August 2006)

The interests of the directors are disclosed in the directors' report of the parent company According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

On behalf of the board

M Paver
Director

1 Cliveden Office Village
Lancaster Road
Cressex Business Park
High Wycombe
Buckinghamshire
HP12 3YZ

9 March 2007

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the member of Wireless Information Network Limited

We have audited the company financial statements of Wireless Information Network Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the Statement of total recognised gains and losses and the related notes These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatement within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

Independent auditors' report to the member of Wireless Information Network Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

9 March 2007

Profit and loss account
for the year ended 31 December 2006

	Note	**2006**	2005 (restated)
		£	£
Turnover	*1,2*	**36,561,954**	43,300,790
Cost of sales		**(28,529,664)**	(34,691,649)
Gross profit		**8,032,290**	8,609,141
Administrative expenses		**(6,011,856)**	(5,342,569)
Share based payment charge		**(78,023)**	(41,240)
Operating profit		**1,942,411**	3,225,332
Interest receivable and similar income	*6*	**196,466**	229,855
Interest payable and similar charges	*7*	**(4,444)**	(12,021)
Profit on ordinary activities before taxation	*3*	**2,134,433**	3,443,166
Tax on profit on ordinary activities	*8*	**(531,129)**	(863,588)
Profit for the financial year	*16*	**1,603,304**	2,579,578

A note on historical cost gains and losses has not been included as part of the financial statements as the results disclosed in the profit and loss account are prepared on an unmodified historical cost basis

The results stated above are all derived from continuing operations

Balance sheet
at 31 December 2006

	Note		2006	2005 (restated)	
		£	£	£	£
Fixed assets					
Tangible assets	*9*		730,680		555,472
Investment	*10*		-		-
			730,680		555,472
Current assets					
Debtors	*11*	10,439,343		12,872,244	
Cash at bank		2,469,867		1,444,652	
		12,909,210		14,316,896	
Creditors amounts falling due within one year	*12*	(5,613,038)		(8,434,968)	
Net current assets			7,296,172		5,881,928
Total assets less current liabilities			8,026,852		6,437,400
Provisions for liabilities	*13*		(87,125)		(179,000)
Net assets			7,939,727		6,258,400
Capital and reserves					
Called up share capital	*14*		71,859		71,859
Share premium account	*15*		5,578,558		5,578,558
Profit and loss account	*15*		2,289,310		607,983
Shareholder's funds	*16*		7,939,727		6,258,400

These financial statements were approved by the board of directors on 9 March 2007 and were signed on its behalf by

M Paver
Director

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2006

	2006	2005 (restated)
	£'000	£'000
Profit for the financial year	**1,603,304**	2,579,578
Total recognised gains and losses relating to the financial year	**1,603,304**	2,579,578
Prior year adjustment (as explained in note 1)	(29,385)	
Total gains and losses recognised since last annual report	**1,573,919**	

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 20 'Share-based payments'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption

Basis of preparation

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

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group accounts These financial statements present information about the company as an individual undertaking and not about its group

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of WIN plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of WIN plc, within which this company is included, can be obtained from the address given in note 23

Tangible fixed assets and depreciation

Depreciation is calculated to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic life as follows

Leasehold improvements	-	3 years
Plant and equipment	-	3 years
Computer equipment	-	3 years
Furniture and equipment	-	3 years

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Notes *(continued)*

1 Accounting policies *(continued)*

Post-retirement benefits

The company operates a defined contribution stakeholder pension scheme The assets of the scheme were held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represented the contributions payable to employees' private pension schemes in respect of the accounting period

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

1 they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

2 where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Notes *(continued)*

1 Accounting policies *(continued)*

Share based payments

The share option programme allows employees to acquire shares of the Company The fair value of options granted after 7 November 2002 and those not yet vested as at 1 January 2006 is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

The prior year figures in the profit and loss account for the year ended 31 December 2005 have been restated for the impact of FRS 20 In the year to 31 December 2005 a charge in relation to share based payments of £41,240 has been made and a deferred tax asset recognised of £11,855

Revenue recognition

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers

Information services

Revenue from the provision of information is accrued on the basis of recorded transactions with the ultimate end user

Development revenue

Revenue for development work is recognised at the point of delivery of services to the customer

Notes *(continued)*

2 Turnover

The turnover was derived from the company's principal activities

3 Notes to the profit and loss account

	2006	2005
Profit on ordinary activities before taxation is stated after charging:	**£**	£
Auditors' remuneration		
Audit	**26,000**	24,400
Other services - fees received by the auditors and their associates	**40,203**	4,000
Depreciation and other amounts written off tangible fixed assets - owned	**385,204**	256,280
Hire of plant and machinery – rentals payable under operating leases	**259,032**	259,032
Hire of other assets – rentals payable under operating leases	**24,508**	7,949

4 Remuneration of directors

	2006	2005
	£	**£**
Directors' emoluments	-	-
Company contributions to money purchase pension scheme	-	-
	-	-

	Number of directors	
	2006	2005
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	-	-

Directors of the company received no remuneration from the company Remuneration received from other group companies is disclosed in the financial statements of the parent company, WIN plc

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2006	2005
Management	**1**	-
Sales and marketing	**19**	26
Administration	**6**	4
Operations and development	**35**	28
	61	58

The aggregate payroll costs of these persons were as follows

	2006	2005
	£	£
Wages and salaries	**2,986,914**	2,749,407
Social security costs	**351,828**	303,088
Other pension costs	**210,748**	33,505
	3,549,490	3,086,000

Notes *(continued)*

6 Interest receivable and similar income

	2006	2005
	£	£
Bank interest receivable	141,258	90,549
Interest on rent deposit	4,200	6,921
Early settlement discounts	51,008	132,385
	196,466	229,855

7 Interest payable and similar charges

	2006	2005
	£	£
Bank interest paid	293	6,206
Net foreign exchange losses	4,151	5,815
	4,444	12,021

Notes *(continued)*

8 Taxation

	2006 £	2005 (restated) £
UK corporation tax		
Current tax on income for the period	**578,711**	252,664
Adjustment in respect of prior year	**(5,484)**	-
Total current tax	**573,227**	252,664
Deferred tax	**(42,098)**	610,924
Tax on profit on ordinary activities	**531,129**	863,588

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than (2005 lower) than the standard rate of corporation tax in the UK 30% (2005 30%) The differences are explained below

Current tax reconciliation

	2006 £	2005 (restated) £
Profit on ordinary activities before tax	**2,134,433**	3,443,166
Current tax at 30% *(2005 30%)*	**640,329**	1,032,950
Effects of		
Expenses not deductible for tax purposes	**91,752**	96,984
Capital allowances in arrears of depreciation	**33,534**	20,468
Group relief	**(186,904)**	(177,629)
Decrease in losses carried forward	-	(720,109)
Adjustment in respect of prior year	**(5,484)**	-
Total current tax charge	**573,227**	252,664

The elements of deferred taxation are as follows

	2006 £	2005 (restated) £
Difference between accumulated depreciation and capital allowances	**53,860**	2,606
Share based payments	**2,699**	11,855
Deferred tax asset (see note 11)	**56,559**	14,461

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvements £	Plant and equipment £	Computer equipment £	Furniture and equipment £	Total £
Cost					
At beginning of year	286,579	209,309	1,207,774	135,860	1,839,522
Additions	61,945	-	497,062	1,405	560,412
At end of year	348,524	209,309	1,704,836	137,265	2,399,934
Depreciation					
At beginning of year	245,316	156,583	766,391	115,760	1,284,050
Charged in year	37,045	31,630	308,077	8,452	385,204
At end of year	282,361	188,213	1,074,468	124,212	1,669,254
Net book value					
At 31 December 2006	**66,163**	**21,096**	**630,368**	**13,053**	**730,680**
At 31 December 2005	41,263	52,726	441,383	20,100	555,472

10 Fixed asset investments

	Shares in group undertaking £
Cost	
At beginning and end of year	1,905,000
Provisions	
At beginning and end of year	(1,905,000)
Net book value	
At 31 December 2006	-
At 31 December 2005	-

Notes *(continued)*

10 Fixed asset investments *(continued)*

The companies in which the company's interest at the year end is more than 20% are as follows

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
Bellboy Limited *	England	Dormant	Ordinary 100%
Wireless Information Network Inc (formerly Sprintel Communications Inc) *	USA	Dormant	Ordinary 100%
WIN Financial Limited	England	Data systems and services	Ordinary 100%
WIN Mobile Limited	England	Dormant	Ordinary 100%

* These companies are held indirectly through WIN Financial Limited

The results of WIN Financial Limited are included in the consolidation of WIN plc

11 Debtors

	2006 £	2005 £ (restated)
Trade debtors	3,134,505	8,689,746
Amounts owed by group undertakings	3,118,746	609,265
Other debtors	221,879	134,564
Deferred tax asset (see note 8)	56,559	14,461
Prepayments and accrued income	3,907,654	3,424,208
	10,439,343	12,872,244

Other debtors include £129,516 *(2005 £129,516)* due after more than one year

12 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	2,930,517	3,425,805
Taxation and social security	224,693	1,415,959
Corporation tax	278,711	252,664
Accruals and deferred income	2,179,117	3,340,540
	5,613,038	8,434,968

Notes *(continued)*

13 Provisions for liabilities

	Other Provisions £
At beginning of year	179,000
Credit to the profit and loss for the year	(91,875)
At end of year	**87,125**

The above provision relates to an empty property leased by the business but no longer in use and is made in accordance with FRS 12 The decrease in the provision of £91,875 is due to the company sub-letting the property for the year The remaining period of the lease is 4 years and the provision is for the onerous element

14 Called up share capital

	2006		2005	
	Number	**£**	Number	£
Authorised				
Ordinary shares of 1p each	**94,091,882**	**940,919**	94,091,882	940,919
Convertible redeemable preference A shares of 1p each	**8,118**	**81**	8,118	81
Convertible redeemable preference B shares of 1p each	**5,098,200**	**50,982**	5,098,200	50,982
Non-voting deferred shares of £8,118 each	**1**	**8,118**	1	8,118
	99,198,201	**1,000,100**	99,198,201	1,000,100
Allotted, called up and fully paid				
Ordinary shares of 1p each	**1,267,776**	**12,678**	1,267,776	12,678
Convertible redeemable preference A shares of 1p	**8,118**	**81**	8,118	81
Convertible redeemable preference B shares of 1p	**5,098,200**	**50,982**	5,098,200	50,982
Non-voting deferred shares of £8,118 each	**1**	**8,118**	1	8,118
	6,374,095	**71,859**	6,374,095	71,859

Notes *(continued)*

14 Called up share capital *(continued)*

All shares except the non-voting deferred shares rank equally for dividends The convertible redeemable preference A and B shares rank for voting rights as if they had been converted into ordinary shares immediately prior to the meeting Each convertible redeemable preference A and B share is convertible into 732 03992 and 0 1398777 ordinary shares respectively The convertible redeemable preference A and B shares are redeemable at any date at the option of the company based on a price agreed either by tender or private treaty On 4 May 2005 the holders of the A convertible redeemable preference shares had the right to elect to redeem some or all of their shares at the aggregate of the nominal amount and any premium paid on subscription for shares of the holder or the amount payable on a winding up
In the event of a winding up funds up to £6,725,591 will be distributed 91% to A convertible redeemable preference shareholders and 9% to B convertible redeemable preference shareholders Funds up to £16,000,000 will be distributed 9% to B convertible redeemable preference shareholders and A convertible redeemable preference shareholders will receive in aggregate between 75% and 91% Additional funds in excess of £16,000,000 will be distributed to all shareholders equally, excluding the non-voting deferred shares

The non-voting deferred shares have the right to a return of capital equal to the amounts paid up on the shares, following the repayment of the ordinary and the convertible redeemable preference shares and the payment of a further amount of £1,000,000 in respect of each ordinary share

15 Reserves and share premium

	Share premium account £	Profit and loss account £
At beginning of year	5,578,558	596,128
Prior year adjustment on adoption of FRS 20	-	11,855
At beginning of year restated	5,578,558	607,983
Profit for the year	-	1,603,304
Charge in relation to share based payment	-	78,023
At end of year	**5,578,558**	**2,289,310**

Notes *(continued)*

16 Reconciliation of movements in shareholder's funds

	2006 £	2005 (restated) £
Profit for the financial year	1,603,304	2,579,578
Share based payment charge	78,023	41,240
Net increase in shareholder's funds	1,681,327	2,620,818
Opening shareholder's funds *(previously stated as £6,246,545)*	6,258,400	3,637,582
Closing shareholder's funds	7,939,727	6,258,400

17 Contingent liabilities

Wireless Information Network Limited has given a fixed and floating charge over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery to National Westminster Bank plc

18 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2006		2005	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
Within one year	-	-	-	900
2 to 5 years	-	49,301	-	4,917
Over five years	259,032	-	259,032	-
	259,032	49,301	259,032	5,817

19 Pension scheme

The company operates a defined contribution stakeholder pension scheme The pension charge for the period represents contributions payable to employees' private pension schemes and amounted to £210,748 *(2005 £33,505)*

There were no outstanding or prepaid contributions at either the beginning or end of the financial period

Notes *(continued)*

20 Employee share schemes

Share based payments

The Company's parent company WIN plc has share option schemes whereby directors and employees are able to subscribe for ordinary shares in WIN plc

Share options are granted on the recommendation of the Remuneration Committee of WIN plc on a discretionary basis The schemes are used to provide long-term incentives to the recipients to assist in creating and sustaining growth in share value Share options granted are conditional on continued employment of up to four years after the grant of the option These share options have been granted periodically, typically twice a year to eligible employees WIN plc has shareholder approval for share options of up to 18% of the issued ordinary share capital subsequent to its listing on AIM, of which 15 3% has been used to date At 31st December 2006 the outstanding share options represented 14 1% of the issued share capital of WIN plc The committee believes that the use of share options has been a contributor to the growth and success of the WIN group Share options may be granted to employees subject to an initial period of employment

All share incentives are over 10p ordinary shares of WIN plc WIN plc grants share incentives to employees in the form of share options Share options vest over a period of 0 to 4 years, whilst individuals are employed by the Group or by agreement by the remuneration committee There are no market conditions associated with the share option grants

The employee expense is recognised equally over the time from grant until vesting of the incentive The employee expense in 2006 was £78,023 (2005 £41,240) The fair value has been measured using a black scholes model The expected volatility is based on the historic volatility The material inputs into the model have been

Share Option	Granted 30/09/2003	Granted 06/10/2004	Granted 22/12/2005	Granted 23/12/2005	Granted 23/12/2005	Granted 02/05/2006
Average Fair Value	£ 0 432	£ 0 614	£ 0 770	£ 1 510	£ 0 989	£ 0 912
Share price at Grant	£ 1 262	£ 2 020	£ 2 735	£ 2 735	£ 2 735	£ 3 200
Exercise Price	£ 1 262	£ 2 020	£ 2 775	£ 1 262	£ 1 890	£ 3 200
Vesting Periods	0-2 years	1-4 years	1-4 years	0-2 years	0-3 years	1-4 years
Expected volatility	40%	40%	40%	40%	40%	40%
Expected life	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividends	0%	0%	0%	0%	0%	0%
Risk-free rate of return	4 43%	4 67%	4 28%	4 28%	4 28%	4 67%

The number of share options that were in existence at 31 December 2006 was

Date of grant	At beginning of period	Granted	Exercised	Surrendered	At end of period	Exercise price £	Exercisable at 31/12/06	Date first exercisable	Remaining life Years
3 May 2002	181,475	-	-	(181,475)	-	£2 060	-	3 May 2002	7
30 Sept 2003	94,500	-	(6,125)	(375)	88,000	£1 262	88,000	30 Sept 2003	7
6 Oct 2004	244,000	-	(9,375)	(103,250)	131,375	£2 020	80,375	6 Oct 2005	8
22 Dec 2005	23,000	-	-	-	23,000	£2 735	5,750	22 Dec 2006	9
23 Dec 2005	108,500	-	(42,750)	(1,250)	64,500	£1 262	60,750	23 Dec 2005	7
23 Dec 2005	37,500	-	-	(4,250)	33,250	£1 890	27,500	23 Dec 2005	7
2 May 2006	-	50,000	-		50,000	£3 200	-	2 May 2007	10
	688,975	**50,000**	**(58,250)**	**(290,600)**	**390,125**		**262,375**		

Notes *(continued)*

20 Employee share schemes *(continued)*

Share based payments *(continued)*

The number of share options that were in existence at 31 December 2005 was

Date of grant	At beginning of period	Granted	Exercised	Surrendered	At end of period	Exercise price £	Exercisable at 31/12/06	Date first exercisable	Remaining life Years
3 May 2002	181,475	-	-	-	181,475	£2 060	181,475	3 May 2002	7
30 Sept 2003	259,309	-	(56,309)	(108,500)	94,500	£1 262	94,500	30 Sept 2003	8
30 June 2004	37,500	-	-	(37,500)	-	£1 890	-		
6 Oct 2004	244,000	-	-	-	244,000	£2 020	61,000	6 Oct 2005	9
22 Dec 2005	-	23,000	-	-	23,000	£2 735	-	22 Dec 2006	10
23 Dec 2005	-	108,500	-	-	108,500	£1 262	81,875	23 Dec 2005	8
23 Dec 2005	-	37,500	-	-	37,500	£1 890	22,500	23 Dec 2005	8
	722,284	**169,000**	**(56,309)**	**(146,000)**	**688,975**		**441,350**		

For all share options exercised in 2006 the weighted average share price at the time of exercise was £3 075 (2005 £2 923)

21 Related party disclosures

The company is controlled by WIN plc, the immediate and ultimate parent company The directors consider there to be no ultimate controlling party

Notes *(continued)*

22 Financial instruments

Policies

The company's financial instruments, comprise borrowings, some cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and foreign currency risk The Board reviews and agrees policies for managing each of these risks and they are summarised below

The company's financial instruments comprise trade debtors, trade creditors, cash, long term creditors and equity shares

Interest risk

The company has financed its operations through equity

The company at the year end held cash at bank amounts of £2,469,867 for which the applicable interest rate is 0 1% below the Bank of England base rate

Liquidity risk

As regards liquidity, the company's policy has throughout the year been to ensure continuity of funding

Currency risk

The company has a small amount of trading with overseas customers which are settled in foreign currencies The majority of the sales however are denominated and settled in sterling

The company at the year end held cash at bank amounts of 229,000 EUR (for which the UK pound equivalent was £154,000), and 512,000 Australian Dollars (for which the UK pound equivalent was £206,000)

Financial assets

The company has no financial assets, other than short-term debtors and cash at bank balances

23 Ultimate parent company and parent undertaking of a larger group of which the company is a member

The group in which the results of the company are consolidated is that headed by WIN plc, incorporated in United Kingdom The consolidated accounts of the group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ