

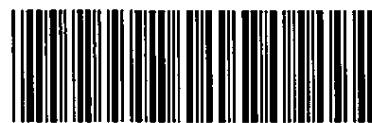
Wireless Information Network Limited

**Directors' report and financial
statements**

Registered number 3212199

31 December 2007

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2007

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 the loss of some client business in the first half of 2007, the directors are pleased with the 2007 result. Turnover for the year reached £37.7m (2006: £36.6m). Gross profit was £7.9m (2006: £8.0m).

WIN plc uses gross profit together with gross profit percentage as its key performance indicators in monitoring its subsidiaries. WIN plc uses gross profit as the key performance indicator in monitoring its subsidiaries. The Board continues to be pleased with the company's performance.

There have been no significant events since the balance sheet date.

Future Prospects

Current trading continues to reflect the trends identified during 2007, 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.

Directors' report *(continued)*

Proposed dividend

The directors have paid an interim ordinary dividend in respect of the current financial year of £0.31 per ordinary share (2006 £nil)

The directors have proposed a final ordinary dividend in respect of the current financial year of £0.27 per ordinary share. This has not been included within creditors as it was not approved before the year end.

Directors

The following directors held office during the year

J Rands
RW Joyce
MA Paver (resigned 23 April 2007)
G Rivers
LS Moir (appointed 23 April 2007)

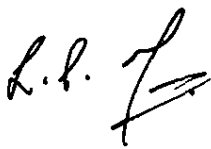
Disclosure of information to auditors

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



LS Moir
Director

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

10 March 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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 WIN Information Network Limited for the year ended 31 December 2007 which comprise Profit and Loss Account, Balance Sheet and 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 members 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 2007 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

10 March 2008

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Turnover	<i>1 2</i>	37,664,381	36,561,954
Cost of sales		(29,759,003)	(28,529,664)
Gross profit		7,905,378	8,032,290
Administrative expenses		(5,080,106)	(6,011,856)
Share based payment credit/(charge)		32,219	(78,023)
Operating profit		2,857,491	1,942,411
Interest receivable and similar income	<i>6</i>	130,869	196,466
Interest payable and similar charges	<i>7</i>	(183)	(4,444)
Profit on ordinary activities before taxation	<i>3</i>	2,988,177	2,134,433
Tax on profit on ordinary activities	<i>8</i>	(598,216)	(531,129)
Profit for the financial year	<i>16</i>	2,389,961	1,603,304

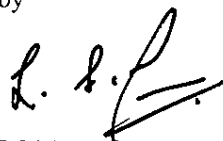
A note on historical cost gains and losses has not been included as part of the financial statements as the results disclosed in the profit and loss account are prepared on an unmodified historical cost basis

The results stated above are all derived from continuing operations

Balance sheet
at 31 December 2007

	<i>Note</i>	2007	2006
		£	£
Fixed assets			
Tangible assets	9	882,732	730,680
Investments	10	-	-
		<u>882,732</u>	<u>730,680</u>
Current assets			
Debtors	11	9,323,607	10,439,343
Cash at bank		4,307,327	2,469,867
		<u>13,630,934</u>	<u>12,909,210</u>
Creditors amounts falling due within one year	12	(6,347,322)	(5,613,038)
		<u>7,283,612</u>	<u>7,296,172</u>
Net current assets			
		<u>8,166,344</u>	<u>8,026,852</u>
Total assets less current liabilities			
Provisions for liabilities	13	(68,875)	(87,125)
		<u>8,097,469</u>	<u>7,939,727</u>
Net assets			
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	2,447,052	2,289,310
		<u>8,097,469</u>	<u>7,939,727</u>
Shareholder's funds	16		
		<u>8,097,469</u>	<u>7,939,727</u>

These financial statements were approved by the board of directors on 10 March 2008 and were signed on its behalf by



LS Moir
Director

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2007

	2007 £	2006 £
Profit for the financial year	2,389,961	1,603,304
Total recognised gains and losses relating to the financial year	2,389,961	1,603,304
Prior year adjustment	-	(29,385)
Total gains and losses recognised since last annual report	2,389,961	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

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.

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.

Notes (continued)

1 Accounting policies (continued)

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 2007 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.

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.

2 Turnover

The turnover was derived from the company's principal activities.

3 Profit on ordinary activities before taxation

	2007 £	2006 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Audit of these financial statements	24,750	26,000
Amounts receivable by the auditors and their associates in respect of		
Audit of financial statements of subsidiaries	4,000	7,300
All other services	20,000	32,903
Depreciation and other amounts written off tangible fixed assets – owned	427,435	385,204
Loan impairment written back	(188,024)	-
Hire of plant and machinery – rentals payable under operating leases	43,308	24,508
Hire of other assets – rentals payable under operating leases	228,374	259,032

Notes (continued)

4 Remuneration of directors

	2007 £	2006 £
Directors' emoluments	-	-
Company contributions to money purchase pension scheme	-	-
	<hr/>	<hr/>
	-	-

	Number of directors	
	2007	2006
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.

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	
	2007	2006
Management	1	1
Sales and marketing	19	19
Administration	8	6
Operations and development	16	35
	<u>44</u>	<u>61</u>

The aggregate payroll costs of these persons were as follows

	2007 £	2006 £
Wages and salaries	2,382,268	2,986,914
Social security costs	275,066	351,828
Other pension costs	168,891	210,748
	<u>2,826,225</u>	<u>3,549,490</u>

Notes (continued)

6 Interest receivable and similar income

	2007 £	2006 £
Bank interest receivable	108,768	141,257
Interest on rent deposit	6,521	4,200
Early settlement discounts	10,335	51,009
Net foreign exchange gains	5,245	-
	<u>130,869</u>	<u>196,466</u>

7 Interest payable and similar charges

	2007 £	2006 £
Bank interest paid	183	293
Net foreign exchange losses	-	4,151
	<u>183</u>	<u>4,444</u>

8 Taxation

	2007 £	2006 £
<i>UK corporation tax</i>		
Current tax on income for the period	548,436	578,711
Adjustment in respect of prior year	68,099	(5,484)
	<u>616,535</u>	<u>573,227</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(19,169)	(42,098)
Adjustment in respect of previous years	850	-
	<u>598,216</u>	<u>531,129</u>
Tax on profit on ordinary activities		
	<u>598,216</u>	<u>531,129</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than (2006 lower) than the standard rate of corporation tax in the UK 30% (2006 30%). The differences are explained below

Current tax reconciliation

	2007 £	2006 £
Profit on ordinary activities before tax	2,988,177	2,134,433
Current tax at 30% (2006 30%)	896,453	640,329
<i>Effects of</i>		
Expenses not deductible/(income not taxable) for tax purposes	(64,256)	91,752
Depreciation in excess of capital allowances	19,167	33,534
Share based payments	(870)	-
R&D tax credit	(89,224)	-
Group relief	(214,201)	(186,904)
Reduction in tax rate	1,367	-
Adjustment in respect of prior year	68,099	(5,484)
Total current tax charge	616,535	573,227

The elements of deferred taxation are as follows

	2007 £	2006 £
Difference between accumulated depreciation and capital allowances	73,027	53,860
Share based payments	1,829	2,699
Deferred tax asset (see note 11)	74,856	56,559

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements £	Plant and equipment £	Computer equipment £	Furniture and equipment £	Total £
Cost					
At beginning of year	348,524	209,309	1,704,836	137,265	2,399,934
Additions	17,149	-	546,391	15,947	579,487
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	365,673	209,309	2,251,227	153,212	2,979,421
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of year	282,361	188,213	1,074,468	124,212	1,669,254
Charged in year	35,981	21,096	359,885	10,473	427,435
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	318,342	209,309	1,434,353	134,685	2,096,689
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2007	47,331	-	816,874	18,527	882,732
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	66,163	21,096	630,368	13,053	730,680
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

10 Fixed asset investments

	Shares in group undertaking £
Cost	
At beginning and end of year	1,905,000
	<hr/>
Provisions	
At beginning and end of year	1,905,000
	<hr/>
Net book value	
At 31 December 2007	-
	<hr/>
At 31 December 2006	-
	<hr/>

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

	Country of incorporation	Principal activity	Class and Percentage of shares Held
<i>Subsidiary undertakings</i>			
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

	2007 £	2006 £
Trade debtors	3,605,744	3,134,505
Amounts owed by group undertakings	2,670,742	3,118,746
Other debtors	177,936	221,879
Deferred tax asset (see note 8)	74,856	56,559
Prepayments and accrued income	2,794,329	3,907,654
	<u>9,323,607</u>	<u>10,439,343</u>

Other debtors include £146,266 (2006 £129,516) due after more than one year

12 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	3,966,344	2,930,517
Taxation and social security	63,881	224,693
Corporation tax	248,967	278,711
Other creditors	9,746	-
Accruals and deferred income	2,058,384	2,179,117
	<u>6,347,322</u>	<u>5,613,038</u>

Notes (continued)

13 Provisions for liabilities

	Other Provisions £
At beginning of year	87,125
Credit to the profit and loss for the year	(18,250)
At end of year	68,875

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 is due to the company sub-letting the property for the year. The remaining period of the lease is 3.5 years and the provision is for the onerous element.

14 Called up share capital

	2007		2006	
	Number	£	Number	£
<i>Authorised</i>				
Ordinary shares of 1p each	100,010,000	1,000,100	94,091,882	940,919
Convertible redeemable preference A shares of 1p each	-	-	8,118	81
Convertible redeemable preference B shares of 1p each	-	-	5,098,200	50,982
Non-voting deferred shares of £8.118 each	-	-	1	8,118
	100,010,000	1,000,100	99,198,201	1,000,100
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 1p each	7,185,894	71,859	1,267,776	12,678
Convertible redeemable preference A shares of 1p	-	-	8,118	81
Convertible redeemable preference B shares of 1p	-	-	5,098,200	50,982
Non-voting deferred shares of £8.118 each	-	-	1	8,118
	7,185,894	71,859	6,374,095	71,859

Notes (continued)

14 Called up share capital (continued)

During the year the company amended its article of association through a resolution passed on 22 February 2007. The following amendments were made:

- The conversion rate between the ordinary shares to the A and B preferred shares shall be one ordinary share for each A and B preferred share
- The deferred shares may be converted into ordinary shares at any time at the rate of 811,800 ordinary shares for each deferred share
- Each issued and unissued convertible redeemable preference A share of £0.01 each in the share capital of the company are converted into one ordinary share of £0.01 each
- Each issued and unissued convertible redeemable preference B share of £0.01 each in the share capital of the company are converted into one ordinary share of £0.01 each
- The issued non-voting deferred share of £8,118 in the share capital of the company is converted into 811,800 ordinary shares of £0.01 each

15 Reserves and share premium

	Share premium account £	Profit and loss account £
At beginning of year	5,578,558	2,289,310
Profit for the year	-	2,389,961
Dividends on shares classified in shareholders' funds	-	(2,200,000)
Credit in relation to share based payment	-	(32,219)
At end of year	<u>5,578,558</u>	<u>2,447,052</u>

Notes (continued)

16 Reconciliation of movements in shareholder's funds

	2007 £	2006 £
Profit for the financial year	2,389,961	1,603,304
Dividends on shares classified in shareholders' funds	(2,200,000)	-
Share based payment (credit)/charge	(32,219)	78,023
Net increase in shareholder's funds	157,742	1,681,327
Opening shareholder's funds	7,939,727	6,258,400
Closing shareholder's funds	8,097,469	7,939,727

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

	2007		2006	
	Land and Buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
Within one year	-	4,672	-	-
2 to 5 years	36,000	35,960	-	49,301
Over five years	259,032	-	259,032	-
	295,032	40,632	259,032	49,301

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 £275,066 (2006 £210,748)

Contributions amounting to £3,035 (2006 £nil) were payable to the scheme and are included in creditors

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 18% has been used to date. At 31st December 2007 the outstanding share options represented 3.3% 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 income in 2007 was £32,219 (2006 charge of £78,023). 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 02/05/2006	Granted 02/07/07
Average Fair Value	£0.912	£0.704
Share price at Grant	£3.200	£2.30
Exercise Price	£3.200	£2.30
Vesting Periods	1-4 years	1-4 years
Expected volatility	40%	40%
Expected life	10 years	10 years
Expected dividends	0%	0%
Risk-free rate of return	4.67%	5.59%

The number of shares options that were in existence at 31 December 2007 was

Date of grant	At beginning of period	Granted	Exercised	Surrendered	At end of period	Exercise price £	Exercisable at 31/12/07	Date first exercisable	Remaining life Years
30 Sept 2003	152,125	-	(38,750)	(44,000)	69,375	£1.262	69,375	30 Sept 2003	6
6 Oct 2004	131,375	-	(7,500)	(50,000)	73,875	£2.020	40,406	6 Oct 2005	7
22 Dec 2005	23,000	-	-	(1,500)	21,500	£2.735	10,750	22 Dec 2006	8
23 Dec 2005	33,250	-	-	(11,750)	21,500	£1.890	21,500	23 Dec 2005	6
2 May 2006	50,000	-	-	-	50,000	£3.200	50,000	2 May 2007	9
2 July 2007	-	75,000	-	-	75,000	£2.300	-	2 July 2008	10
	389,750	75,000	(46,250)	(107,250)	311,250		192,031		

Notes (continued)

20 Employee share schemes (continued)

Share based payments (continued)

The number of shares 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	203,000	-	(48,875)	(2,000)	152,125	£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	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)	(290,975)	389,750		201,625		

For all share options exercised in 2007 the weighted average share price at the time of exercise was £2 114 (2006 £3 075)

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 £4,307,327 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 84,000 EUR (for which the UK pound equivalent was £62,000), and 20,000 Australian Dollars (for which the UK pound equivalent was £9,000).

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.