ANDERSEN

Yava Limited

Financial Statements for the year ended 30 April 2001
together with directors' and auditors' reports

Registered number: 03719489

Directors' report

For the year ended 30 April 2001

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 April 2001. Comparatives relate to the fourteen month period ended 30 April 2000.

Principal activities and business review

The principle activity of the company is the development of interactive touchscreen kiosks and production of related content. By 30 April 2001 the company had rolled out 284 kiosks to over 230 venues throughout the UK.

Developments in the business subsequent to the year-end

On 22 November 2001 the shareholders of Yava Limited resolved to wind-down the current operations of the company.

Results and dividends

The retained loss for the year was £7,682,990 (2000 - £1,235,322). The directors do not recommend the payment of a dividend for the year (2000 - £nil).

Directors and their interests

The directors who served during the year were as follows:

Alan McIntosh	
Hugh Osmond	(resigned 14 June 2000)
David Montgomery	
Charles Nasser	(appointed 14 June 2000)
Paul Pullinger	(appointed 8 September 2000)
Nigel Spray	(appointed 8 September 2000)
Ben Walsh	(appointed 8 September 2000)
Michel Birnbaum	(appointed 27 February 2001)

The directors who held office at 30 April 2001 had the following interests:

Name of director	Number of ordinary shares
Alan McIntosh	21,186,776
Ben Walsh	282,566

Mecom UK Management Company Limited, of which David Montgomery holds 75% of the issued share capital, owned 3,745,493 ordinary shares in Yava Limited at the year end.

Directors' responsibilities

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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

By order of the Board,

Dashwood House
69 Old Broad Street
London
EC2M 1NR

David Montgomery

Director

28 February 2002

Independent auditors' report

ANDERSEN

To the Shareholders of Yava Limited

We have audited the financial statements of Yava Limited for the year ended 30 April 2001 which comprise the Profit and Loss Account and Balance Sheet and the related Notes numbered 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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 and United Kingdom Auditing Standards.

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

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

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 at 30 April 2001 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors
180 Strand
London
WC2R 1BL

28 February 2002

Profit and loss account

For the year ended 30 April 2001

	Notes	Year ended 30 April 2001 £	14 months ended 30 April 2000 £
Turnover		28,534	-
Operating expenses	2	(7,479,728)	(1,238,389)
Operating loss before exceptional items		(7,451,194)	(1,238,389)
Impairment losses	3	(685,936)	-
Operating loss		(8,137,130)	(1,238,389)
Loss on disposal of fixed assets	3	(2,118)	-
Interest receivable		477,784	3,067
Interest payable		(21,526)	-
Loss on ordinary activities before taxation	3	(7,682,990)	(1,235,322)
Tax on loss on ordinary activities	6	-	-
Retained loss for the year	11	(7,682,990)	(1,235,322)
Retained loss brought forward		(1,235,322)	-
Retained loss carried forward	11	(8,918,312)	(1,235,322)

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

There are no recognised gains or losses other than the loss for the year.

Subsequent to the year end, the company disposed of its trading assets. All results therefore arose from discontinued operations.

Balance sheet
30 April 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	7	349,081	206,161
		349,081	206,161
Current assets			
Debtors	8	323,905	262,621
Cash at bank and in hand		12,839,172	15,085
		13,163,077	277,706
Creditors: Amounts falling due within one year	9	(1,935,614)	(719,189)
Net current assets/(liabilities)		11,227,463	(441,483)
Net assets/(liabilities)		11,576,544	(235,322)
Equity capital and reserves			
Called-up share capital	10	1,823,207	1,000,000
Share premium account	11	18,671,649	-
Profit and loss account	11	(8,918,312)	(1,235,322)
Shareholders' funds	12	11,576,544	(235,322)

The financial statements on pages 4 to 11 were approved by the Board of Directors on 28 February 2002 and signed on its behalf by:

David Montgomery

Director

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

Notes to financial statements

30 April 2001

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has sufficient cash to pay all outstanding liabilities at the time that these financial statements were approved and therefore the financial statements have been prepared on a going concern basis.

b) Tangible fixed assets

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

Public venue kiosks	3 years
Office software	3 years
Fixtures & fittings	5 years or life of lease
Equipment & computers	3 years

c) Development expenditure

Development expenditure is written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit. Provision is made for any impairment.

d) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

e) Operating leases

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

f) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

g) Cash flow statement

Under the provisions of Financial Reporting Standard No. 1 (revised), the company has not prepared a cash flow statement because it is entitled to the exemptions available for small companies when filing financial statements with the Registrar of Companies.

h) Pensions and post retirement benefits

The company does not operate a pension scheme. Contributions are paid into employee personal pension schemes.

i) Revenue recognition

Turnover represents net accrued and invoiced income for the year.

2 Other operating expenses

	Year ended 30 April 2001 £	14 months ended 30 April 2000 £
Distribution costs	492,920	-
Administration costs		
- Impairment losses	685,936	-
- Other administration costs	6,986,808	1,238,389
	8,165,664	1,238,389

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Year ended 30 April 2001 £	14 months ended 30 April 2000 £
Depreciation	262,951	219
Impairment losses	685,936	-
Loss on disposal of fixed assets	2,118	-
Auditors' remuneration		
- audit fees	20,000	7,500
- non-audit fees	15,000	-
Staff costs (see note 4)	1,364,131	70,357

Impairment losses have arisen as a result of the write-down of the company's fixed assets to their net realisable values following their disposal subsequent to the year end. These losses include a write down of the shares received in part consideration on disposal (see note 14) to their current market value.

4 Staff costs

Particulars of employees (including executive directors) are as shown below:

	2001 £	2000 £
Employee costs during the period amounted to:		
Wages and salaries	1,215,062	62,834
Social security costs	149,069	7,523
	1,364,131	70,357

The average monthly number of persons employed by the company during the year was as follows:

	2001 Number	2000 Number
Corporate	31	1

5 Directors' remuneration

One of the directors receives remuneration from the company as follows:

	2001 £	2000 £
Emoluments	330,241	63,125
Company contributions to money purchase pension schemes	24,167	1,167
	354,408	64,292

6 Tax on loss on ordinary activities

There is no tax charge as the company is reporting losses. The directors are of the opinion that there is no unprovided deferred tax liability at the year end.

7 Tangible fixed assets

	Public venue kiosks £	Office software £	Fixtures and fittings £	Equipment & computers £	Total £
Cost					
Beginning of year	-	-	-	206;380	206,380
Additions	893,571	21,566	150,258	29,530	1,094,925
Disposals	-	-	-	(3,930)	(3,930)
End of year	893,571	21,566	150,258	231,980	1,297,375
Depreciation					
Beginning of year	-	-	-	(219)	(219)
Charge for the year	(194,194)	(5,017)	(14,517)	(49,223)	(262,951)
Disposals	-	-	-	812	812
Impairment losses	(425,986)	(16,549)	(135,741)	(107,660)	(685,936)
End of year	(620,180)	(21,566)	(150,258)	(156,290)	(948,294)
Net book value					
Beginning of year	-	-	-	206,161	206,161
End of year	273,391	-	-	75,690	349,081

8 Debtors

	2001 £	2000 £
VAT	144,717	199,391
Other debtors	102,647	63,230
Prepayments	76,541	-
	323,905	262,621

All amounts fall due within one year.

9 Creditors: Amounts falling due within one year

	2001 £	2000 £
Trade creditors	1,258,596	443,058
Accruals and deferred income	677,018	276,131
	1,935,614	719,189

10 Called-up share capital

	2001 £	2000 £
Authorised		
2,000,000,000 (2000 – 2,000,000,000) ordinary shares of 1p each	20,000,000	20,000,000
Allotted, called-up and fully-paid		
182,320,700 (2000 - 100,000,000) ordinary shares of 1p each	1,823,207	1,000,000

During the year the company issued 82,320,700 ordinary shares of 1p each for cash consideration of £19,494,856 to provide additional development capital.

11 Reserves

	Share premium account £	Profit and loss account £	Total £
At 1 May 2000	-	(1,235,322)	(1,235,322)
Share issues	18,671,649	-	18,671,649
Retained loss for the year	-	(7,682,990)	(7,682,990)
At 30 April 2001	18,671,649	(8,918,312)	9,753,337

12 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Retained loss for the period	(7,682,990)	(1,235,322)
Net reduction in shareholders' funds	(7,682,990)	(1,235,322)
Opening shareholders' funds	(235,322)	-
Share capital subscribed	19,494,856	1,000,000
Closing shareholders' funds	11,576,544	(235,322)

13 Related party transactions

Alan McIntosh and Hugh Osmond were directors of Yava Limited and Punch Group Limited during the period. Yava Limited provided kiosk terminals to Punch Group sites and in the year ended 30 April 2001 accrued £904 in revenues from Yava Limited, all of which was outstanding at the balance sheet date. The directors consider this to be an arms length transaction.

14 Subsequent events

On 22 November 2001 the shareholders resolved that the company would cease its current trade. As a result, on 19 December 2001 the company sold its kiosk network assets to Public Network plc. The consideration for the sale was £150,000 cash and the issue of 2,056,513 new ordinary shares of 10p each in Public Network plc. At the mid-market price on issue, the total value of the consideration was £319,633. Yava Limited now hold approximately 8% of Public Network plc following completion of the acquisition.