

DIRECTOR'S REPORT 2001

IN May 2001, Anglo Digital completed its first and only investment by investing £150,000 into Atmospheric Solutions Ltd.

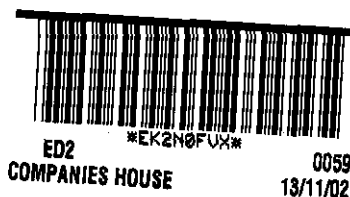
During the year, differences in strategic opinion grew between the Directors representing Anglo Pacific Group and the rest of the Board. This culminated in a management buy out in November 2001, which involved the purchase of all of Anglo Pacific's shares by other Director's and shareholders.

Since the buy out, Anglo Digital's strategy has been to forge relationships with world-class sources of intellectual property such as universities and government research laboratories, to gain access to novel and emerging technologies. Anglo Digital's aim is to turn patents to profits by forming start-up companies with appropriate licence rights to commercially viable technologies and to act as the founder management team to raise funds and build the business to a point of successful exit.

The Board believes that in this way, Anglo Digital can cover its running costs through modest management fees to the start-up ventures, whilst offering the potential of significant gains to its shareholders and investors via capital holdings.



James Rolfe
Managing Director



ANGLO DIGITAL LTD
 PROFIT AND LOSS ACCOUNT
 FOR YEAR ENDED 31st DECEMBER 2001

Co No: 3914022

	YEAR ENDED 31 DECEMBER 2001		YEAR ENDED 31 DECEMBER 2000	
	£	£	£	£
FEES RECEIVABLE				
Consultancy Fees		£5,001		£0
Management fees		£26,933		£0
Rental fees		£7,469		£0
Bank interest		£799		£0
				£0
GROSS PROFIT	£0	£40,202	£0	£0
VAT RETURN DUE		£9,909		
SELLING & MARKETING COSTS				
Advertising & Promotion	£975		£0	
		<u>(£975)</u>		<u>£0</u>
LOSS ON INVESTEMENTS				
Atmospheric Solutions	£25,000		£0	
		<u>(£25,000)</u>		<u>£0</u>
ADMINISTRATIVE EXPENSES				
Rent	£15,225		£8,484	
Rates	£3,559		£2,427	
Office expenses	£20,398		£1,352	
Directors remuneration	£52,917		£10,940	
Salaries	£25,250		£40,872	
NIC Employer	£9,415		£4,794	
Staff training	£0		£1,070	
Pension contributions	£2,812		£1,771	
Admin & Finance Charges	£25,400		£10,000	
Computer costs	£636		£0	
Travel	£3,995		£2,182	
Accommodation	£389		£0	
Professional fees	£300		£3,000	
Legal costs	£9,181		£0	
Consultancy	£9,012		£0	
Cleaning	£432		£0	
Stationary & office supplies	£1,112		£405	
Telephone	£3,294		£1,714	
Sundry expenses	£35		£3,485	
Bank charges	£226		£550	
Bank overdraft interest	£21		£875	
Loan interest	£8,975		£0	
Depreciation of fixed assets	£2,181		£473	
TOTAL EXPENSES		<u>(£194,765)</u>		<u>(£94,394)</u>
NET LOSS		(£170,629)		(£94,394)
Retained loss b/f		(£94,394)		£0
Retained loss c/f		<u>(£265,023)</u>		<u>(£94,394)</u>

ANGLO DIGITAL LTD
BALANCE SHEET
AT 31st DECEMBER 2001

Co No: 3914022

	YEAR ENDED 31 DECEMBER 2001		YEAR ENDED 31 DECEMBER 2000	
	£	£	£	£
Fixed Assets				
Tangible Assets		£17,162		£4,801
Investments		£125,000		£0
		<u>£142,162</u>		<u>£4,801</u>
Current Assets				
Trade Debtors	£0		£0	
Other Debtors	£9,909		£1,132	
Cash at Bank	<u>£6,115.72</u>		<u>£0</u>	
	<u>£16,025</u>		<u>£1,132</u>	
Current Liabilities				
Trade Creditors	(£13,114)		(£1,358)	
Other Creditors & Accruals	(£13,491)		(£5,124)	
Directors Loans	<u>(£20,000)</u>		<u>(£1,109)</u>	
	<u>(£46,604)</u>		<u>(£7,591)</u>	
		<u>(£30,580)</u>		<u>(£6,459)</u>
Net Current Assets/(Liabilities)		<u>£111,582</u>		<u>(£1,658)</u>
Creditor Amounts falling due after 1 year				
Loan - J. Moulton	(£50,000)		£0	
Loan - Anglo Pacific Group Plc	<u>(£125,000)</u>		<u>(£92,736)</u>	
		<u>(£175,000)</u>		<u>(£92,736)</u>
		<u>(£63,418)</u>		<u>(£94,394)</u>
Capital and Reserves				
Share Capital - ordinary shares		£4,000		£0
Share Premium Account		£197,605		£0
Retained Loss		<u>(£265,023)</u>		<u>(£94,394)</u>
		<u>(£63,418)</u>		<u>(£94,394)</u>

For the year ended 31st December 2001 the company was entitled to exemption under section 249(a) of the Companies Act 1985. No members of the company have required the company to obtain an audit of its accounts for the year in question in accordance with section 249b(2). The Directors acknowledge their responsibility for i) Ensuring that the company keeps accounting records that comply with section 221; and ii) Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.


James Rolfe
Managing Director