Registered Number 3997349

Axiom Systems Holdings Limited
Annual report
for the year ended 31 March 2002

Axiom Systems Holdings Limited

Annual report for the year ended 31 March 2002

Directors' report for the year ended 31 March 2002

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

Principal activities

The company was established to hold an investment in Axiom Systems Limited, a company specialising in the provision of operational support solutions to the telecommunications industry.

Review of business and future developments

The profit and loss account for the year is set out on page 4. The directors are satisfied with the results for the year and expect continued growth in the future.

Results and dividends

No ordinary dividends were paid or proposed during the year. Preference dividends of £890,000 (2001: £278,000) were accrued at the year end but not paid.

Directors and their interests

The directors who held office during the year are given below:

G Vincent-Fernie	(resigned 11 January 2002)
G Senior	
I Morgan	(resigned 30 April 2001)
W Bower	(resigned 11 December 2001)
N Humphries	(resigned 1 August 2001, appointed 21 December 2001)
M Watson	(appointed 26 October 2001)
S Clearman	(appointed 26 October 2001)
J Gordon	(appointed 26 October 2001)
R Smith	(appointed 26 October 2001)
C J Ziemniak	(appointed 26 October 2001)

The interests of the directors in the shares of the company are as follows:

	Ordinary shares of 1p each 2002	Ordinary shares of 1p each 2001
G Vincent-Fernie	**985,000**	2,028,000
G Senior	**3,549,000**	3,549,000
I Morgan	**813,000**	2,028,000

No other director had a beneficial interest in the shares of the company.

The following directors held options to subscribe for the ordinary share capital in the company:

	At 31 March 2001 No.	Granted in year No.	Exercised In year No.	**At 31 March 2002 No.**
M Watson	1,200,000	-	-	**1,200,000**
J Gordon	-	510,000	-	**510,000**
R Smith	-	177,144	-	**177,144**
C J Ziemniak	-	177,144	-	**177,144**

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 8 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2002 and that applicable accounting standards have been followed.

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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

Director

Independent auditors' report to the members of Axiom Systems Holdings Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the cashflow statement and the related notes.

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 and United Kingdom auditing standards issued by the Auditing Practices Board.

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 is not disclosed.

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 its 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

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

4 September 2002

Consolidated profit and loss account for the year ended 31 March 2002

	Note	2002 £'000	Period from 19 May 2000 to 31 March 2001 £'000
Turnover	2	**2,420**	1,010
Cost of sales		**(3,981)**	-
Gross (loss)/profit		**(1,561)**	1,010
Selling and distribution costs		**(2,884)**	(334)
Administrative expenses			
- recurring administrative expenses		**(4,120)**	(3,975)
- amortisation of goodwill		**(801)**	(400)
- impairment of goodwill		**(1,600)**	-
Total administrative expenses		**(6,521)**	(4,375)
Operating loss	3	**(10,966)**	(3,699)
Interest receivable and other income	4	**378**	183
Interest payable and similar charges	5	**(343)**	(124)
Loss on ordinary activities before taxation		**(10,931)**	(3,640)
Tax credit on ordinary activities	8	**511**	-
Loss for the financial year		**(10,420)**	(3,640)
Preference dividends on non-equity shares		**(890)**	(278)
Retained loss for the financial year	19	**(11,310)**	(3,918)

All results are derived from continuing operations.

The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and loses has been prepared.

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

Consolidated balance sheet as at 31 March 2002

	Note	2002 £'000	2001 £'000
Fixed Assets			
Intangible assets	9	**5,951**	8,565
Tangible assets	10	**788**	597
		6,739	9,162
Current assets			
Debtors	12	**2,208**	1,254
Cash at bank and in hand	13	**8,626**	8,864
		10,834	10,118
Creditors – Amounts falling due within one year	14	**(9,221)**	(1,250)
Net current assets		**1,613**	8,868
Total assets less current liabilities		**8,352**	18,030
Creditors – Amounts falling due after more than one year	15	**(212)**	(5,555)
Net assets		**8,140**	12,475
Capital and reserves			
Called-up share capital	18	**355**	255
Share premium account	19	**23,013**	16,138
Profit and loss account	19	**(15,228)**	(3,918)
Total shareholders' funds	19	**8,140**	12,475
Analysis of shareholders' funds:			
Equity	19	**(12,838)**	(637)
Non-equity	19	**20,978**	13,112
	19	**8,140**	12,475

The financial statements on pages 4 to 23 were approved by the board of directors on **04 SEP 2002** and were signed on its behalf by:

Director

Company balance sheet as at 31 March 2002

	Note	2002 £'000	2001 £'000
Fixed Assets			
Intangible assets	9	**744**	957
Investments	11	**7,410**	9,010
		8,154	9,967
Debtors			
Amounts falling due within one year	12	**209**	43
Amounts falling due after more than one year	12	**10,039**	3,276
		10,248	3,319
Cash at bank and in hand	13	**8,626**	8,469
		18,874	11,788
Creditors – Amounts falling due within one year	14	**(6,829)**	(337)
Net current assets		**12,045**	11,451
Total assets less current liabilities		**20,199**	21,418
Creditors – Amounts falling due after more than one year	15	**-**	(5,433)
Net assets		**20,199**	15,985
Capital and reserves			
Called-up share capital	18	**355**	255
Share premium account	19	**23,013**	16,138
Profit and loss account	19	**(3,169)**	(408)
Total shareholders' funds		**20,199**	15,985
Analysis of shareholders' funds:			
Equity	19	**(779)**	2,873
Non-equity	19	**20,978**	13,112
	19	**20,199**	15,985

The financial statements on pages 4 to 23 were approved by the board of directors on **04 SEP 2002** and were signed on its behalf by:

Director

Consolidated cashflow statement for the year ended 31 March 2002

	Note	2002 £'000	Period from 19 May 2000 to 31 March 2001 £'000
Net cash outflow from operating activities	19	**(6,956)**	(2,945)
Returns on investment and servicing of finance			
Interest received		**240**	140
Interest paid		**(164)**	(81)
Interest element of hire purchase payments		**(35)**	-
Net cash inflow from return on investments and servicing of finance		**41**	59
Taxation			
UK corporation tax paid		**-**	(103)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(246)**	(342)
Purchase of intangible fixed assets		**-**	(1,000)
Receipts from sale of tangible fixed assets		**-**	2
Net cash outflow from capital expenditure and financial investment		**(246)**	(1,340)
Acquisitions and disposals			
Costs associated with purchase of subsidiary undertaking		**-**	(52)
Net cash acquired with subsidiary undertaking		**-**	441
Net cash inflow from acquisitions		**-**	389
Net cash outflow before financing		**(7,161)**	(3,940)
Financing			
Share capital issued		**7,200**	12,835
Share capital issue costs		**(225)**	(30)
Capital element of hire purchase payments		**(81)**	(1)
		6,894	12,804
(Decrease) / Increase in cash		**(267)**	8,864

Notes to the financial statements for the year ended 31 March 2002

1 Accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Changes in accounting policies

In December 2000 the Accounting Standards Board issued three new Financial Reporting Standards (FRS):

FRS17 Retirement Benefits, which replaces the existing standard SSAP24 Accounting for Pension Costs. The company has elected not to adopt FRS17 early and considers that no additional disclosure is required under the transitional arrangements.

The directors have considered the requirements of FRS18 Accounting policies and have reviewed the accounting policies applied to ensure that they remain appropriate to the company's circumstances, that sufficient information is disclosed and that the policies adopted are appropriate for the purposes of giving a true and fair view.

The requirements of FRS19 Deferred tax have been adopted in full. The company has provided in full for deferred tax on an undiscounted basis.

Basis of consolidation

The consolidated financial statements include the company and its subsidiary undertaking. Intra group sales and profits are eliminated fully on consolidation. No profit and loss account is presented for Axiom Systems Holdings Limited as permitted by section 230 of the Companies Act 1985.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental cost of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values over the useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements	- 20%
Office furniture, fixtures and fittings	- 20%
Computer equipment	- 25% - 33%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

The goodwill arising on the acquisition of Axiom Systems Limited is capitalised as an asset and is being amortised on a straight line basis over 10 years. This is the period the directors estimate to be the useful economic life of the asset. The directors will make an additional write down if market conditions indicate that the goodwill is impaired.

Fixed asset investments

Investments in group undertakings are held at directors' valuation.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 5 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing arrangements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Research and development

Research and development expenditure is written off as incurred.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Deferred taxation

Provision is made in full for deferred tax liabilities that arise from timing differences where transactions or events that result in an obligation to pay more tax in the future have occurred by the balance sheet date. Deferred taxation assets are recognised to the extent that they are regarded as recoverable. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Pension costs

The company pays into a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable.

2 Turnover

Turnover represents amounts derived from the sale of computer software and related support services after deduction of trade discounts and value added tax.

An analysis of turnover by geographical market is given below:

	2002 **£'000**	2001 £'000
United Kingdom	**700**	1,010
Other EC member states	**1,720**	-
	2,420	1,010

3 Operating loss

	2002 **£'000**	Period from 19 May 2000 to 31 March 2001 £'000
Operating loss is stated after charging:		
Wages and salaries	**5,792**	1,710
Social security costs	**615**	202
Other pension costs	**162**	28
Staff costs	**6,569**	1,940
Depreciation of tangible fixed assets	**285**	87
Amortisation of software copyright	**213**	106
Goodwill impairment and amortisation	**2,614**	400
Loss on disposal of tangible fixed assets	**2**	-
Auditors' remuneration (parent company £6,000 (2001: £6,000))	**17**	17
Auditors' remuneration - non-audit services	**3**	11
Operating leases - plant and machinery	**72**	44
- land and buildings	**725**	319

4 Interest receivable and other income

	2002 £'000	Period from 19 May 2000 to 31 March 2001 £'000
Bank interest	**369**	183
Interest on rent deposit	**9**	-
	378	183

5 Interest payable and similar charges

	2002 £'000	Period from 19 May 2000 to 31 March 2001 £'000
On other loans	**308**	122
On assets held under hire purchase agreements	**35**	2
	343	124

6 Directors' emoluments

	2002 £'000	Period from 19 May 2000 to 31 March 2001 £'000
Aggregate emoluments	**706**	545
Company contributions paid to money purchase pension schemes	**26**	16
Sums paid to third parties for directors' services	**8**	-

4 (2001: 4) Directors are members of a money purchase pension scheme.

Highest paid director	2002 £'000	Period from 19 May 2000 to 31 March 2001 £'000
Emoluments	**293**	253
Company contributions paid to money purchase pension schemes	**7**	1

7 Employee information

The average monthly number of persons (including executive directors) employed by the group during the year was:

By activity	2002	Period from 19 May 2000 to 31 March 2001 £'000
Technical	**28**	7
Sales and administration	**72**	58
	100	65

8 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
Taxation on the profit for the year		
UK corporation tax at 16%	**(511)**	-
Prior year adjustment for under provision	**-**	3
	(511)	3

The tax assessed for the year differs to the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £'000	2001 £'000
Loss on ordinary activities	**(8,260)**	(2,773)
Loss on ordinary activities before tax multiplied by the standard rate in the UK 30% (2001: 30%)	**(2,478)**	(832)
Effects of:		
Depreciation for the period in excess of capital allowances	**13**	2
Expenses not deductible for tax purposes	**22**	44
Tax losses carried forward to future periods[1]	**1,971**	789
Utilisation of brought forward capital losses	**-**	(17)
Prior period adjustment	**(133)**	3
Short term timing differences	**-**	10
Group relief not paid	**-**	4
Rate change for R&D tax credits at 24%[2]	**94**	-
Current tax charge/(credit) for the year	**(511)**	3

Notes:

1. Tax losses carried forward is after taking account of the R&D tax credits.
2. R&D tax credits are claimed at 24p per £1, and so a change in the tax rate is required.

R&D expenditure @ 30% (£1,573)	472
R&D expenditure @ 24% (£1,573)	378
Rate change adjustment	94

9 Intangible assets

Group	Software copyright £'000	Goodwill £'000	Total £'000
Cost			
At 1 April 2001 and 31 March 2002	**1,063**	**8,008**	**9,071**
Accumulated amortisation			
At 1 April 2001	106	400	506
Charge for the year	213	801	1,014
Impairment write-down	-	1,600	1,600
At 31 March 2002	**319**	**2,801**	**3,120**
Net book amount			
At 31 March 2002	**744**	**5,207**	**5,951**
At 31 March 2001	957	7,608	8,565

Company	Software copyright £'000
Cost	
At 1 April 2001 and 31 March 2002	**1,063**
Accumulated amortisation	
At 1 April 2001	106
Charge for the year	213
At 31 March 2002	**319**
Net book amount	
At 31 March 2002	**744**
At 31 March 2001	957

Goodwill arising on the acquisition of Axiom Systems Limited is being amortised evenly over the directors' estimate of its useful economic life of 10 years.

The additional charge of £1,600,000 of goodwill is considered by the directors' to be appropriate based upon the current market conditions.

The software copyright has been capitalised at its acquisition cost of £1,063,000 and is being amortised evenly over its expected useful economic life of 5 years.

10 Tangible fixed assets

Group	Short leasehold improvements £'000	Office furniture, fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 April 2001	135	204	407	746
Additions	93	118	267	478
Disposal	-	-	(2)	(2)
At 31 March 2002	**228**	**322**	**672**	**1,222**
Accumulated Depreciation				
At 1 April 2001	-	46	103	149
Charge for the year	41	59	185	285
Disposals	-	-	-	-
At 31 March 2002	**41**	**105**	**288**	**434**
Net book amount				
At 31 March 2002	**187**	**217**	**384**	**788**
At 31 March 2001	135	158	304	597

Included in the above are the following assets held under finance lease agreements:

	Short leasehold improvements £'000	Office, furniture, fixtures & fittings £'000	Computer equipment £'000
Net book amount	**6**	**225**	**78**
Depreciation charged in the year	**1**	**37**	**32**

11 Fixed assets investments

Company	
At 1 April 2001	**9,010**
Impairment write-down	**(1,600)**
At 31 March 2002	**7,410**

Name of subsidiary undertaking	Holding	Principal business activity	Country of incorporation
Axiom Systems Limited	100%	Provider of operational support systems in the telecommunications industry	England & Wales

12 Debtors

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Trade debtors	**467**	584	-	-
Amounts due from subsidiary undertakings	-	-	**10,039**	3,276
Other debtors	**667**	470	**209**	43
Corporation tax recoverable	**511**	-	-	-
Prepayments and accrued income	**563**	200	-	-
	2,208	1,254	**10,248**	3,319

Amounts falling due after more than one year included in the above are:

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Amounts due from subsidiary undertakings	-	-	**10,039**	3,276

13 Cash at bank and in hand

Of the total amounts shown, £5,433,000 (2001: £5,433,000) is held in Treasury deposit funds over which there are two legal charges assigning all of these funds to Barclays Bank as security to cover the Bank's liability as guarantor for a Loan Note issue (see note 16).

14 Creditors – Amounts falling due within one year

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Loan notes (note 16)	**5,433**	-	**5,433**	-
Bank loans and overdrafts	**29**	-	**-**	-
Trade creditors	**245**	196	**17**	-
Obligations under hire purchase agreements	**90**	29	**-**	-
Taxation and social security	**175**	159		-
Other creditors	**234**	69	**211**	59
Accruals and deferred income	**1,847**	519		-
Preference dividend proposed	**1,168**	278	**1,168**	278
	9,221	1,250	**6,829**	337

15 Creditors – Amounts falling due after more than one year

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Loan notes (note 16)	**-**	5,433	**-**	5,433
Obligations under hire purchase agreements	**212**	122	**-**	-
	212	5,555	**-**	5,433

16 Loans and other borrowings

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Guaranteed 'A' loan notes 12 October 2000	**4,429**	4,429	**4,429**	4,429
Guaranteed 'B' loan notes 6 March 2001	**1,004**	1,004	**1,004**	1,004
Bank loans and overdrafts	**29**	-	**-**	-
Obligations under hire purchase agreements	**302**	151	**-**	-
	5,764	5,584	**5,433**	5,433
Maturity of debt				
In one year or less, or on demand	**5,552**	5,462	**5,433**	-
In more than two years, but not more than five	**212**	122	**-**	5,433
	5,764	5,584	**5,433**	5,433

The loan notes constituted part of the purchase consideration of Axiom Systems Limited and the cash equivalent is held in a security account at Barclays Bank plc (see Note 13). The cash is not available for use within the business. The loan notes accrue interest at 5.12%.

The company repurchased the loan notes on 30 April 2002.

Finance leases

Net obligations under finance leases are as follows:

	2002	2001
	£'000	£'000
Within one year	**90**	29
In more than one year, but not more than five years	**212**	122
	302	151

17 Deferred taxation

	2002	2001
	£'000	£'000
Deferred tax assets not provided in the accounts comprises		
Capital allowances in excess of depreciation	**13**	21
Other timing differences	**6**	(9)
Tax losses	**(1,921)**	(793)
	(1,902)	(781)

18 Called-up share capital

Group and company	2002 £'000	2001 £'000
Authorised		
30,000,000 ordinary shares of 1p each	**300**	300
27,699,376 convertible redeemable preference shares of 1p each	**277**	177
	577	477
Allotted, called-up and fully paid		
7,755,000 ordinary shares of 1p each	**78**	78
27,699,376 convertible redeemable preference shares of 1p each	**277**	177
	355	255

The initial authorised share capital was 1,000 £1 ordinary shares, with 3 shares being allotted, called-up and fully paid at the nominal value.

On 12 October 2000, the shares were subdivided into 100,000 ordinary shares, with a nominal value of 1p. Also on this date, an additional 29,900,000 ordinary shares were created, and 17,745,000 preference shares were created, taking authorised share capital to 47,745,000.

On 21 December 2001, an additional 9,945,376 preference shares were created, taking the authorised share capital to 57,699,376.

On 12 October 2000 7,754,700 ordinary shares were issued for cash consideration of £3,588,259, giving rise to a premium on issue of £3,510,712. Issue costs of £30,550 were incurred which have been set against share premium.

On 12 October 2000, 17,745,000 preference shares were issued for cash consideration of £12,834,882 giving rise to a premium on issue of £12,657,432.

On 21 December 2001, 9,945,376 preference shares were issued for cash consideration of £7,200,000 giving rise to a premium on issue of £7,100,546. Issue costs of £225,200 were incurred, which have been set against the share premium account.

Conversion rights

The holders of the preference shares may at any time convert the whole or part of their preference shares into a like number of fully paid ordinary shares. The ordinary shares resulting from the conversion shall rank from the date of the conversion pari passu in all respects with the present ordinary shares of the company.

Redeemable shares

The convertible preference shares in issue may be redeemed at any tine by the shareholders on or after the sixth anniversary of the date of issue. The redemption price payable will be the greater of (i) fair market price or (ii) the aggregate of the nominal amount and any premium paid on subscription of the preference share plus accrued but unpaid dividends.

Voting rights

Holders of preference shares shall be entitled to receive notice of, attend, speak and vote at a general meeting of the company. On a show of hands, each preference shareholder present in person or (being a corporation) by a representative, has one vote. On a poll, each preference shareholder present in person or by proxy shall have one vote per share.

Dividends

The preference shareholders shall be entitled, in priority to any payment of dividend on any other class of shares in the company, to receive a fixed cumulative preferential dividend a the rate of [ ] per annum on the amount paid up (including any premium) on the preference shares. The dividend shall be deemed to accrue from day to day throughout each financial year and shall be payable only if declared by the Board and in any event shall only be paid out of distributable profits (if any).

Winding up

On a return of capital on a winding up or otherwise, the company's assets available for distribution among the members shall be applied in repaying to preference shareholders (i) the aggregate of the nominal amount of the preference shares and premium paid on subscription for them, (ii) any accrued, but unpaid dividends up to the date of commencement of the winding up or return of capital and (iii) the pro-rata share of any remaining proceeds on as if converted basis. The preference shareholders will be given priority over shareholders holding any other class of shares. If the amount available to be distributed to the preference shareholders is insufficient to pay the total sum due, the amount available will be distributed amongst them on a pro-rata basis.

19 Reconciliation of movements in shareholders' funds

Group	Share capital £'000	Share premium £'000	Profit & loss account £'000	Total £'000
At 1 April 2001	255	16,138	(3,918)	12,475
Issue of shares	100	7,100	-	7,200
Issue expenses	-	(225)	-	(225)
Loss for the year	-	-	(11,310)	(11,310)
At 31 March 2002	**355**	**23,013**	**(15,228)**	**8,140**
Company				
At 1 April 2001	255	16,138	(408)	15,985
Issue of shares	100	7,100	-	7,200
Issue expenses	-	(225)	-	(225)
Loss for the period	-	-	(2,761)	(2,761)
At 31 March 2002	**355**	**23,013**	**(3,169)**	**20,199**

	Group		**Company**	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Equity interests				
Share capital	**78**	78	**78**	78
Share premium account	**3,480**	3,480	**3,480**	3,480
Profit and loss account	**(16,396)**	(4,195)	**(4,337)**	(685)
	(12,838)	(637)	**(779)**	2,873
Non-equity interests				
Share capital	**277**	177	**277**	177
Share premium account	**19,533**	12,657	**19,533**	12,657
Profit and loss account	**1,168**	278	**1,168**	278
	20,978	13,112	**20,978**	13,112
	8,140	12,475	**20,199**	15,985

The company has taken advantage of Section 230 of the Companies Act 1985 and has not published its own profit and loss account. Of the loss on ordinary activities after taxation for the year, a loss of £2,761,000 is dealt with in the accounts of the holding company.

20 Notes to the statement of cashflows

(a) Reconciliation of operating loss to net cash inflow from operating activities

	2002 £'000	2001 £'000
Operating loss	(10,966)	(3,699)
Depreciation of tangible fixed assets	285	87
Amortisation of intangible fixed assets	2,614	506
Loss in sale of tangible fixed assets	2	86
(Increase) / Decrease in debtors	(263)	383
Increase / (Decrease) in creditors	1,372	(308)
	(6,956)	(2,945)

(b) Reconciliation of net cash flow to movement in net debt

	2002 £'000	2001 £'000
(Decrease) / Increase in cash in period	(267)	8,864
Cash outflow from decrease in debt and lease financing	81	-
Loan stock issued on acquisition of subsidiary	-	(5,433)
New finance leases	(232)	(151)
Movement in net debt	(418)	3,280
Net debt at beginning of year	3,280	-
Net debt at end of year	2,862	3,280

(c) Analysis of changes in net debt

	1 April 2001 £'000	Cash flow £'000	New finance leases £'000	**31 March 2002 £'000**
Cash	8,864	(238)		8,626
Overdraft	-	(29)		(29)
Cash	8,864	(267)	-	8,597
Liquid resources				
Finance leases	(151)	81	(232)	(302)
Loan stock	(5,433)	-	-	(5,433)
	3,280	(186)	(232)	2,862

21 Financial commitments

At 31 March 2002 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land & buildings		**Other**	
	2002 £	2001 £	**2002 £**	2001 £
Within on year	-	-	**25**	7
Within two to five years	-	-	**11**	49
After five years	**811**	781	-	-
	811	781	**36**	56

22 Related party transactions

The loan notes, as described in note 15, are held by Mssrs G Vincent-Fernie, G Senior and I Morgan who were directors of the company during the year.

The company has taken advantage of the exemption under FRS 8 from disclosing transactions with entities which are part of the same group.