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Getting the message across



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# WIN

## 2005 Highlights

WIN has established itself as a leading player in the mobile data market in the UK. In 2005, WIN also made its first acquisition overseas and launched 'Emporium'.

WIN is a pioneer in the emerging mobile data market. Our market-leading technology solutions for mobile messaging, mobile content and the mobile internet, enable businesses to deliver and bill for entertainment and information services aimed at consumers.

WIN's services have large addressable markets including network operators, media and entertainment providers, and enterprise. By investing in understanding clients' business needs, exploiting our considerable market knowledge and experience and dedicating ourselves to total customer support, WIN has been able to establish itself as a leading player in the UK market.

The company now aims to replicate this success in overseas markets and provide further value-added solutions to support the fast-moving mobile media sector. To this end, in 2005 WIN made its first overseas acquisition, in Greece, and launched Emporium – a comprehensive management platform to support the building, hosting and delivery of mobile multimedia services.

# WIN

## Company overview

### CONNECTIVITY SOLUTIONS

The **WIN Gateway** provides a cross-operator network for the delivery and billing of mobile messaging and content services. Businesses with their own applications or infrastructure are able to operate SMS text messaging, MMS picture messaging, video and voice shortcode and content download services, whilst monetising services through mobile billing mechanisms when necessary.

### CONTENT SERVICES

Where businesses do not have their own applications, WIN can enable their services through a series of off-the-shelf applications.

**Emporium** is a comprehensive content management platform that supports all forms of mobile media from ringtones to video downloads. Clients can source content from vast libraries of content wholesalers, build, host and deliver their services from a single interface.

**Text Console** is a suite of web applications supporting voting, competitions, marketing and CRM services across SMS, MMS and WAP.

### MOBILE INTERNET SERVICES

**WIN's Mobile Internet Server (MIS)** allows customers across the media, content and retail industries to build, host and operate mobile magazines and interactive sites on i-Mode, WAP and other internet platforms.

### PROFESSIONAL SERVICES

Network operators and international enterprises have come to rely on WIN's technical expertise, flexibility and commercial understanding to build bespoke solutions, manage complex service offerings on an outsourced basis and provide specialised consultancy in the mobile arena.

# Chairman's statement

Richard Joyce

## WIN has shown significant growth throughout the business

WIN made good progress in 2005 - its first full year of trading on the AIM market. The company has delivered growth during the year, with profit before tax nearly doubling on 2004 and turnover exceeding £44m. This is a credit to the flexible and dynamic culture that the management team has cultivated. WIN is closely aligned with the mobile marketplace and is able to respond quickly to technological and commercial opportunities.

2005 started with WIN facilitating the first nationwide campaign to use premium rated text messaging as a method of charitable donation. WIN is honoured to have been asked to support the Disasters Emergency Commission (DEC)'s Tsunami Appeal Fund by building and hosting the SMS service and 83321 donation shortcode. We are delighted that the campaign, which we conducted entirely free of charge, helped to raise in excess of £1.2m towards the admirable aid efforts of the DEC. Such innovative uses of technology demonstrate the reach and power of mobile communications. The service went on to win awards from the DTI and New Media Age for the Best Use of Wireless.

WIN has shown significant growth throughout the business. Turnover conducted for Network Operators' services nearly doubled during the year as a result of winning large marketing campaigns from O2 and driving growth in our management of operator portal content services. We are witnessing an increasing trend from Mobile Network Operators and Mobile Virtual Network Operators to outsource complex messaging and content services to third party specialists such as WIN. Our experience and expertise in sourcing, building and operating mobile content and information services, allows operators to roll out innovative and reliable service portfolios with minimum capital and resource overheads.

We have enjoyed considerable growth with Media and Entertainment customers despite the introduction of tighter regulatory controls in August. We firmly believe that the introduction of these subscription controls are for the long-term good of the industry and will allow consumers to feel safer purchasing in the m-commerce environment. One of the key highlights came in May when WIN operated voice, SMS and content services for Coca-Cola's major summer on-pack promotion - Text, Tag 'n' Win.

Finally, demand from Enterprise clients has begun to grow. Major retail banks, credit card suppliers, utilities and government bodies are realising the unique opportunities that SMS offers - namely the ability to communicate cost-effectively and in realtime with 90% of the adult population of the UK. Fraud alerts, payment reminders and renewal alerts represent just some of the potential applications of SMS. The market analysis that we have conducted shows that the strategic use of mobile services could save £150m for the NHS alone.

WIN is positioning itself to exploit the opportunities that the mobile industry is presenting. The convergence of mobile and internet is affording new and exciting mobile content opportunities in the shape of MP3 music tracks, video downloads, instant messaging and mobile television. The launch of our new content management platform - Emporium - will allow us to deliver these high value-added solutions to network operators, media brands and content retailers and their consumers. This year we will continue to invest in our technology and product offerings, responding to the needs of our customer base and challenging ourselves to maintain the superior support levels that we provide. We will also look to replicate our insight and success in the UK and Greek markets to new emerging markets around the world.



**Richard Joyce**  
Chairman

# Chief Executive statement

Peter Button

## MARKET OVERVIEW

All major sectors of the market for mobile data services grew significantly in 2005. However, as stated in our August interim statement, WIN predicted a difficult period in the second half of the year for its premium rate business. In anticipation of this, WIN allocated proportionately more resource to its business with Network Operators and Enterprises and has seen the benefits over the last six months.

Although operating in a competitive market, WIN has succeeded in growing overall margins by increasing the levels of business in the higher value sectors. Margin pressure is expected to remain but market share appears to be continuing to migrate towards the larger mobile service providers such as WIN which will make it increasingly difficult for smaller participants to compete.

Market share appears to be continuing to migrate towards the larger mobile service providers such as WIN

## Network Operators

WIN has been extremely successful in providing tailored and managed services to tier one network operators during 2005. Our business nearly doubled in turnover during the year, reflecting the success of services such as the 'Rewards' and 'Bolt-Ons' marketing campaigns for O2. Other new business gained included the SMS football services for T-Mobile and the cross network billing capability for Orange content services.

WIN does not believe that the marketing campaigns it currently conducts for the network operators will continue at the 2005 levels as much of the messaging behind the simpler campaigns will be done by the network operators themselves. However, a general trend is developing within the network operators to outsource increasingly complex data services to market specialists such as WIN. In 2006, WIN has already won an exclusive contract to provide all the SMS and MMS alerts for Vodafone live! in the UK.

## Media and Entertainment

WIN has experienced significant growth in the last two years in the provision of connectivity and billing capability to content providers and media owners. Our Gateway and Text Console products have both undergone regular modification to add functionality and improve performance in line with customers' needs.

In August 2005, WIN announced that regulatory controls would be introduced in the United Kingdom governing the control of subscription services. As anticipated, this constrained the premium rate market in the second half of 2005.

## WIN has experienced significant growth in the last two years in the provision of connectivity and billing capability

WIN believes that the introduction of these subscription controls which have received widespread industry support will be in the long term interests of the industry as consumers regain confidence in premium rate SMS as a legitimate and convenient method of billing. Moreover, this sector is driven by entrepreneurial and consumer focussed companies which will continue to drive this market with innovative new product offerings in 2006.

### Enterprise

The Enterprise market represents mobile services, either bespoke developments or connectivity products, for enterprises such as banks, call centres, utilities, logistics and government organisations. WIN services allow these organisations to communicate with their extensive employee and customer bases through the use of SMS. The speed, convenience, reach and cost of text messaging offer significant opportunities for businesses to reduce communication and resource costs while significantly enhancing customer service. WIN has been successful in 2005 in signing new contracts and delivering services with blue chip companies and is confident that the market is set to grow considerably over the next two years.

## SUBSIDIARIES AND INVESTMENTS

### WIN SA - Greece

WIN SA is the new company formed out of WIN's acquisition of Imako Interactive, a leading provider of mobile internet and content services in Greece, in July 2005 from Imako Media. The company – now renamed WIN SA – has been successfully decoupled from its former parent and assimilated into the WIN group. SMS connections with the four Greek mobile network operators have taken time to implement and mobile terminated billing – essential for football goal alerts – has not yet been introduced by the Greek network operators. Nevertheless, WIN SA has now accumulated its first gateway clients and developed a promising list of potential customers. As a result of the introduction of the gateway, the imminence of mobile terminated billing and the ability of this business to expand throughout South East Europe, WIN believes that this business will expand significantly during 2006.

### TextAnywhere

WIN plc has a 13% interest in TextAnywhere which provides self-provisioning desk top to SMS communication services marketed entirely through the web. This business has grown significantly since WIN acquired this interest in March 2005. For the year ended 31st October 2005, turnover has increased from £172,000 to £639,000 and losses before tax have reduced from £239,000 to £132,000. It recorded its first monthly profit in September and has continued to grow steadily since then.

## PRODUCT FOCUS

In 2005, WIN launched a number of upgrades to its gateway including voice shortcodes, MMS shortcodes and home network lookups. Voice shortcodes allow media companies to enable users to use a common five digit shortcode for text and IVR usage. Cross-network MMS shortcodes have been used by TV companies to allow viewers to send in pictures and content to news and entertainment shows. WIN launched the UK's first 5-digit voice shortcode service in May for Coca Cola in their 'Text, Tag 'n' Win' on-pack promotion. Home network lookups ensure that delivery and billing messages can be correctly routed and that databases can be cleansed. These are just some of the examples of increased functionality that WIN is continually introducing to enhance the competitiveness of its main product offering.

In September, WIN also launched Emporium, an end-to-end platform for the acquisition, hosting, distribution and billing of mobile content services. Emporium allows WIN clients to browse from the vast catalogues of the world's leading content wholesalers and rights owners, license items and build a unique mobile content portfolio. Content can be distributed through any channel including print or TV advertising, web or WAP portals, IVR, i-Mode or Java interfaces. All content is then delivered and billed for by WIN and revenue-share is split between the members of the value chain, making Emporium simple, efficient and cost effective for retailers and wholesalers alike. Emporium has already been successful in securing a number of new mandates including Vodafone live! and WIN is excited about its prospects for 2006.

## CURRENT TRADING AND PROSPECTS

In recent years, WIN has demonstrated considerable flexibility and resilience to benefit from the many opportunities and challenges inherent in the dynamic mobile data industry. Industry growth has been driven by both increasing demand from consumers for information and entertainment and from an increasing number of companies wishing to communicate with their customers through their mobile phone.



**Peter Button**  
Chief Executive

In September, WIN also launched Emporium, an end-to-end platform for the acquisition, hosting, distribution and billing of mobile content services.



# Financial review

Mark Paver

I am delighted to report a highly successful financial year in 2005. The highlights of which are:

Turnover has increased by 36% to £44.3 million reflecting buoyant market conditions in the UK mobile data services market. WIN has seen particularly strong growth in the customised services it provides for the UK network operators and the connectivity services it provides to mobile content providers and chat operators.

Gross profit has grown from £6.0 million to £9.1 million, an increase of 51%. This growth in gross profit has been driven by the Group's increased exposure to higher margin UK network operator business. The resulting change in mix of business has resulted in an increase in overall percentage gross margin.

Expenses have grown by 38% to support the substantial increase in the size and profitability of the business as well as the costs of being an AIM listed company.

Interest income has grown significantly partly because of the increased cash balances raised at the time the Company was admitted to AIM. In addition, for some customers, the Company collects revenues from the Network Operators on their behalf and makes interest bearing advance payments to these customers earlier than they are otherwise due.

As a result of the continuing profitability of the Group, the deferred tax credit in previous years has almost completely reversed and the Group now has a mainstream corporation tax charge.

Basic and fully diluted earnings per share were 23.2p and 22.0p respectively. Assuming a standard corporation tax rate of 30% applied to both 2004 and 2005, basic and fully diluted earnings per share would have grown 68% to 22.9p and 64% to 21.8p respectively.



**Mark Paver**  
Finance Director

Turnover has increased by 36% to £44.3 million reflecting buoyant market conditions in the UK mobile data services market.

# Board of Directors

## 1. RICHARD JOYCE

### Non-Executive Chairman

Richard joined WIN as a Non-Executive Director in October 2000, and became Chairman in January 2001. Prior to this, he worked in a variety of senior executive positions for 3Com Corporation for 13 years (including Senior Vice President of Worldwide Sales) and served on the Executive Committee for seven years. Prior to 3Com, he served as Managing Director (Europe) for Cambridge International, along with senior management positions within Network Systems and RFL Electronics.

## 4. MARK PAVER

### Finance Director

Mark joined WIN in October 2000, progressing to Chief Financial Officer in 2002 before being appointed Finance Director. He has worked in a variety of financial positions within the logistics and invoice discounting industries. He holds a mathematics and statistics degree from Bath University and qualified as a Chartered Accountant with Clark Whitehill in 1992.

## 2. PETER BUTTON

### Chief Executive

Peter Button joined WIN as Finance Director in July 2000 and became CEO in May 2002. He qualified as a Chartered Accountant with Arthur Andersen in 1982 and then joined Dresdner Kleinwort Benson, where he became a Director in 1989, and worked on a full range of corporate finance transactions for 17 years.

## 5. MICHAEL DE KARE-SILVER

### Non-Executive Director

Michael de Kare-Silver joined WIN in September 2004 as a Non-Executive Director. He is Managing Director of AKQA, an interactive marketing agency, and is also a Non-Executive Director of Thus Group plc. He was formerly Global Head of PA Consulting's e-business, a Director of GUS plc, with responsibility for e-commerce and founder of Kalchas, a strategy and business change consultancy. He has written a number of books on e-commerce and is visiting professor of e-business at Middlesex University Business School.

## 3. JOHN RANDS

### Technical Director

John Rands joined WIN Financial in 1992 and is responsible for the software development team and the introduction of new technologies. Prior to joining WIN Financial, John worked at Cognito, Air Call Communications and Marconi.

## 6. PETER MARTIN

### Non-Executive Director

Peter Martin joined WIN in September 2004 as a Non-Executive Director. He is a Director of Tribal Group plc, a listed support services business. He is a Sloan Fellow of the London Business School and was previously a founder partner of Anvil Partners, a private equity adviser. Prior to Anvil Partners, he was a Director of Kleinwort Benson Limited.

# Directors' report

31 December 2005

The directors present their directors' report and financial statements for the year ending 31 December 2005.

## Principal activities

The company's principal activity is that of a holding company. The activities of the subsidiaries enable 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 group's current revenues, it also provides other wireless data services to business customers, including picture messaging and transmission of real time financial data to pagers.

## Business review

The group has continued to benefit from the growing demand for wireless data services and applications.

Group turnover increased to £44,339,000 (2004: £32,662,000) and the group recorded a profit before tax of £3,090,000 (2004: £1,601,000). The results for the year are shown in detail on page 14.

## Proposed dividend

The directors do not recommend the payment of a dividend (2004: £nil).

## Supplier payment policy

It is the group's policy to pay its clients and suppliers in accordance with terms and conditions agreed at inception of contract.

At 31 December 2005 the number of days of annual purchases represented by trade creditors amounted to 32 days (2004: 32 days).

## Substantial shareholdings

At 9 March 2006 the company has been notified of the following beneficial interests, other than those of the directors, of 3% or more of the issued share capital of the company.

Name	Total shareholding	%
Merrill Lynch Investment Managers	1,231,000	12.99
Standard Life	983,768	10.38
Invesco English & International plc	390,000	4.11
Legal and General plc	385,834	4.07

## Directors' report (continued)

## Directors and directors' interests

The directors who held office at the beginning and end of the year who had interests in the ordinary shares of the company according to the register of directors' interests are detailed below as well as the directors:

	Date of appointment	Class of share	Interest at start of period	Interest at end of period
P L Button	9 July 2004	Ordinary 10p	267,417	267,417
R W Joyce	9 July 2004	Ordinary 10p	257,517	257,517
J Rands	9 July 2004	Ordinary 10p	231,562	231,562
M A Paver	9 July 2004	Ordinary 10p	2,475	2,475
M de Kare-Silver	29 Sept 2004	Ordinary 10p	1,190	1,190
P Martin	29 Sept 2004	-	-	-

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 except as indicated below:

	At beginning of period	At end of period	Exercise price £	Date first exercisable	Date of expiry
P L Button	181,475	181,475	£2.060	3 May 2002	3 May 2012
P L Button	200,000	200,000	£2.020	6 Oct 2005	6 Oct 2014
R W Joyce	181,475	181,475	£2.060	3 May 2002	3 May 2012
J Rands	181,475	181,475	£2.060	3 May 2002	3 May 2012
M A Paver	22,500	22,500	£1.262	30 Sept 2003	3 Sept 2013
M A Paver	60,000	60,000	£2.020	6 Oct 2005	6 Oct 2014

In total the company has granted the following options, including those granted to Directors as detailed above.

Date of grant	At beginning of period	Granted	Exercised	Surrendered	At end of period	Exercise price £	Date first exercisable
3 May 2002	725,900	-	-	-	725,900	£2.06	3 May 2002
30 Sept 2003	281,809	-	(56,309)	(108,500)	117,000	£1.26	30 Sept 2003
30 June 2004	37,500	-	-	(37,500)	0	£1.89	30 June 2005
6 Oct 2004	504,000	-	-	-	504,000	£2.02	6 Oct 2005
22 Dec 2005	-	23,000	-	-	23,000	£2.74	22 Dec 2006
23 Dec 2005	-	108,500	-	-	108,500	£1.26	23 Dec 2005
23 Dec 2005	-	37,500	-	-	37,500	£1.89	23 Dec 2005
	1,549,209	169,000	(56,309)	(146,000)	1,515,900		

## Directors' report (continued)

**CORPORATE GOVERNANCE STATEMENT****Introduction**

The Board of WIN plc is committed to achieving good standards of corporate governance, integrity and business ethics for all activities. Under AIM rules, the company is not required to comply with the Combined Code. Although the company does not comply with the provisions of the Combined Code it has taken on the recommendations of the Combined Code with regard to the Audit Committee and Remuneration Committee.

**Audit committee**

The audit committee consists of the non-executive directors with Michael de Kare-Silver as chairman. The committee meets at least twice a year, linked to the timing of the publication of the group's results. The committee also meets on an ad hoc basis when necessary. The external auditors attend the meeting. The committee operates within specific terms of reference which include:

- considering the appointment of external and internal auditors;
- reviewing the relationship with external auditors;
- reviewing the financial reporting and internal control procedures;
- reviewing the management of financial matters and focusing upon the independence and objectivity of the external auditors;
- reviewing the consistency of accounting policies both on a year to year basis and across the company.

**Remuneration committee**

The remuneration committee consists of the non-executive directors with Peter Martin as chairman.

The company secretary, Mark Paver, attends the meetings of the remuneration committee as secretary to the remuneration committee. The chief executive of the company, Peter Button, may also be invited to attend certain meetings of the remuneration committee.

The remuneration committee reviews and determines on behalf of the Board and Shareholders of the company the pay, benefits and other terms of service of the executive directors of the company and the broad pay strategy with respect to senior company employees.

**Directors' remuneration**

The particulars of the remuneration of the directors are as shown in note 4 of the financial statements and their interests in the shares of the company are set out opposite.

**Directors' service contracts**

All executive directors are employed under service contracts. The services of all executive directors may be terminated by the provision of a maximum of 12 months notice by the company.

**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



**P L Button**  
Chief Executive  
17 March 2006



**M A Paver**  
Finance Director  
17 March 2006

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

# 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 the directors have elected to prepare the group and the parent company financial statements in accordance with UK Accounting Standards.

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group 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.

# Independent auditors' report

to the members of WIN plc



**KPMG Audit Plc**

8 Salisbury Square, London EC4Y 8BB, United Kingdom

We have audited the group and parent company financial statements (the "financial statements") of WIN plc for the year ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, 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 members, as a body, 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 members 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 members as a body, 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 Annual Report and 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 12.

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 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## 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 group's and 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc** Chartered Accountants Registered Auditor 17 March 2006

# Consolidated profit and loss account

for the year ended 31 December 2005

	Note	2005 Continuing operations £'000	2005 Acquisitions £'000	2005 Total £'000	2004 £'000
<b>Turnover</b>	1,2	<b>44,207</b>	<b>132</b>	<b>44,339</b>	32,662
Cost of sales		(35,230)	(3)	(35,233)	(26,629)
<b>Gross profit</b>		<b>8,977</b>	<b>129</b>	<b>9,106</b>	6,033
Other administrative expenses		(6,147)	(147)	(6,294)	(4,565)
Amortisation of goodwill		-	(14)	(14)	-
Administrative expenses		(6,147)	(161)	(6,308)	(4,565)
<b>Group operating profit / (loss)</b>		<b>2,830</b>	<b>(32)</b>	<b>2,798</b>	1,468
Interest receivable and similar income	6	299	-	299	155
Interest payable and similar charges	7	(7)	-	(7)	(22)
<b>Profit / (loss) on ordinary activities before taxation</b>	3-5	<b>3,122</b>	<b>(32)</b>	<b>3,090</b>	1,601
Tax on profit / (loss) on ordinary activities	8	(903)	-	(903)	408
<b>Profit / (loss) for the year</b>	18,19	<b>2,219</b>	<b>(32)</b>	<b>2,187</b>	2,009
<b>Earnings per share</b>	9				
- basic				23.2p	24.3p
- diluted				22.0p	23.9p

A statement of total recognised gains and losses has not been included as part of these financial statements as the group made no gains or losses in the year other than disclosed above in the profit and loss account.

A note on historical 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 derived from the acquisition in the year and the continuing operations.



# Consolidated balance sheet

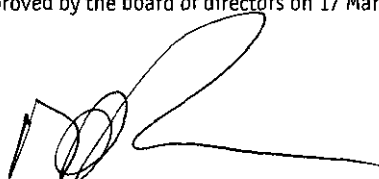
at 31 December 2005

	Note	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Intangible assets	10	713	-
Tangible assets	11	685	550
Investments	12	100	-
		<b>1,498</b>	<b>550</b>
<b>Current assets</b>			
Debtors	13	13,185	8,124
Cash at bank and in hand		2,906	4,606
		<b>16,091</b>	<b>12,730</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(9,388)</b>	<b>(7,303)</b>
<b>Net current assets</b>		<b>6,703</b>	<b>5,427</b>
<b>Total assets less current liabilities</b>		<b>8,201</b>	<b>5,977</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(640)</b>	<b>(800)</b>
<b>Provisions for liabilities</b>	16	<b>(249)</b>	<b>(124)</b>
<b>Net assets</b>		<b>7,312</b>	<b>5,053</b>
<b>Capital and reserves</b>			
Called up share capital	17	947	941
Share premium account	18	2,154	2,088
Capital redemption reserve	18	656	656
Merger reserve	18	8,118	8,118
Profit and loss account	18	(4,563)	(6,750)
<b>Shareholders' funds</b>	19	<b>7,312</b>	<b>5,053</b>

These financial statements were approved by the board of directors on 17 March 2006 and were signed on its behalf by:



**P L Button**  
Chief Executive



**M A Paver**  
Finance Director

# Company balance sheet

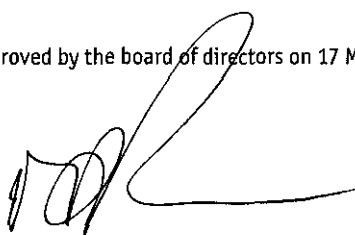
at 31 December 2005

	Note	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Investments	12	1,709	1,448
<b>Current assets</b>			
Debtors (including £929,000 (2004: £nil) due after more than one year)	13	1,504	26
Cash at bank		1,007	2,326
		2,511	2,352
<b>Creditors: amounts falling due within one year</b>	14	<b>(1,095)</b>	<b>(225)</b>
<b>Net current assets</b>		<b>1,416</b>	<b>2,127</b>
<b>Total assets less current liabilities</b>		<b>3,125</b>	<b>3,575</b>
<b>Provisions for liabilities</b>	16	<b>(70)</b>	<b>-</b>
<b>Net assets</b>		<b>3,055</b>	<b>3,575</b>
<b>Capital and reserves</b>			
Called up share capital	17	947	941
Share premium account	18	2,154	2,088
Capital redemption reserve	18	656	656
Profit and loss account	18	(702)	(110)
<b>Shareholders' funds</b>	19	<b>3,055</b>	<b>3,575</b>

These financial statements were approved by the board of directors on 17 March 2006 and were signed on its behalf by:



**P L Button**  
Chief Executive



**M A Paver**  
Finance Director

# Consolidated cash flow statement

for the year ended 31 December 2005

	<i>Note</i>	2005 £'000	2004 £'000
<b>Cash flow statement</b>			
Cash flow from operating activities	22	(651)	1,651
Returns on investment and servicing of finance	23	292	133
Taxation	23	-	(4)
Capital expenditure	23	(426)	(454)
Acquisitions	23	(827)	-
Cash (outflow) / inflow before management of liquid resources and financing		(1,612)	1,326
Management of liquid resources	23	-	446
Financing	23	(88)	2,077
<b>(Decrease) / increase in cash in the year</b>		<b>(1,700)</b>	<b>3,849</b>

## Reconciliation of net cash flow to movement in net funds

for the year ended 31 December 2005

	<i>Note</i>	2005 £'000	2004 £'000
<b>(Decrease) / Increase in cash in the year</b>		<b>(1,700)</b>	<b>3,849</b>
Cash used to repay loan		160	160
Cash flow from change in liquid resources		-	(446)
Change in net funds resulting from cash flows		(1,540)	3,563
<b>Movement in net funds in the year</b>		<b>(1,540)</b>	<b>3,563</b>
<b>Net funds at the start of the year</b>		<b>3,646</b>	<b>83</b>
<b>Net funds at the end of the year</b>	24	<b>2,106</b>	<b>3,646</b>

# 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 21 'Events after the balance sheet date';
- FRS 22 'Earnings per share';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

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

FRS 28 'Corresponding amounts' has required additional disclosure of the comparative figures for the voluntary disclosure of the directors' total aggregated emoluments (shown in note 4) but otherwise has had no material effect on these financial statements as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

FRS 25 Financial instruments presentation and disclosure has no material effect as redemption rights which previously resulted in classification of shares as 'non equity' have expired.

The corresponding amounts in these financial statements are, other than those covered by the exception permitted by FRS 25, restated in accordance with the new policies. FRS 25 permits the corresponding amounts not to be restated and the Company has adopted this approach. The financial instruments policy set out below provides further details of the current year and comparative year bases and of the change booked.

#### Basis of preparation

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

#### Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings for the year ended 31 December 2005. WIN plc acquired the group headed by Wireless Information Network Limited through a share for share exchange. This transaction has been accounted for as a merger as required by FRS 6. Except for this transaction, the acquisition method of accounting has been adopted whereby the results of subsidiary undertakings are consolidated from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

#### Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on the purchase of trade and assets by WIN Societe Anonyme Wireless Products and Services (WIN SA) is capitalised. Positive goodwill is amortised to nil by equal annual installments over its estimated useful life. Any impairment charge is included within operating profits.

## Notes (continued)

**ACCOUNTING POLICIES (continued)****Tangible fixed assets and depreciation**

Depreciation is calculated to write off the cost less the estimated residual value of tangible fixed assets by equal installments 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

**Investments**

Investments are held at cost.

**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 and losses on translation are included in the profit and loss account.

The assets and liabilities and profit and loss accounts of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

**Classification of financial instruments issued by the Group**

Following the adoption of FRS 25, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company (or Group as the case may be) 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 (or Group); and
- b) 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.

**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)

### ACCOUNTING POLICIES (continued)

#### Employee share schemes

The cost of awards to employees that take the form of shares or rights to shares is recognised over the year of the employee's related performance. Where there are no performance criteria, the cost is recognised when the employee becomes unconditionally entitled to the shares.

#### Post-retirement benefits

The group operates a defined contribution stakeholder pension scheme for all employees. The amount charged to the profit and loss account represented the contributions payable 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.

#### 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.

#### Paging services

Subscription revenue from paging services is recognised evenly over the year of the contract with the customer. Subscription revenue billed in advance of the service being performed is included in deferred income.

#### Development revenue

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

## Notes (continued)

**ACCOUNTING POLICIES (continued)****Cash and liquid resources**

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year.

**2 ANALYSIS OF TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

All turnover was derived from the group's principal activity.

In the opinion of the Directors the activities of the group fall into one class of business segment.

Segmental analysis	UK		Rest of world		Total	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Turnover	44,207	32,662	132	-	44,339	32,662
Operating profit / (loss)	2,830	1,468	(32)	-	2,798	1,468
Net assets / (net liabilities)	7,344	5,053	(32)	-	7,312	5,053

**3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2005 £'000	2004 £'000
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Depreciation of tangible fixed assets – owned	291	160
Amortisation of goodwill	14	-
Operating lease rentals		
Land and buildings	259	259
Equipment hire	8	2
Auditors' remuneration		
Group:		
- audit	42	43
- fees receivable by the auditors and their associates in respect of other services	131	140
Company		
- audit	12	20

## Notes (continued)

**4 DIRECTORS' REMUNERATION**

The emoluments of the Directors of WIN plc were as follows:	2005 £'000	2004 £'000
Directors' emoluments	547	73

The aggregate emoluments of the highest paid director was £178,000 (2004: £25,000). One director is a member of the group's defined contribution stakeholder pension scheme. Contributions made in 2005 were £nil (2004: £nil).

**Directors' emoluments proforma information**

The total aggregated emoluments for the year ended 31 December 2005, paid by all group companies, to the Directors of the company who held office at 31 December 2005, was as follows:

	2005 Salary / Fees £'000	2005 Bonus £'000	2005 Total Gross £'000	2005 Social security £'000	2005 Total £'000
P L Button*	110	48	158	20	178
R W Joyce**	42	-	42	2	44
J Rands**	100	28	128	16	144
M A Paver*	90	32	122	15	137
M de Kare-Silver	20	-	20	2	22
P Martin	20	-	20	2	22
	<b>382</b>	<b>108</b>	<b>490</b>	<b>57</b>	<b>547</b>

The total aggregated emoluments for the 12 months ended 31 December 2004, paid by all group companies, to the Directors of the company who held office at 31 December 2004, was as follows:

	2004 Salary / Fees £'000	2004 Bonus £'000	2004 Total Gross £'000	2004 Social security £'000	2004 Total £'000
P L Button*	100	35	135	16	151
R W Joyce**	36	-	36	1	37
J Rands**	100	21	121	15	136
M A Paver*	85	21	106	13	119
M de Kare-Silver	7	-	7	1	8
P Martin	7	-	7	1	8
	<b>335</b>	<b>77</b>	<b>412</b>	<b>47</b>	<b>459</b>

\* Director of Wireless Information Network Limited, WIN Financial Limited, WIN Mobile Limited, WIN SA. \*\* Director of Wireless Information Network Limited



## Notes (continued)

**5 STAFF NUMBERS AND COSTS**

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

	Number of employees Group		Number of employees Company	
	2005	2004	2005	2004
Management	7	3	6	1
Sales and marketing	18	15	-	-
Administration	7	4	-	-
Operations and development	29	22	-	-
	61	44	6	1

The aggregate payroll costs of these persons were as follows:

	Number of employees Group		Number of employees Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Wages and salaries	3,383	2,682	489	65
Social security costs	433	296	58	8
Other pension costs	34	24	-	-
	3,850	3,002	547	73

**6 INTEREST RECEIVABLE AND SIMILAR INCOME - GROUP**

	2005 £'000	2004 £'000
Bank interest receivable	160	56
Early settlement discounts	132	63
Interest receivable on rent deposit	7	36
	299	155

## Notes (continued)

**7 INTEREST PAYABLE AND SIMILAR CHARGES - GROUP**

	2005 £'000	2004 £'000
Bank interest paid	7	-
Interest paid on financing	-	22
	7	22

**8 TAXATION**

	2005 £'000	2004 £'000
<b>Analysis of charge in period</b>		
Current tax on income for the period	254	-
Adjustments in respect of prior periods	1	4
Total current tax	255	4
Deferred tax	648	(412)
Tax on profit on ordinary activities	903	(408)

## Notes (continued)

**TAXATION (continued)****Factors affecting the tax charge for the year**

The current tax charge for the period is lower (2004 : lower) than the standard rate of corporation tax in the UK (30%, 2004 : 30%). The differences are explained below.

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	3,090	1,601
Current tax at 30% (2004: 30%)	927	480
<b>Effects of:</b>		
Expenses not deductible for tax purposes	30	7
Capital allowances in excess of depreciation	19	(24)
Marginal relief	(1)	-
Losses relating to foreign subsidiary	14	-
Decrease in losses carried forward	(735)	(463)
Adjustments in respect of prior periods	1	4
<b>Total current tax charge</b>	<b>255</b>	<b>4</b>

**The elements of deferred taxation are as follows:**

	2005 £'000	2004 £'000
Difference between accumulated depreciation and capital allowances	16	38
Group tax losses	611	1,427
<b>Movement in deferred tax asset (see note 13)</b>		
At beginning of year	679	
Movement in year	(649)	
<b>At 31 December 2005</b>	<b>30</b>	

**Factors that may affect future tax charges**

The group has tax losses at the end of the year of £2.04m (2004: £4.76m). The deferred tax asset as disclosed in note 13 of £30,000 (2004: £679,000) is seen as recoverable as it relates to the element of the tax losses which are expected to be utilised in the foreseeable future.

## Notes (continued)

**9 EARNINGS PER SHARE**

	2005	2004
Profit for the year	<b>£2,187,000</b>	£2,009,000
Weighted average number of shares in issue	<b>9,444,114</b>	8,273,525
Fully diluted weighted average number of shares in issue	<b>9,931,673</b>	8,406,173
Basic earnings per share	<b>23.2p</b>	24.3p
Diluted earnings per share	<b>22.0p</b>	23.9p

Earnings per share are calculated by dividing the profit on ordinary activities attributable to shareholders by the weighted average number of shares in issue during the year.

The weighted average number of shares in the diluted earnings per share calculation is the figure used in the basic earnings per share calculation adjusted by the number of shares deemed to be issued for no consideration.

**10 INTANGIBLE FIXED ASSETS**

Group	Goodwill £'000
<b>Cost</b>	
At beginning of year	-
Additions	727
At end of year	727
<b>Amortisation</b>	
At beginning of year	-
Charged in year	14
At end of year	14
<b>Net book value</b>	
At 31 December 2005	713
At 31 December 2004	-

The goodwill recognised during the year arose following the acquisition of Imako Interactive by WIN SA, a fully owned subsidiary incorporated in Greece during the period. The goodwill represents the difference between the fair value of the assets acquired and the cost of the acquisition (see note 12).

The directors have decided that an amortisation period of 20 years is appropriate for the goodwill which arose in the acquisition of Imako Interactive as this reflects the expected economic life of the acquisition.

## Notes (continued)

**11 TANGIBLE FIXED ASSETS**

Group	Leasehold improvements £'000	Plant and equipment £'000	Computer equipment £'000	Furniture and equipment £'000	Total £'000
<b>Cost</b>					
At beginning of year	241	377	1,160	112	1,890
Additions	62	-	285	23	370
Additions from trade and assets purchase	-	-	56	-	56
At end of year	303	377	1,501	135	2,316
<b>Depreciation</b>					
At beginning of year	228	292	711	109	1,340
Charged in year	18	32	238	3	291
At end of year	246	324	949	112	1,631
<b>Net book value</b>					
At 31 December 2005	57	53	552	23	685
At 31 December 2004	13	85	449	3	550

**12 FIXED ASSET INVESTMENTS**

Group	2005 £'000 Participating Interest
<b>Cost</b>	
Additions	100
<b>Net Book Value</b>	
At 31 December 2005	100

## Notes (continued)

**FIXED ASSET INVESTMENTS (continued)**

Company	Shares in group undertaking £'000	Participating Interests £'000	Total £'000
<b>Cost</b>			
At beginning of year	1,448	-	1,448
Additions	161	100	261
<b>Net book value</b>			
<b>At 31 December 2005</b>	<b>1,609</b>	<b>100</b>	<b>1,709</b>
Net book value			
At 31 December 2004	1,448	-	1,448

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 % of shares held
<b>Subsidiary undertakings</b>			
WIN Societe Anonyme Wireless Products and Services (WIN SA)	Greece	Data systems and services	Ordinary 100%
Wireless Information Network Limited	England & Wales	Data systems and services	Ordinary 100%
WIN Financial Limited*	England & Wales	Data systems and services	Ordinary 100%
WIN Mobile Limited*	England & Wales	Dormant	Ordinary 100%
Bellboy Limited**	England & Wales	Dormant	Ordinary 100%
Wireless Information Network Inc.**	USA	Dormant	Ordinary 100%

\* This company is held indirectly through Wireless Information Network Limited.

\*\* These companies are held indirectly through WIN Financial Limited.

The results of Wireless Information Network Limited, WIN SA and WIN Financial Limited are included in the consolidation.

On 30 June 2005 WIN plc established WIN South East Europe Wireless Products and Services Societe Anonyme (later renamed WIN Societe Anonyme Wireless Products and Services) as a wholly owned subsidiary. On 15 July 2005, WIN South East Europe Wireless Products and Services Societe Anonyme purchased the trade and assets of Imako Interactive, a Greece based mobile content manager. This has been accounted for using acquisition accounting.

## Notes (continued)

**13 DEBTORS**

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	8,864	3,106	-	-
Amounts owed by group undertakings	-	-	949	-
Other debtors	811	146	529	-
Deferred tax assets	30	679	-	-
Prepayments and accrued income	3,480	4,193	26	26
	<b>13,185</b>	<b>8,124</b>	<b>1,504</b>	<b>26</b>

Group debtors include other debtors of £154,000 (2004: £146,000) due after more than one year. Company debtors include debtors due after more than one year of £929,000 (2004: £nil).

**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Loans (see note 15)	160	160	-	-
Trade creditors	3,653	2,754	118	15
Amounts owed to group undertakings	-	-	577	125
Taxation and social security	1,725	657	14	50
Other creditors	368	139	353	-
Accruals and deferred income	3,482	3,593	33	35
	<b>9,388</b>	<b>7,303</b>	<b>1,095</b>	<b>225</b>

## Notes (continued)

**15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

Group	2005 £'000	2004 £'000
Loans	800	960
<b>Analysis of debt</b>		
Debt can be analysed as falling due:		
In one year or less	160	160
Between two and five years	640	640
After more than five years	-	160
	800	960

The loan is non-interest bearing, repayable in equal quarterly instalments over 5 years and is cross guaranteed by a group company.

**16 PROVISIONS FOR LIABILITIES**

Group	2005 £'000	2004 £'000
At beginning of year	124	74
Charge to the profit and loss account for the year	125	50
At end of year	249	124

Company	2005 £'000	2004 £'000
At beginning of year	-	-
Charge to the profit & loss account for the year	70	-
At end of year	70	-

The above group provision partially relates to an empty property leased by the business but no longer in use and is made in accordance with FRS 12. The increase in the provision of £55,000 in the year relates to a revision of the estimate as further information became available during the year. The remaining period of the lease is 5 years and the provision is for the onerous element.

Also included within the group provision, and shown separately as a company provision, is £70,000 (2004: £nil) relating to potential costs associated with the settlement of a dispute concerning employee share options. The directors believe that these costs are fully recoverable and therefore an amount of £70,000 (2004: £nil) is included within other debtors. The directors believe that this issue will be fully resolved during 2006.



## Notes (continued)

## 17 CALLED UP SHARE CAPITAL

Group and Company	2005		2004	
	Number	Value £'000	Number	Value £'000
<b>Authorised</b>				
Ordinary shares of 10p each	30,000,000	3,000	30,000,000	3,000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 10p each	9,465,060	947	9,408,749	941

During the year the Company issued 56,311 10p ordinary shares for a consideration of £71,068, settled in cash.

## 18 SHARE PREMIUM AND RESERVES

Group	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit and loss account £'000
At beginning of year	2,088	656	8,118	(6,750)
Arising on issue of shares in the year	66	-	-	-
Profit for the year	-	-	-	2,187
<b>At end of year</b>	<b>2,154</b>	<b>656</b>	<b>8,118</b>	<b>(4,563)</b>

Company	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At beginning of year	2,088	656	(110)
Arising on issue of shares in the year	66	-	-
Loss for the year	-	-	(592)
<b>At end of period</b>	<b>2,154</b>	<b>656</b>	<b>(702)</b>

## Notes (continued)

**19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>Profit / (loss) for the financial year / period</b>	<b>2,187</b>	<b>2,009</b>	<b>(592)</b>	<b>(110)</b>
New share capital subscribed (net of issue costs)	72	-	72	-
Shares issued to acquire subsidiary	-	-	-	1,448
Net proceeds of AIM listing	-	2,237	-	2,237
<b>Net increase in shareholders' funds</b>	<b>2,259</b>	<b>4,246</b>	<b>(520)</b>	<b>3,575</b>
Opening shareholders' funds	5,053	807	3,575	-
<b>Closing shareholders' funds</b>	<b>7,312</b>	<b>5,053</b>	<b>3,055</b>	<b>3,575</b>

**20 CONTINGENT LIABILITIES**

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

**21 COMMITMENTS**

Annual commitments under non-cancellable operating leases are as follows:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>Operating leases which expire:</b>				
Within one year	-	2	-	-
Within two to five years	7	-	-	-
Over five years	295	295	-	-
	<b>302</b>	<b>297</b>	<b>-</b>	<b>-</b>

## Notes (continued)

**22 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS**

	2005 £'000	2004 £'000
Operating profit	2,798	1,468
Depreciation and amortisation charges	305	160
Increase in debtors	(5,710)	(3,499)
Increase in creditors	1,831	3,472
Increase in provisions	125	50
<b>Cash (outflow)/ inflow from operating activities</b>	<b>(651)</b>	<b>1,651</b>

## Notes (continued)

## 23 ANALYSIS OF CASH FLOWS

		2005		2004	
	Notes	£'000	£'000	£'000	£'000
<b>Returns on investment and servicing of finance</b>					
Bank interest received		160		56	
Early settlement discounts		132		63	
Interest received on rent deposit		7		36	
Bank interest paid		(7)		-	
Interest paid on financing		-		(22)	
			292		133
<b>Taxation</b>					
Tax paid on interest received in prior period		-		(4)	
			-		(4)
<b>Capital expenditure</b>					
Purchase of tangible fixed assets		(426)		(454)	
			(426)		(454)
<b>Acquisitions</b>					
Purchase of goodwill	25, 10	(727)		-	
Purchase of participating interest	12	(100)		-	
			(827)		-
<b>Management of liquid resources</b>					
Cash withdrawn from short term deposits			-		446
<b>Financing</b>					
Net cash raised from AIM listing		-		2,237	
Repayment of loan		(160)		(160)	
Issue of ordinary share capital		72		-	
			(88)		2,077

## Notes (continued)

**24 ANALYSIS OF NET FUNDS**

	At beginning of year £'000	Cash flow £'000	Other non cash changes £'000	At end of year £'000
Cash at bank and in hand	4,606	(1,700)	-	2,906
Debt due after one year	(800)	-	160	(640)
Debt due within one year	(160)	160	(160)	(160)
<b>Net funds</b>	<b>3,646</b>	<b>(1,540)</b>	<b>-</b>	<b>2,106</b>

**25 PURCHASE OF TRADE AND ASSETS**

	£'000
<b>Net assets acquired</b>	
Tangible fixed assets	57
Goodwill	727
	<b>784</b>
<b>Satisfied by</b>	
Cash	784

The subsidiary undertaking acquired during the year, following the purchase of the above trade and assets, contributed £138,000 outflow to the group's net operating cash flows, paid £nil in respect of net returns on investments and servicing of finance, paid £nil in respect of taxation and utilised £109,000 for capital expenditure of which £57,000 was utilised on the date of the trade and assets purchase described above.

**26 PENSION SCHEME**

The group operated a defined contribution stakeholder pension scheme. The pension charge for the year represents contributions payable to that scheme and amounted to £34,000 (2004: £24,000).

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

## Notes (continued)

### 27 RELATED PARTY DISCLOSURES

The directors consider there to be no ultimate controlling party.

During the year there were payments made to R W Joyce, a director of the company, totalling £22,000 (2004: £31,000) for consultancy services.

Peter Norman, a former director of the Wireless Information Network Limited, was paid £29,000 (2004: £nil) during the year for consultancy services.

### 28 FINANCIAL INSTRUMENTS

#### Policies

The group'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 group's operations.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the group'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 group's financial instruments comprise trade debtors, trade creditors, cash, long term creditors and equity shares. The company has taken advantage of the exemption under FRS13 to exclude short term debtors and short term creditors from disclosure of financial assets and liabilities.

#### Interest risk

The group has financed its operations through equity.

The group at the year end held cash at bank amounts of £2,906,000 for which the applicable interest rate is 0.1% below the Bank of England base rate.

The outstanding loan as disclosed in note 15 is interest free.

#### Liquidity risk

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

The maturity profile of the carrying amount of financial liabilities is disclosed in note 15.

## Notes (continued)

### FINANCIAL INSTRUMENTS (CONTINUED)

#### Currency risk

The group 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 group at the year end held cash at bank amounts of 5,000 EUR (for which the UK pound equivalent was £3,000), 4,992,000 Yen (for which the UK pound equivalent was £25,000) and 431,000 Australian Dollars (for which the UK pound equivalent was £187,000).

#### Financial assets

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

#### Fair values

The group has an interest free loan for which it is not considered practical to disclose the fair value as it is a historic arrangement between the group and a third party which is not traded on an organised market.

The details of this loan are disclosed in note 15. The outstanding balance of the loan at 31 December 2005 was £800,000 (2004: £960,000).

# Notice of Annual General Meeting

NOTICE IS GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at 1 Cliveden Office Village, Lancaster Road, Cressex Business Park, High Wycombe, Buckinghamshire HP12 3YZ on 13 July 2006, at 9.00 a.m. for the following purposes:

## ORDINARY RESOLUTIONS

1. To receive, approve and adopt the Company's annual accounts for the financial year ended 31 December 2005, together with the directors' report and the auditors' report on those accounts.
2. To reappoint KPMG Audit plc as auditors to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.

**Note:** The auditors are required to be reappointed at each annual general meeting at which accounts are presented. The board on the recommendation of the Audit Committee, which has evaluated the effectiveness and independence of the external auditors, is proposing the re-appointment of KPMG Audit plc. Details of the remuneration paid to the auditors for 2005 and details of how the Company monitors the effectiveness and independence of external auditors can be found in note 3 on page 21 and in the Corporate Governance Statement on page 11 of the Annual Report respectively.

3. To reappoint Mark Paver as a director of the Company in accordance with the Company's articles of association.

**Note:** The Company's articles of association require one-third of the directors, excluding those appointed by the board of directors since the last AGM, to retire by rotation each year. Accordingly Mr Paver is retiring by rotation and is seeking re-election at this AGM. Further information about Mr Paver is given on page 8.

4. To reappoint John Rands as a director of the Company in accordance with the Company's articles of association.

**Note:** The Company's articles of association require one-third of the directors, excluding those appointed by the board of directors since the last AGM, to retire by rotation each year. Accordingly Mr Rands is retiring by rotation and is seeking re-election at this AGM. Further information about Mr Rands is given on page 8.

5. That the directors of the Company be generally and unconditionally authorised for the purposes of section 80 Companies Act 1985 ("Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £453,212. This authority shall expire at the conclusion of the next annual general meeting of the Company, but the Company may make an offer or agreement before this authority expires which would or might require relevant securities (as so defined) to be allotted after it has expired and the directors of the Company may allot relevant securities under any such offer or agreement notwithstanding that this authority has expired and further that all previous authorities to allot relevant securities shall be revoked.

**Note:** The authority sought by this resolution for the directors to be authorised to allot shares sufficient to enable the Company to (a) issue all shares which could be issued to the holders of options (comprising 727,550 shares pursuant to options issued before the admission of shares to trading on AIM and 552,000 shares pursuant to options issued after admission of shares to trading on AIM) or warrants (comprising 72,300 shares in aggregate pursuant to warrants issued before the admission of shares to trading on AIM) and (b) issue shares of up to one-third of the Company's issued share capital on the date of this document. Whilst the directors have no intention at the present time of issuing relevant securities other than for cash or pursuant to existing rights under existing option schemes or warrants, they are seeking annual renewal of this authority in accordance with best practice and to ensure the Company has maximum flexibility in managing capital resources.

## SPECIAL RESOLUTION

6. That subject to the passing of Resolution 5, the directors of the Company be given power pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority granted to the directors of the Company by Resolution 5 as if section 89(1) of the Act did not apply to the allotment, such power to be limited to:
  - 6.1 the allotment of equity securities (as so defined) in connection with an offer or issue of such securities to holders of ordinary shares of £0.10 each in the capital of the Company ("Ordinary Shares") on the register on a date fixed by the directors, whether by way of rights issue, open offer or otherwise, in proportion (as nearly as practicable) to their respective holdings on that date or in accordance with the rights attached to them but subject to such exclusions and other arrangements as the directors may consider appropriate in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and



- 6.2 the allotment (other than pursuant to 6.1 above) of Ordinary Shares up to a maximum of 477,040 Ordinary Shares being equal to 5 per cent of the issued ordinary share capital of the Company as at the date of this document, and this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution (unless and to the extent previously revoked, varied or renewed by the Company in general meeting), provided that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities (as so defined) to be allotted after this power expires and the directors of the Company may allot equity securities (as so defined) in pursuance of such an offer or agreement as if this power had not expired.

**Note:** When shares are to be allotted for cash, section 89(1) of the Act 1985 provides that existing shareholders have pre-emption rights and that any new shares are offered first to such shareholders in proportion to their existing shareholdings. This resolution is seeking to authorise the directors to allot equity securities of up to an aggregate nominal amount of £47,704 otherwise than on a pro-rata basis. This represents 5% of the Company's issued share capital on the date of this document and is within guidelines issued by institutional investors. This authority shall expire at the next annual general meeting. Whilst the directors have no intention at the present time of issuing equity securities other than for cash or pursuant to existing rights under options and warrants, they are seeking annual renewal of this authority in accordance with best practice and to ensure the Company has maximum flexibility in managing capital resources.

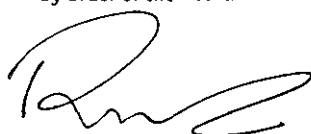
7. That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of £0.10 each and to hold such shares as treasury shares, provided that:
- 7.1 the maximum number of shares to be repurchased shall be 954,080;
- 7.2 the minimum price (exclusive of expenses) which may be paid for a share shall be £0.10;
- 7.3 the maximum price (exclusive of expenses) which may be paid for a share shall be an amount equal to 105% of the average market values of the shares (as derived from the Alternative Investment Market of the London Stock Exchange) for the five business days immediately preceding the date on which the share is purchased;
- 7.4 the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier 12 October 2007; and
- 7.5 the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of share pursuant to any such contract notwithstanding such expiry.

**Note:** This resolution is to authorise the Company to make market purchases of up to 10% of its own shares in issue, subject to maximum and minimum prices. The authority will expire at the next annual general meeting or on 12 October 2007, whichever is earlier. The directors consider that in certain circumstances it may be advantageous for the Company to purchase its own shares and such purchases will only be made on AIM within guidelines established from time to time by the board of directors.

The directors will only consider exercising this authority if they consider that such purchases would be to the advantage of the Company and its shareholders as a whole. The principal aim of this share buy back facility is to enhance shareholder value as and when the directors consider this appropriate. The Company will also be in a better position to address any imbalance between supply and demand for the shares trading on AIM.

The directors intend that any shares purchased under this authority will be held by the Company as treasury shares within the limits allowed by law unless the directors consider that purchasing the shares and cancelling them would be to the advantage of the Company and its shareholders. The directors may dispose of treasury shares in accordance with relevant legislation and the authority relating to the rights of pre-emption granted by shareholders in general meeting (see resolutions 5 and 6 and the notes thereto).

By Order of the Board



**Richard Joyce**  
Chairman  
14 June 2006

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

# Notes to Members

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the offices of the Registrars: Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time for holding the meeting. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.
3. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at 6.00 p.m. on 10 July 2006 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6.00 p.m. on 10 July 2006 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. The register of directors' interests kept by the Company under section 325 of the Companies Act 1985 will be produced at the commencement of the meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting.
5. If you are a CREST system user (including a CREST Personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted (CREST ID: RA10). To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by Capita Registrars (CREST ID: RA10) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Capita Registrars is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## Investor relations contacts

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Incorporated in England and Wales under the Companies Act 1985  
No. 5175576

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### **BROKER**

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3 Laurence Pountney Hill  
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### **AUDITORS**

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### **SOLICITORS**

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Clyde and Co.  
51 Eastcheap  
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### **REGISTRAR**

Capita Registrars  
The Registry  
34 Beckenham Road  
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Kent BR3 4TU

### **PRINCIPAL BANKERS**

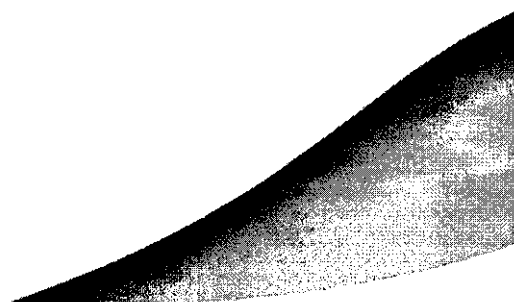
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