Wireless Information Network Limited

Directors' report and consolidated financial statements

Registered number 3212199

31 December 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The company's principal activity continues to be providing connections to mobile network operators for data services, providing applications to facilitate mobile messaging and bespoke development solutions.

Business review

The company has continued to benefit in the growing demand for wireless data services and applications. The result for the year is shown on page 5.

Turnover more than tripled to £15,293,459 and the group recorded a profit before tax of £360,312. This growth has continued into the first quarter of 2004 and the directors look forward to the remainder of 2004 with confidence.

Proposed dividend

The directors do not recommend the payment of a dividend *(2002: £nil)*.

Directors and directors interest

The following directors held office during the period up to the signing of this report and held no shares in the company.

A Kapur
RA Sanders
L Assant (resigned 2 September 2003)

The directors who held office at the beginning and end of the financial year who had interests in the ordinary shares of the company according to the register of directors' interests were as follows:

	Class of share	Interest at end of year	Interest at start of year or date of appointment
PM Norman	Ordinary shares of 1p	396,180	300,000
	Ordinary shares of 1p (allotted, nil paid)	-	*96,180*
PL Button	Ordinary shares of 1p	257,517	-
	Ordinary shares of 1p (allotted, nil paid)	-	257,517
RW Joyce	Ordinary shares of 1p	257,517	-
	Ordinary shares of 1p (allotted, nil paid)	-	257,517
J Rands	Ordinary shares of 1p	356,562	90,000
	Ordinary shares of 1p (allotted, nil paid)	-	266,562
ML Charlton	Convertible preference B shares of 1p	4,798,200	4,798,200

Directors' report *(continued)*

Directors and directors interest *(continued)*

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:

	Number of Ordinary share options during the year	
	At start and end of year	**Exercise price**
		£
P Norman	181,475	2.06
P Button	181,475	2.06
J Rands	181,475	2.06
R Joyce	181,475	2.06

All of these options are currently exercisable. There is no applicable market price for the underlying ordinary shares that are subject to option. The expiry date of the options is 2010.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

PL Button
Director

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

29 . 5 . 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have 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.

KPMG LLP

8 Salisbury Square
London EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of Wireless Information Network Limited

We have audited the financial statements on pages 5 to 24.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group 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 group'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 as at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

27 May, 2004

Consolidated profit and loss account

for the year ended 31 December 2003

	Note	2003 £	2002 £
Group turnover	*1,2*	**15,293,459**	4,749,314
Cost of sales		**(11,434,617)**	(2,818,436)
Gross profit		**3,858,842**	1,930,878
Administrative expenses		**(3,522,976)**	(3,588,548)
Group operating profit / (loss)		**335,866**	(1,657,670)
Interest receivable	*6*	**25,313**	41,958
Interest payable	*7*	**(867)**	(669)
Profit / (loss) on ordinary activities before taxation	*3-5*	**360,312**	(1,616,381)
Tax on profit / (loss) on ordinary activities	*8*	**266,773**	-
Profit / (loss) for the year	*17*	**627,085**	(1,616,381)

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 as stated above are derived from continuing operations.

Consolidated balance sheet

at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	9		256,454		299,560
Current assets					
Debtors	11	4,212,489		2,429,990	
Short term investments	12	445,901		-	
Cash at bank and in hand (including short term deposits)		756,600		866,140	
		5,414,990		3,296,130	
Creditors: amounts falling due within one year	13	(3,830,987)		(2,304,841)	
Net current assets			1,584,003		991,289
Total assets less current liabilities			1,840,457		1,290,849
Creditors: amounts falling due after more than one year	14		(960,000)		(1,120,000)
Provisions for liabilities and charges	15		(73,745)		-
Net assets			806,712		170,849
Capital and reserves					
Called up share capital	16		71,859		63,081
Share premium account	17		9,494,815		9,494,815
Profit and loss account	17		(8,759,962)		(9,387,047)
			806,712		170,849
Shareholders' funds					
Equity			-		-
Non-equity			806,712		170,849
	18		806,712		170,849

These financial statements were approved by the board of directors on 27 - 5 - 2004 and were signed on its behalf by:

PL Button
Director

Company balance sheet
at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	9		237,303		272,022
Investments	10		-		-
			237,303		272,022
Current assets					
Debtors	11	4,053,917		2,319,938	
Short term investments	12	445,901		-	
Cash at bank and in hand (including short term deposits)		601,223		716,448	
		5,101,041		3,036,386	
Creditors: amounts falling due within one year	13	(3,435,163)		(1,936,586)	
Net current assets			1,665,878		1,099,800
Total assets less current liabilities			1,903,181		1,371,822
Provisions for liabilities and charges	15		(73,745)		-
Net assets			1,829,436		1,371,822
Capital and reserves					
Called up share capital	16		71,859		63,081
Share premium account	17		9,494,815		9,494,815
Profit and loss account	17		(7,737,238)		(8,186,074)
			1,829,436		1,371,822
Shareholders' funds					
Equity			-		-
Non-equity			1,829,436		1,371,822
	18		1,829,436		1,371,822

These financial statements were approved by the board of directors on 27 · 5 · 2004 and were signed on its behalf by:

PL Button
Director

Consolidated cash flow statement

for the year ended 31 December 2003

Cash flow statement

	Note	2003 £	2002 £
Cash flow from operating activities	*21*	**697,363**	(1,229,886)
Returns on investments and servicing of finance	*22*	**24,446**	41,289
Taxation		**-**	-
Capital expenditure and financial investment	*22*	**(234,227)**	(81,869)
Cash inflow/(outflow) before management of liquid resources and financing		**487,582**	(1,270,466)
Management of liquid resources	*22*	**(327,118)**	1,486,956
Financing	*22*	**(151,222)**	(160,000)
Increase in cash in the year		**9,242**	56,490

Reconciliation of net cash flow to movement in net (debt)/funds

	Note	2003 £	2002 £
	23		
Increase in cash in the year		**9,242**	56,490
Repayment of loan		**160,000**	160,000
Cash flow from change in liquid resources		**327,118**	(1,486,956)
Change in net funds/(debt) resulting from cash flows		**496,360**	(1,270,466)
Movement in net funds/(debt) in the year		**496,360**	(1,270,466)
Net (debt)/funds at the start of the year		**(413,860)**	856,606
Net funds/(debt) at the end of the year		**82,500**	(413,860)

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 group's financial statements.

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 consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2003. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account 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.

Tangible fixed assets and depreciation

Depreciation is calculated to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic life as follows:

Leasehold improvements	-	3 years
Plant and equipment	-	3 years
Computer equipment	-	3 years
Furniture and equipment	-	3 years

Investments

Investments are held at cost less any provisions made.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a defined contribution stakeholder pension scheme. The assets of the scheme were held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represented the contributions payable to employees' private pension schemes in respect of the accounting period.

Notes *(continued)*

1 Accounting policies *(continued)*

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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 rateably over the period 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.

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 and funds held by an invoice discounter.

2 Analysis of turnover and profit/(loss) on ordinary activities before taxation

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

	2003	2002
	£	£
UK	**15,144,005**	4,593,326
EC countries	**99,749**	76,552
Rest of the world	**49,705**	79,436
	15,293,459	4,749,314

Notes *(continued)*

2 Analysis of turnover and profit/(loss) on ordinary activities before taxation *(continued)*

The profit / (loss) before tax originated from the following areas:

	2003 £	2002 £
UK	**356,791**	(1,606,741)
EC countries	**2,350**	(9,640)
Rest of the world	**1,171**	-
	360,312	(1,616,381)

3 Profit/(loss) on ordinary activities before taxation

Profit / (loss) on ordinary activities before taxation is stated *after charging:*	2003 £	2002 £
Depreciation of tangible fixed assets – owned	**277,333**	385,996
Operating lease rentals		
Land and buildings	**259,032**	259,032
Equipment hire	**5,818**	4,343
Auditors' remuneration		
- group	**26,500**	27,000
- *company*	***21,000***	*20,000*

4 Remuneration of directors

	2003 £	2002 £
Directors' emoluments	**331,497**	312,252
Amounts paid to third parties in respect of directors' services	-	68,842
Company contributions to money purchase pension schemes	-	910
	331,497	382,004

The aggregate of emoluments of the highest paid director was £100,000 *(2002: £106,042)*, and company pension contributions of £nil *(2002: £910)* were made to a money purchase scheme on the behalf of another director.

	Number of directors 2003	2002
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	1

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	2003	2002
Management	**7**	4
Sales and marketing	**9**	6
Administration	**2**	4
Operations and development	**21**	18
	39	32

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	**1,967,730**	1,633,349
Social security costs	**222,196**	178,234
Other pension costs	**10,225**	21,432
	2,200,151	1,833,015

6 Interest receivable - Group

	2003	2002
	£	£
Bank interest receivable	**15,871**	41,958
Other interest receivable	**9,442**	-
	25,313	41,958

7 Interest payable - Group

	2003	2002
	£	£
Bank interest paid	**867**	669

Notes *(continued)*

8 Taxation - Group

	2003	2002
	£	£
UK Corporation Tax		
Current tax on interest income for the period	-	-
Total current tax	-	-
Deferred tax	**(266,773)**	-
Tax on profit on ordinary activities	**(266,773)**	-

Current tax reconciliation

	2003	2002
	£	£
Profit / (loss) on ordinary activities before tax	**360,312**	(1,616,381)
Current tax at 30% *(2002: 30%)*	**108,094**	(484,914)
Effects of:		
Expenses not deductible for tax purposes	***1,916***	*36,664*
Depreciation in excess of capital allowances	**36,925**	46,950
Increase in losses	-	401,300
Utilisation of tax losses	**(146,935)**	-
Total current tax charge	-	-

The elements of deferred taxation are as follows:

	2003	2002
	£	£
Tax losses	**1,237,360**	1,325,832
Deferred tax asset (see note 11)	**266,773**	-

Factors that may affect future tax charges

In the previous year no provision for an asset was made. The company has tax losses at the year end of £4.1m *(2002: £4.4m).* The above deferred tax asset is seen as recoverable as it relates to the element of the tax losses which are expected be utilised in the next 12 months.

Notes *(continued)*

9 Tangible fixed assets

Group	Leasehold improvements	Plant and equipment	Computer equipment	Furniture and equipment	Total
	£	£	£	£	£
Cost					
At beginning of year	219,604	281,717	599,268	125,098	1,225,687
Additions	14,130	-	216,449	3,648	234,227
Disposals	-	-	(7,525)	(17,170)	(24,695)
At end of year	233,734	281,717	808,192	111,576	1,435,219
Depreciation					
At beginning of year	161,541	263,560	404,684	96,342	926,127
Charged in year	59,341	17,667	175,201	25,124	277,333
On disposals	-	-	(7,525)	(17,170)	(24,695)
At end of year	220,882	281,227	572,360	104,296	1,178,765
Net book value					
At 31 December 2003	**12,852**	**490**	**235,832**	**7,280**	**256,454**
At 31 December 2002	58,063	18,157	194,584	28,756	299,560

Notes *(continued)*

9 Tangible fixed assets *(continued)*

Company	Leasehold improvements	Plant and equipment	Computer equipment	Furniture and equipment	Total
	£	£	£	£	£
Cost					
At beginning of year	219,604	114,409	450,750	111,558	896,321
Additions	14,130	-	202,750	3,648	220,528
At end of year	233,734	114,409	653,500	115,206	1,116,849
Depreciation					
At beginning of year	161,541	96,252	281,130	85,376	624,299
Charged in year	59,341	17,667	153,300	24,939	255,247
At end of year	220,882	113,919	434,430	110,315	879,546
Net book value					
At 31 December 2003	**12,852**	**490**	**219,070**	**4,891**	**237,303**
At 31 December 2002	58,063	18,157	169,620	26,182	272,022

Notes *(continued)*

10 Fixed asset investments

Company	**Shares in group undertaking £**
Cost	
At beginning and end of year	1,922,414
Provisions	
At beginning and end of year	1,922,414
Net book value	
At 31 December 2003	-
At 31 December 2002	-

The companies in which the company's interest at the year end is more than 20% are as follows:

	Country of incorporation	**Principal activity**	**Class and percentage of shares held**
Subsidiary undertakings			
Bellboy Limited *	England	Dormant	Ordinary 100%
Wireless Information Network Inc. (formerly Sprintel Communications Inc.) *	USA	Dormant	Ordinary 100%
WIN Financial Limited	England	Data systems and services	Ordinary 100%

* These companies are held indirectly through WIN Financial Limited.

The results of WIN Financial Limited are included in the consolidation.

Notes *(continued)*

11 Debtors

	Group		Company	
	2003	2002	**2003**	2002
	£	£	**£**	£
Trade debtors	**1,866,420**	1,211,980	**1,802,182**	1,143,743
Other debtors	**275,782**	283,455	**259,032**	259,032
Deferred tax assets	**266,773**	-	**214,500**	-
Prepayments and accrued income	**1,803,514**	934,555	**1,778,203**	917,163
	4,212,489	2,429,990	**4,053,917**	2,319,938

Other debtors include amounts of £259,032 *(2002: £259,032)* due after more than one year.

12 *Short term investments*

The short term investment of £445,901 *(2002: £nil)* represents amounts receivable from Cattles Invoice Finance Oxford Limited under an invoice discounting facility and is included in the companies liquid resources.

13 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	**2003**	2002
	£	£	**£**	£
Loans (see note 14)	**160,000**	160,000	**-**	-
Trade creditors	**1,493,787**	765,557	**1,421,259**	750,229
Taxation and social security	**277,494**	148,582	**249,357**	*120,219*
Other creditors	**4,683**	4,683	**-**	-
Accruals and deferred income	**1,895,023**	1,226,019	**1,764,547**	1,066,138
	3,830,987	2,304,841	**3,435,163**	1,936,586

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

Group	2003 £	2002 £
Loans	**960,000**	1,120,000
Analysis of debt:		
Debt can be analysed as falling due:		
In one year or less	**160,000**	160,000
Between two and five years	**640,000**	640,000
After more than five years	**320,000**	480,000
	1,120,000	1,280,000

The loan is non-interest bearing, is repayable in equal instalments over 7 years and cross guaranteed by Wireless Information Network Limited.

15 Provisions for liabilities and charges

Group and company

	£
At beginning of year	-
Charge to the profit and loss for the year	73,745
At end of year	**73,745**

The above provision relates to an empty property leased by the business but no longer in use and is made in accordance with FRS 12.

Notes *(continued)*

16 Called up share capital

	2003		2002	
Authorised	Number	Value £	Number	Value £
Ordinary shares of 1p each	94,091,882	940,919	94,091,882	940,919
Convertible redeemable preference A shares of 1p each	8,118	81	8,118	81
Convertible redeemable preference B shares of 1p each	5,098,200	50,982	5,098,200	50,982
Non-voting deferred shares of 1p each	811,800	8,118	811,800	8,118
	100,010,000	1,000,100	100,010,000	1,000,100
Allotted				
Ordinary shares of 1p each	-	-	877,776	8,778
Allotted, called up and fully paid				
Ordinary shares of 1p each	1,267,776	12,678	390,000	3,900
Convertible redeemable preference A shares of 1p	8,118	81	8,118	81
Convertible redeemable preference B shares of 1p	5,098,200	50,982	5,098,200	50,982
Non-voting deferred shares of 1p each	811,800	8,118	811,800	8,118
	7,185,894	71,859	6,308,118	63,081

In the year 877,776 ordinary shares of 1p each were called up and paid for.

Notes *(continued)*

16 Called up share capital *(continued)*

All shares except the non-voting deferred shares rank equally for dividends. The convertible redeemable preference A and B shares rank for voting rights as if they had been converted into ordinary shares immediately prior to the meeting. Each convertible redeemable preference A and B share is convertible into 732.03992 and 0.1398777 ordinary shares respectively. The convertible redeemable preference A and B shares are redeemable at any date at the option of the company based on a price agreed either by tender or private treaty. From 4 May 2005 the holders of the A convertible redeemable preference shares may elect to redeem some or all of their shares at the aggregate of the nominal amount and any premium paid on subscription for shares of the holder or the amount payable on a winding up.

In the event of a winding up funds up to £6,725,591 will be distributed 91% to A convertible redeemable preference shareholders and 9% to B convertible redeemable preference shareholders. Funds up to £16,000,000 will be distributed 9% to B convertible redeemable preference shareholders and A convertible redeemable preference shareholders will receive in aggregate between 75% and 91%. Additional funds in excess of £16,000,000 will be distributed to all shareholders equally, excluding the non-voting deferred shares.

The convertible redeemable preference shares, which were in issue in 2001 were convertible into 1p ordinary shares on a 1 for 1 basis at any time, or automatically on the event of a listing. A return of capital or winding up of the assets available for distribution shall be applied in repaying the preference shareholders twice the aggregate of the nominal value and premium paid on subscription. The shares were issued for a total consideration of £1,535 per share. The shares had the voting rights of ordinary shares.

The non-voting deferred shares have the right to a return of capital equal to the amounts paid up on the shares, following the repayment of the ordinary and the convertible redeemable preference shares and the payment of a further amount of £1,000,000 in respect of each ordinary share.

Notes *(continued)*

17 Share premium and reserves

Group	Share premium account £	Profit and loss account £
At beginning of year	9,494,815	(9,387,047)
Profit for the year	-	627,085
At end of year	**9,494,815**	**(8,759,962)**

Company	Share premium account £	Profit and loss account £
At beginning of year	9,494,815	(8,186,074)
Profit for the year	-	448,836
At end of year	**9,494,815**	**(7,737,238)**

18 Reconciliation of movements in shareholders' funds

	Group		Company	
	2003 £	2002 £	**2003** £	2002 £
Profit / (loss) for the financial year	**627,085**	(1,616,381)	**448,836**	(1,752,753)
New share capital subscribed (net of issue costs)	**8,778**	-	**8,778**	-
Net increase / (reduction) in shareholders' funds	**635,863**	(1,616,381)	**457,614**	(1,752,753)
Opening shareholders' funds	**170,849**	1,787,230	**1,371,822**	3,124,575
Closing shareholders' funds	**806,712**	170,849	**1,829,436**	1,371,822

Notes *(continued)*

19 Contingent liabilities

Wireless Information Network Limited have given a fixed charge over all book and other debts present and future and the benefit of all contracts and policies of insurance and by way of floating charge the undertaking and all property assets and rights of the company present and future in exchange for an invoice discounting facility. At the 31 December 2003 no money was drawn down on this facility.

20 Commitments

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

	Group		Company	
	2003	2002	**2003**	2002
	£	£	**£**	£
Operating leases which expire:				
Within one year	**1,943**	900	**1,943**	900
In the second to fifth years inclusive	**-**	4,917	**-**	4,917
Over five years	**295,032**	295,032	**259,032**	259,032
	296,975	300,849	**260,975**	264,849

21 Reconciliation of operating profit/(loss) to operating cash flows

	2003	2002
	£	£
Operating profit / (loss)	**335,866**	(1,657,670)
Depreciation charges	**277,333**	385,996
Increase in debtors	**(1,515,726)**	(857,183)
Increase in creditors	**1,599,890**	898,971
Cash flow from operating activities	**697,363**	(1,229,886)

Notes *(continued)*

22 Analysis of cash flows

	2003		2002	
	£	£	£	£
Returns on investment and servicing of finance				
Interest received	25,313		41,958	
Interest paid	(867)		(669)	
		24,446		41,289
Capital expenditure				
Purchase of tangible fixed assets	(234,227)		(81,869)	
		(234,227)		(81,869)
Management of liquid resources				
Cash (withdrawn from)/ invested in short term deposits		(327,118)		1,486,956
Financing				
Repayment of loan	(160,000)		(160,000)	
Issue of ordinary share capital	8,778		-	
		151,222		(160,000)

23 Analysis of net funds/(debt)

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand and at bank	359,810	9,242	-	369,052
Debt due after one year	(1,120,000)	-	160,000	(960,000)
Debt due within one year	(160,000)	160,000	(160,000)	(160,000)
Current asset investments	506,330	327,118	-	833,448
Total	(413,860)	496,360	-	82,500

Notes *(continued)*

24 Pension scheme

The company operates a defined contribution pension scheme. No payments were made to this scheme in the year. The pension charge for the period represents contributions payable to employees' private pension schemes and amounted to £10,225 (*2002: £21,432*).

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

25 Related party disclosures

The directors consider there to be no ultimate controlling party.

During the year the company paid fees of £4,131 *(2002:£6,042)* for services provided by a company controlled by PM Norman, a director.

During the year the company paid fees of £nil *(2002: £6,012)* for services provided by P Charlton, brother of a non-executive director.

During the year there were payments made to R. Joyce, a director, totalling £31,917 *(2002: £48,300)* for consultancy services.