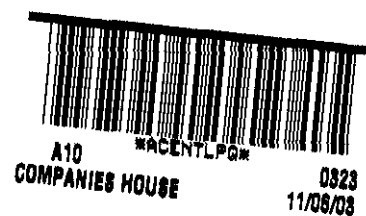


Wireless Information Network Limited

**Directors' report and consolidated
financial statements**

Registered number 3212199

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The company's principal activity continues to be the design, management and packaging of information services and delivery to users of wireless devices, including mobile phones.

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.

Following a difficult start to the year with the loss of two major contracts, the directors are pleased to report a continuing and significant reduction in losses between the second and fourth quarters of 2002.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2002
Turnover	916,190	869,316	796,396	2,167,412	4,749,314
Loss before tax	546,324	570,207	371,535	128,315	1,616,381

Strong growth in sales has been seen in the last two quarters and has continued into the first quarter of 2003. The group has recorded its first quarterly profit in the first three months and the directors look forward to the remainder of 2003 with confidence.

Proposed dividend

The directors do not recommend the payment of a dividend (2001: £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
L Assant
CH Parker (resigned 28 January 2003)
RA Sanders (appointed 28 January 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	300,000	300,000
	Ordinary shares of 1p (allotted, nil paid)	96,180	-
ML Charlton	Ordinary shares of 1p	-	4,798,200
	Convertible preference B shares of 1p	4,798,200	-
PL Button	Ordinary shares of 1p (allotted, nil paid)	257,517	-
RW Joyce	Ordinary shares of 1p (allotted, nil paid)	257,517	-
J Rands	Ordinary shares of 1p	90,000	90,000
	Ordinary shares of 1p (allotted, nil paid)	266,562	-

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 of year	Granted	Exercised	Cancelled	At end of year	Exercise price £
P Norman	95,400	-	-	(95,400)	-	5.0266
P Button	95,400	-	-	(95,400)	-	5.0266
J Rands	95,400	-	-	(95,400)	-	5.0266
R Joyce	287,400	-	-	(287,400)	-	5.0266
P Norman (1)	-	181,475	-	-	181,475	2.06
P Button (1)	-	181,475	-	-	181,475	2.06
J Rands (1)	-	181,475	-	-	181,475	2.06
R Joyce (1)	-	181,475	-	-	181,475	2.06

(1) One third of these options are exercisable from 30 August 2001, one third are exercisable from 30 August 2002, one third are exercisable from 30 August 2003.

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 Hutton
Director

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

29 April 2003

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.



20 Farringdon Street
London EC4Y 4PP
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 23.

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 2002 and of the loss 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

3 April, 2003

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

	Note	2002	2001
		£	£
Group turnover			
Continuing operations	3	4,749,314	3,819,302
Discontinued operations	3	-	180,296
		<hr/>	<hr/>
	1,2	4,749,314	3,999,598
 Cost of sales		 (2,818,436)	 (1,985,313)
		<hr/>	<hr/>
Gross profit		1,930,878	2,014,285
Administrative expenses		(3,588,548)	(5,419,780)
		<hr/>	<hr/>
Group operating loss			
Continuing operations	3	(1,648,030)	(2,740,908)
Discontinued operations	3	(9,640)	(664,587)
		<hr/>	<hr/>
		(1,657,670)	(3,405,495)
 Interest receivable	7	 41,958	 179,266
Interest payable	8	(669)	(3,232)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	4-6	(1,616,381)	(3,229,461)
Tax on loss on ordinary activities	9	-	-
		<hr/>	<hr/>
Loss for the year	16	(1,616,381)	(3,229,461)
		<hr/>	<hr/>

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 as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

Consolidated balance sheet

at 31 December 2002

	Note	2002	2001
		£	£
Fixed assets			
Tangible assets	10	299,560	603,687
Current assets			
Debtors	12	2,429,990	1,567,807
Cash at bank and in hand (including short term deposits)		866,140	2,296,606
		<u>3,296,130</u>	<u>3,864,413</u>
Creditors: amounts falling due within one year	13	(2,304,841)	(1,400,870)
Net current assets		<u>991,289</u>	<u>2,463,543</u>
Total assets less current liabilities		<u>1,290,849</u>	<u>3,067,230</u>
Creditors: amounts falling due after more than one year	14	(1,120,000)	(1,280,000)
Net assets		<u>170,849</u>	<u>1,787,230</u>
Capital and reserves			
Called up share capital	15	63,081	63,081
Share premium account	16	9,494,815	9,494,815
Profit and loss account	16	(9,387,047)	(7,770,666)
		<u>170,849</u>	<u>1,787,230</u>
Shareholders' funds			
Equity		-	1,787,230
Non-equity		170,849	-
	17	<u>170,849</u>	<u>1,787,230</u>

These financial statements were approved by the board of directors on 29 April 2003 and were signed on its behalf by:


PL Button
Director

Balance sheet
at 31 December 2002

	Note	2002		2001	
		£	£	£	£
Fixed assets					
Tangible assets	10		272,022		475,307
Investments	11		-		-
			<u>272,022</u>		<u>475,307</u>
Current assets					
Debtors	12	2,319,938		1,378,126	
Cash at bank and in hand (including short term deposits)		716,448		2,245,159	
		<u>3,036,386</u>		<u>3,623,285</u>	
Creditors: amounts falling due within one year	13	<u>(1,936,586)</u>		<u>(974,017)</u>	
Net current assets			<u>1,099,800</u>		<u>2,649,268</u>
Net assets			<u>1,371,822</u>		<u>3,124,575</u>
Capital and reserves					
Called up share capital	15		63,081		63,081
Share premium account	16		9,494,815		9,494,815
Profit and loss account	16		(8,186,074)		(6,433,321)
			<u>1,371,822</u>		<u>3,124,575</u>
Shareholders' funds					
Equity			-		3,124,575
Non-equity			<u>1,371,822</u>		-
	17		<u>1,371,822</u>		<u>3,124,575</u>

These financial statements were approved by the board of directors on 29 April 2003 and were signed on its behalf by:


PL Button
Director

Consolidated cash flow statement
for the year ended 31 December 2002

	<i>Note</i>	2002 £	2001 £
Cash flow statement			
Cash flow from operating activities	20	(1,229,886)	(3,307,857)
Returns on investments and servicing of finance	21	41,289	176,034
Taxation		-	-
Capital expenditure	21	(81,869)	(305,565)
		<hr/>	<hr/>
Cash outflow before management of liquid resources and financing		(1,270,466)	(3,437,388)
Management of liquid resources	21	1,486,956	3,544,339
Financing	21	(160,000)	(160,000)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		<u>56,490</u>	<u>(53,049)</u>
 Reconciliation of net cash flow to movement in net (debt)/funds			
	22		
Increase/(decrease) in cash in the year		56,490	(53,049)
Cash used to repay loan		160,000	160,000
Cash flow from change in liquid resources		(1,486,956)	(3,544,339)
		<hr/>	<hr/>
Change in net debt resulting from cash flows		(1,270,466)	(3,437,388)
		<hr/>	<hr/>
Movement in net funds in the year		(1,270,466)	(3,437,388)
Net funds at the start of the year		856,606	4,293,994
		<hr/>	<hr/>
Net (debt)/funds at the end of the year		<u>(413,860)</u>	<u>856,606</u>

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. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements. The adoption of the new standards has not had a material impact on the 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 2002. 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.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and the gains and 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 parent company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the parent company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme 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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers. Turnover is recognised either at the point of delivery of services to the ultimate end user or an accruals basis in accordance with the terms of the contract with the customers.

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 Turnover

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

	2002 £	2001 £
UK	4,593,326	3,477,115
EC countries	76,552	408,909
Rest of world	79,436	113,574
	<hr/> 4,749,314 <hr/>	<hr/> 3,999,598 <hr/>

The loss before tax originated from the following areas:

	2002 £	2001 £
UK	(1,606,741)	(2,564,874)
EC countries	(9,640)	(664,587)
Rest of world	-	-
	<hr/> (1,616,381) <hr/>	<hr/> (3,229,461) <hr/>

Notes (continued)

3 Analysis of continuing and discontinued operations

	Continuing	2002 Discontinued	Total	Continuing	2001 Discontinued	Total
	£	£	£	£	£	£
Turnover	4,749,314	-	4,749,314	3,819,302	180,296	3,999,598
Cost of sales	(2,818,436)	-	(2,818,436)	(1,835,132)	(150,181)	(1,985,313)
Gross profit	1,930,878	-	1,930,878	1,984,170	30,115	2,014,285
Administrative expenses	(3,578,908)	(9,640)	(3,588,548)	(4,725,078)	(694,702)	(5,419,780)
Operating loss	(1,648,030)	(9,640)	(1,657,670)	(2,740,908)	(664,587)	(3,405,495)

Administrative expenses include exceptional closure costs of £nil (2001: £161,022).

4 Loss on ordinary activities before taxation

	2002 £	2001 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation of tangible fixed assets – owned	385,996	419,805
Hire of other assets - operating leases	263,375	297,412
Auditors' remuneration		
- group	27,000	28,000
- company	20,000	20,000

5 Remuneration of directors

	2002 £	2001 £
Directors' emoluments	312,252	616,739
Compensation for loss of office	-	86,400
Amounts paid to third parties in respect of directors' services	68,842	87,389
Company contributions to money purchase pension schemes	910	10,003
	382,004	800,531

The aggregate of emoluments of the highest paid director was £106,042 (2001: £167,730), and company pension contributions of £910 (2001: £10,003) were made to a money purchase scheme on his behalf.

	Number of directors 2002	2001
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1

Notes *(continued)*

6 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	
	2002	2001
Management	4	7
Sales and marketing	6	14
Administration	4	11
Operations and development	18	22
	<u>32</u>	<u>54</u>

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	1,633,349	2,073,945
Social security costs	178,234	223,328
Other pension costs	21,432	23,014
	<u>1,833,015</u>	<u>2,320,287</u>

7 Interest receivable - Group

	2002	2001
	£	£
Bank interest receivable	<u>41,958</u>	<u>179,266</u>

8 Interest payable - Group

	2002	2001
	£	£
Bank interest paid	<u>669</u>	<u>3,232</u>

Notes *(continued)*

9 Taxation

	2002 £	2001 £
<i>UK Corporation Tax</i>		
Current tax on income for the period	-	-
Adjustments in respect of prior years	-	-
	<hr/>	<hr/>
Total current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

Current tax reconciliation

	2002 £	2001 £
Loss on ordinary activities before tax	(1,616,381)	(3,229,461)
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	(484,914)	(968,838)
Effects of:		
Expenses not deductible for tax purposes	36,664	335,384
Depreciation in excess of capital allowances	46,950	7,790
Increase in losses carried forward	401,300	625,664
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

Factors that may affect future tax charges

Deferred tax assets of £1,326k (2001: £930k) arising from the tax losses have not been recognised.

Notes (continued)

10 Tangible fixed assets

Group	Leasehold improve- ments £	Plant and equipment £	Computer equipment £	Furniture and equipment £	Total £
Cost					
At beginning of year	219,604	278,779	524,654	120,781	1,143,818
Additions	-	-	77,552	4,317	81,869
Transfers	-	2,938	(2,938)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	219,604	281,717	599,268	125,098	1,225,687
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of year	88,339	149,650	244,423	57,719	540,131
Charge for year	73,202	113,910	160,261	38,623	385,996
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	161,541	263,560	404,684	96,342	926,127
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2002	58,063	18,157	194,584	28,756	299,560
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	131,265	129,129	280,231	63,062	603,687
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Tangible fixed assets (continued)

Company	Leasehold improvements	Plant and equipment	Computer equipment	Furniture and equipment	Total
	£	£	£	£	£
Cost					
At beginning of year	219,604	111,471	391,206	108,361	830,642
Additions	-	-	62,482	3,197	65,679
Transfers	-	2,938	(2,938)	-	-
At end of year	219,604	114,409	450,750	111,558	896,321
Depreciation					
At beginning of year	88,339	30,597	188,449	47,950	355,335
Charge for year	73,202	65,655	92,681	37,426	268,964
At end of year	161,541	96,252	281,130	85,376	624,299
Net book value					
At 31 December 2002	58,063	18,157	169,620	26,182	272,022
At 31 December 2001	131,265	80,874	202,757	60,411	475,307

Notes (continued)

11 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 2002	-
At 31 December 2001	-

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 Gmbh	Germany	Messaging services	Ordinary 100%
WIN Financial Limited	England	Data systems and services	Ordinary 100%

* These companies are held indirectly through WIN Financial Limited.

Notes (continued)

12 Debtors

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Trade debtors	1,211,980	995,422	1,143,743	881,841
Other debtors	283,455	282,621	259,032	259,032
Prepayments and accrued income	934,555	289,764	917,163	237,253
	<u>2,429,990</u>	<u>1,567,807</u>	<u>2,319,938</u>	<u>1,378,126</u>

Debtors include other debtors of £259,032 (2001: £259,032) due after more than one year.

13 Creditors: amounts falling due within one year

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Loans (see note 14)	160,000	160,000	-	-
Trade creditors	765,557	440,822	750,229	361,545
Other creditors	4,683	1,729	-	12,966
Taxation and social security	148,582	151,962	120,219	116,133
Accruals and deferred income	1,226,019	646,357	1,066,138	483,373
	<u>2,304,841</u>	<u>1,400,870</u>	<u>1,936,586</u>	<u>974,017</u>

14 Creditors: amounts falling due after more than one year

Group	2002 £	2001 £
Loans	<u>1,120,000</u>	<u>1,280,000</u>
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	480,000	640,000
	<u>1,280,000</u>	<u>1,440,000</u>

The loan is non-interest bearing, is repayable in equal instalments over 8 years and cross guaranteed by WIN Financial Limited.

Notes (continued)

15 Called up share capital

		2002		2001
<i>Authorised</i>	Number	Value £	Number	Value £
Ordinary shares of 1p each	94,091,882	940,919	99,188,200	991,882
Convertible redeemable preference shares of 1p each	-	-	10,000	100
Convertible redeemable preference A shares of 1p each	8,118	81	-	-
Convertible redeemable preference B shares of 1p each	5,098,200	50,982	-	-
Non-voting deferred shares of 1p each	811,800	8,118	811,800	8,118
	<u>100,010,000</u>	<u>1,000,100</u>	<u>100,010,000</u>	<u>1,000,100</u>
<i>Allotted</i>				
Ordinary shares of 1p	877,776	8,778	-	-
	<u>877,776</u>	<u>8,778</u>	<u>-</u>	<u>-</u>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 1p each	390,000	3,900	5,488,200	54,882
Convertible redeemable preference shares of 1p each	-	-	8,118	81
Convertible redeemable preference A shares of 1p	8,118	81	-	-
Convertible redeemable preference B shares of 1p	5,098,200	50,982	-	-
Non-voting deferred shares of 1p each	811,800	8,118	811,800	8,118
	<u>6,308,118</u>	<u>63,081</u>	<u>6,308,118</u>	<u>63,081</u>

On 29th April 2002, the share capital of the company was reconstructed as follows:

- 8,118 authorised and issued convertible redeemable preference shares of 1p each were re-designated as convertible redeemable preference A shares.
- 1,882 authorised and un-issued convertible redeemable preference shares of 1p each were re-designated as ordinary shares.
- 5,098,200 authorised and issued ordinary shares were re-designated as convertible redeemable preference B shares.
- 877,776 ordinary shares were allotted at par and remained uncalled at the year end.

Notes (continued)

15 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)

16 Share premium and reserves

	Share premium account £	Profit and loss account £
Group		
At beginning of year	9,494,815	(7,770,666)
Loss for the year	-	(1,616,381)
	<hr/>	<hr/>
At end of year	9,494,815	(9,387,047)
	<hr/>	<hr/>
Company		
	Share premium account £	Profit and loss account £
At beginning of year	9,494,815	(6,433,321)
Loss for the year	-	(1,752,753)
	<hr/>	<hr/>
At end of year	9,494,815	(8,186,074)
	<hr/>	<hr/>

17 Reconciliation of movements in shareholders' funds

	2002 £	Group 2001 £	2002 £	Company 2001 £
Loss for the financial year	(1,616,381)	(3,229,461)	(1,752,753)	(3,325,703)
New share capital subscribed (net of issue costs)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net reduction in shareholders' funds	(1,616,381)	(3,229,461)	(1,752,753)	(3,325,703)
Opening shareholders' funds	1,787,230	5,016,691	3,124,575	6,450,278
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	170,849	1,787,230	1,371,822	3,124,575
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

18 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 2002 no money had been drawn down on this facility.

19 Commitments

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

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
<i>Operating leases which expire:</i>				
Within one year	900	10,335	900	-
Between two and five years	4,917	-	4,917	-
In more than five years	295,032	331,032	259,032	259,032
	<u>300,849</u>	<u>341,367</u>	<u>264,849</u>	<u>259,032</u>

20 Reconciliation of operating loss to operating cash flows

	2002	2001
	£	£
Operating loss	(1,657,670)	(3,405,495)
Depreciation charges	385,996	419,805
Loss on disposal of fixed assets	-	85,147
Increase in debtors	(857,183)	(77,020)
Increase/(decrease) in creditors	898,971	(330,294)
Cash flow from operating activities	<u>(1,229,886)</u>	<u>(3,307,857)</u>

Notes (continued)

21 Analysis of cash flows

	Notes	2002	2001
	£	£	£
Returns on investment and servicing of finance			
Interest received	41,958	179,266	
Interest paid	(669)	(3,232)	
	<u>41,289</u>	<u>176,034</u>	
Capital expenditure			
Sale of plant and machinery	-	52,536	
Purchase of tangible fixed assets	(81,869)	(358,101)	
	<u>(81,869)</u>	<u>(305,565)</u>	
Management of liquid resources			
Cash withdrawn from short term deposits		1,486,956	3,544,339
Financing			
Repayment of loan		(160,000)	(160,000)

22 Analysis of net funds/(debt)

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	303,320	56,490	-	359,810
Debt due after one year	(1,280,000)	-	160,000	(1,120,000)
Debt due within one year	(160,000)	160,000	(160,000)	(160,000)
Current asset investments	1,993,286	(1,486,956)	-	506,330
Total	<u>856,606</u>	<u>(1,270,466)</u>	<u>-</u>	<u>(413,860)</u>

Notes *(continued)*

23 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £21,432 (2001: £23,014).

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

24 Related party disclosures

The directors consider there to be no ultimate controlling party.

During the year the company paid fees of £6,042 (2001: £12,752) for services provided by a company controlled by PM Norman, a director.

During the year the company paid fees of £6,012 (2001: £23,710) for services provided by P Charlton, brother of a non-executive director.

During there were payments made to R. Joyce, a director, totalling £48,300 (2001: £87,389) for consultancy services.