

Wireless Information Network Limited

**Directors' report and consolidated
financial statements**

Registered number 3212199

31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

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 and pagers.

Business review

The company has continued to benefit in the growing demand for wireless data services and applications. The financial statements have been prepared on a going concern basis as discussed in note 1 to the financial statements.

Proposed dividend

The directors do not recommend the payment of a dividend (2000: £nil).

Directors and directors interest

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company according to the register of directors' interests:

	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
ML Charlton	Ordinary shares of 1p	4,798,200	4,798,000
A Kapur		-	-
PL Button		-	-
JR Miller (resigned at 20 February 2001)		-	-
CH Parker		-	-
RW Joyce		-	-
J Rands (appointed 25 October 2001)	Ordinary shares of 1p	90,000	90,000
A Schwartz (resigned 19 December 2001)		-	-
L Assant (appointed 19 December 2001)		-	-

Directors' report

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:

	At start of year	Number of Ordinary share options during the year			At end of year	Exercise price £
		Granted	Exercised	Lapsed		
JR Miller (1)	478,800	-	-	(478,800)	-	5.0266
JR Miller (2)	239,400	-	-	(239,400)	-	10.0532
PM Norman (1)	95,400	-	-	-	95,400	5.0266
PL Button (1)	95,400	-	-	-	95,400	5.0266
J Rands (1)	-	95,400	-	-	95,400	5.0266
RW Joyce (1)	-	287,400	-	-	287,400	5.0266

(1) One quarter of these options are exercisable on 30 August 2001, one quarter are exercisable on 30 August 2002, one quarter are exercisable on 30 August 2003 and one quarter are exercisable on 30 August 2004.

(2) One third of these options are exercisable on 30 August 2002, one third are exercisable on 30 August 2003 and one third are exercisable on 30 August 2004.

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

Our auditors KPMG have indicated to the directors that their business is to transfer to limited liability partnership, KPMG LLP. Accordingly, they have indicated their intention to resign as auditors of the company and the directors intend to appoint KPMG LLP to fill the vacancy arising.

On behalf of the board


PL Button
Director

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

28th MAY 2002

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 company and to prevent and detect fraud and other irregularities.



8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Wireless Information Network Limited

We have audited the financial statements on pages 5 to 21.

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 company 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the ability of the company to meet its cash flow projections. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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 2001 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

KPMG
Chartered Accountants
Registered Auditors

28 June 2002

Consolidated profit and loss account

for the year ended 31 December 2001

	Note	2001	2000
		£	£
Group turnover			
Continuing operations	3	3,819,302	3,166,670
Discontinued operations	3	180,296	-
	2	<u>3,999,598</u>	<u>3,166,670</u>
Cost of sales		(1,985,313)	(1,331,501)
		<u></u>	<u></u>
Gross profit		2,014,285	1,835,169
Administrative expenses			
- before goodwill impairment		(5,419,780)	(3,376,686)
- goodwill impairment		-	(3,195,716)
		<u></u>	<u></u>
Total administrative expenses		(5,419,780)	(6,572,402)
		<u></u>	<u></u>
Group operating loss			
Continuing operations	3	(2,740,908)	(4,737,233)
Discontinued operations	3	(664,587)	-
		<u></u>	<u></u>
		(3,405,495)	(4,737,233)
Interest receivable and similar income	8	179,266	248,585
Interest payable and similar charges	9	(3,232)	-
		<u></u>	<u></u>
Loss on ordinary activities before taxation	4-6	(3,229,461)	(4,488,648)
Tax on loss on ordinary activities	9	-	-
		<u></u>	<u></u>
Group loss for the year	18	(3,229,461)	(4,488,648)
		<u></u>	<u></u>

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.

The results stated above are derived from continuing operations in both the current and preceding years.

Consolidated balance sheet

as at 31 December 2001

	Note	£	2001 £	£	2000 £
Fixed assets					
Tangible assets	10		603,687		803,074
			<u>603,687</u>		<u>803,074</u>
Current assets					
Debtors	12	1,567,807		1,490,787	
Cash at bank and in hand		2,296,606		5,893,994	
			<u>3,864,413</u>	<u>7,384,781</u>	
Creditors: amounts falling due within one year	13	(1,400,870)		(1,731,164)	
			<u></u>	<u></u>	
Net current assets			2,463,543		5,653,617
Total assets less current liabilities			<u>3,067,230</u>		<u>6,456,691</u>
Creditors: amounts falling due after more than one year	14		(1,280,000)		(1,440,000)
			<u></u>	<u></u>	
Net assets			<u>1,787,230</u>		<u>5,016,691</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		(7,770,666)		(4,541,205)
			<u></u>	<u></u>	<u></u>
Equity shareholders' funds	17		1,787,230		5,016,691
			<u></u>	<u></u>	<u></u>

These financial statements were approved by the board of directors on 28th MAY 2002 and were signed on its behalf by:

PL Button
Director

Balance sheet

at 31 December 2001

	Note	2001	2000
		£	£
Fixed assets			
Tangible assets	10	475,307	543,694
Investments	11	-	17,414
		<u>475,307</u>	<u>561,108</u>
Current assets			
Debtors and prepayments	12	1,378,126	1,113,753
Cash at bank and in hand		2,245,159	5,758,835
		<u>3,623,285</u>	<u>6,872,588</u>
Creditors: amounts falling due within one year	13	(974,017)	(983,448)
		<u>2,649,268</u>	<u>5,889,140</u>
Net current assets			
		<u>3,124,575</u>	<u>6,450,248</u>
Net assets			
		<u>3,124,575</u>	<u>6,450,248</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	(6,433,321)	(3,107,618)
		<u>3,124,575</u>	<u>6,450,278</u>
Equity shareholders' funds	17		
		<u>3,124,575</u>	<u>6,450,278</u>

These financial statements were approved by the board of directors on 28TH MAY 2002 and were signed on its behalf by


PL Burton
Director

Consolidated cash flow statement
for the year ended 31 December 2001

	<i>Note</i>	2001 £	2000 £
Cash flow statement			
Cash flow from operating activities	20	(3,307,857)	(1,451,386)
Returns on investments and servicing of finance	21	176,034	248,585
Taxation		-	-
Capital expenditure and financial investment	21	(305,565)	(584,338)
Acquisitions and disposals	21	-	(93,799)
		<hr/>	<hr/>
Cash outflow before management of liquid resources and financing		(3,437,388)	(1,880,938)
Management of liquid resources	21	-	(5,537,625)
Financing	21	-	7,744,836
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		(3,437,388)	326,273
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
	22		
(Decrease)/increase in cash in the year		(53,049)	326,273
Cash used to repay loan		160,000	-
Cash flow from change in liquid resources		(3,544,339)	5,537,625
		<hr/>	<hr/>
Change in net debt resulting from cash flows		(3,437,388)	5,863,898
Loans acquired with subsidiary		-	(1,600,000)
		<hr/>	<hr/>
Movement in net funds in the year		(3,437,388)	4,263,898
Net funds at the start of the year		4,293,994	30,096
		<hr/>	<hr/>
Net funds at the end of the year		856,606	4,293,994
		<hr/>	<hr/>

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.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The directors have prepared detailed group profit and cash flow projections for the 24 months ending 31 December 2003 which indicate that the business is expected to be profitable and cash generative. On the basis of this cash flow information the directors consider it will continue to operate within its available loan facility and continue in operational existence by meeting its liabilities as and when they fall due. However, there is no certainty in relation to these matters. The financial statements do not include any adjustments that would result from the group not achieving its cash flow projections.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2001. 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.

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 consolidation in respect of acquisitions since 1 January 1998 is capitalised. Amortisation and impairment charges are included within operating profits.

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	-	4 years

Investments

Investments are held at cost.

Notes (continued)

1 Accounting policies (continued)

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.

Pensions

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.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services to 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, carrying values or traded in an active market. 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.

	2001 £	2000 £
UK	3,477,115	2,565,584
EC countries	408,909	480,577
Rest of world	113,574	120,509
	<hr/> 3,999,598 <hr/>	<hr/> 3,166,670 <hr/>

Notes (continued)

3 Analysis of continuing and discontinued operations

	2001			2000		
	Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
Turnover	3,819,302	180,296	3,999,598	3,166,670	-	3,166,670
Cost of sales	(1,835,132)	(150,181)	(1,985,313)	(1,331,501)	-	(1,331,501)
Gross profit	1,984,170	30,115	2,014,285	1,835,169	-	1,835,169
Administrative expenses	(4,725,078)	(694,702)	(5,419,780)	(6,572,402)	-	(6,572,402)
Operating loss	(2,740,908)	(664,587)	(3,405,495)	(4,737,233)	-	(4,737,233)

Administrative expenses include exceptional closure costs of £161,022.

4 Loss on ordinary activities before taxation

	2001 £	2000 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation of tangible fixed assets - owned	419,805	127,777
Hire of other assets - operating leases	297,412	5,048
Auditors' remuneration		
- group	28,000	35,000
- company	20,000	25,000
- other services	-	90,000

5 Remuneration of directors

	2001 £	2000 £
Directors' emoluments	616,739	292,487
Compensation for loss of office	86,400	-
Amounts paid to third parties in respect of directors' services	87,389	-
Company contributions to money purchase pension schemes	10,003	9,007
	800,531	301,494

The aggregate of emoluments of the highest paid director was £167,730 (2000:£111,606), and company pension contributions of £10,003 (2000:£9,007) were made to a money purchase scheme on his behalf.

	Number of directors	
	2001	2000
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 company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2001	2000
Management	7	4
Sales and marketing	14	11
Administration	11	8
Operations and development	22	14
	<u>54</u>	<u>37</u>

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	2,073,945	1,733,271
Social security costs	223,328	163,515
Other pension costs	23,014	9,007
	<u>2,320,287</u>	<u>1,905,793</u>

7 Other interest receivable and similar income – Group

	2001	2000
	£	£
Bank interest receivable	<u>179,266</u>	<u>248,585</u>

8 Interest payable and similar charges

	2001	2000
	£	£
Bank interest paid	<u>3,232</u>	<u>-</u>

9 Taxation

No tax charge arises either in the current or preceding year due to the availability of group tax losses amounting to £5.5m (2000: £2.2m) subject to agreement by the Inland Revenue.

Notes (continued)

10 Tangible fixed assets

Group	Leasehold improve- ments £	Plant and equipment £	Computer equipment £	Furniture and equipment £	Total £
Cost					
At beginning of year	209,462	281,291	359,102	116,750	966,605
Additions	40,197	2,811	283,114	31,979	358,101
Disposals	(30,055)	(5,323)	(117,562)	(27,948)	(180,888)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	219,604	278,779	524,654	120,781	1,143,818
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of year	16,310	78,867	47,280	21,074	163,531
Charge for year	74,563	76,106	226,177	42,959	419,805
Eliminated on disposal	(2,534)	(5,323)	(29,034)	(6,314)	(43,205)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	88,339	149,650	244,423	57,719	540,131
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2001	131,265	129,129	280,231	63,062	603,687
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	193,152	202,424	311,822	95,676	803,074
	<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	208,886	111,471	232,354	98,391	651,102
Additions	10,718	-	158,852	9,970	179,540
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	219,604	111,471	391,206	108,361	830,642
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of year	15,734	30,241	51,010	10,423	107,408
Charge for year	72,605	356	137,439	37,527	247,927
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	88,339	30,597	188,449	47,950	355,335
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2001	131,265	80,874	202,757	60,411	475,307
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	193,152	81,230	181,344	87,968	543,694
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Fixed asset investments

Company	Shares in group undertaking £	Total £
Cost		
At beginning and end of year	1,922,414	1,922,414
Provisions		
At beginning of year	1,905,000	1,905,000
Impairment losses	17,414	17,414
At end of year	1,922,414	1,922,414
Net book value		
At 31 December 2001	-	-
At 31 December 2000	17,414	17,414

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%

Notes (continued)

12 Debtors

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Trade debtors	995,422	932,991	881,841	716,342
Other debtors	282,621	349,142	259,032	311,311
Prepayments and accrued income	289,764	208,654	237,253	86,100
	<u>1,567,807</u>	<u>1,490,787</u>	<u>1,378,126</u>	<u>1,113,753</u>

Debtors include other debtors of £259,032 (2000: £281,220) due after more than one year.

13 Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	2000	2000
	£	£	£	£
Loans (see note 14)	160,000	160,000	-	-
Trade creditors	440,822	667,448	361,545	497,171
Other creditors	1,729	3,646	12,966	-
Other taxes and social security	151,962	114,839	116,133	60,228
Accruals and deferred income	646,357	785,231	483,373	426,049
	<u>1,400,870</u>	<u>1,731,164</u>	<u>974,017</u>	<u>983,448</u>

14 Creditors: amounts falling due after more than one year

Group	2001	2000
	£	£
Loans	1,280,000	1,440,000
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	640,000	800,000
	<u>1,440,000</u>	<u>1,600,000</u>

The loan is non-interest bearing, is repayable in equal instalments over 9 years and cross guaranteed by WIN Financial Limited.

Notes (continued)

15 Called up share capital

		2001		2000
	Number	Value £	Number	Value £
<i>Authorised</i>				
Ordinary shares of 1p each	99,188,200	991,882	99,188,200	991,882
Convertible redeemable preference shares of 1p each	10,000	100	10,000	100
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, called up and fully paid</i>				
		£		£
Ordinary shares of 1p each	5,488,200	54,882	5,488,200	54,882
Convertible redeemable preference shares of 1p each	8,118	81	8,118	81
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>

The convertible redeemable preference shares are 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 £5,439. The shares have 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. The shares are non equity however they have no value.

Notes *(continued)*

16 Share premium and reserves

Group	Share premium account £	Profit and loss account £
At beginning of year	9,494,815	(4,541,205)
Loss for the year	-	(3,229,461)
At end of year	9,494,815	(7,770,666)
Company	Share premium account £	Profit and loss account £
At beginning of year	9,494,815	(3,107,618)
Loss for the year	-	(3,325,703)
At end of year	9,494,815	(6,433,321)

Notes (continued)

17 Reconciliation of movements in shareholders' funds

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Loss for the financial year	(3,229,461)	(4,488,648)	(3,325,703)	(3,055,061)
New share capital subscribed (net of issue costs)	-	9,557,696	-	9,557,696
Net addition to/(reduction in) shareholders' funds	(3,229,461)	5,069,048	(3,325,703)	6,502,635
Opening shareholders' funds	5,016,691	(52,357)	6,450,278	(52,357)
Closing shareholders' funds	1,787,230	5,016,691	3,124,575	6,450,278

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 31/12/01 no money had been drawn down.

19 Operating lease commitments

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

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
<i>Operating leases which expire:</i>				
Within one year	10,335	1,127	-	1,000
Between two and five years	-	38,221	-	488
In more than five years	331,032	295,032	295,032	259,032
	341,367	334,380	295,032	260,520

20 Reconciliation of operating loss to operating cash flows

	2001	2000
	£	£
Operating loss	(3,405,495)	(4,877,233)
Depreciation charges	419,805	129,777
Loss on disposal of fixed assets	85,147	-
Goodwill impairment	-	3,195,716
Increase in debtors	(77,020)	(1,395,011)
(Decrease)/increase in creditors	(330,294)	1,495,365
Net cash outflow from operating activities	(3,307,857)	(1,451,386)

Notes (continued)

21 Analysis of cash flows

	Notes	2001	2000
		£	£
Returns on investment and servicing of finance			
Interest received	179,266	-	
Interest paid	(3,232)	248,585	
		<u>176,034</u>	<u>248,585</u>
Capital expenditure and financial investment			
Sale of plant and machinery	52,536	-	
Purchase of tangible fixed assets	(358,101)	(584,338)	
		<u>(305,565)</u>	<u>(584,338)</u>
Acquisitions and disposals			
Purchase of subsidiary undertaking	-	(17,414)	
Net overdrafts acquired with subsidiary	-	(76,385)	
		<u>-</u>	<u>(93,799)</u>
Management of liquid resources			
Cash invested in short term deposits		-	(5,537,625)
		<u>-</u>	<u>-</u>
Financing			
Issue of ordinary share capital (net proceeds)		-	7,744,836
		<u>-</u>	<u>7,744,836</u>

22 Analysis of net funds

	At beginning of year	Cash flow	At end of year
	£	£	£
Cash in hand, at bank	356,369	(53,049)	303,320
Debt due after one year	(1,440,000)	160,000	(1,280,000)
Debt due within one year	(160,000)	-	(160,000)
Current asset investments	5,537,625	(3,544,339)	1,993,286
	<u>4,293,994</u>	<u>(3,437,388)</u>	<u>856,606</u>
Total	<u>4,293,994</u>	<u>(3,437,388)</u>	<u>856,606</u>

Notes *(continued)*

23 Pension scheme

The company 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 £33,017 (2000 : £9,007).

24 Related party disclosures

During the year the company paid fees of £12,752 (2000:£8,958) for services provided to a company controlled by PM Norman, a director.

During the year the company paid fees of £23,710 (2000: £24,815) for services provided by P Charlton, brother of the Chief Executive.

During there were payments made to R. Joyce, a director totalling £87,389 for consultancy services.

25 Ultimate controlling party

The ultimate controlling party is ML Charlton.