

TXT ORDER PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2004



COMPANY INFORMATION

Directors

Peter Deacon
Allan A Douglas
Andrew Dixon
Roy Dixon

Secretary

Amanda Dixon

Company number

04263615

Registered office

Silverhill
Rudgeway
Bristol
BS35 2NS

Auditors

HLB AV Audit plc
Crown House
37-41 Prince Street
Bristol
BS1 4PS

Business address

Silverhill
Rudgeway
Bristol
BS35 2NS

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the cash flow statement	8
Notes to the financial statements	9 - 13

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2004**

The directors present their report and financial statements for the year ended 31 July 2004.

Principal activities and review of the business

The principal activity of the company is the research and commercial development of a service that enables consumers to request information and purchase goods and services using a text message sent from a mobile phone this activity continued throughout the year. The Txt Order service was commercially launched during 2003.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend the payment of a dividend.

Research and development

The company has established and continues an active programme of development the costs of which amounted to £64,004 in the period. The directors and shareholders are committed to the future funding of the development of this product.

Directors

The following directors have held office since 1 August 2003:

Peter Deacon
Allan A Douglas
Andrew Dixon
Roy Dixon

Directors' interests

The directors had no direct interest in the shares of the company as at 31st July 2004.

	Ordinary of £ 1 each	
	31 July 2004	1 August 2003
Peter Deacon	-	-
Allan A Douglas	-	-
Andrew Dixon	-	-
Roy Dixon	-	-

Note 15 refers to the controlling parties of the company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that HLB AV Audit plc be reappointed as auditors of the company will be put to the Annual General Meeting.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2004

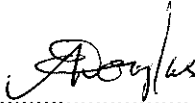
Directors' responsibilities

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 of the company 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board


.....

24/2/05

Allan A Douglas

Director
.....

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF TXT ORDER PLC**

We have audited the financial statements of TXT Order plc on pages 5 to 13 for the year ended 31 July 2004. These financial statements have been prepared under the historical cost convention and 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the uncertainty as to the continuation of support by the company's shareholders and loan creditors. 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.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE SHAREHOLDERS OF TXT ORDER PLC**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



HLB AV Audit plc



Registered Auditor

Crown House
37-41 Prince Street
Bristol
BS1 4PS

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2004**

	Notes	2004 £	2003 £
Turnover	2	14,854	-
Cost of sales		(2,153)	-
Gross profit		12,701	-
Administrative expenses		(372,857)	(455,780)
Other operating income		33,348	-
Operating loss	3	(326,808)	(455,780)
Interest payable and similar charges	4	-	(36)
Loss on ordinary activities before taxation		(326,808)	(455,816)
Tax on loss on ordinary activities	5	-	-
Loss on ordinary activities after taxation	11	(326,808)	(455,816)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

TXT ORDER PLC



BALANCE SHEET AS AT 31 JULY 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	6		3,709		4,289
Current assets					
Debtors	7	43,799		6,730	
Cash at bank and in hand		-		35,996	
		<u>43,799</u>		<u>42,726</u>	
Creditors: amounts falling due within one year	8	<u>(55,817)</u>		<u>(578,016)</u>	
Net current liabilities			<u>(12,018)</u>		<u>(535,290)</u>
Total assets less current liabilities			<u>(8,309)</u>		<u>(531,001)</u>
Creditors: amounts falling due after more than one year	9		<u>(849,500)</u>		<u>-</u>
			<u>(857,809)</u>		<u>(531,001)</u>
Capital and reserves					
Called up share capital	10	50,000		50,000	
Profit and loss account	11	<u>(907,809)</u>		<u>(581,001)</u>	
Shareholders' funds - equity interests	12		<u>(857,809)</u>		<u>(531,001)</u>

The financial statements were approved by the Board on 24/02/05

Alan A Douglas

.....
Allan A Douglas
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2004**

	£	2004 £	£	2003 £
Net cash (outflow)/inflow from operating activities		(378,570)		29,044
Returns on investments and servicing of finance				
Interest paid	-		(36)	
Net cash outflow for returns on investments and servicing of finance		-		(36)
Capital expenditure				
Payments to acquire tangible assets	(867)		(3,231)	
Net cash outflow for capital expenditure		(867)		(3,231)
Net cash (outflow)/inflow before management of liquid resources and financing		(379,437)		25,777
Financing				
Increase in loans	340,054		-	
Net cash inflow/(outflow) from financing		340,054		-
(Decrease)/increase in cash in the year		(39,383)		25,777

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2004**

1	Reconciliation of operating loss to net cash (outflow)/inflow from operating activities		2004	2003
			£	£
	Operating loss		(326,808)	(455,780)
	Depreciation of tangible assets		1,447	935
	Increase in debtors		(37,069)	(6,338)
	(Decrease)/Increase in creditors within one year		(16,140)	490,227
	Net cash (outflow)/inflow from operating activities		(378,570)	29,044

2	Analysis of net (debt)/funds	1 August 2003	Cash flow	Other non-cash changes	31 July 2004
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	35,996	(35,996)	-	-
	Bank overdrafts	-	(3,387)	-	(3,387)
		35,996	(39,383)	-	(3,387)
	Bank deposits	-	-	-	-
	Net funds/(debt)	35,996	(39,383)	-	(3,387)

3	Reconciliation of net cash flow to movement in net (debt)/funds	2004	2003
		£	£
	(Decrease)/increase in cash in the year	(39,383)	25,777
	Movement in net (debt)/funds in the year	(39,383)	25,777
	Opening net funds	35,996	10,219
	Closing net (debt)/funds	(3,387)	35,996

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2004**

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

Since 31 July 2004 Newhaven Properties Limited has continued its financial support and has introduced funds totalling £122,000 to meet the company's operating costs. Negotiations are continuing with a number of potential customers and third parties interested in joint venture partnerships to find markets for the company. The directors are confident that some of these negotiations will be successful and on this basis Newhaven Properties Limited has agreed to continue its funding to enable these negotiations to be completed and to generate revenue for the company.

Based on the above the directors consider it appropriate for the financial statements to be prepared on the going concern basis. The financial statements do not include any adjustments that would result should the going concern basis of preparation not be appropriate. In the event that this basis is not appropriate, provisions may be required and assets may need to be written down to their recoverable amount.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Research and development

Research and development expenditure is written off to the profit and loss account until revenues are generated when consideration will be given to deferral and future amortisation of relevant expenditure.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	25% (Straight Line)
---------------------	---------------------

1.6 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2004

3 Operating loss	2004	2003
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	1,447	935
Research and development	64,004	146,800
Operating lease rentals	6,579	2,346
Auditors' remuneration	2,000	2,000

4 Interest payable	2004	2003
	£	£
On bank loans and overdrafts	-	36

5 Taxation

There is no charge to UK corporation tax due to losses.

6 Tangible fixed assets

	Plant and machinery £
Cost	
At 1 August 2003	5,357
Additions	867
At 31 July 2004	6,224
Depreciation	
At 1 August 2003	1,068
Charge for the year	1,447
At 31 July 2004	2,515
Net book value	
At 31 July 2004	3,709
At 31 July 2003	4,289

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2004

7 Debtors	2004	2003
	£	£
Trade debtors	6,096	-
Other debtors	37,703	6,730
	<u>43,799</u>	<u>6,730</u>
8 Creditors: amounts falling due within one year	2004	2003
	£	£
Bank loans and overdrafts	3,387	-
Trade creditors	26,313	46,491
Amounts owed to joint parent undertakings (see notes 15 and 16)	16,291	435,737
Taxes and social security costs	7,826	3,788
Other creditors (see note 16)	-	90,000
Accruals and deferred income	2,000	2,000
	<u>55,817</u>	<u>578,016</u>
9 Creditors: amounts falling due after more than one year	2004	2003
	£	£
Amount owed to joint parent undertakings (see notes 15 and 16)	460,000	-
Other creditors (see note 15 and 16)	389,500	-
	<u>849,500</u>	<u>-</u>
10 Share capital	2004	2003
	£	£
Authorised		
350,000 Ordinary of £1 each	<u>350,000</u>	<u>350,000</u>
Allotted, called up and fully paid		
50,000 Ordinary of £1 each	<u>50,000</u>	<u>50,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2004

11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 August 2003	(581,001)
Retained loss for the year	(326,808)
Balance at 31 July 2004	<u>(907,809)</u>

12 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Loss for the financial year	(326,808)	(455,816)
Opening shareholders' funds	(531,001)	(75,185)
Closing shareholders' funds	<u>(857,809)</u>	<u>(531,001)</u>

13 Financial commitments

At 31 July 2004 the company was committed to making the following payments under non-cancellable operating leases in the year 31 July 2005:

	2004 £	Other 2003 £
Operating leases which expire:		
Within one year	<u>6,000</u>	<u>6,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2004

14 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2004	2003
	Number	Number
Sales and development	6	6

Employment costs

	2004	2003
	£	£
Wages and salaries	144,175	90,192
Social security costs	17,508	10,008
	<u>161,683</u>	<u>100,200</u>

15 Control

The following companies each hold 50% of the share capital of Txt Order plc:-

Wyman Dillon Limited registered in England and Wales

Allan Douglas and Peter Deacon are directors of this company and hold 100% of the shares. Allan Douglas is the controlling shareholder. Copies of the company's accounts are available at Companies House, Cardiff, CF14 3UZ.

Troyka (Isle of Man) Limited

Roy Dixon and Andrew Dixon are directors of this company and hold 100% of the shares. Andrew Dixon is the controlling shareholder. The company is registered in the Isle of Man and its accounts are not available to the public.

16 Related party transactions

During the year the company was charged £38,104 (2003:- £63,335) for development costs, marketing and office related expenditure by Wyman Dillon Limited a company of which Allan Douglas and Peter Deacon are directors and controlling shareholders.

The amount due to Wyman Dillon Limited at 31 July 2004 was £246,291 (2003:- £205,737). The company also owed £230,000 (2003:- £230,000) to Troyka (Isle of Man) Limited, a company of which Roy Dixon and Andrew Dixon are directors and controlling shareholders and £389,500 (2003:- £90,000) to Newhaven Properties Limited, a company, registered in the Isle of Man and controlled by Roy Dixon and Andrew Dixon (see note 15). On 24th November 2003 this loan became secured through a mortgage debenture.

It is the intention, subsequent to the approval of these accounts, to convert a substantial proportion of the above loans into share capital.