CAMBRIDGE MANAGEMENT CORPORATION INC.
(INCLUDING THE CPP BRANCH OF THE ABOVE COMPANY)

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST DECEMBER 2001

Company No. FC022284

Branch No. BR005336

CAMBRIDGE MANAGEMENT CORPORATION INC.
(INCLUDING THE CPP BRANCH OF THE ABOVE COMPANY)

COMPANY INFORMATION

Director	N. Garfinkle
Company number	FC022284
Branch number	BR005336
Registered Office	133 EAST 62ND STREET NEW YORK, NY 10021 USA

CAMBRIDGE MANAGEMENT CORPORATION INC.
(INCLUDING THE CPP BRANCH OF THE ABOVE COMPANY)

CONTENTS

CAMBRIDGE MANAGEMENT CORPORATION INC.
(INCLUDING THE CPP BRANCH OF THE ABOVE COMPANY)

COMBINED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31ST DECEMBER 2001

	US 2001 $	UK 2001 $	Combined 2001 $	US 2000 $	UK 2000 $	Combined 2000 $
Gross Profit	$194,888	$119,759	$314,647	$98,478	$336,759	$435,237
Distribution Costs	$55,440	$104	$55,544	$120,542	$203	$120,745
Administration Expenses	$2,213,042	$753,977	$2,967,019	$1,560,005	$756,718	$2,316,723
Operating Loss	($2,073,594)	($634,322)	($2,707,916)	($1,582,069)	($420,162)	($2,002,231)
Interest Receivable	$0	$1,057	$1,057	$12	$3,624	$3,636
Interest payable	$2,197,418	$115,481	$2,312,899	$2,555,808	$64,547	$2,620,355
Loss for financial period	($4,271,012)	($748,746)	($5,019,758)	($4,137,865)	($481,085)	($4,618,950)
Deficit brought forward @31/12/2000	($26,311,939)	($481,085)	($26,793,024)	($22,174,074)	$0	($22,174,074)
Loss for the year	($4,271,012)	($748,746)	($5,019,758)	($4,137,865)	($481,085)	($4,618,950)
Deficit carried forward @ 31/12/2001	($30,582,951)	($1,229,831)	($31,812,782)	($26,311,939)	($481,085)	($26,793,024)

CAMBRIDGE MANAGEMENT CORPORATION INC.
(INCLUDING THE CPP BRANCH OF THE ABOVE COMPANY)

COMBINED BALANCE SHEET

FOR THE PERIOD ENDED 31ST DECEMBER 2001

	Notes		US 2001 $		UK 2001 $		Combined 2001 $		US 2000 $		UK 2000 $		Combined 2000 $
Fixed Assets													
Tangible assets	5		$124,981		$17,627		$142,608		$34,790		$16,538		$51,328
Intangible assets	4		$6,273		$0		$6,273		$14,634		$0		$14,634
			$131,254		$17,627		$148,881		$49,424		$16,538		$65,962
Current Assets													
Stocks		$396,555		$244,464		$641,019		$388,605		$188,884		$577,489	
Debtors	6	$29,940		$811,500		$841,440		$28,918		$450,547		$479,465	
Cash at bank and in hand		$2,804		$61,242		$64,046		$23,011		$93,823		$116,834	
		$429,299		$1,117,206		$1,546,505		$440,534		$733,254		$1,173,788	
Creditors: amounts falling due with one year	7	($644,062)		($132,349)		($776,411)		($212,906)		($129,785)		($342,691)	
Net current assets			($83,509)		$1,002,484		$918,975		$277,052		$620,007		$897,059
Creditors: amounts falling due after more than one year.	8		$30,334,696		$2,183,028		$32,517,724		($26,424,030)		($1,059,547)		($27,483,577)
			($30,418,205)		($1,180,544)		($31,598,749)		($26,146,978)		($439,540)		($26,586,518)
Currency translations			($215)		$49,287		$49,072		$0		$41,545		$41,545
Capitol and reserves			$164,961		$0		$164,961		$164,961		$0		$164,961
Profit and loss account			($30,582,951)		($1,229,831)		($31,812,782)		($26,311,939)		($481,085)		($26,793,024)
Shareholders' funds			($30,418,205)		($1,180,544)		($31,598,749)		($26,146,978)		($439,540)		($26,586,518)

These financial statements were approved by the board on 12/17/02 and signed on its behalf by:

N. Garfinkle
Director

1 **Account policies**

Basis of accounting

Cambridge Management Corporation, a Delaware (US) Corporation, is owned and controlled in the United States. The parent company maintains a branch operating entity in the United Kingdom for the purpose of supporting current product demand and development of new market channels in both the United Kingdom and Europe.

The consolidated financial statements are presented for the sole purpose of reporting financial results of the UK branch segment. The parent company, unaudited, financial information is provided for information purposes only and should not be relevant in the evaluation of the UK branch segment financial performance for the calendar year 2001. The footnote disclosures, to the consolidated financial statements, are directly associated to UK branch operations and are not be applicable to the financial information provided for the parent company.

The financial information provided for the parent company are presented in accordance with generally accepted accounting principals (GAAP).

The financial statements have been prepared under the historical cost convention and in accordance with Schedule 9 of the unamended 1985 Act.

Tangible fixed assets and depreciation

Depreciation has been provided at the following rates in order to write down the cost or valuation, less estimated residual value, of all tangible fixed assets, with the exception of freehold land, by equal annual installment over their expected useful lives:

Furniture and equipment	2 - 3 years
Computer equipment	2 - 4 years

Intangible assets

The intellectual property rights that were acquired by the UK branch in January 2000 were amortized over one year. The intellectual property rights that were acquired in the US are being written down over five years.

Stock

Stock are stated at the lower of cost and net realizable value after making allowances for any obsolete or slow moving items.

2 Expenses

	US 2001 $	UK 2001 $	Combined 2001 $
Selling, marketing and distribution costs	$55,440	$104	$55,544
Administration costs	$2,213,042	$753,977	$2,967,019
	$2,268,482	$754,081	$3,022,563

	US 2000 $	UK 2000 $	Combined 2000 $
Selling, marketing and distribution costs	$120,542	$203	$120,745
Administration costs	$1,560,005	$756,718	$2,316,723
	$1,680,547	$756,921	$2,437,468

3 Operation loss

The operating loss is stated after charging or crediting:	US 2001 $	UK 2001 $	Combined 2001 $
Depreciation of tangible fixed assets	$41,312	$7,470	$48,782
Amortization of intangible fixed assets	$8,362	$0	$8,362
Pension contributions	$10,111	$47,625	$57,736
Exchange loss	$0	$4,291	$4,291
Exchange loss on long term loan	$0	$17,265	$17,265

	US 2000 $	UK 2000 $	Combined 2000 $
Depreciation of tangible fixed assets	$153,460	$33,093	$186,553
Amortization of intangible fixed assets	$8,294	$18,674	$26,968
Pension contributions	$5,282	$26,481	$31,763
Exchange loss	$0	$21,094	$21,094
Exchange loss on long term loan	$0	$31,497	$31,497

4 Intangible fixed assets

	US Intellectual property rights $	UK Intellectual property rights $	Combined Intellectual property rights $
Cost	$47,444	$18,674	$66,118
Additions	$0	$0	$0
Balance at 31st December 2001	$47,444	$18,674	$66,118
Amortization	$32,809	$18,674	$51,483
Charge for the period	$8,362	$0	$8,362
Balance at 31st December 2001	$41,171	$18,674	$59,845
Net book value @ 31st December 2001	$6,273	$0	$6,273
Net book value @ 31st December 2000	$14,634	$0	$14,634

CAMBRIDGE MANAGEMENT CORPORATION INC.
(INCLUDING THE CPP BRANCH OF THE ABOVE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST DECEMBER 2001

5 Fixed Assets

	Furniture and Equipment	US Computer Equipment	Total
	$	$	$
Cost	$48,426	$1,491,669	$1,540,095
Additions	$0	$131,502	$131,502
At 31st December 2001	$48,426	$1,623,171	$1,671,597
Depreciation	$48,426	$1,456,878	$1,505,304
Charge for the period	$0	$41,312	$41,312
At 31st December 2001	$48,426	$1,498,190	$1,546,616
Net book value			
At 31st December 2001	$0	$124,981	$124,981
At 31st December 2000	$0	$34,790	$34,790

	Furniture and Equipment	UK Computer Equipment	Total
	$	$	$
Cost	$5,976	$43,655	$49,631
Additions	$0	$7,775	$7,775
At 31st December 2001	$5,976	$51,430	$57,406
Depreciation	$5,976	$27,117	$33,093
Charge for the period	$0	$6,686	$6,686
At 31st December 2001	$5,976	$33,803	$39,779
Net book value			
At 31st December 2001	$0	$17,627	$17,627
At 31st December 2000	$0	$16,538	$16,538

	Furniture and Equipment	Combined Computer Equipment	Total
	$	$	$
Cost	$54,402	$1,535,324	$1,589,726
Additions	$0	$139,277	$139,277
At 31st December 2001	$54,402	$1,674,601	$1,729,003
Depreciation	$54,402	$1,483,995	$1,538,397
Charge for the period	$0	$47,998	$47,998
At 31st December 2001	$54,402	$1,531,993	$1,586,395
Net book value			
At 31st December 2001	$0	$142,608	$142,608
At 31st December 2000	$0	$51,328	$51,328

CAMBRIDGE MANAGEMENT CORPORATION INC.
(INCLUDING THE CPP BRANCH OF THE ABOVE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST DECEMBER 2001

		US 2001 $	UK 2001 $	Combined 2001 $
6	**Debtors**			
	Trade debtors	$13,675	$0	$13,675
	Other debtors	$16,265	$216,915	$233,180
	Due from Intercompany	$0	$594,585	$594,585
		$29,940	$811,500	$841,440

	US 2000 $	UK 2000 $	Combined 2000 $
Trade debtors	$4,100	$56,174	$60,274
Other debtors	$24,818	$251,542	$276,360
Due from Intercompany	$0	$142,832	$142,832
	$28,918	$450,548	$479,466

		US 2001 $	UK 2001 $	Combined 2001 $
7	**Creditors: amounts falling due with in one year**			
	Trade creditors	$49,477	$3,939	$53,416
	Other creditors	$0	$128,410	$128,410
	Due to Intercompany	$594,585	$0	$594,585
		$644,062	$132,349	$776,411

	US 2000 $	UK 2000 $	Combined 2000 $
Trade creditors	$62,960	$13,026	$75,986
Other creditors	$7,114	$116,759	$123,873
Due to Intercompany	$142,832	$0	$142,832
	$212,906	$129,785	$342,691

		US 2001 $	UK 2001 $	Combined 2001 $
8	**Creditors: amounts falling due after more that one**			
	Loan to/from Intercompany	($2,183,028)	$2,183,028	$0
	Loan from shareholder	$32,517,724	$0	$32,517,724
		$30,334,696	$2,183,028	$32,517,724

	US 2000 $	UK 2000 $	Combined 2000 $
Loan to/from Intercompany	($1,059,547)	$1,059,547	$0
Loan from shareholder	$27,483,577	$0	$27,483,577
	$26,424,030	$1,059,547	$27,483,577

CAMBRIDGE MANAGEMENT CORPORATION INC.
(INCLUDING THE CPP BRANCH OF THE ABOVE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST DECEMBER 2001

9 Operating lease commitments

At 31 December 2001 the company had annual commitments under non-cancelable operating leases set out below:

	US 2001 $	UK 2001 $	Combined 2001 $
Operating leases which expire:			
Within one year	$252,911	$0	$252,911
Between two and five years	$0	$306,686	$306,686
	$252,911	$306,686	$559,597

	US 2000 $	UK 2000 $	Combined 2000 $
Operating leases which expire:			
Within one year	$0	$0	$0
Between two and five years	$252,911	$306,686	$559,597
	$252,911	$306,686	$559,597