

BITE COMMUNICATIONS LIMITED
(Registered number: 3023521)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2003



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BITE COMMUNICATIONS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 JULY 2003

The directors present their report together with the audited financial statements of Bite Communications Limited ("the Company") for the year ended 31 July 2003.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was the provision of international public and press relations services, dealing principally with clients in the high-technology sector. The company has a branch operating in Sweden.

REVIEW OF BUSINESS

The state of the Company's affairs at the balance sheet date was satisfactory. The directors report a profit after tax of £480,024 (2002: £627,313) for the year. They are confident that this performance will be improved upon in future years.

RESULTS AND DIVIDENDS

The directors recommend the payment of a final dividend for the year of Nil per share (2002: 100p) and the retained profit/(loss) of £480,024 (2002: £(372,687)) has been transferred to/(from) reserves. No interim dividend was paid in 2003 (2002: Nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year except as noted and their interests in the shares of the Company were:

	Ordinary shares of 5p Each at 31 July 2003	Ordinary shares of 5p Each at 1 August 2002
T W Lewis	Nil	Nil
C Armitage	Nil	Nil
S Seitz	Nil	Nil
H Macphail	Nil	Nil
I Kirk	Nil	Nil
J Wilks	Nil	Nil
C Cartwright	Nil	Nil

At 31 July 2003, C Armitage owned 1,230,500 (31 July 2002: 1,500,000) ordinary shares of 5p each and 121,819,500 (31 July 2002: nil) B1 Ordinary shares of 0.0001p each in the Company's immediate parent undertaking, Bite Communications Group Limited. These holdings represent 6.1525% of its issued share capital.

At 31 July 2003, J Wilks owned 124,000 (31 July 2002: Nil) ordinary shares of 5p each and 12,276,000 (31 July 2002: nil) B1 Ordinary shares of 0.0001p each in the Company's immediate parent undertaking, Bite Communications Group Limited. These holdings represent 0.62% of its issued share capital

At 31 July 2003, C Armitage owned 8,500 (31 July 2002: 8,500) ordinary shares of 2.5p each in Next Fifteen Communications Group plc, the ultimate parent undertaking.

At 31 July 2003, H Macphail owned 15,708 (31 July 2002: nil) ordinary shares of 2.5p each in Next Fifteen Communications Group plc, the ultimate parent undertaking.

At 31 July 2003, I Kirk owned 20,000 (31 July 2002: 20,000) ordinary shares of 2.5p each in Next Fifteen Communications Group plc, the ultimate parent undertaking.

T.W Lewis' interests in the shares of Next Fifteen Communications Group plc, the ultimate parent undertaking, are disclosed in the directors' report of that company.

The other directors had no interests in the shares of that company.

BITE COMMUNICATIONS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 JULY 2003

DIRECTORS AND THEIR INTERESTS (continued)

During the year ended 31 July 2003, the following directors held options to purchase 5p ordinary shares in Bite Communications Group Limited, the Company's immediate parent undertaking:

	Date Granted	Exercise price per share	Unexercised share options at 1 August 2002	Granted during the year	Exercised during the year	Lapsed during the year	Unexercised share options at 31 July 2003
C Armitage	30.1.1998	3.1p	124,000		-	124,000	-
C Armitage	5.4.1999	3.85p	560,000		-	560,000	-
C Armitage	4.5.2001	12.5p	240,000		-	240,000	-
S Seitz	30.1.1998	3.1p	124,000		-	124,000	-
S Seitz	3.4.2000	7.5p	160,000		-	160,000	-
S Seitz	4.5.2001	12.5p	266,000		-	266,000	-
J Wilks	30.1.1998	3.1p	124,000		124,000	-	-
J Wilks	3.4.2000	7.5p	40,000		-	-	40,000
J Wilks	4.5.2001	12.5p	386,000		-	-	386,000
J Wilks	14.8.2002	18p	-	15,000	-	-	15,000
H Macphail	4.5.2001	12.5p	35,000		-	35,000	-
H Macphail	14.8.2002	18p	-	125,000	-	125,000	-

The share options become exercisable on the following dates:

- The first one third of the total number granted on the third anniversary of the date of granting;
- The second one third of the total number granted on the fourth anniversary of the date of granting; and
- The final one third of the total number granted on the fifth anniversary of the date of granting.

The share options held by the directors cannot be exercised after the earlier of one of the following events:

- 12 months after the death of the director;
- One month after the date on which a Court sanctions an arrangement under s.425 of the Companies Act 1985;
- The date of cessation of the director's employment by the Group; or
- 10 years after the date on which the share options were granted.

At 31 July 2003, the following directors held conditional shares not yet paid for Bite Communications Group Limited, the Company's immediate parent undertaking:

	Purchase Date	Vesting Date	Purchase price per share	Conditional A Ordinary shares at 31 July 2003	Conditional B2 Ordinary shares at 31 July 2003
C Armitage	27.3.2003	1.7.2003	0.031p	124,000	12,276,000
C Armitage	27.3.2003	1.8.2003	0.0385p	560,000	55,440,000
C Armitage	27.3.2003	1.8.2003	0.0385p	240,000	23,760,000
S Seitz	27.3.2003	1.7.2003	0.031p	124,000	12,276,000
S Seitz	27.3.2003	3.4.2005	0.075p	160,000	15,840,000
S Seitz	27.3.2003	4.5.2006	0.125p	266,000	26,334,000
H Macphail	27.3.2003	4.5.2006	0.125p	35,000	3,465,000
H Macphail	27.3.2003	14.8.2007	0.18p	125,000	12,375,000

The conditional shares become eligible for payment on the following dates:

- The first one third of the total number sold two years prior to the vesting date;
- The second one third of the total number sold one year prior to the vesting date; and
- The final one third of the total number sold on the vesting date.

BITE COMMUNICATIONS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 JULY 2003 (continued)

DIRECTORS AND THEIR INTERESTS (continued)

Once eligible for payment and paid for, the conditional shares gain full voting, dividend and winding-up rights and rank pari passu with the ordinary shares.

A condition of the employee's ownership of the Conditional Shares is that:

- (i) if the employee's employment with all Group companies terminates before the Vesting Date; or
- (ii) if the employee attempts to dispose of the Conditional Shares without prior written approval of the Board of directors of the Company; then

the employee will forfeit all rights to and derived from the Conditional Shares which they have not yet paid for and must transfer them back to the Bite ESOP at the same price at which they were sold to them.

The shares of Bite Communications Group Limited are not openly traded and as such do not have a market price.

At 31 July 2003, the following directors held options to purchase 2.5p ordinary shares in the Company's ultimate parent Company, Next Fifteen Communications Group Plc:

	Date Granted	Exercise price per share	Unexercised share options at 1 August 2002	Unexercised share options at 31 July 2003
H Macphail	5.2.1997	4.8945p	38,708*	-
H Macphail	19.8.1999	47.25p	20,000	20,000

* Exercised during the year.

The share options become exercisable on the following dates:

- The first one third of the total number granted on the third anniversary of the date of granting;
- The second one third of the total number granted on the fourth anniversary of the date of granting; and
- The final one third of the total number granted on the fifth anniversary of the date of granting.

The share options held by the directors cannot be exercised after the earlier of one of the following events:

- 12 months after the death of the director;
- One month after the date on which a Court sanctions an arrangement under s.425 of the Companies Act 1985;
- The date of cessation of the director's employment by the Group; or
- 10 years after the date on which the share options were granted.

For all options granted after 30 November 1999 there is a performance criteria that the options may not be exercised unless the Company's earnings per share has, over a three year period beginning not earlier than the financial year preceding the date the option is granted, grown by at least 30%. Options granted before this date did not have specific performance criteria. Share price growth was expected to be derived from earnings per share growth but without a hurdle rate for exercise.

The directors have no other interests in the shares or debentures of the Company or any other Group company such as would be required to be disclosed by the Companies Act 1985.

CHARITABLE DONATIONS

During the year the Company made charitable donations of £844 (2002: £910) to the Charities Aid Foundation under a Give As You Earn scheme.

BITE COMMUNICATIONS LIMITED

REPORT OF THE DIRECTORS

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

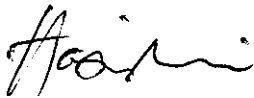
STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period 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;
- state whether applicable accounting standards have been followed; and
- 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 the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



H Macphail
Director
13th May 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BITE COMMUNICATIONS LIMITED

We have audited the financial statements of Bite Communications Limited for the year ended 31 July 2003 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under 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 auditors' 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

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 misstatements, 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 the Company's affairs as at 31 July 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

18 May 2004

BITE COMMUNICATIONS LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 JULY 2003**

	Year Ended 31 July 2003 £	Year Ended 31 July 2002 £
TURNOVER (Notes 1 and 2)	5,184,580	4,865,860
Other external charges	<u>(583,677)</u>	<u>(553,371)</u>
TURNOVER LESS OTHER EXTERNAL CHARGES	4,600,903	4,312,489
Wages and salaries	(2,225,251)	(2,095,908)
Social security costs	(285,182)	(241,626)
Other pension contributions	(93,626)	(71,519)
Depreciation	(161,544)	(128,528)
Other operating charges	<u>(1,114,770)</u>	<u>(838,330)</u>
	<u>(3,880,373)</u>	<u>(3,375,911)</u>
OPERATING PROFIT (Note 3)	720,530	936,578
Interest payable and similar charges (Note 5)	<u>(8,489)</u>	<u>(4,370)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	712,041	932,208
Tax on profit on ordinary activities (Note 6)	<u>(232,017)</u>	<u>(304,895)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	480,024	627,313
Dividends (Note 7)	-	(1,000,000)
RETAINED PROFIT / (LOSS) FOR THE FINANCIAL YEAR, TRANSFERRED TO /(FROM) RESERVES (Note 15)	<u>480,024</u>	<u>(372,687)</u>

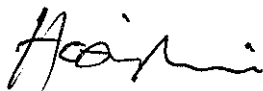
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**FOR THE YEAR ENDED 31 JULY 2003**

	Year Ended 31 July 2003 £	Year Ended 31 July 2002 £
Profit attributable to members	480,024	627,313
Currency translation differences on foreign currency net investments	<u>7,675</u>	<u>-</u>
Total recognised gains relating to the year	<u>487,699</u>	<u>627,313</u>

The accompanying notes on pages 9 to 17 form an integral part of these financial statements.

BITE COMMUNICATIONS LIMITED**BALANCE SHEET****AS AT 31 JULY 2003**

	<u>2003</u> £	<u>2002</u> £
FIXED ASSETS		
Tangible assets (Note 8)	547,281	579,778
Investments (Note 9)	220,131	209,575
	<u>767,412</u>	<u>789,353</u>
CURRENT ASSETS		
Debtors (Note 10)	1,058,743	1,778,097
Cash at bank and in hand	565,662	542,469
	<u>1,624,405</u>	<u>2,320,566</u>
CREDITORS – Amounts falling due within one year (Note 11)	<u>(1,020,631)</u>	<u>(2,197,382)</u>
NET CURRENT ASSETS	<u>603,774</u>	<u>123,184</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,371,186	912,537
CREDITORS – Amounts falling due after more than one year (Note 13)	(233,012)	(253,688)
Provisions for liabilities and charges (Note 12)	(23,633)	(32,007)
NET ASSETS	<u>1,114,541</u>	<u>626,842</u>
CAPITAL AND RESERVES		
Called up share capital (Note 14)	50,000	50,000
Reserves (Note 15)	1,064,541	576,842
TOTAL EQUITY SHAREHOLDERS' FUNDS (Note 16)	<u>1,114,541</u>	<u>626,842</u>

APPROVED BY THE BOARD ON 13th MAY 2004

H MACPHAIL
DIRECTOR

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2003 (continued)

1 ACCOUNTING POLICIES

The Company's financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies have been consistently applied throughout the year and the preceding year and are as follows:

(1) Basis of accounting

The financial statements are prepared under the historical cost convention and on a going concern basis. The Company has taken advantage of s.228 of the Companies Act 1985 and has not prepared Group accounts. Consequently these financial statements contain information about the Company only and not its Group.

(2) Turnover

Turnover represents the invoiced value of services supplied excluding all sales taxes after adjusting for any change in the level of accrued income during the year.

(3) Accrued income

Accrued income is valued on the basis of the cost of services provided up to the balance sheet date and not yet invoiced. Profit is taken on all work completed by that date. Provision is made for the full amount of foreseeable losses.

(4) Fixed Assets

Fixed assets are stated at cost, net of accumulated depreciation. Depreciation is provided on all tangible fixed assets, at annual rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Short leasehold property	Depreciated over minimum length of the lease
Office furniture	20% per annum straight line
Motor vehicles	25% per annum straight line
Office equipment	33% per annum straight line

(5) Foreign currencies

The results of overseas subsidiaries are translated at the average rates during the year and the balance sheets of these undertakings are translated at the year end exchange rates. Exchange differences arising on retranslation of opening net assets of foreign subsidiaries and branches are taken to reserves.

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling at the rate of exchange ruling at the balance sheet date. Foreign currency transactions are expressed in sterling at the rate of exchange ruling at the date of the transaction. Exchange gains and losses and translation differences are taken directly to the profit and loss account.

(6) Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset or on unremitted earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. *Deferred tax assets and liabilities are not discounted.*

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2003 (continued)

1 ACCOUNTING POLICIES (continued)

(7) Pension costs

Pension costs, which relate to payments to employees' own defined contribution pension plans, are charged to the profit and loss account as incurred.

(8) Leasing transactions

Assets held under finance leases are included in the balance sheet at cost, less accumulated depreciation. The interest element on these obligations is charged to the profit and loss account using the sum of digits method so as to achieve a constant interest rate over the life of each agreement. Operating lease rentals are charged to the profit and loss account as incurred.

(9) Investments

Fixed asset investments and investments in Group undertakings are stated at cost less provisions for impairment in value.

2 TURNOVER

All of the Company's turnover arises from the provision of public relations consultancy services within Europe.

3 OPERATING PROFIT

	2003	2002
Operating profit is stated after charging / (crediting):-	£	£
Auditors' remuneration:		
Audit services	9,720	9,000
Tax services	2,100	2,000
Depreciation of tangible fixed assets: Owned	112,260	121,839
Depreciation of tangible fixed assets: Leased	43,365	6,689
Loss/(Profit) on disposal of tangible fixed assets	7,553	(2,184)
Operating lease rentals: Land and buildings	353,884	232,157
Operating lease income	(18,531)	(15,375)
Foreign exchange gains	(9,450)	(3,323)

4 STAFF COSTS

	2003	2002
The average monthly number of employees during the year was as follows;	No.	No.
Directors	7	7
Direct Public Relations	45	41
Administration	9	7
	61	55

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2003 (continued)

4 STAFF COSTS (continued)

Directors' emoluments

	Year Ended 31 July 2003 £	Year Ended 31 July 2002 £
Emoluments of highest paid director:		
Aggregate emoluments excluding pension contributions	134,100	180,833
Company contributions to defined contribution scheme	8,200	6,667
	142,300	187,500
Total emoluments of all Directors:		
Aggregate emoluments excluding pension contributions	544,983	560,853
Company contributions to defined contribution schemes	37,037	33,783
	582,020	594,636
The number of directors to whom retirement benefits are accruing is:	Year Ended 31 July 2003 No	Year Ended 31 July 2002 No
Defined contribution schemes	5	5

Tom Lewis is also a director of the ultimate parent company, Next Fifteen Communications Group plc (Note 19), and is also a director of a number of other group companies. The amount of total emoluments he received during the year are disclosed in the accounts of the ultimate parent company since it is not practicable to apportion his emoluments between the companies.

Directors emoluments are shown within staff costs in the profit and loss account.

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £	2002 £
Bank charges	4,503	2,338
Finance lease interest	3,986	2,032
	8,489	4,370

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2003 (continued)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003	2002
	£	£
UK Corporation tax at 30% (2002: 30%)	230,695	238,330
Prior year under/(over) provision	9,660	(2,227)
Foreign tax	19,748	-
Double taxation relief	(19,748)	-
Group relief payable	36	47,975
Current tax charge for the year	240,391	284,078
Deferred taxation	(8,374)	20,817
	232,017	304,895
Reconciliation of current year tax charge	£	£
Profit on ordinary activities before taxation	712,041	932,208
Tax on profit on ordinary activities at the standard rate	213,612	279,662
Factors affecting charge:		
Disallowed expenses	2,460	2,908
Depreciation in excess of capital allowances	14,659	3,735
Prior period adjustment	9,660	(2,227)
	240,391	284,078

7 DIVIDENDS

	2003	2002
	£	£
Final dividend of Nil per 5p ordinary share (2002: 100p per 5p ordinary share)	-	1,000,000
	-	1,000,000

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2003 (continued)

8 TANGIBLE FIXED ASSETS

	Short Leasehold <u>Premises</u>	Office <u>Equipment</u>	Office <u>Furniture</u>	Motor <u>Vehicles</u>	<u>Total</u>
	£	£	£	£	£
COST					
At 1 August 2002	396,426	438,118	138,615	5,050	978,209
Additions	24,623	85,742	25,739	-	136,104
Disposals	-	(13,818)	-	-	(13,818)
Exchange Differences	-	1,271	-	-	1,271
At 31 July 2003	421,049	511,313	164,354	5,050	1,101,766
DEPRECIATION					
At 1 August 2002	26,428	283,213	88,474	316	398,431
Charge for the year	43,365	89,837	27,081	1,263	161,546
Disposals	-	(5,921)	-	-	(5,921)
Exchange Differences	-	429	-	-	429
At 31 July 2003	69,793	367,558	115,555	1,579	554,485
NET BOOK VALUE					
As at 31 July 2003	351,256	143,755	48,799	3,471	547,281
As at 31 July 2002	369,998	154,905	50,141	4,734	579,778

The net book value of short leasehold assets includes £83,613 (2002: £93,646) in respect of assets held under finance lease.

9 INVESTMENTS

2003

£

SHARES IN GROUP UNDERTAKINGS

Cost at 1 August 2002	209,575
Additions	14,400
Disposals	(3,844)
Cost at 31 July 2003	220,131

The investment represents a holding of ordinary shares in Bite Communications Group Limited, a company incorporated in Great Britain that acts as an investment holding company. The holding represents 13.305% of the shares in Bite Communications Group Limited and are held in an Employee Share Ownership Plan Trust (ESOP) as described in note 19.

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2003 (continued)

10 DEBTORS

	<u>2003</u> £	<u>2002</u> £
Trade debtors	778,106	773,752
Amounts owed by fellow subsidiary	91,626	792,825
Other debtors	15,371	8,227
Prepayments and accrued income	173,640	203,293
	<u>1,058,743</u>	<u>1,778,097</u>

11 CREDITORS: Amounts falling due within one year

	<u>2003</u> £	<u>2002</u> £
Obligations under finance leases	35,120	32,914
Trade creditors	136,602	177,230
Amounts owed to parent undertaking	105,262	119,673
Amounts owed to fellow subsidiary	18,153	66,619
Other creditors including tax and social security	159,994	139,596
Amount owed to parent undertaking in relation to UK corporation tax	240,391	284,078
Accruals and deferred income	325,109	376,032
Proposed dividends	-	1,001,240
	<u>1,020,631</u>	<u>2,197,382</u>

The bank overdraft is secured by a fixed and floating charge over the Company's assets.

12 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2003</u> £	<u>2002</u> £	
Analysis of deferred tax liability			
Accelerated capital allowances	23,633	32,007	
Analysis of movement in provisions	<u>2002</u>	<u>Movement in</u> <u>profit and loss</u> <u>account</u>	<u>2003</u>
	£	£	£
Deferred tax liability	32,007	(8,374)	23,633

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2003 (continued)

13 CREDITORS: Amounts falling due after more than one year

	<u>2003</u> £	<u>2002</u> £
Obligations under finance leases	9,037	44,113
Amounts owed to fellow subsidiary	223,975	209,575
	<u>233,012</u>	<u>253,688</u>

Of the finance lease obligation payable after more than one year £9,037 is payable between two and five years and £Nil is payable after more than five years.

14 CALLED UP SHARE CAPITAL

At 1 August 2002 and at 31 July 2003 :

	<u>2003</u> £	<u>2002</u> £
Authorised		
1,000,000 ordinary shares of 5p each (2002: 1,000,000 ordinary shares of 5p each)	50,000	50,000
	<u>£</u>	<u>£</u>
Allotted, called up and fully paid		
1,000,000 ordinary shares of 5p each (2002: 1,000,000 ordinary shares of 5p each)	50,000	50,000

15 RESERVES

	<u>2003</u> Profit & loss Account £	<u>2002</u> Profit & loss Account £
Opening balance at 1 August 2002	576,842	949,529
Retained profit / (loss) for the year	480,024	(372,687)
Currency translation differences	7,675	-
Closing balance at 31 July 2003	<u>1,064,541</u>	<u>576,842</u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2003</u> £	<u>2002</u> £
Profit after taxation for the year	480,024	627,313
Dividends	-	(1,000,000)
Currency translation differences	7,675	-
Net addition to / (reduction in) shareholders' funds	487,699	(372,687)
Opening shareholders' funds	626,842	999,529
Closing shareholders' funds	<u>1,114,541</u>	<u>626,842</u>

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2003 (continued)

17 RELATED PARTIES

The Company has taken advantage of paragraph 3 of Financial Reporting Standard 8 "Related Party Disclosures", not to disclose transactions with Group undertakings as more than 90 percent of its shares are controlled within the Group which is headed by Next Fifteen Communications Group plc as described in note 20 below.

18 OPERATING LEASE COMMITMENTS

The Company has entered into operating leases and has annual commitments under these expiring as follows:

	2003	2002
	Land and Buildings	Land and Buildings
	£	£
Between two and five years	24,903	-
After five years	313,446	313,446

19 EMPLOYEE SHARE OWNERSHIP PLAN TRUST (ESOP)

The Company formed an Employee Share Ownership Plan Trust (ESOP) during the year ended 31 July 1998.

The purpose of the ESOP is to enable the Company to offer participation in the ownership shares in Bite Communications Group Limited, the immediate parent company.

Arrangements for the distribution of benefits to employees which may be the ownership of shares in Bite Communications Group Limited or the granting of options over shares in Bite Communications Group Limited held by the ESOP are made at the ESOP's discretion in such manner as the ESOP considers appropriate.

Administration costs of the ESOP are accounted for in the profit and loss account of the Company as they are incurred.

Shares owned by the ESOP

At 31 July 2002 the ESOP held 2,689,000 Ordinary shares of 5p each in Bite Communications Group Limited. In October 2002 124,000 of these shares were sold for £3,844 to an employee who exercised their options at a price of 3.1p each. In March 2003 the ESOP purchased a further 96,000 Ordinary shares for £14,400 at a price of 15p each. On 20 March 2003 the whole of the ESOP's shareholding of 2,661,000 Ordinary 5p shares were converted to "A" Ordinary shares of 5p each, following a shareholder's resolution of Bite Communications Group Ltd. On 27 March 2003 all of the ESOP's 2,661,000 "A" Ordinary shares were sold to employees with special conditions attaching to the sale. Consideration for shares sold to employees was deferred by the trustees of the ESOP until such time as they call for payment to be made. At 31 July 2003 none of the 2,661,000 "A" Ordinary shares sold to employees had been paid for by them.

The conditional shares become eligible for payment on the following dates:

- The first one third of the total number sold two years prior to the vesting date;
- The second one third of the total number sold one year prior to the vesting date; and
- The final one third of the total number sold on the vesting date.

The vesting date varies between employees but for the majority of employees it is 4 May 2006.

Once eligible for payment and paid for, the conditional shares gain full voting, dividend and winding-up rights and rank pari passu with the ordinary shares.

A condition of the employee's ownership of the Conditional Shares is that:

- (i) if the employee's employment with all Group companies terminates before the Vesting Date; or
- (ii) if the employee attempts to dispose of the Conditional Shares without prior written approval of the Board of directors of the Company; then

BITE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JULY 2003 (continued)

19 EMPLOYEE SHARE OWNERSHIP PLAN TRUST (ESOP) (continued)

the employee will forfeit all rights to and derived from the Conditional Shares which they have not yet paid for and must transfer them back to the Bite ESOP at the same price at which they were sold to them.

Options granted by the ESOP

At 31 July 2002 options over 2,494,000 Ordinary shares in Bite Communications Group Ltd had been granted to employees of the Company by the ESOP and remained in force. In August 2002 options over a further 425,000 Ordinary shares were granted. In October 2002 options over 124,000 Ordinary shares were exercised by an employee. During the period to 26 March 2003 options over 24,000 Ordinary shares lapsed due to employees leaving the Company.

On 27 March 2003, 2,661,000 of the remaining 2,771,000 options were voluntarily lapsed by employees in return for "New" options over the same number of shares. All of the New options lapsed at the end of May 2003, when the Monetary Policy Committee did not increase the Bank of England's base interest rate, which was a condition of the continued existence of the New options.

As a result of a 99:1 bonus issue made by Bite Communications Group Ltd on 8 April 2003, disclosed in the financial statements of that company, each option over 1 Ordinary share in Bite Communications Group Ltd was supplemented by options over 99 "B1" Ordinary shares in Bite Communications Group Ltd. At 31 July 2003 options over 110,000 Ordinary shares and options over 10,890,000 "B1" Ordinary shares had been granted by the ESOP and remained in force.

The shares of Bite Communications Group Limited are not openly traded and as such do not have a market price.

20 IMMEDIATE AND ULTIMATE PARENT COMPANY

The ultimate parent undertaking and the parent company of the smallest and largest group into which the company is consolidated is Next Fifteen Communications Group plc, which is incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of Next Fifteen Communications Group plc are available to the public and can be obtained from Power Road Studios, 114a Power Road, London, W4 5PY. The immediate parent undertaking is Bite Communications Group Limited.