

Registered number: 4682431

ADEPT (GB) LIMITED
TRADING AS
ADEPT TELECOM

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 13 MONTHS ENDED
31 MARCH 2004

COMPANY INFORMATION

DIRECTORS	Alex Birchall (appointed 22/05/2003) Ian Fishwick (appointed 03/03/2003) Roger Wilson (appointed 22/05/2003) CLP Directors Limited (appointed 28/02/2003 & resigned 04/03/2003)
SECRETARY	Secretarial Solutions Limited
COMPANY NUMBER	4682431
REGISTERED OFFICE	The City Law Partnership 5 Old Bailey London EC4M 7JX
AUDITORS	Horwath Clark Whitehill LLP Chartered Accountants & Registered Auditors Lonsdale House 7-9 Lonsdale Gardens Tunbridge Wells Kent TN1 1NU
BANKERS	National Westminster Bank Plc 2nd Floor County Gate 2 Stacey Street Maidstone Kent
SOLICITORS	The City Law Partnership 5 Old Bailey London EC4M 7JX

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DIRECTORS' REPORT
For the period ended 31 March 2004

The directors present their report and the financial statements for the period ended 31 March 2004.

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 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.

PRINCIPAL ACTIVITIES

The principal activity of the company is the provision of voice telephone services to both domestic and business customers. The company was incorporated on 28 February 2003 and commenced trading in July 2003 following the acquisition of the Eurobell indirect access division.

DIRECTORS

The directors who served during the period and their beneficial interests in the company's issued share capital were:

	Ordinary shares of 10p each		12% Cumulative Fixed Preference shares of 10p each	
	<u>31/3/04</u>	<u>28/2/03</u>	<u>31/3/04</u>	<u>28/2/03</u>
Alex Birchall (appointed 22/05/2003)	-	-	-	-
Ian Fishwick (appointed 03/03/2003)	94,500	1 *	-	-
Roger Wilson (appointed 22/05/2003)	96,000	-	23,300	-
CLP Directors Limited (appointed 28/02/2003 & resigned 04/03/2003)	-	1 *	-	-

(* held on date of appointment)

Details of the directors share options are shown in note 3 to the financial statements.

DIRECTORS' REPORT
For the period ended 31 March 2004

AUDITORS

Following the incorporation of Adept (GB) Limited on the 28 February 2003, Horwath Clark Whitehill LLP have been appointed auditors and a resolution proposing their reappointment will be submitted to the forthcoming Annual General Meeting.

The report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the board on

and signed on its behalf.

Ian Fishwick
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ADEPT (GB) LIMITED TRADING AS ADEPT TELECOM

We have audited the financial statements of Adept (GB) Limited trading as Adept Telecom for the period ended 31 March 2004 set out on pages 5 to 13. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) under the historical cost convention and the accounting policies set out on page 7.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 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.

OPINION

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

Horwath Clark Whitehill LLP

Chartered Accountants
Registered Auditors

Lonsdale House

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ADEPT (GB) LIMITED TRADING AS
ADEPT TELECOM**

7-9 Lonsdale Gardens
Tunbridge Wells
Kent TN1 1NU

Date:

PROFIT AND LOSS ACCOUNT
For the period ended 31 March 2004

	Note	13 months ended 31 March 2004 £
TURNOVER	1	4,780,074
Cost of sales		<u>(3,585,530)</u>
GROSS PROFIT		1,194,544
Administrative expenses		<u>(833,144)</u>
EARNINGS BEFORE INTEREST TAXATION DEPRECIATION AND AMORTISATION		361,400
Depreciation and amortisation		<u>(177,235)</u>
OPERATING PROFIT	2	184,165
Interest receivable		35,915
Interest payable		<u>(5,458)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		214,622
TAX ON PROFIT ON ORDINARY ACTIVITIES	4	<u>(43,006)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		171,616
DIVIDENDS		<u>(166,245)</u>
RETAINED PROFIT FOR THE FINANCIAL PERIOD		<u><u>5,371</u></u>

The notes on pages 7 to 13 form part of these financial statements.

BALANCE SHEET
As at 31 March 2004

	Note	31 March 2004	
		£	£
FIXED ASSETS			
Intangible fixed assets	5		2,392,384
Tangible fixed assets	6		136,330
Investments	7		2
			2,528,716
 CURRENT ASSETS			
Debtors	8	1,182,723	
Cash at bank and in hand		795,625	
			1,978,348
CREDITORS: amounts falling due within one year	9	(1,493,977)	
			484,371
NET CURRENT ASSETS			484,371
TOTAL ASSETS LESS CURRENT LIABILITIES			3,013,087
CREDITORS: amounts falling due after more than one year	10		(85,440)
			2,927,647
NET ASSETS			2,927,647
 CAPITAL AND RESERVES			
Called up share capital	12		126,753
Share premium account	13		2,795,523
Profit and loss account			5,371
			2,927,647
SHAREHOLDERS' FUNDS			2,927,647

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the board on and signed on its behalf.

Ian Fishwick
Director

The notes on pages 7 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 March 2004

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover comprises of both invoiced and un-invoiced amounts for services supplied by the company, during the 13 month period ended 31 March 2004, exclusive of Value Added Tax and trade discounts.

1.3 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to profit and loss account over its estimated economic life which the directors consider to be 10 years.

1.4 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 of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short term leasehold property	-	5 years straight line
Fixtures & fittings	-	3 years straight line
Office equipment	-	3 years straight line
Computer equipment	-	3 years straight line

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

1.6 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.7 Pensions

Company contributions to personal pension plans are charged to the profit and loss account as incurred.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 March 2004

2. OPERATING PROFIT

The operating profit is stated after charging:

	13 months ended 31 March 2004 £
Amortisation - goodwill	135,010
Depreciation of tangible fixed assets: - owned by the company	42,225
Auditors' remuneration	10,500
Pension costs	4,378
Auditors' remuneration - non audit	2,267
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3. DIRECTORS' REMUNERATION

	13 months ended 31 March 2004 £
Aggregate emoluments	<hr/> <hr/> 285,333

During the period retirement benefits were accruing to 1 director in respect of money purchase pension schemes.

Ian Fishwick, a director has share options as follows:-

Date of grant	28/12/2003
Number of options (ordinary shares)	62,680
Option price	£3.50
Exercise expiry date	10 years from the grant of the options.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 March 2004

4. TAXATION

	13 months ended 31 March 2004 £
Analysis of tax charge in period	
Current tax (see note below)	
UK corporation tax charge on profit of the period	43,266
	<hr/>
Deferred tax	
Origination and reversal of timing differences	(260)
	<hr/>
Total deferred tax (see note 11)	<u>(260)</u>
Tax on profit on ordinary activities	<u><u>43,006</u></u>

There were no factors that affected the tax charge for the period which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK.

There were no factors that may affect future tax charges.

5. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 28 February 2003	-
Additions	<u>2,527,394</u>
At 31 March 2004	<u>2,527,394</u>
Amortisation	
At 28 February 2003	-
Charge for the period	<u>135,010</u>
At 31 March 2004	<u>135,010</u>
Net book value	
At 31 March 2004	<u><u>2,392,384</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 March 2004

6. TANGIBLE FIXED ASSETS

	Land and buildings £	Furniture, fittings and equipment £	Total £
Cost			
Additions	7,117	171,438	178,555
At 31 March 2004	<u>7,117</u>	<u>171,438</u>	<u>178,555</u>
Depreciation			
Charge for the period	1,186	41,039	42,225
At 31 March 2004	<u>1,186</u>	<u>41,039</u>	<u>42,225</u>
Net book value			
At 31 March 2004	<u>5,931</u>	<u>130,399</u>	<u>136,330</u>

7. FIXED ASSET INVESTMENTS

	Shares in group under- takings £	Total £
Cost		
Additions	<u>2</u>	<u>2</u>
At 31 March 2004	<u>2</u>	<u>2</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the company valued at cost:

Connaught Telecommunications Limited 100% ordinary share capital

The aggregate of the share capital and reserves as at 31 March 2004 and of the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Connaught Telecommunications Limited	<u>2</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 March 2004

8. DEBTORS

	31 March 2004 £
Due after more than one year	
Other debtors	60,000
Due within one year	
Trade debtors	996,707
Other debtors	125,756
Deferred tax asset (see note 11)	260
	1,182,723
	1,182,723

**9. CREDITORS:
Amounts falling due within one year**

	31 March 2004 £
Bank loans and overdrafts	988
Trade creditors	1,063,917
Corporation tax	43,266
Social security and other taxes	19,000
Other creditors	366,806
	1,493,977
	1,493,977

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company.

**10. CREDITORS:
Amounts falling due after more than one year**

	31 March 2004 £
Other creditors	85,440
	85,440

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 March 2004

11. DEFERRED TAXATION

	31 March 2004 £
At 28 February 2003	-
Released during the period	(260)
	(260)
At 31 March 2004	(260)

The deferred tax is made up as follows:

	31 March 2004 £
Accelerated capital allowances	5,023
Bad debt provision	(5,283)
	(260)
	(260)

12. SHARE CAPITAL

	31 March 2004 £
Authorised	
5,000,000 Ordinary shares of 10p each	500,000
5,000,000 12% Cumulative Fixed Preference shares of 10p each	500,000
	1,000,000
Allotted, called up and fully paid	
644,250 Ordinary shares of 10p each	64,425
623,275 12% Cumulative Fixed Preference shares of 10p each	62,328
	126,753
	126,753

On 29 May 2003, 243,000 Ordinary 10p shares were issued at 93p per share.

All subsequent share issues have been undertaken on the basis that for every 150 Ordinary 10p shares subscribed for the subscriber will also subscribe for 233 12% Cumulative Fixed Preference shares of 10p each. The 12% Cumulative Fixed Preference shares rank pari passu with the Ordinary shares.

Accordingly the subscription price for a unit of 150 Ordinary 10p Shares and 233 Cumulative Fixed Preference Shares of 10p each (a "unit") was £999.

2,675 units were issued at numerous intervals throughout the period for total consideration of £2,672,325, with a nominal value of £104,453.

The 12% Cumulative Fixed Preference shares are redeemable on 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 March 2004

12. SHARE CAPITAL (Continued)

The Company may, at any time after 31 March 2008 on not less than 25 business days' notice in writing to the holders of 12% Cumulative Fixed Preference shares, redeem, in multiples of not less than 1,000 12% Cumulative Fixed Preference shares.

There shall be paid on the redemption of each 12% Cumulative Fixed Preference share an amount equal to:-

- (i) the nominal value thereof;
- (ii) the balance of the issue price thereof; and
- (iii) all accruals and/or unpaid amounts of Preference Dividend in respect thereof, calculated down to and including the date of actual payment and such aggregate amount shall, subject to the Company having available profits or other monies which may be lawfully applied for such redemption, at that time become a debt due from and immediately payable by the company to the holders of such cumulative Preference shares. If and to the extent that the debt so constituted is not paid in full on the due date, the unpaid amount shall carry interest in respect of the period from and including the due date down to and including the date of actual payment.

Each 12% Cumulative Fixed Preference Shareholder has the right to convert all or any of his/her Cumulative Preference shares into fully paid Ordinary shares ranking pari passu with the Ordinary shares then in issue at the rate of one Ordinary share for every one 12% Cumulative Fixed Preference share at any time by serving notice.

13. RESERVES

Share premium account	£
Premium on shares issued during the period	2,795,523
	2,795,523
At 31 March 2004	2,795,523

14. OPERATING LEASE COMMITMENTS

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as follows:

	31 March
	2004
	£
Expiry date:	
Between 2 and 5 years	105,348