

**ADEPT (GB) LIMITED TRADING AS ADEPT TELECOM**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 MARCH 2005**

**ADEPT (GB) LIMITED TRADING AS ADEPT TELECOM**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	Alex Birchall Ian Fishwick Roger Wilson CLP Directors Limited
<b>SECRETARY</b>	Secretarial Solutions Limited
<b>COMPANY NUMBER</b>	4682431
<b>REGISTERED OFFICE</b>	The City Law Partnership 5 Old Bailey London EC4M 7JX
<b>AUDITORS</b>	Horwath Clark Whitehill LLP Chartered Accountants & Registered Auditors Lonsdale House 7-9 Lonsdale House Tunbridge Wells Kent TN1 1NU

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**DIRECTORS' REPORT**  
For the year ended 31 March 2005

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The directors present their report and the financial statements for the year ended 31 March 2005.

**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.

**DIRECTORS**

The directors who served during the year 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>31/3/05</u>	<u>1/4/04</u>	<u>31/3/05</u>	<u>1/4/04</u>
Alex Birchall	-	-	-	-
Ian Fishwick	94,500	94,500	-	-
Roger Wilson	96,000	96,000	23,300	23,300
CLP Directors Limited	-	-	-	-

**AUDITORS**

The auditors, Horwath Clark Whitehill LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

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**

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We have audited the financial statements of Adept (GB) Limited trading as Adept Telecom for the year ended 31 March 2005 set out on pages 4 to 12. 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 6.

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.

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

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**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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Horwath Clark Whitehill LLP**

Chartered Accountants  
Registered Auditors

Lonsdale House  
7-9 Lonsdale House  
Tunbridge Wells  
Kent TN1 1NU

Date:

**ADEPT (GB) LIMITED TRADING AS ADEPT TELECOM**

**PROFIT AND LOSS ACCOUNT**  
For the year ended 31 March 2005

	Note	Year 31 March 2005 £	As restated Period 31 March 2004 £
<b>TURNOVER</b>	1	8,676,499	4,780,075
Cost of sales		<u>(5,658,296)</u>	<u>(3,212,797)</u>
<b>GROSS PROFIT</b>		3,018,203	1,567,278
Administrative expenses		<u>(2,019,630)</u>	<u>(1,205,878)</u>
<b>EARNINGS BEFORE INTEREST TAXATION DEPRECIATION AND AMORTISATION</b>	2	998,573	361,400
Depreciation		(75,047)	(42,225)
Amortisation		(479,072)	(135,010)
Interest receivable		16,381	35,915
Interest payable		<u>(57)</u>	<u>(5,458)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		460,778	214,622
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	4	<u>(121,475)</u>	<u>(43,006)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		339,303	171,616
<b>DIVIDENDS</b>		<u>(224,643)</u>	<u>(166,245)</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	13	<u><u>114,660</u></u>	<u><u>5,371</u></u>

The notes on pages 6 to 12 form part of these financial statements.

**ADEPT (GB) LIMITED TRADING AS ADEPT TELECOM**

**BALANCE SHEET**  
As at 31 March 2005

	Note	31 March 2005		31 March 2004	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible fixed assets	5		4,585,381		2,392,384
Tangible fixed assets	6		167,030		136,330
Investments	7		1,002		-
			<u>4,753,413</u>		<u>2,528,714</u>
<b>CURRENT ASSETS</b>					
Debtors	8	1,434,463		1,182,723	
Cash at bank and in hand		353,588		795,625	
			<u>1,788,051</u>		<u>1,978,348</u>
<b>CREDITORS:</b> amounts falling due within one year	9	<u>(3,499,157)</u>		<u>(1,493,975)</u>	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			<u>(1,711,106)</u>		<u>484,373</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>3,042,307</b>		<b>3,013,087</b>
<b>CREDITORS:</b> amounts falling due after more than one year	10		-		(85,440)
<b>NET ASSETS</b>			<u><b>3,042,307</b></u>		<u><b>2,927,647</b></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12		126,753		126,753
Share premium account			2,795,523		2,795,523
Profit and loss account	13		120,031		5,371
<b>SHAREHOLDERS' FUNDS</b>			<u><b>3,042,307</b></u>		<u><b>2,927,647</b></u>

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 6 to 12 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2005

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**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 Cash flow**

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective June 2002).

**1.3 Turnover**

Turnover comprises of both invoiced and un-invoiced amounts for services supplied by the company during the year exclusive of Value Added Tax and tax and trade discounts.

**1.4 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.

**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 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

**1.6 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.

**1.7 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.

**1.8 Pensions**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2005

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**2. OPERATING PROFIT**

The operating profit is stated after charging:

	Year 31 March 2005 £	Period 31 March 2004 £
Amortisation - goodwill	479,072	135,010
Depreciation of tangible fixed assets: - owned by the company	75,047	42,225
Auditors' remuneration	17,012	12,767
Pension costs	9,913	4,378
	<b>479,072</b>	<b>135,010</b>

**3. DIRECTORS' REMUNERATION**

	Year 31 March 2005 £	Period 31 March 2004 £
Aggregate emoluments	<b>272,403</b>	<b>280,955</b>

During the year retirement benefits were accruing to 1 director (2004 - 1) in respect of money purchase pension schemes.

**4. TAXATION**

	Year 31 March 2005 £	Period 31 March 2004 £
<b>Analysis of tax charge in year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profits of the year	142,524	43,266
<b>Deferred tax</b>		
Origination and reversal of timing differences	(21,049)	(260)
<b>Total deferred tax</b> (see note 11)	<b>(21,049)</b>	<b>(260)</b>
<b>Tax on profit on ordinary activities</b>	<b>121,475</b>	<b>43,006</b>

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

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2005

5. INTANGIBLE FIXED ASSETS

	Goodwill £
<b>Cost</b>	
At 1 April 2004	2,527,394
Additions	2,635,501
Retrospective adjustment*	<u>36,568</u>
At 31 March 2005	<u>5,199,463</u>
<b>Amortisation</b>	
At 1 April 2004	135,010
Charge for the year	<u>479,072</u>
At 31 March 2005	<u>614,082</u>
<b>Net book value</b>	
At 31 March 2005	<u>4,585,381</u>
At 31 March 2004	<u>2,392,384</u>

\*A retrospective adjustment in accordance with FRS 7 'Fair values in acquisition accounting' was made in relation to the fair value of the consideration paid for the prior year acquisitions. An adjustment in respect of amortisation was made accordingly, as directed by FRS 7, which has been recognised in the current period's profit and loss account

6. TANGIBLE FIXED ASSETS

	Short term leasehold improvements £	Fixtures and fittings £	Office equipment £	Computer software £	Total £
<b>Cost</b>					
At 1 April 2004	7,117	18,779	74,758	77,901	178,555
Additions	-	13,231	43,968	48,548	105,747
At 31 March 2005	<u>7,117</u>	<u>32,010</u>	<u>118,726</u>	<u>126,449</u>	<u>284,302</u>
<b>Depreciation</b>					
At 1 April 2004	1,186	4,548	20,482	16,009	42,225
Charge for the year	1,423	8,757	31,641	33,226	75,047
At 31 March 2005	<u>2,609</u>	<u>13,305</u>	<u>52,123</u>	<u>49,235</u>	<u>117,272</u>
<b>Net book value</b>					
At 31 March 2005	<u>4,508</u>	<u>18,705</u>	<u>66,603</u>	<u>77,214</u>	<u>167,030</u>
At 31 March 2004	<u>5,931</u>	<u>14,231</u>	<u>54,276</u>	<u>61,892</u>	<u>136,330</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2005

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**7. FIXED ASSET INVESTMENTS**

	<b>Shares in group under- takings £</b>
<b>Cost</b>	
Additions	830,291
Amounts written off/repaid	<u>(829,289)</u>
At 31 March 2005	<u><u>1,002</u></u>

**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

Connaught Telecommunications Limited	100% ordinary share capital
Connectacom Network Solutions Limited	100% ordinary share capital

The aggregate of the share capital and reserves as at 31 March 2005 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	<b>Aggregate of share capital and reserves £</b>	<b>Profit/(loss) £</b>
Connaught Telecommunications Limited	2	-
Connectacom Network Solutions Limited	<u>1,000</u>	<u>(11,504)</u>

During the year the Company purchased the entire share capital of Connectacom Network Solutions Limited. The assets and the liabilities of Connectacom Network Solutions Limited were hived up to Adept (GB) Limited In January 2005 for consideration of £830,086. The resulting profit was then distributed to Adept (GB) Limited by way of a dividend. The investment shown in the Adept (GB) Limited balance sheet was then written down to reflect the remaining net assets of Connectacom Network Solutions Limited.

In the previous period the Company purchased the entire share capital of Connaught Telecommunications Limited. The assets and liabilities of Connaught Telecommunications Limited were hived up to Adept (GB) Limited for consideration of £436,554. The resulting profit was then distributed to Adept (GB) Limited by way of a dividend. The investment in the Adept (GB) Limited balance sheet was then written down to reflect the remaining net assets of Connaught Telecommunications Limited.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2005

**8. DEBTORS**

	2005	2004
	£	£
<b>Due after more than one year</b>		
Other debtors	92,400	60,000
<b>Due within one year</b>		
Trade debtors	1,245,112	996,707
Other debtors	75,642	125,756
Deferred tax asset (see note 11)	21,309	260
	<u>1,434,463</u>	<u>1,182,723</u>

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

	2005	2004
	£	£
Bank loans and overdrafts	749,119	988
Trade creditors	1,704,070	1,063,917
Amounts owed to group undertakings	1,000	-
Corporation tax	142,524	43,266
Social security and other taxes	67,886	19,000
Other creditors	834,558	366,804
	<u>3,499,157</u>	<u>1,493,975</u>

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

Included within bank loans and overdrafts is an amount of £247,539 (2004 - Nil) in relation to the balance on the invoice discounting facility. This is secured upon the underlying trade debtors.

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

	2005	2004
	£	£
Other creditors	<u>-</u>	<u>85,440</u>

**11. DEFERRED TAXATION**

	2005	2004
	£	£
At 1 April 2004	260	-
Released during the year	21,049	260
	<u>21,309</u>	<u>260</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2005

The deferred tax asset is made up as follows:

	2005	2004
	£	£
Accelerated capital allowances	(6,171)	(5,023)
Bad debt provision	27,480	5,283
	<b>21,309</b>	<b>260</b>

**12. SHARE CAPITAL**

	2005	2004
	£	£
<b>Authorised</b>		
5,000,000 Ordinary shares of 10p each	500,000	500,000
5,000,000 12% Cumulative Fixed Preference shares of 10p each	500,000	500,000
	<b>1,000,000</b>	<b>1,000,000</b>
<b>Allotted, called up and fully paid</b>		
644,250 Ordinary shares of 10p each	64,425	64,425
623,275 12% Cumulative Fixed Preference shares of 10p each	62,328	62,328
	<b>126,753</b>	<b>126,753</b>

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

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.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2005

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13. RESERVES

<b>Profit and loss account</b>	<b>£</b>
At 1 April 2004	5,371
Profit retained for the year	114,660
	<hr/>
At 31 March 2005	<u><u>120,031</u></u>

14. OPERATING LEASE COMMITMENTS

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as follows:

	2005 £	2004 £
<b>Expiry date:</b>		
Between 2 and 5 years	<u><u>105,348</u></u>	<u><u>105,348</u></u>

15. RECLASSIFICATION OF DIRECT COSTS

During the year the directors reclassified a number of expenses to bring the financial statements in line with standard industry practice.