

6/2/05

PACSCOM LIMITED

Financial Statements
for the year ended 31 October 2004



PACSCOM LIMITED

Financial statements for the year ended 31 October 2004

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Directors

G G Wood
M Geary

Secretary and registered office

N S Short
Unit 6 Majestic Road
Nursling Industrial Estate
SOUTHAMPTON
SO16 OYT

Company number

1655859

Independent auditors

BDO Stoy Hayward LLP
Park House
102-108 Above Bar
SOUTHAMPTON
SO14 7NH

PACSCOM LIMITED

Report of the directors for the year ended 31 October 2004

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

Results and dividends

The profit and loss account is set out on page 6 and shows the result for the year.

Principal activities

The company's principal activities are the development and marketing of new innovations in process automation systems and the design, development and manufacturing of communications equipment.

Directors

The directors during the year and their beneficial interests in the share capital of the company were:-

	31.10.04 Ordinary Shares of 0.1p each	31.10.03 Ordinary Shares of 0.1p each	31.10.04 Deferred Shares of 0.1p each	31.10.03 Deferred Shares of 0.1p each
G G Wood	1,744,119	1,744,119	85,461,831	85,461,831
M J Geary	8,355,416	8,355,416	409,415,384	409,415,384

Further details of the rights attached to the deferred shares are shown in Note 12 to the financial statements.

Statement of directors' responsibilities

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 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;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;
- 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.

PACSCOM LIMITED

Report of the directors for the year ended 31 October 2004 (continued)

Auditors

The auditors, BDO Stoy Hayward LLP, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

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

By order of the Board



Secretary *N S Shton*

Date: *19/8/05*

PACSCOM LIMITED

Independent auditors' report to the shareholders of Pacscom Limited

We have audited the financial statements of Pacscom Limited for the year ended 31 October 2004 on pages 6 to 14 which have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 mis-statement, 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 disclosure made in note 15 of the financial statements concerning the uncertainty as to the continuation of the company's bank overdraft and loan facilities. 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.

PACSCOM LIMITED

Independent auditors' report to the shareholders of Pacscom Limited (continued)

Opinion

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


BDO STOY HAYWARD LLP
*Chartered Accountants and
Registered Auditors
Southampton*

Date: 26 August 2005

PACSCOM LIMITED**Profit and loss account for the year ended 31 October 2004**

	Notes	2004 £	2003 £ (as restated)
Turnover	2	1,654,926	1,870,955
Cost of sales		(1,112,181)	(943,351)
Gross profit		542,745	927,604
Distribution costs		(248,847)	(244,011)
Administrative expenses		(840,716)	(1,073,101)
Operating loss		(546,818)	(389,498)
Interest payable and similar charges		(248,655)	(291,244)
Loss on ordinary activities before taxation	4	(795,473)	(680,742)
Taxation	5	-	-
Retained loss for the financial year		(795,473)	(680,742)
Retained deficit brought forward		(9,007,604)	(8,326,862)
Retained deficit carried forward		£(9,803,077)	£(9,007,604)

The notes on pages 8 to 14 form part of these financial statements.

PACSCOM LIMITED

Balance sheet as at 31 October 2004

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	6	14,713	35,925
Investments	7	100	100
		<u>14,813</u>	<u>36,025</u>
Current assets			
Stocks		452,403	385,240
Debtors	8	364,359	348,530
Cash at bank and in hand		200,143	200,410
		<u>1,016,905</u>	<u>934,180</u>
Creditors: Amounts falling due within one year	9	(4,737,342)	(3,890,356)
		<u>(3,720,437)</u>	<u>(2,956,176)</u>
Net current liabilities			
		<u>(3,705,624)</u>	<u>(2,920,151)</u>
Total assets less current liabilities			
		<u>(1,065,000)</u>	<u>(1,055,000)</u>
Creditors: Amounts falling due after more than one year	10		
		<u>£(4,770,624)</u>	<u>£(3,975,151)</u>
Net liabilities			
Capital and reserves			
Called up share capital	12	1,483,094	1,483,094
Share premium account		3,240,288	3,240,288
Profit and loss account		(9,803,077)	(9,007,604)
Capital redemption reserve		309,071	309,071
		<u>£(4,770,624)</u>	<u>£(3,975,151)</u>
Shareholders' funds			

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

The financial statements were approved by the Board of Directors on 16/8/2005


 Director M J GEAR

The notes on pages 8 to 14 form part of these financial statements.

1) Accounting policies

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of Accounting

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

Consolidation

The company and its subsidiaries comprise a small group. The company has taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts and the financial statements therefore present information about the company as an individual undertaking and not about its group.

Foreign Currencies

Assets, liabilities, revenues and costs expressed in foreign currencies are translated into Sterling at rates of exchange ruling on the date on which transactions occur, except for:-

- (i) monetary assets and liabilities which are translated at the rate ruling at the balance sheet date (other than those in (ii) below); and
- (ii) transactions to be settled at a contracted rate and trading transactions covered by a related or matching forward contract, which are translated at those contracted rates.

Differences arising on the translation of such items are dealt with in the profit and loss account.

Research and Development

All research and development expenditure is written off as it is incurred.

Tangible Fixed Assets

All fixed assets are stated at cost. Depreciation is calculated so as to write off the cost of tangible fixed assets, on a straight line basis, over their expected useful economic lives, at the following annual rates:-

Furniture, fixtures and fittings	20%
Computer equipment	33%

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

1) Accounting policies (continued)

Leased assets (continued)

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Stocks and Work in Progress

Stocks purchased for resale and consumable stores are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

The cost of work in progress is calculated as material and direct labour costs together with an appropriate proportion of production overheads.

Turnover

Turnover represents the net amount invoiced to customers, excluding value added tax. Retentions are recognised when invoiced.

Pension Costs

Pensions are provided by means of separate personal pension funds to which contributions are made. Company contributions are charged against the profits of the accounting period in which they fall due for payment.

Deferred Taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

PACSCOM LIMITED**Notes to the financial statements (continued)****2) Turnover**

The percentage of turnover attributable to geographical markets outside the United Kingdom is 4.3% (2003: 8.3%).

3) Directors' remuneration

	2004 £	2003 £
Aggregate emoluments	<u>23,333</u>	<u>39,667</u>

There were no directors in the company's defined contribution pension scheme during the year (2003: one).

4) Loss on ordinary activities before taxation

	2004 £	2003 £
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	21,212	31,487
Auditors' remuneration – audit services	<u>13,000</u>	<u>12,500</u>

5) Taxation

No corporation tax liability arises in respect of the company's loss for the year.

6) Tangible fixed assets

	Plant and machinery £
<i>Cost</i>	
At 1 November 2003 and 31 October 2004	<u>159,340</u>
<i>Depreciation</i>	
At 1 November 2003	123,415
Charge for the year	<u>21,212</u>
At 31 October 2004	<u>144,627</u>
<i>Net book value</i>	
At 31 October 2004	<u>£14,713</u>
At 31 October 2003	<u>£35,925</u>

PACSCOM LIMITED**Notes to the financial statements (continued)****7) Fixed asset investments**

	2004	2003
	£	£
Communique (UK) Limited (100% of the ordinary share capital)	2,081,226	2,081,226
Pre acquisition element of dividend receivable	(648,652)	(648,652)
Provision	(1,432,474)	(1,432,474)
	<u>£100</u>	<u>£100</u>

Communique (UK) Limited is dormant.

The company also owns 100% of the ordinary share capital of PACS Limited, a dormant company.

8) Debtors

	2004	2003
	£	£
Trade debtors	364,359	339,293
Other debtors	-	9,237
	<u>£364,359</u>	<u>£348,530</u>

All amounts are due within one year.

9) Creditors: Amounts falling due within one year

	2004	2003
	£	£
Bank loan and overdraft	3,679,968	2,852,790
Trade creditors	571,960	379,609
Other creditors	419,169	477,394
Social security and other taxation	66,245	180,563
	<u>£4,737,342</u>	<u>£3,890,356</u>

The bank loan and overdraft are secured.

PACSCOM LIMITED

Notes to the financial statements (continued)

10) Creditors: Amounts falling due after more than one year

	2004	2003
	£	£
Other creditors	<u>£1,065,000</u>	<u>£1,055,000</u>

Other creditors due after more than one year include amounts due to directors and related parties of £880,000 (2003: £870,000). The unsecured directors' loans are repayable on demand; interest is being accrued at market rate. It is the opinion of the directors that the loans will not be repaid within 12 months and therefore the loans have been included within other creditors falling due after more than one year.

11) Pensions

The company contributes to individual defined contribution pension schemes. The charge for the year was £25,945 (2003: £35,066). An amount of £11,038 was outstanding at 31 October 2004 (2003: £10,109).

12) Called up share capital

	2004	2003
<i>Authorised:</i>		
2,000,000,000 shares of 0.1p each	<u>£2,000,000</u>	<u>£2,000,000</u>
	2004	2003
	£	£
<i>Allotted, issued and fully paid:</i>		
29,661,889 ordinary shares of 0.1p each	29,662	29,662
1,435,432,561 deferred shares of 0.1p each	1,453,432	1,453,432
	<u>£1,483,094</u>	<u>£1,483,094</u>

Deferred shares have no voting or dividend rights.

13) **Financial commitments**

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

	2004		2003	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Expiring within one year	-	7,785	-	-
Expiring in one to two years	-	-	-	10,380
	<u>£-</u>	<u>£7,785</u>	<u>£-</u>	<u>£10,380</u>

14) **Related party transactions**

Related party transactions

M J Geary, a director, is also a director and majority shareholder of MJG Limited. At 31 October 2004 an amount of £95,519 (2003 : £83,125) was owed to MJG Limited.

At 31 October 2004 the company owed G G Wood, a director, £41,012 (2003: £41,012) in respect of engineering consultancy work performed on behalf of the company.

Included within Creditors: amounts falling due in more than one year in note 10 are the following amounts owed to directors and persons connected with directors:

	2004 £	2003 £
M J Geary	500,000	490,000
G G Wood	380,000	380,000
	<u> </u>	<u> </u>

Interest payable on these balances is being accrued and is included within creditors in note 9. The amounts owed in respect of this interest at the balance sheet date were:

	2004 £	2003 £
M J Geary	143,181	104,167
G G Wood	111,040	80,784
	<u> </u>	<u> </u>

Both M J Geary and G G Wood have personally guaranteed part of the company's overdraft facilities.

Controlling party

There is no overall controlling party.

PACSCOM LIMITED

Notes to the financial statements (continued)

15) Going concern

The company's bank overdraft and loan facilities were due for renewal on 31 December 2004. At the time of approving these financial statements the facility had not been formally reviewed. Since the balance sheet date the company has operated in excess of the agreed facility but the directors continue to take steps to control costs.

The directors believe they have the continued support of the company's bankers and that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not reflect any adjustments that might be required if the support of the company's bankers or shareholders was withdrawn.

16) Prior year adjustment

In the prior year distribution costs included a number of items which the directors consider should be classified as administrative expenses. Therefore the comparative figures have been amended to reflect this change, which has no effect on the reported loss for the prior year.