

Company Registration No. 1655859 (England and Wales)

PACSCOM LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2005



PACSCOM LIMITED

COMPANY INFORMATION

Directors	M Geary G G Wood
Secretary	N S Short
Company number	1655859
Registered office	Unit 6 Majestic Road Nursling Industrial Estate Southampton SO16 0YT
Auditors	Nexia Smith & Williamson Imperial House 18 - 21 Kings Park Road Southampton SO15 2AT
Bankers	Bank of Scotland 144/148 High Street Southampton Hampshire SO14 2JF
Solicitors	Paris Smith and Randall 1 London Road Southampton Hampshire SO15 2AE

PACSCOM LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 13

PACSCOM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2005

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

Principal activities

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

Directors

The following directors have held office since 1 November 2004:

M Geary
G G Wood

Directors' interests

The directors' interest in the shares of the company were as stated below:

	Ordinary of 0.1p each	
	31 October 2005	1 November 2004
M Geary	8,355,416	8,355,416
G G Wood	4,448,440	4,448,440

	Deferred of 0.1p each	
	31 October 2005	1 November 2004
M Geary	409,415,384	409,415,384
G G Wood	217,973,560	217,973,560

Auditors

Nexia Smith & Williamson were appointed auditors to the company. They have expressed their willingness to continue in office and offer themselves for re-election.

PACSCOM LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2005

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 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.

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



N S Short

Secretary

10/08/2006

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 2005 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 17. 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 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities on page 2 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 other transactions 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosure made in note 1.12 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 (CONTINUED) TO THE SHAREHOLDERS OF PACSCOM LIMITED

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

Nexia Smith & Williamson

Nexia Smith & Williamson

11/8/06

Chartered Accountants

Registered Auditor

Imperial House
18 - 21 Kings Park Road
Southampton
SO15 2AT

PACSCOM LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2005

	Notes	2005 £	2004 £
Turnover	2	1,954,544	1,654,926
Cost of sales		(968,663)	(1,112,181)
Gross profit		985,881	542,745
Distribution costs		(288,634)	(248,847)
Administrative expenses		(841,048)	(840,716)
Operating loss	3	(143,801)	(546,818)
Interest payable and similar charges		(264,689)	(248,655)
Loss on ordinary activities before taxation		(408,490)	(795,473)
Tax on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation	13	(408,490)	(795,473)

PACSCOM LIMITED

BALANCE SHEET AS AT 31 OCTOBER 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	5		12,977		14,713
Investments	6		100		100
			<u>13,077</u>		<u>14,813</u>
Current assets					
Stocks		352,295		452,403	
Debtors	7	227,095		364,359	
Cash at bank and in hand		200,075		200,143	
		<u>779,465</u>		<u>1,016,905</u>	
Creditors: amounts falling due within one year	8	<u>(4,876,656)</u>		<u>(4,707,342)</u>	
Net current liabilities			<u>(4,097,191)</u>		<u>(3,690,437)</u>
Total assets less current liabilities			<u>(4,084,114)</u>		<u>(3,675,624)</u>
Creditors: amounts falling due after more than one year	9		(1,065,000)		(1,065,000)
Provisions for liabilities and charges	10		<u>(30,000)</u>		<u>(30,000)</u>
			<u>(5,179,114)</u>		<u>(4,770,624)</u>
Capital and reserves					
Called up share capital	12		1,483,094		1,483,094
Share premium account	13		3,240,288		3,240,288
Other reserves	13		309,071		309,071
Profit and loss account	13		<u>(10,211,567)</u>		<u>(9,803,077)</u>
Shareholders' funds			<u>(5,179,114)</u>		<u>(4,770,624)</u>

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 with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 10/8/2006

M Geary
Director

PACSCOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005

1 Accounting policies

1.1 Accounting convention

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

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

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 less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	20% Straight line
Computer equipment	33% Straight line
Fixtures, fittings & equipment	20% Straight Line

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock

Stock is valued at the lower of cost and net realisable value. The cost of work in progress is calculated as material and direct labour costs together with an appropriate proportion of production overheads.

1.8 Pensions

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.

1.9 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. A deferred tax asset is not recognised to the extent that the transfer of economic benefit is uncertain. Any assets or liabilities recognised have not been discounted.

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

PACSCOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2005

1 Accounting policies

(continued)

1.11 Group accounts

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

1.12 Going Concern

At 31 December 2005 the company had net current liabilities of £4.1m (2004 £3.7m) and net liabilities of £5.2m (2004 £4.8m). It is reliant on the ongoing support of its bankers. 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 and believe that they have the continued support of the company's bankers.

The company is also reliant on the ongoing support of its directors. The directors have confirmed that they will not seek repayment of amounts owed to them at 31 October 2005 for a period of at least one year and one day from the date of approving these financial statements.

On the basis of the above the directors consider it appropriate to prepare the accounts 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 directors was withdrawn.

2 Turnover

In the year to 31 October 2005 0% (2004 - 4.30%) of the company's turnover was to markets outside the United Kingdom.

3 Operating loss

	2005	2004
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	15,532	21,212
Auditors' remuneration	7,500	13,000
Directors' emoluments	64,166	23,333

4 Taxation

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

PACSCOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2005

5 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 November 2004	159,340
Additions	13,796
	<hr/>
At 31 October 2005	173,136
	<hr/>
Depreciation	
At 1 November 2004	144,627
Charge for the year	15,532
	<hr/>
At 31 October 2005	160,159
	<hr/>
Net book value	
At 31 October 2005	12,977
	<hr/>
At 31 October 2004	14,713
	<hr/>

PACSCOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2005

6 Fixed asset investments

	Shares in group undertakings and participating interests £
Cost	
At 1 November 2004 & at 31 October 2005	1,432,574
Provisions for diminution in value	
At 1 November 2004 & at 31 October 2005	1,432,474
Net book value	
At 31 October 2005	100
At 31 October 2004	100

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held	%
Subsidiary undertakings				
Communique (UK) Limited	United Kingdom	Ordinary	100.00	
PACS Limited	United Kingdom	Ordinary	100.00	
7 Debtors			2005	2004
			£	£
Trade debtors			222,038	364,359
Other debtors			5,057	-
			<u>227,095</u>	<u>364,359</u>

PACSCOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2005

8	Creditors: amounts falling due within one year	2005 £	2004 £
	Bank loans and overdrafts	4,030,366	3,679,968
	Trade creditors	327,971	571,960
	Taxation and social security	94,198	66,245
	Other creditors	424,121	389,169
		<u>4,876,656</u>	<u>4,707,342</u>

The bank loan and overdraft are secured with a fixed and floating charge over the company's assets.

9	Creditors: amounts falling due after more than one year	2005 £	2004 £
	Other creditors	<u>1,065,000</u>	<u>1,065,000</u>
	Analysis of loans		
	Wholly repayable within five years	1,531,666	1,531,666
	Included in current liabilities	(466,666)	(466,666)
		<u>1,065,000</u>	<u>1,065,000</u>

Other creditors due after more than one year include amounts due to directors and related parties of £880,000 (2004: £880,000). Interest is being accrued at market rate. The directors have confirmed that these loans will not be repaid within 12 months of signing these accounts and therefore the loans have been included within other creditors falling due after more than one year.

10	Provisions for liabilities and charges	Other £
	Balance at 1 November 2004 & at 31 October 2005	<u>30,000</u>

The above provision is in respect of the costs required to return the company's premises to the condition required by the lease.

PACSCOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2005

11 Pension costs

Defined contribution

The company contributes to individual defined contribution pension schemes. An amount of £4,821 was outstanding at 31 October 2005 (2004: £11,038).

	2005 £	2004 £
Contributions payable by the company for the year	21,982	25,945

12 Share capital

	2005 £	2004 £
Authorised		
2,000,000,000 Ordinary of 0.1p each	2,000,000	2,000,000
Allotted, called up and fully paid		
29,661,889 Ordinary of 0.1p each	29,662	29,662
1,453,432,561 Deferred of 0.1p each	1,453,432	1,453,432
	1,483,094	1,483,094

Deferred shares have no voting or dividend rights.

13 Statement of movements on reserves

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 November 2004	3,240,288	309,071	(9,803,077)
Retained loss for the year	-	-	(408,490)
Balance at 31 October 2005	3,240,288	309,071	(10,211,567)
Other reserves			
Capital redemption reserve			
Balance at 1 November 2004 & at 31 October 2005		309,071	

PACSCOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2005

14 Financial commitments

At 31 October 2005 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 October 2006:

	2005 £	2004 £
Operating leases which expire:		
Within one year	-	7,785
Between two and five years	59,037	59,037
	<u>59,037</u>	<u>66,822</u>

15 Control

There is no ultimate controlling party.

16 Related party transactions

M J Geary, a director, is also a director and majority shareholder of MJG Limited. At 31 October 2005 an amount of £95,519 (2004: £95,519) was owed to MJG Limited.

During the year, the company sold goods and services in the normal course of business to United Technology Systems International Limited, a company M J Geary is also a director of and has joint control over, to the value of £153,986 (2004: £Nil). At the year end a balance of £62,447 was outstanding (2004: £Nil).

At 31 October 2005 the company owed G G Wood, a director, £36,717 (2004: £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 9, are the following amounts owed to directors and persons connected with directors: M J Geary £500,000 (2004: £500,000) and G G Wood £380,000 (2004: £380,000). Interest payable on these balances totals £163,181 (2004: £143,181) for M J Geary and £131,040 (£111,040) for G G Wood. Both M J Geary and G G Wood have personally guaranteed part of the company's overdraft facilities.

17 Post balance sheet events

On 21 March 2006, Communique Limited, a dormant subsidiary of Pacscom Limited was struck off the register under S652(5) of the Companies Act 1985. This will cease to be an investment in the subsequent year.