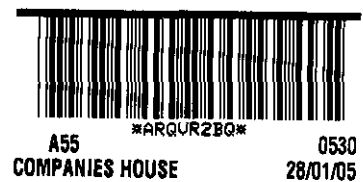


Eurotel Corporate Services Limited

**Directors' report and financial
statements**

Registered number 2402775

31 March 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

Principal activities

The principal activity of the company continued to be the sale, installation and maintenance of telecommunications equipment and network services. On 30 September 2003 the trade, assets and liabilities of the company were transferred to its parent undertaking, and consequently the operations of this company are now discontinued.

Trading results

During the year the company recorded a trading profit after tax of £41,831, recorded a profit on transfer of its business of £219,447 and incurred a loss on write off of intercompany debt of £1,083,816 giving a loss for the year of £822,538 (2003: loss of £12,609).

Directors and directors' interests

The directors who held office during the year were as follows:

RS Lutener
KD Lutener
NP Russell (resigned 15 December 2003)

None of the directors in office at the year end had any interest in the shares of the company. RS Lutener and KD Lutener are also directors of the ultimate parent undertaking and their interests in the shares of that company are disclosed in those accounts.

Auditors

A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



AP Rex
Secretary

Empire House
Mulcture Hail Road
Halifax
HX1 1SP

24 Jimmy 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 for that year. 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, 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Neville Street
Leeds
LS1 4DW

Independent auditors' report to the members of Eurotel Corporate Services Limited

We have audited the financial statements on pages 4 to 13.

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 directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with 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 loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

26 January 2005

Profit and loss account
for the year ended 31 March 2004

		Year ended 31 March 2004 £	7 months to 31 March 2003 £
Turnover	1	880,618	1,148,905
Cost of sales		(217,957)	(342,114)
Gross profit		<u>662,661</u>	<u>806,791</u>
Administration expenses		(551,569)	(849,318)
Operating profit/(loss)	2	111,092	(42,527)
Intercompany debt waived		(1,083,816)	-
Profit/(loss) on sale of fixed assets		(18,456)	1,872
Profit on transfer of business		<u>219,447</u>	<u>-</u>
Loss on ordinary activities before interest and taxation		(771,733)	(40,655)
Net interest payable	4	(3,227)	(6,223)
Loss on ordinary activities before taxation		(774,960)	(46,878)
Taxation	5	(47,578)	34,269
Loss on ordinary activities after taxation		(822,538)	(12,609)
Dividends		-	-
Retained loss for the period	15	<u><u>(822,538)</u></u>	<u><u>(12,609)</u></u>

All the operations of the company are classed as discontinued.

A statement of the movement on reserves appears as note 15 to these financial statements.

There were no recognised gains or losses in the year other than those included in the profit and loss account.

Balance sheet
at 31 March 2004

	Note	2004		2003	
		£	£	£	£
Fixed assets					
Intangible assets	6	-	-	1,081,559	
Tangible assets	7	-	-	122,010	
			-	1,203,569	
Current assets					
Stocks	8	-	-	92,662	
Debtors	9	25,250	-	295,636	
Cash at bank and in hand		-	-	14,077	
		25,250	-	402,375	
Creditors: amounts falling due within one year	10	-	-	(741,736)	
Net current assets/ (liabilities)			25,250	(339,361)	
Total assets less current liabilities			25,250	864,208	
Creditors: amounts falling due after more than one year	11	-	-	(16,420)	
Net assets			25,250	847,788	
Capital and reserves					
Called up equity share capital	13	20,000	-	20,000	
Capital redemption reserve	14	5,250	-	5,250	
Profit and loss account	14	-	-	822,538	
Equity shareholders' funds	15	25,250	-	847,788	

These financial statements were approved by the board of directors on 24-01-2005 and were signed on its behalf by:

RS Lutener
Director



24.01.2005

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently, except as detailed below, in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Turnover

Turnover represents the total amount receivable for goods supplied or for services provided excluding value added tax.

Income from sales of telephone systems is recognised on completion of the installation of the telephone system at the customers' premises. Income from maintenance contracts is recognised on the accruals basis over the period of the contract. The balance relating to the unexpired contracts at the year end is carried forward as deferred income.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the residual value of tangible fixed assets by equal annual instalments over their estimated useful economic lives as follows:

Motor vehicles	-	25% pa
Fixtures and fittings	-	15% pa
Computer equipment	-	25% pa

Notes *(continued)*

1 **Accounting policies** *(continued)*

Goodwill

Goodwill arising on the acquisition of trade and assets, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which in the opinion of the directors is between 5 and 20 years. Provision is made for any impairment.

Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition; and
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less estimated selling costs.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment to certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment to certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Leases and hire purchases contracts

Assets acquired under finance lease agreements or hire purchase contracts are capitalised. Liabilities are included for the total capital element of the instalments. The interest element of each instalment is charged to the profit and loss account in the period in which it falls due.

The annual rentals payable under operating leases are charged to the profit and loss account when the expense is incurred.

Pension costs

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Notes (continued)

2 Operating (loss)/profit

The (loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	2004 £	2003 £
Auditors' remuneration	6,250	4,820
Depreciation:		
Owned assets	16,271	19,646
Leased assets	11,107	19,578
	<u> </u>	<u> </u>

3 Staff costs

The average number of persons employed by the company (including directors) during the period analysed by category was as follows:

	2004 No	2003 No
Marketing and sales	8	8
Technical	16	22
Administration	3	6
	<u> </u>	<u> </u>
	27	36
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2004 £	2003 £
Wages and salaries	333,394	511,487
Social security costs	33,755	45,765
Pension costs	1,354	3,652
	<u> </u>	<u> </u>
	368,503	560,904
	<u> </u>	<u> </u>

Directors' remuneration

The total amounts for directors' remuneration and other benefits were as follows:

	2004 £	2003 £
Directors' remuneration	-	-
	<u> </u>	<u> </u>

Notes (continued)

4 Net interest payable

	2004 £	2003 £
<i>Payable</i>		
Bank overdraft interest	-	14
Interest on finance leases	3,227	6,209
	<u>3,227</u>	<u>6,223</u>

5 Tax on profit on ordinary activities

	2004 £	2003 £
<i>Current year</i>		
UK corporation tax at 19% (2003: 30%)	13,309	-
Deferred taxation	34,269	(34,269)
	<u>47,578</u>	<u>(34,269)</u>

	2004 £	2003 £
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before taxation	(774,960)	(46,878)
Current tax at 19% (2003: 30%)	(147,242)	(14,063)
Effect of:		
Expenditure not deductible for tax purposes (primarily goodwill)	6,547	11,777
Inter company debt waiver	205,925	-
Losses surrendered to other group companies (no payment received)	-	41,561
Fixed asset timing differences	4,417	1,921
Short term timing differences	-	(41,196)
Profit on transfer of business	(41,695)	-
Utilisation of tax losses	(14,643)	-
Total current tax (see above)	<u>13,309</u>	<u>-</u>

Notes (continued)

6 Intangible assets

	Goodwill £
Cost	
At beginning of period	1,174,544
Transfers out	(1,174,544)
	<hr/>
At end of period	-
	<hr/>
Amortisation	
At beginning of period	92,985
Charge for period	29,364
Transfers out	(122,349)
	<hr/>
At end of period	-
	<hr/>
Net book value	
At 31 March 2004	-
	<hr/>
At 31 March 2003	1,081,559
	<hr/>

7 Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At beginning of period	128,980	59,874	101,263	290,117
Disposals	(51,110)	(42,188)	(72,988)	(166,286)
Transfers out	(77,870)	(17,686)	(28,275)	(123,831)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of period	58,385	46,729	62,993	168,107
Charge for period	11,107	3,903	12,368	27,378
Disposals	(34,719)	(38,750)	(62,937)	(136,406)
Transfers out	(34,773)	(11,882)	(12,424)	(59,079)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2004	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	70,595	13,145	38,270	122,010
	<hr/>	<hr/>	<hr/>	<hr/>

The net book amount of fixed assets includes £nil (2003: £70,595) in respect of assets held under finance leases and hire purchase contracts. The depreciation charge for the year relating to these assets was £11,107 (2003: £19,578).

Notes (continued)

8 Stocks

	2004 £	2003 £
Finished goods	-	92,662
	<u> </u>	<u> </u>

9 Debtors

	2004 £	2003 £
Trade debtors	-	232,193
Amounts due from group companies	25,250	-
Prepayments and accrued income	-	29,174
Net deferred tax asset (see note 12)	-	34,269
	<u> </u>	<u> </u>
	<u>25,250</u>	<u>295,636</u>

10 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	-	166,350
Amounts due to group companies	-	105,268
Other taxation and social security	-	48,696
Obligations under finance leases and hire purchase contracts	-	42,830
Accruals and deferred income	-	360,123
Other creditors	-	18,469
	<u> </u>	<u> </u>
	<u>-</u>	<u>741,736</u>

11 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Finance lease and hire purchase	-	16,420
	<u> </u>	<u> </u>

Finance lease and hire purchase liabilities are secured on the specific asset to which the contract relates. The liabilities will be settled within five years, and have all be transferred to Eurotel Limited as at 30 September 2003.

Notes (continued)

12 Deferred tax

	Taxation including deferred taxation £
At beginning of period	(34,269)
Charge/(credit) to the profit and loss for the period	34,269
	<hr/>
At end of period	-
	<hr/>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2004		2003
	Provided £	Unprovided £	Provided £
			Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	-	-	(5,838)
Tax losses	-	-	(28,431)
	<hr/>	<hr/>	<hr/>
	-	-	(34,269)
	<hr/>	<hr/>	<hr/>

13 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
100,000 £1 ordinary 'A' shares	100,000	100,000
100,000 1p ordinary 'B' shares	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
20,000 £1 ordinary 'A' shares	20,000	20,000
	<hr/>	<hr/>

14 Reserves

	Capital redemption £	Profit and loss account £
At beginning of period	5,250	822,538
Loss in period	-	(847,788)
	<hr/>	<hr/>
At end of period	5,250	(25,250)
	<hr/>	<hr/>

Notes (continued)

15 Reconciliation of movements in equity shareholders' funds

	2004 £	2003 £
(Loss)/profit for the financial period	(822,538)	(12,609)
Opening equity shareholders' funds	847,788	860,397
	<hr/>	<hr/>
Closing equity shareholders' funds	25,250	847,788
	<hr/>	<hr/>

16 Pensions

The company operates a defined contribution pension scheme for the benefit of qualifying employees. The assets of the fund are held separately from those of the company in an independently administered fund.

The pension costs for the period amounted to £1,354 (2003: £3,652).

17 Related party transactions

The company had the following related party transactions and balances:

Eurotel Limited

At the period end the company owed £nil (2003: £105,447), and were due £25,250 (2003: £nil) from Eurotel Limited.

18 Contingent liability

On 26 June 2002 the company entered into a deed of composite guarantee with National Westminster Bank plc by which the company guarantees payment to the bank on demand of all liabilities of the parent company and fellow subsidiaries. At 31 March 2004 amounts due were £231,834 (2003: £1,472,000).

19 Ultimate parent company

The ultimate parent company of Eurotel Corporate Services Limited is Neville Ward Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The registered office of Neville Ward Holdings Limited is Empire House, Mulcture Hall Road, Halifax, HX1 1SP.