CH(

financial statements

CSL (Dualcom) Limited

For the year ended 31 March 2006

Company registration number: 3155883

MacIntyre Hudson

THE FUTURE IS WHAT YOU MAKE IT

CSL (Dualcom) Limited

Officers and Professional Advisers

The Board of Directors	C Brookes S J Banks M J Hawker T M Colgan
Company Secretary	T M Colgan
Registered Office	Salamander Quay West Park Lane Harefield Middlesex UB9 6NZ
Auditor	MacIntyre Hudson LLP Chartered Accountants & Registered Auditors 31 Castle Street High Wycombe Buckinghamshire HP13 6RU
Bankers	Allied Irish Bank (GB) 51 Belmont Road Uxbridge Middlesex UB8 1RZ

CSL (Dualcom) Limited

The Directors' Report

Year ended 31 March 2006

The directors present their report and the financial statements of the company for the year ended 31 March 2006.

Principal activities
The principal activity of the company during the period was to develop and market electronic security products. On the 1 November 2004 the company changed its name from CSL (Communications) Limited.

Directors
The directors who served the company during the year were as follows:

C Brookes	
S J Banks	
M J Hawker	
T M Colgan	
R A Finch	(Retired 18 April 2005)

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

Directors' responsibilities
The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 year.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 9 to 11, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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.

In so far as the directors are aware:

there is no relevant audit information of which the company's auditors are unaware; and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

CSL (Dualcom) Limited

The Directors' Report ***(continued)***

Year ended 31 March 2006

Small company provisions
This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office:
Salamander Quay West
Park Lane
Harefield
Middlesex
UB9 6NZ

Signed by order of the directors

T. Colgan
T M Colgan
Company Secretary

Approved by the directors on 7 June 2006

We have audited the financial statements of CSL (Dualcom) Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Accounting Policies and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) and on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholder 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 shareholder 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 shareholder, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 International Standards on Auditing (UK and Ireland) 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.

CSL (Dualcom) Limited

Independent Auditor's Report to the Shareholder of CSL (Dualcom) Limited ***(continued)***

Year ended 31 March 2006

Opinion
In our opinion:

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;

the financial statements have been properly prepared in accordance with the Companies Act 1985; and

the information given in the Directors' Report is consistent with the financial statements year ended 31 March 2006.

MacIntyre Hudson LLP

MACINTYRE HUDSON LLP
Chartered Accountants
& Registered Auditors

31 Castle Street
High Wycombe
Buckinghamshire
HP13 6RU

7 June 2006

CSL (Dualcom) Limited

Profit and Loss Account

Year ended 31 March 2006

	Note	Year to 31 Mar 06 £	Period from 1 Nov 04 to 31 Mar 05 (restated) £
Turnover		**4,729,940**	1,637,993
Cost of sales		**3,118,216**	1,058,606
Gross profit		**1,611,724**	579,387
Distribution costs		**46,502**	19,909
Administrative expenses		**1,450,385**	365,672
Operating profit	1	**114,837**	193,806
Interest payable and similar charges		**28,392**	19,571
Profit on ordinary activities before taxation		**86,445**	174,235
Profit on ordinary activities after taxation, being profit for the financial year		**£86,445**	£174,235

The accounting policies and notes on pages 9 to 19 form part of these financial statements.

CSL (Dualcom) Limited

Statement of Total Recognised Gains and Losses

Year ended 31 March 2006

	Year to 31 Mar 06	Period from 1 Nov 04 to 31 Mar 05 (restated)
	£	£
Profit for the financial year attributable to the shareholder	**86,445**	174,235
Total recognised gains and losses relating to the year	**86,445**	174,235
Prior year adjustment (see note 3)	**480,387**	426,312
Total gains and losses recognised since the last annual report	**£566,832**	£600,547

The accounting policies and notes on pages 9 to 19 form part of these financial statements.

CSL (Dualcom) Limited

Balance Sheet

31 March 2006

	Note	2006 £	2006 £	2005 £
Fixed assets				
Intangible assets	4		**445,225**	480,387
Tangible assets	5		**171,508**	46,631
Investments	6		**16,000**	374,311
			632,733	901,329
Current assets				
Stocks	7	**150,943**		71,840
Debtors	8	**2,535,172**		1,628,486
Cash at bank		**54,493**		2,755
		2,740,608		1,703,081
Creditors: amounts falling due within one year	10	**3,121,106**		2,148,771
Net current liabilities			**(380,498)**	(445,690)
Total assets less current liabilities			**252,235**	455,639
Creditors: amounts falling due after more than one year	11		**569,896**	859,745
			£(317,661)	£(404,106)
Capital and reserves				
Called-up equity share capital	13		**534,109**	534,109
Share premium account	14		**1,074,236**	1,074,236
Profit and loss account	15		**(1,926,006)**	(2,012,451)
Deficit			**£(317,661)**	£(404,106)

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

These financial statements were approved by the directors on the 7 June 2006 and are signed on their behalf by:

T. Colgan

T M Colgan

The accounting policies and notes on pages 9 to 19 form part of these financial statements.

CSL (Dualcom) Limited

Accounting Policies

Year ended 31 March 2006

Basis of accounting
The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The accounts have been prepared on a going concern basis as the company has become profitable as a result of restructuring which took place during the prior period. This is expected to continue in the future.

Changes in accounting policies
In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

- Financial Reporting Standard for Smaller Entities (effective January 2005).

The adoption of the Financial Reporting Standard for Smaller Entities (effective January 2005) has resulted in the following changes in accounting policies:

Proposed equity dividends

If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

Equity instruments

The company's ordinary shares are classified as equity instruments and, as in previous years, are disclosed under capital and reserves on the balance sheet.

Preference shares

In accordance with the presentation requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005), preference share capital has been reclassified as a financial liability. The prior year's balance sheet has been restated to reflect this change.

Turnover
Turnover consists of amounts invoiced, net of Value Added Tax, with an adjustment for deferred income on recurring airtime revenue.

Deferred income is calculated for recurring airtime and is recognised over the length of the agreement.

Research and development
The directors have revised the accounting policy for research and development expenditure. Previously, these costs were written off as incurred, except that development expenditure incurred on an individual project was carried forward in certain circumstances where it was considered to be of a capital nature and when its future recovery against proceeds on realisation could be reasonably regarded as assured in the short term.

In respect of products exploited by the company, the directors now consider it appropriate to capitalise development costs on the basis that they will generate future revenue streams. This expenditure is amortised over a three year period commencing from the date when the products are brought into commercial production.

This represents a change in accounting policy and has led to a prior year adjustment (per note 3).

Amortisation
Amortisation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Development expenditure	-	3 years

Fixed assets
Fixed assets are initially recorded at cost. In the event of a permanent diminution of value, they are written down to their recoverable amount.

Depreciation
Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Leasehold improvements	-	5% on cost
Plant and machinery	-	20% - 33% on written down value

Plant and machinery includes tooling utilised on the development of specific projects. When the future recovery of such tooling costs can reasonably be regarded as assured, the tooling is depreciated in line with future sales from the related project over a period not exceeding four years commencing from the launch of the project.

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress
Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Operating lease agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

> Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
>
> Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Deferred expenditure

Expenditure incurred after 31 October 2004 relating to material costs and directly attributable overheads of alarm units has been deferred. This expenditure is being written off on a straight line basis over the useful economic life of the units, which has been estimated at 7 years.

CSL (Dualcom) Limited

Notes to the Financial Statements

Year ended 31 March 2006

1. Operating profit

Operating profit is stated after charging/(crediting):

	Year to 31 Mar 06 £	Period from 1 Nov 04 to 31 Mar 05 £
Staff pension contributions	**12,534**	396
Amortisation	**91,162**	20,486
Depreciation of owned fixed assets	**35,593**	5,348
Auditor's fees	**12,000**	5,000
Exceptional Item - Investment written off (note 6)	**358,311**	–

2. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	Year to 31 Mar 06 £	Period from 1 Nov 04 to 31 Mar 05 £
Aggregate emoluments	**324,611**	88,292
Value of company pension contributions to money purchase schemes	**33,000**	7,500
	£357,611	£95,792

The number of directors who accrued benefits under company pension schemes was as follows:

	Year to 31 Mar 06 No	Period from 1 Nov 04 to 31 Mar 05 No
Money purchase schemes	**2**	2

3. Prior year adjustment

The directors have revised the accounting policy for research and development expenditure. Development costs are now capitalised and amortised over three years from the date the product is brought into commercial production.

This change in accounting policy led to a net increase in the opening profit and loss reserves of £480,387 *at 1 April 2005. This adjustment was due to £525,456 of development costs having been incurred up to* 31 March 2005 and subsequently capitalised, against which £45,069 of amortisation was charged.

The opening profit and loss reserves at 1 November 2004 were increased by £426,312. This was due to £450,895 of development costs having been incurred up to 31 October 2004 and subsequently capitalised, against which £24,583 of amortisation was charged.

4. Intangible fixed assets

	Development expenditure £
Cost	
At 1 April 2005	**525,456**
Additions	**56,000**
At 31 March 2006	**581,456**
Amortisation	
At 1 April 2005	**45,069**
Charge for the year	**91,162**
At 31 March 2006	**136,231**
Net book value	
At 31 March 2006	**£445,225**
At 31 March 2005	£480,387

5. Tangible fixed assets

	Leasehold improvements £	Tooling £	Fixtures and fittings £	Total £
Cost				
At 1 April 2005	16,633	120,642	187,797	325,072
Additions	13,835	–	146,635	160,470
At 31 March 2006	30,468	120,642	334,432	485,542
Depreciation				
At 1 April 2005	3,669	120,642	154,130	278,441
Charge for the year	1,340	–	34,253	35,593
At 31 March 2006	5,009	120,642	188,383	314,034
Net book value				
At 31 March 2006	£25,459	–	£146,049	£171,508
At 31 March 2005	£12,964	–	£33,667	£46,631

6. Investments

	Total £
Cost	
At 1 April 2005 and 31 March 2006	374,311
Amounts written off	
Written off in year	358,311
At 31 March 2006	358,311
Net book value	
At 31 March 2006	£16,000
At 31 March 2005	£374,311

The investment is in an unlisted company.

7. Stocks

	2006 £	2005 £
Raw materials	**8,400**	–
Work in progress	**–**	4,920
Finished goods	**142,543**	66,920
	£150,943	£71,840

8. Debtors

	2006 £	2005 £
Trade debtors	**1,353,494**	1,030,337
Deferred expenditure	**719,450**	182,362
Prepayments and accrued income	**162,228**	115,787
Deferred taxation (note 9)	**300,000**	300,000
	£2,535,172	£1,628,486

The debtors above include the following amounts falling due after more than one year:

	2006 £	2005 £
Deferred expenditure	**300,000**	155,361
Deferred taxation	**300,000**	300,000
	£600,000	£455,361

Trade debtors include £Nil (2005: £212,357) covered under a factoring agreement.

9. Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	Year to 31 Mar 06 £	Period from 1 Nov 04 to 31 Mar 05 £
Included in debtors (note 8)	**300,000**	300,000

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2006 £	2005 £
Tax losses available	**300,000**	300,000
	£300,000	£300,000

The directors are of the opinion that forecasts covering the next few years provide reliable evidence that suitable tax profits will arise in the future, against which the losses may be relieved.

10. Creditors: amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	**–**	133,237
Trade creditors	**798,483**	871,838
Other taxation and social security	**97,851**	87,779
Other creditors	**2,224,772**	1,055,917
	£3,121,106	£2,148,771

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2006 £	2005 £
Bank loans and overdrafts	**–**	133,237
Amount owed to factor	**–**	328,852
	–	£462,089

11. Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Amounts owed to group undertakings	**503,136**	731,225
Shares classed as financial liabilities	**5,000**	5,000
Other creditors	**61,760**	123,520
	£569,896	£859,745

The unsecured loan does not bear interest and only becomes repayable in the event of a sale of the company.

Shares classified as financial liabilities represent £0.01 preference shares which have been reclassified in accordance with the presentation requirements of the Financial Reporting Standard for Smaller Entities (effective 1 January 2005).

12. Commitments under operating leases

At 31 March 2006 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2006	2005
	£	£
Operating leases which expire:		
Within 1 year	**-**	65,284
Within 2 to 5 years	**49,758**	19,857
	£49,758	£85,141

13. Share capital

Authorised share capital:

	2006 £	2005 £
238,071 Ordinary shares of £1 each	**238,071**	238,071
158,714 Ordinary "A" shares of £1 each	**158,714**	158,714
248,215 Ordinary "B" shares of £1 each	**248,215**	248,215
1,955,000 Ordinary "C" shares of £0.25 each	**488,750**	488,750
2,600,000 Ordinary "D" shares of £0.25 each	**650,000**	650,000
580,000 Deferred shares of £0.75 each	**435,000**	435,000
500,000 Preference shares of £0.01 each	**5,000**	5,000
1 Voting share of £1 each	**1**	1
	£2,223,751	£2,223,751

Allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	**200,000**	**200,000**	200,000	200,000
Ordinary "A" shares of £1 each	**158,714**	**158,714**	158,714	158,714
Ordinary "B" shares of £1 each	**175,395**	**175,395**	175,395	175,395
Preference shares of £0.01 each	**500,000**	**5,000**	500,000	5,000
	1,034,109	**£539,109**	1,034,109	£539,109

Equity shares:

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	**200,000**	**200,000**	200,000	200,000
Ordinary "A" shares of £1 each	**158,714**	**158,714**	158,714	158,714
Ordinary "B" shares of £1 each	**175,395**	**175,395**	175,395	175,395
	534,109	**£534,109**	534,109	£534,109

Shares classified as financial liabilities:

Preference shares of £0.01 each	**500,000**	**£5,000**	500,000	£5,000

The preference shares carry a right to dividends of £0.11 per share per annum. In the event of liquidation, preference shareholders rank in priority to ordinary shareholders up to a sum of £1 per share together with an amount equal to any arrears in preference dividends. Preference shareholders have no voting rights.

14. Share premium account

There was no movement on the share premium account during the financial year.

15. Profit and loss account

	Year to 31 Mar 06 £	Period from 1 Nov 04 to 31 Mar 05 £
Balance brought forward as previously reported	**(2,492,838)**	(2,612,998)
Prior year adjustment (note 3)	**480,387**	426,312
Balance brought forward restated	**(2,012,451)**	(2,186,686)
Profit for the financial year	**86,445**	174,235
Balance carried forward	**£(1,926,006)**	£(2,012,451)

16. Ultimate parent company

The ultimate parent company is CSL Investments Limited, a company incorporated in England.

MacIntyre Hudson

THE FUTURE IS WHAT YOU MAKE IT®

find us:

Internet address:

www.macintyrehudson.co.uk

Email address:

info@macintyrehudson.co.uk

Office locations:

Bedford

Equipoise House
Grove Place
Bedford MK40 3LE
T (01234) 268761
F (01234) 346801

Chelmsford

Moulsham Court
39 Moulsham Street
Chelmsford CM2 0HY
T (01245) 353177
F (01245) 252877

High Wycombe

31 Castle Street
High Wycombe
Bucks HP13 6RU
T (01494) 441226
F (01494) 465591

Leicester

Lyndale House, Ervington Court
Harcourt Way
Meridian Business Park
Leicester LE19 1WL
T (0116) 289 4289
F (0116) 289 4321

London City

Greenwood House
4-7 Salisbury Court
London EC4Y 8BT
T (020) 7583 7575
F (020) 7583 2081

London North

Euro House
1394 High Road
London N20 9YZ
T (020) 8446 0922
F (020) 8446 7686

Milton Keynes

Moorgate House
201 Silbury Boulevard
Milton Keynes MK9 1LZ
T (01908) 662255
F (01908) 678247

Northampton

Peterbridge House
The Lakes
Northampton NN4 7HB
T (01604) 624011
F (01604) 230079

Peterborough

8-12 Priestgate
Peterborough
PE1 1JA
T (01733) 568491
F (01733) 555548

Key contacts at specialist companies:

MacIntyre Hudson *Corporate Finance Ltd*

Corporate Finance

Mike Kay
M: 07769 740207

Rabby Persaud
M: 07799 587910

MacIntyre Hudson Corporate Finance Ltd is authorised and regulated by the Financial Services Authority.

MacIntyre Advisory *Services Ltd*

Finance and management training and consultancy

Nicki Cole
T: 020 7583 7575

Carrwood MacIntyre

Independent financial advisers

Contact your local office – see details above

Carrwood MacIntyre is a trading name of LighthouseCarrwood Limited which is an appointed representative of LighthouseXpress Limited which is authorised and regulated by the Financial Services Authority.