

Domain Dynamics (Holdings) Limited

Directors' Report and Financial Statements

Year Ended 31 March 2003



DOMAIN DYNAMICS (HOLDINGS) LIMITED

Directors' report and financial statements for the year ended 31 March 2003

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Directors

A A Reeves (Chairman) (resigned 06/10/03)
W D Troy (resigned 06/10/03)
Professor R A King (resigned 06/10/03)
M E Moors
Dr F C Verkroost (resigned 06/10/03)
P G Regan (resigned 24/07/03)
T C Phipps (resigned 06/10/03)
D N Holland (resigned 06/10/03)
S M Moors (appointed 07/10/03)

Secretary and registered office

S M Moors, Thames Tower, Station Road, Reading, RG1 1LX

Company number

3351374

Accountants

Bentley Jennison, 5 Ridge House Drive, Festival Park, Hanley, Stoke-on-Trent, ST1 5SJ

Bankers

National Westminster Bank plc, 1 Upper Market Square, Hanley, Stoke-on-Trent, ST1 1QA

DOMAIN DYNAMICS (HOLDINGS) LIMITED

Directors' Report

The directors present their report and the financial statements for the year ended 31 March 2003.

Principal activities, trading review and future developments

Domain Dynamics (Holdings) Limited is a holding company.

Post balance sheet events

Post year end, the following events took place:

- on 8 October 2003, Domain Dynamics Limited, a subsidiary undertaking, was placed into administration.
- on 18 December 2003, an application for striking off E T Voice Limited, a subsidiary undertaking, was made to the Registrar of Companies.

Directors

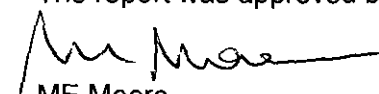
The directors of the company during the year and their interests in the ordinary share capital of the company were:

	31 March 2003		31 March 2002	
	Number of £0.0001 ordinary shares	Number of £0.001 'A' ordinary shares	Number of £0.0001 ordinary shares	Number of £0.001 'A' ordinary shares
W D Troy	1,552,210	-	1,552,210	-
Professor R A King	2,729,915	-	1,086,660	-
M E Moors	58,254,560	200	20,835,560	200
A A Reeves	-	-	-	-
Dr F C Verkroost	-	-	-	-
P G Regan	-	-	-	-
T C Phipps	-	-	-	-
D N Holland	-	-	-	-

In addition to the above, M E Moors has a non-beneficial interest in 1,305,740 ordinary shares of £0.0001 (2002: 1,305,740 ordinary shares of £0.0001) and 800 'A' ordinary shares of £0.001 (2002: 800 'A' ordinary shares of £0.001) at the end of the year. Dr F C Verkroost has a beneficial interest at the end of the year in 4,136,311 ordinary shares of £0.0001 (2002: 136,310 ordinary shares of £0.0001).

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.

The report was approved by the board on 13 February 2004 and signed on its behalf.

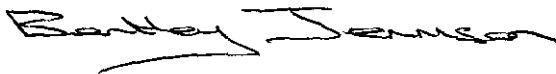

ME Moors
Director

DOMAIN DYNAMICS (HOLDINGS) LIMITED

Accountants' report to the directors on the unaudited financial statements of Domain Dynamics (Holdings) Limited

As described on the balance sheet you are responsible for the preparation of the financial statements for the year ended 31 March 2003 set out on pages 3 to 12 and you consider that the company is exempt from an audit under section 249A(1) of the Companies Act 1985.

In accordance with your instructions, we have compiled these unaudited financial statements in order to assist you to fulfil your statutory responsibilities, from the accounting records of the company and from information and explanations supplied to us.



Bentley Jennison

Chartered Accountants

5 Ridge House
Ridge House Drive
Festival Park
Stoke-on-Trent
ST1 5SJ

8 March 2004

DOMAIN DYNAMICS (HOLDINGS) LIMITED**Profit and loss account for the year ended 31 March 2003**

	Note	2003 £	2002 £
Administrative expenses:			
Non exceptional items		(24,041)	(40,187)
Exceptional items:			
Provision against intercompany debtor	2	(7,254,076)	-
Provision against investments in subsidiary undertakings	2	(17,871)	(2,000,111)
		<hr/>	<hr/>
Operating loss		(7,295,988)	(2,040,298)
Interest received		3,971	30,448
Interest paid	3	(30,520)	-
		<hr/>	<hr/>
Retained loss for the year	10	(7,322,537)	(2,009,850)
		<hr/> <hr/>	<hr/> <hr/>

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

DOMAIN DYNAMICS (HOLDINGS) LIMITED

Balance sheet as at 31 March 2003

	Note	2003 £	2002 £
Fixed assets			
Investments	5	-	17,871
		<u>-</u>	<u>17,871</u>
Current assets			
Debtors	6	304	4,058,570
Cash at bank and in hand		889,833	1,267,000
		<u>890,137</u>	<u>5,325,570</u>
Creditors: amounts falling due within one year	7	(1,700,691)	(75,000)
		<u>(810,554)</u>	<u>5,250,570</u>
Net current (liabilities)/assets		<u>(810,554)</u>	<u>5,250,570</u>
Total assets less current liabilities		<u>(810,554)</u>	<u>5,268,441</u>
Creditors: amounts falling due after more than one year	8	(1,991,242)	(1,925,000)
		<u>(2,801,796)</u>	<u>3,343,441</u>
Net (liabilities)/assets		<u>(2,801,796)</u>	<u>3,343,441</u>
Capital and reserves			
Called up share capital	9	7,914	3,205
Share premium account	10	6,487,035	5,314,444
Profit and loss account	10	(9,296,745)	(1,974,208)
		<u>(2,801,796)</u>	<u>3,343,441</u>
Equity shareholders' (deficit)/ funds	11	<u>(2,801,796)</u>	<u>3,343,441</u>

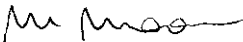
DOMAIN DYNAMICS (HOLDINGS) LIMITED

Balance sheet as at 31 March 2003

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 249A(1) of the Companies Act 1985 and members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 249B(2) of the Act. The directors acknowledge their responsibility for ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985, and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 31 March 2003 and of its loss for the year then ended in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to the financial statements so far as applicable to the company.

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 13 February 2004 and signed on its behalf.



ME Moors
Director

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

DOMAIN DYNAMICS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 March 2003

1 Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied. The financial statements have been prepared on a going concern basis on the assumption of the continued support of the directors and shareholders.

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.

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).

Fixed asset investments

Fixed asset investments in subsidiary undertakings are stated at cost less any provisions for diminution in value.

2 Exceptional items

The exceptional items in 2003 relate to a provision booked against the amounts due from Domain Dynamics Limited, a subsidiary undertaking, and an additional provision against the carrying value of investments. Details of post balance sheet events are set out in Note 14. The exceptional item in 2002 relates to the provision made against the carrying value of its investment in ET Voice Limited. The company acquired E.T. Voice Limited on 27 June 2001.

3	Interest payable	2003 £	2002 £
	On bank loans and overdrafts	30,520	-

4 Taxation

There is no tax charge for the year as the company has made a loss during the year.

The company has tax losses carried forward of £64,300 which can be set off against future profits.

No deferred tax asset has been recognised in respect of those losses.

DOMAIN DYNAMICS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 March 2003

5 Fixed Asset Investments

	Shares in subsidiary undertakings £
<i>Cost</i>	
At 31 March 2002	<u>2,017,982</u>
At 31 March 2003	<u>2,017,982</u>
<i>Provision for diminution in value</i>	
At 31 March 2002	2,000,111
Charge for the year	17,871
At 31 March 2003	<u>2,017,982</u>
<i>Net book value</i>	
At 31 March 2003	<u><u>0</u></u>
At 31 March 2002	<u><u>17,871</u></u>

The company holds 100% of the share capital of the following subsidiary undertakings:

	Country of registration or incorporation	Class of shares held
Domain Dynamics Limited (in administration)	England	Ordinary
ET Voice Limited (non-trading)	England	Ordinary
Incomefirst Limited (non-trading)	England	Ordinary

The share capital of Incomefirst Limited is held by Domain Dynamics Limited.

On 8 October 2003, Domain Dynamics Limited was placed in administration. During the year the principal activities of Domain Dynamics Limited were the commercial exploitation of technology in the field of Digital Signal Processing. On 18 December 2003 an application for striking off ET Voice Limited was made to the Registrar of Companies.

No financial statements are available for these two companies for the year ended 31 March 2003, and hence no information is available regarding their results for the year nor the aggregate share capital and reserves at 31 March 2003.

DOMAIN DYNAMICS (HOLDINGS) LIMITED**Notes to the financial statements for the year ended 31 March 2003****6 Debtors**

	2003 £	2002 £
Amounts owed by subsidiary undertakings	-	4,058,076
Other debtors	304	494
	<u>304</u>	<u>4,058,570</u>

All amounts shown under debtors fall due for payment within one year.

7 Creditors: amounts falling due within one year

	2003 £	2002 £
Term loan	1,665,340	-
Taxation and social security	3,835	-
Other creditors and accruals	31,516	75,000
	<u>1,700,691</u>	<u>75,000</u>

The term loan was made by ME Moors and is repayable on demand. The loan is secured and bears an interest rate of 4% per annum above the base rate of National Westminster Bank plc.

8 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Other Creditors	<u>1,991,242</u>	<u>1,925,000</u>

DOMAIN DYNAMICS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 March 2003

9 Share capital	2003 £	2002 £
<i>Authorised</i>		
290,000,000 Ordinary shares of £0.0001 each (2002 - 100,000,000 @ £0.0001)	29,000	10,000
3,000 'A' Ordinary shares of £0.001 each (2002 - 3,000 @ £0.001)	3	3
	<u>29,003</u>	<u>10,003</u>
<i>Allotted, called up and fully paid</i>		
79,106,673 Ordinary shares of £0.0001 each (2002 - 32,014,680 @ £0.0001)	7,911	3,202
3,000 'A' Ordinary shares of £0.001 each (2002 - 3,000 @ £0.001)	3	3
	<u>7,914</u>	<u>3,205</u>

Changes in share capital

Increases in issued share capital

Date of Change	Number of Ordinary shares of £0.0001 issued	Nature of payment
28 March 2003	41,115,655	Proceeds from rights issue at £0.025 per share
28 March 2003	5,976,338	Placing for cash at £0.025 per share

Increases to authorised share capital

On 28 March 2003 the authorised share capital was increased by £19,000 by the creation of 190,000,000 Ordinary shares of £0.0001.

Rights of shareholders

As regards the first £2,500,000 of income

The first £2,500,000 of profits of the Company available for distribution, and resolved to be distributed, shall be distributed amongst the holders of the Ordinary Shares and the 'A' Shares as follows:

DOMAIN DYNAMICS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 March 2003

9 Share capital (*continued*)

Ordinary shares	Nil
'A' shares	100%

As regards income in excess of £2,500,000

Once the Company has distributed in aggregate profits of £2,500,000, the profits of the Company available for distribution, and resolved to be distributed, shall be distributed solely amongst the holders of the Ordinary Shares.

As regards capital until the Company has distributed £2,500,000 of profits

Until the Company has distributed in aggregate profits of £2,500,000, on a return of assets on liquidation or otherwise, the assets of the Company available for distribution amongst the members of the Company shall be distributed amongst the holders of the Ordinary Shares and the 'A' Shares as follows:

Class	Percentage of Relevant Sum
Ordinary shares	Nil
'A' shares	100%

where the Relevant Sum equals £2,500,000 less the aggregate amount of profits distributed by the Company up to the time of the return of assets aforesaid.

Any assets of the Company available for distribution as aforesaid in excess of the Relevant Sum aforesaid shall be distributed solely amongst the holders of the Ordinary Shares.

As regards capital once the Company has distributed £2,500,000 of profits

Once the Company has distributed in aggregate profits of £2,500,000, on a return of assets on liquidation or otherwise, the assets of the Company available for distribution amongst the members of the Company shall be distributed solely amongst the holders of the Ordinary Shares. For the avoidance of doubt the 'A' Shares shall have no right to receive any distribution of profits or of assets on a return of assets on liquidation or otherwise except as provided in Article 5.1.1 or Article 5.1.3 of the Articles of Association.

As regards voting

At any General Meeting of the Company, on a show of hands and on a poll every holder of Ordinary Shares who is present in person or by proxy or (being a corporation) by representative shall have one vote for each Ordinary Share held. The 'A' Shares shall not carry any voting rights

DOMAIN DYNAMICS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 March 2003

10 Reserves

	Share premium account £	Profit and loss account £
At 1 April 2002	5,314,444	(1,974,208)
Retained loss for the year	-	(7,322,537)
New share issue	1,172,591	-
	<hr/>	<hr/>
At 31 March 2003	6,487,035	(9,296,745)
	<hr/>	<hr/>

11 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Loss for the year	(7,322,537)	(2,009,850)
New share capital subscribed	4,709	2,206
Premium on new subscription	1,172,591	3,813,948
	<hr/>	<hr/>
Opening shareholders' funds	(6,145,237) 3,343,441	1,806,304 1,537,137
	<hr/>	<hr/>
Closing shareholders' funds	(2,801,796)	3,343,441
	<hr/>	<hr/>

12 Related party transactions

At the year end, Domain Dynamics Limited, a subsidiary had loans outstanding to shareholders of Domain Dynamics (Holdings) Limited as follows: -

	2003 £	2002 £
GIBCA -- Abu Dhabi SF	50,000	50,000
GIBCA -- Sharja	12,000	12,000
GIBCA -- Abu Dhabi SK	72,633	72,633
RA King	207,867	207,867
OTB Cookson	21,670	21,670
M Gauthier	1,413	1,413

DOMAIN DYNAMICS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 March 2003

12 Related party transactions (*continued*)

At the year end, Domain Dynamics Limited had directors' fees outstanding to shareholders of Domain Dynamics (Holdings) Limited as follows: -

	2003 £	2002 £
RA King	190,766	216,081
OTB Cookson	165,760	193,413
M Gauthier	48,557	48,557
MR Taylor	64,489	64,489

During the year Domain Dynamics (Holdings) Limited provided Domain Dynamics Limited with cash funding of £3,196,000. The balance owed to Domain Dynamic (Holdings) Limited of £7,254,076 was provided against during the year (balance owed to Domain Dynamics (Holdings) Limited at 31 March 2002: £4,058,076).

In March 2003 M E Moors entered into a loan agreement with the company to provide a loan to the company of £1,665,340, repayable on demand, with interest at 4% per annum above the base rate of National Westminster Bank Plc from time to time and secured by composite guarantees and debentures granted by the company and each of its subsidiaries.

13 Ultimate controlling party

The company is controlled by M E Moors, a director.

14 Post balance sheet events

As explained in note 5, Domain Dynamics Limited was placed into administration on 8 October 2003.

Note 2 details a number of adjustments that were made to the carrying values of certain assets during the year. Post year end, the company made further injections of working capital into Domain Dynamics Limited. As a result of this, there is an additional balance of £1,249,784 due to Domain Dynamics (Holdings) Limited as at 8 October 2003. Whilst no provision has been made in these accounts for amounts due in respect of post year end capital injections, the directors do not expect any recovery of these amounts.

An application for striking off E T Voice Limited was made to the Registrar of Companies on 18 December 2003.