

LEVEL 5 NETWORKS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2003



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COMPANY INFORMATION

Directors	D E Roberts	(Appointed 17 May 2002)
	S L Pope	(Appointed 17 May 2002)
	A Hopper	(Appointed 16 September 2002)
Secretary	D E Roberts	
Company number	04441386	
Registered office	25 Greville Road Cambridge Cambs CB1 3QJ	
Accountants	Haslers Chartered Accountants and Registered Auditors Johnston House 8 Johnston Road Woodford Green Essex IG8 0XA	

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LEVEL 5 NETWORKS LIMITED



DIRECTORS' REPORT FOR THE PERIOD ENDED 30 APRIL 2003

The directors present their report and financial statements for the period ended 30 April 2003.

Principal activities

The principal activity of the company is the development of ethernet based network technology. The company was incorporated on 17 May 2002 and commenced trading on 1 August 2002. The company was formed as Cambridge Internetworking Limited and changed its name to Level 5 Networks Limited on 15 April 2003.

The Directors have secured a first round of investment from friends and family together with a £45,000 DTI Smart Award for a feasibility study.

Directors

The following directors have held office since 17 May 2002:

D E Roberts	(Appointed 17 May 2002)
S L Pope	(Appointed 17 May 2002)
A Hopper	(Appointed 16 September 2002)

Directors' interests

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

	Ordinary Shares of 1p each	
	30 April 2003	17 May 2002
D E Roberts	256,278	-
S L Pope	256,278	-
A Hopper	160,000	-

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

On behalf of the board

A handwritten signature in dark ink, appearing to read "D. E. Roberts".

D E Roberts

Director

30 June 2003

LEVEL 5 NETWORKS LIMITED



ACCOUNTANTS' REPORT TO THE DIRECTORS ON THE UNAUDITED ACCOUNTS OF LEVEL 5 NETWORKS LIMITED

As described on the balance sheet you are responsible for the preparation of the accounts for the period ended 30 April 2003, set out on pages 3 to 8 and you consider that the company is exempt from an audit. In accordance with your instructions, we have compiled these unaudited accounts in order to assist you to fulfil your statutory responsibilities from the accounting records and information and explanations supplied to us.

Haslers

Haslers

30/6/03

Chartered Accountants

Chartered Accountants and Registered
Auditors
Johnston House
8 Johnston Road
Woodford Green
Essex IG8 0XA

LEVEL 5 NETWORKS LIMITED



PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 APRIL 2003

	Notes	Period ended 30 April 2003 £
Turnover		3,104
Cost of sales		(4,605)
Gross loss		(1,501)
Administrative expenses		(96,202)
Other operating income		45,000
Operating loss	2	(52,703)
Other interest receivable and similar income		339
Loss on ordinary activities before taxation		(52,364)
Tax on loss on ordinary activities	3	8,400
Loss on ordinary activities after taxation	9	(43,964)

LEVEL 5 NETWORKS LIMITED



BALANCE SHEET AS AT 30 APRIL 2003

	Notes	2003 £	£
Fixed assets			
Intangible assets	4		13,433
Tangible assets	5		1,640
			<u>15,073</u>
Current assets			
Debtors	6	27,803	
Cash at bank and in hand		50,171	
		<u>77,974</u>	
Creditors: amounts falling due within one year	7	(16,641)	
		<u></u>	
Net current assets			61,333
Total assets less current liabilities			<u>76,406</u>
Capital and reserves			
Called up share capital	8		10,000
Share premium account	9		110,370
Profit and loss account	9		(43,964)
			<u></u>
Shareholders' funds			<u>76,406</u>

In preparing these financial statements:

- (a) The directors are of the opinion that the company is entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985;
- (b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and
- (c) The directors acknowledge their responsibilities for:
 - (i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial period and of its profit or loss for the financial period in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

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 25 June 2003

D E Roberts
Director

S L Pope
Director

LEVEL 5 NETWORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 APRIL 2003

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).

Level 5 Networks Ltd is a private company that, to date, has been financed by a first round of private investment by friends and family and seed capital from an institution, together with a DTI Smart feasibility study award. The Directors are currently seeking a second funding round from institutions and have received a significant amount of interest and as a result are confident of raising sufficient funds for the next phase of the company's development.

The company currently meets its day to day working capital requirements from cash resources. The company was loss making during the year and losses are expected to extend into the year ended 30 April 2004. The company is still in its development phase but is forecasting significant revenue increases which will result in a corresponding demand on cash resources, hence the planned second round of funding referred to above. The Directors have prepared projected cash flow information for the next twelve months following the approval of these financial statements which indicate the requirement for additional funding to meet working capital requirements.

The Directors confirm that, in the event that further funding is not obtained the company's operations will be managed such that cash flows are restricted to within available resources and the company will be able to continue trading and pay its creditors.

On the basis described above, the directors believe it is appropriate for these financial statements to be prepared on the going concern basis. Accordingly, the financial statements do not include any adjustments that would result of the company did not continue trading.

1.2 Turnover

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

1.3 Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

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:

Computer and laboratory equipment	straight line over 3 years
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1.5 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 APRIL 2003

2	Operating loss	2003
		£
	Operating loss is stated after charging:	
	Amortisation of intangible assets	641
	Depreciation of tangible assets	292
	Directors' emoluments	48,000
	and after crediting:	
	Government grants	45,000

3	Taxation	2003
		£
	Domestic current year tax	
	U.K. corporation tax	(8,400)
	Current tax charge	(8,400)

The company has estimated losses of £ 21,000 available for carry forward against future trading profits.

The tax refund is due to the surrender of tax losses under the research and development tax credit regime.

4	Intangible fixed assets	Patents
		£
	Cost	
	At 17 May 2002	-
	Additions	14,074
	At 30 April 2003	14,074
	Amortisation	
	At 17 May 2002	-
	Charge for the period	641
	At 30 April 2003	641
	Net book value	
	At 30 April 2003	13,433
	At 16 May 2002	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 APRIL 2003

5 Tangible fixed assets

	Computer and Laboratory equipment
	£
Cost	
At 17 May 2002	-
Additions	1,932
	<hr/>
At 30 April 2003	1,932
	<hr/>
Depreciation	
At 17 May 2002	-
Charge for the period	292
	<hr/>
At 30 April 2003	292
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Net book value	
At 30 April 2003	1,640
	<hr/> <hr/>

6 Debtors

	2003
	£
Trade debtors	2,938
Other debtors	24,865
	<hr/>
	27,803
	<hr/> <hr/>

7 Creditors: amounts falling due within one year

	2003
	£
Trade creditors	8,525
Taxation and social security	3,616
Other creditors	4,500
	<hr/>
	16,641
	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 APRIL 2003**

8	Share capital	2003
		£
	Authorised	
	2,500,000 Ordinary Shares of 1p each	25,000
		<u> </u>
	Allotted, called up and fully paid	
	1,000,033 Ordinary Shares of 1p each	10,000
		<u> </u>

The company was incorporated with 10,000 Ordinary £1 Shares. On 21 August 2002, a resolution was passed to increase the Share Capital of the company to 25,000 Ordinary £1 Shares and the shares were then subdivided into 100 Ordinary 1p Shares for each existing share.

9 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Retained loss for the period	-	(43,964)
Premium on shares issued during the period	110,370	-
	<u> </u>	<u> </u>
Balance at 30 April 2003	110,370	(43,964)
	<u> </u>	<u> </u>

10 Control

There is no ultimate controlling party.