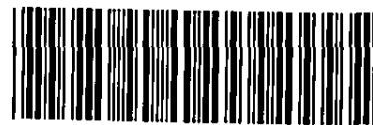


Company Registration No 5227052 (England and Wales)

EXECUTEL LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2007

TUESDAY



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EXECUTEL LIMITED

COMPANY INFORMATION

Directors	T Price P Watson
Secretary	P Watson
Company number	5227052
Registered office	West Wing Cameron House Metro Centre, Gateshead Tyne & Wear NE11 9XW
Auditors	HW Floor 11 Cale Cross House 156 Pilgrim Street Newcastle upon Tyne NE1 6SU
Bankers	Bank of Scotland Newcastle upon Tyne Branch 41/51 Grey Street Newcastle upon Tyne NE1 6EE
Solicitors	Watson Burton 20 Collingwood Street Newcastle upon Tyne NE99 1YQ

EXECUTEL LIMITED

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EXECUTEL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

The directors present their report and financial statements for the year ended 30 September 2007

Principal activities and review of the business

The principal activities of the company continued to be the distribution and the training in the use of telecommunication systems and the provision of alternative networking solutions

Throughout the past 12 months, Executel's focus has continued to be on the provision of cutting-edge communication solutions and services, namely IP telephony, lines, calls and data

Executel has enjoyed significant growth during this time and seen sales figures rise by 27% to £7.5m which reflects our increased provision of recurring revenues in both the line and call arena

What is particularly encouraging is that during the year margins were successfully maintained and as a result, substantial re-investment was made possible in both headcount and IT systems without having a detrimental effect on either cash flow or net profit

A decision has been made to write off in full this year the goodwill arising on the management buy out which took place in an earlier year. This will mean there will be no ongoing amortisation going through the profit and loss account. In addition substantial director bonuses have been provided (note 18). The combined effect of these provisions have resulted in a loss before taxation but this should not disguise the true profitability of the company.

Moving forward, we predict that 2008 will follow a similar growth pattern and are expectant of substantial growth in both cash reserves and net profit and we are therefore budgeting accordingly.

Results and dividends

The results for the year are set out on page 5

There is no dividend proposed for the year

Directors

The following directors have held office since 1 October 2006

T Price

P Watson

Directors' interests

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

	Ordinary Share Capital of £1 each	
	30 September 2007	1 October 2006
T Price	50,000	50,000
P Watson	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that HW be reappointed as auditors of the company will be put to the Annual General Meeting

EXECUTEL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

Directors' responsibilities

The directors are responsible for preparing the Annual Report and 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 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

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board

T Price
Director



EXECUTEL LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF EXECUTEL LIMITED

We have audited the financial statements of Executel Limited for the year ended 30 September 2007 set out on pages 5 to 17. These financial statements have been prepared under 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 auditors' 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 (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, and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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.

EXECUTEL LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF EXECUTEL LIMITED

Opinion

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its loss for the year then ended and 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

HW

Chartered Accountants
Registered Auditor

HW

Floor 11
Cale Cross House
156 Pilgrim Street
Newcastle upon Tyne
NE1 6SU

4 February 2008

EXECUTEL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Notes	2007 £	2006 £
Turnover	2	7,506,004	5,884,037
Cost of sales		(4,218,428)	(3,090,632)
Gross profit		3,287,576	2,793,405
Administrative expenses		(3,019,665)	(1,832,850)
Operating profit	3	267,911	960,555
Other interest receivable and similar income	4	26,887	14,456
Amounts written off investments	5	(2,040,790)	(261,360)
Interest payable and similar charges	6	(7,220)	(32,997)
(Loss)/profit on ordinary activities before taxation		(1,753,212)	680,654
Tax on (loss)/profit on ordinary activities	7	(57,542)	(273,946)
(Loss)/profit for the year	15	(1,810,754)	406,708

The profit and loss account has been prepared on the basis that all operations are continuing operations

EXECUTEL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Notes	2007 £	2006 £
(Loss)/profit for the financial year		(1,810,754)	406,708
Movement on merger reserve		577,230	261,360
Total recognised gains and losses relating to the year		<u>(1,233,524)</u>	<u>668,068</u>

EXECUTEL LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2007

	Notes	2007 £	£	2006 £	£
Fixed assets					
Tangible assets	8		111,948		69,213
Investments	9		-		2,090,790
			<u>111,948</u>		<u>2,160,003</u>
Current assets					
Stocks	10	67,559		51,208	
Debtors	11	832,334		612,511	
Cash at bank and in hand		419,593		312,767	
		<u>1,319,486</u>		<u>976,486</u>	
Creditors: amounts falling due within one year	12	<u>(1,321,792)</u>		<u>(1,166,093)</u>	
Net current liabilities			<u>(2,306)</u>		<u>(189,607)</u>
Total assets less current liabilities			109,642		1,970,396
Creditors: amounts falling due after more than one year	13		-		(50,000)
			<u>109,642</u>		<u>1,920,396</u>
Capital and reserves					
Called up share capital	14		50,000		50,000
Other reserves	15		-		577,230
Profit and loss account	15		59,642		1,293,166
Shareholders' funds	16		<u>109,642</u>		<u>1,920,396</u>

Approved by the Board and authorised for issue on

31/1/08

T Price
Director

EXECUTEL LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	£	2007 £	£	2006 £
Net cash (outflow)/inflow from operating activities		523,462		806,040
Returns on investments and servicing of finance				
Interest received	26,887		14,456	
Interest paid	(7,220)		(32,997)	
Net cash inflow/(outflow) for returns on investments and servicing of finance		19,667		(18,541)
Taxation		(269,455)		(174,491)
Capital expenditure and financial investment				
Payments to acquire tangible assets	(68,403)		(26,021)	
Net cash outflow for capital expenditure		(68,403)		(26,021)
Net cash (outflow)/inflow before management of liquid resources and financing		205,271		586,987
Financing				
Repayment of other long term loans	-		(104,540)	
Repayment of other short term loans	(98,445)		-	
Net cash outflow from financing		(98,445)		(104,540)
(Decrease)/increase in cash in the year		106,826		482,447

EXECUTEL LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

1	Reconciliation of operating profit to net cash inflow from operating activities	2007	2006
		£	£
	Operating profit	267,911	960,555
	Depreciation of tangible assets	25,668	9,240
	(Increase)/decrease in stocks	(16,351)	2,871
	Increase in debtors	(219,823)	(168,647)
	Increase in creditors within one year	466,057	2,021
	Net cash inflow from operating activities	534,462	806,040

2	Analysis of net funds	1 October 2006	Cash flow	Other non-cash changes	30 September 2007
		£	£	£	£
	Net cash				
	Cash at bank and in hand	312,767	106,826	-	419,593
	Bank deposits	-	-	-	-
	Debt				
	Debts falling due within one year	(98,445)	98,445	-	-
	Debts falling due after one year	(50,000)	50,000	-	-
	Net funds	164,322	255,271	-	419,593

3	Reconciliation of net cash flow to movement in net funds	2007	2006
		£	£
	Increase in cash in the year	106,826	482,447
	Cash outflow from decrease in debt	148,445	110,635
	Movement in net funds in the year	255,271	593,082
	Opening net funds/(debt)	164,322	(428,760)
	Closing net funds	419,593	164,322

EXECUTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

1 Accounting policies

1 1 Accounting convention

The financial statements are prepared under the historical cost convention

1 2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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

Fixtures, fittings & equipment	15% reducing balance
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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

1 8 Revenue recognition

The company recognises income from sales of equipment on despatch

Income from maintenance agreements is recognised on an accruals basis, deferred where appropriate

Installation, training and income from minutes is recognised on completion of service

1 9 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable

1 10 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. The deferred tax balance has not been discounted

EXECUTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3	Operating profit	2007 £	2006 £
	Operating profit is stated after charging		
	Depreciation of tangible assets	25,668	9,240
	Operating lease rentals		
	- Plant and machinery	80,251	89,777
	Auditors' remuneration	7,000	6,000

4	Investment income	2007 £	2006 £
	Bank interest	26,887	14,456

5	Amounts written off investments	2007 £	2006 £
	Amounts written off fixed asset investments		
	- permanent diminution in value	2,040,790	261,360

6	Interest payable	2007 £	2006 £
	On bank loans and overdrafts	-	22,633
	Other interest	7,220	10,364

EXECUTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

7	Taxation	2007 £	2006 £
	Domestic current year tax		
	U K corporation tax	57,542	269,455
	Adjustment for prior years	-	4,491
	Current tax charge	<u>57,542</u>	<u>273,946</u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	<u>(1,753,212)</u>	<u>680,654</u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2006 - 30.00%)	<u>(350,642)</u>	<u>204,196</u>
	Effects of		
	Non deductible expenses	3,704	5,576
	Depreciation add back	5,134	2,772
	Capital allowances	(7,340)	(6,338)
	Adjustments to previous periods	-	(4,491)
	Other tax adjustments	406,686	72,231
		<u>408,184</u>	<u>69,750</u>
	Current tax charge	<u>57,542</u>	<u>273,946</u>

EXECUTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

8 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 October 2006	87,693
Additions	68,403
	<hr/>
At 30 September 2007	156,096
	<hr/>
Depreciation	
At 1 October 2006	18,480
Charge for the year	25,668
	<hr/>
At 30 September 2007	44,148
	<hr/>
Net book value	
At 30 September 2007	111,948
	<hr/>
At 30 September 2006	69,213
	<hr/>

EXECUTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2007

9 Fixed asset investments

	Shares in group undertakings and participating interests £
Cost	
At 1 October 2006	2,613,500
Disposals	(2,613,500)
At 30 September 2007	-
Provisions for diminution in value	
At 1 October 2006	522,710
On disposals	(2,563,500)
Charge for the year	2,040,790
At 30 September 2007	-
Net book value	
At 30 September 2007	-
At 30 September 2006	2,090,790

Executel 2005 Limited was dissolved on 20 February 2007

10 Stocks	2007 £	2006 £
Finished goods and goods for resale	67,559	51,208

11 Debtors	2007 £	2006 £
Trade debtors	773,509	597,011
Other debtors	-	205
Prepayments and accrued income	58,825	15,295
	832,334	612,511

EXECUTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2007

12 Creditors' amounts falling due within one year	2007	2006
	£	£
Trade creditors	436,184	300,198
Corporation tax	57,542	269,455
Other taxes and social security costs	119,368	103,051
Other creditors	2,578	98,445
Accruals and deferred income	706,120	394,944
	<u>1,321,792</u>	<u>1,166,093</u>
13 Creditors' amounts falling due after more than one year	2007	2006
	£	£
Other loans	-	50,000
	<u>-</u>	<u>50,000</u>
Analysis of loans		
Wholly repayable within five years	-	148,445
	<u>-</u>	<u>148,445</u>
	-	148,445
Included in current liabilities	-	(98,445)
	<u>-</u>	<u>(98,445)</u>
	-	50,000
	<u>-</u>	<u>50,000</u>
Loan maturity analysis		
In more than one year but not more than two years	-	50,000
	<u>-</u>	<u>50,000</u>
14 Share capital	2007	2006
	£	£
Authorised		
50,000 Ordinary Shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
50,000 Ordinary Shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

EXECUTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

15 Statement of movements on reserves

	Other reserves (see below) £	Profit and loss account £
Balance at 1 October 2006	577,230	1,293,166
Loss for the year	-	(1,810,754)
Transfer from merger reserve to profit and loss account	(577,230)	577,230
Balance at 30 September 2007	-	59,642

Other reserves

Merger reserve provided for in accordance with s131 of the Companies Act 1985

Balance at 1 October 2006	577,230
Transfer from merger reserve to profit and loss account	(577,230)
Balance at 30 September 2007	-

16 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
(Loss)/Profit for the financial year	(1,810,754)	406,708
Net (depletion in)/addition to shareholders' funds	(1,810,754)	406,708
Opening shareholders' funds	1,920,396	1,513,688
Closing shareholders' funds	109,642	1,920,396

17 Financial commitments

At 30 September 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 September 2008

	Land and buildings		Other	
	2007 £	2006 £	2007 £	2006 £
Operating leases which expire				
Within one year	-	-	57,767	-
Between two and five years	31,175	31,175	48,706	28,601
	31,175	31,175	106,473	28,601

EXECUTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2007

18 Directors' emoluments	2007 £	2006 £
Emoluments for qualifying services	<u>1,226,239</u>	<u>423,263</u>

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	<u>984,167</u>	<u>270,834</u>
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19 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2007 Number	2006 Number
Sales	9	8
Services	18	16
Administration	10	9
	<u>37</u>	<u>33</u>

Employment costs

	2007 £	2006 £
Wages and salaries	2,335,710	1,281,723
Social security costs	268,582	143,519
	<u>2,604,292</u>	<u>1,425,242</u>

20 Control

The ultimate controlling party is T Price who is also a director of the company