



Accountants &
business advisers

HOMELINK TECHNOLOGIES LIMITED

Company Number: 201025 (Scotland)

ANNUAL REPORT

YEAR ENDED 31 MARCH 2005



HOMELINK TECHNOLOGIES LIMITED

COMPANY INFORMATION

Directors	D McLaughlin A C Fletcher
Secretary	Newgate Street Secretaries Limited
Company Number	201025 (Scotland)
Registered Office	Alexander Bain House 15 York Street Glasgow G2 8LA
Auditors	PKF (UK) LLP Pannell House 6 Queen Street Leeds LS1 2TW
Solicitors	Maclay Murray & Spens 151 Vincent Street Glasgow G2 5NJ
Bankers	Bank of Scotland Craigs House 78 Upper Craigs Stirling FK8 2DE

HOMELINK TECHNOLOGIES LIMITED

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HOMELINK TECHNOLOGIES LIMITED

DIRECTORS' REPORT YEAR ENDED 31 MARCH 2005

The directors submit their report and the financial statements for the year ended 31 March 2005.

Principal activity

The principal activity of the company during the year continued to be the design and development of home security systems and related applications and to market and install these systems.

Directors

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year (or date of appointment, if later) were:

	'B' Ordinary Shares of £1 each		'B' Ordinary shares of 10p each	
	2005	2004	2005	2004
P Newall (resigned 30 March 2005)	-	283,702	-	972,529
S McHard (resigned 30 March 2005)	-	4,147	-	24,180
M Swanson (resigned 30 March 2005)	-	28,124	-	102,715
D McLaughlin	-	-	-	-
N Taylor (resigned 10 October 2005)	-	-	-	-
A C Fletcher (appointed 30 March 2005)	-	-	-	-

Basis of preparation

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

By order of the board



Director

A C Fletecher

13 January 2006

HOMELINK TECHNOLOGIES LIMITED

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 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 judgments 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.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HOMELINK TECHNOLOGIES LIMITED

We have audited the financial statements of Homelink Technologies Limited for the year ended 31 March 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 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 United Kingdom 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 judgments 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HOMELINK TECHNOLOGIES LIMITED (continued)**

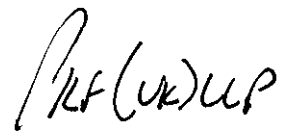
Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1(a) of the financial statements concerning the uncertainty over the company's future sales, profitability and cashflows. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Leeds, UK
13 January 2006



PKF (UK) LLP
Registered Auditors

HOMELINK TECHNOLOGIES LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 MARCH 2005**

	Notes	2005 £	2004 £
TURNOVER	2	135,393	193,845
Cost of sales		<u>(234,651)</u>	<u>(265,864)</u>
GROSS LOSS		(99,258)	(72,019)
Administrative expenses		<u>(253,836)</u>	<u>(463,619)</u>
OPERATING LOSS	3	(353,094)	(535,638)
Interest receivable and similar income		388	8,652
Interest payable and similar charges		<u>(3,741)</u>	<u>(28,135)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(356,447)	(555,121)
TAXATION	5	-	79,021
LOSS FOR THE FINANCIAL YEAR		<u>(356,447)</u>	<u>(476,100)</u>

HOMELINK TECHNOLOGIES LIMITED

BALANCE SHEET

31 MARCH 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Tangible	6	1,579	11,972
Investments	7	100	100
		<u>1,679</u>	<u>12,072</u>
CURRENT ASSETS			
Stocks	8	855	13,242
Debtors	9	32,325	130,845
Cash at bank and in hand		22,599	17,711
		<u>55,779</u>	<u>161,798</u>
CREDITORS: amounts falling due within one year	10	(441,067)	(316,401)
NET CURRENT LIABILITIES		<u>(385,288)</u>	<u>(154,603)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(383,609)</u>	<u>(142,531)</u>
CAPITAL AND RESERVES			
Called up share capital	11	2,670,612	2,584,355
Share premium account	12	1,857,282	1,828,170
Other reserves	12	41,335	41,335
Profit and loss account	12	(4,952,838)	(4,596,391)
		<u>(383,609)</u>	<u>(142,531)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the board on 13 January 2006

Signed on behalf of the board of directors

A C Fletcher



Director

HOMELINK TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2005

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Group accounts have not been prepared as all of the company's subsidiaries are permitted to be excluded from group accounts by virtue of section 229 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Going Concern

The company has made a loss of £356,447 in the year to 31 March 2005 (2004: loss of £476,100). At 31 March 2005 the company had net liabilities of £383,609. The company has continued to suffer losses in the period between 1 April 2005 and the date of sign off of the accounts.

There is considerable uncertainty regarding the securing of future sales opportunities and the amounts and timing of future cashflows.

The directors believe that the company's ultimate parent undertaking will provide sufficient funding so that the company will be able to meet its liabilities as and when they fall due for a period of twelve months from the date of sign off of these accounts whilst the company remains a wholly owned subsidiary. As a result the directors have prepared the accounts on a going concern basis.

British Telecommunications plc is in the process of marketing the company for disposal. The accounts do not include any adjustments that may result from withdrawal of funding following a sale of the company.

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts. Income received in advance is deferred within other creditors until such time as the supply of goods or services to which it relates is performed.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures and fittings	25 % on cost
Motor vehicles	25 % on cost
Computer software	50 % on cost

(d) Investments

Investments are stated at cost less provision for any impairment.

(e) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

HOMELINK TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2005

1 ACCOUNTING POLICIES (continued)

(f) Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation, except for those timing differences in respect of which the standard specifies that *deferred tax should not be recognised*.

(g) Research and development expenditure

Research and development expenditure is written off as incurred.

2 TURNOVER

All turnover arose within the United Kingdom.

3 OPERATING LOSS

The operating loss is stated after charging:

	2005 £	2004 £
Depreciation of tangible fixed assets:		
- owned by the company	10,793	19,645
- held under finance lease or hire purchase contracts	-	7,215
Audit fees	5,000	6,000
Operating lease rentals:		
Plant and machinery	11,552	22,104
	<u>11,552</u>	<u>22,104</u>

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	2005 £	2004 £
Aggregate of directors' emoluments and other benefits as defined in paragraph 1 of Sch 6 to the Companies Act 1985	27,500	49,838
	<u>27,500</u>	<u>49,838</u>

No directors (2004 - none) were members of company pension schemes.

5 TAXATION

	2005 £	2004 £
Current year taxation		
UK corporation tax	-	(79,021)
	<u>-</u>	<u>(79,021)</u>

The tax losses carried forward at 31 March 2005 are approximately £4.38m. No deferred tax asset has been recognised in the accounts because of the uncertainty over future profitability of the company. The full amount of the unrecognised deferred tax asset is approximately £836,000 at a rate of 19%.

HOMELINK TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2005

6 TANGIBLE FIXED ASSETS

	Motor vehicles £	Fixtures, fittings and office equipment £	Total £
Cost			
At 1 April 2004	13,345	121,879	135,224
Additions	-	400	400
Disposals	(13,345)	(6,978)	(20,323)
At 31 March 2005	<u>-</u>	<u>115,301</u>	<u>115,301</u>
Depreciation			
At 1 April 2004	13,345	109,907	123,252
Charge for the year	-	10,793	10,793
On disposals	(13,345)	(6,978)	(20,323)
At 31 March 2005	<u>-</u>	<u>113,722</u>	<u>113,722</u>
Net book amount			
At 31 March 2005	<u>-</u>	<u>1,579</u>	<u>1,579</u>
At 31 March 2004	<u>-</u>	<u>11,972</u>	<u>11,972</u>

7 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £
Cost	
At 1 April 2004 and 31 March 2005	<u>100</u>
Net book amount	
At 31 March 2005	<u>100</u>
At 31 March 2004	<u>100</u>

Investments comprise an investment in a subsidiary, Ascot UK Limited, a company incorporated in the United Kingdom, comprising a holding of 100% of its issued ordinary capital.

Ascot UK Limited did not trade in the year.

8 STOCKS

	2005 £	2004 £
Stocks	<u>855</u>	<u>13,242</u>

HOMELINK TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2005

9 DEBTORS

	2005 £	2004 £
Trade debtors	9,306	21,538
Other debtors	23,019	109,307
	<u>32,325</u>	<u>130,845</u>

10 CREDITORS:

Amounts falling due within one year

	2005 £	2004 £
Trade creditors	23,762	112,174
Other taxation and social security	33,033	16,201
Net obligations under finance leases and hire purchase contracts	-	440
Other creditors	384,272	187,586
	<u>441,067</u>	<u>316,401</u>

11 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No	£
At 1 April 2004			
"A" Ordinary shares of £1 each	1,180,014	1,089,678	1,089,678
"B" Ordinary shares of £1 each	995,891	544,899	544,899
"B" Ordinary shares of 10p each	2,464,495	1,997,783	199,778
Preference shares of £1 each	750,000	750,000	750,000
	<u>5,390,400</u>	<u>4,382,360</u>	<u>2,584,355</u>
Movements in year:			
"A" Ordinary shares of £1 each	750,000	750,000	750,000
Preference shares of £1 each	-	(750,000)	(750,000)
"A" Ordinary shares of 0.01p each	411,000	22,913	2
"B" Ordinary shares of 5p each	1,748,010	1,725,097	86,255
	<u>2,909,010</u>	<u>1,748,010</u>	<u>86,257</u>
At 31 March 2005			
"A" Ordinary shares of £1 each	1,930,014	1,839,678	1,839,678
"B" Ordinary shares of £1 each	995,891	544,899	544,899
"B" Ordinary shares of 10p each	2,464,495	1,997,783	199,778
Preference shares of £1 each	750,000	-	-
"A" Ordinary shares of 0.01p each	411,000	22,913	2
"B" Ordinary shares of 5p each	1,748,010	1,725,097	86,255
	<u>8,299,410</u>	<u>6,130,370</u>	<u>2,670,612</u>

HOMELINK TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2005

11 SHARE CAPITAL (continued)

On 14 July 2004, a rights issue and capital restructuring exercise was completed involving the following steps:

- the conversion of British Telecommunications plc's holding of 750,000 preference shares of £1 each to 750,000 A shares of £1 each, together with a waiver of all rights to accumulated preference dividends;
- the completion of an offer to the existing B shareholders of the Company on the basis of 11 new B shares of 5 pence each for every 16 issued and fully paid B shares, at a subscription price of 6.6 pence for each new B share. 1,673,903 new B shares of 5 pence each were issued, raising £110,478;
- the participation of British Telecommunications plc in the subscription for excess shares under the above offer, by way of the issue of 22,913 new A shares of 0.01 pence each at their nominal value, raising £2;
- the completion of a further offer to the existing B shareholders of the Company who accepted the above offer, to subscribe for new B shares of 5 pence each at a subscription price of 9.55 pence per share. 47,749 new B shares of 5 pence each were issued, raising £4,560;
- the issue to Patrick Newall, a director of the Company (resigned 30 March 2005), pursuant to an underwriting commitment, of 3,445 new B shares of 5 pence each at a subscription price of 9.55 pence per share, raising £329.

The rights issue and capital restructuring exercise raised a total of £115,369 in aggregate, with the net proceeds to the Company, after all fees and expenses due and payable, being approximately £95,857.

12 RESERVES

Share premium account

	£
At 1 April 2004	1,828,170
Premium on shares issued during the year	29,112
At 31 March 2005	<u>1,857,282</u>

Profit and loss account

	£
At 1 April 2004	(4,596,391)
Loss for the year	(356,447)
At 31 March 2005	<u>(4,952,838)</u>

13 OTHER COMMITMENTS

At 31 March 2005 the company had annual commitments under operating leases as follows:

	2005 £	2004 £
Expiry date:		
Less than one year	<u>-</u>	<u>11,552</u>

HOMELINK TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2005

14 TRANSACTIONS WITH RELATED PARTIES

M Swanson, a director (resigned 30 March 2005), is a partner in Maclay Murray & Spens Solicitors which provided legal services to the company amounting to £15,697 (2004: £7,042) during the year. The balance due to Maclay Murray & Spens at the year end was £Nil (2004: £30,626).

At 31 March 2005, loans totalling £314,625 (2004: £Nil) were owed to British Telecommunications plc. This was the maximum amount outstanding at any point in the year. The loans were for short-term financing requirements and no interest was charged.

15 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company is controlled by British Telecommunications plc.

In the opinion of the directors this is the company's ultimate parent company and ultimate controlling party.