

HOMELINK TECHNOLOGIES LIMITED

ANNUAL REPORT

YEAR ENDED 31 MARCH 2002



PKF

HOMELINK TECHNOLOGIES LIMITED

COMPANY INFORMATION

Directors	D Gordon P Newall S McHard M Swanson J White D McLaughlin N Taylor
Secretary	Maclay Murray & Spens
Company Number	201025 (Scotland)
Registered Office	4 Somerset Place Glasgow Scotland G3 7JT
Auditors	PKF Pannell House 6 Queen Street Leeds LS1 2TW
Solicitors	Maclay Murray & Spens 10 Foster Lane London EC2V 6HR
Bankers	Bank of Scotland Craigs House 78 Upper Craigs Stirling FK8 2DE

HOMELINK TECHNOLOGIES LIMITED

CONTENTS

	Page
DIRECTORS' REPORT	1 - 2
STATEMENT OF DIRECTORS' RESPONSIBILITIES	3
AUDITORS' REPORT	4
PROFIT AND LOSS ACCOUNT	5
BALANCE SHEET	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 13

HOMELINK TECHNOLOGIES LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2002

The directors submit their report and the financial statements for the year ended 31 March 2002.

Results and dividends

The loss for the year, after taxation, amounted to **£1,439,262** (2001 - £1,363,883).

Principal activity and review of the business

The principal activity of the company in the year was that of the design and development of a home security system.

While the company is currently trading at a deficit, the Directors' remain fully confident that the prospects for the business remain very bright in the near future.

Homelink Technologies have the significant support of British Telecom Plc together with several private investors. Funding arrangements are such that equity capital totalling around £550,000 is about to be injected into the business to fund continued growth.

This funding is to be obtained in the following two ways:

A Rights Issue is scheduled to be completed by 21 October 2002. This should see existing shareholders subscribing to invest in additional equity. The Rights Issue plans to raise £355,000 for the continued funding of the business. This issue is expected to be fully subscribed to by those to whom the Rights were offered. In the event of this issue not being fully subscribed, A P Newell is acting as the underwriter of the issue.

On completion of the above Rights Issue, British Telecom Plc will invest £200,000 in the purchase of additional equity in Homelink Technologies Ltd. This will maintain the stake held in Homelink Technologies Ltd by British Telecom Plc at 30% post-Rights Issue.

A principal vehicle for Homelink Technologies Ltd in terms of sales generation is its strategic alliance with British Telecom Plc. BT are currently devoting significant sales resource in terms of full-time staff towards selling the products which Homelink Technologies Ltd has to offer.

Several Local Government bodies are also involved in the advanced stage of negotiations with the company with a view to buying significant quantities of systems from Homelink Technologies Ltd.

Accordingly, given the above positive outlook, the directors are confident of the future success of the business, and as a result, have prepared the accounts for the Year Ended 31st March 2002 on a Going Concern Basis.

HOMELINK TECHNOLOGIES LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 MARCH 2002

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	
	2002	2001	2002	2001
D Gordon	243,972	263,530	-	-
J Hamilton (resigned 7 March 2002)	1,021	817	5,924	-
P Newall	349,259	235,647	790,525	-
M Livingstone (resigned 7 March 2002)	1,634	1,634	-	-
S McHard	4,147	3,317	24,180	-
M Swanson	28,124	22,497	78,877	-
J White	23,552	18,840	111,349	-
J B Douglas (resigned 23 November 2001)	51,598	33,500	250,892	-
D McLaughlin (appointed 21 March 2002)	-	-	-	-
N Taylor (appointed 20 March 2002)	-	-	-	-

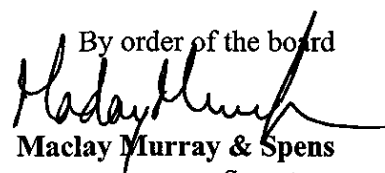
The beneficial interest of J Douglas comprises family shareholdings of 41,275 'B' shares of £1 and 76,655 'B' shares of 10p.

Auditors

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

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

Maclay Murray & Spens
 Secretary

23 September 2002

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 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.

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 SHAREHOLDERS OF
HOMELINK TECHNOLOGIES LIMITED**

We have audited the financial statements of Homelink Technologies Limited for the year ended 31 March 2002 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.

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.

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Leeds, UK
10 October 2002


PKF
Registered Auditors

HOMELINK TECHNOLOGIES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2002

	Notes	2002 £	2001 £
TURNOVER	2	285,497	-
Cost of sales		<u>(829,869)</u>	<u>(745,333)</u>
GROSS LOSS		(544,372)	(745,333)
Administrative expenses		<u>(877,128)</u>	<u>(616,782)</u>
OPERATING LOSS	3	(1,421,500)	(1,362,115)
Interest receivable and similar income		387	6,547
Interest payable and similar charges		<u>(18,149)</u>	<u>(8,315)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,439,262)	(1,363,883)
TAXATION	5	-	-
LOSS FOR THE FINANCIAL YEAR		<u>(1,439,262)</u>	<u>(1,363,883)</u>

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

HOMELINK TECHNOLOGIES LIMITED
BALANCE SHEET
31 MARCH 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible	6	87,253	64,783
Investments	7	100	-
		<u>87,353</u>	<u>64,783</u>
CURRENT ASSETS			
Stocks		71,065	-
Debtors	8	959,360	118,777
Cash at bank and in hand		560,477	961
		<u>1,590,902</u>	<u>119,738</u>
CREDITORS: amounts falling due within one year	9	<u>(425,770)</u>	<u>(521,488)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>1,165,132</u>	<u>(401,750)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,252,485</u>	<u>(336,967)</u>
CREDITORS: amounts falling due after more than one year	10	<u>(8,764)</u>	<u>(19,278)</u>
NET ASSETS/(LIABILITIES)		<u><u>1,243,721</u></u>	<u><u>(356,245)</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	2,672,767	668,108
Share premium account	12	1,374,099	339,530
Profit and loss account	12	(2,803,145)	(1,363,883)
SHAREHOLDERS' FUNDS	13	<u><u>1,243,721</u></u>	<u><u>(356,245)</u></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 23 September 2002

Signed on behalf of the board of directors

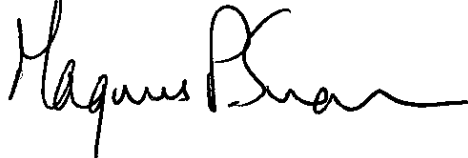
A P Newall

Director



M Swanson

Chairman



HOMELINK TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

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 March 2000).

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.

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

(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

Freehold land is not depreciated.

(d) Finance leases and hire purchase

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

(e) Investments

Investments are stated at cost less provision for any impairment.

(f) 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.

(g) Research and development expenditure

Research and development expenditure is written off as incurred.

HOMELINK TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

2 TURNOVER

Turnover is attributable to one class of business.

All turnover arose within the United Kingdom.

3 OPERATING LOSS

The operating loss is stated after charging:

	2002 £	2001 £
Depreciation of tangible fixed assets:		
- owned by the company	28,497	11,318
- held under finance lease or hire purchase contracts	9,712	10,523
Audit fees	6,750	5,000
Operating lease rentals:		
- plant & machinery	22,104	660
- other	8,473	-
	<u> </u>	<u> </u>

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	2002 £	2001 £
Directors' emoluments	83,385	146,461
	<u> </u>	<u> </u>

No directors (2001 - none) were members of company pension schemes.

5 TAXATION

No UK corporation tax liability arose on ordinary activities in the year.

HOMELINK TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

6 TANGIBLE FIXED ASSETS

	Motor vehicles £	Computer hardware and software £	Fixtures, fittings, & office equipment £	Installed alarms £	Total £
Cost					
At 1 April 2001	38,855	35,271	12,498	-	86,624
Additions	-	43,913	6,306	10,460	60,679
Disposals	-	-	(1,700)	-	(1,700)
At 31 March 2002	38,855	79,184	17,104	10,460	145,603
Depreciation					
At 1 April 2001	10,523	8,840	2,478	-	21,841
Charge for year	9,712	21,811	4,392	2,294	38,209
On disposals	-	-	(1,700)	-	(1,700)
At 31 March 2002	20,235	30,651	5,170	2,294	58,350
Net book amount					
At 31 March 2002	18,620	48,533	11,934	8,166	87,253
At 31 March 2001	28,332	26,431	10,020	-	64,783

The net book amounts of motor vehicles above include **£18,620** (2001 - £28,332) in respect of assets held under finance leases or hire purchase contracts.

7 FIXED ASSET INVESTMENTS

	Total £
Cost	
At 1 April 2001	-
Additions	100
At 31 March 2002	100

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.

The company was incorporated on 6 February 2002 and has therefore not prepared accounts to date.

HOMELINK TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

8 DEBTORS

	2002 £	2001 £
Due within one year		
Trade debtors	20,016	-
Other debtors	915,318	86,937
Prepayments & accrued income	24,026	31,840
	<u>959,360</u>	<u>118,777</u>

9 CREDITORS

	2002 £	2001 £
Amounts falling due within one year		
Bank loans and overdrafts	-	151,218
Trade creditors	341,083	87,392
Other tax and social security	11,438	42,401
Net obligations under finance lease and hire purchase contracts	10,514	10,500
Other creditors	20,000	120,000
Accruals and deferred income	42,735	109,977
	<u>425,770</u>	<u>521,488</u>

Finance lease and hire purchase creditors are secured on the assets concerned.

10 CREDITORS

	2002 £	2001 £
Amounts falling due after more than one year		
Net obligations under finance lease and hire purchase contracts	8,764	19,278

HOMELINK TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

11 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No	£
At 1 April 2001			
Ordinary shares of £1 each	1,000,000	668,108	668,108
Movements in year:			
'B' Ordinary shares of £1 each	-	120,763	120,763
'A' Ordinary shares of £1 each	1,180,014	983,338	983,338
'B' Ordinary shares of 10p each	1,964,495	1,505,584	150,558
Preference shares of £1 each	750,000	750,000	750,000
	<u>3,894,509</u>	<u>3,359,685</u>	<u>2,004,659</u>
At 31 March 2002			
'B' Ordinary shares of £1 each	1,000,000	788,871	788,871
'A' Ordinary shares of £1 each	1,180,014	983,338	983,338
'B' Ordinary shares of 10p each	1,964,495	1,505,584	150,558
Preference shares of £1 each	750,000	750,000	750,000
	<u>4,894,509</u>	<u>4,027,793</u>	<u>2,672,767</u>

The authorised share capital was increased by 1,964,495 Ordinary shares of 10p each, 1,180,014 'A' Ordinary shares of £1 each and 750,000 Preference shares of £1 each during the period. The Ordinary authorised share capital of 1,000,000 £1 shares and 1,964,495 10p shares was redesignated as 'B' Ordinary shares of £1 and 10p respectively. 1,505,584 'B' Ordinary shares of 10p each and 120,763 'B' Ordinary shares of £1 each were issued in separate rights issues for consideration of £527,744 and £317,441 respectively.

983,338 'A' Ordinary shares of £1 each were issued for consideration of £1,303,324.

750,000 Preference shares of £1 each were issued at par.

Each 'A' share and 'B' share shall carry one vote. The preference shares shall have no right to vote in general meetings save on a resolution to wind up the company, in which case, the preference shares in issue at the relevant time shall carry, in aggregate, 50% of the voting rights at general meetings of the company on any such resolution.

No dividend shall, without the consent in writing of the Preference shareholders, be paid on shares other than Preference shares if and so long as any Preference shares have not been redeemed or converted or any Preference dividend has not been paid in full on or before the due date for payment and remains in arrears. Any dividend or distribution shall be paid to the holders of the 'A' shares and the 'B' shares pro rata based on the number of 'A' shares and the 'B' shares held by each of them.

The holders of Preference shares shall be entitled in priority to any payment of dividend to the holders of any other class of share and are entitled to a cumulative preferential dividend equal to 8% of their par value. One half of such dividend is to be paid on each 30 September and 31 March during each year.

HOMELINK TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

12 RESERVES

Share premium account	£
At 1 April 2001	339,530
Premium on shares issued during the year	1,034,569
At 31 March 2002	<u>1,374,099</u>
 Profit and loss account	 £
At 1 April 2001	(1,363,883)
Loss for the year	(1,439,262)
At 31 March 2002	<u>(2,803,145)</u>

13 SHAREHOLDERS' FUNDS

	2002 £	2001 £
Shareholders' funds at 1 April 2001	(356,245)	-
Loss for the year	(1,439,262)	(1,363,883)
New shares issued	3,039,228	1,007,638
Shareholders' funds at 31 March 2002	<u>1,243,721</u>	<u>(356,245)</u>
Shareholders' funds include amounts attributable to non-equity interests as follows:		
Preference shares	750,000	-
Equity interests	493,721	(356,245)
Total	<u>1,243,721</u>	<u>(356,245)</u>

14 OTHER COMMITMENTS

At 31 March 2002 the company had annual commitments under operating leases as follows:

	Land and buildings		Other	
	2002	2001	2002	2001
	£	£	£	£
Expiry date:				
Within one year	27,937	-	-	-
Between one and five years	-	19,800	22,104	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

HOMELINK TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

15 TRANSACTIONS WITH RELATED PARTIES

S McHard and J White have non interest bearing loans to the company of £10,000 and £10,000 respectively.

The directors D Gordon and P Newall are both shareholders in Ascot Management Solutions Limited. There is a licence agreement operating between Ascot Management Solutions Limited and the company allowing the company to exploit the patent held by Ascot Management Solutions Limited. Royalties are payable by the company to Ascot Management Solutions Limited in respect of future trade. The balance due to the company by Ascot Management Solutions Limited at the year end was £103,394 (2001 - £76,845). There are no fixed repayment terms relating to this amount and it is interest free.

J Hamilton, a director until his resignation on 7 March 2002, is a partner in a firm of Chartered Accountants which has provided accountancy services to the company amounting to £Nil (2001 - £6,848) during the year.

M Swanson, a director, is a partner in Maclay Murray & Spens solicitors which has provided legal services to the company amounting to £163,952 during the year. The balance due to Maclay Murray & Spens at the year end was £188,257.