Gaia Technologies Plc

Financial statements

For the year ended 30 September 2004

Company No. 3141826

Company information

Company registration number	3141826
Registered office	17/19 High Street Bangor Gwynedd LL57 1NP
Directors	Mr Anas Abdulmawla Mr Ayad Abdulmawla Mr Kevin Evans Mrs Katarina Patouchea
Secretary	Mrs Katarina Patouchea
Bankers	Bank of Wales Aled House St David's Park Deeside Flintshire CH5 3XA
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants 1st Floor Royal Liver Building Liverpool L3 1PS

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Chairman's statement

In 2004 Gaia has made significant moves in establishing its Managed Service offering to the Education sector. This has propelled Gaia's IT division turnover to over £2.1m mark, this is in contrast to last year's 1.6m, an increase of £500k representing a 31% growth in that division. Almost £800k out of the 2.1m has been achieved from the newly established product the Managed Service, this showed that this product has been well received by our customers in the education market and it is set to do well in the future.

In contrast the company's Communication & Wireless division turnover has dropped from 1.7m to just under £700k for the year 2004, a drop of 59% in this division turnover. This was mainly caused by the company's concentration on bidding on a major tender in partnership with British Telecom (BT) on the "Project Access" in Cumbria. Gaia has worked hard on this tender and thus ignored other possible smaller projects, as this project would have brought the company over £6m worth of business out of the £25m total project budget.

The company felt it was correct to pursue this tender as the BT/Gaia offer came quite close to winning, as it was one of two offers which were short listed. This tender has given rise to a cost of £100k to the company, and thus not only affected the company's turnover, but also has contributed to the company lack of profitability this year.

However, a positive outcome of the above was the founding of a close relation between Gaia and BT. This saw BT awarding Gaia the Indirect Channel Partner status, a prestigious status as there are only two partners in Wales of which Gaia is one, and less than twenty five in the whole UK. This allows Gaia to resell any BT product and earn a significant and continuous commission from BT; Gaia is forecasting for the year 2005 a net income of £100k and doubling that for the year 2006.

Another project Gaia was expecting to win in year 2004 was the extension of the £2.5m phase II wireless project that the company has implemented during 02/03 in East Manchester; however the tender was delayed until 2005 because of funding issues. The good is news that funding was granted and the phase III was tendered for in 2005 and the company has recently won this tender.

The Market outlook for year 05 and 06 is very good, in Education the government has established a program BSF "Building Schools for the Future" with spending budgets of over £30 billions over the next decade, and committed to a minimum of £2.2bn a year. Gaia sees this as a big opportunity to expand its Managed Service offering into schools in Wales and the North West. The forecast turnover for the IT division is to exceed £2.3m for the year 2005 and £3.1m for the year 2006.

As for the communication and Wireless division, the forecast is very optimistic especially after wining the £1.6m phase III tender in Manchester to expand the ESN Wireless Network in East Manchester, as well as supply of over 2000 PCs to local resident in the area. Phase III will be implemented over the next 18 months. The wireless LAN worldwide market is forecasted to exceed $4.2bn this year.

Gaia views the small loss in the year 2004 while disappointing, is a minor blip in the company's 14 years of profit making history, and looks forward for more positive and profitable year in 05, early indications shows the company is on line to achieving these goals.

Mr Anas Abdulmawla
Chairman
29 March 2005

Report of the directors

The directors present their report together with the audited financial statements for the year ended 30 September 2004.

Principal activities

The group's principal activity continues to be that of delivering advance information and communication technology solutions to our customers, including the supply of computer hardware, connectivity, support and maintenance.

The groups' customers include Local Governments, Schools and Colleges, NHS Trusts and Industrial Corporations. The Managed Service product of the company's has proved to be very successful in delivering high quality service to schools making the product both popular and successful.

Business review and dividends

There was a loss for the year after taxation amounting to £30,292 (2003: profit £157,422).

The fixed dividends on preference shares of £23,785 were paid (2003: £19,901) and the dividends onordinary shares totaled £nil (2003: £76,924).

While the group turnover for the year has dropped to 2.77m, in contrast the gross profit has increased in percentage terms from 46.2% for 2003 to 47.5 % in 2004, which follows the trend of pervious years.

Net Assets as of September 30, 2004 were £1,847k up from £441k; this is due to revaluation of the group tangible fixed assets in particular telecommunications mast sites.

While 2004 fell below the directors forecast for year in terms of turnover and profit, the Directors feel this was due to the exceptional circumstances regarding the "Project Access" tender in Cumbria. The Directors are confident in achieving the planed forecast for the year ahead.

Directors

The present membership of the Board, all who served on the Board throughout the year, is set out below.

The interests of the directors in the shares of the company as at 30 September 2004 and 1 October 2003, were as follows:

	Ordinary shares of 5p each	
	2004	2003
Mr Anas Abdulmawla (Chairman)	**1,500,000**	1,500,000
Mr Ayad Abdulmawla	**1,500,000**	1,500,000
Mr Kevin Evans	**25,000**	25,000
Mrs Katerina Patouchea	**1,500,000**	1,500,000

Directors' responsibilities for the financial statements
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 the group and of the profit or loss of the group 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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring the directors' report is prepared in accordance with company law in the United Kingdom.

Charitable and political donations
During the year donations totalling £674 were made to charitable organisations.

Future developments
The current forecast for 2005 for Gaia's business is £3.6m up from 2004 £2.77m, the directors feel that the award of the Manchester wireless project along with the success of products like the Managed Service in education market will help to achieve these goals.

Research and Development
The company has continued to invest in research and development albeit with a limited budget. However, our effort has given the company the ability to improve the delivery of Wireless Technologies Home Broadband allowing us to keep our competitive advantage in the market place. The company has also been involved in the development of hot-spot technology and the use of dual mobile technology (GSM/ WiFi) on its wireless network.

Gaia Technologies Plc has also continued to foster relations with the local University with focus on 3D-visualization systems and cluster servers in HPC field.

Company's policy for payment of creditors
The company's policy is to pay creditors within time of the due date of agreed terms.

The company has agreed credit terms with our major supplier to the end of the following month of supply, thus giving the company up to 60 days of credit.

However for some projects those terms have been extended further to suit the project implementation.

The creditor days calculated on the basis of trade creditors divided by amounts invoiced to the company by suppliers multiplied by 365 days are 100 days.

Auditors

Grant Thornton UK LLP were appointed auditors on 29 September 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

Mrs K Patouchea
Director
Date

Grant Thornton

Report of the independent auditors to the members of Gaia Technologies Plc

We have audited the financial statements of Gaia Technologies Plc for the year ended 30 September 2004 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 21. These financial statements have been prepared in accordance with 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

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and 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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

Grant Thornton

Opinion
In our opinion the financial statements give a true and fair view of the state of the group and the company's affairs at 30 September 2004 and of the loss for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LIVERPOOL

2005

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, except that certain of the tangible fixed assets are held at revalued amounts.

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

Basis of consolidation

The group financial statements consolidate those of the company and its subsidiary undertakings. Intra-group transactions are eliminated on consolidation and all figures relate to external transactions only.

Investments

Shares in subsidiaries are valued at cost less provision for permanent impairment.

Turnover

Turnover is the total amount receivable by the group in the ordinary course of business with outside customers for goods supplied as a principal, excluding VAT and trade discounts.

Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life, this is currently estimated to be five years. Goodwill arising on consolidation is written off to reserves on acquisition.

Web domain name is shown at cost, the directors consider that this is currently an appreciating asset and no depreciation is currently provided. This is a departure from recognised accounting standards in order to show a true and fair view, normally the asset would be amortised over its estimated economic life, if this was deemed to be five years, then the amortisation would have been £6,000.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost or valuation of all tangible fixed assets over their expected useful lives on the following bases. The rates generally applicable are:

Short leasehold telecommunication masts	20% straight line
Plant and machinery	6.6% and 10% straight line
Motor vehicles	25% reducing balance
Fixtures and fittings	15% reducing balance
Office equipment	15% reducing balance
Wireless equipment	25% straight line
Broadband	50% straight line

Plant and machinery currently consists of cherry pickers, these have different expected useful lives and are depreciated accordingly on a straight line basis over 10 and 15 years.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance leases are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor care charted to the profit and loss account as incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on that date of the transaction. Exchange differences are taken into account in arising at the operating result.

Research and development

Development costs are capitalised within intangible assets, they relate to wages costs incurred where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project, currently estimated to be three years.

Deferred development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related development is written off to the profit and loss account.

Pensions

The company has contributed to directors and staff individual personal pension plans, the contributions made for the period are charged to the profit and loss account.

Consolidated profit and loss account

	Note	2004	2003
		£	£
Turnover	1		
Continuing operations		**2,772,327**	3,366,653
Cost of sales		**(1,454,721)**	(1,810,122)
Gross profit		**1,317,606**	1,556,531
Selling and distribution costs		**(42,937)**	(72,418)
Administrative expenses		**(1,238,868)**	(1,208,543)
Operating profit		**35,801**	275,570
Interest receivable		**13**	836
Interest payable	2	**(71,774)**	(71,482)
(Loss)/Profit on ordinary activities before taxation	1	**(35,960)**	204,924
Tax on profit on ordinary activities	4	**2,966**	(47,502)
(Loss)/Profit on ordinary activities after taxation		**(32,994)**	157,422
Dividends	5		
- On equity shares		**-**	(76,924)
- On non-equity shares		**(23,785)**	(19,901)
(Loss)/profit retained and transferred to reserves		**(56,779)**	60,597

All of the activities of the company are classed as continuing.

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated balance sheet

	Note	2004	2004	2003	2003
		£	£	£	£
Fixed assets					
Intangible assets	6		**130,518**		147,910
Tangible assets	7		**2,012,633**		401,336
			2,143,151		549,246
Current assets					
Stocks	9	**345,740**		298,148	
Debtors	10	**1,226,961**		705,151	
Cash at bank and in hand		**1,560**		2,512	
		1,574,261		1,005,811	
Creditors: amounts falling due within one year	11	**(1,255,586)**		(862,763)	
Net current assets			**318,675**		143,048
Total assets less current liabilities			**2,461,826**		692,294
Creditors: amounts falling due after more than one year	12		**(560,044)**		(204,527)
Provisions for liabilities and charges	14		**(54,000)**		(47,253)
Net assets			**1,847,782**		440,514
Capital and reserves					
Called up share capital	16		**387,567**		373,518
Revaluation reserve			**1,450,000**		-
Share premium account	16		**1,250**		1,250
Profit and loss account	16		**8,966**		65,746
Shareholders' funds			**1,847,782**		440,514

Shareholders' funds include non-equity interests.

The financial statements were approved by the Board of Directors on and signed on their behalf by:

Mr Anas Abdulmawla
Director

Mr Ayad Abdulmawla
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Company balance sheet

	Note	2004	2004	2003	2003
		£	£	£	£
Fixed assets					
Intangible assets	6		**130,518**		147,909
Tangible assets	7		**1,387,875**		400,444
Investments			**15,000**		15,000
			1,533,393		563,353
Current assets					
Stocks	9	**345,740**		298,148	
Debtors	10	**1,242,370**		720,235	
Cash at bank and in hand		**667**		1,488	
		1,588,777		1,019,871	
Creditors: amounts falling due within one year	11	**(1,251,736)**		(861,026)	
Net current assets			**337,041**		158,845
Total assets less current liabilities			**1,870,434**		722,198
Creditors: amounts falling due after more than one year	12		**(560,044)**		(204,527)
Provisions for liabilities and charges	14		**(54,000)**		(47,253)
Net assets			**1,256,390**		470,418
Capital and reserves					
Called up share capital	16		**387,567**		373,518
Share premium account	16		**1,250**		1,250
Revaluation reserve	16		**826,000**		-
Profit and loss account	16		**41,573**		95,650
Shareholders' funds			**1,256,390**		470,418

Shareholders' funds include non-equity interests.

The financial statements were approved by the Board of Directors on and signed on their behalf by:

Mr Anas Abdulmawla
Director

Mr Ayad Abdulmawla
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated cash flow statement

	Note	2004	2003
		£	£
Net cash (outflow)/inflow from operating activities	17	**(130,182)**	147,937
Returns on investments and servicing of finance			
Non-equity dividends paid		**(23,785)**	(19,901)
Interest received		**13**	836
Interest paid		**(60,653)**	(60,791)
Finance lease interest paid		**(11,121)**	(10,691)
Net cash outflow from returns of investments and servicing of finance		**(95,546)**	(90,547)
Taxation		**(25,129)**	(10,071)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		**(58,338)**	(40,429)
Purchase of tangible fixed assets		**(291,676)**	(194,193)
Sale of tangible fixed assets		**-**	383
Net cash outflow from capital expenditure and financial investment		**(350,014)**	(234,239)
Equity dividends paid		**-**	(76,924)
Financing			
Issue of non-equity shares		**14,049**	2,817
Capital repayments from finance leases and hire purchase contracts		**(54,501)**	(66,423)
Receipt/(repayment) of loans		**576,524**	(125,995)
Net cash inflow/(outflow) from financing	19	**536,072**	(189,601)
Decrease in cash in the year	19	**(64,799)**	(453,445)

The accompanying accounting policies and notes form an integral part of these financial statements.

Other primary statement

Statement of total recognised gains and losses

	2004	2003
	£	£
(Loss)/profit for the financial year	**(32,994)**	157,422
Unrealised gains on valuation of short leasehold telecom masts	**1,450,000**	-
Total recognised gains and losses relating to the year and since last annual report.	**1,417,006**	157,422

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation are attributable to the company's principal activities, which are carried on in a single geographical market.

The profit on ordinary activities before taxation is stated after:

	2004	2003
	£	£
Research and development:		
Amounts amortised from deferred expenditure	**36,504**	61,758
Auditors' remuneration:		
Audit services	**10,650**	9,500
Non-audit services	**6,450**	6,801
Depreciation and amortisation:		
Amortisation - intangible fixed assets	**75,728**	26,262
Depreciation:		
- Tangible fixed assets owned	**160,603**	87,511
- Tangible fixed assets held under finance leases	**36,099**	36,284
Hire of plant and machinery under operating leases	**12,769**	25,115
Other operating lease rentals - land and buildings	**35,155**	31,030

2 Interest payable

	2004	2003
	£	£
On bank loans and overdrafts	**55,345**	36,813
Other loans	**5,308**	23,978
Finance charges in respect of finance leases and similar hire purchase agreements	**11,121**	10,691
	71,774	71,482

3 Directors and employees

Staff costs, including directors' remuneration, were as follows:

	2004 £	2003 £
Wages and salaries	**537,307**	540,146
Social security costs	**37,702**	48,950
Other pension costs	**25,860**	27,318
	610,869	616,414

The average monthly number of employees, including the directors, during the year was as follows:

	2004 Number	2003 Number
Technical	**21**	23
Retail	**4**	2
Administration	**4**	4
	29	29

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments	**161,103**	150,344
Company pension contributions to money purchase pension schemes	**10,800**	9,400

During the year retirement benefits were accruing to four directors (2003: four) in respect of money purchase pension schemes.

4 Taxation

(a) Analysis of (credit)/charge in the year

	2004 £	2003 £
Current taxation		
UK corporation tax payable @ 19% (2003: 19%)	**(9,600)**	25,245
Adjustment in respect of prior periods	**(113)**	-
	(9,713)	25,245
Deferred tax	**6,747**	22,257
	(2,966)	47,502

4 Taxation (continued)

(b) Factors affecting the tax charge in the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% (2003: 19%).

The differences are explained below:

	2004	2003
	£	£
(Loss)/Profit on ordinary activities before taxation	**(35,960)**	204,924
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2003: 19%)	**(6,832)**	38,936
Effects of:		
Expenses not allowable for taxation purposes	**3,979**	8,566
Capital allowances in excess of depreciation	**(6,747)**	(22,257)
Adjustments in respect of prior period	**(113)**	-
Current tax charge for the year	**(9,713)**	25,245

Factors that may affect future tax charges

As the company grows it may suffer tax at the rate of 30%, not 19% the small company rate that it has previously been subject to.

5 Dividends

	2004	2003
	£	£
Equity shares		
Total dividends paid	**-**	76,924
Non-equity shares		
Total dividends paid	**23,785**	19,901
	23,785	96,825

6 Intangible fixed assets

The Group and Company

	Domain name £	Development £	Goodwill £	Total £
Cost				
At 1 October 2003	30,000	202,342	131,309	363,651
Additions	-	58,338	-	58,338
At 30 September 2004	**30,000**	**260,680**	**131,309**	**421,989**
Amortisation				
At 1 October 2003	-	158,841	56,901	215,742
Charge for the year	-	49,467	26,262	75,729
At 30 September 2004	-	208,308	83,163	291,471
Net book amount at 30 September 2004	**30,000**	**52,372**	**48,146**	**130,518**
Net book amount at 30 September 2003	30,000	43,501	74,408	147,909

The domain name "sapphire", is considered to be an appreciating asset by the directors, and so no depreciation is currently provided.

7 Tangible fixed assets

The Group	Plant and machinery £	Motor vehicles £	Office equipment and fittings £	Wireless equipment £	Broadband	Short leasehold telecom masts	Total £
Cost							
At 1 October 2003	54,265	72,290	264,802	325,508	-	-	716,865
Additions	36,000	-	51,489	245,808	24,701	-	357,998
Surplus on revalution	-	-	-	-	-	1,450,000	1,450,000
At 30 September 2004	90,265	72,290	316,291	571,316	24,701	1,450,000	2,524,863
Depreciation							
At 1 October 2003	8,439	43,854	96,874	166,362	-	-	315,529
Charge for the year	7,496	7,109	32,616	137,130	12,351	-	196,702
On disposals	-	-	-	-	-	-	-
At 30 September 2004	15,935	50,963	129,490	303,492	12,351	-	512,231
Net book amount at 30 September 2004	**74,330**	**21,327**	**186,801**	**267,824**	**12,350**	**1,450,000**	**2,012,633**
Net book amount at 30 September 2003	45,826	28,436	167,928	159,146	-	-	401,336

7 Tangible fixed assets (continued)

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

The Group and the Company

	Plant and machinery £	Motor vehicles £	Office equipment and fittings £	Wireless equipment £
Net book amount at 30 September 2004				
Net book amount at 30 September 2003	45,826	27,301	11,254	28,076

On 30 September 2004 the short leasehold telecommunication masts were revalued by Bob Parry (Survey and Valuation) Limited, qualified Chartered Surveyors. The valuation surplus has been taken to revaluation reserve.

Tangible fixed assets (continued)

The Company	Plant and machinery £	Motor vehicles £	Office equipment and fittings £	Wireless equipment £	Broadband	Short leasehold telecom masts	Total £
Cost							
Balance b/f	54,265	72,290	262,103	325,508	-	-	714,166
Additions	36,000	-	51,489	245,808	24,701	-	357,998
Surplus on valuation	-	-	-	-	-	826,000	826,000
Balance c/f	90,265	72,290	313,592	571,316	24,701	826,000	1,898,164
Depreciation							
Balance b/f	8,439	43,854	95,066	166,362			313,721
Charge	7,496	7,109	32,482	137,130	12,351	-	196,568
Disposals	-	-	-	-	-	-	-
At 30 September 2004	15,935	50,963	127,548	303,492	12,351	-	510,289
At 30 September 2004	**74,330**	**21,327**	**186,044**	**267,824**	**12,350**	**826,000**	**1,387,875**
At 30 September 2003	45,826	28,436	167,037	159,146	-	-	400,445

8 Fixed asset investments

The Company

	2004	2003
	£	£
Investments at cost or valuation:		
Shares in group undertakings	**15,000**	15,000

At 30 September 2004, the company held 100% of the equity share capital of the following company.

Subsidiary	Country of incorporation	Class of share capital	Proportion held	Nature of business
Gaia Solutions Limited	England & Wales	Ordinary	100%	Maintenance provider

9 Stocks

The Group and the Company

	2004	2003
	£	£
Finished goods and goods for resale	**345,740**	298,148

10 Debtors: amounts falling due within one year

	The Group		The Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	**1,206,650**	702,881	**1,206,650**	702,881
Amount owed by group undertakings	**-**	-	**15,610**	15,610
Amount owed by related undertakings	**10,160**	-	**10,160**	-
Other debtors	**9,801**	1,752	**9,600**	1,226
Prepayments and accrued income	**350**	518	**350**	518
	1,226,961	705,151	**1,242,370**	720,235

The company has trade indemnity cover of up to £1,000,000 to cover all debtors accounts.

Trade debtors include £307,216 (2003: £Nil) amounting to balances not due for payment in the next 12 months.

11 Creditors: amounts falling due within one year

	The Group		The Company	
	2004	2003	**2004**	2003
	£	£	**£**	£
Bank loans and overdrafts	**703,898**	386,612	**703,898**	386,612
Trade creditors	**402,999**	271,473	**400,299**	270,886
Current taxation	**-**	25,241	**-**	25,241
Social security and other taxes	**41,858**	37,919	**41,858**	37,919
Other creditors	**66,090**	92,766	**64,940**	91,616
Hire purchase and finance lease creditors	**28,141**	48,752	**28,141**	48,752
Accruals	**12,600**	-	**12,600**	-
	1,255,586	862,763	**1,251,736**	861,026

Banks loans and overdrafts totalling £1,541,697 (2003: £584,865) are secured by a fixed and floating charge over the company's assets, together with a fixed charge over book debts.

12 Creditors: amounts falling due after more than one year

The Group and the Company

	2004	2003
	£	£
Bank loans	**437,500**	198,252
Hire purchase and finance lease creditors	**38,707**	6,275
Directors' loan account	**83,837**	-
	560,044	204,527

Net obligations under finance leases and hire purchase agreements are payable as follows:

The Group and the Company

	2004	2003
	£	£
Between one and two years	**21,866**	**6,275**
Between two and five years	**16,841**	-
	38,707	**6,275**

13 Borrowings

The Group and the Company

Two of the loans are part of the small firms loan guarantee scheme for £84,304. The loans are repayable by monthly instalments of £4,783, interest is charged quarterly at 2.75% above the bank's base rate. The remaining loans for £350,653 are repayable by monthly instalments of £15,920, interest is charged monthly at 2.75% above the bank's base rate.

14 Deferred taxation

The Group and the Company

	2004 £	2003 £
At 1 October 2003	**47,253**	24,996
Charge for the year	**6,747**	22,257
At 30 September 2004	**54,000**	47,253

The provision for deferred taxation is made up as follows:

	2004 £	2003 £
Accelerated capital allowances	**69,280**	**72,180**
Undiscounted provision for deferred tax	**69,280**	72,180
Discounting	**(15,280)**	(24,927)
Discounted provision for deferred tax	**54,000**	47,253

15 Share capital

	2004 £	2003 £
Authorised		
18,000,000 Ordinary shares of 5p each	**900,000**	900,000
200,000 Preference shares of £1 each	**200,000**	200,000
	1,100,000	1,100,000
Allotted, called up and fully paid		
4,525,000 Ordinary shares of 5p each	**226,250**	226,250
147,268 Preference shares of £1 each	**161,317**	147,268
	387,567	373,518

The preference shares carry a right to a fixed dividend of 14% per annum, payable six monthly. The preference shares shall rank on a return of capital on liquidation or otherwise in priority to ordinary shares, from the amount available for distributions among the members, the amount payable to the holders of preference shares will be the amounts paid up on such shares together with a sum equal to any arrears and accruals of the fixed dividend thereon to be calculated down to the date of the return of capital.

The holders of the preference shares shall not be entitled to vote upon any resolution, other than a resolution for winding up the company or reducing its share capital or a resolution varying or abrogating any of the special rights attached to such shares, unless at the date of the notice convening the meeting at which such resolution is to be proposed the dividend on the preference shares is six months in arrears. The preference shares are redeemable at par by the holders on the delivery of thirteen months notice in writing to the company. The company may redeem the shares at any time.

16 Shareholders' funds

The Group

	Share capital £	Profit and loss account £	Revaluation reserve £	Share premium £	Total £
At 1 October 2003	373,518	65,746	-	1,250	440,514
Loss for the year	-	(56,779)	-	-	(56,778)
Surplus on revaluation	-	-	1,450,000	-	1,450,000
Conversion of preference dividend	14,049	-	-	-	14,049
At 30 September 2004	**387,567**	**8,967**	**1,450,000**	**1,250**	**1,847,782**

The Company

	Share capital £	Profit and loss account £	Revaluation reserve £	Share premium £	Total £
At 1 October 2003	373,518	95,650	-	1,250	470,418
Loss for the year	-	(54,076)	-	-	(54,076)
Conversation of preference dividend	14,049	-	-	-	14,049
Surplus on revaluation	826,000	-	-	-	826,000
At 30 September 2004	387,567	41,574	826,000	1,250	1,256,391

17 Net cash inflow from operating activities

	2004	2003
	£	£
Operating profit	**35,801**	275,570
Amortisation of intangible fixed assets	**75,728**	88,020
Depreciation of tangible fixed assets	**196,702**	123,795
Loss on disposal of tangible fixed assets	**-**	1,756
Increase in stocks	**(47,592)**	(48,204)
(Increase)/decrease in debtors	**(512,210)**	136,771
(Increase)/decrease in creditors	**121,389**	(429,771)
Net cash (outflow)/inflow from operating activities	**(130,182)**	147,937

18 Reconciliation of net cash flow to movement in net debt

	2004	2003
	£	£
Increase/(decrease) in cash in the year	**(64,799)**	(453,445)
Cash inflow from directors loans	**(83,837)**	
Cash inflow from bank loans	**(492,687)**	
Cash outflow from finance leases	**54,501**	192,418
Change in net debt resulting from cash flow	**(586,822)**	(261,027)
Inception of finance leases	**(66,322)**	-
Net funds at 1 October 2003	**(637,379)**	(376,352)
Net debt at 30 September 2004	**(1,290,523**	(637,379)

19 Analysis of changes in net debt

	At 1 October 2003	Cash flow	Non-cash items	At 30 September 2004
	£	£	£	£
Cash in hand and at bank	2,512	(952)	-	**1,560**
Bank overdraft	(149,907)	(63,847)	-	**(213,754)**
	(147,395)	(64,799)	-	**(212,194)**
Debts:				
Bank loans	(434,957)	(492,687)	-	**(927,644)**
Hire purchase and finance lease creditors	(55,027)	54,501	-	**(83,837)**
Directors loans	-	(83,837)	(66,322)	**(66,848)**
	(637,379)	(586,822)	(66,322)	**(1,290,523)**

20 Leasing commitments

The Group and the Company

Operating lease payments amounting to £31,000 (2003: £32,670) are due within one year. The leases to which these amounts relate expire as follows:

	2004		2003	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Between two and five years	**31,000**	**-**	31,030	1,640