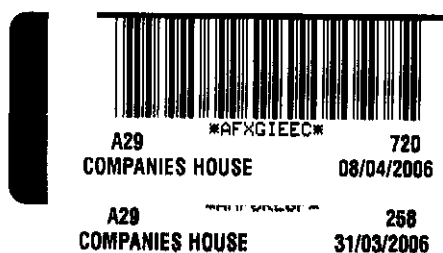


**Gaia Technologies Plc**  
**Financial statements**  
**For the year ended 30 September 2005**



**Company No. 3141826**

## Company information

<b>Company registration number</b>	3141826
<b>Registered office</b>	17/19 High Street Bangor Gwynedd LL57 1NP
<b>Directors</b>	Mr Anas Abdulmawla Mr Ayad Abdulmawla Mr Kevin Evans Mrs Katerina Patouchea
<b>Secretary</b>	Mrs Katerina Patouchea
<b>Bankers</b>	Bank of Wales Aled House St David's Park Deeside Flintshire CH5 3XA
<b>Solicitors</b>	Elwyn Jones & Company 123 High Street Bangor Gwynedd LL57 1NT
<b>Auditors</b>	Grant Thornton UK LLP Registered Auditors Chartered Accountants 1st Floor Royal Liver Building Liverpool L3 1PS

## Index

<b>Chairman's statement</b>	3 - 4
<b>Report of the directors</b>	5 - 7
<b>Report of the independent auditors</b>	8 - 9
<b>Principal accounting policies</b>	10 - 12
<b>Consolidated profit and loss account</b>	13
<b>Consolidated balance sheet</b>	14
<b>Company balance sheet</b>	15
<b>Consolidated cash flow statement</b>	16
<b>Other primary statement</b>	17
<b>Notes to the financial statements</b>	18 - 29

## **Chairman's statement**

### **A Good Year**

2005 was a good year as Gaia has returned to a healthy profit after 2004. While turnover has stayed relatively static, the company has made a significant turn around in operating and net profit before tax from last year's loss before tax of £35,960 to a profit of £123,904, a swing of almost £160k. A similar swing in operating profit from £35,801 to £230,332, an increase of £194,531, has also occurred. We were hoping for an increase of both turnover and profit however the Manchester wireless project which Gaia won (£1.6m) was delayed by the customer in order to finalise its funding and thus we only managed to deliver approximately £500k of it before end of the year.

### **Future Growth**

#### **Wireless and Communication Division**

This division holds huge growth for the future, with wireless LAN worldwide market forecast to exceed \$4.2bn this year. We are very optimistic for the future, especially after winning the £1.6m phase III tender in Manchester to expand the ESN Wireless Network in East Manchester. We are hoping that this network will be replicated over other areas of Manchester as well as in other parts of the country. We have implemented a wireless pilot in Aston Pride in Birmingham city; this was followed this year with winning the tender to cover the whole Aston Pride area. Further possible projects include other wireless connected cities in the UK and abroad.

#### **The Education Market**

The outlook for year 2006 and indeed for the next few years, in Education is very good, with the government allowing the second wave of eight city councils to adopt the BSF "Building Schools for the Future" programme and many more are likely to follow. It is forecast that UK schools will have a spending budget of over £30 billion over the next decade, and the Government is committed to a minimum spend of £2.2bn a year.

Gaia sees this as a big opportunity to expand its Managed Service offering. While the Managed Services offering has been successful in sales to individual schools in Wales and the North West, and continues to grow, we are facing some funding difficulties, which we are hoping to resolve in the near future. Gaia understands in the long term that strategically it needs to try to capitalise on its BECTA accreditation as a Managed Service Provider and to partner with construction and other large companies, in order to be able to access large, multimillion pound BSF contracts.

#### **3D Visualisation & High Performance Graphic Computing**

In 2005 Gaia has established a new division which involves the latest innovation in the field of 3D Visualisation and Immersive reality systems. The company has invested over £150k in equipment and research and development time in order to establish itself in this growing field of technology. This technology is making great headway in many different fields of research and development in sectors such as Industry, Government, Energy, Sciences, and Education.

## Chairman's statement

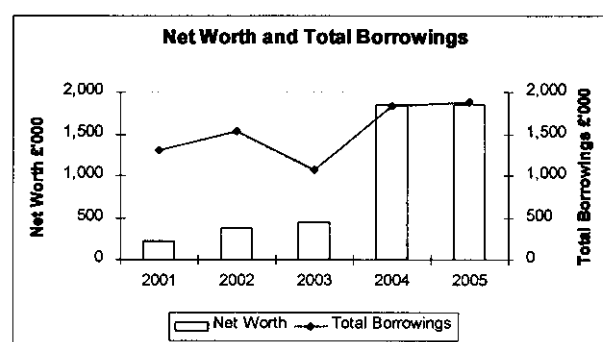
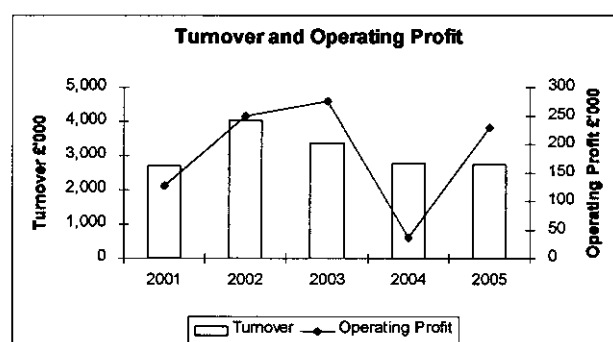
Gaia has partnered with a world leading player in the field; Fakespace Systems Inc, who specialise in the implementation of the screens and projection systems needed to make such visualisation systems. Gaia has developed its own High Performance Graphical Computing Cluster to deliver real-time 3D visualisations of complex computational requirements in order to deliver a complete solution.

Gaia won a tender for the University Of Wales Bangor (Chemistry Dept) to deliver a 3D real-time Immersive Molecular Modelling System against stiff international competition. Valued at over £300k Gaia had developed the system and delivered the project successfully by September 2005.

Gaia is continuing its research and development in this potentially huge worldwide field of technology and currently has supplemented its internal research and development with the sponsor of two PhD students in two Universities, one in the Area of Quantum Mechanics 3D Visualisation, and a second in the area of liquids 3D visualisations.

### Financial analysis & outlook

The graph below depicts the company's financial performance for the past five years. What can be deduced from this graph, is that the 2005 financial year was a major improvement from 2004, with all key financial indicators having improved positively. Management accounts to February 2006 confirm the directors confidence that 2006 will be a record year for turnover and profits.



The Manchester City Wireless contract (Eastserve Phase III) falls over a period of 18 months, with £1.0m of its turnover in this current financial year 2006. Currently the company is discussing the possibility of Phase IV of the project. Gaia has also won the Birmingham Aston Pride project which will be implemented this year with the potential of further work in next financial year.

The Directors view the years 2005 and 2006 as a step in the right direction to move and transform the company from a small to a medium size enterprise, and setting the foundation of both its internal systems and its long term funding issues, in order to achieve its goals.

Mr Anas A Mawla  
Chairman  
29 March 2006

## Report of the directors

The directors present their report together with the audited financial statements for the year ended 30 September 2005.

### 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 profit for the year after taxation amounting to £94,174 (2004: loss £32,994).

The fixed dividends on preference shares of £19,445 were paid (2004: £23,785) and the dividends on ordinary shares totalled £Nil (2004: £Nil), leaving a profit of £74,729 (2004: loss £56,779) to be transferred to/from reserves.

### Purchase of own shares

During the year 82,606 14% redeemable preference shares were redeemed at par. This represented 51% of the company's preference shares and 21% of the company's total called up share capital.

This purchase of own shares is to simplify the capital structure of the company.

### 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 2005 and 1 October 2004, were as follows:

	Ordinary shares of 5p each	
	2005	2004
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

## Report of the directors

### **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.

### **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 their 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.

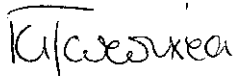
The creditors days calculated on the basis of trade creditors divided by amounts invoiced to the company by suppliers multiplied by 365 days are 66 days (2004: 100 days).

## Report of the directors

### Auditors

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  
29 March 2006



## 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 2005 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses 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.

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

### 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 2005 and of the profit for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

LIVERPOOL  
29 MARCH 2006

## Principal accounting policies

### **Basis of preparation**

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and 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.

Managed service income is provided under finance lease arrangements. The sale is recognised on installation. The finance income is treated in accordance with the lessor accounting policy for equipment sale on Page 11.

The income from maintenance contracts related to managed services is recognised on a straight line basis over the life of the contract.

All other sales of software and hardware are recognised on despatch, and invoiced accordingly.

### **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.

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.

## Principal accounting policies

### 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 to their residual value on the following bases. The rates generally applicable are:

Short leasehold telecommunication masts	over 20 years
Plant and machinery	6.6% and 10% straight line
Motor vehicles	25% reducing balance
Fixtures and fittings	15% reducing balance
IT and 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.

The residual value of the short leasehold telecommunication masts are such that the annual depreciation charge is considered immaterial.

### 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

#### Lessee

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

## Principal accounting policies

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.

### **Lessor**

The total gross earnings from a finance lease are allocated to accounting periods so as to produce a constant periodic rate of return on the lessors' net cash investment in the lease. For assets leased on operating leases, the lease rentals are taken to income on a straight-line basis over the term of the lease, and the leased asset is depreciated on the straight-line method.

### **Operating leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged 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	2005 £	2004 £
<b>Turnover</b>	1		
Continuing operations		2,723,209	2,772,327
Cost of sales		<u>(1,264,918)</u>	<u>(1,454,721)</u>
<b>Gross profit</b>		1,458,291	1,317,606
Selling and distribution costs		(24,599)	(42,937)
Administrative expenses		<u>(1,203,360)</u>	<u>(1,238,868)</u>
<b>Operating profit</b>		230,332	35,801
Interest receivable		65	13
Interest payable	2	<u>(106,493)</u>	<u>(71,774)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	1	123,904	(35,960)
Tax on profit on ordinary activities	4	<u>(29,730)</u>	<u>2,966</u>
<b>Profit/(loss) on ordinary activities after taxation</b>		94,174	(32,994)
<b>Dividends</b>	5		
- On equity shares		-	-
- On non-equity shares		(19,445)	(23,785)
<b>Profit/(loss) retained and transferred to reserves</b>	17	<u>74,729</u>	<u>(56,779)</u>

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

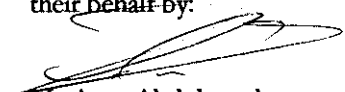
The accompanying accounting policies and notes form an integral part of these financial statements.

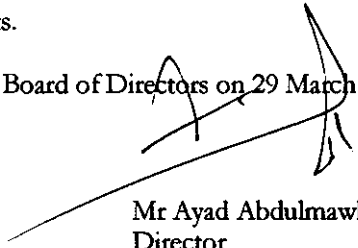
## Consolidated balance sheet

	Note	2005 £	2005 £	2004 £	2004 £
<b>Fixed assets</b>					
Intangible assets	7		114,632		130,518
Tangible assets	8		<u>1,993,359</u>		<u>2,012,633</u>
			<u>2,107,991</u>		<u>2,143,151</u>
<b>Current assets</b>					
Stocks	10	347,046		345,740	
Debtors	11	1,306,599		1,226,961	
Cash at bank and in hand		<u>1,466</u>		<u>1,560</u>	
		<u>1,655,111</u>		<u>1,574,261</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,231,245)</u>		<u>(1,255,586)</u>	
<b>Net current assets</b>			<u>423,866</u>		<u>318,675</u>
<b>Total assets less current liabilities</b>			<u>2,531,857</u>		<u>2,461,826</u>
<b>Creditors: amounts falling due after more than one year</b>	13		(628,855)		(560,044)
<b>Provisions for liabilities and charges</b>	15		(57,121)		(54,000)
<b>Net assets</b>			<u><u>1,845,881</u></u>		<u><u>1,847,782</u></u>
<b>Capital and reserves</b>					
Called up share capital	17		310,937		387,567
Revaluation reserve			1,450,000		1,450,000
Share premium account	17		1,250		1,250
Capital redemption reserve	17		82,606		-
Profit and loss account	17		<u>1,088</u>		<u>8,966</u>
<b>Shareholders' funds</b>			<u><u>1,845,881</u></u>		<u><u>1,847,783</u></u>

Shareholders' funds include non-equity interests.

The financial statements were approved by the Board of Directors on 29 March 2006 and signed on their behalf by:

  
Mr Anas Abdulmawla  
Director

  
Mr Ayad Abdulmawla  
Director

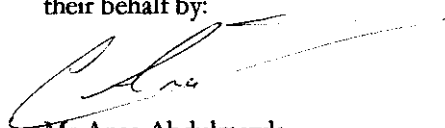
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## Company balance sheet

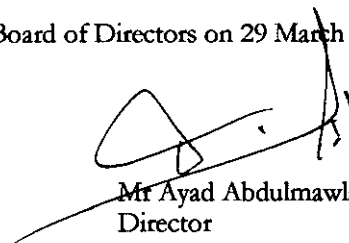
	Note	2005 £	2005 £	2004 £	2004 £
<b>Fixed assets</b>					
Intangible assets	7		114,632		130,518
Tangible assets	8		1,368,715		1,387,875
Investments			15,000		15,000
			<u>1,498,347</u>		<u>1,533,393</u>
<b>Current assets</b>					
Stocks	10	347,046		345,740	
Debtors	11	1,319,283		1,242,370	
Cash at bank and in hand		598		667	
		<u>1,666,927</u>		<u>1,588,777</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,224,695)</u>		<u>(1,251,736)</u>	
<b>Net current assets</b>			<u>442,232</u>		<u>337,041</u>
<b>Total assets less current liabilities</b>			1,940,579		1,870,434
<b>Creditors: amounts falling due after more than one year</b>	13		(628,855)		(560,044)
<b>Provisions for liabilities and charges</b>	15		(57,121)		(54,000)
<b>Net assets</b>			<u>1,254,603</u>		<u>1,256,390</u>
<b>Capital and reserves</b>					
Called up share capital	17		310,937		387,567
Share premium account	17		1,250		1,250
Revaluation reserve	17		826,000		826,000
Capital redemption reserve	17		82,606		-
Profit and loss account	17		33,810		41,573
<b>Shareholders' funds</b>			<u>1,254,603</u>		<u>1,256,390</u>

Shareholders' funds include non-equity interests.

The financial statements were approved by the Board of Directors on 29 March 2006 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	2005 £	2004 £
<b>Net cash inflow /(outflow) from operating activities</b>	18	492,678	(130,182)
<b>Returns on investments and servicing of finance</b>			
Non-equity dividends paid		(19,445)	(23,785)
Interest received		65	13
Interest paid		(102,482)	(60,653)
Finance lease interest paid		(4,011)	(11,121)
<b>Net cash outflow from returns of investments and servicing of finance</b>		<u>(125,873)</u>	<u>(95,546)</u>
<b>Taxation</b>		9,652	(25,129)
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		(64,939)	(58,338)
Purchase of tangible fixed assets		(176,864)	(291,676)
Sale of tangible fixed assets		750	-
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(241,053)</u>	<u>(350,014)</u>
<b>Equity dividends paid</b>		-	-
<b>Financing</b>			
Issue of non-equity shares		5,976	14,049
Redemption of non-equity shares		(82,606)	-
Capital repayments from finance leases and hire purchase contracts		(28,382)	(54,501)
Receipt of loans		91,510	576,524
<b>Net cash (outflow)/inflow from financing</b>		<u>(13,502)</u>	<u>536,072</u>
<b>Increase/(decrease) in cash in the year</b>	20	<u>121,902</u>	<u>(64,799)</u>

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

## Other primary statement

### Statement of total recognised gains and losses

	2005 £	2004 £
<b>Profit/(loss) for the financial year</b>	<b>94,174</b>	<b>(32,994)</b>
Unrealised gains on valuation of short leasehold telecom masts	-	1,450,000
<b>Total recognised gains and losses relating to the year and since last annual report.</b>	<b><u>94,174</u></b>	<b><u>1,417,006</u></b>

## 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:

	2005 £	2004 £
Research and development:		
Amounts amortised from deferred expenditure	54,563	36,504
Auditors' remuneration:		
Audit services	14,850	10,650
Non-audit services	12,414	6,450
Depreciation and amortisation:		
Amortisation - of goodwill	26,262	26,262
Amortisation - of development	54,563	49,467
Depreciation:		
- Tangible fixed assets owned	184,063	160,603
- Tangible fixed assets held under finance leases	11,067	36,099
Operating lease rentals: Plant and machinery	991	12,769
Land and buildings	-	35,155

### 2 Interest payable

	2005 £	2004 £
On bank loans and overdrafts	84,291	55,345
Other loans	18,191	5,308
Finance charges in respect of finance leases and similar hire purchase agreements	4,011	11,121
	<u>106,493</u>	<u>71,774</u>

### 3 Directors and employees

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

	2005 £	2004 £
Wages and salaries	581,292	583,719
Social security costs	57,438	57,148
Other pension costs	26,440	28,340
	<u>665,170</u>	<u>669,207</u>

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

	2005 Number	2004 Number
Technical	20	21
Retail	4	4
Administration	4	4
	<u>28</u>	<u>29</u>

Remuneration in respect of directors was as follows:

	2005 £	2004 £
Emoluments	<u>185,523</u>	<u>161,103</u>
Company pension contributions to money purchase pension schemes	<u>10,800</u>	<u>10,800</u>

During the year retirement benefits were accruing to four directors (2004: four) in respect of money purchase pension schemes.

### 4 Taxation

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

	2005 £	2004 £
Current taxation		
UK corporation tax payable @ 19% (2004: 19%)	26,609	(9,600)
Adjustment in respect of prior periods	-	(113)
	<u>26,609</u>	<u>(9,713)</u>
Deferred tax	3,121	6,747
	<u>29,730</u>	<u>(2,966)</u>

#### 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% (2004: 19%).

The differences are explained below:

	2005 £	2004 £
Profit/(Loss) on ordinary activities before taxation	<u>123,904</u>	<u>(35,960)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2004: 19%)	23,542	(6,832)
Effects of:		
Expenses not allowable for taxation purposes	2,492	3,979
Capital allowances in excess of depreciation	575	(6,747)
Adjustments in respect of prior period	-	(113)
Current tax charge for the year	<u>26,609</u>	<u>(9,713)</u>

##### 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

	2005 £	2004 £
<b>Equity shares</b>		
Dividends paid of Nil pence per share (2004: Nil pence)	-	-
<b>Non-equity shares</b>		
Dividends paid	<u>19,445</u>	<u>23,785</u>
	<u>19,445</u>	<u>23,785</u>

#### 6 Profit for the financial year

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements.

The group profit for the year includes a profit of £94,288 (2004: Loss £54,076) which is dealt with in the financial statements of the company.

## 7 Intangible fixed assets

### The Group and Company

	Domain name £	Development £	Goodwill £	Total £
Cost				
At 1 October 2004	30,000	260,680	131,309	421,989
Additions	-	64,939	-	64,939
At 30 September 2005	<u>30,000</u>	<u>325,619</u>	<u>131,309</u>	<u>486,928</u>
Amortisation				
At 1 October 2004	-	208,308	83,163	291,471
Charge for the year	-	54,563	26,262	80,825
At 30 September 2005	<u>-</u>	<u>262,871</u>	<u>109,425</u>	<u>372,296</u>
Net book amount at 30 September 2005	<u>30,000</u>	<u>62,748</u>	<u>21,884</u>	<u>114,632</u>
Net book amount at 30 September 2004	<u>30,000</u>	<u>52,372</u>	<u>48,146</u>	<u>130,518</u>

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

## 8 Tangible fixed assets

### The Group

	Plant and machinery £	Motor vehicles £	IT, office equipment and fittings £	Wireless equipment £	Broadband £	Short leasehold telecom masts £	Total £
Cost or valuation							
At 1 October 2004	90,265	72,290	316,291	571,316	24,701	1,450,000	2,524,863
Additions	-	14,650	147,455	14,759	-	-	176,864
On disposals	-	(4,500)	-	-	-	-	(4,500)
At 30 September 2005	90,265	82,440	463,746	586,075	24,701	1,450,000	2,697,227
Depreciation							
At 1 October 2004	15,935	50,963	129,490	303,492	12,351	-	512,231
Charge for the year	7,496	8,994	50,419	115,870	12,350	-	195,129
On disposals	-	(3,492)	-	-	-	-	(3,492)
At 30 September 2005	23,431	56,465	179,909	419,362	24,701	-	703,868
Net book amount at 30 September 2005	<u>66,834</u>	<u>25,975</u>	<u>283,837</u>	<u>166,713</u>	<u>-</u>	<u>1,450,000</u>	<u>1,993,359</u>
Net book amount at 30 September 2004	<u>74,330</u>	<u>21,327</u>	<u>186,801</u>	<u>267,824</u>	<u>12,350</u>	<u>1,450,000</u>	<u>2,012,632</u>

Included within the net book value of £1,993,359 is £47,931 (2004: £58,855) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £10,925 (2004: £11,067).

On 30 September 2004 the short leasehold telecommunication masts were revalued by Bob Parry (Survey and Valuation) Limited, qualified Chartered Surveyors on an existing use basis. The directors consider that this valuation remains appropriate at 30 September 2005. The valuation surplus has been taken to revaluation reserve.

If the short leasehold telecommunication masts had not been revalued, they would have been included on the historical cost basis at £Nil (2004: £Nil).

The short leasehold telecommunication masts residual value is considered to be such that depreciation is immaterial.

## 8 Tangible fixed assets (continued)

### The Company

	Plant and machinery £	Motor vehicles £	IT, office equipment and fittings £	Wireless equipment £	Broadband £	Short leasehold telecom masts £	Total £
Cost or valuation							
At 1 October 2004	90,265	72,290	313,591	571,316	24,701	826,000	1,898,163
Additions	-	14,650	147,455	14,759	-	-	176,864
On disposals	-	(4,500)	-	-	-	-	(4,500)
At 30 September 2005	<u>90,265</u>	<u>82,440</u>	<u>461,046</u>	<u>586,075</u>	<u>24,701</u>	<u>826,000</u>	<u>2,070,527</u>
Depreciation							
At 1 October 2004	15,935	50,963	127,548	303,492	12,351	-	510,289
Charge for the year	7,496	8,994	50,305	115,870	12,350	-	195,015
On disposals	-	(3,492)	-	-	-	-	(3,492)
At 30 September 2005	<u>23,431</u>	<u>56,465</u>	<u>177,853</u>	<u>419,362</u>	<u>24,701</u>	<u>-</u>	<u>701,813</u>
Net book amount at 30 September 2005	<u>66,834</u>	<u>25,975</u>	<u>283,193</u>	<u>166,713</u>	<u>-</u>	<u>826,000</u>	<u>1,368,715</u>
Net book amount at 30 September 2004	<u>74,330</u>	<u>21,327</u>	<u>186,044</u>	<u>267,824</u>	<u>12,350</u>	<u>826,000</u>	<u>1,387,875</u>

Included within the net book value of £1,368,715 is £47,931 (2004: £58,855) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £10,925 (2004: £11,067).

On 30 September 2004 the short leasehold telecommunication masts were revalued by Bob Parry (Survey and Valuation) Limited, qualified Chartered Surveyors on an existing use basis. The directors consider that this valuation remains appropriate at 30 September 2005. The directors consider that this valuation remains appropriate at 30 September 2005. The valuation surplus has been taken to revaluation reserve.

If the short leasehold telecommunication masts had not been revalued, they would have been included on the historical cost basis at £Nil (2004: £Nil).

The short leasehold telecommunication masts residual value is considered to be such that depreciation is immaterial.



## 9 Fixed asset investments

### The Company

	2005 £	2004 £
Investments at cost or valuation:		
Shares in group undertakings	<u>15,000</u>	<u>15,000</u>

At 30 September 2005, 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

## 10 Stocks

### The Group and the Company

	2005 £	2004 £
Finished goods and goods for resale	<u>347,046</u>	<u>345,740</u>

## 11 Debtors: amounts falling due within one year

	The Group		The Company	
	2005 £	2004 £	2005 £	2004 £
Trade debtors	1,297,605	1,206,650	1,297,605	1,206,650
Amount owed by group undertakings	-	-	12,885	15,610
Amount owed by related undertakings	7,910	10,160	7,910	10,160
Other debtors	1,084	9,801	883	9,600
Prepayments and accrued income	-	350	-	350
	<u>1,306,599</u>	<u>1,226,961</u>	<u>1,319,283</u>	<u>1,242,370</u>

The company has trade indemnity cover of up to £700,000 to cover all debtors accounts.

Trade debtors include £327,090 (2004: £307,216) amounting to balances not due for payment in the next 12 months.

**12 Creditors: amounts falling due within one year**

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	576,157	703,898	576,157	703,898
Trade creditors	228,320	402,999	222,920	400,299
Current taxation	26,661	-	26,661	-
Social security and other taxes	152,056	41,858	152,056	41,858
Other creditors	202,399	66,090	201,249	64,940
Hire purchase and finance lease creditors	21,625	28,141	21,625	28,141
Accruals	17,450	12,600	17,450	12,600
Directors loan account	6,577	-	6,577	-
	<u>1,231,245</u>	<u>1,255,586</u>	<u>1,224,695</u>	<u>1,251,736</u>

Banks loans and overdrafts totalling £1,188,171 (2004: £1,141,398) are secured by a fixed and floating charge over the company's assets, together with a fixed charge over book debts.

**13 Creditors: amounts falling due after more than one year**

**The Group and the Company**

	2005	2004
	£	£
Bank loans	612,014	437,500
Hire purchase and finance lease creditors	16,841	38,707
Directors' loan account	-	83,837
	<u>628,855</u>	<u>560,044</u>

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

**The Group and the Company**

	2005	2004
	£	£
In less than one year	21,625	28,141
Between one and two years	16,841	38,707
	<u>38,466</u>	<u>66,848</u>

## 14 Borrowings

### The Group and the Company

Creditors include a bank loan which is due for repayment as follows:

	2005 £	2004 £
<b>Amounts repayable:</b>		
In less than one year	484,400	490,144
Between one and two years	399,533	273,668
Between two and five years	212,481	163,832
	<u>1,096,414</u>	<u>927,644</u>

## 15 Deferred taxation

### The Group and the Company

	2005 £	2004 £
At 1 October 2004	54,000	47,253
Charge for the year	3,121	6,747
At 30 September 2005	<u>57,121</u>	<u>54,000</u>

The provision for deferred taxation is made up as follows:

	2005 £	2004 £
Accelerated capital allowances	<u>64,290</u>	<u>69,280</u>
Undiscounted provision for deferred tax	64,290	69,280
Discounting	<u>(7,169)</u>	<u>(15,280)</u>
Discounted provision for deferred tax	<u>57,121</u>	<u>54,000</u>

## 16 Share capital

	2005 £	2004 £
Authorised		
18,000,000 Ordinary shares of 5p each	900,000	900,000
200,000 Preference shares of £1 each	<u>200,000</u>	<u>200,000</u>
	<u>1,100,000</u>	<u>1,100,000</u>
Allotted, called up and fully paid		
4,525,000 Ordinary shares of 5p each	226,250	226,250
84,687 Preference shares of £1 each	<u>84,687</u>	<u>161,317</u>
	<u>310,937</u>	<u>387,567</u>

## 16 Share capital (continued)

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.

## 17 Shareholders' funds

### The Group

	Share capital £	Profit and loss account £	Revaluation reserve £	Share premium £	Capital redemption reserve £	Total £
At 1 October 2004	387,567	8,966	1,450,000	1,250	-	1,847,783
Profit for the year	-	74,728	-	-	-	74,728
Conversion of preference dividend	5,976	-	-	-	-	5,976
Purchase of own shares	(82,606)	(82,606)	-	-	82,606	(82,606)
At 30 September 2005	<u>310,937</u>	<u>1,088</u>	<u>1,450,000</u>	<u>1,250</u>	<u>82,606</u>	<u>1,845,881</u>

Shareholders' funds include non-equity share capital of £84,687 (2004: £161,317).

### The Company

	Share capital £	Profit and loss account £	Revaluation reserve £	Share premium £	Capital redemption reserve £	Total £
At 1 October 2004	387,567	41,573	826,000	1,250	-	1,256,390
Profit for the year	-	74,843	-	-	-	74,843
Conversion of preference dividend	5,976	-	-	-	-	5,976
Purchase of own shares	(82,606)	(82,606)	-	-	82,606	(82,606)
At 30 September 2005	<u>310,937</u>	<u>33,810</u>	<u>826,000</u>	<u>1,250</u>	<u>82,606</u>	<u>1,254,603</u>

Shareholders' funds include non-equity share capital of £84,687 (2004: £161,317).

**18 Net cash inflow from operating activities**

	2005 £	2004 £
Operating profit	230,332	35,801
Amortisation of intangible fixed assets	80,825	75,728
Depreciation of tangible fixed assets	195,130	196,702
Profit on disposal of tangible fixed assets	258	-
Increase in stocks	(1,306)	(47,592)
Increase in debtors	(89,238)	(512,210)
(Increase)/decrease in creditors	76,677	121,389
Net cash inflow/(outflow) from operating activities	<u>492,678</u>	<u>(130,182)</u>

**19 Reconciliation of net cash flow to movement in net debt**

	2005 £	2004 £
Increase/(decrease) in cash in the year	121,902	(64,799)
Cash inflow from directors loans	77,260	(83,837)
Cash inflow from bank loans	(168,770)	(492,687)
Cash outflow from finance leases	28,382	54,501
Change in net debt resulting from cash flow	<u>58,774</u>	<u>(586,822)</u>
Inception of finance leases	-	(66,322)
Net funds at 1 October 2004	<u>(1,290,523)</u>	<u>(637,379)</u>
Net debt at 30 September 2005	<u>(1,231,748)</u>	<u>(1,290,523)</u>

**20 Analysis of changes in net debt**

	At 1 October 2004 £	Cash flow £	At 30 September 2005 £
Cash in hand and at bank	1,560	(94)	1,466
Bank overdraft	(213,753)	121,996	(91,757)
	<u>(212,193)</u>	<u>121,902</u>	<u>(90,291)</u>
Debts:			
Bank loans	(927,644)	(168,770)	(1,096,414)
Hire purchase and finance lease creditors	(66,848)	28,382	(38,466)
Directors loans	(83,837)	77,260	(6,577)
	<u>(1,290,523)</u>	<u>58,774</u>	<u>(1,231,748)</u>

**21 Related parties**

During the year the company has repaid £2,250 of the balance due to Gaia Wireless Limited, the amount outstanding at the year end is £7,910 (2004: £10,160).

Anas Abdulmawla, Ayad Abdulmawla and Katerina Patouchea, shareholders and directors of the company are also shareholders and directors of Gaia Wireless Limited.

**22 Capital commitments**

There are no capital commitments at 30 September 2005 or 30 September 2004.

**23 Contingent liabilities**

There are no contingent liabilities at 30 September 2005 or 30 September 2004.