

**PEDAGOG LIMITED**  
**REPORT AND ABBREVIATED ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

WEDNESDAY



A21 \*AFRBVQR3\* 31  
27/06/2007  
COMPANIES HOUSE

**KILSBY & WILLIAMS LLP**  
**CHARTERED ACCOUNTANTS**  
Company Registration Number 3520250

# **PEDAGOG LIMITED**

## **REPORT AND ABBREVIATED ACCOUNTS** **For the year ended 31 December 2005**

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## INDEPENDENT AUDITORS' REPORT TO PEDAGOG LIMITED

### UNDER SECTION 247B TO THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 3 to 7, together with the full statutory accounts of the company for the year ended 31 December 2005, prepared under Section 226 of the Companies Act 1985

#### Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246 to the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

#### Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the accounts that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts have been properly prepared from those accounts. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full statutory accounts.

#### Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985 and the abbreviated accounts on pages 3 to 7 are properly prepared in accordance with that provision.

#### Other information

On 26 June 2007 we reported, as auditors of Pedagog Limited, to the members on the accounts prepared under S226 of the Companies Act 1985 for the year ended 31 December 2005 and our audit report was as follows:

"We have audited the accounts of Pedagog Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the accounts, 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.

### CHARTERED ACCOUNTANTS

# INDEPENDENT AUDITORS' REPORT TO PEDAGOG LIMITED

## UNDER SECTION 247B TO THE COMPANIES ACT 1985 CONTINUED

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements

### 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

### Emphasis of matter: going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 2 of the accounts concerning the company's ability to continue as a going concern. The company incurred a net loss of £104,741 during the year ended 31 December 2005 and, at that date, the company's liabilities exceeded its total assets by £785,209. These conditions, along with the matters explained in note 2 to the accounts, indicate a material uncertainty which may cast doubt about the company's ability to continue as a going concern. The accounts do not include adjustments that would result if the company were unable to continue as a going concern.

### Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985."



**KILSBY & WILLIAMS LLP**  
Chartered Accountants  
and Registered Auditors

Date:

26<sup>th</sup> June 2007

CHARTERED ACCOUNTANTS

# PEDAGOG LIMITED

## BALANCE SHEET

As at 31 December 2005

	Note	2005 £	As restated (Note 9) 2004 £
<b>FIXED ASSETS</b>			
Tangible assets	3	38 458	47 887
		<u>38 458</u>	<u>47 887</u>
<b>CURRENT ASSETS</b>			
Debtors		59 026	2,184
		<u>59 026</u>	<u>2,184</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	4	(458 708)	(346 554)
<b>NET CURRENT LIABILITIES</b>		<u>(399 682)</u>	<u>(344 370)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(361 224)</u>	<u>(296 483)</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	4	(423,985)	(383 985)
<b>NET LIABILITIES</b>		<u>(785 209)</u>	<u>(680 468)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	5	689 182	689,182
Share premium account	6	501 528	501 528
Profit and loss account		(1,975 919)	(1,871,178)
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>(785 209)</u>	<u>(680 468)</u>

These abbreviated accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

Signed on behalf of the  
Board of Directors

Q Ta'eed  
Director

Approved by the Board 25 June 2007

The notes on pages 4 to 7 form part of these accounts

# PEDAGOG LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS For the year ended 31 December 2005

### I ACCOUNTING POLICIES

#### **Basis of Accounting**

The accounts have been prepared under the historical cost convention

#### **Turnover**

The company follows the principles of FRS5 Application Note G in determining appropriate revenue recognition policies. In principle revenue is recognised to the extent that the company has obtained the right to consideration through its performance. Revenue for these contracts is recognised on a straight line basis over the period of the licence to reflect performance over the licence. The excess of licence fees invoiced over revenue recognised is recorded as deferred income.

Revenue from consultancy work is recognised when the service has been provided and all obligations to the customer fulfilled.

#### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off the cost of valuation of each asset over its estimated useful life

Plant and machinery etc	15% - 25% on reducing balance
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#### **Deferred Taxation**

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in accounts. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

#### **Leased Assets and Hire Purchase Contracts**

Assets held under finance leases and hire purchase contracts are capitalised at the estimated fair value at date of inception of each lease or contract. The assets are depreciated over their expected useful lives. The finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

#### **Cash Flow Statement**

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard Number 1 on the grounds that it qualifies as a small company under the Companies Act 1985.

#### **Government grants**

Grants on capital expenditure are treated as a deferred credit and are released to the profit and loss account in equal instalments over the estimated useful life of the related assets. Grants of a revenue nature are credited against the expense in the period to which they relate.

#### **Research and development**

Research and development costs are charged to the profit and loss account in the year in which they are incurred.

# PEDAGOG LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS For the year ended 31 December 2005

### 2 GOING CONCERN

The company made a loss for the year before tax of £124 657 and had net liabilities of £785 209 at 31 December 2005. Since the year end draft accounts of the company show that it made a loss of £381 738 in the year to 31 December 2006 and its net liabilities increased to £1 166 947. Management accounts for the three months to 31 March 2007 show a further loss of £139 263 and net liabilities of £1 306,210. The company has been able to continue trading and meet its financial obligations as a result of the support of its bank, creditors and a related company, Fonetechnology Limited. The bank has formally confirmed that its existing facility will remain in place until 31 October 2007.

The company and Bridisco Limited jointly own Intellectual Property which the directors believe will generate significant revenues and ultimately profits. The company is undertaking a joint venture project with Bridisco Limited to exploit this asset. A separate company, Fonetechnology Limited, has been formed as part of the project. Since 31 December 2005, Fonetechnology Limited has been providing financial support to Pedagog Limited and they have confirmed their continuing financial support to at least 18 June 2008.

The company is considering undertaking a corporate restructure in connection with the joint venture project. The new vehicle would then be used to raise finance from external investors. If this is successful, the company will have access to sufficient finance resources to enable it to continue trading.

The directors are confident that the joint venture and finance raising projects will be successful and therefore have prepared accounts on a going concern basis.

3. TANGIBLE FIXED ASSETS	Total £
<b>Cost</b>	
At 1 January 2005	135 122
Additions	3 157
	<hr/>
At 31 December 2005	138 279
	<hr/>
<b>Depreciation</b>	
At 1 January 2005	87 235
Charge for year	12 586
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At 31 December 2005	99 821
	<hr/>
<b>Net book value</b>	
At 31 December 2005	38 458
	<hr/>
At 31 December 2004	47 887
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# PEDAGOG LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2005

### 4. CREDITORS

Included within creditors falling due within one year and after more than one year are secured liabilities amounting to £126,690 (2004 - £73,531)

5	CALLED UP SHARE CAPITAL		2005	2004
	Authorised Number	Class	£	£
	28,285,958	Deferred shares (nominal value £0 01)	282,860	282,860
	12,369	Ordinary (nominal value £1)	12,369	12,369
	1,738	'A' Ordinary (nominal value £1)	1 738	1,738
	237	'B' Ordinary (nominal value £1)	237	237
	-	'C' Ordinary (nominal value £0 01)	-	-
	400,000	Cumulative redeemable "A" preference (nominal value £1)	400 000	400 000
			<u>697,204</u>	<u>697 204</u>
	Allotted, issued and fully paid		2005	2004
	Number	Class	£	£
	28 285,958	Deferred shares (nominal value £0 01)	282,860	282 860
	4,347	Ordinary (nominal value £1)	4 347	4 347
	1,738	"A" Ordinary (nominal value £1)	1 738	1,738
	237	"B" Ordinary (nominal value £1)	237	237
	-	"C" Ordinary (nominal value £0 01)	-	-
	400,000	Cumulative redeemable "A" preference (nominal value £1)	400 000	400 000
			<u>689 182</u>	<u>689 182</u>
6	SHARE PREMIUM		2005	2004
			£	£
	Cash share issue		<u>501 528</u>	<u>501 528</u>



## PEDAGOG LIMITED

### NOTES TO THE ABBREVIATED ACCOUNTS For the year ended 31 December 2005

#### 7 CONTINGENT LIABILITY

The company has received a government grant of £188,000. That money will become repayable if certain conditions are not met. The directors are of the opinion that no liability will crystallise.

#### 8 TRANSACTIONS WITH DIRECTORS

At 31 December 2005 a balance of £25,400 was due to the directors. This is included within other creditors.

#### 9. PRIOR YEAR ADJUSTMENTS

The company has adopted a change in accounting policy in respect of development costs. Previously they were capitalised subject to the requirements of SSAP13. The new policy is to write off all development costs as incurred to the profit and loss account. The directors feel that this policy is more consistent with policies used by similar technology development companies and is thus more relevant to their results. The financial effect is shown below.

The company has also adopted a change in accounting policy in respect of the recognition of licence fee income. The new accounting policy is described in note 1. The policy now is to recognise income from contracts on a performance basis (previously revenues under heads of agreement or contract were brought in only when received). The directors feel that this policy is more consistent with policies used by similar companies in the industry.

The financial effect of these adjustments is shown below.

	£
Research and development costs written off	(856 019)
Deferred income at 1 January 2005	(204 000)
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Decrease in reserves at 1 January 2005	(1 060 019)
Reserves as originally stated	(811 159)
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Adjusted reserves at 1 January 2005	(1 871 178)
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Development costs of £323 372 were written off in the year ended 31 December 2005. Under the old accounting policy these costs would have been capitalised.