

Company Registration No. 4613736 (England and Wales)

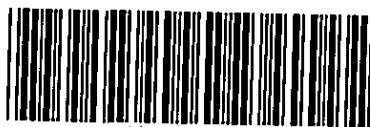
**COMMS FACTORY LIMITED**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2006**

**Carpenter Box LLP**  
*Chartered Accountants*  
Grafton Lodge  
15 Grafton Road  
Worthing  
West Sussex  
BN11 1QR

FRIDAY



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# COMMS FACTORY LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr G M Thornley Mr S Fletcher Mr O Bloodworth (Appointed 20 December 2005)
<b>Secretary</b>	Mr O Bloodworth
<b>Company number</b>	4613736
<b>Registered office</b>	Grafton Lodge 15 Grafton Road Worthing West Sussex BN11 1QR
<b>Auditors</b>	Carpenter Box LLP Grafton Lodge 15 Grafton Road Worthing West Sussex BN11 1QR
<b>Business address</b>	Premium House, Brighton Road Worthing West Sussex BN11 2BJ
<b>Bankers</b>	HSBC 1 Broadwater Street West Worthing West Sussex BN14 9BP

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# COMMS FACTORY LIMITED

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# COMMS FACTORY LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2006

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The directors present their report and financial statements for the year ended 31 July 2006

### Principal activities and review of the business

It has been an excellent year for Comms Factory Limited. Although revenues have fallen slightly at £14,064,675 (2005 - £14,879,096), margins have improved to 6.3% from 3.8% in the previous financial year leading to a gross profit of £885,969 (2005 - £559,575). The company has benefited from better supply prices and an ability to increase its sales prices.

Administrative expenses have continued to drop as the increased automation has improved processes, represent 2.9% of turnover compared with 4.1% in the previous year.

Profit on ordinary activities before taxation stands at £466,939 (3.3%) compared with a small loss of £47,870 in 2005.

Both internal and external factors will have an impact upon the risks faced by the business in the next year. We will look to continue our recent growth and continue to focus on our excellent customer service.

Externally there are some challenges to be met as the telecommunications market is evolving rapidly and some major strategic decisions need to be made. The introduction of Local Loop Unbundling, the new 21st-century Network and Wholesale Line Rental 3 are three key developments that will shape the way the whole industry looks in the future.

We expect Comms Factory Limited's excellent performance to continue into 2007.

### Results and dividends

The results for the year are set out on pages 4 to 5.

The directors do not recommend payment of an ordinary dividend.

### Directors

The following directors have held office since 1 August 2005:

Mr G M Thornley	
Mr P J German	(Resigned 20 December 2005)
Mr S Fletcher	
Mr O Bloodworth	(Appointed 20 December 2005)

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 July 2006	1 August 2005
Mr G M Thornley	-	-
Mr S Fletcher	-	-
Mr O Bloodworth	-	-

Mr G M Thornley is the sole shareholder of OneBill Group Limited, the ultimate parent company, and his interest in the shares of that company are disclosed in its own accounts.

# COMMS FACTORY LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

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### Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the company's contractual and other legal obligations

On average, trade creditors at the year end represented 50 days' (2005 - 50 days) purchases

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Carpenter Box LLP be reappointed as auditors of the company will be put to the Annual General Meeting

### Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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 company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board



Mr G M Thornley

Director

30/3/07

# COMMS FACTORY LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF COMMS FACTORY LIMITED

We have audited the financial statements of Comms Factory Limited for the year ended 31 July 2006 set out on pages 4 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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, and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

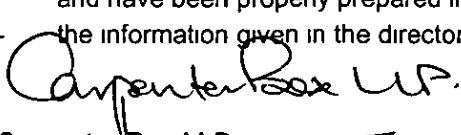
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

  
**Carpenter Box LLP**  
Chartered Accountants  
Registered Auditor

16 April 2007  
  
Grafton Lodge  
15 Grafton Road  
Worthing  
West Sussex  
BN11 1QR

# COMMS FACTORY LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2006

	Notes	Year ended 31 July 2006 £	Year ended 31 July 2005 £
Turnover	2	14,064,675	14,879,096
Cost of sales		(13,178,706)	(14,319,521)
<b>Gross profit</b>		<b>885,969</b>	<b>559,575</b>
Administrative expenses		(412,914)	(605,800)
<b>Operating profit/(loss)</b>	<b>3</b>	<b>473,055</b>	<b>(46,225)</b>
Other interest receivable and similar income	4	-	149
Interest payable and similar charges	5	(6,116)	(1,794)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>466,939</b>	<b>(47,870)</b>
Tax on profit/(loss) on ordinary activities	6	(44,300)	-
<b>Profit/(loss) for the year</b>	<b>12</b>	<b>422,639</b>	<b>(47,870)</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

# COMMS FACTORY LIMITED

## PROFIT AND LOSS ACCOUNT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

### Note of historical cost profits and losses

	Year ended 31 July 2006 £	Year ended 31 July 2005 £
<b>Reported profit/(loss) on ordinary activities before taxation</b>	466,939	(47,870)
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	38,529	77,057
<b>Historical cost profit on ordinary activities before taxation</b>	505,468	29,187
<b>Historical cost profit for the year retained after taxation, extraordinary items and dividends</b>	461,168	29,187



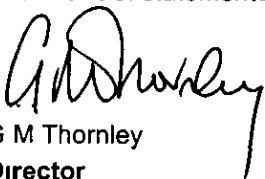
# COMMS FACTORY LIMITED

## BALANCE SHEET AS AT 31 JULY 2006

	Notes	2006 £	£	2005 £	£
<b>Fixed assets</b>					
Tangible assets	7		159,814		241,877
<b>Current assets</b>					
Debtors	8	2,167,106		2,134,645	
Client bank accounts		22,180		1,767	
Cash at bank and in hand		200,715		11,676	
		<u>2,390,001</u>		<u>2,146,321</u>	
<b>Creditors amounts falling due within one year</b>	9	<u>(2,432,079)</u>		<u>(2,699,401)</u>	
<b>Net current liabilities</b>			(42,078)		(553,080)
<b>Total assets less current liabilities</b>			117,736		(311,203)
<b>Provisions for liabilities and charges</b>	10		(6,300)		-
			<u>111,436</u>		<u>(311,203)</u>
<b>Capital and reserves</b>					
Called up share capital	11		150		150
Revaluation reserve	12		38,528		77,057
Profit and loss account	12		72,758		(388,410)
<b>Shareholders' funds - equity interests</b>	13		<u>111,436</u>		<u>(311,203)</u>

The financial statements were approved by the Board on

30/3/07

  
G M Thornley  
Director

# COMMS FACTORY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of tangible fixed assets, and in accordance with applicable accounting standards

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the basis that this will be dealt with by the parent company, OneBill Limited in its consolidated accounts

#### 1.2 Turnover

Turnover comprises income in respect of telecommunications services net of VAT and trade discounts, recognised based on the actual time used by customers (measured to the nearest second) and includes time not yet invoiced at the year end together with an adjustment for line rentals invoiced in advance

#### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows

Computer equipment & software

Equipment - over 3 years straight line basis

Software - over 3 years straight line basis

The depreciation rate provided in respect of specialised computer software has been changed to reflect the director's assessment of its expected useful life following a further review of market values as at 31 July 2006. The previous policy in place was to depreciate such items over a period of 2 years, and this has now been revised to be spread over 3 years. The effect of this change on the current year's result is to decrease the depreciation charged in the accounts by £62,500.

#### 1.4 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes in accordance with Financial Reporting Standard 19. The deferred tax balance has not been discounted.

#### 1.5 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

#### 1.6 Client monies

The company acts as agent for a number of its clients, collecting funds from their respective individual customers. Monies collected are held in separate bank accounts designated to each client before being transferred to them on a regular basis, under the terms of the agreements in place. Monies held in these separately designated client accounts at the balance sheet date have been recognised as assets and liabilities in the financial statements in accordance with generally accepted accounting practice.

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

# COMMS FACTORY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

<b>3</b>	<b>Operating profit/(loss)</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	Operating profit/(loss) is stated after charging		
	Depreciation of tangible assets	114,335	184,230
	Auditors' remuneration	6,000	5,000
	Remuneration of auditors for non-audit work	5,371	10,250
		<u>          </u>	<u>          </u>
<b>4</b>	<b>Investment income</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	Bank interest	-	149
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Interest payable</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	-	1,794
	Other interest	6,116	-
		<u>          </u>	<u>          </u>
		<u>6,116</u>	<u>1,794</u>

# COMMS FACTORY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

6	Taxation	2006 £	2005 £
	<b>Domestic current year tax</b>		
	U K corporation tax	38,000	-
	<b>Current tax charge</b>	38,000	-
	<b>Deferred tax</b>		
	Deferred tax charge/credit current year	6,300	-
		44,300	-
	<b>Factors affecting the tax charge for the year</b>		
	Profit/(loss) on ordinary activities before taxation	466,939	(47,870)
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 30.00%)	140,082	(14,361)
	Effects of		
	Non deductible expenses	32	109
	Depreciation add back	34,300	55,269
	Capital allowances	(15,822)	(25,988)
	Tax losses utilised/carried forward	(118,317)	(15,029)
	Marginal rate relief	(2,275)	-
		(102,082)	14,361
	<b>Current tax charge</b>	38,000	-

The company has estimated losses of £ nil (2005 £ 394,400) available for carry forward against future trading profits

No deferred tax liability has been provided on revalued fixed assets to recognise the gain that would arise if they were sold at their carrying value at the balance sheet. This is because there are no binding commitments or any intentions to dispose of these assets in the foreseeable future. The potential liability that has not been recognised is £10,100 (2005 - £20,200)

# COMMS FACTORY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

### 7 Tangible fixed assets

	Computer equipment & software £
<b>Cost or valuation</b>	
At 1 August 2005	440,889
Additions	32,272
	<hr/>
At 31 July 2006	473,161
	<hr/>
<b>Depreciation</b>	
At 1 August 2005	199,012
Charge for the year	114,335
	<hr/>
At 31 July 2006	313,347
	<hr/>
<b>Net book value</b>	
At 31 July 2006	159,814
	<hr/>
At 31 July 2005	241,877
	<hr/>

Certain specialised computer software is included in the financial statements at its valuation of £250,000 on 31 July 2004. This valuation was carried out by the directors on a prudent basis having regard to its market value. The depreciation charge for the year relating to this software is £62,500 (2005 - £125,000).

On an historical cost basis the software would have been included at a cost of £115,063 (2005 - £115,063) and accumulated depreciation of £86,298 (2005 - £57,532).

### 8 Debtors

	2006 £	2005 £
Trade debtors	2,157,395	2,127,326
Amounts owed by parent and fellow subsidiary undertakings	6,706	14
Other debtors	5	4,305
Prepayments and accrued income	3,000	3,000
	<hr/>	<hr/>
	2,167,106	2,134,645
	<hr/>	<hr/>

# COMMS FACTORY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

9 Creditors amounts falling due within one year	2006 £	2005 £
Trade creditors	1,759,448	2,000,814
Amounts owed to parent and fellow subsidiary undertakings	496,487	496,487
Corporation tax	38,000	-
Other taxes and social security costs	103,498	189,583
Accruals and deferred income	12,466	10,750
Client monies	22,180	1,767
	<u>2,432,079</u>	<u>2,699,401</u>

The company is included in a joint security arrangement whereby all present and future indebtedness and liabilities owing to the bank are secured by a composite unlimited multilateral guarantee and a debenture given by all companies in the group. At the balance sheet date the liability due under this arrangement amounted to £nil (2005 - £nil)

### 10 Provisions for liabilities

	Deferred tax liability £
Profit and loss account	6,300
Balance at 31 July 2006	<u>6,300</u>

The deferred tax liability is made up as follows

	2006 £	2005 £
Accelerated capital allowances	<u>6,300</u>	<u>-</u>

### 11 Share capital

	2006 £	2005 £
<b>Authorised</b>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
150 Ordinary shares of £1 each	<u>150</u>	<u>150</u>

# COMMS FACTORY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

### 12 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 August 2005	77,057	(388,410)
Retained profit for the period	-	422,639
Transfer of depreciation on revalued assets	(38,529)	38,529
Balance at 31 July 2006	<u>38,528</u>	<u>72,758</u>

### 13 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit/(Loss) for the financial year	422,639	(47,870)
Opening shareholders' funds	(311,203)	(263,333)
Closing shareholders' funds	<u>111,436</u>	<u>(311,203)</u>

### 14 Directors' emoluments

	2006 £	2005 £
Emoluments for qualifying services	<u>87,084</u>	<u>-</u>

### 15 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

	2006 Number	2005 Number
Administration	<u>8</u>	<u>11</u>

#### Employment costs

	2006 £	2005 £
Wages and salaries	154,934	254,341
Social security costs	16,576	28,250
	<u>171,510</u>	<u>282,591</u>

# COMMS FACTORY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

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### 16 Control

As at 1 August 2005 the company was under the control of Mr G M Thornley and Mr P J German, directors and shareholders of OneBill Limited

On 20 December 2005 the whole of the issued share capital of OneBill Limited was transferred to OneBill Group Limited in exchange for the issue of 2,385,000 ordinary shares of £1 each in OneBill Group Limited to Mr G M Thornley and consideration of £2,385,000 to Mr P J German, to be paid by cash and loan notes

The ultimate parent company is OneBill Group Limited, a company registered in England and Wales, of which Mr G M Thornley is the sole shareholder

The immediate parent company is OneBill Limited, a company which prepares group financial statements and copies can be obtained from Carpenter Box Chartered Accountants LLP, 15 Grafton Road, Worthing, West Sussex, BN11 1QR

### 17 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by OneBill Limited

During the year the company was charged a total of £164,727 in respect of billing provisioning services by Symbiant Technologies Limited, a company in which Mr G M Thornley, director and sole shareholder of OneBill Group Limited, the ultimate parent company, has a significant minority shareholding. The amount due to Symbiant Technologies Limited at the balance sheet date amounted to £32,340

During the year the company was charged a total of £310,500 in respect of internet service provisioning by IZR Solutions Limited, a 100% subsidiary of OneBill Group Limited. The amount due to IZR Solutions Limited at the balance sheet date amounted to £40,500