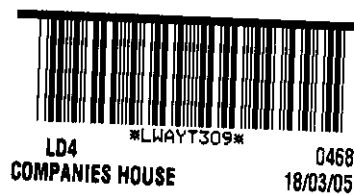


Comunica plc

Financial statements

For the year ended 31 May 2004



Company No. 2027207

Company information

Company registration number	2027207
Registered office	The Hallmarks 146 Field End Road Eastcote Pinner Middlesex HA5 1RJ
Directors	P Pela G Masom R Marshall A Chater R Bell
Secretary	A Chater
Bankers	The Royal Bank of Scotland St Albans Office 10 St Peters Street St Albans Hertfordshire AL1 3LY
Solicitors	Royds RDW 2 Crane Court Fleet Street London EC4A 2BL
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Churchill House Chalvey Road East Slough Berkshire SL1 2LS

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 May 2004.

Principal activities and business review

The principal activity of the company during the year was the supply of tailor-made communication solutions through the design, implementation and maintenance of network and cabling infrastructures.

The directors believe that the company is positioned to perform well over the coming year.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have paid the following dividends:

	2004 £	2003 £
Dividends paid on ordinary shares	<u>440,000</u>	<u>125,000</u>

The directors and their interests in the shares of the parent company

The directors who served the company during the year together with their beneficial interests in the shares of the parent company were as follows:

	Class of share	At 31 May 2004	At 1 June 2003
R Marshall	'D' ordinary shares of US \$0.016	1,007,000	1,007,000
	'F' ordinary shares of £0.01 each	100,700	100,700
	'G' ordinary shares of £0.01 each	1,867,000	1,867,000
	'H' ordinary shares of £0.0001 each	294,495,300	294,495,300
R Bell	'G' ordinary shares of £0.01 each	2,974,700	2,974,700
	'H' ordinary shares of £0.0001 each	294,495,300	294,495,300

Report of the directors

The directors of the company for the year were:

P Pela
G Masom (appointed 22 February 2005)
R Marshall
A Chater (appointed 30 November 2004)
R Bell
D Moëd (resigned 30 November 2004)

No directors had any interest in the ordinary shares of the company.

P Pela and G Masom are also directors of the ultimate parent company, Comunica Holdings plc and D Moëd was a director until 30 November 2004. Their interests in the share capital of that company are shown in its financial statements.

Policy on the payment of creditors

The company's policy for all suppliers is to fix terms of payment when agreeing the terms of each transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of each payment. Year end trade creditors for the company represent 103 days' (2003 - 92 days') purchases.

Directors' responsibilities

United Kingdom 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 at the end of the year and of the profit or loss for the year then ended. 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the directors

Donations

During the year the company made the following contributions:

	2004 £	2003 £
Charitable	<u>10,405</u>	<u>7,374</u>

Auditors

Grant Thornton UK LLP were appointed auditors on 16 August 2004 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. Special notice pursuant to section 388(3) having been given, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



Secretary

15 March 2005

Report of the independent auditors to the members of Comunica plc

We have audited the financial statements of Comunica plc for the year ended 31 May 2004 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 24. 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 directors and auditors

The directors' responsibilities for preparing the report of the directors 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 report of the directors 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 report of the directors 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

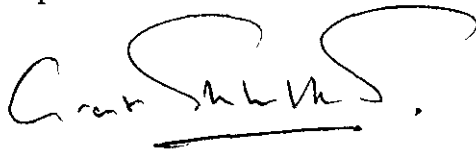
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

Report of the independent auditors to the members of Comunica plc (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 May 2004 and of its loss 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
LONDON THAMES VALLEY OFFICE
SLOUGH

18 March 2005

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The directors have reviewed the principal accounting policies of the company and consider they remain the most appropriate for the company.

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cashflow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Comunica Holdings plc and the company is included in the consolidated financial statements.

Turnover

Turnover represents sales to external customers at invoiced amounts together with the value of work carried out to the balance sheet date on long-term contracts less value added tax and discounts allowed.

Fixed assets

All fixed assets are recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Premises improvements	-	at either 2% or 20%
Fixtures & fittings	-	20%
Motor vehicles	-	25%
Office equipment	-	33 1/3%

Fixed asset investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Stocks

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

Principal accounting policies

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Long-term contracts

Long-term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as the contract progresses. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion the profit is recognised in the profit and loss account as the difference between the attributable turnover and related costs for the contract. Attributable turnover is based on the state of completion with reference to the fair value of the goods or services provided as a proportion of the fair value of the contract.

Short-term contracts

For short-term contracts, including period schedule work, turnover and profit is recognised based upon the state of completion on an individual job basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for the directors and employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Principal accounting policies

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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 of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Profit and loss account

	Note	2004 £	2003 £
Turnover	1	30,314,078	32,375,986
Cost of sales		(24,463,106)	(26,155,620)
Gross profit		5,850,972	6,220,366
Other operating charges	2	(5,569,062)	(6,794,022)
Operating profit/(loss)	3	281,910	(573,656)
Interest receivable		2,820	5,321
Interest payable and similar charges	6	(52,304)	(28,552)
Profit/(loss) on ordinary activities before taxation		232,426	(596,887)
Tax on profit/(loss) on ordinary activities	7	(133,825)	98,029
Profit/(loss) on ordinary activities after taxation		98,601	(498,858)
Dividends	8	(440,000)	(125,000)
Loss for the financial year		(341,399)	(623,858)
Balance brought forward		741,285	1,365,143
Balance carried forward		<u>399,886</u>	<u>741,285</u>

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

The company has no recognised gains or losses other than the results for the year as set out above.

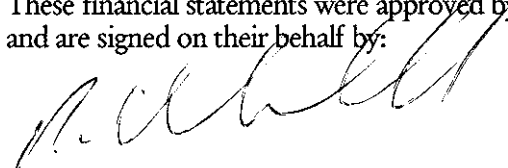
The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	9	218,477	583,907
Investments	10	-	-
		<u>218,477</u>	<u>583,907</u>
Current assets			
Stocks	11	539,276	488,454
Debtors	12	11,719,255	9,532,853
Cash at bank and in hand		11,337	18,873
		<u>12,269,868</u>	<u>10,040,180</u>
Creditors: amounts falling due within one year	13	<u>(11,054,959)</u>	<u>(8,707,807)</u>
Net current assets		<u>1,214,909</u>	<u>1,332,373</u>
Total assets less current liabilities		<u>1,433,386</u>	<u>1,916,280</u>
Creditors: amounts falling due after more than one year	14	<u>(133,500)</u>	<u>(274,995)</u>
		<u>1,299,886</u>	<u>1,641,285</u>
Capital and reserves			
Called up share capital	20	900,000	900,000
Profit and loss account		399,886	741,285
Equity shareholders' funds	21	<u>1,299,886</u>	<u>1,641,285</u>

These financial statements were approved by the directors on
and are signed on their behalf by:

15 March 2005.



Director

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

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the principal activity of the company.
An analysis of turnover is given below:

	2004 £	2003 £
United Kingdom	30,237,740	31,922,540
Europe	76,338	453,446
	<u>30,314,078</u>	<u>32,375,986</u>

2 Other operating charges

	2004 £	2003 £
Administrative expenses	<u>5,569,062</u>	<u>6,794,022</u>

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2004 £	2003 £
Depreciation of owned fixed assets	416,738	510,644
Depreciation of assets held under finance leases and hire purchase agreements	13,394	99,372
Profit on disposal of fixed assets	(38,639)	(20,773)
Auditors' remuneration:		
Audit fees	35,000	32,000
Non audit services	69,381	153,947
Operating lease costs:		
Plant and machinery	326,932	335,178
Land and buildings	248,740	223,212
Hire of equipment	81,690	194,740
Redundancy costs	-	329,582
Net profit on foreign currency translation	<u>(5,005)</u>	<u>(557)</u>

Notes to the financial statements

4 Employees

The average number of staff employed by the company during the financial year amounted to:

	2004 No	2003 No
Administrative staff	66	64
Direct staff	168	123
	<u>234</u>	<u>187</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	7,896,245	6,780,886
Social security costs	897,606	800,145
Other pension costs	245,737	217,197
	<u>9,039,588</u>	<u>7,798,228</u>

5 Directors

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments receivable	508,521	550,660
Value of company pension contributions to money purchase schemes	31,500	31,500
	<u>540,021</u>	<u>582,160</u>

Emoluments of highest paid director:

	2004 £	2003 £
Total emoluments (excluding pension contributions)	155,377	194,356
Value of company pension contributions to money purchase schemes	9,000	13,500
	<u>164,377</u>	<u>207,856</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2004 No	2003 No
Money purchase schemes	<u>3</u>	<u>3</u>

Notes to the financial statements

6 Interest payable and similar charges

	2004 £	2003 £
Interest payable on bank borrowing	47,825	11,053
Hire purchase and finance lease charges	4,479	17,499
	<u>52,304</u>	<u>28,552</u>

7 Taxation on profit /(loss) on ordinary activities

(a) Analysis of charge in the year

	2004 £	2003 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	142,700	(83,042)
Over provision in prior year	(8,875)	(14,987)
Total current tax	<u>133,825</u>	<u>(98,029)</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	<u>232,426</u>	<u>(596,887)</u>
Profit/(loss) on ordinary activities multiplied by rate of tax at 30% (2003 - 30%)	69,728	(179,066)
Expenses not deductible for tax purposes	45,538	96,914
Depreciation for period in excess of capital allowances	27,434	(890)
Adjustments to tax charge in respect of previous periods	(8,875)	(14,987)
Total current tax (note 7(a))	<u>133,825</u>	<u>(98,029)</u>

Notes to the financial statements

8 Dividends

	2004 £	2003 £
Ordinary shares - interim dividend of 48.88p per share (2003: 14p)	<u>440,000</u>	<u>125,000</u>

9 Tangible fixed assets

	Improvements to premises £	Fixtures & fittings £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 June 2003	114,323	255,225	680,582	2,001,704	3,051,834
Additions	13,531	3,342	–	66,593	83,466
Disposals	–	–	(152,368)	–	(152,368)
At 31 May 2004	<u>127,854</u>	<u>258,567</u>	<u>528,214</u>	<u>2,068,297</u>	<u>2,982,932</u>
Depreciation					
At 1 June 2003	111,060	174,558	566,720	1,615,589	2,467,927
Charge for the year	8,637	24,735	68,384	328,376	430,132
On disposals	–	–	(133,604)	–	(133,604)
At 31 May 2004	<u>119,697</u>	<u>199,293</u>	<u>501,500</u>	<u>1,943,965</u>	<u>2,764,455</u>
Net book value					
At 31 May 2004	<u>8,157</u>	<u>59,274</u>	<u>26,714</u>	<u>124,332</u>	<u>218,477</u>
At 31 May 2003	<u>3,263</u>	<u>80,667</u>	<u>113,862</u>	<u>386,115</u>	<u>583,907</u>

Included within the net book value of £218,477 is £20,090 (2003 - £66,661) 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 £13,394 (2003 - £99,372).

Notes to the financial statements

10 Fixed asset investments

	Shares in group undertaking £
Cost	
At 1 June 2003 and 31 May 2004	<u>1</u>
Amounts written off	
At 1 June 2003 and 31 May 2004	<u>1</u>
Net book value	
At 31 May 2004 and 31 May 2003	<u>-</u>

At 31 May 2004 and 31 May 2003, the company held more than 20% of the allocated share capital of the following undertakings:

	Country of incorporation /registration	Class of share capital held	Proportion held	Capital and reserves	Profit for the financial year £
Subsidiary Comunica Group Ltd	England & Wales	Ordinary	100%	1	-

Comunica Group Ltd was dormant throughout the year.

11 Stocks

	2004 £	2003 £
Raw materials	229,451	247,996
Work in progress	309,825	240,458
	<u>539,276</u>	<u>488,454</u>

In the opinion of the directors, the replacement value of stock is not significantly different from cost.

Notes to the financial statements

12 Debtors

	2004 £	2003 £
Trade debtors	5,203,037	3,596,442
Corporation tax repayable	–	102,848
Amounts recoverable on contracts	6,346,494	5,255,248
Other debtors	10,196	308,506
Prepayments and accrued income	159,528	269,809
	<u>11,719,255</u>	<u>9,532,853</u>

The debtors above include the following amounts falling due after more than one year:

	2004 £	2003 £
Amounts recoverable on contracts	<u>120,486</u>	<u>124,505</u>

13 Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	1,314,587	479,229
Payments received on account	898,109	654,171
Trade creditors	5,872,445	4,835,347
Amounts owed to group undertakings	874,856	810,691
Corporation tax	142,700	–
Other creditors including taxation and social security	1,025,400	1,545,960
Amounts due under finance leases and hire purchase agreements	14,995	57,144
Accruals and deferred income	911,867	325,265
	<u>11,054,959</u>	<u>8,707,807</u>

The bank borrowings are secured by a fixed and floating charge over the assets of the company together with an unlimited guarantee given by the parent undertaking.

The obligations under finance leases are secured on the respective assets financed.

14 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Bank loan	133,500	–
Amounts due under finance leases and hire purchase agreements	–	14,995
Other taxation and social security	–	260,000
	<u>133,500</u>	<u>274,995</u>

Notes to the financial statements

15 Borrowings

Borrowings are repayable as follows:

	Group 2004 £	Group 2003 £
Amounts payable within 1 year:		
Bank loans and overdrafts	1,314,587	474,229
Amounts due under finance leases and hire purchase agreements	14,995	57,144
Amounts payable between 2 to 5 years:		
Bank loan	133,500	-
Amounts due under finance leases and hire purchase agreements	-	14,995
	<u>1,463,082</u>	<u>546,368</u>

16 Provision for liabilities and charges

	2004 Unprovided £	2004 Provided in accounts £	2003 Unprovided £	2003 Provided in accounts £
Deferred tax asset				
Accelerated capital allowances	<u>(135,913)</u>	<u>-</u>	<u>(194,709)</u>	<u>-</u>

17 Leasing commitments

At 31 May 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	2004		2003	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	126,838	16,575	145,070
Within 2 to 5 years	<u>259,737</u>	<u>171,019</u>	<u>206,737</u>	<u>299,463</u>
	<u>259,737</u>	<u>297,857</u>	<u>223,312</u>	<u>444,533</u>

Notes to the financial statements

18 Contingent liabilities

The company has received notice that the cost of repairing damage caused by weather conditions at a particular site four years previously may not be covered by insurance as a result of the insurers' insolvency. In the event that a claim was made, and alternative insurance policies did not cover it, the company might be liable for repairs totalling £375,000. The company strongly believes that any claim made would be without foundation and will vigorously contest any such claim if it is made. Accordingly, no provision for any liability from such claim has been made in these financial statements.

There are contingent liabilities in respect of performance guarantees entered into by the company in the normal course of business.

There were no other contingent liabilities at 31 May 2004 or 31 May 2003.

19 Capital commitments

The company had no capital commitments at 31 May 2004 or 31 May 2003.

20 Share capital

Authorised share capital:

	2004 £	2003 £
900,000 Ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>

Allotted, called up and fully paid:

	2004 No	£	2003 No	£
Ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>

21 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit/(loss) for the financial year	98,601	(498,858)
Dividends	(440,000)	(125,000)
	<u>(341,399)</u>	<u>(623,858)</u>
Opening equity shareholders' funds	1,641,285	2,265,143
Closing equity shareholders' funds	<u>1,299,886</u>	<u>1,641,285</u>

22 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £245,737 (2003 - £217,197). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes to the financial statements

23 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard No.8 "Related Party Disclosures" not to disclose transactions with members of the group headed by Comunica Holdings plc on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in the consolidated financial statements.

24 Ultimate parent company and parent undertaking of larger group

The smallest and largest group in which the results of the company are consolidated is that headed by Comunica Holdings plc. The consolidated accounts of this company are available to the public and may be obtained from Companies House.