

Comunica Limited (formerly Comunica plc)

Financial statements

For the year ended 31 May 2005



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

Report of the directors

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Business review

Our Business

Comunica is one of the largest independent suppliers of multimedia, voice and data networking and infrastructure solutions in Europe. These solutions comprise four main business areas:

Support Services

Comunica supplies the full range of network and desktop support services, including software and hardware maintenance, network management, helpdesk support, and moves adds and changes. Co-ordinated through our Enterprise Support Centre (ESC), services can be delivered either on-site or remotely, in normal working hours or up to a full 24/7 service.

Network Solutions

Working with leading manufacturers, Comunica designs, commissions and maintains complete network implementations, including physical cabling infrastructure, LAN, WAN, voice and converged network solutions. A particular strength is the project management and delivery of large and complex branch roll-out projects across all industry sectors.

Intelligent Infrastructure Solutions

Many network management implementations track hardware and software only on a logical, rather than a physical, basis. Intelligent Infrastructure Management (IIM) tracks users and IT assets at a physical level, and then links this information with the logical network management system. This provides major productivity benefits in maximising utilisation of these assets, as well as significantly strengthening network security against hackers and other intruders.

Connectivity Solutions

This has been Comunica's core business activity since its inception in 1986. Working with the industry leading manufacturers, Comunica has an unparalleled track record in managing and delivering complex, mission critical cabling infrastructure implementations in all environments including greenfield and refurbished sites and large distributed network roll-out projects. A key strength is in our ability to deliver fast track projects to highly demanding timescales.

Our customers

Comunica's customer base includes most of the largest enterprises based in the UK. We undertake projects both within the UK and across Europe

Our customers value Comunica's large-scale project management capability, our commitment to quality, and our repeatedly demonstrated ability to deliver projects on time and to budget, often in the most time-critical phases of a building or IT project. This track record of quality and on-time delivery has led to many customers dealing with Comunica on a repeated basis over many years – often 10 years and more. In 2005, over 75% of our business came from customers with whom we had dealt before.

Business review

Our People

The most important asset of any service-oriented company is its people. Comunica is no exception – the strength of our enviable reputation in our industry has been built by our people. We carefully select, train and support our personnel, instilling in them a team work ethic and providing a career path, which creates a sense of pride in the company and in what they achieve. Our apprenticeship and trainee management schemes attract the best people into our industry, and while they may appear a short-term overhead, have provided long term value in terms of employee loyalty, motivation, skills and commitment.

Our people have a 'can-do' attitude, and are dedicated to supplying the best service possible throughout the relationship with the client. We believe our commitment to improving, supporting and motivating our workforce is second to none.

Chairman and chief executive's statement

We are pleased to be able to present our Annual Report and Accounts for the year ended 31 May 2005. This year represents a major step forward for Comunica, with significant advances across our business.

Highlights were as follows:

- revenues increased 48% to £44.734m (2004: £30.314m)
- gross margin increased 40% to £8.200m (2004: £5.851m)
- value-added revenues (support services, network solutions, intelligent infrastructure) were £23.334m, representing 52% of revenues
- operating profits increased to £1.495m (2004: £0.282m)

We are particularly pleased with the growth in the business over the past year, as we believe it reflects true organic growth in a market for IT services that overall grew only modestly during the period.

During the 1990's, Comunica grew rapidly as a project-based company predominantly supplying cabling and connectivity solutions to major institutions. We were proud to have been selected for many of the largest such projects undertaken in Europe during that period. However, like many IT enterprises, Comunica was adversely affected by the combination of the collapse in financial markets after 2000, the terrorist attacks of September 2001, and the peaking of the commercial property cycle, particularly in Central London and the City.

In mid 2003, therefore, the Directors mapped out a new strategic direction, whereby Comunica would expand the range of solutions and services it offers to its existing customers, rather than being dependent on individual projects and the vagaries of economic and property cycles. This has involved a substantial programme of re-education of staff and customers alike, investment in new systems, and the recruiting of significant numbers of new employees with the skills and experience necessary to deliver the expanded portfolio of services. This considerable level of investment has depressed reported profits in both 2004 and 2005, but has provided a solid platform for future growth. We believe the 2005 results presented in this Report are the first fruits of this new strategic direction and increased level of investment.

We are particularly excited about the opportunities in Intelligent Infrastructure (IIM). Working with the three major manufacturers, Comunica is the dominant supplier of IIM solutions in Europe, and arguably the most experienced supplier in the world. We have delivered the two largest IIM projects in Europe over the last 5 years, and cumulatively have supplied 1.5 million IIM-enabled ports, 800,000 of these within 2005. We believe there is an increasing understanding on the part of sophisticated IT users of the value IIM provides in bridging the gap between the physical IT assets and the logical network and security systems. IIM is also a key component of the new generation of intelligent buildings which we believe will play a significant part in the next phase of commercial property construction over the next few years. Comunica is uniquely positioned to exploit these growth opportunities as they arise.

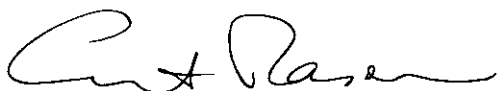
Our Support Services business continues to grow strongly. During the year, we extended our support activities to major partnerships with two of the largest global outsourcing and system integration companies operating in the UK. One of these partners in particular contributed significantly to revenues in 2005, and we believe that these and other like relationships represent a major growth opportunity for Comunica. To support these and other major support opportunities, we commissioned a review of our internal service management systems. This led to the selection of a complete new IT system to support not only our current business, but also the increase in scope and size of business opportunities that we see. The Enterprise Support Centre, as it is known, was commissioned in the latter part of 2005, and will be fully operational at the beginning of 2006.

Chairman and chief executive's statement

While an over-dependence on individual connectivity projects and the ups and downs of the commercial property cycle caused a significant hiccup in Comunica's business in 2002 and 2003, this remains a great area of strength for the company. Many opportunities for our "value-added" activities in support and network solutions are triggered through the reputation Comunica build through successfully delivering these projects. Over the past three years, the market has been relatively flat, with most activity being in refurbishing existing property estates rather than in new build. In order to provide more resilience through making our business less reliant on investment banks and other City institutions we have consciously widened our focus to other industry sectors: retail banking and PFI projects have been particularly strong industry sectors over the past year. We remain committed to being the premier supplier of Connectivity Solutions to both new and existing customers, and are well positioned to take advantage of significantly increased activity as the commercial property cycle returns to an upward trend.

Further in the future, any major UK infrastructure investments – such as those for the 2012 Olympics – represent a significant market opportunity.

The overall market for IT services within the UK is generally considered to be mature, with growth averaging little more than that in overall GDP. However, within this overall picture, the IT landscape continues to be as dynamic as ever, providing forward-looking companies with opportunities to build and expand market share at the expense of less nimble competitors, or those unwilling to make the necessary investments in skills and resources. The Directors believe that Comunica has identified a number of market segments within which it is possible to find such organic growth, and that a solid platform has been built from which to exploit these opportunities. We look forward with confidence to further progress in our business in 2006 and beyond.



Grant Masom
Chairman



Rick Marshall
Chief executive

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 May 2005.

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.

On 25 May 2005 the company re-registered as a Limited Company.

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:

	2005 £	2004 £
Dividends paid on ordinary shares	<u>715,000</u>	<u>440,000</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 2005	At 1 June 2004
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 Limited. 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 63 days' (2004 - 101 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:

	2005 £	2004 £
Charitable	<u>9,955</u>	<u>10,405</u>

Auditors

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

BY ORDER OF THE BOARD



Secretary

29 September 2005

Report of the independent auditors to the members of Comunica Limited (formerly Comunica plc)

We have audited the financial statements of Comunica Limited for the year ended 31 May 2005 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 23. 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 Limited (formerly 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 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH

21 October 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	-	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	2005 £	2004 £
Turnover	1	44,733,921	30,314,078
Cost of sales		(36,533,700)	(24,463,106)
Gross profit		8,200,221	5,850,972
Administrative expenses		(6,705,316)	(5,569,062)
Operating profit	2	1,494,905	281,910
Interest receivable		3,106	2,820
Interest payable and similar charges	5	(81,640)	(52,304)
Profit on ordinary activities before taxation		1,416,371	232,426
Tax on profit on ordinary activities	6	(290,256)	(133,825)
Profit on ordinary activities after taxation		1,126,115	98,601
Dividends	7	(715,000)	(440,000)
Profit/(loss) for the financial year		411,115	(341,399)
Balance brought forward		399,886	741,285
Balance carried forward		811,001	399,886

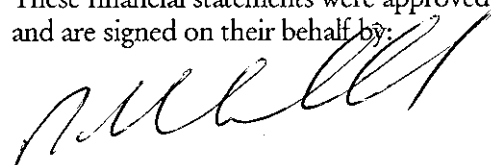
All of the activities of the company are classed as continuing.

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

Balance sheet

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	8	596,494		218,477	
Investments	9	–		–	
		<u>596,494</u>		<u>218,477</u>	
Current assets					
Stocks	10	213,839		539,276	
Debtors	11	13,879,553		11,719,255	
Cash at bank and in hand		3,273		11,337	
		<u>14,096,665</u>		<u>12,269,868</u>	
Creditors: amounts falling due within one year	12	<u>(12,982,158)</u>		<u>(11,054,959)</u>	
Net current assets		<u>1,114,507</u>		<u>1,214,909</u>	
Total assets less current liabilities		<u>1,711,001</u>		<u>1,433,386</u>	
Creditors: amounts falling due after more than one year	13	<u>–</u>		<u>(133,500)</u>	
		<u>1,711,001</u>		<u>1,299,886</u>	
Capital and reserves					
Called up share capital	19	900,000		900,000	
Profit and loss account		811,001		399,886	
Equity shareholders' funds	20	<u>1,711,001</u>		<u>1,299,886</u>	

These financial statements were approved by the directors on 29 September 2005 and are signed on their behalf by:



Director

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:

	2005 £	2004 £
United Kingdom	43,668,705	30,237,740
Europe	1,065,216	76,338
	<u>44,733,921</u>	<u>30,314,078</u>

2 Operating profit

Operating profit is stated after charging/(crediting):

	2005 £	2004 £
Depreciation of owned fixed assets	200,547	416,738
Depreciation of assets held under finance leases and hire purchase agreements	10,046	13,394
Profit on disposal of fixed assets	(19,877)	(38,639)
Auditors' remuneration:		
Audit fees	32,000	35,000
Non audit services	41,325	69,381
Operating lease costs:		
Plant and machinery	355,267	326,932
Land and buildings	256,074	248,740
Hire of equipment	154,250	81,690
Net profit on foreign currency translation	(18,416)	(5,005)
Exceptional item	<u>(119,968)</u>	<u>-</u>

The exceptional item includes £209,000 received after the balance sheet date in respect of a successful claim against a former employee; civil proceedings were in place at the balance sheet date with the final judgement obtained against the former employee in July 2005.

Notes to the financial statements

3 Employees

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

	2005 No	2004 No
Administrative staff	63	66
Direct staff	182	168
	<u>245</u>	<u>234</u>

The aggregate payroll costs of the above were:

	2005 £	2004 £
Wages and salaries	9,851,117	7,896,245
Social security costs	1,112,756	897,606
Other pension costs	319,008	245,737
	<u>11,282,881</u>	<u>9,039,588</u>

4 Directors

Remuneration in respect of directors was as follows:

	2005 £	2004 £
Emoluments receivable	707,508	508,521
Value of company pension contributions to money purchase schemes	47,469	31,500
	<u>754,977</u>	<u>540,021</u>

Emoluments of highest paid director:

	2005 £	2004 £
Total emoluments (excluding pension contributions)	208,485	155,377
Value of company pension contributions to money purchase schemes	13,575	9,000
	<u>222,060</u>	<u>164,377</u>

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

	2005 No	2004 No
Money purchase schemes	4	3

Notes to the financial statements

5 Interest payable and similar charges

	2005 £	2004 £
Interest payable on bank borrowing	68,382	47,825
Hire purchase and finance lease charges	13,258	4,479
	<u>81,640</u>	<u>52,304</u>

6 Taxation on profit on ordinary activities

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	435,857	142,700
Under/(over) provision in prior year	5,734	(8,875)
Total current tax	<u>441,591</u>	<u>133,825</u>
Deferred tax asset (note 15)	(151,335)	-
	<u>290,256</u>	<u>133,825</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>1,416,371</u>	<u>232,426</u>
Profit on ordinary activities multiplied by rate of tax at 30% (2004 - 30%)	424,911	69,728
Expenses not deductible for tax purposes	74,905	45,538
Capital allowances for period in excess of depreciation capital allowances	(66,996)	27,434
Other timing differences	7,814	-
Marginal relief adjustment	(4,777)	-
Adjustments to tax charge in respect of previous periods	5,734	(8,875)
Total current tax (note 6(a))	<u>441,591</u>	<u>133,825</u>

Notes to the financial statements

7 Dividends

	2005 £	2004 £
Ordinary shares - interim dividend of 79.44p per share (2004: 48.88p)	<u>715,000</u>	<u>440,000</u>

8 Tangible fixed assets

	Improvements to premises £	Fixtures & fittings £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 June 2004	127,854	258,567	528,214	2,068,297	2,982,932
Additions	116,962	4,776	-	490,705	612,443
Disposals	(4,406)	-	(528,214)	(7,200)	(539,820)
At 31 May 2005	<u>240,410</u>	<u>263,343</u>	<u>-</u>	<u>2,551,802</u>	<u>3,055,555</u>
Depreciation					
At 1 June 2004	119,697	199,293	501,500	1,943,965	2,764,455
Charge for the year	16,384	31,059	14,487	148,663	210,593
On disposals	-	-	(515,987)	-	(515,987)
At 31 May 2005	<u>136,081</u>	<u>230,352</u>	<u>-</u>	<u>2,092,628</u>	<u>2,459,061</u>
Net book value					
At 31 May 2005	<u>104,329</u>	<u>32,991</u>	<u>-</u>	<u>459,174</u>	<u>596,494</u>
At 31 May 2004	<u>8,157</u>	<u>59,274</u>	<u>26,714</u>	<u>124,332</u>	<u>218,477</u>

Included within the net book value of £596,494 is £nil (2004 - £20,090) 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 £10,046 (2004 - £13,394).

Notes to the financial statements

9 Fixed asset investments

	Shares in group undertaking £
Cost	
At 1 June 2004 and 31 May 2005	<u>1</u>
Amounts written off	
At 1 June 2004 and 31 May 2005	<u>1</u>
Net book value	
At 31 May 2005 and 31 May 2004	<u>-</u>

At 31 May 2005 and 31 May 2004, 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.

10 Stocks

	2005 £	2004 £
Raw materials	213,839	229,451
Work in progress	-	309,825
	<u>213,839</u>	<u>539,276</u>

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

Notes to the financial statements

11 Debtors

	2005 £	2004 £
Trade debtors	7,563,568	5,203,037
Amounts recoverable on contracts	5,089,088	6,346,494
Other debtors	700,714	10,196
Prepayments and accrued income	374,848	159,528
Deferred tax asset (note 15)	151,335	-
	<u>13,879,553</u>	<u>11,719,255</u>

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

	2005 £	2004 £
Amounts recoverable on contracts	<u>161,009</u>	<u>120,486</u>

12 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	1,555,590	1,314,587
Payments received on account	518,572	898,109
Trade creditors	6,289,870	5,872,445
Amounts owed to group undertakings	861,376	874,856
Corporation tax	435,857	142,700
Other creditors including taxation and social security	1,716,983	1,025,400
Amounts due under finance leases and hire purchase agreements	-	14,995
Accruals and deferred income	1,603,910	911,867
	<u>12,982,158</u>	<u>11,054,959</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.

Notes to the financial statements

13 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Bank loan	-	133,500
	<u>-</u>	<u>133,500</u>

14 Borrowings

Borrowings are repayable as follows:

	2005 £	2004 £
Amounts payable within 1 year:		
Bank loans and overdrafts	1,555,590	1,314,587
Amounts due under finance leases and hire purchase agreements	-	14,995
Amounts payable between 2 to 5 years:		
Bank loan	-	133,500
	<u>1,555,590</u>	<u>1,463,082</u>

15 Deferred tax

Deferred taxation provided in the financial statements is set out below.

	2005 Provided in accounts £	2005 Unprovided £	2004 Provided in accounts £	2004 Unprovided £
Deferred tax asset				
Accelerated capital allowances	<u>151,335</u>	<u>-</u>	<u>-</u>	<u>135,913</u>

Notes to the financial statements

16 Leasing commitments

At 31 May 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	2005		2004	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	39,879	-	126,838
Within 2 to 5 years	191,500	69,904	259,737	171,019
After 5 years	57,240	-	-	-
	<u>248,740</u>	<u>109,783</u>	<u>259,737</u>	<u>297,857</u>

17 Contingent liabilities

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 2005 or 31 May 2004.

18 Capital commitments

The company had no capital commitments at 31 May 2005 or 31 May 2004.

19 Share capital

Authorised share capital:

	2005 £	2004 £
900,000 Ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>

Notes to the financial statements

20 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit for the financial year	1,126,115	98,601
Dividends	(715,000)	(440,000)
	<u>411,115</u>	<u>(341,399)</u>
Opening equity shareholders' funds	1,299,886	1,641,285
Closing equity shareholders' funds	<u>1,711,001</u>	<u>1,299,886</u>

21 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 £319,008 (2004 - £245,737). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

22 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 Limited 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.

23 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 Limited. The consolidated accounts of this company are available to the public and may be obtained from Companies House.