

Comunica Limited
Financial statements
For the year ended 31 May 2006



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 Building 1 Centrium Griffiths Way St. Albans Hertfordshire AL1 2RD
Solicitors	Royds RDW 2 Crane Court Fleet Street London EC4A 2BL
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Churchill House Chalvey Road East Slough Berkshire SL1 2LS

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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, additions 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 in real time 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's 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 2006, over 65% 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 teamwork 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 2006. This year represents another excellent year for Comunica.

Highlights were as follows:

- revenues decreased from £44.734m (2005) to £41.447m
- gross margin increased 18% to £9.649m (2005: £8.200m)
- value-added revenues (support services, network solutions, intelligent infrastructure) were £24.679m representing 60% of revenues (2005: 52%)
- operating profits increased 103% to £3.042m (2005: £1.495m)

In our 2005 statement, we outlined the change in strategic direction undertaken by the company over the preceding 2 years, and the investments made to create a platform for sustainable revenue and profit growth. Building on our market-leading reputation for supplying connectivity solutions, this strategy has been to proactively develop a wide range of value-added services around this core competence. In 2006, we continued to operate in line with this revised strategy, and are pleased to see the expected improvement in profitability being realised. Apart from the success in increasing the proportion of revenues represented by these value-added activities, the significant increases in both gross margin and operating profit are also due to improved operational efficiency, including the implementation of a new IT system. The slight decrease in revenues represents a conscious decision not to bid on projects where margins do not allow us to deliver these value-added services.

We continue to be positive 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 1.75 million IIM-enabled ports. During 2006, we installed systems at a number of new customers, as well as seeing repeat business from global companies who have made a corporate decision to implement IIM. We have begun to work with a number of customers to integrate IIM with other IT applications, including help-desk and network management, and we see good growth opportunities in this area.

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 encouragingly. We have now implemented our new Enterprise Support Centre (ESC), which provides support customers with a single point of contact for a wide variety of service needs. Customer reaction to the ESC has been very positive, particularly smaller, "Tier 2" corporations who do not have the extensive internal IT support functions of many of our large "Tier 1" clients. We are working to expand the range of services that can be provided through the ESC so that it can encompass all aspects of a company's IT and telecoms support requirements.

We continue to expand our partnerships with major contractors bidding on PFI and private sector campus projects. To date, this has not contributed significantly to revenues, but in 2006, we won two major projects which will contribute significantly to revenues over the next two years. This involves all aspects of our business – connectivity, network integration, IIM, and support services. Previously, Comunica's role in such projects would have been as a sub-contractor to the main network integrator, so this represents a major move "up the value chain" for the company. We are encouraged by the confidence

Chairman and Chief Executive's statement

major partners are placing in our full service capability and we are hopeful of continued success in developing this part of our business.

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 2007 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 2006.

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 business review is set out on pages 3 to 6.

The directors use a number of measures, both financial and non-financial to monitor and benchmark performance. They regard the following as the key financial indicators of performance:

- Gross profit – measuring the profits generated by contracts.
- Net cash flow from operating activities – measuring the performance in translating operating profit into cash flow through management of working capital.

The key non-financial indicators are associated with Comunica's ability to maintain its existing customer base and to attract new customers, contract delivery and the future order pipeline which the directors consider to be the principal risks and uncertainties facing the business.

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:

	2006	2005 £
Dividends paid on ordinary shares	<u>560,000</u>	<u>715,000</u>

Directors

The directors of the company for the year were:

P Pela
G Masom
R Marshall
A Chater
R Bell

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.

Report of the Directors

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 54 days' (2005 - 63 days') purchases.

Financial risk management objectives and policies

The company uses a variety of financial instruments including cash, equity investments and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. The company's policy for managing cash flow interest rate risk is set out in the subsection entitled "interest rate risk" below.

Currency risk

The company is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible the assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings.

Credit risk

The principal credit risk arises from its trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Report of the Directors

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 that 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.

The directors confirm that as far as they are aware and at the time of approving this report:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of relevant audit information and to establish that the auditor is aware of that information.

Donations

During the year the company made the following contributions:

	2006 £	2005 £
Charitable	<u>12,660</u>	<u>9,955</u>

Report of the Directors

Auditor

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

BY ORDER OF THE BOARD



Andrew Chater
Secretary

18th September 2006

Report of the independent auditor to the members of Comunica Limited

We have audited the financial statements of Comunica Limited for the year ended 31 May 2006 which comprise the principal accounting policies, the profit and loss account, the 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 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 auditor

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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, whether they are properly prepared in accordance with the Companies Act 1985 and whether 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman and Chief Executive's Statement and the Business Review. 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 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 judgments 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 auditor to the members of Comunica Limited (continued)

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 May 2006 and of its profit for the year then ended;

the financial statements 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 for the year ended 31 May 2006.

Grant Thornton UK LLP

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

19 September 2006

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom 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 provisions 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.

The principal accounting policies of the company are set out below. In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

FRS 21 'Events after the Balance Sheet date (IAS 10)'

The adoption of this new accounting standard has not resulted in any amendment to the financial statements in the current or preceding period.

FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)'

The adoption of this new accounting standard has not resulted in any amendment to the financial statements in the current or preceding period.

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 Ltd 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%
Office equipment	-	33 1/3%

Principal accounting policies

Stocks

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

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 are 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.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

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	2006 £	2005 £
Turnover	1	41,447,347	44,733,921
Cost of sales		(31,798,638)	(36,533,700)
Gross profit		9,648,709	8,200,221
Administrative expenses		(6,606,733)	(6,705,316)
Operating profit	2	3,041,976	1,494,905
Interest receivable		453	3,106
Interest payable and similar charges	5	(151,286)	(81,640)
Profit on ordinary activities before taxation		2,891,143	1,416,371
Tax on profit on ordinary activities	6	(968,461)	(290,256)
Profit on ordinary activities after taxation		1,922,682	1,126,115

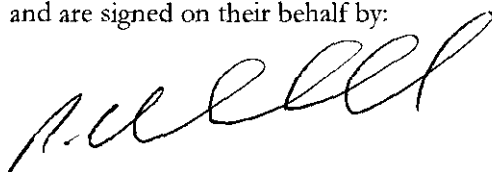
All of the activities of the company are classed as continuing.

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

Balance sheet

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	8	1,017,591		596,494	
Investments	9	-		-	
			<u>1,017,591</u>		<u>596,494</u>
Current assets					
Stocks	10	421,256		213,839	
Debtors	11	12,015,995		13,879,553	
Cash at bank and in hand		10,369		3,273	
		<u>12,447,620</u>		<u>14,096,665</u>	
Creditors: amounts falling due within one year	12	<u>(10,391,528)</u>		<u>(12,982,158)</u>	
Net current assets			<u>2,056,092</u>		<u>1,114,507</u>
Total assets less current liabilities			<u><u>3,073,683</u></u>		<u><u>1,711,001</u></u>
Capital and reserves					
Called up share capital	18		900,000		900,000
Profit and loss account	19		2,173,683		811,001
Equity shareholders' funds	20		<u><u>3,073,683</u></u>		<u><u>1,711,001</u></u>

These financial statements were approved by the directors on 10 September 2006 and are signed on their behalf by:



Rick Marshall
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:

	2006 £	2005 £
United Kingdom	41,351,531	43,668,705
Europe	95,816	1,065,216
	<u>41,447,347</u>	<u>44,733,921</u>

2 Operating profit

Operating profit is stated after charging/(crediting):

	2006 £	2005 £
Depreciation of owned fixed assets	285,798	200,547
Depreciation of assets held under finance leases and hire purchase agreements	-	10,046
Profit on disposal of fixed assets	(47,053)	(19,877)
Auditor's remuneration:		
Audit fees	39,500	32,000
Non audit services	33,125	41,325
Operating lease costs:		
Plant and machinery	360,875	355,267
Land and buildings	283,977	256,074
Hire of equipment	211,892	154,250
Net profit on foreign currency translation	(3,475)	(18,415)
Exceptional item	<u>(744,917)</u>	<u>(119,968)</u>

The exceptional item in both years represents the proceeds, net of associated costs, of claims against a former employee and the previous auditors of the company.

Notes to the financial statements

3 Employees

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

	2006 No	2005 No
Administrative staff	79	63
Direct staff	217	182
	<u>296</u>	<u>245</u>

The aggregate payroll costs of the above were:

	2006 £	2005 £
Wages and salaries	11,902,646	9,851,117
Social security costs	1,369,260	1,112,756
Other pension costs	326,290	319,008
	<u>13,598,196</u>	<u>11,282,881</u>

4 Directors

Remuneration in respect of directors was as follows:

	2006 £	2005 £
Emoluments receivable	563,275	707,508
Value of company pension contributions to money purchase schemes	46,356	47,469
	<u>609,631</u>	<u>754,977</u>

Emoluments of highest paid director:

	2006 £	2005 £
Total emoluments (excluding pension contributions)	178,068	208,485
Value of company pension contributions to money purchase schemes	12,150	13,575
	<u>190,218</u>	<u>222,060</u>

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

	2006 No	2005 No
Money purchase schemes	<u>3</u>	<u>4</u>

Notes to the financial statements

5 Interest payable and similar charges

	2006 £	2005 £
Interest payable on bank borrowing	147,920	68,382
Hire purchase and finance lease charges	3,366	13,258
	<u>151,286</u>	<u>81,640</u>

6 Taxation on profit on ordinary activities

(a) Analysis of charge in the year

	2006 £	2005 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	906,889	435,857
Under provision in prior year	5,200	5,734
Total current tax	<u>912,089</u>	<u>441,591</u>
Deferred tax movement (note 14)	56,372	(151,335)
	<u>968,461</u>	<u>290,256</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% (2005 - 30%).

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>2,891,143</u>	<u>1,416,371</u>
Profit on ordinary activities multiplied by rate of tax at 30% (2005 - 30%)	867,343	424,911
Expenses not deductible for tax purposes	94,678	74,905
Capital allowances for period in excess of depreciation	(55,196)	(66,996)
Other timing differences	64	7,814
Marginal relief adjustment	-	(4,777)
Adjustments to tax charge in respect of previous periods	5,200	5,734
Total current tax (note 6(a))	<u>912,089</u>	<u>441,591</u>

Notes to the financial statements

7 Dividends

	2006 £	2005 £
Ordinary shares – final dividend of 62.2p per share (2005: 79.44p)	<u>560,000</u>	<u>715,000</u>

8 Tangible fixed assets

	Improvements to premises £	Fixtures & fittings £	Office equipment £	Total £
Cost				
At 1 June 2005	240,410	263,343	2,551,802	3,055,555
Additions	63,826	19	643,050	706,895
Disposals and reclassifications	(116,466)	(214,557)	(2,074,355)	(2,405,378)
At 31 May 2006	<u>187,770</u>	<u>48,805</u>	<u>1,120,497</u>	<u>1,357,072</u>
Depreciation				
At 1 June 2005	136,081	230,352	2,092,628	2,459,061
Charge for the year	34,465	2,165	249,168	285,798
On disposals and reclassifications	(117,667)	(223,733)	(2,063,978)	(2,405,378)
At 31 May 2006	<u>52,879</u>	<u>8,784</u>	<u>277,818</u>	<u>339,481</u>
Net book value				
At 31 May 2006	<u>134,891</u>	<u>40,021</u>	<u>842,679</u>	<u>1,017,591</u>
At 31 May 2005	<u>104,329</u>	<u>32,991</u>	<u>459,174</u>	<u>596,494</u>

Notes to the financial statements

9 Fixed asset investments

	Shares in group undertaking £
Cost	
At 1 June 2005 and 31 May 2006	<u>1</u>
Amounts written off	
At 1 June 2005 and 31 May 2006	<u>1</u>
Net book value	
At 31 May 2005 and 31 May 2006	<u>-</u>

At 31 May 2006 and 31 May 2005, 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

	2006 £	2005 £
Raw materials	<u>421,256</u>	<u>213,839</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

	2006 £	2005 £
Trade debtors	6,672,505	7,563,568
Amounts recoverable on contracts	4,791,619	5,089,088
Other debtors	40,326	700,714
Prepayments and accrued income	416,582	374,848
Deferred tax asset (note 14)	94,963	151,335
	<u>12,015,995</u>	<u>13,879,553</u>

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

	2006 £	2005 £
Amounts recoverable on contracts	<u>141,298</u>	<u>161,009</u>

12 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	1,710,797	1,555,590
Payments received on account	429,671	518,572
Trade creditors	2,693,512	6,289,870
Amounts owed to group undertakings	852,756	861,376
Corporation tax	906,889	435,857
Other creditors including taxation and social security	1,844,643	1,716,983
Accruals and deferred income	1,953,260	1,603,910
	<u>10,391,528</u>	<u>12,982,158</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.

13 Borrowings

Borrowings are repayable as follows:

	2006 £	2005 £
Amounts payable within one year:		
Bank loans and overdrafts	<u>1,710,797</u>	<u>1,555,590</u>

Notes to the financial statements

14 Deferred tax

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

	2006 Provided in accounts £	2006 Unprovided £	2005 Provided in accounts £	2005 Unprovided £
Deferred tax asset				
Accelerated capital allowances	<u>94,963</u>	<u>-</u>	<u>151,335</u>	<u>-</u>

The movement in the deferred tax asset during the year was as follows:

	2006 £	2005 £
At 1 June 2005	151,335	-
Charge to the profit and loss account	<u>(56,372)</u>	<u>151,335</u>
At 31 May 2006	<u>94,963</u>	<u>151,335</u>

15 Leasing commitments

At 31 May 2006 the company had annual commitments under non-cancellable operating leases as set out below.

	2006 Land & Buildings £	2006 Other Items £	2005 Land & Buildings £	2005 Other Items £
Operating leases which expire:				
Within 1 year	16,276	128,764	-	39,879
Within 2 to 5 years	335,200	46,383	191,500	69,904
After 5 years	-	-	57,240	-
	<u>351,476</u>	<u>175,147</u>	<u>248,740</u>	<u>109,783</u>

16 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 2006 or 31 May 2005.

17 Capital commitments

The company had capital commitments of £322,000 at 31 May 2006 and £nil at 31 May 2005.

Notes to the financial statements

18 Share capital

Authorised share capital:

	2006 £	2005 £
900,000 Ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>

Allotted, called up and fully paid:

	2006 No	£	2005 No	£
Ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>

19 Profit and loss account

	2006 £
Profit for the financial year	1,922,682
Dividends	(560,000)
	<u>1,362,682</u>
Balance brought forward	811,001
Balance carried forward	<u>2,173,683</u>

20 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	1,922,682	1,126,115
Dividends	(560,000)	(715,000)
	<u>1,362,682</u>	<u>411,115</u>
Opening equity shareholders' funds	<u>1,711,001</u>	<u>1,299,886</u>
Closing equity shareholders' funds	<u>3,073,683</u>	<u>1,711,001</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 £326,290 (2005 - £319,008). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes to the financial statements

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 The Hallmarks, 146 Field End Road, Eastcote, Pinner, Middlesex HA5 1RJ.