**Company No: 2829165**

# Paradise Datacom Limited

Annual Report

***Year ended 31 March 2007***

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# Company Information

| | |
|---|---|
| Directors | N L Mills (Resigned 15 September 2006)<br>I D Brodie<br>K N Edwards<br>J Restivo<br>P McConnell (Resigned 1 April 2007) |
| Secretary | K N Edwards |
| Registered office | P O Box 25<br>South Marston Park<br>Swindon<br>Wiltshire<br>SN3 4TR |
| Registered number | 2829165 |
| Auditors | RSM Robson Rhodes LLP<br>Chartered Accountants<br>Centre City Tower<br>7 Hill Street<br>Birmingham<br>B5 4UU |
| Bankers | Barclays Bank<br>Park House<br>Stoke Gifford<br>Bristol<br>BS34 8TN |

# Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 March 2007

**Principal activities**

The company designs, supports and sells high specification digital satellite communications equipment

**Business review and future developments**

Paradise Datacom Ltd is part of a global satellite communications group, headquartered in the USA The business provides design, sales and technical support services to the USA operation During the first half of the year, the business ceased making direct product sales to third parties, with revenues thereafter comprising invoicing for services to the USA operation, plus a few minor residual and support sales to third parties As part of this change, the extent of sub-contract manufacturing was expanded gradually during the year to eliminate the need for involvement of Paradise Datacom production personnel except for support and new product introduction

We continue to invest heavily in research and development, in an ongoing drive to differentiate our products from competitors through the incorporation of unique, market-driven features Significant investment in our Evolution modem product line resulted in a number of key strategic orders being won by the Paradise Datacom group against more heavily favoured incumbents, largely due to superior performance and unique features Details of the performance of the group are set out in the consolidated accounts of Intelek plc, the ultimate parent company

We continue to target market sectors that require our specialist technology and have the greatest potential for growth The single largest application for satellite modems is to link GSM/cellular networks together via satellite in geographic areas that are not well served by terrestrial services This sector continues to generate substantial growth With over two billion subscribers world wide, cellular customers represent 77% of the total digital communications market Though originally used exclusively for voice communications, today's cellular networks support a multitude of high bandwidth applications including the transmission and reception of GPS, video services, web browsing, e-mailing and other internet based services These networks require sophisticated, bandwidth-efficient products such as our Evolution modem Some of the Evolution's features provide significant performance enhancements, while reducing operational costs by increasing information throughput Our revolutionary new multiplexer option allows the combining of multiple communications channels into a single modem, resulting in major cost savings for many network architectures

**Key Performance Indicators**

| Sales/Head £000 | | | Return on Capital Employed (ROCE) | | |
|---|---|---|---|---|---|
| 2005 | 2006 | 2007 | 2005 | 2006 | 2007 |
| 122 | 151 | 175 | 65% | 42% | 89% |

(a) *The change in the nature of the business towards a service centre distorts the annual comparison in sales per head*

(b) *Similarly, ROCE has been affected by the changeover, as the business no longer carries inventory The ratio will be more meaningful in future years*

# Report of the Directors

**(continued)**

**Dividends**

The Directors have not proposed a final dividend for the year ended 31 March 2007 (2006 £Nil) An interim dividend of £130,000 was paid during the year (2006 £26,700) In addition, a dividend in specie of £3,873,207 was made in connection with the disposal of the fixed asset investment

**Principal risks and uncertainties facing the company.**

The financial statements contains certain forward-looking statements These statements are made by the Directors in good faith, based on the information available to them up to the time of approval of this report Actual results may differ from those expressed in such statements, depending on a variety of factors These factors include customer acceptance of the Company's products, changes in customer requirements and in levels of demand in the market, restrictions to market access, competitive pressure on pricing, delivery or technology, delays or additional cost in product design and launch programmes, fluctuations in manufacturing delivery performance, yields and costs, the loss or lack of key personnel, overall economic conditions

**Critical accounting judgments and key sources of estimates of uncertainty**

Management have followed the accounting policies as set out in note 1 of these financial statements There are no estimates or assumptions that would have a significant impact on the financial statements for the year ended 31 March 2007

**Financial instruments**

The Company's operations expose it to a variety of financial risks including the effects of changes in interest rates, foreign currency exchange rates, credit risk and liquidity risk

The Company's principal financial instruments comprise cash and bank deposits and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations

The main risks arising from the Company's financial instruments can be analysed as follows

***Price risk***

The Company has no significant exposure to securities price risk, as it holds no listed equity investments

***Foreign currency risk***

The Company is exposed in its trading operations to the risk of changes in foreign currency exchange rates The main foreign currencies in which the Company operates are the euro and the US dollar The Company uses derivative instruments in its management of this risk

***Credit risk***

The Company's principal financial assets are bank balances, cash and trade debtors, which represent the Company's maximum exposure to credit risk in relation to financial assets

The Company's credit risk is primarily attributable to its trade debtors Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment

# Report of the Directors

**(continued)**

The Company has no significant concentration of credit risk, with exposure spread over a large number of customers The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

***Liquidity risk***

The Company's policy has been to ensure continuity of funding through acquiring fixed asset operations via medium term inter group loans, and arranging funding for operations via credit facilities to aid short-term flexibility

***Cash flow interest rate risks***

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a market rate There are no interest bearing borrowings at 31 March 2007 The Directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Company

**Environment**

The Company's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business During the period covered by this report the Company has not incurred any significant fines or penalties or been investigated for any significant breach of environmental regulations

**Employee involvement**

During the year the Company has continued its policy of full involvement of employees wherever possible This has taken place through the provision of information, consultation on policy issues where appropriate, and the mutual setting of objectives against which performance is measured The Company takes the approach of maximising performance through the heightening of awareness of corporate objectives and policies

**Disabled persons**

It is the Company's policy to offer equal opportunities to disabled persons applying for vacancies, having regard to their abilities in relation to the job for which they apply It is also Company practice, wherever possible, to continue the employment of any employees who become disabled during the course of their employment

**Directors**

The present Directors of the company are set out on page 1 All of the directors served throughout the year with the exception of

N L Mills – resigned 15 September 2006
P A McConnell – resigned 1 April 2007

The interests of the Directors, who are all main board directors of Intelek plc except for those Directors noted below, are disclosed in the financial statements of that company

# Report of the Directors

**(continued)**

The beneficial interests of the Directors and their families at 31 March 2007 and the beginning of the year in the ordinary share capital of Intelek plc, other than for main board directors are detailed below

| | Ordinary shares of 5p each | | | | | |
|---|---|---|---|---|---|---|
| | Beneficial | | Options under the Executive Scheme | | Options under Savings Related Scheme | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| P A McConnell | - | - | 25,000 | 25,000 | - | - |
| J Restivo | 62,287 | 12,823 | - | - | - | - |

There have been no changes in the above since the year end

The options granted under the terms of the Executive Scheme are exercisable between 2007 and 2013 at prices between 10 5p and 34p per share

**Statement of directors' responsibilities for the financial statements**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

**Disclosure of information to auditors**

So far as the Directors are aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware

PARADISE DATACOM LIMITED

# Report of the Directors

**(continued)**

**Auditors**

RSM Robson Rhodes LLP ("Robson Rhodes") has announced its intention to merge its audit practice with that of Grant Thornton UK LLP with effect from 1 July 2007 Accordingly a resolution to appoint either Robson Rhodes or (subject to such merger having completed) its successor firm, Grant Thornton UK LLP, as auditors of the company and to authorise Directors to fix their remuneration will be proposed at the Annual General Meeting

**Approval**

The report of the Directors was approved by the Board on 29 June 2007 and signed on its behalf by

K N EDWARDS
Director and Secretary

# Independent Auditors' Report to the Shareholders of Paradise Datacom Limited

We have audited the financial statements on pages 8 to 20 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed

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

**Basis of audit opinion**

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

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

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 March 2007 and of its profit for the year then ended and
- 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

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Birmingham, England
29 June 2007

# Profit and Loss Account

**for the year ended 31 March 2007**

| | Note | 2007<br>£ | 2006<br>£ |
|---|---|---|---|
| **Turnover - continuing operations** | 2 | 5,485,037 | 5,980,627 |
| Cost of sales | | (3,802,526) | (4,189,480) |
| **Gross profit** | | 1,682,511 | 1,791,147 |
| Distribution costs | | (284,488) | (367,081) |
| Administrative expenses | | (473,122) | (599,184) |
| **Operating profit – continuing operations** | 3 | 924,901 | 824,882 |
| Bank interest receivable | | 15,803 | 19,277 |
| **Profit on ordinary activities before taxation** | | 940,704 | 844,159 |
| Taxation | 6 | (277,287) | (125,718) |
| **Profit on ordinary activities after taxation** | 17 | 663,417 | 718,441 |

All recognised gains and losses are reflected in the profit and loss account for the years, accordingly no statement of total recognised gains and losses is provided

# Balance Sheet

**at 31 March 2007**

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible fixed assets | 8 | 285,356 | 407,048 |
| Tangible assets | 9 | 325,928 | 544,499 |
| Investments | 10 | - | 3,873,207 |
| | | 611,284 | 4,824,754 |
| **Current assets** | | | |
| Stocks | 11 | - | 885,456 |
| Debtors | 12 | 794,437 | 1,179,877 |
| Cash at bank and in hand | | 1,313,574 | 677,840 |
| | | 2,108,011 | 2,743,173 |
| **Creditors:** Amounts falling due within one year | 13 | (812,135) | (1,820,977) |
| **Net current assets** | | 1,295,876 | 922,196 |
| **Total assets less current liabilities** | | 1,907,160 | 5,746,950 |
| **Creditors:** Amounts falling due after more than one year | 14 | (1,788,958) | (2,288,958) |
| **Provisions for liabilities and charges** | | - | - |
| **Net assets** | | 118,202 | 3,457,992 |
| **Capital and reserves** | | | |
| Called up share capital | 16 | 60,000 | 60,000 |
| Profit and loss account | 17 | 58,202 | 3,397,992 |
| **Equity shareholders' funds** | 18 | 118,202 | 3,457,992 |

The financial statements were approved by the Board on 29 June 2007 and signed on its behalf by

I D BRODIE
Director

K N EDWARDS
Director

# Notes to the Financial Statements

**31 March 2007**

## 1. ACCOUNTING POLICIES

**Basis of accounting**
The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention

**Turnover**
Turnover is the amount receivable for goods and services supplied, excluding value added tax Turnover is recognised on long term contracts as these progress and comprises the sales value of work performed in the year

**Depreciation**
Depreciation is provided to write down the cost of tangible fixed assets over their estimated useful lives No depreciation is provided on assets in the course of construction The principal annual rates used are

| | |
|---|---|
| Leasehold property | Period of lease |
| Plant and machinery | 7-33% straight line |
| Fixtures, fittings and equipment | 15% straight line |
| Motor vehicles | 25% straight line |

**Stocks**
Stock and work in progress is stated at the lower of cost and net realisable value Cost comprises direct material and labour and, where appropriate, includes attributable overheads Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal

**Deferred taxation**
Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date Deferred tax assets and liabilities are not discounted

**Foreign currencies**
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction, or if hedged at the forward contract rate Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date, or if hedged the forward contract rate All exchange differences are recognised in the profit and loss account

# Notes to the Financial Statements

**31 March 2007**

**1. ACCOUNTING POLICIES (Continued)**

**Research and development**
Research expenditure is written off as incurred Expenditure on a development project will be written off as incurred unless and until
(i) the project is identified as being
a for a new or substantially improved product or process,
b technically feasible,
c commercially feasible, with a high probability that recovery will take place
and (ii) measurable costs can be attributed to the asset and adequate resources are available to complete the project
For a project meeting these criteria, subsequent costs will be capitalised and amortised from the date the product or process is available for use on a straight line basis over the product's estimated life up to a maximum of 3 years

**Investments**
Investments are stated at cost less provision for impairment in value Cost is purchase price including acquisition expenses, but excluding any payment for accrued interest or fixed dividend entitlement

**Pensions**
The company operates a defined contribution pension scheme The assets of the scheme are invested and managed independently of the finances of the company The pension cost charge represents contributions payable in the year

**Group accounts**
The company has taken advantage of the exemption not to prepare consolidated accounts on the basis that it is a wholly owned subsidiary of Intelek Plc for which consolidated financial statements have been prepared

**Leased assets**
Fixed assets subject to finance leases are capitalised and depreciated in accordance with the depreciation policy stated above The corresponding liability for the capital element is included in creditors, and the interest, calculated on the basis of the amount outstanding, is charged against profits over the period of the lease

The rental and operating lease costs of all other assets are charged against profit before interest, as incurred

**Cash flow Statement**
The company has taken advantage of the exemption not to prepare a cashflow statement on the basis that it is a wholly owned subsidiary of Intelek Plc for which consolidated financial statements have been prepared

# Notes to the Financial Statements

**31 March 2007**

## 2. TURNOVER BY GEOGRAPHICAL MARKET

| | 2007 £ | 2006 £ |
|---|---|---|
| United Kingdom | 842,836 | 1,345,028 |
| Rest of Europe | 677,489 | 1,848,348 |
| America | 3,105,050 | 1,111,139 |
| Africa | 575,249 | 1,623,767 |
| Rest of world | 284,413 | 52,345 |
| | 5,485,037 | 5,980,627 |

## 3. OPERATING PROFIT

Operating profit is arrived at after charging/(crediting)

| | 2007 £ | 2006 £ |
|---|---|---|
| Depreciation of tangible fixed assets | 243,649 | 266,804 |
| Amortisation of development cost | 148,506 | 22,528 |
| Operating lease rental on land and buildings | 100,562 | 100,025 |
| Research and development expenditure | 993,915 | 746,981 |
| Loss on sale of fixed assets | 24,264 | 45,432 |
| Realised foreign exchange losses | 12,961 | 12,472 |
| Rental income | (3,591) | (3,900) |
| Royalty income | - | (13,763) |
| Auditors' remuneration – audit services | 8,675 | 9,154 |
| Auditors' remuneration – taxation services | 5,928 | 4,000 |

## 4. EMPLOYEES

Average monthly number of employees, including executive directors

| | 2007 No. | 2006 No. |
|---|---|---|
| Production | 22 | 28 |
| Administration and distribution | 9 | 11 |
| | 31 | 39 |

# Notes to the Financial Statements

**31 March 2007**

**4. EMPLOYEES (Continued)**

Staff costs, including directors

| | 2007 £ | 2006 £ |
|---|---|---|
| Wages and salaries | 1,278,883 | 1,350,990 |
| Social security costs | 123,647 | 143,333 |
| Pension costs | 39,422 | 68,978 |
| | 1,441,952 | 1,563,301 |

**5. DIRECTORS**

Emoluments of the company's directors

| | 2007 £ | 2006 £ |
|---|---|---|
| Emoluments | 84,289 | 73,601 |
| Pension contributions | 4,208 | 4,093 |
| | 88,497 | 77,694 |

Emoluments excluding pension contributions

| | 2007 £ | 2006 £ |
|---|---|---|
| Highest paid director | 84,289 | 73,601 |
| No of directors who accrue benefits under a money purchase scheme | 1 | 1 |

All other directors accrue retirement benefits within the parent company or other group companies

**6. TAXATION**

| | 2007 £ | 2006 £ |
|---|---|---|
| **United Kingdom Corporation Tax** | | |
| Current tax on income for the year | - | 8,908 |
| Double tax relief | - | (8,908) |
| **Total** | - | - |

# Notes to the Financial Statements

**31 March 2007**

| | 2007 £ | 2006 £ |
|---|---|---|
| **Group relief payable** | | |
| Current tax on income for the year | 311,537 | 329,801 |
| Adjustment in respect of prior year | 15,901 | (43,263) |
| **Total current tax** | 327,438 | 286,538 |
| **Deferred taxation** | | |
| Net origination of timing differences | (66,196) | (96,926) |
| Adjustment to prior years | 6,021 | (63,894) |
| Impact of future change in corporation tax rate | 10,024 | - |
| **Deferred taxation** | (50,151) | (160,820) |
| **Tax on profit on ordinary activities** | 277,287 | 125,718 |

**Current tax reconciliation**

| | 2007 £ | 2006 £ |
|---|---|---|
| Profit on ordinary activities before taxation | 940,704 | 844,159 |
| Theoretical tax at UK corporation tax rate of 30% (2006 30%) | 282,211 | 253,248 |
| Effects of | | |
| - Adjustments in respect of prior years | 15,901 | (43,263) |
| - Research and development credit | - | (37,500) |
| - Expenditure that is not tax deductible | (41,599) | 4,571 |
| - Income that is not taxable | - | 52,812 |
| - Accelerated capital allowances | 71,705 | 98,240 |
| - Other timing differences | (780) | (1,314) |
| - Transfer pricing adjustments | - | (35,100) |
| - Tax at the marginal rate | - | (5,156) |
| Actual current taxation charge | 327,438 | 286,538 |

# Notes to the Financial Statements

**31 March 2007**

## 7. DIVIDENDS

| | 2007 £ | 2006 £ |
|---|---|---|
| Interim dividend paid | 130,000 | 26,700 |
| Final dividend paid | - | 220,737 |
| Dividend in specie (note 10) | 3,873,207 | - |
| | 4,003,207 | 247,437 |

## 8 INTANGIBLE FIXED ASSETS

| | Total £ |
|---|---|
| **Development cost** | |
| At 1 April 2006 | 429,576 |
| Additions | 26,814 |
| At 31 March 2007 | 456,390 |
| **Depreciation** | |
| At 1 April 2006 | 22,528 |
| Charge for year | 148,506 |
| At 31 March 2007 | 171,034 |
| **Net book value** | |
| At 31 March 2007 | 285,356 |
| At 31 March 2006 | 407,048 |

The above expenditure on intangible fixed assets relates to development costs, which will be amortised over 3 years from date of first production

# Notes to the Financial Statements

**31 March 2007**

## 9. TANGIBLE ASSETS

| | Leasehold property £ | Plant and fixtures £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2006 | 188,652 | 1,669,228 | 1,857,880 |
| Additions | - | 49,342 | 49,342 |
| Disposals | - | (24,264) | (24,264) |
| At 31 March 2007 | 188,652 | 1,694,306 | 1,882,958 |
| **Depreciation** | | | |
| At 1 April 2006 | 83,656 | 1,229,725 | 1,313,381 |
| Charge for year | 18,819 | 224,830 | 243,649 |
| At 31 March 2007 | 102,475 | 1,454,555 | 1,557,030 |
| **Net book value** | | | |
| At 31 March 2007 | 86,177 | 239,751 | 325,928 |
| At 31 March 2006 | 104,996 | 439,503 | 544,499 |

## 10. FIXED ASSET INVESTMENTS

| | Shares in subsidiary undertaking £ |
|---|---|
| **Cost and net book value** | |
| At 1 April 2006 | 3,873,207 |
| Disposal | (3,873,207) |
| At 31 March 2007 | - |

The company owned a 100% share in Paradise Datacom LLC, a limited liability corporation incorporated and operating in the USA

Paradise Datacom LLC designs and manufactures high specification digital satellite communications equipment

The company is itself a wholly owned subsidiary and has therefore not presented consolidated financial statements

In March 2007, Paradise Datacom Ltd disposed of Paradise Datacom LLC The disposal was made at the investment's book value as the company was sold to a group undertaking via a dividend in specie to Intelek Plc As a result the profit on disposal was £Nil

# Notes to the Financial Statements

**31 March 2007**

## 11. STOCKS

| | 2007 £ | 2006 £ |
|---|---|---|
| Raw materials | - | 531,157 |
| Work in progress | - | 199,417 |
| Finished Goods | - | 154,882 |
| | - | 885,456 |

The replacement cost of the above would not be significantly different from the values stated.

## 12. DEBTORS

| | 2007 £ | 2006 £ |
|---|---|---|
| Trade debtors | 35,884 | 896,213 |
| Amounts owed by group undertakings | 523,914 | 5,118 |
| Other debtors | 7,334 | 38,854 |
| Prepayments and accrued income | 26,787 | 89,325 |
| Deferred tax asset (note 15) | 200,518 | 150,367 |
| | 794,437 | 1,179,877 |

## 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2007 £ | 2006 £ |
|---|---|---|
| Trade creditors | 230,155 | 727,831 |
| Corporation Tax | 327,438 | 606,240 |
| Other taxation and social security | 65,941 | 79,429 |
| Other creditors | 25,817 | 252,375 |
| Accruals and deferred income | 162,784 | 155,102 |
| | 812,135 | 1,820,977 |

# Notes to the Financial Statements

**31 March 2007**

## 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2007 £ | 2006 £ |
|---|---|---|
| Loan from parent company | 1,788,958 | 2,288,958 |

The loan from the parent company is interest free, unsecured and has no fixed term of repayment The parent company has confirmed that no substantial repayment will be requested within 12 months of the balance sheet date

## 15. DEFERRED TAXATION

| | Deferred taxation £ |
|---|---|
| **Movement in year** | |
| Asset at 1 April 2006 | 150,367 |
| Credit to profit and loss account | 50,151 |
| Asset at 31 March 2007 | 200,518 |

Deferred taxation asset comprises

| | 2007 £ | 2006 £ |
|---|---|---|
| Accelerated capital allowances | 200,518 | 148,305 |
| Short term timing differences | - | 2,062 |
| Deferred tax asset | 200,518 | 150,367 |

## 16. CALLED UP SHARE CAPITAL

| | 2007 £ | 2006 £ |
|---|---|---|
| **Authorised** | | |
| 250,000 Ordinary shares of £1 each | 250,000 | 250,000 |
| **Allotted and fully paid** | | |
| 60,000 Ordinary shares of £1 each | 60,000 | 60,000 |

# Notes to the Financial Statements

**31 March 2007**

## 17 RESERVES

| | Profit and loss account £ |
|---|---|
| At 1 April 2006 | 3,397,992 |
| Profit for the year | 663,417 |
| Dividends paid (note 7) | (130,000) |
| Dividends specie (note 10) | (3,873,207) |
| At 31 March 2007 | 58,202 |

## 18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

| | 2007 £ | 2006 £ |
|---|---|---|
| Profit on ordinary activities after taxation | 663,417 | 718,441 |
| Dividends | (4,003,207) | (247,437) |
| Net addition to shareholders' funds | (3,339,790) | 471,004 |
| Opening shareholders' funds | 3,457,992 | 2,986,988 |
| Closing shareholders' funds | 118,202 | 3,457,992 |

## 19. CONTINGENT LIABILITIES

The company has given an unlimited cross currency guarantee in favour of Barclays Bank plc as security for the borrowings of certain group companies

# Notes to the Financial Statements

**31 March 2007**

## 20. FINANCIAL COMMITMENTS

**Operating lease commitments**

The annual commitments under operating leases are analysed to the year in which each lease expires, as follows

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Land and buildings, leases expiring beyond five years | 105,000 | 100,025 |

## 21. RELATED PARTY DISCLOSURES

Advantage has been taken of the special exemption for group companies regarding related party disclosures

## 22 PARENT UNDERTAKING

The ultimate parent company is Intelek plc, which is registered in England and Wales Its group accounts are available on the Intelek web-site, www intelek plc uk