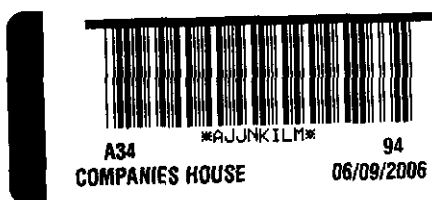


Paradise Datacom Limited

Annual Report

Year ended 31 March 2006



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Company Information

Directors	N L Mills I D Brodie K N Edwards P A McConnell J Restivo
Secretary	K N Edwards
Registered office	P O Box 25 South Marston Park Swindon Wiltshire SN3 4TR
Registered number	2829165
Auditors	RSM Robson Rhodes LLP Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	Barclays Bank Park House Stoke Gifford Bristol BS34 8TN

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March 2006.

Principal activities

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

Business review and future developments

Paradise Datacom has identified a number of key sectors to target which include Satellite News Gathering (SNG), Military/Government, tube amplifier replacement and GSM mobile 'phone infrastructure. Industry-wide migration from tube amplifiers to SSPA technology continues at an increasing rate and, as a result, Paradise Datacom has experienced significant growth in SSPA and low noise amplifiers (LNA) sales.

In early 2005, Sales and Marketing launched a targeted campaign on the tube-dominated SNG market through market-focused advertisements, field demonstrations and customer presentations. The success of the campaign has been notable.

The implementation of our Military/Government marketing strategy has resulted in another strong year of amplifier sales from this significant portion of the global satcom market. Our products are being utilised in military networks in the Persian Gulf as well as in Homeland Security and disaster recovery networks.

Paradise Datacom's subsidiary company in the USA has invested additional resource in further development of the SSPA product line, which has resulted in the release of several new products. Paradise Datacom continues to push the "state of the art" in the areas of RF power density, remote access and packaging, including the use of composite materials to gain weight and thermal advantages.

The modem design team at Paradise Datacom in the UK has continued to expand the feature sets of the Evolution series modem, and has completed the development of a new modem protection switch and the L-band version of the modem. The initial deployment of Evolution modems to customer sites for beta-testing has been completed with several high profile customers resulting in an increasing rate of order flow in the final quarter.

Our legacy modem products continue to find market demand, with notable success in developing countries installing GSM phone infrastructure. The GSM market continues to represent the largest commercial market for satellite modems and medium power amplifiers used for the transfer of traffic from voice and data circuits to base station locations for eventual trunking on to national telephone and data networks. We expect sales of our legacy modem to continue over the next few years, with a gradual reduction in volumes, during which period we expect to see the Evolution modem recover Paradise's market share.

Outlook

Paradise Datacom currently operates within a robust satellite communications market bolstered by a number of strategic investment programmes across government sectors. We currently benefit from industry-leading solid-state technology in the amplifier market which allows us to increase the power levels and win market share from tube amplifiers. In the modem market, the new Evolution high data rate product will be competing with our two much larger competitors and their longer established high data rate modems. This will provide us with a significant challenge to grow market share meaningfully but we believe firmly that we now have the platform and the additional features which will allow us to do this over the next two/three years.

Report of the Directors

(continued)

Dividends

The Directors paid the final dividend of £220,737 for the year ended 31 March 2005 in 2006 (2005: £258,100). An interim dividend of £26,700 was paid during the year (2005: £243,003).

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.

Financial instrument

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.

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.

Report of the Directors

(continued)

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 2006. 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 directors of the company who served during the year are set out on page 1.

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

The beneficial interests of the directors and their families at 31 March 2006 and the beginning of the year in the ordinary share capital of Inteltek plc, other than for main board directors are detailed below:

	Ordinary shares of 5p each					
	Beneficial	Options under		Options under Savings		
	2006	2005	the Executive Scheme	2005	Related Scheme	2005
			2006		2006	
P A McConnell	-	-	25,000	25,000	-	-
J Restivo	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 2006 and 2013 at prices between 10.5p and 34p per share.

Report of the Directors

(continued)

Statement of directors' responsibilities for the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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

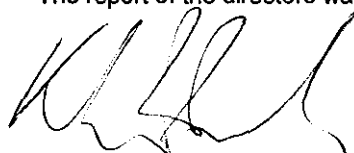
So far as the Directors are aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware.

Auditors

The auditors, RSM Robson Rhodes LLP, are willing to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Approval

The report of the directors was approved by the Board on 6 June 2006 and signed on its behalf by:



K N EDWARDS
Director and Secretary
6 June 2006

Independent Auditors' Report to the Shareholders of Paradise Datacom Limited

We have audited the financial statements on pages 7 to 19. 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 if, in our opinion, the Directors' Report 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 other transactions is not disclosed.

We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

Basis of audit opinion

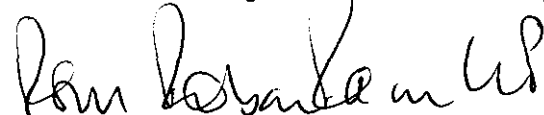
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- The information given in the Directors' Report is consistent with the financial statements.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Birmingham, England
4 September 2006

Profit and Loss Account

for the year ended 31 March 2006

	Note	2006 £	2005 £
Turnover - continuing operations	2	5,980,627	6,375,854
Cost of sales		(4,189,480)	(4,049,175)
Gross profit		1,791,147	2,326,679
Distribution costs		(367,081)	(427,701)
Administrative expenses		(599,184)	(764,619)
Other operating income		-	151,206
Operating profit before operating exceptional items		824,882	1,285,565
Exceptional loss on restructuring of operations	4	-	(91,223)
Operating profit - continuing operations	3	824,882	1,194,342
Dividend received from subsidiary undertaking		-	335,979
Bank interest receivable		19,277	27,256
Profit on ordinary activities before taxation		844,159	1,557,577
Taxation	7	(125,718)	(388,359)
Profit on ordinary activities after taxation		718,441	1,169,218

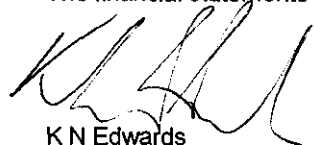
All recognised gains and losses are reflected in the profit and loss account for the years, accordingly no statement of total recognised gains and losses is provided.

Balance Sheet

at 31 March 2006

	Note	2006 £	Restated (note 16) 2005 £
Fixed assets			
Intangible fixed assets	9	407,048	342,813
Tangible assets	10	544,499	773,263
Investments	11	3,873,207	3,873,207
		<hr/>	<hr/>
		4,824,754	4,989,283
Current assets			
Stocks	12	885,456	898,367
Debtors	13	1,179,877	1,735,624
Cash at bank and in hand		677,840	899,739
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	14	2,743,173 (1,820,977)	3,533,730 (1,565,477)
		<hr/>	<hr/>
Net current assets		922,196	1,968,253
		<hr/>	<hr/>
Total assets less current liabilities		5,746,950	6,957,536
Creditors: Amounts falling due after more than one year	15	(2,288,958)	(3,960,095)
Provisions for liabilities and charges	16	-	(10,453)
		<hr/>	<hr/>
Net assets		3,457,992	2,986,988
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	60,000	60,000
Profit and loss account	18	3,397,992	2,926,988
		<hr/>	<hr/>
Equity shareholders' funds	19	3,457,992	2,986,988
		<hr/>	<hr/>

The financial statements were approved by the Board on 6 June 2006 and signed on its behalf by:



K N Edwards
Director

Notes to the Financial Statements

31 March 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention. FRS21 "Events after the balance sheet date" is applicable for the first time for the year ended 31 March 2006.

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	20% 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 2006

1. ACCOUNTING POLICIES (Continued)

Research and development

To the extent that there is no clearly identifiable project, or where expenditure is not separately identifiable, research and development expenditure is charged to the profit and loss account as incurred. Development costs relating to projects the outcome of which can be assessed with reasonable certainty are capitalised as an intangible fixed asset. These costs are amortised from the date of product release over a period not exceeding 36 months, representing the Directors' view of the maximum product life span within the market in which it operates.

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 Inteltek 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 Inteltek Plc for which consolidated financial statements have been prepared.

2. TURNOVER BY GEOGRAPHICAL MARKET

	2006 £	2005 £
United Kingdom	1,345,028	2,598,647
Rest of Europe	1,848,348	1,982,540
America	1,111,139	683,012
Africa	1,623,767	914,203
Rest of world	52,345	197,452
	<hr/>	<hr/>
	5,980,627	6,375,854
	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2006

3. OPERATING PROFIT

Operating profit is arrived at after charging/(crediting):

	2006 £	2005 £
Depreciation of tangible fixed assets	266,804	234,163
Amortisation of development cost	22,528	-
Auditors' remuneration	9,154	7,500
Operating lease rental on land and buildings	100,025	93,932
Research and development expenditure	746,981	910,135
Loss on sale of fixed assets	45,432	-
Realised foreign exchange gains	12,472	-
Rental income	(3,900)	(3,900)
Royalty income	(13,763)	(153,721)

4. OPERATING EXCEPTIONAL ITEMS

	2006 £	2005 £
Exceptional loss on restructuring of operations	-	91,223

5. EMPLOYEES

Average monthly number of employees, including executive directors:

	2006 No.	2005 No.
Production	28	32
Administration and distribution	11	15
	39	47

Staff costs, including directors:

	2006 £	2005 £
Wages and salaries	1,350,990	1,568,539
Social security costs	143,333	170,646
Pension costs	68,978	82,099
	1,563,301	1,821,284

Notes to the Financial Statements

31 March 2006

6. DIRECTORS

Emoluments of the company's directors:

	2006 £	2005 £
Emoluments	73,601	255,209
Pension contributions	4,093	24,667
	<u>77,694</u>	<u>279,876</u>
Emoluments excluding pension contributions:		
	2006 £	2005 £
Highest paid director	<u>73,601</u>	<u>135,503</u>
No. of directors who accrue benefits under a money purchase scheme	<u>1</u>	<u>2</u>

All other directors accrue retirement benefits within the parent company.

7. TAXATION

	2006 £	2005 £
United Kingdom Corporation Tax		
Current tax on income for the year	8,908	141,275
Double tax relief	(8,908)	(141,275)
Total	<u>-</u>	<u>-</u>
Group relief payable		
Current tax on income for the year	329,801	365,770
Adjustment in respect of prior year	(43,263)	24,877
Total current tax	<u>286,538</u>	<u>390,647</u>
Deferred taxation for the current year	(96,926)	(2,288)
Adjustment to prior years	(63,894)	-
Deferred taxation	<u>(160,820)</u>	<u>(2,288)</u>
Tax on profit on ordinary activities	<u>125,718</u>	<u>388,359</u>

Notes to the Financial Statements

31 March 2006

7. TAXATION (continued)

Current tax reconciliation

	2006 £	2005 £
Profit on ordinary activities before taxation	844,159	1,557,577
Theoretical tax at UK corporation tax rate 30% (2005: 30%)	253,248	467,273
Effects of:		
- Adjustments in respect of prior years	(43,263)	24,877
- Research and development credit	(37,500)	(45,000)
- Expenditure that is not tax deductible	4,571	6,263
- Income that is not taxable	52,812	(45,254)
- Accelerated capital allowances	98,240	958
- Other timing differences	(1,314)	1,330
- Transfer pricing adjustments	(35,100)	(19,800)
- Tax at the marginal rate	(5,156)	-
Actual current taxation charge	286,538	390,647

Exceptional item

The taxation charge is stated after a tax credit of £Nil (2005: £27,370) relating to the exceptional loss on restructuring operations.

8. DIVIDENDS

	2006 £	Restated (note 18) 2005 £
Interim dividend paid	26,700	243,003
Final dividend paid	220,737	258,100
	247,437	501,103

Notes to the Financial Statements

31 March 2006

9. INTANGIBLE FIXED ASSETS

	Total £
Development cost	
At 1 April 2005	342,813
Additions	71,535
Transfers from tangible fixed assets	15,228
	<hr/>
At 31 March 2006	429,576
	<hr/>
Depreciation	
At 1 April 2005	-
Charge for year	22,528
	<hr/>
At 31 March 2006	22,528
	<hr/>
Net book value	
At 31 March 2006	407,048
	<hr/> <hr/>
At 31 March 2005	342,813
	<hr/> <hr/>

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 2006

10. TANGIBLE ASSETS

	Leasehold property £	Plant and fixtures £	Total £
Cost			
At 1 April 2005	183,148	1,666,612	1,849,760
Additions	5,504	93,196	98,700
Disposals	-	(75,352)	(75,352)
Transfers between categories	-	(15,228)	(15,228)
	<hr/>	<hr/>	<hr/>
At 31 March 2006	188,652	1,669,228	1,857,880
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2005	64,823	1,011,674	1,076,497
Charge for year	18,833	247,971	266,804
Disposals	-	(29,920)	(29,920)
Transfers between categories	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2006	83,656	1,229,725	1,313,381
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2006	104,996	439,503	544,499
	<hr/>	<hr/>	<hr/>
At 31 March 2005	118,325	654,938	773,263
	<hr/>	<hr/>	<hr/>

11. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertaking £
Cost and net book value	
At 1 April 2005 and 31 March 2006	3,873,207
	<hr/>

The company owns 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.

Notes to the Financial Statements

31 March 2006

12. STOCKS

	2006 £	2005 £
Raw materials	531,157	531,903
Work in progress	199,417	217,277
Finished Goods	154,882	149,187
	<hr/>	<hr/>
	885,456	898,367
	<hr/>	<hr/>

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

13. DEBTORS

	2006 £	2005 £
Trade debtors	896,213	542,064
Amounts owed by group undertakings	5,118	1,099,495
Other debtors	38,854	10,566
Prepayments and accrued income	89,325	83,499
Deferred tax asset (note 16)	150,367	-
	<hr/>	<hr/>
	1,179,877	1,735,624
	<hr/>	<hr/>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	Restated (note 16) 2005 £
Trade creditors	727,831	573,179
Amounts owed to parent company	-	136,578
Amounts owed to group undertakings	-	131,046
Group relief payable	606,240	365,770
Other taxation and social security	79,429	122,602
Other creditors	252,375	73,394
Accruals and deferred income	155,102	162,908
	<hr/>	<hr/>
	1,820,977	1,565,477
	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2006

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £	2005 £
Loan from parent company	2,288,958	3,960,095

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.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
Movement in year	
At 1 April 2005	(10,453)
Credit to profit and loss account	160,820
	<hr/>
At 31 March 2006 asset/(liability)	150,367
	<hr/>

Deferred taxation comprises:

	2006 £	2005 £
Accelerated capital allowances	148,305	(14,130)
Short term timing differences	2,062	3,677
	<hr/>	<hr/>
Deferred tax asset/(liability)	150,367	(10,453)
	<hr/>	<hr/>

17. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised		
250,000 Ordinary shares of £1 each	250,000	250,000
	<hr/>	<hr/>
Allotted and fully paid		
60,000 Ordinary shares of £1 each	60,000	60,000
	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2006

18. RESERVES

	Profit and loss account £
At 1 April 2005	2,706,251
Prior year adjustment	220,737
	<u>2,926,988</u>
Profit for the year	718,441
Dividends paid	(247,437)
	<u>3,397,992</u>
At 31 March 2006	

Prior year adjustment

The prior year adjustment reflects the reversal of the 2005 proposed final dividend of £220,737 as paid in the year ended 31 March 2006, in accordance with FRS 21 "Events after the balance sheet date".

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	2006 £	Restated 2005 £
Profit on ordinary activities after taxation	718,441	1,169,218
Dividends	(247,437)	(501,103)
	<u>471,004</u>	<u>668,115</u>
Net addition to shareholders' funds	471,004	668,115
Opening shareholders' funds	2,986,988	2,060,773
Prior year adjustment (note 18)	-	258,100
	<u>2,986,988</u>	<u>2,281,510</u>
Restated Opening shareholders' funds	2,986,988	2,281,510
	<u>3,457,992</u>	<u>2,986,988</u>
Closing shareholders' funds	3,457,992	2,986,988

20. 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 2006

21. FINANCIAL COMMITMENTS

Operating lease commitments

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

	2006 £	2005 £
Land and buildings, leases expiring: beyond five years	100,025	97,712

22. RELATED PARTY DISCLOSURES

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

23. 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.