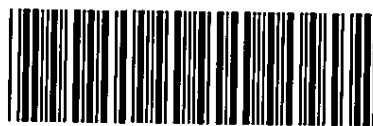




Annual Report and Accounts  
30 June 2007

TUESDAY



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LD4

29/01/2008

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COMPANIES HOUSE

**HEAD OFFICE**

2nd Floor  
19/20 Grosvenor Street  
London W1K 4QH

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## **DIRECTORS AND ADVISERS**

### **DIRECTORS**

M A Alikhan

Executive Director

Y Ben-Israel

Non-Executive Director

### **REGISTERED OFFICE**

2nd Floor

19/20 Grosvenor Street

London W1K 4QH

Registered No 2401127

### **AUDITORS**

Whitefield & Co

8 Wolsey Mansions

Wolsey Road, Moor Park

Middlesex HA2 6HL

### **SOLICITORS**

Beachcroft LLP

100 Fetter Lane

London EC4A 1BN

### **STOCKBROKERS**

HB Corporate

40 Marsh Wall

Docklands

London E14 9TP

### **REGISTRARS**

Capita Registrars

Northern House

Woodsome Park

Fenay Bridge

Huddersfield

West Yorkshire HD8 0LA

## EXECUTIVE DIRECTOR'S REVIEW

### **New activity – Joint Venture**

We announced the agreement to enter into a joint venture with Zamcu to trade in base metals, copper, zinc and lead. We are pleased to confirm that the terms of the joint venture have been agreed and a formal agreement will be signed after the new activity has been approved by the Company's shareholders.

### **Voice quality market**

Our negotiation with Qstik and Clement Clark International group were ceased as it was apparent from the available information that the proposed arrangements were not in the interest of the Company. We are pursuing amounts receivable from Clement Clark Communications by legal means.

The directors continue to monitor the outcome of the marketing and sales of the technology.

### **Results for the year**

For the year ended 30 June 2007, the Company turnover was £28,506 compared with £835,956 for the same period in prior year. The loss for the year amounted to £1,884,653 compared with a profit of £290,821 for the prior year. The overheads include provision against receivable of £573,447 (2006 £nil) and amortisation of intangible assets of £610,048 (2006 £610,048).

M A Alikhami  
Executive Director

21 December 2007

A handwritten signature in black ink, appearing to be "M A Alikhami", written over a horizontal line.



## DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements, for the year ended 30 June 2007

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The group's performance during the year and expected future developments are described in the Executive Director's Review on page 3

### RESULTS AND DIVIDENDS

The results for the year are set out in the Company profit and loss account on page 13. The directors do not recommend the payment of a dividend on the ordinary shares (2006 nil)

### PRINCIPAL ACTIVITIES

During the year the Company has developed voice quality technologies

### DIRECTORS AND THEIR INTERESTS

The names of the directors who served throughout the period, except where shown otherwise, are as follows

M A Alikhani

M Ahmadi (Resigned 25 April 2007)

Y Ben-Israel

In accordance with the Articles of Association, Y Ben-Israel retires and, being eligible, offers himself for re-election. None of the directors standing for re-election has a service contract with the Company

The interests (as defined in the Companies Act 1985) of the directors holding office during the period to date or at date of resignation in the share capital are shown below

	<i>ordinary shares of 1p 30 June 2007 or date of resignation</i>	<i>ordinary shares of 1p 30 June 2006 or date of appointment if later</i>
M A Alikhani	1,428,994	1,428,994
M Ahmadi	1,623,636	1,623,636
Y Ben-Israel	1,070,000	1,067,000
A Nooralahiyani	—	365,793

Other than as set out above, none of the directors at 30 June 2007 held any interest in shares of the Company during the year. All of the interests reported are beneficial

### NON-EXECUTIVE DIRECTOR

#### Y BEN-ISRAEL

Yoram Ben-Israel, aged 40, is an experienced businessman with excellent management credentials

In 1993 he moved to Moscow, and founded Mega Management, which was the exclusive distributor of Fila Sports, Wilson Sporting Goods, and Calvin Klein in all the CIS countries. Since 1994 Yoram has been heavily involved in all the strategic aspects of Bank Rossiya in Russia

In 2000 he moved back to London, where he founded and still manages a private investment company, which invests in property, bonds, shares, and start up companies. He also owns a trading company, YBI Distributions Ltd, which distribute high-end loudspeakers in Europe

## SUBSTANTIAL SHAREHOLDINGS

On 17 December 2007 the Company was aware of the following interests in 3 per cent or more of the Company's ordinary share capital

<i>Shareholder</i>	<i>No of ordinary shares</i>	<i>% holding</i>
Barclayshare Nominees Limited	18,911,733	8.37
Brewin Nominees (CI)	9,994,036	4.42
HSBC Global Custody Nominees (UK) Ltd	23,549,380	10.43
HSDL Nominees Limited	9,484,702	4.20
I-Fin Services (IOM) Ltd	11,388,650	5.04
LR Nominees Ltd	10,681,039	4.73
Pershing Keen Nominees Limited	12,262,689	5.43
Raven Nominees Limited	8,056,516	3.57
TD Waterhouse Nominees Europe Ltd	19,855,210	8.79

## TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

There were no transactions with related parties

## ISSUES OF SHARES AND WARRANTS

During the year no ordinary shares were issued

The Board has approved in principle a number of Enterprise Management Incentive and unapproved share options for key directors, employees and consultants

## ANNUAL GENERAL MEETING

### *SPECIAL BUSINESS*

Resolutions will be proposed at the Annual General Meeting, as set out in the formal notice on page 22

The following resolutions constitute Special Business

Resolution number 4 is proposed as an Ordinary Resolution to provide the Directors with authority to allot relevant securities (within the meaning of section 80 (2) of the Act) and up to an aggregate nominal value of £1,041,179 representing 100 per cent of the authorised but as yet unissued share capital of the Company at the date hereof. Such authority shall expire fifteen months from the passing of this resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company

Resolution number 5 is to seek authority for the Directors to allot equity securities pursuant to the warrants granted by the Company prior to the date hereof and to allot equity securities up to an aggregate nominal amount of £1,041,179 representing 100 per cent of the authorised but as yet unissued share capital of the Company at the date hereof provided that the authorities, unless duly revoked, varied or revoked prior to their expiry date, shall expire fifteen months from the passing of this resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, but such authority shall allow the Company to make an offer or agreement which would or might require relevant securities to be allotted after the authority expires, and in that event, the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and such authorities shall be in substitution for any authorities conferred upon the Directors in accordance with the said section prior to the passing of this resolution, which authorities (to the extent they remain in force and unexercised) are hereby revoked

## ENVIRONMENTAL MATTERS

The Company undertakes a review of environmental matters prior to deciding to proceed with an investment in a new operation. Once the investment is made the environmental implications are monitored on a regular basis and where necessary improvements are proposed



#### **CREDITOR PAYMENT POLICY**

The Company's policy is normally to pay trade creditors according to agreed terms of business. These terms are usually agreed with the trade creditors before they provide any goods or services. The Company's policy is to adhere to the payment terms providing the relevant goods or services have been supplied in accordance with the agreements. The average number of days in respect of trade creditors at 30 June 2007 was 187 (2006 35) days.

#### **AUDITORS**

A resolution proposing the re-appointment of the auditors Whitefield & Co. will be put to shareholders at the Annual General Meeting.

Approved by the board of directors and signed on behalf of the board

M A Alikhani  
Director  
19/20 Grosvenor Street  
London W1K 4QH

A handwritten signature in black ink, appearing to be "M A Alikhani", written over a horizontal line.

21 December 2007

## **CORPORATE GOVERNANCE**

The Company has given consideration to the code provisions set out in Section 1 of the Combined Code ("the Code") on Corporate Governance annexed to the Financial Services Authority Listing Rules. The directors support the objectives of the Code and intend to comply with it having due regard to the group's circumstances.

A statement of the directors' responsibilities in respect of the financial statements is set out on page 10. Below is a brief description of the role of the board and its committees, including a statement regarding the Company's system of internal financial control.

## **THE WORKINGS OF THE BOARD AND ITS COMMITTEES**

### *The Board of Directors*

The board currently comprises one executive and one non-executive director. The non-executive director is independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgement. The board meets on average every two months and is responsible, inter alia, for setting and monitoring Company strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to shareholders.

### *The Audit Committee*

The Audit Committee comprised the following directors during the period to date:

M Alikhani and Y Ben-Israel

The committee provides a forum for reporting by the Company's external auditors. Meetings are held not less than twice annually.

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports before their submission to the board and monitoring the controls which are in force to ensure the integrity of the financial information reported to the shareholders. The Audit Committee also advises the board on the appointment of external auditors and on their remuneration both for audit and non-audit work.

### *The Remuneration Committee*

The Remuneration Committee, which is currently chaired by Y Ben-Israel, comprised the following directors during the period to date:

Y Ben-Israel

M Alikhani

The Committee is responsible for recommending to the board the terms and conditions of employment of the executive directors.

### *The Nomination Committee*

The Nomination Committee, which currently comprises Y Ben-Israel and M Alikhani, is responsible for proposing to the board any new appointments of executive or non-executive directors.

### *Internal Financial Control*

The Board is responsible for establishing and maintaining the Company's system of internal financial control.





Internal financial control systems are designed to meet the particular needs of the Company concerned and the risk to which it is exposed, and by their nature can provide reasonable assurance but not absolute assurance against material misstatement or loss

The directors are conscious of the need to keep effective internal financial control, particularly in view of the cash constraints that the Company has faced over the year under review. Due to the relatively small size of the Company's operations, the directors are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The directors have reviewed the effectiveness of the procedures presently in place and consider that they are still appropriate to the nature and scale of the operations of the Company.

*Going Concern*

The directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") is chaired by Y Ben-Israel and comprised, during the period to date, Y Ben Israel and M Alikhami. Remuneration packages are determined with reference to market remuneration levels, individual performance and the financial position of the Company.

Executive directors are granted a basic salary which is reviewed at regular intervals.

None of the executive directors have service contracts which are terminable on greater than one year's notice.

### *Directors*

The remuneration of the individual directors is as follows:

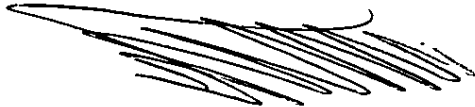
Director	Fees	Salary	Total 2007	Total 2006
	£	£	£	£
M A Alikhami	2,000	25,000	27,000	27,000
M Ahmadi	1,630	64,167	65,797	74,692
A Nooralahiyani	—	—	—	39,480
Y Ben-Israel	2,000	24,000	26,000	21,625
<b>Total</b>	<b>5,630</b>	<b>113,167</b>	<b>118,797</b>	<b>162,797</b>

On behalf of the Remuneration Committee

**Y Ben-Israel**

Committee Chairman

21 December 2007



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

- select suitable accounting policies and 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 accounts, and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors confirm that they have complied with the above requirements in preparing the accounts

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts 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 are responsible for the maintenance and integrity of the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **REPORT OF THE INDEPENDENT AUDITORS to the members of Tecteon PLC**

We have audited the financial statements of Tecteon PLC for the year ended 30 June 2007, on pages 13 to 21. These financial statements have been prepared under the historic cost convention and the accounting policies set out therein. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' remuneration report ("the auditable part").

This report is made solely to Company's members, as body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibility for preparing the annual report and the financial statements in accordance with applicable laws, and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' remuneration report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the group's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Executive Directors' Review, the Directors' Report, the Corporate Governance Statement and Remuneration Report. 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 audit opinion**

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

We planned and performed our audit so as to obtain all the information and explanations which we consider



necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, 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.

#### **Fundamental uncertainty**

In forming our opinion we have considered the adequacy of the disclosure made in the accounts concerning the preparation of the accounts on a going concern basis, the validity of which depends on the Company's ability to finance the Company's operation. The accounts do not include any adjustments that would result from a failure of financing. Our opinion is not qualified in this respect.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company at 30 June 2007 and of the loss and cash flow in accordance with United Kingdom Generally Accepted Accounting Practice, for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- those parts of the Directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985,
- the information given in the Director's report is consistent with the financial statements.

Whitefield & Co *Whitefield & Co*  
Registered Auditor  
Wolsey Road  
Moor Park  
Middlesex  
HA2 6HL

21 December 2007

## PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2007

	Notes	2007 £	2006 £
TURNOVER	2	<u>28,506</u>	<u>835,956</u>
		<u>28,506</u>	<u>835,956</u>
Other costs of sales		<u>—</u>	<u>(22,727)</u>
GROSS PROFIT		<u>28,506</u>	<u>813,229</u>
Other income		<u>14,500</u>	<u>—</u>
Administrative expenses		<u>(1,926,247)</u>	<u>(1,393,837)</u>
OPERATING LOSS	3	<u>(1,883,241)</u>	<u>(580,608)</u>
Interest receivable and similar income		<u>1,939</u>	<u>5,311</u>
Interest payable and similar charges	4	<u>(3,351)</u>	<u>(29,740)</u>
LOSS ON ORDINARY ACTIVITIES		<u>(1,884,653)</u>	<u>(605,037)</u>
Profit on sale of Subsidiary		<u>—</u>	<u>895,858</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,884,653)</u>	<u>290,821</u>
Tax on profit on ordinary activities	5	<u>—</u>	<u>—</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(1,884,653)</u>	<u>290,821</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(1,884,653)</u>	<u>290,821</u>
(Loss)/Profit per ordinary share			
— Basic	6	<u>(0 83)p</u>	<u>0 14p</u>
— Diluted	6	<u>(0 83)p</u>	<u>0 12p</u>

All recognised gains and losses have been included in the profit and loss account

All of the activities are continuing



## BALANCE SHEET

as at 30 June 2007

	Notes	2007 £	2006 £
<b>FIXED ASSETS</b>			
Intangible asset	8	1,892,622	2,502,670
Tangible fixed assets	9	30,373	83,799
		<u>1,922,995</u>	<u>2,586,469</u>
<b>CURRENT ASSETS</b>			
Debtors	10	117,444	679,689
Cash at bank and in hand		83	320,056
		<u>117,527</u>	<u>999,745</u>
CREDITORS amounts falling due within one year	11	(874,454)	(535,493)
NET CURRENT (LIABILITIES) /ASSETS		<u>(756,927)</u>	<u>464,252</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>1,166,068</u></u>	<u><u>3,050,721</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	9,709,771	9,709,771
Share premium account	13	2,705,939	2,705,939
Merger reserve	13	1,824,000	1,824,000
Profit and loss account	13	(13,073,642)	(11,188,989)
SHAREHOLDERS' FUNDS		<u><u>1,166,068</u></u>	<u><u>3,050,721</u></u>
Non-equity shareholders' funds		195,799	195,799
Equity shareholders' funds		<u>970,269</u>	<u>2,854,922</u>
		<u><u>1,166,068</u></u>	<u><u>3,050,721</u></u>

These financial statements were approved by the Board of Directors on 21 December 2007

Signed on behalf of the Board of Directors

M A Alkhami

## CASH FLOW STATEMENT

for the year ended 30 June 2007

	Notes	2007 £	2006 £
NET CASH OUTFLOW			
FROM OPERATING ACTIVITIES	15	<u>(317,695)</u>	<u>(1,052,568)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,939	5,311
Interest paid	4	<u>(3,351)</u>	<u>(29,740)</u>
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(1,412)</u>	<u>(24,429)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of intangible fixed assets		–	(509,972)
Purchase of tangible fixed assets	9	<u>(866)</u>	<u>(64,208)</u>
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		<u>(866)</u>	<u>(574,180)</u>
CASH OUTFLOW BEFORE FINANCING		<u>(319,973)</u>	<u>(1,651,177)</u>
FINANCING			
Issue of ordinary shares and share premium		–	972,101
Sale of investment in subsidiary – proceeds		–	1,661,539
Sale of investment in subsidiary – costs		<u>–</u>	<u>(765,681)</u>
NET CASH INFLOW FROM FINANCING		<u>–</u>	<u>1,867,959</u>
(DECREASE)/INCREASE IN CASH		<u><u>(319,973)</u></u>	<u><u>216,782</u></u>

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (note 16)

		£	£
(DECREASE)/INCREASE IN CASH	16	<u>(319,973)</u>	216,782
Movement in net funds during the year		<u>(319,973)</u>	216,782
Net funds at 1 July 2006	16	<u>320,056</u>	103,274
NET FUNDS AT 30 JUNE 2007	16	<u><u>83</u></u>	<u><u>320,056</u></u>



## **NOTES TO THE ACCOUNTS**

**year ended 30 June 2007**

### **1. ACCOUNTING POLICIES**

#### *Basis of Accounting*

The financial statements have been drawn up under the historical cost convention, in accordance with applicable accounting standards and on the going concern basis since the directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which demonstrate that the Company will be able to continue to trade and to meet its liabilities as they fall due

#### *Foreign exchange*

Transactions of the Company denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of transactions. Any foreign exchange differences are taken to the profit and loss account. Balances at the year end denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date

#### *Intangible fixed asset*

Intangible fixed asset relates to voice quality and comfort listening solutions which the company is developing. This asset is being amortised at 15% per annum. The Company considers the amortisation over 7 years as a reasonable period for these solutions.

#### *Investments*

Investments held as fixed assets are stated at cost less provision for any impairment to their carrying values.

#### *Tangible fixed assets*

All fixture, fittings and office equipment are classified as tangible assets.

#### *Depreciation and amortisation*

Additional depreciation charges are provided for assets where the directors consider that there has been an indicator of impairment and the test, carried out in accordance with FRS11, results in an impairment of the asset. Depreciation of other fixed assets is determined under the straight line method using various rates of up to 20 per cent, designed to write assets off over their estimated useful lives.

#### *Deferred taxation*

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

#### *Leases*

Rentals paid under operating leases are charged to the profit and loss on a straight-line basis over the term of the lease.

## 2 TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the amount of goods sold and services provided during the year stated net of any value added tax or any royalty interests to external customers

	2007	2006		
	£	£		
Turnover – UK	<u>28,506</u>	<u>835,956</u>		
	<i>Profit/(loss) analysis</i>	<i>Asset/(liability) analysis</i>		
	2007	2006	2007	2006
	£	£	£	£
UK activities	<u>1,881,302</u>	<u>(575,297)</u>	<u>1,165,985</u>	<u>2,730,665</u>
Loss on ordinary activities				
before interest and tax	(1,881,302)	(575,297)		
Profit on sale of subsidiary	–	895,858		
UK net interest income/expense	<u>(3,351)</u>	<u>(29,740)</u>		
(Loss)/profit on ordinary activities before taxation	<u>(1,884,653)</u>	<u>(290,821)</u>		
Total operating assets			<u>1,165,985</u>	<u>2,730,665</u>
Cash			<u>83</u>	<u>320,056</u>
Total net assets			<u>1,166,068</u>	<u>3,050,721</u>

## 3 OPERATING LOSS

	2007	2006
	£	£
Operating loss is stated after charging		
In administrative expenses		
Amortisation	610,048	610,048
Depreciation	54,292	54,191
Auditors' remuneration	10,000	10,000
– audit services		
– non audit services	2,000	6,000
	<u>610,048</u>	<u>610,048</u>

## 4 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Inland Revenue interest payable	–	19,134
Other	3,351	10,606
	<u>3,351</u>	<u>29,740</u>

## 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no charge to UK Corporation Tax for the Company for the current or prior period due to the availability of losses. The Company is carrying forward tax losses in the UK of £4.9 million.

## 6 (LOSS)/PROFIT PER ORDINARY SHARE

The loss per share of 0.83p (2006 profit 0.14p) has been calculated on the basis of the loss of £1,884,653 (2006 profit £290,821) and on 225,882,097 (2006 209,282,041) ordinary shares, being the weighted average number of ordinary shares in issue during the year ended 30 June 2007.

**7 DIRECTORS AND STAFF**
**Directors**

	2007	2006
	£	£
Emoluments for qualifying services	118,797	162,797

No retirement benefits are accruing to directors (2006 nil) under pension schemes

	2007	2006
	£	£
Highest paid director		
Emoluments for qualifying services	65,797	74,692

Details of emoluments are included in the Remuneration Committee Report on page 9

	2007	2006
	£	£
Staff costs including directors		
Wages and salaries	383,217	482,899
Social security costs	34,599	61,811
	417,816	544,710

Staff costs include the costs of individuals engaged in the development of technology included within the intangible fixed asset below

	2007	2006
	£	£
The average monthly number of persons employed by the group in the year (including executive directors)		
Management	9	8

**8 INTANGIBLE FIXED ASSET – DEVELOPMENT EXPENDITURE**

	£
<b>Cost.</b>	
At 1 July 2006	4,066,984
Additions	–
At 30 June 2007	4,066,984
<b>Amortisation</b>	
At 1 July 2006	1,564,314
Charge for the year	610,048
At 30 June 2007	2,174,362
<b>NET BOOK VALUE</b>	
At 30 June 2007	1,892,622
At 30 June 2006	2,502,670

The development expenditure comprises salaries of scientists, consulting fees and other direct expenditure incurred in the development of voice quality and comfort listening solutions. The development costs are amortised at 15% per annum. Amortisation period of 7 years is considered to be a reasonable period for this development expenditure.

**9 TANGIBLE FIXED ASSETS**

	<i>Office equipment £</i>
<b>Cost:</b>	
At 1 July 2006	270,595
Additions	866
At 30 June 2007	<u><b>271,461</b></u>
<b>Depreciation and amortisation</b>	
At 1 July 2006	186,796
Charge for the year	54,292
At 30 June 2007	<u><b>241,088</b></u>
<b>Net book value</b>	
At 30 June 2007	<u><b>30,373</b></u>
At 30 June 2006	<u><b>83,799</b></u>

**10 DEBTORS**

	<i>2007 £</i>	<i>2006 £</i>
Trade debtors	–	673,799
Other debtors	114,421	5,890
Prepayment	3,023	–
	<u><b>117,444</b></u>	<u><b>679,689</b></u>

The £673,799 due from Clement Clarke Communications has been provided for. The Company is pursuing the amounts receivable by legal means.

**11 CREDITORS, amounts falling due within one year**

	<i>2007 £</i>	<i>2006 £</i>
Trade creditors	163,783	101,604
Other taxes and social security	414,583	380,146
Accruals	130,665	52,691
Other creditors	165,423	1,052
	<u><b>874,454</b></u>	<u><b>535,493</b></u>

Included within other creditors is a £100,000 loan from Amata Invest & Trade Limited (Belize) which has been secured by a debenture charge over the tangible and intangible assets of the Company.

**12 SHARE CAPITAL**

	<b>2007</b>		<b>2007</b>	
	<i>No</i>		<i>£</i>	
Authorised				
Ordinary share of 1p each		330,000,000		3,300,000
Non-equity deferred shares of 1p each		19,579,925		195,799
Deferred shares of 4p each		181,378,766		7,255,151
		<u>530,958,691</u>		<u>10,750,950</u>
	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<i>No.</i>	<i>£</i>	<i>No</i>	<i>£</i>
Issued and fully paid				
Ordinary shares of 1p each	225,882,097	2,258,821	225,882,097	2,258,821
Non-equity deferred shares of 1p each	19,579,925	195,799	19,579,925	195,799
Deferred shares of 4p each	181,378,766	7,255,151	181,378,766	7,255,151
	<u>426,840,788</u>	<u>9,709,771</u>	<u>426,840,788</u>	<u>9,709,771</u>

The deferred 1p shares confer no rights to vote at a general meeting of the Company or to a dividend. On a winding-up the holders of the deferred shares are only entitled to the paid-up value of the shares after the repayment of the capital paid on the ordinary shares and £5,000,000 on each ordinary share.

The Deferred shares of 4p each have no rights to vote or to participate in dividends and carry limited rights on return of capital.

No Ordinary shares were allotted during the year.

**Share warrants and options**

The Board has approved in principle a number of Enterprise Management Incentive and unapproved share options for key directors, employees and consultants but no contracts have yet been entered into.

**13 RESERVES**

	<i>Share premium</i>	<i>Merger reserve</i>	<i>Profit and loss</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 July 2006	2,705,939	1,824,000	(11,188,989)
Retained loss for the year	–	–	(1,884,653)
At 30 June 2007	<u>2,705,939</u>	<u>1,824,000</u>	<u>(13,073,642)</u>

**14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS/(LIABILITIES)**

	<b>2007</b>	<b>2006</b>
	<i>£</i>	<i>£</i>
Total recognised gains and losses	(1,884,653)	155,139
Issue of shares	–	324,034
Share premium on shares	–	648,067
Exchange adjustment on sale of subsidiary	–	126,427
	<u>(1,884,653)</u>	<u>1,253,667</u>
At 1 July 2006	3,050,721	1,797,054
At 30 June 2007	<u>1,166,068</u>	<u>3,050,721</u>

# 15 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2007	2006
	£	£
Operating loss	(1,883,241)	(580,608)
Depreciation and amortisation	664,340	664,166
Decrease in debtors	-	(442,887)
Provision against debtors	562,245	-
Increase/(decrease) in creditors	338,962	(876,727)
Disposal of subsidiary	-	183,488
Net cash (outflow) from operating activities	<u>(317,695)</u>	<u>(1,052,568)</u>

# 16 ANALYSIS OF CHANGE IN NET (DEBT)/FUNDS

	1 July 2006	Cash flow	30 June 2007
	£	£	£
Cash at bank	320,056	(319,973)	83
Net funds	<u>320,056</u>	<u>(319,973)</u>	<u>83</u>

# 17 FINANCIAL INSTRUMENTS

In reporting financial instruments, the Company has taken advantage of the exemption available under FRS13 not to provide numerical disclosures in relation to short-term debtors and creditors

The Company's principal financial instruments comprise borrowings and cash. The main purpose of those financial instruments is to provide financing for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no dealing in financial instruments shall be undertaken, except for the purpose of hedging the Company's financial risks.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board considers each of these risks on a regular basis and the Company's policy stance towards each of these risks has remained unchanged during the year.

## Interest rate risk

The Company finances its operations through a mixture of equity capital, cash, bank overdrafts and bank borrowings. The Company has financed its acquisitions primarily through the issue of shares. The Company borrows in the desired currencies mainly at floating rates of interest, to manage the group's exposure to interest rate fluctuations.

## Liquidity risk

The Company's objective is to maintain a balance between a continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. In addition the Company maintains undrawn committed borrowing facilities, after taking into account anticipated expenditure on acquisitions, in order to provide flexibility in the management of the Company's liquidity. Short term flexibility is achieved by the use of bank overdrafts.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 11 00am on 29 February 2008 at 19-20 Grosvenor Street, London W1K 4QH for the purpose of considering and if thought fit, passing the following resolutions, of which Resolutions 1 to 4 will be proposed as Ordinary Resolutions and Resolution Number 5 will be proposed as a Special resolution

### Ordinary business

- 1 To receive the Company's annual accounts for the financial year ended 30 June 2007 together with the directors' report and auditors' report on these accounts
- 2 To re-appoint Whitefield & Co to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the Directors to agree their remuneration
- 3 To re-elect Yoram Ben-Israel as a Director of the Company

### Special business

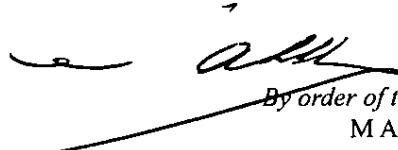
- 4 THAT for the purposes of section 80 of the Companies Act 1985 as amended (the "Act") (and so that the expressions used in this resolution shall bear the same meanings as in the said section 80) the Directors of the Company be and are generally and unconditionally authorised to allot relevant securities (within the meaning of section 80 (2) of the Act) 5 That subject to the passing of the previous resolution the directors be and they are hereby empowered (in substitution for and to the exclusion of any other existing powers save to the extent that the same have been previously exercised) pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) of the company for cash pursuant to the authority conferred on them in accordance with Section 80 of the Act by this meeting of the members of the company to allot relevant securities (as defined in Section 80(2) of the Act) as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited
  - 4 1 up to an aggregate nominal amount of £1,041,179 representing 100 per cent of the authorised but as yet unissued share capital of the Company at the date hereof, provided that the authorities, unless duly revoked, varied or revoked prior to their expiry date, shall expire fifteen months from the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, but such authority shall allow the Company to make an offer or agreement which would or might require relevant securities to be allotted after the authority expires and, in that event, the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and such authorities shall be in substitution for any authorities conferred upon the Directors in accordance with the said section prior to the passing of this resolution, which authorities (to the extent they remain in force and unexercised) are hereby revoked
- 5 THAT subject to the passing of the previous resolution, the Directors of the Company be hereby empowered pursuant to section 95 of the Act (within the meaning of section 94(2) of the Act) wholly for cash to allot or make offers or agreements to allot equity securities pursuant to the authority conferred by the previous resolution as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to
  - 5 1 the allotment of equity securities in connection with any invitation made to the holders of ordinary shares to subscribe by way of rights in the same proportions (as nearly as maybe) to their respective holdings but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in connection with ordinary shares representing fractional

entitlement or on account of either legal or practical problems arising in connection with the laws of any territory or of the requirements of any applicable regulatory body or stock exchange in any territory,

- 5 2 the allotment (otherwise than pursuant to sub-paragraph 5 1 above) of equity securities pursuant to warrants granted by the Company prior to the date hereof,
- 5 3 the allotment (otherwise than pursuant to sub-paragraphs 4 1 and 4 2 above) of equity securities up to an aggregate nominal amount of £1,041,179 representing 100 per cent of the authorised but as yet unissued share capital of the Company at the date hereof

provided that the authorities, unless duly revoked, varied or revoked prior to their expiry date, shall expire fifteen months from the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, but such authority shall allow the Company to make an offer or agreement which would or might require relevant securities to be allotted after the authority expires and, in that event, the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and such authorities shall be in substitution for any authorities conferred upon the Directors in accordance with the said section prior to the passing of this resolution, which authorities (to the extent they remain in force and unexercised) are hereby revoked

*Registered office*  
19/20 Grosvenor Street  
London W1K 4QH



By order of the Board  
M A Alikhani  
21 December 2007

## **Notes to the Notice of Annual General Meeting**

### **Entitlement to attend and vote**

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at

- 6 p m on 21 December 2007, or,
- if this Meeting is adjourned, at 6 p m on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the Meeting

### **Appointment of proxies**

2 If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form

3 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them

4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please contact the Company's registrars, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU



**Appointment of proxy using hard copy proxy form**

5 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote

To appoint a proxy using the proxy form, the form must be

- completed and signed,
- sent or delivered to Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, and
- received by Capita Registrars no later than 11 00am on 27 February 2008

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form

**Appointment of proxy by joint members**

6 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior)

**Changing proxy instructions**

7 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars Registrars, at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence

**Termination of proxy appointments**

8 In order to revoke a proxy instruction you will need to inform the Company using the following method

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent, BR3 4TU

- In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice

In either case, the revocation notice must be received by Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent, BR3 4TU no later than (time of the meeting) on (48hrs before the meeting) 2008

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated

**Issued shares and total voting rights**

9 As at 12 noon on 21 December 2007, the Company's issued share capital comprised 225,882,097 ordinary shares of 1 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 12 noon on 21 December 2007 is 225,882,097

**Documents on display**

10 Copies of the service contracts and letters of appointment of the directors of the Company will be available

- for at least 15 minutes prior to the Meeting, and
- during the Meeting