

BLUECOM GROUP LIMITED
(Formerly Astir Data Communications Limited)
(Registered No. 2897870)

REPORT
and
FINANCIAL STATEMENTS

for the year ended
31 DECEMBER 2003

WILDING, HUDSON & CO.

Chartered Accountants

Saxon House
17 Lewis Road
Sutton
Surrey
SM1 4BR



BLUECOM GROUP LIMITED
(Formerly Astir Data Communications Limited)

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FOR THE YEAR ENDED 31 DECEMBER 2003

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BLUECOM GROUP LIMITED
(Formerly Astir Data Communications Limited)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report, together with the audited financial statements of the company for the year ended 31 December 2003.

CHANGE OF NAME

The company passed a special resolution on 17 October 2003 changing its name from Astir Data Communications Limited to Bluecom Group Limited.

RESULTS AND DIVIDENDS

The loss for the year after taxation was £330,307 (2002: £230,203).

The directors do not recommend the payment of a dividend for the current period.

REVIEW OF THE BUSINESS

The company's principal activity during the year was the development and sale of communication equipment.

The company is well placed to take advantage of any further improvements in business activity.

DIRECTORS AND THEIR INTERESTS

The directors of the company throughout the year, who had no interests in the share capital of the company at the beginning and end of the year, were as follows:

E S Fattal
W S Fattal

The directors' interests at 31 December 2003 in the shares of the company's parent company, Citylink Group Limited, are disclosed in the Directors' Report of that company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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:-

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent; and
- (iii) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

BLUECOM GROUP LIMITED
(Formerly Astir Data Communications Limited)

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2003

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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 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.

AUDITORS

The auditors, Wilding, Hudson & Co., have signified their willingness to continue in office and a resolution to re-appoint them will be proposed at the next general meeting at which accounts are presented.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies. It was approved by the board on *29 October* 2004 and signed on its behalf.



E S FATTAL
Secretary

BLUECOM GROUP LIMITED
(Formerly Astir Data Communications Limited)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

BLUECOM GROUP LIMITED
(Formerly Astir Data Communications Limited)

YEAR ENDED 31 DECEMBER 2003

We have audited the financial statements of Bluecom Group Limited for the year ended 31 December 2003 on pages 5 to 11. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) under the historical cost convention and the accounting policies set out on page 7.

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

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on pages 1 and 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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 transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. 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 director 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.

BLUECOM GROUP LIMITED
(Formerly Astir Data Communications Limited)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

BLUECOM GROUP LIMITED
(Formerly Astir Data Communications Limited)

YEAR ENDED 31 DECEMBER 2003

- CONTINUED -

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.

The financial statements have been prepared on a going concern basis, the validity of which is dependent on continuing financial support from the parent company. 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 the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Wild. Hudson & Co.

WILDING, HUDSON & CO.

Saxon House
17 Lewis Road
Sutton
Surrey
SM1 4BR

29 October 2004

Chartered Accountants
Registered Auditors

BLUECOM GROUP LIMITED
(Formerly Astir Data Communications Limited)

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2003

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		<u>£</u>	<u>£</u>
TURNOVER	1(b),2	44,879	60,311
Cost of sales		(129,536)	(97,522)
		<hr/>	<hr/>
GROSS LOSS		(84,657)	(37,211)
Administrative expenses		(386,915)	(291,831)
		<hr/>	<hr/>
OPERATING LOSS	3	(471,572)	(329,042)
Interest receivable and similar income		183	713
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(471,389)	(328,329)
Tax on loss on ordinary activities	5	141,082	98,126
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(330,307)	(230,203)
Loss brought forward		(1,137,791)	(907,588)
		<hr/>	<hr/>
LOSS CARRIED FORWARD		<u>£(1,468,098)</u>	<u>£(1,137,791)</u>

There were no recognised gains or losses for 2003 or 2002 other than those included in the profit and loss account.

The notes on pages 7 to 11 form part of these financial statements.

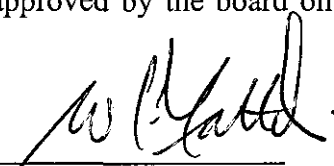
BLUECOM GROUP LIMITED
(Formerly Astir Data Communications Limited)

BALANCE SHEET

AS AT 31 DECEMBER 2003

		<u>2003</u>	<u>2002</u>
	<u>Notes</u>	<u>£</u>	<u>£</u>
FIXED ASSETS			
Tangible assets	6	-	634
CURRENT ASSETS			
Stocks	7	32,308	111,126
Debtors	8	27,798	96,978
Cash at bank		8,546	16,683
		<hr/>	<hr/>
		68,652	224,787
CREDITORS - amounts falling due within one year	9	(930,170)	(756,632)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(861,518)	(531,845)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£(861,518)</u>	<u>£(531,211)</u>
		<hr/>	<hr/>
CREDITORS – amounts falling due after more than one year	10	600,000	600,000
CAPITAL AND RESERVES			
Called up share capital	11	6,580	6,580
Profit and loss account		(1,468,098)	(1,137,791)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS			
– all equity	12	(1,461,518)	(1,131,211)
		<hr/>	<hr/>
		<u>£(861,518)</u>	<u>£(531,211)</u>

The financial statements, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, were approved by the board on 28 October 2004 and signed on its behalf by:



WS FATTAL
Director

The notes on pages 7 to 11 form part of these financial statements.

BLUECOM GROUP LIMITED
(Formerly Astir Data Communications Limited)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

1. ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002). They include the results of the company's principal activity which is described in the directors' report and which is continuing.

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 and has not prepared a cash flow statement on the grounds that it is a small company.

(b) Turnover

Turnover comprises the invoiced value of goods supplied by the company, net of Value Added Tax.

(c) Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Computer equipment	33.33% on cost
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(d) Stock and work-in progress

Stock and work-in-progress which consists of communication components and related components is valued at the lower of cost and net realisable value.

(e) Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

(f) Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. TURNOVER

The whole of the turnover is attributable to the principal activity of the company and arose in the United Kingdom.

BLUECOM GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

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3. OPERATING LOSS

This is stated after charging:-

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
Depreciation – owned assets	634	1,754
Auditors' remuneration	5,000	4,109
Provision for obsolete stock	98,360	70,000
	<u> </u>	<u> </u>

4. STAFF COSTS

Staff costs were as follows:-

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
Wages and salaries	161,571	152,709
Social security costs	17,937	15,804
Other pension costs	3,900	3,900
	<u> </u>	<u> </u>
	<u>£183,408</u>	<u>£172,413</u>

The average monthly number of employees, including directors, during the year was as follows:-

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
Office and administration	2	2
Production	2	1
Sales	2	3
	<u> </u>	<u> </u>
	<u>6</u>	<u>6</u>

5. TAXATION

The tax credit on the loss on ordinary activities for the year was as follows:

	<u>2003</u>	<u>2002</u>
Credit in respect of losses surrendered to fellow subsidiary, Datalect Group Limited	<u>£141,082</u>	<u>£98,126</u>

BLUECOM GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

- CONTINUED -

6. TANGIBLE FIXED ASSETS

	<u>Computer equipment</u> £
COST	
At 1 January 2003	11,067
Additions	-
	<hr/>
At 31 December 2003	11,067
	<hr/>
DEPRECIATION	
At 1 January 2003	10,433
Charge for the year	634
	<hr/>
At 31 December 2003	11,067
	<hr/>
NET BOOK VALUE	
At 31 December 2003	£ -
	<hr/> <hr/>
At 31 December 2002	634
	<hr/> <hr/>

7. STOCKS AND WORK IN PROGRESS

	<u>2003</u>	<u>2002</u>
	£	£
Raw materials and consumables	10,666	27,932
Finished goods	13,591	76,595
Work in progress	8,051	6,599
	<hr/>	<hr/>
	£32,308	£111,126
	<hr/> <hr/>	<hr/> <hr/>

8. DEBTORS – amounts falling due within one year

	<u>2003</u>	<u>2002</u>
	£	£
Trade debtors	22,231	94,074
VAT recoverable	4,842	2,904
Prepayments	725	-
	<hr/>	<hr/>
	27,798	£96,978
	<hr/> <hr/>	<hr/> <hr/>

BLUECOM GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

- CONTINUED -

9. CREDITORS – amounts falling due within one year

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
Bank overdraft	1,701	-
Trade creditors	27,285	23,096
Amount due to parent company	862,981	692,731
Accruals and deferred income	18,598	21,200
Other creditors	19,605	19,605
	<u>£930,170</u>	<u>£756,632</u>

10. CREDITORS – amounts falling due after one year

	<u>2003</u>	<u>2002</u>
Amount due to parent company	<u>£600,000</u>	<u>£600,000</u>

In view of the long term nature of this loan, the directors are of the opinion that the inclusion of the loan with capital and reserves better represents the nature of the funding.

11. SHARE CAPITAL

	<u>2003</u>	<u>2002</u>
Authorised:		
10,000 Ordinary shares of £1 each	<u>£10,000</u>	<u>£10,000</u>
Allotted, issued and fully paid:		
6,580 Ordinary shares of £1 each	<u>£6,580</u>	<u>£6,580</u>

12. MOVEMENT ON SHAREHOLDERS' FUNDS

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
Loss for the year	(330,307)	(230,203)
Opening shareholders' funds	(1,131,211)	(901,008)
	<u>£(1,461,518)</u>	<u>£(1,131,211)</u>
Closing shareholders' funds	<u>£(1,461,518)</u>	<u>£(1,131,211)</u>

BLUECOM GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

- CONTINUED -

13. PARENT COMPANY AND ULTIMATE CONTROLLER

The company's parent company is Citylink Group Limited. Citylink Group Limited is controlled by Walbrook Trustees (Jersey) Limited and Tiara Trustees (Jersey) Limited as trustees for the E S Fattal Settlement and W S Fattal Settlement.

14. RELATED PARTY TRANSACTIONS

The company has been funded by Citylink Group Limited. No interest has been charged in the accounts. During the year sales of £74 were made to Citylink Group Limited on normal commercial terms.

During the year sales of £32,873 were made to Datalect Group Limited, a fellow subsidiary, on normal commercial terms.

15. CONTINGENT LIABILITY

The company is in dispute with a supplier regarding marketing costs in the amount of £4,250. The company is of the opinion that this amount will not become payable.