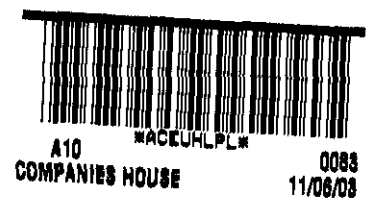

ACTIMAX PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2002



ACTIMAX PLC

COMPANY INFORMATION

DIRECTORS

R J Massey
Mrs S Massey
B W Fairman
S F Burman (appointed 24/3/03)
P D English (appointed 28/5/03)
M J Good (appointed 28/5/03)

SECRETARY

S F Burman

COMPANY NUMBER

3443420

REGISTERED OFFICE

No. 1 Yardley Business Park
Basildon
Essex
SS14 3GL

AUDITORS

Robertson Milroy Limited
Chartered Accountants & Registered Auditors
Coopers House
65a Wingletye Lane
Hornchurch
Essex
RM11 3AT

ACTIMAX PLC

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DIRECTORS' REPORT
For the year ended 31 December 2002

The directors present their report and the financial statements for the year ended 31 December 2002.

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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company's principal activity during the year was selling, installing and maintaining communications systems.

The company is now trading profitably and has become expert in the various voice over IP technologies. Our website www.actimax.co.uk explains our complete range of services and we now have further funds invested, which will be used to acquire other related businesses.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £35,191 (2001 - Loss £21,253) .

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	Ordinary shares of £1 each		'A' Ordinary shares of £1 each	
	<u>31/12/02</u>	<u>1/1/02</u>	<u>31/12/02</u>	<u>1/1/02</u>
R J Massey	299,999	299,999	-	-
Mrs S Massey	1	1	-	-
B W Fairman	-	-	-	-
S F Burman (appointed 24/3/03)	-	-	-	-
P D English (appointed 28/5/03)	-	-	-	-
M J Good (appointed 28/5/03)	-	-	-	-

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made charitable contributions totalling £550.

DIRECTORS' REPORT
For the year ended 31 December 2002

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

The company's policy is to settle terms of payment with suppliers when agreeing terms of each transaction. Trade creditors of the company at 31 December 2002 were equivalent to 89 days purchases, based on average daily amounts invoiced by suppliers.

AUDITORS

The auditors, Robertson Milroy Limited, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on

✓

6/6/03

and signed on its behalf.



R J Massey
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ACTIMAX PLC

We have audited the financial statements of Actimax PLC for the year ended 31 December 2002 set out on pages 5 to 16. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND 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 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with 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 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.

GOING CONCERN

In forming our opinion, we have considered the disclosures made in Note 1 concerning the continuing support of the company's bankers and the renewal of the banking facility. The financial statements have been prepared on a going concern basis assuming this support will continue and we consider this matter should be brought to your attention. Our opinion is not qualified in this respect.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ACTIMAX PLC

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Robertson Milroy Limited

Robertson Milroy Limited

Chartered Accountants
Registered Auditors

Coopers House
65a Wingletye Lane
Hornchurch
Essex
RM11 3AT

9th June 2003

ACTIMAX PLC

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2002

	Note	2002 £	2001 £
TURNOVER	1, 2	2,352,230	2,543,974
Cost of sales		<u>(1,232,620)</u>	<u>(1,360,159)</u>
GROSS PROFIT		1,119,610	1,183,815
Administrative expenses		(1,280,989)	(1,320,967)
Other operating income	3	<u>226,441</u>	<u>143,869</u>
OPERATING PROFIT	4	65,062	6,717
Interest receivable		222	-
Interest payable	7	<u>(30,093)</u>	<u>(27,970)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		35,191	(21,253)
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES		<u>-</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		35,191	(21,253)
LOSS BROUGHT FORWARD		<u>(1,304,132)</u>	<u>(1,282,879)</u>
LOSS CARRIED FORWARD		<u>£ (1,268,941)</u>	<u>£ (1,304,132)</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2002 or 2001 other than those included in the profit and loss account.

The notes on pages 8 to 16 form part of these financial statements.

ACTIMAX PLC

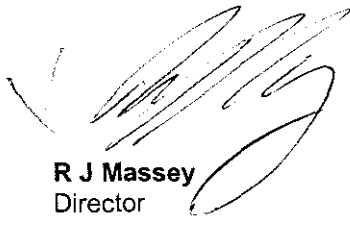
BALANCE SHEET
As at 31 December 2002

		2002	2001
	Note	£	£
FIXED ASSETS			
Tangible fixed assets	8	192,825	240,698
CURRENT ASSETS			
Stocks	9	80,985	73,166
Debtors	10	646,479	495,619
Cash at bank and in hand		808,712	405
		<u>1,536,176</u>	<u>569,190</u>
CREDITORS: amounts falling due within one year	11	<u>(1,171,920)</u>	<u>(1,041,662)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>364,256</u>	<u>(472,472)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>557,081</u>	<u>(231,774)</u>
CREDITORS: amounts falling due after more than one year	12	<u>(1,046,022)</u>	<u>(292,358)</u>
NET LIABILITIES		<u><u>£ (488,941)</u></u>	<u><u>£ (524,132)</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	542,308	542,308
Share premium account	14	237,692	237,692
Profit and loss account		<u>(1,268,941)</u>	<u>(1,304,132)</u>
SHAREHOLDERS' FUNDS - All Equity	15	<u><u>£ (488,941)</u></u>	<u><u>£ (524,132)</u></u>

The financial statements were approved by the board on

✓ 6/6/03

and signed on its behalf.


R J Massey
Director

The notes on pages 8 to 16 form part of these financial statements.

ACTIMAX PLC

CASH FLOW STATEMENT
For the year ended 31 December 2002

	Note	2002 £	2001 £
Net cash flow from operating activities	16	(17,346)	184,092
Returns on investments and servicing of finance	17	(29,871)	(27,970)
Capital expenditure and financial investment	17	(42,520)	(141,076)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(89,737)	15,046
Financing	17	944,846	22,792
INCREASE IN CASH IN THE YEAR		£ 855,109	£ 37,838

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 18)
For the year ended 31 December 2002

	2002 £	2001 £
Increase in cash in the year	855,109	37,838
Cash inflow from decrease in debt and lease financing	(944,846)	(22,792)
MOVEMENT IN NET DEBT IN THE YEAR	(89,737)	15,046
Net debt at 1 January 2002	(291,390)	(306,436)
NET DEBT AT 31 DECEMBER 2002	£ (381,127)	£ (291,390)

The notes on pages 8 to 16 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

Due to the continued support of the company's bank, the directors believe that it is appropriate to prepare the financial statements on a going basis which assumes that the company will continue in operational existence for the foreseeable future. The company's banking facility is due for review in February 2004 and the directors have no reason to believe this facility will not be renewed.

If the company were unable to continue in operational existence, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts and to provide for further liabilities that might arise, and to reclassify fixed assets and long term liabilities as current assets and current liabilities.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	33.33%	straight line
Motor vehicles	-	25%	reducing balance
Fixtures and fittings	-	15%	reducing balance
Office equipment	-	20%-33.33%	straight line
Computer software	-	50%	straight line

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

1.7 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

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

2. TURNOVER

The whole of the turnover is attributable to the principal activity of the company being selling, installing and maintaining communications systems.

All turnover arose within the United Kingdom.

3. OTHER OPERATING INCOME

	2002 £	2001 £
Commissions received	<u>226,441</u>	<u>143,869</u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	2002 £	2001 £
Depreciation of tangible fixed assets:		
- owned by the company	70,843	57,382
- held under finance leases	19,840	38,167
Auditors' remuneration	6,000	6,000
Auditors' remuneration - non-audit	805	7,945
Operating lease rentals:		
- plant and machinery	6,357	15,902
- other operating leases	<u>62,578</u>	<u>51,172</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2002 £	2001 £
Wages and salaries	733,027	744,061
Social security costs	64,966	72,352
	<u>£ 797,993</u>	<u>£ 816,413</u>

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

	2002	2001
Sales	16	15
Administration	17	17
	<u>33</u>	<u>32</u>

6. DIRECTORS' REMUNERATION

	2002 £	2001 £
Emoluments	<u>£ 121,132</u>	<u>£ 126,233</u>

7. INTEREST PAYABLE

	2002 £	2001 £
On bank loans and overdrafts	7,153	4,886
On other loans	11,951	12,000
On finance leases and hire purchase contracts	9,897	11,084
Other interest payable	1,092	-
	<u>£ 30,093</u>	<u>£ 27,970</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

8. TANGIBLE FIXED ASSETS

	Leasehold improve- ments	Motor vehicles	Fixtures, fittings and office equipment	Computer software	Total
	£	£	£	£	£
Cost					
At 1 January 2002	61,469	187,065	167,526	37,911	453,971
Additions	-	7,613	37,202	15,605	60,420
Disposals	-	(30,995)	-	-	(30,995)
At 31 December 2002	<u>61,469</u>	<u>163,683</u>	<u>204,728</u>	<u>53,516</u>	<u>483,396</u>
Depreciation					
At 1 January 2002	42,435	44,459	97,798	28,581	213,273
Charge for the year	7,255	33,692	40,231	9,505	90,683
On disposals	-	(13,385)	-	-	(13,385)
At 31 December 2002	<u>49,690</u>	<u>64,766</u>	<u>138,029</u>	<u>38,086</u>	<u>290,571</u>
Net book value					
At 31 December 2002	<u>£ 11,779</u>	<u>£ 98,917</u>	<u>£ 66,699</u>	<u>£ 15,430</u>	<u>£ 192,825</u>
At 31 December 2001	<u>£ 19,034</u>	<u>£ 142,606</u>	<u>£ 69,728</u>	<u>£ 9,330</u>	<u>£ 240,698</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2002 £	2001 £
Motor vehicles	<u>£ 98,917</u>	<u>£ 130,289</u>

9. STOCKS

	2002 £	2001 £
Finished goods and goods for resale	<u>£ 80,985</u>	<u>£ 73,166</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

10. DEBTORS

	2002 £	2001 £
Due within one year		
Trade debtors	302,604	282,858
Other debtors	2,097	4,586
Prepayments and accrued income	341,778	208,175
	<u>£ 646,479</u>	<u>£ 495,619</u>

11. CREDITORS:
Amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts	-	46,802
Payments received on account	73,352	132,802
Net obligations under finance leases and hire purchase contracts	43,817	52,634
Trade creditors	517,083	505,681
Social security and other taxes	73,784	100,245
Directors' account	97,137	-
Other loans	100,000	-
Accruals and deferred income	266,747	203,498
	<u>£ 1,171,920</u>	<u>£ 1,041,662</u>

The company's bank facility is secured by way of a debenture over the non-factored UK book debts of the company together with personal guarantees given by the directors R J Massey and Mrs S Massey.

Included in trade creditors is an amount of £24,156 (2001 - £37,130) due to an invoice discounting company which is secured on the trade debtors of the company.

Other loans comprise 10% unsecured loan stock of £100,000. Unless previously redeemed this will be redeemed at par on 13 November 2003.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

12. CREDITORS:**Amounts falling due after more than one year**

	2002 £	2001 £
Other loans	1,020,000	120,000
Net obligations under finance leases and hire purchase contracts	26,022	72,358
Directors' account	-	100,000
	<u>£ 1,046,022</u>	<u>£ 292,358</u>

Included within the above are amounts falling due as follows:

	2002 £	2001 £
Between two and five years		
Other loans	1,020,000	120,000
	<u>1,020,000</u>	<u>120,000</u>

Other loans comprise 10% fixed rate unsecured loan stock of £20,000 and secured convertible loan stock of £1,000,000.

The secured convertible loan stock is subject to an initial interest rate of 2% per annum, which is subject to review on 30 June 2003, and is secured by way of a debenture over the assets of the company. The stockholder may elect to convert the stock into 'A' Ordinary shares if the company acquires the trade and assets of another business.

Unless previously redeemed the unsecured loan stock will be redeemed at par on 16 March 2005 and the secured convertible loan stock will be redeemed at par on 19 December 2007.

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2002 £	2001 £
Between two and five years	<u>£ 26,022</u>	<u>£ 72,358</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

13. SHARE CAPITAL

	2002 £	2001 £
Authorised		
334,615 Ordinary shares of £1 each	334,615	334,615
242,308 'A' Ordinary shares of £1 each	242,308	242,308
	<u>£ 576,923</u>	<u>£ 576,923</u>
Allotted, called up and fully paid		
300,000 Ordinary shares of £1 each	300,000	300,000
242,308 'A' Ordinary shares of £1 each	242,308	242,308
	<u>£ 542,308</u>	<u>£ 542,308</u>

Options have been granted to the 'A' ordinary share holders, to subscribe for 5% of the share capital in issue immediately following the issue of the shares pursuant to the option, for the sum of £142,857. The exercise period of the option ends on 13 November 2003.

Options have also been granted to the 'A' ordinary share holders, to subscribe for 1% of the share capital in issue immediately following the issue of the shares pursuant to the option, for the sum of £2,858. The exercise period of the option ends on 16 March 2005.

14. RESERVES

Share premium account	£
At 1 January 2002	237,692
	<u>£ 237,692</u>
At 31 December 2002	

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit/(loss) for the year	35,191	(21,253)
	<u>35,191</u>	<u>(21,253)</u>
Opening shareholders' funds	(524,132)	(502,879)
Closing shareholders' funds	<u>£ (488,941)</u>	<u>£ (524,132)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

16. NET CASH FLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	65,062	6,717
Depreciation of tangible fixed assets	90,683	95,549
(Profit)/loss on disposal of tangible fixed assets	(290)	19,661
Increase in stocks	(7,819)	(8,553)
Increase in debtors	(150,860)	(88,104)
(Decrease)/increase in creditors	(14,122)	158,822
NET CASH (OUTFLOW)/INFLOW FROM OPERATIONS	£ (17,346)	£ 184,092

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2002 £	2001 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	222	-
Interest paid	(20,196)	(16,886)
Hire purchase interest	(9,897)	(11,084)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	£ (29,871)	£ (27,970)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(60,420)	(147,076)
Sale of tangible fixed assets	17,900	6,000
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	£ (42,520)	£ (141,076)
FINANCING		
New secured loans	1,000,000	-
Principal payment under finance lease and hire purchase contracts	(55,154)	22,792
NET CASH INFLOW FROM FINANCING	£ 944,846	£ 22,792

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

18. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2002 £	Cash flow £	Other non-cash changes £	31 December 2002 £
Cash at bank and in hand:	405	808,307	-	808,712
Bank overdraft	(46,802)	46,802	-	-
	<u>(46,397)</u>	<u>855,109</u>	<u>-</u>	<u>808,712</u>
DEBT :				
Finance leases and hire purchase	(124,993)	55,154	-	(69,839)
Debts due within one year	-	-	(100,000)	(100,000)
Debts falling due after more than one year	(120,000)	(1,000,000)	100,000	(1,020,000)
	<u>£ (291,390)</u>	<u>£ (89,737)</u>	<u>£ -</u>	<u>£ (381,127)</u>

19. OPERATING LEASE COMMITMENTS

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2002	2001	2002	2001
	£	£	£	£
Expiry date:				
Within 1 year	-	-	-	5,954
After more than 5 years	<u>62,500</u>	<u>62,500</u>	<u>-</u>	<u>-</u>

20. CONTROLLING PARTY

The company is controlled by the director, R J Massey.