EXPONENTIAL-E Limited

Registered number: 4499567

Accounts for the period to 31st January 2005

INDEX

Directors' Report	Page 2
Abbreviated accounts: Balance Sheet	Page 5
Notes to the Balance Sheet	Page 6



EXPONENTIAL-E Limited

DIRECTORS' REPORT

The Directors present their report for the year ended 31st January 2005

Principal Activity, Review of the business and future developments

Exponential-e is a communications solutions company specialising in the design, installation and support of ethernet networks. It provides leading edge, Carrier Class Ethernet services to a wide range of blue chip national and international corporate clients. The success experienced in metropolitan London combined with last year's launch of transatlantic services to the US will be extended in the next financial year by deploying next generation equipment around the UK to both expand Exponential-e's addressable market and facilitate the continued evolution of new high margin products. Wholesale "Carrier's Carrier" business will also be expanded together with the development of additional indirect sales channels. The directors intend to follow a policy of maximum re-investment of profits back into the business to fuel rapid expansion.
The directors are pleased to report a 125% increase in turnover from the previous period, and the move into profitability that was achieved.
The interest currently being shown in ethernet as a protocol leads the directors to believe that this rate of growth should continue through the current year.

Financial Results and dividends

The groups results and transfer to reserves are as follows:

	12 months to Jan 2005 pounds	18 Months to Jan 2004 pounds
Turnover, being amounts receivable (net of sales tax) for the sale of networking services	**2,875,533**	1,280,347
Profit/(loss) for the financial year	**11,226**	(467,794)
Profit and loss account at the beginning of the period	**(467,794)**	-
Profit and loss account at the balance sheet date	**(456,568)**	(467,794)

The directors have not declared a dividend.

Directors and their interests

The directors who served during the year and their beneficial interest in shares of the company at 31st January 2005 was as follows:

		5 pence ordinary shares	
		Jan 2005	Jan 2004
L F Wade		**312,550**	312,550
M R Field		**29,019**	29,019
A Hobbins		**207,774**	207,774
N Milne		**54,250**	50,500
M M Bavisi		**53,469**	53,469
M Sidhu		**122,869**	122,869
H G Jones	(appointed 2nd July 2004)	-	-

Directors' Report (continued)

Between the balance sheet date and the approval of these statements, the directors interests have changed as follows:

Beneficial interest in 5 pence ordinary shares:

H G Jones	5,000

Option to subscribe in 5 pence 'B' shares as follows:

H G Jones	5,000

Substantial shareholdings

The following shareholders held more than 3% of the share capital of the company:

	Jan 2005 5 pence ordinary shares	Jan 2004 5 pence ordinary shares
N G Atkinson	**57,482**	57,482
N Wade	**139,500**	139,500

Options over 5 pence ordinary 'B' shares

Since the balance sheet date, options to purchase 25,000 five pence 'B' ordinary shares have been granted.

Disabled employees

It is the company's policy to fully consider applications for employment by disabled persons, bearing in mind the aptitude of the applicant concerned.

Employee Consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the company.
This is achieved through formal and informal meetings, and communication including email and the company's intranet.
The employee share option scheme has been introduced to give employees a stake in the business.

Auditors

For the period ended 31st January 2005 the company was entitled to exemption from audit under section 249A(1) of the Companies Act 1985.

Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

Directors' Report (continued)

Directors Responsibilities

The directors acknowledge their responsibility for:

- ensuring the company keeps accounting records which comply with section 221; and

- preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies.

Annual General Meeting

Shareholders will be advised of the date of the Annual general Meeting in due course.

This report was approved by the board on 31 May 2005.

M R Field
Company Secretary

EXPONENTIAL-E Limited

Accounts to 31st January 2005

BALANCE SHEET

	Jan 2005 pounds	Jan 2004 pounds
Fixed assets		
Intangible assets	**6,000**	11,500
Network equipment	**527,959**	522,407
net book value	**533,959**	533,907
Current assets		
Debtors	**657,226**	393,694
Cash and bank balances	**177,624**	187,935
Current liabilities		
Amounts due within one year (NOTE 2)	**(691,192)**	(395,837)
Net current assets/(liabilities)	**143,658**	185,792
Deferred liability	**(131,029)**	(132,961)
Total assets less current liabilities	**546,588**	586,738
Share capital and reserves (NOTE 3)		
Called up share capital	**51,183**	51,183
Share premium	**643,725**	643,725
Revaluation reserve	**308,248**	359,624
Profit and loss account	**(456,568)**	(467,794)
	546,588	586,738

For the period ended 31st January 2005 the company was entitled to exemption from audit under section 249A(1) of the Companies Act 1985.

Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

The directors acknowledge their responsibility for:

i. ensuring the company keeps accounting records which comply with section 221; and

ii. preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies.

These accounts were approved by the board on 31 May 2005.

Signed:

L F Wade (Director)

M R Field (Director)

Accounts to 31st January 2005 continued

NOTES TO THE BALANCE SHEET:

1 Accounting policies:

- The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention except that they have been modified to include the revaluation of certain fixed assets.
- Depreciation on network equipment is charged at rates of between 12½% and 25%.

2 Amounts due within one year:

	Jan 2005 pounds	Jan 2004 pounds
Trade creditors	**548,469**	241,979
Taxes	**10,923**	36,258
Other	**131,800**	117,600
	691,192	395,837

3 Share Capital:

	Jan 2005	Jan 2004
Authorised		
2,000,000 shares of 5 pence each	**100,000**	75,000
Issued		
1,023,663 shares of 5 pence each	**51,183**	51,183