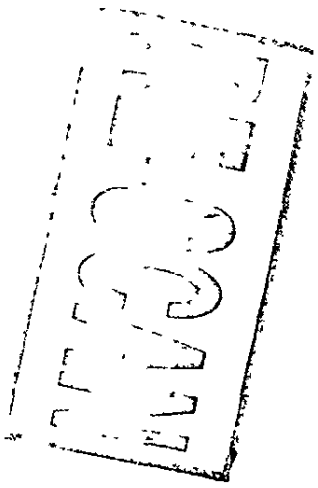
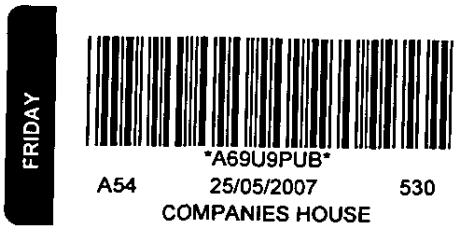
Exponential–E Limited
Financial statements
For the year ended 31 January 2007





Company No. 4499567

5-06-07 540

Company information

Company registration number	4499567
Registered office	Frazer House 32–38 Leman Street London E1 8EW
Directors	L F Wade M R Field A Hobbins N H Milne M Bavisi M Sidhu
Secretary	M R Field
Bankers	Bank of Scotland 6th Floor 155 Bishopgate London EC2M 3YB
Solicitors	Beachcroft Wansbroughs 100 Fetter Lane London EC4A 1BN
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants 4 Hardman Square Spinningfields Manchester M3 3EB

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Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 January 2007

Principal activity

Exponential–E Limited is a communication solutions company specialising in the design, installation and support of Ethernet networks It provides leading edge, Ethernet services to a wide range of blue chip national and international corporate clients

Results and dividends

The profit for the year after taxation amounted to £548,138 (2006 £267,985) The directors do not recommend the payment of a dividend (2006 £Nil) and the profit has been transferred to reserves

Directors

The present membership of the Board is set out below All directors served throughout the year unless otherwise indicated

L F Wade
M R Field
A Hobbins
N H Milne
M Bavisi
M Sidhu
H G Jones (resigned 30 April 2007)
S Kingsley (resigned 30 April 2007)

Share options

The company has granted share options to a number of directors and employees under two share option schemes, an Enterprise Management Incentive Scheme and an un–approved option scheme

The number of share options held by the directors are listed below There were no options exercised during the year ended 31 January 2007

	Number of options	
	2007	2006
L F Wade	**3,138**	3,138
M R Field	**2,408**	2,408
A Hobbins	**853**	853
N H Milne	**3,413**	3,413
M Bavisi	**1,706**	1,706
H G Jones	**5,853**	5,853
S Kingsley	**7,200**	2,000

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985

Small company exemption

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

BY ORDER OF THE BOARD

M R Field
Secretary
21 May 2007

Grant Thornton

Report of the independent auditors to the members of Exponential-E Limited

We have audited the financial statements of Exponential-E Limited for the year ended 31 January 2007 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 17 These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) and under the accounting policies set out therein

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 directors' report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

Grant Thornton

Report of the independent auditors to the members of Exponential-E Limited

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 January 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

21 May 2007

Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention The financial statements have been prepared in accordance with the Financial Reporting Standards for Smaller Entities (effective January 2005)

The principal accounting policies of the company have remained unchanged from the previous year and are set out below The directors have reviewed the accounting policies in accordance with FRS 18 and consider them to be the most appropriate to the company's circumstances

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT Turnover from network installations is recognised on completion of the installation and in the same period as the related costs Turnover from network rental and maintenance/support is recognised evenly over the period in which the service is provided to the customer

Goodwill

Purchased goodwill, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset over its expected life The rates generally applicable are as follows

Plant and equipment	12½ – 33% on cost
Office equipment	25% on cost

Stocks

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their expected useful lives The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

Cash flow statement

The company has taken advantage of the exemption provided by FRS 1 and has not prepared a cash flow statement on the grounds that it is a small–sized company within the meaning of the Companies Act 1985

Profit and loss account

	Note	2007 £	2006 £
Turnover – continuing operations	1	**6,828,261**	4,188,526
Cost of sales		**(3,239,091)**	(2,034,439)
Gross profit		**3,589,170**	2,154,087
Administrative expenses		**(2,922,596)**	(1,795,863)
Operating profit – continuing operations		**666,574**	358,224
Interest payable and similar charges	3	**(112,436)**	(80,239)
Profit on ordinary activities before taxation	1	**554,138**	277,985
Tax on profit on ordinary activities	4	**(6,000)**	(10,000)
Profit for the financial year	13	**548,138**	267,985

There were no recognised gains and losses other than the profit for the financial year

The accompanying notes form part of these financial statements

Balance sheet

	Note	2007 £	2006 £
Fixed assets			
Intangible assets	5	–	3,000
Tangible assets	6	**2,578,900**	1,724,550
		2,578,900	1,727,550
Current assets			
Stock	7	**20,278**	–
Debtors	8	**1,599,549**	876,917
Cash at bank and in hand		**530,973**	589,952
		2,150,800	1,466,869
Creditors: amounts falling due within one year	9	**(2,153,019)**	(1,447,492)
Net current (liabilities)/assets		**(2,219)**	19,377
Total assets less current liabilities		**2,576,681**	1,746,927
Creditors : amounts falling due after more than one year	10	**(202,085)**	(273,462)
Provisions for liabilities	11	**(6,000)**	–
Deferred income		**(1,456,891)**	(1,109,898)
Net assets		**911,705**	363,567
Capital and reserves			
Called up share capital	12	**51,433**	51,433
Share premium account	13	**655,975**	655,975
Profit and loss account	13	**204,297**	(343,841)
Shareholders' funds	14	**911,705**	363,567

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

The financial statements were approved by the Board of Directors on 21 May 2007.

L F Wade Director

The accompanying notes form part of these financial statements

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation are attributable to the principal activity of the company, and arise wholly within the United Kingdom

The profit on ordinary activities before taxation is stated after charging

	2007 £	2006 £
Depreciation		
– owned assets	**243,802**	129,747
– assets held under finance leases	**142,691**	82,977
Operating lease payments – other	**7,784**	7,124
Loss on sale of fixed assets	**8,331**	–
Auditors' remuneration		
– audit services	**12,500**	12,500
– non-audit services	**2,500**	2,500

2 Directors

Remuneration in respect of the directors was as follows

	2007 £	2006 £
Emoluments and benefits in kind	**509,804**	452,485

Remuneration in respect of the highest paid director was as follows

	2007 £	2006 £
Emoluments and benefits in kind	**134,214**	98,062

3 Interest payable and similar charges

	2007 £	2006 £
On bank loans and overdrafts	**8,561**	7,425
Finance lease interest	**103,875**	72,814
	112,436	80,239

4 Tax on profit on ordinary activities

The tax charge represents

	2007 £	2006 £
Adjustment in respect of prior years	**–**	10,000
	–	10,000
Deferred tax (note 11)	**6,000**	–
	6,000	10,000

5 Intangible fixed assets

	Goodwill £
Cost	
At 1 February 2006 and 31 January 2007	**12,000**
Amortisation	
At 1 February 2006	9,000
Provided during the year	3,000
At 31 January 2007	**12,000**
Net book amount	
At 31 January 2007	–
At 31 January 2006	3,000

6 Tangible fixed assets

	Plant and equipment £	Office equipment £	Total £
Cost			
At 1 February 2006	2,027,995	75,008	2,103,003
Additions	1,207,207	41,967	1,249,174
Disposals	(9,392)	–	(9,392)
At 31 January 2007	**3,225,810**	**116,975**	**3,342,785**
Depreciation			
At 1 February 2006	351,079	27,374	378,453
Provided during the year	363,656	22,837	386,493
Disposals	(1,061)	–	(1,061)
At 31 January 2007	**713,674**	**50,211**	**763,885**
Net book amount			
At 31 January 2007	**2,512,136**	**66,764**	**2,578,900**
At 31 January 2006	1,676,916	47,634	1,724,550

Included within plant and equipment are assets held under finance leases and similar vendor finance agreements with a net book amount of £1,042,451 (2006 £1,502,849) The depreciation charge on these assets during the year was £142,691 (2006 £82,977)

7 Stock

	2007 £	2006 £
Goods held for resale	**20,278**	–

8 Debtors

	2007 £	2006 £
Trade debtors	**1,137,942**	629,437
Prepayments and accrued income	**439,416**	228,700
Other debtors	**22,191**	18,780
	1,599,549	876,917

9 Creditors amounts falling due within one year

	2007 £	2006 £
Bank loans	**73,659**	125,000
Trade creditors	**1,385,815**	852,158
Social security and other taxes	**177,948**	28,271
Other creditors	**3,591**	501
Accruals and deferred income	**84,546**	116,947
Amounts due under finance leases	**427,460**	324,615
	2,153,019	1,447,492

Bank loans and amounts due under finance leases totalling £501,119 (2006 £449,615) are secured

10 Creditors amounts falling due after more than one year

	2007 £	2006 £
Bank loans	–	72,500
Amounts due under finance leases	**202,085**	200,962
	202,085	273,462

Bank loans and amounts due under finance leases totalling £202,085 (2006 £273,462) are secured.

11 Provisions for liabilities

	Deferred taxation £
At 1 February 2006	–
Provided in the year	6,000
At 31 January 2007	**6,000**

The deferred tax liability is made up as follows	2007 £	2006 £
Accelerated capital allowances	**6,000**	–

12 Share capital

	2007 £	2006 £
Authorised		
2,000,000 Ordinary shares of 5p each	**100,000**	100,000
Allotted, called up and fully paid		
1,028,663 Ordinary shares of 5p each	**51,433**	51,433

At 31 January 2007, options over 65,251 shares were outstanding under the Enterprise Management Incentive Scheme and an un-approved option scheme

13 Share premium account and reserves

	Share premium £	Profit and loss account £
At 1 February 2006	655,975	(343,841)
Profit for the financial year	–	548,138
At 31 January 2007	**655,975**	**204,297**

14 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	**548,138**	267,985
Issue of share capital	**–**	12,500
Increase in shareholders' funds	**548,138**	280,485
Opening shareholders' funds	**363,567**	83,082
Closing shareholders' funds	**911,705**	363,567

15 Leasing commitments

Operating lease payments amounting to £7,404 (2006 £7,124) are due within one year The leases to which these amounts relate expire as follows·

	2007 £	2006 £
Within one year	**5,256**	–
Between one and five years	**2,148**	7,124
	7,404	7,124

16 Capital commitments

There were no capital commitments at 31 January 2007 (2006 £Nil)

17 Related party transactions

The directors have taken advantage of the exemption within FRS 8 not to disclose related party transactions on the basis that the company is applying the Financial Reporting Standard for Smaller Entities