Interphone Limited

Report and Financial Statements

31 March 2006

Registered No: 0692333

Directors
I Aziz
P C Cammidge
M H Jankowski
J J Synett

Secretary
J M Carr

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers
Bank of Scotland
PO Box 267
38 Threadneedle Street
London
EC2P 2EM

Registered office
12-22 Herga Road
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Directors' report

The directors present their report and financial statements for the year ended 31 March 2006.

Results and dividends

The profit for the year after taxation amounted to £191,626 (2005 – restated profit of £589,165). An interim dividend of £450,000 was paid during the year. The directors did not recommend a final dividend.

Principal activity, review of the business and future developments

The company's principal activity during the year continued to be the supply, installation and maintenance of internal communication, CCTV surveillance security, door entry equipment and related systems on long term rental and outright sale principally to the building industry, property management companies and local authorities.

The directors are satisfied with the company's results for the year and its prospects. The company will continue to pursue its principal activity.

Financial instruments, liquidity and credit risks

The company's financial instruments, liquidity, cash flows and credit risks are managed on a group basis by the company's parent undertaking, Roadweald Limited. Full details of the policies are detailed in the financial statements of the parent undertaking.

Directors and their interests

The directors who served the company during the year were as follows:

P C Cammidge (Engineering)	
M M Steinbock BSc (Hons)	-resigned 14 October 2005
C B Steinbock	-resigned 31 December 2006
R Metzger FCA	-resigned 14 October 2006
I Aziz (Sales)	-appointed 1 September 2006
M H Jankowski	-appointed 14 October 2005
J J Synett (Chief Executive)	-appointed 14 October 2005

The directors do not have any interests required to be disclosed under Section 7, Schedule 2, of the Companies Act 1985. The interests of the directors in the ordinary share capital of the parent company, Roadweald Limited, are disclosed in the financial statements of that company.

Charitable donations

During the year the company made the following payments:

	2006	*2005*
	£	*£*
Charitable donations	12,466	13,606

Auditors

Ernst & Young LLP were appointed by the directors as the auditors during the year. A resolution to reappoint them as auditors will be put to the members at the Annual General Meeting.

Directors' report

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and

- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

J J Synett
Director

31 January 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 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.

Independent auditors' report

to the members of Interphone Limited

We have audited the company's financial statements for the year ended 31 March 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of 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 financial statements in accordance with applicable law and United Kingdom 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, and whether 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.

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.

Independent auditors' report

to the members of Interphone Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 March 2006 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.

Ernst & Young LLP
Registered Auditor
London

31 January 2007

Profit and loss account

for the year ended 31 March 2006

	Notes	2006 £	Restated 2005 £
Turnover	2	3,537,129	4,287,014
Cost of sales		(1,511,461)	(1,619,593)
Gross profit		2,025,668	2,667,421
Administrative expenses		(1,944,957)	(1,958,414)
Other operating income		4,125	4,083
Operating profit	3	84,836	713,090
Interest receivable		71,790	41,317
Profit on ordinary activities before taxation		156,626	754,407
Taxation	6	35,000	(165,242)
Profit for the financial year		191,626	589,165

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £191,626 attributable to the shareholders for the year ended 31 March 2006 (2005 - restated profit of £589,165).

Balance sheet
at 31 March 2006

	Notes	2006 £	Restated 2005 £
Fixed assets			
Tangible assets	8	273,480	133,578
Current assets			
Stocks	9	665,700	597,689
Debtors - due after more than one year	10	6,948,273	6,974,085
Debtors -due within one year	10	1,178,113	1,079,483
Cash at bank and in hand		2,835,715	2,118,058
		11,627,801	10,769,315
Creditors: amounts falling due within one year	11	(9,935,984)	(8,644,222)
Net current assets		1,691,817	2,125,093
Total assets less current liabilities		1,965,297	2,258,671
Provisions for liabilities and charges			
Deferred taxation	12	(1,150,000)	(1,185,000)
		815,297	1,073,671
Capital and reserves			
Called up share capital	13	20,000	20,000
Profit and loss account	14	795,297	1,053,671
Shareholders' funds	14	815,297	1,073,671

The financial statements were approved by the Board on 31 January 2007

J J Synett

Director

Notes to the financial statements

at 31 March 2006

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Change in accounting policy

In preparing the financial statements for the current year, the company has adopted FRS21 'Events after the balance sheet date' and the directors have reviewed the accounting policy in respect of the valuation of work in progress. The review has resulted in a change in accounting policy. The effects of the changes in accounting policy, including the prior year adjustment, are set out in note 15.

Statement of cash flows

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a company producing publicly available group financial statements.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Leasehold additions	-	over the length of the lease
Computer equipment	-	25% on cost per annum
Fixtures, fittings and equipment	-	15% on cost per annum
Motor vehicles	-	25% on cost per annum

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Stock	-	purchase cost on a first-in, first-out basis.
Work in progress	-	cost of direct materials and labour

Previously the valuation of work in progress included an apportionment of overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 March 2006

1. Accounting policies (continued)

Income derived from finance leases

Equipment leased under finance leases in accordance with SSAP 21 is deemed to be sold at normal end user selling prices, and is included in turnover at the inception of the lease. Income from finance leases (after deducting the proportion attributable to maintenance) is recognised over the primary period of the lease so as to give a constant rate of return.

Income derived from maintenance services

Income derived from maintenance contracts is accrued on a straight line basis over the term of the contract. Other maintenance income is recognised on provision of the service.

Income derived from outright sales

Income derived from outright sales is recognised on delivery or completion of installation. Previously income had been recognised on an invoiced basis.

Operating leases

Payments due under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover

Turnover, which is stated net of value added tax and is generated wholly in the United Kingdom, represents amounts invoiced to third parties in respect of the company's continuing activity as stated in the directors' report.

An analysis of turnover by class of business is given below:

	2006	*2005*
	£	*£*
Income from finance leases	2,973,326	3,665,331
Income from maintenance	373,191	296,069
Outright sales	63,687	185,469
Trade and sundry sales	126,925	140,145
	3,537,129	4,287,014

3. Operating profit

This is stated after charging/(crediting):

	2006	*2005*
	£	*£*
Auditors' remuneration	17,500	11,500
Depreciation of tangible assets	46,728	47,625
Profit on disposal of tangible assets	–	(2,725)

Notes to the financial statements
at 31 March 2006

3. Operating profit (continued)

Operating lease rentals - land and buildings	51,750	49,836
- other	117,977	111,181

4. Directors' remuneration

	2006	*2005*
	£	*£*
Emoluments	329,923	509,400
Company contributions paid to defined contribution pension schemes	52,708	42,813

	No.	*No.*
Members of defined contribution pension schemes	4	3

The amounts in respect of the highest paid director are as follows:

	2006	*2005*
	£	*£*
Emoluments	101,563	144,228
Company contributions paid to defined contribution pension schemes	31,625	1,044

5. Staff costs

	2006	*2005*
	£	*£*
Wages and salaries	1,811,411	2,005,067
Social security costs	205,626	236,244
Other pension costs	117,626	100,308
Less: reimbursed by related company	(760,763)	(696,468)
	1,373,900	1,645,151

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

	2006	*2005*
	No.	*No.*
Sales	6	10
Engineering	23	25
Other	23	22
Full time	52	57

Notes to the financial statements

at 31 March 2006

6. Tax

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2006	*2005*
	£	*£*
Current tax:		
UK corporation tax on the profit for the year	–	81,242
Total current tax (note 6(b))	–	81,242
Deferred tax:		
Origination and reversal of timing differences (note 12)	(35,000)	84,000
Total tax (credit)/charge for year	(35,000)	165,242

(b) Factors affecting the current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 - 30%). The differences are explained below:

		Restated
	2006	*2005*
	£	*£*
Profit on ordinary activities before tax	156,626	754,407
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	46,988	226,322
Effects of:		
Non taxable income	(34,691)	5,495
Depreciation in excess of capital allowances	111,174	–
Group relief received for nil payment	(123,471)	–
Capital allowances in excess of depreciation	–	(150,402)
Other tax adjustments	–	21,885
Prior year adjustment	–	(22,058)
Current tax for the year (note 6(a))	–	81,242

7. Dividends

		Restated
	2006	*2005*
	£	*£*
Ordinary approved	450,000	300,000

Notes to the financial statements

at 31 March 2006

8. Tangible fixed assets

	Leasehold additions	*Computer equipment*	*Fixtures, fittings and equipment*	*Motor vehicles*	*Total*
	£	*£*	*£*	*£*	*£*
Cost or valuation:					
At 1 April 2005	146,157	226,925	182,983	49,912	605,977
Additions	–	183,408	3,222	–	186,630
At 31 March 2006	146,157	410,333	186,205	49,912	792,607
Depreciation:					
At 1 April 2005	105,815	196,495	157,611	12,478	472,399
Provided during the year	2,736	23,649	7,865	12,478	46,728
At 31 March 2006	108,551	220,144	165,476	24,956	519,127
Net book value:					
At 31 March 2006	37,606	190,189	20,729	24,956	273,480
At 1 April 2005	40,342	30,430	25,372	37,434	133,578

9. Stocks

	2006	*Restated 2005*
	£	*£*
Raw materials and consumables	651,870	515,696
Work in progress	13,830	81,993
	665,700	597,689

10. Debtors

	2006	*2005*
	£	*£*
Trade debtors	490,056	452,346
Other debtors	75,429	85,753
Prepayments and accrued income	74,068	41,386
Net investments in finance leases - due within one year	538,560	499,998
	1,178,113	1,079,483
Net investments in finance leases - due after more than one year	6,948,273	6,974,085
	8,126,386	8,053,568

Notes to the financial statements

at 31 March 2006

11. Creditors: amounts falling due within one year

	2006	Restated 2005
	£	£
Trade creditors	636,977	472,981
Current corporation tax	–	83,242
Other taxes and social security costs	665,780	660,431
Amounts due to group undertakings	6,553,773	5,370,503
Accruals and deferred income	2,079,454	2,057,065
	9,935,984	8,644,222

12. Provisions for liabilities and charges

Deferred taxation provided in the financial statements is as follows:

	2006	2005
	£	£
Capital allowances in advance of depreciation	1,598,000	1,711,000
Undiscounted provision for deferred tax	1,598,000	1,711,000
Discount	(448,000)	(526,000)
Discounted provision for deferred tax	1,150,000	1,185,000

	£
At 1 April 2005	1,185,000
Deferred tax credit in profit and loss account for the year (note 6(a))	(35,000)
At 31 March 2006	1,150,000

There are no unprovided deferred tax balances in the current or previous year.

13. Share capital

	2006	Authorised 2005
	£	£
Ordinary shares of £1 each	20,000	20,000

	Allotted, called up and fully paid			
		2006		2005
	No.	£	No.	£
Ordinary shares of £1 each	20,000	20,000	20,000	20,000

Notes to the financial statements

at 31 March 2006

14. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Total*
	£	*£*	*£*
At 1 April 2004 as previously stated	20,000	464,506	484,506
Prior year adjustment	–	300,000	300,000
At 1 April 2004 restated	20,000	764,506	784,506
Profit for the year restated	–	589,165	589,165
Dividends restated	–	(300,000)	(300,000)
At 31 March 2005 restated	20,000	1,053,671	1,073,671
Profit for the year	–	191,626	191,626
Dividends	–	(450,000)	(450,000)
At 31 March 2006	20,000	795,297	815,297

15. Changes in accounting policy

In preparing the financial statements for the current year, the company has adopted FRS21 'Events after the balance sheet date' and the directors have reviewed the accounting policy in respect of the valuation of work in progress. The review has resulted in a change in the accounting policy.

Comparative figures have been restated in respect of these changes. The changes in accounting policy have the following effect on the profit and loss account and the balance sheet:

Profit and loss account

	2006	*2005*
	£	*£*
FRS 21 – dividend recognised when approved	(450,000)	150,000
Valuation of work in progress	(4,855)	(27,616)
	(445,145)	(122,384)

Balance sheet

	2005
	£
Opening shareholders' funds as previously reported	484,506
Profit for the year as previously reported	166,781
FRS 21 – dividend recognised when approved	450,000
Valuation of work in progress	(27,616)
Opening shareholders' funds as restated	1,073,671

Notes to the financial statements

at 31 March 2006

16. Pension commitments

	Defined contribution	
	2006	*2005*
	£	*£*
Contributions payable by the company for the year	117,626	100,308

All contributions were paid during the year.

17. Other financial commitments

At 31 March 2006 the company had annual commitments under non-cancellable operating leases as set out below:

		2006		*2005*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£	*£*	*£*	*£*
Operating leases which expire:				
within one year	–	20,230	–	48,160
in two to five years	–	80,489	8,000	47,658
in over five years	51,750	–	51,750	–
	51,750	100,719	59,750	95,818

18. Transactions with directors

During the year rent in the sum of £5,500 (2005 - £5,000) was receivable from John Strand (MK) Limited. Mr R Metzger, a former director of the company, has beneficial interest in 50% of the shares in John Strand (MK) Limited and is also a director of John Strand (MK) Limited.

19. *Related party transactions*

The company has taken advantage of the exemptions available under FRS 8 not to disclose transactions with group companies, where consolidated financial statements are publicly available. No other transactions which require disclosure by FRS8 took place during the year.

20. Ultimate controlling party

The company is a wholly owned subsidiary of Interphone Security Group Limited, the immediate parent company, which is the smallest group for which consolidated financial statements are drawn up. The intermediate parent company is Roadweald Limited, which is the largest group for which consolidated financial statements are drawn up. The consolidated financial statements for both these groups are available from 12-22 Herga Road, Wealdstone, Harrow, Middlesex HA3 5AS. The ultimate controlling party is the Tchenguiz Family Trust by virtue of its shareholding in the ultimate parent company, Amora Limited.