

SATELCOM (UK) LIMITED

Report and Financial Statements

For the 11 months period to 28 February 2003



REPORT AND FINANCIAL STATEMENTS 2003

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REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

I R L George
B T Jacobs
S F Lawrence (resigned 30 September 2002)
S A North (appointed 1 November 2002)
S M McLeod (appointed 22 January 2003)
J P Montanana
M I Pitts (appointed 1 November 2002)
M R Starkey

SECRETARY

R G Maingot

REGISTERED OFFICE

Satelcom House
Silwood Park
Buckhurst Road
Ascot
Berkshire
SL5 7PW

AUDITORS

Deloitte & Touche
Chartered Accountants
Reading

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 11 months period ended 28 February 2003.

PRINCIPAL ACTIVITIES

The company's principal activities are the development, manufacture, sale and installation of computer communications equipment, the provision of consultancy services to the computer industry, the management and maintenance of computer installations and the development of computer software.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors consider the profit achieved on ordinary activities before taxation of £791,129 (2002 - £847,504) and the state of affairs the company to be satisfactory and that adequate finance is available to take advantage of business opportunities. The directors remain optimistic about the company's future prospects.

DIVIDENDS

The directors do not recommend the payment of a dividend (2002: £4m).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are shown on page 1. No directors held any disclosable interest in either the company or in any other group company at any time during the year.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 8th May 2003
and signed on behalf of the Board



R G Maingot
Secretary

SATELCOM (UK) LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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; 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 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 the system of internal control, 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 SATELCOM
(UK) LIMITED**

We have audited the financial statements of Satelcom (UK) Limited for the 11 months period ended 28 February 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared 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 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

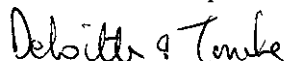
Basis of audit opinion

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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 28 February 2003 and of the company's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**DELOITTE & TOUCHE**

Chartered Accountants and Registered Auditors

Reading

8 May 2003

PROFIT AND LOSS ACCOUNT
11 months period ended 28 February 2003

	Note	11 months ended 28 February 2003 £	11 months ended 28 February 2003 £	Year ended 31 March 2002 as restated £	Year ended 31 March 2002 as restated £
TURNOVER	2		18,068,049		17,168,838
Cost of sales			(12,811,290)		(11,764,217)
Gross profit			5,256,759		5,404,621
Administrative expenses excluding management fees payable to parent company		(4,248,356)		(4,713,855)	
Management fees payable to parent company		(371,608)		(190,653)	
Total administrative expenses			(4,619,964)		(4,904,508)
OPERATING PROFIT	5		636,795		500,113
Interest receivable and similar income	6		154,334		347,391
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			791,129		847,504
Tax on profit on ordinary activities	7		(307,461)		(325,983)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			483,668		521,521
Equity dividends paid			-		(4,000,000)
TRANSFERRED TO/(FROM) RESERVES			483,668		(3,478,479)

The profit and loss account for the year ended 31 March 2002 has been restated for the reclassification of certain payroll and contractors costs. The net cumulative adjustment to reserves is £nil.

All amounts derive from continuing operations.

There are no recognised gains or losses for the period other than as stated above, and accordingly no statement of total recognised gains and losses is presented.

BALANCE SHEET
28 February 2003

	Note	28 February 2003 £	31 March 2002 £
FIXED ASSETS			
Intangible assets	8	-	-
Tangible assets	9	329,569	609,638
		<u>329,569</u>	<u>609,638</u>
CURRENT ASSETS			
Stocks	10	1,076,728	1,161,599
Debtors	11	6,508,704	4,073,223
Cash at bank and in hand		3,158,796	4,266,363
		<u>10,744,228</u>	<u>9,501,185</u>
CREDITORS: amounts falling due within one year	12	<u>(4,933,063)</u>	<u>(4,453,757)</u>
NET CURRENT ASSETS		<u>5,811,165</u>	<u>5,047,428</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,140,734</u>	<u>5,657,066</u>
 CAPITAL AND RESERVES			
Called up share capital	14	11,876	11,876
Share premium account		433,884	433,884
Capital redemption reserve		10,200	10,200
Profit and loss account	15	5,684,774	5,201,106
EQUITY SHAREHOLDERS' FUNDS	15	<u>6,140,734</u>	<u>5,657,066</u>

These financial statements were approved by the Board of Directors on *gan* May 2003.

Signed on behalf of the Board of Directors

Mark Starkey

M R Starkey

Director

NOTES TO THE ACCOUNTS**11 months period ended 28 February 2003****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

The company is utilising the exemption afforded to it by Financial Reporting Standard No. 1 (revised) not to provide a statement of cashflows on the basis that more than 90 percent of its voting rights are controlled within the group and the consolidated financial statements in which the company is included are publicly available (see note 17).

Intangible fixed assets

Software and associated rights are depreciated in equal annual amounts over a period of three to ten years.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Equipment, fixtures and fittings	20% - 50% per annum
Computer equipment	16% - 50% per annum
Motor vehicles	25% - 50% per annum

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

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

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Foreign exchange

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at operating profit.

NOTES TO THE ACCOUNTS

11 months period ended 28 February 2003

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. All turnover is attributable to the company's principal activities.

The geographical distribution of turnover is as follows:

	11 months ended 28 February 2003 £	Year ended 31 March 2002 £
United Kingdom	16,769,880	15,597,414
Eire	580	1,620
Other	1,297,589	1,569,804
	<u>18,068,049</u>	<u>17,168,838</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	11 months ended 28 February 2003 £	Year ended 31 March 2002 £
Directors' emoluments		
Remuneration	<u>466,744</u>	<u>518,975</u>
Remuneration of the highest paid director	<u>171,390</u>	<u>185,707</u>
	No.	No.
Average number of persons employed (including directors)		
Development and technical support	81	82
Sales	2	2
Administration and management	18	18
	<u>101</u>	<u>102</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	5,231,269	5,202,901
Social security costs	567,544	551,019
	<u>5,798,813</u>	<u>5,753,920</u>

NOTES TO THE ACCOUNTS**11 months period ended 28 February 2003****4. PRIOR YEAR RECLASSIFICATION****Payroll Costs**

The prior year reclassification represents the effect of a change in classification of certain payroll costs and contractors fees. The classification has been changed so that all costs directly attributable to the delivery of services are appropriately included in costs of sales rather than administration expenses. This is consistent with the Logical group's accounting policies. The prior year reclassification, which gives rise to a net cumulative adjustment to reserves of £nil, has the effect of increasing cost of sales and decreasing administrative expenses in the year ended 31 March 2002 by £1,187,001.

5. OPERATING PROFIT

	11 months ended 28 February 2003 £	Year ended 31 March 2002 £
Operating profit is after charging:		
Depreciation and amortisation		
Owned tangible assets	457,924	489,264
Rentals under operating leases		
Hire of plant and machinery	418,027	617,405
Other operating leases	383,866	409,230
Auditors' remuneration		
- audit	18,400	17,500
- other services	500	9,900
	<u>1,260,717</u>	<u>1,535,809</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	11 months ended 28 February 2003 £	Year ended 31 March 2002 £
Interest receivable and similar income		
On bank deposits	111,492	112,076
Other interest receivable and similar income	42,842	235,315
	<u>154,334</u>	<u>347,391</u>

NOTES TO THE ACCOUNTS

11 months period ended 28 February 2003

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	11 months ended 28 February 2003 £	Year ended 31 March 2002 £
United Kingdom corporation tax charge for the year	359,246	369,117
Adjustments in respect to prior periods corporation tax	2,563	(395)
	<u>361,809</u>	<u>368,722</u>
Deferred taxation	(54,348)	(42,739)
Tax on profits on ordinary activities	<u>307,461</u>	<u>325,983</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and previous year exceeds the standard rate for the reasons set out in the following reconciliation.

	11 months ended 28 February 2003 £	Year ended 31 March 2002 £
Profit on ordinary activities before tax	<u>791,129</u>	<u>847,504</u>
Tax on profit on ordinary activities at standard rate	(237,339)	(254,251)
<i>Factors affecting charge for the period:</i>		
Expenses not deductible for tax purposes	(67,559)	(72,127)
Capital allowances in excess of depreciation	(54,348)	(42,739)
Adjustments to tax charge in respect of prior periods	<u>(2,563)</u>	<u>395</u>
	<u>(361,809)</u>	<u>(368,722)</u>

NOTES TO THE ACCOUNTS
11 months period ended 28 February 2003

8. INTANGIBLE FIXED ASSETS

	Computer software £
Cost	
At 1 April 2002 and 28 February 2003	749,908
Accumulated amortisation	
At 1 April 2002 and 28 February 2003	749,908
Net book value	
At 28 February 2003 and 31 March 2002	-

9. TANGIBLE FIXED ASSETS

	Equipment, fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2002	279,169	1,667,560	15,049	1,961,778
Additions	3,770	174,085	-	177,855
At 28 February 2003	282,939	1,841,645	15,049	2,139,633
Accumulated depreciation				
At 1 April 2002	264,463	1,072,628	15,049	1,352,140
Charge for the year	9,725	448,199	-	457,924
At 28 February 2003	274,188	1,520,827	15,049	1,810,064
Net book value				
At 28 February 2003	8,751	320,818	-	329,569
At 31 March 2002	14,706	594,932	-	609,638

10. STOCKS

	28 February 2003 £	31 March 2002 £
Finished goods and goods for resale	1,076,728	1,161,599

NOTES TO THE ACCOUNTS

11 months period ended 28 February 2003

11. DEBTORS

	28 February 2003 £	31 March 2002 £
Trade debtors	4,357,067	3,126,724
Amounts owed by group undertakings	1,029,119	47,142
Deferred taxation	211,041	156,693
Other debtors	55,851	44,900
Prepayments and accrued income	855,626	697,764
	<u>6,508,704</u>	<u>4,073,223</u>

All debtors fall due within one year.

The deferred tax asset has been recognised as the directors are of the opinion, based on recent and forecast trading, that the level of profits in the foreseeable future will allow for the utilisation of the asset.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 February 2003 £	31 March 2002 £
Trade creditors	1,273,420	1,138,752
Amounts owed to group undertakings	289,528	660,299
Corporation tax	361,809	369,117
Other taxes and social security	560,882	549,459
Accruals and deferred income	2,447,424	1,736,130
	<u>4,933,063</u>	<u>4,453,757</u>

NOTES TO THE ACCOUNTS

11 months period ended 28 February 2003

13. DEFERRED TAXATION

	28 February 2003 £	31 March 2002 £
<i>Movement on deferred tax asset in the year:</i>		
Opening balance	156,693	113,954
Credit to profit and loss account	54,348	42,739
Closing balance	<u>211,041</u>	<u>156,693</u>

	28 February 2003 £	31 March 2002 £
<i>Analysis of deferred tax asset:</i>		
Capital allowances in excess of depreciation	181,041	126,693
Other timing differences	30,000	30,000
	<u>211,041</u>	<u>156,693</u>

14. CALLED UP SHARE CAPITAL

	28 February 2003 £	31 March 2002 £
Authorised 61,250 ordinary shares of 20p each	<u>12,250</u>	<u>12,250</u>
Called up, allotted and fully paid 59,380 ordinary shares of 20p each	<u>11,876</u>	<u>11,876</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT IN RESERVES

	Called up share capital £	Share premium £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 April 2002	11,876	433,884	10,200	5,201,106	5,657,066
Profit for the financial period	-	-	-	483,668	483,668
At 28 February 2003	<u>11,876</u>	<u>433,884</u>	<u>10,200</u>	<u>5,684,774</u>	<u>6,140,734</u>

NOTES TO THE ACCOUNTS

11 months period ended 28 February 2003

16. FINANCIAL COMMITMENTS

At 28 February 2003 the company had the following annual operating lease commitments:

	Land and buildings		Other	
	28		28	
	February	31 March	February	31 March
	2003	2002	2003	2002
	£	£	£	£
Leases which expire:				
Within one year	26,636	56,148	131,979	406,280
Between 2 and 5 years	28,710	37,380	163,604	178,269
After 5 years	298,500	297,492	-	-
	<u>353,846</u>	<u>391,020</u>	<u>295,583</u>	<u>584,549</u>

17. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

Logical (UK) Limited is the company's immediate parent, controlling party and smallest group of which the company is a member for which accounts are prepared. The directors consider Datatec Limited, incorporated in South Africa, to be the ultimate parent company, controlling party and largest group of which the company is a member for which accounts are prepared. Copies of the ultimate parent company's accounts can be obtained from Datatec Limited, P. O. Box 76226, Wendywood 2144, South Africa.

18. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No. 8 "Related Party Disclosures", transactions with other group undertakings within, and investee related parties of, the Datatec Limited group have not been disclosed in these financial statements.

19. CONTINGENT LIABILITIES

Satelcom and the following fellow UK subsidiaries of Logical Group Limited, Logical E Business, Logical Group Services Limited, Logical Strategy Limited and Logical (UK) Limited have a cross guarantee and debenture for an overdraft facility provided by Barclays Bank plc.