

SATELCOM (UK) LIMITED

Report and Financial Statements

31 March 2002

**Deloitte & Touche
Columbia Centre
Market Street
Bracknell
Berkshire
RG12 1PA**



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REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

I R L George
B T Jacobs
J James (resigned 1 April 2001)
S Lawrence (appointed 2 May 2001)
J Montanana
M A Rochester (resigned 31 December 2001)
M R Starkey (appointed 1 January 2002)

SECRETARY

R G Maingot

REGISTERED OFFICE

Satelcom House
Silwood Park
Buckhurst Road
Ascot
Berkshire
SL5 7PW

AUDITORS

Deloitte & Touche
Chartered Accountants
Columbia Centre
Market Street
Bracknell
Berkshire
RG12 1PA

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2002.

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 £847,504 (2001: £4,798,035) 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

An interim dividend of £4m (2001: £nil) was approved and paid during the year to Logical (UK) Limited, the parent company. The directors do not recommend the payment of a final dividend (2001: £nil).

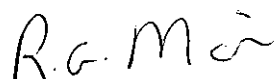
DIRECTORS AND THEIR INTERESTS

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 12 June 2002
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 year 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 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 year ended 31 March 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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.

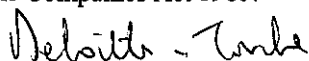
Basis of audit opinion

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 31 March 2002 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
12 June 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

	Note	2002 £	2002 £	2001 as restated £
TURNOVER	2	17,168,838	20,341,654	
Cost of sales		(10,577,216)	(9,735,078)	
Gross profit		6,591,622	10,606,576	
Administrative expenses excluding management fees payable to parent company		(5,900,856)	(5,895,802)	
Management fees payable to parent company		(190,653)	(291,527)	
Total administrative expenses		(6,091,509)	(5,895,802)	
OPERATING PROFIT	5	500,113	4,419,247	
Interest receivable and similar income		347,391	378,788	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		847,504	4,798,035	
Tax on profit on ordinary activities	6	(325,983)	(1,480,355)	
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		521,521	3,317,680	
Equity dividends paid		(4,000,000)	-	
TRANSFERRED (FROM)/TO RESERVES		(3,478,479)	3,317,680	

The profit and loss account for the year ended 31 March 2001 has been restated for the reclassification of certain payroll costs and the adoption of FRS19, see note 4.

All amounts derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2002

	2002 £	2001 as restated £
(Loss)/profit for the financial year	(3,478,479)	3,317,680
Total recognised gains and losses in the period	(3,478,479)	3,317,680
Prior period adjustment	113,954	
Total recognised gains and losses since the last annual report	(3,364,525)	

The statement of total recognised gains and losses for the year ended 31 March 2001 has been restated for the reclassification of certain payroll costs and the adoption of FRS19, see note 4.

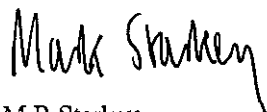
BALANCE SHEET
31 March 2002

	Note	2002 £	2001 As restated £
FIXED ASSETS			
Intangible assets	7	-	-
Tangible assets	8	609,638	870,945
		<u>609,638</u>	<u>870,945</u>
CURRENT ASSETS			
Stocks	9	1,161,599	1,051,124
Debtors	10	4,073,223	7,158,821
Cash at bank and in hand		4,266,363	5,422,333
		<u>9,501,185</u>	<u>13,632,278</u>
CREDITORS: amounts falling due within one year	11	<u>(4,453,757)</u>	<u>(5,367,678)</u>
NET CURRENT ASSETS		<u>5,047,428</u>	<u>8,264,600</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,657,066</u>	<u>9,135,545</u>
 CAPITAL AND RESERVES			
Called up share capital	13	11,876	11,876
Share premium account		433,884	433,884
Capital redemption reserve		10,200	10,200
Profit and loss account	14	5,201,106	8,679,585
EQUITY SHAREHOLDERS' FUNDS	14	<u>5,657,066</u>	<u>9,135,545</u>

The balance sheet for the year ended 31 March 2001 has been restated for the adoption of FRS19, see note 4.

These financial statements were approved by the Board of Directors on 12 June 2002.

Signed on behalf of the Board of Directors



M R Starkey

Director

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable 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 16).

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
Year ended 31 March 2002

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:

	2002 £	2001 £
United Kingdom	15,597,414	18,750,471
Eire	1,620	76,473
Other	1,569,804	1,514,710
	<u>17,168,838</u>	<u>20,341,654</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £	2001 £
Directors' emoluments		
Remuneration	518,975	506,484
Remuneration of the highest paid director	185,707	180,828
	<u>No.</u>	<u>No.</u>
Average number of persons employed (including directors)		
Development and technical support	82	88
Sales	2	6
Administration and management	18	24
	<u>102</u>	<u>118</u>
	<u>£</u>	<u>£</u>
Staff costs during the year (including directors)		
Wages and salaries	5,202,901	5,646,251
Social security costs	551,019	693,674
	<u>5,753,920</u>	<u>6,339,925</u>

4. PRIOR YEAR RECLASSIFICATION

Payroll costs

The prior year reclassification represents the effect of a change in classification of certain payroll costs. The classification has been changed so that payroll costs directly attributable to delivery of service 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 costs of sales and decreasing administrative expenses in the year ended 31 March 2001 by £4,120,951.

Deferred tax

The effect of the prior year adjustment in respect of the adoption of FRS19 is shown in notes 6 and 12.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

5. OPERATING PROFIT

	2002 £	2001 £
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned tangible assets	489,264	368,235
Owned intangible assets	-	49,987
Profit on disposal of tangible fixed assets	-	(6,609)
Rentals under operating leases		
Hire of plant and machinery	617,405	564,516
Other operating leases	409,230	344,868
Auditors' remuneration		
- audit	17,500	17,500
- other services	9,900	2,000
	<u>489,264</u>	<u>368,235</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
United Kingdom corporation tax charge for the year	369,117	1,500,000
Adjustments in respect of prior periods corporation tax	(395)	(19,645)
	<u>368,722</u>	<u>1,480,355</u>
Deferred taxation	42,739	-
Tax on profits on ordinary activities	<u>325,983</u>	<u>1,480,355</u>

The adoption of FRS 19 has had no effect on the prior year tax charge.

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.

	2002 £	2001 £
Profit on ordinary activities before tax	847,504	4,798,035
Tax on profit on ordinary activities at standard rate	(254,251)	(1,439,411)
<i>Factors affecting charge for the period:</i>		
Expenses not deductible for tax purposes	(72,127)	(60,589)
Capital allowances in excess of depreciation	(42,739)	-
Adjustments to tax charge in respect of prior periods	395	19,645
	<u>(368,722)</u>	<u>(1,480,355)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

7. INTANGIBLE FIXED ASSETS

	Computer software £
Cost	
At 1 April 2001 and 31 March 2002	749,908
Accumulated amortisation	
At 1 April 2001 and 31 March 2002	749,908
Net book value	
At 31 March 2002 and 31 March 2001	-

8. TANGIBLE FIXED ASSETS

	Equipment, fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2001	260,770	1,585,313	30,049	1,876,132
Additions	18,399	209,558	-	227,957
Disposals	-	(127,311)	(15,000)	(142,311)
At 31 March 2002	279,169	1,667,560	15,049	1,961,778
Accumulated depreciation				
At 1 April 2001	205,334	775,436	24,417	1,005,187
Charge for the year	59,129	424,503	5,632	489,264
Disposals	-	(127,311)	(15,000)	(142,311)
At 31 March 2002	264,463	1,072,628	15,049	1,352,140
Net book value				
At 31 March 2002	14,706	594,932	-	609,638
At 31 March 2001	55,436	809,877	5,632	870,945

9. STOCKS

	2002 £	2001 £
Finished goods and goods for resale	1,161,599	1,051,124

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

10. DEBTORS

	2002 £	2001 as restated £
Trade debtors	3,126,724	3,560,040
Amounts owed by group undertakings	47,142	3,016,626
Deferred taxation	156,693	113,954
Other debtors	44,900	9,593
Prepayments and accrued income	697,764	458,608
	<u>4,073,223</u>	<u>7,158,821</u>

All debtors fall due within one year.

Adoption of FRS19 has required a change in the method of accounting for deferred tax. As a result the comparative figure for the deferred tax asset has been restated from the previously reported amount of £nil to £113,954.

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.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	1,138,752	371,121
Amounts owed to group undertakings	660,299	1,550,594
Corporation tax	369,117	736,366
Other taxes and social security	549,459	853,697
Accruals and deferred income	1,736,130	1,855,900
	<u>4,453,757</u>	<u>5,367,678</u>

12. DEFERRED TAXATION

	2002 £	2001 as restated £
<i>Movement on deferred tax asset in the year:</i>		
Opening balance	113,954	113,954
Credit to profit and loss account	42,739	-
Closing balance	<u>156,693</u>	<u>113,954</u>

The deferred tax asset for the year ended 31 March 2001 has been restated for the adoption of FRS19, see note 4.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

12. DEFERRED TAXATION (continued)

	2002 £	2001 £
<i>Analysis of deferred tax asset:</i>		
Capital allowances in excess of depreciation	126,693	83,954
Other timing differences	30,000	30,000
	<u>156,693</u>	<u>113,954</u>

The adoption of FRS19 (*Deferred Taxation*) has required a change in the method of accounting for deferred tax assets and liabilities. As a result of these changes the comparatives have been restated as follows:

	Provision for liabilities and charges £	Profit and loss account £	Shareholders' funds £
2001 as previously reported	-	8,565,631	9,021,591
Adoption of FRS19 at 1 April 2000	113,954	113,954	113,954
During the year ended 31 March 2001	-	-	-
	<u>113,954</u>	<u>113,954</u>	<u>113,954</u>
Adoption of FRS19 at 31 March 2001	113,954	113,954	113,954
2001 as restated	<u>113,954</u>	<u>8,679,585</u>	<u>9,135,545</u>

13. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised		
61,250 ordinary shares of 20p each	12,250	12,250
Called up, allotted and fully paid		
59,380 ordinary shares of 20p each	11,876	11,876

14. 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 2001 as previously reported	11,876	433,884	10,200	8,565,631	9,021,591
Prior year adjustment	-	-	-	113,954	113,954
	<u>11,876</u>	<u>433,884</u>	<u>10,200</u>	<u>8,679,585</u>	<u>9,135,545</u>
At 1 April 2001 as restated	11,876	433,884	10,200	8,679,585	9,135,545
Profit for the financial year	-	-	-	521,521	521,521
Equity dividend paid	-	-	-	(4,000,000)	(4,000,000)
	<u>11,876</u>	<u>433,884</u>	<u>10,200</u>	<u>5,201,106</u>	<u>5,657,066</u>

The prior year adjustment relates to the adoption of FRS19.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

15. FINANCIAL COMMITMENTS

At 31 March 2002 the company had the following annual operating lease commitments:

	Land and buildings		Other	
	31 March	31 March	31 March	31 March
	2002	2001	2002	2001
	£	£	£	£
Leases which expire:				
Within one year	56,148	22,818	406,280	392,526
Between 2 and 5 years	37,380	23,550	178,269	136,079
After 5 years	297,492	298,500	-	-
	<u>391,020</u>	<u>344,868</u>	<u>584,549</u>	<u>528,605</u>

16. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

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

17. 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.