

SMART PHONE SYSTEMS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997



Company No :2817575

SMART PHONE SYSTEMS LIMITED

CONTENTS

	Page
Company Information	1
Report of the Directors	2-3
Report of the Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7-10

SMART PHONE SYSTEMS LIMITED

COMPANY INFORMATION

Directors	Mr T Pathmanabhan
Secretary	Mrs C Pathmanabhan
Registered Office	176 Franciscan Road London SW17 8HH
Registered Number	2817575
Auditors	Farringdon & Co 176 Franciscan Road London SW17 8HH
Bankers	National Westminster Southall Branch 69 The Broadway Middlesex London UBI 1LD

SMART PHONE SYSTEMS LIMITED

REPORT OF THE DIRECTORS

Financial Statements

The directors present their report and financial statements for the year ended 30 September 1997.

Statement of Directors Responsibilities

Company law requires the directors to prepare the financial statements for each year which give a true and fair view of the state of affairs of the company and of the profit and 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 , 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 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activity of the company is the retail sales of mobile phones.

Results and Dividend

The profit for the year after tax amounted to £30,320 and this amount has been dealt with as follows.

Dividends Paid	£20,000
Transfer to Reserves	£10,320
	<hr/>
	£30,320
	<hr/>

Directors and their interests

The directors who served throughout the period together with their (including spouses) interests in the share capital of the company as at 30 September 1997 were :

	Ordinary Shares of £1 each	
	30.09.97	30.09.96
Mr T Pathmanabhan	28	28

Fixed Assets

The movement in tangible fixed assets during the year is set out in note 4 to the financial statements.

Auditors

The auditors, Farrington & Co are willing to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

This report was approved by the Board on 19 December 1997 and signed on its behalf by :



Mr T Pathmanabhan
Director

**REPORT OF THE AUDITORS
TO THE MEMBERS OF
SMART PHONE SYSTEMS LIMITED**

We have audited the financial statements on pages 5 to 10 which have been prepared on the basis of accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of financial statement. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

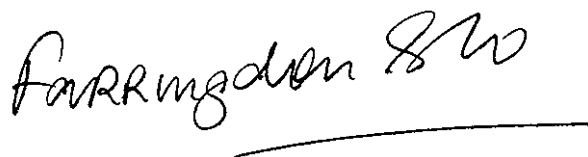
Basis of opinion

We conducted our audit in accordance with 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 affairs of the Company as at 30 September 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Date: 19 December
1997

Farrington & Co.
Chartered Certified Accountants & Registered Auditors

SMART PHONE SYSTEMS LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30 SEPTEMBER 1997**

	Note	1997 £	1996 £
Turnover	1	1,238,266	314,732
Cost of Sales		1,154,165	252,081
Gross Profit		<u>84,101</u>	<u>62,651</u>
Administrative Expenses		48,461	35,596
Operating Profit		<u>35,640</u>	<u>27,055</u>
Interest receivable and similar income		4,680	0
Profit on ordinary activities before taxation	2	40,320	27,055
Taxation	5	10,000	7,100
Profit on ordinary activities after taxation		<u>30,320</u>	<u>19,955</u>
Dividends		20,000	--
Retained profit for the year and transfer to reserves	11	<u>10,320</u>	<u>19,955</u>

There were no recognised gains or losses other than those reported above.
All income is derived from continuing operations.

The accompanying notes on pages 7 to 10 form an integral part of the financial statements.

SMART PHONE SYSTEMS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 1997

	Note	1997 £	1997 £	1996 £	1996 £
Fixed Assets					
Tangible Assets	4		10,681		13,143
Current Assets					
Stocks	6	37,093		29,648	
Debtors and prepayments	7	99,077		29,206	
Cash at bank and in hand		6,038		125	
			142,208		58,979
Creditors : Amounts falling due within one year	8	111,027		40,580	
Net Current Liabilities Assets /(Liabilities)			31,181		18,399
			41,862		31,542
Capital and Reserves					
Called up share capital	10		100		100
Profit and Loss Account	11		41,762		31,442
			41,862		31,542

The accompanying notes on pages 7 to 10 form an integral part of the financial statements.

The financial statements on pages 5 to 10 were approved by the board on 19 December 1997 and signed on its behalf by :



Mr T Pathmanabhan
Director

SMART PHONE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1997

1. Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash Flow Statement

The company has not prepared a cash flow statement as it is a small company under section 248 of the Companies Act 1985 and is therefore exempt from the requirement to prepare a cash flow statement.

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied during the year, and commissions and bonuses received during the year.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values. The principal rates used are:

Fixtures, fittings and equipment	25% Straight Line
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Stocks

Stocks are valued at the lower of cost and estimated net realisable value

2. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is arrived at after charging :

	1997	1996
	£	£
Auditors remuneration		
Audit work	1,500	1,275
Other services	850	850
Depreciation of tangible fixed assets	7,114	5,951

SMART PHONE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1997

3. Employees and Pensions

Average weekly number of employees, including directors :

	1997	1996
	No	No
Administration and selling	1	1
	£	£
Staff costs, including directors :		
Wages and salaries	24,715	12,500
Social security costs	2,194	1,274
	<u>26,909</u>	<u>13,774</u>

Aggregate emoluments of the company's directors amounted to £ Nil (1996 :£ Nil)
The emoluments of the chairman and highest paid director amounted to £ Nil (1996: £ Nil)

4. Tangible Fixed Assets

	Fixtures Fittings & Equipment £	Total £
Cost		
As at 1 October 1996	23,805	23,805
Additions during the year	4,652	4,652
As at 30 September 1997	<u>28,457</u>	<u>28,457</u>
Depreciation		
As at 1 October 1996	10,662	10,662
Charge for the year	7,114	7,114
As at 30 September 1997	<u>17,776</u>	<u>17,776</u>
Net Book Value		
As at 30 September 1997	<u>10,681</u>	<u>10,681</u>
As at 30 September 1996	<u>13,143</u>	<u>13,143</u>

SMART PHONE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)

5. Taxation

	1997	1996
	£	£
Taxation charge for the year		
UK Corporation Tax	10,000	7,100
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6. Stocks

	£	£
Finished Goods	37,093	29,648
	<hr/>	<hr/>

7. Debtors and Prepayments

	£	£
Trade Debtors	90,502	4,528
ACT Recoverable	8,575	1,378
Loan to Director (see note 9)	--	23,300
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	99,077	29,206
	<hr/>	<hr/>

8. Creditors :Amounts falling due within one year

	£	£
Bank Overdraft	--	8,983
Trade Creditors	79,851	17,382
Corporation Tax inc. ACT	22,100	7,100
Other Taxes & Social Security	4,561	4,243
Accruals	4,515	2,872
	<hr/>	<hr/>
	111,027	40,580
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SMART PHONE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1997 (continued)

9. Loan to Director

During the previous years the company made a loan to its director, Mr T Pathamanabhan which in total amounted to £23,300. This amount was fully paid off during the current year together with interest at 10% per annum on the loan. The amount of interest paid was £4621.

10. Share Capital

	1997 & 1996 Authorised	1997 & 1996 Allotted and fully paid
Ordinary shares of £1 each	£1000	£100

11. Profit and Loss Account

	1997 £	1996 £
Balance brought forward	31,442	11,487
Retained profit for the year	10,320	19,955
Balance carried forward	<u>41,762</u>	<u>31,442</u>