

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITED

(Company No. 2948510)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1999

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JUSTICE & CO.
Chartered Accountants



INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITEDREPORT OF THE DIRECTORSFOR THE YEAR ENDED 31ST MARCH 1999

The directors present herewith their report with the financial statements of the company for the year ended 31st March 1999.

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue to operate.

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 Activity

The principal activity of the company in the year under review was the supply, installation and servicing of telecommunication systems and office machinery.

Directors

The directors who served the company throughout the year together with their interests in the shares of the company, at the beginning and end of the year, were as follows :-

| | <u>Ordinary Shares of £1 each</u> | |
|------------------|-----------------------------------|-----------------------|
| | <u>31st March 1999</u> | <u>1st April 1998</u> |
| Mrs. L.J. Hepher | 50 | 50 |
| A. Adel | 50 | 50 |

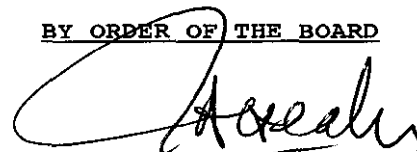
None of the directors had any interest in the shares of any group company during the year.

Auditors

Messrs. Justice & Co., have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors to the company for the ensuing year.

Small Company Rules

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 in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999).

BY ORDER OF THE BOARD

Secretary

30th June 1999

AUDITORS' REPORT TO THE MEMBERS OF

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITED

We have audited the financial statements on pages 3 to 8 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999), under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the financial statements. 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 the company's affairs as at 31st March 1999, and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

72, Poulters Lane,
Worthing,
West Sussex,
BN14 7SZ.

30th June 1999

Justice + Co

Chartered Accountants
and Registered Auditor

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31ST MARCH 1999

| | <u>Notes</u> | <u>1999</u> | <u>1998</u> |
|---|--------------|-------------|-------------|
| | | £ | £ |
| Turnover | 1,2 | 1,648,358 | 1,674,400 |
| Cost of Sales | | 615,255 | 688,959 |
| Gross Profit | | 1,033,103 | 985,441 |
| Distribution and Selling Costs | 53,636 | | 42,550 |
| Establishment Expenses | 84,924 | | 83,166 |
| Staff Costs | 596,216 | | 606,506 |
| Administration and Other Costs | 106,844 | | 88,024 |
| | | 841,620 | 820,246 |
| Operating Profit | 3 | 191,483 | 165,195 |
| Interest Received | | 7,933 | 2,375 |
| Interest Payable | | (3,343) | 3,073 |
| Profit on Ordinary Activities, before taxation | | 196,073 | 170,643 |
| Taxation | 5 | 41,875 | 36,031 |
| Profit for the Financial Year | | 154,198 | 134,612 |
| Dividends on Equity Shares | | 75,000 | - |
| Retained Profit for the Financial Year | | 79,198 | 134,612 |
| Retained Profits, brought forward | | 300,460 | 165,848 |
| Retained Profits, carried forward | | £ 379,658 | £ 300,460 |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSESFOR THE YEAR ENDED 31ST MARCH 1999

| | <u>1999</u> | <u>1998</u> |
|---|-----------------|-----------------|
| | £ | £ |
| Profit for the Financial Year | £ 79,198 | £ 134,612 |
| Loss on Write Off of Investment in dormant subsidiary company | - | (35,500) |
| Total recognised gains and losses relating to the year | £ 79,198 | £ 99,112 |

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITEDBALANCE SHEET AS AT 31ST MARCH 1999

| | <u>Notes</u> | <u>1999</u> | <u>1998</u> |
|--|--------------|------------------|------------------|
| | | £ | £ |
| Fixed Assets | | | |
| Intangible Assets | 6 | 7,040 | 9,600 |
| Tangible Assets | 7 | 61,544 | 53,314 |
| | | <u>68,584</u> | <u>62,914</u> |
| Current Assets | | | |
| Stock and Work in Progress | | 121,662 | 108,745 |
| Trade Debtors | | 226,821 | 290,690 |
| Sundry Debtors | | 6,391 | 6,750 |
| Cash at Bank and in Hand | | 321,163 | 141,017 |
| | | <u>676,037</u> | <u>547,202</u> |
| Creditors: Amounts falling due within one year | | | |
| Trade Creditors | | 117,487 | 147,030 |
| Sundry Creditors and Accruals | | 164,291 | 81,432 |
| Obligations under Hire Purchase Contracts | | 4,560 | 5,616 |
| Corporation Tax | | 41,875 | 36,027 |
| | | <u>328,213</u> | <u>270,105</u> |
| Net Current Assets | | <u>347,824</u> | <u>277,097</u> |
| | | 416,408 | 340,011 |
| Creditors: Amounts falling due after more than one year | 9 | (14,500) | (17,301) |
| Net Assets | | <u>£ 401,908</u> | <u>£ 322,710</u> |
| Capital and Reserves | | | |
| Share Capital | 10 | 100 | 100 |
| Share Premium Account | | 22,150 | 22,150 |
| Profit and Loss Account | | 379,658 | 300,460 |
| | | <u>£ 401,908</u> | <u>£ 322,710</u> |

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 in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999).

Approved by the Board on 30th June 1999

Diaphor

Director

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1999

1. Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention.

(b) Turnover

Turnover, which excludes value added tax, represents the net invoiced value of goods and services supplied.

(c) Depreciation

Depreciation on fixed assets is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:-

| | |
|---------------------------------|------------------------|
| Warehouse Plant and Equipment | - 25% reducing balance |
| Office Equipment | - 20% reducing balance |
| Motor Vehicle | - 20% reducing balance |
| Leasehold Property Improvements | - 20% straight line |
| Purchased Goodwill | - 20% straight line |

(d) Stock and Work-in-Progress

Stocks and Work-in-Progress are stated at the lower of cost and net realisable value. Second-hand stocks purchased for spare parts are not valued unless there is an active market for that particular machine.

(e) Leasing and Hire Purchase Commitments

Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to profit or loss account over the period of the agreement.

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

(f) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. assets in foreign currencies are translated into sterling rates of exchange ruling at the end of the financial year. All exchange differences are dealt with in the profit and loss account.

(g) Group Accounts

It is the policy of the company to take advantage of the exemptions conferred by section 248 of the Companies Act 1985 from preparing group accounts. These financial statements therefore present information about the company only, and not about the group of companies as a whole.

2. Turnover

The company has derived 5% (1998: 9%) of its turnover from supplying geographical markets outside the UK.

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITEDNOTES TO THE FINANCIAL STATEMENTS (continued)FOR THE YEAR ENDED 31ST MARCH 1999**3. Operating Profit**

The operating profit is stated after charging:

| | <u>1999</u> | <u>1998</u> |
|---|-------------------|-------------------|
| Depreciation: | | |
| Owned tangible fixed assets | £ 10,108 | £ 5,987 |
| Assets held under hire purchase contracts | 6,320 | 3,511 |
| Amortisation of Goodwill | 2,560 | 2,560 |
| Auditors' Remuneration | 1,500 | 1,000 |
| Operating Lease Rentals: Motor Vehicles | 18,521 | 16,919 |
| Machinery Rental | 5,151 | - |
| | <u> </u> | <u> </u> |

4. Directors' Emoluments

| | | |
|------------|-------------------|-------------------|
| Emoluments | £ - | £ - |
| | <u> </u> | <u> </u> |

5. Taxation

| | | |
|--|-----------------|-----------------|
| Corporation Tax at the rate of 21% (1998: 21%) | £ 41,875 | £ 36,027 |
| Underprovision in respect of previous year | - | 4 |
| | <u>£ 41,875</u> | <u>£ 36,031</u> |

6. Intangible Asset

| | |
|------------------------|-----------------|
| | <u>Goodwill</u> |
| | £ |
| <u>Cost</u> | |
| At 1st April 1998 | |
| and at 31st March 1999 | <u>12,801</u> |
| <u>Depreciation</u> | |
| At 1st April 1998 | 3,201 |
| Charge for the Year | <u>2,560</u> |
| At 31st March 1999 | <u>5,761</u> |
| <u>Net Book Value</u> | |
| At 31st March 1999 | <u>£ 7,040</u> |
| At 31st March 1998 | <u>£ 9,600</u> |

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITEDNOTES TO THE FINANCIAL STATEMENTS (continued)FOR THE YEAR ENDED 31ST MARCH 1999**7. Tangible Assets**

| | <u>Land and Buildings</u> | <u>Other Assets</u> | <u>Total</u> |
|-----------------------|-------------------------------|-------------------------|--------------|
| | £ | £ | £ |
| <u>Cost</u> | | | |
| At 1st April 1998 | 4,309 | 76,369 | 80,678 |
| Additions | - | 24,658 | 24,658 |
| At 31st March 1999 | 4,309 | 101,027 | 105,336 |
| <u>Depreciation</u> | | | |
| At 1st April 1998 | 1,722 | 25,642 | 27,364 |
| Charge for the Year | 861 | 15,567 | 16,428 |
| At 31st March 1999 | 2,583 | 41,209 | 43,792 |
| <u>Net Book Value</u> | | | |
| At 31st March 1999 | £ 1,726 | £ 59,818 | £ 61,544 |
| At 31st March 1998 | £ 2,587 | £ 50,727 | £ 53,314 |

8. Investment in Subsidiary

| | <u>1999</u> | <u>1998</u> |
|--------------------------|-------------|-------------|
| Shares, at cost | £ 35,500 | £ 35,500 |
| Less: Amount written off | (35,500) | (35,500) |
| | £ - | £ - |

Representing:

SOS Limited - Incorporated in England

- 100% of the Ordinary Share Capital held following purchase of company's net assets by an agreement dated 14th September 1994. SOS Limited has not traded since 31st August 1994.
- At 31st March 1999 it had called-up share capital of £ 100 and accumulated losses of £ 4,455.

9. Creditors: Amounts falling due after more than one year

| | <u>1999</u> | <u>1998</u> |
|--|-------------|-------------|
| Obligations under a Hire Purchase Contract | £ 14,500 | £ 17,301 |
| Amounts repayable by instalments: | | |
| Between one and two years | £ 4,560 | 5,616 |
| Between two and five years | 9,940 | 11,685 |
| | £ 14,500 | £ 17,301 |

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITEDNOTES TO THE FINANCIAL STATEMENTS (continued)FOR THE YEAR ENDED 31ST MARCH 1999**10. Called Up Share Capital**

| | <u>1999</u> | <u>1998</u> |
|---|--------------|--------------|
| Ordinary Shares of £1 each: | | |
| Authorised, Called Up, Allotted and Fully Paid | <u>£ 100</u> | <u>£ 100</u> |

11. Related Parties

| <u>Name of director</u> | <u>shareholding</u> | <u>amount due to director at the year end</u> |
|-------------------------|---------------------|---|
| A. Adel | 50% | £ 57,500 |
| L. Hephher | 50% | £ 33,842 |

The amounts due to the directors are in respect of undrawn dividend payments.