

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITED

(Company No. 2948510)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

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JUSTICE & CO.
Chartered Accountants



INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITEDREPORT OF THE DIRECTORSFOR THE YEAR ENDED 31ST MARCH 1997

The directors present herewith their report with the financial statements of the company for the year ended 31st March 1997.

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 ACTIVITIES

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

In January 1997, the company purchased the trade and stock and work-in-progress of Wiltex Limited, a company which manufactured and supplied telecommunications cabling. The combined turnover of the two activities in a full year is expected to be £ 1,500,000.

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 1997</u>	<u>1st April 1996</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.

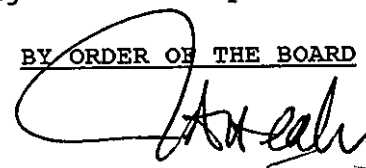
AUDITORS

The auditors, Messrs. Justice & Co., will be proposed for re-appointment in accordance with Section 384 of the Companies Act 1985.

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.

BY ORDER OF THE BOARD



Secretary

19th December 1997

AUDITORS' REPORT TO THE SHAREHOLDERS OF

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITED

We have audited the financial statements on pages 3 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of 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

No detailed count of stocks (and subsequent valuation) was carried out at the year end. An estimate of the number of units of each telecommunications system was made and these were valued at the current second-hand purchase prices.

Subject to any revision to the stock figures in the Profit and Loss Account and Balance Sheet that might have been necessary had a more detailed count and valuation of stocks been made, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 1997, 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.

Justice + Co

Chartered Accountants
and Registered Auditor

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

19th December 1997

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31ST MARCH 1997

	<u>Notes</u>	<u>1997</u>		<u>1996</u>	
		£	£	£	£
TURNOVER	1		966,157		876,570
COST OF SALES			417,323		408,281
GROSS PROFIT			548,834		468,289
Distribution and Selling Costs		33,199		37,041	
Establishment Expenses		45,977		48,659	
Administration and Other Costs		386,107		254,027	
			465,283		339,727
OPERATING PROFIT	2		83,551		128,562
Interest Received			3,903		2,535
Interest Payable			(24)		(3,757)
PROFIT ON ORDINARY ACTIVITIES, before taxation			87,430		127,340
Taxation	4		23,337		32,134
PROFIT ON ORDINARY ACTIVITIES, after taxation			64,093		95,206
Dividends on Equity Shares			-		40,000
RETAINED PROFIT FOR THE FINANCIAL YEAR			64,093		55,206
Retained Profits, brought forward			101,755		46,549
Retained Profits, carried forward			£ 165,848		£ 101,755

Notes

1. There are no recognised gains and losses in the year other than the profit for the year.
2. Turnover and operating profit is estimated to have been derived as follows:

	<u>Continuing Operations</u>	<u>Acquisitions</u>	<u>Total</u>
	£	£	£
Turnover	901,350	64,807	966,157
Operating Profit	77,260	6,291	83,551

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITEDBALANCE SHEET AS AT 31ST MARCH 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£	£
<u>FIXED ASSETS</u>			
Intangible Assets	5	12,160	-
Tangible Assets	6	27,310	22,232
Investment	7	35,500	35,500
		<u>74,970</u>	<u>57,732</u>
<u>CURRENT ASSETS</u>			
Stock and Work in Progress		135,000	84,500
Trade Debtors		172,773	116,757
Rent Deposit		5,250	5,250
Cash at Bank		38,417	124,835
		<u>351,440</u>	<u>331,342</u>
<u>CREDITORS - AMOUNTS FALLING DUE</u>			
<u>WITHIN ONE YEAR</u>			
Trade Creditors		101,400	40,026
Sundry Creditors and Accruals		72,913	130,947
Amount due to Subsidiary Company		6,134	23,377
Corporation Tax		22,365	35,219
		<u>202,812</u>	<u>229,569</u>
<u>NET CURRENT ASSETS</u>		<u>148,628</u>	<u>101,773</u>
		<u>£ 223,598</u>	<u>£ 159,505</u>
<u>CAPITAL AND RESERVES</u>			
Share Capital	8	100	100
Share Premium Account		57,650	57,650
Profit and Loss Account		165,848	101,755
		<u>£ 223,598</u>	<u>£ 159,505</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.

Approved by the Board on 19th December 1997

.....*W. Hepher*.....
(director)

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31ST MARCH 19971. ACCOUNTING POLICIES

(a) Basis of Accounting

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

(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
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 of Assets

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. OPERATING PROFIT

Operating Profit is stated after charging/(crediting) :-

	<u>1997</u>	<u>1996</u>
	£	£
Depreciation:		
Owned tangible fixed assets	7,287	7,405
Amortisation of Goodwill	641	-
Auditors' Remuneration	1,000	1,000
Operating Lease Rentals:		
Motor Vehicles	11,968	11,133
Office Equipment	-	400
	<u> </u>	<u> </u>

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH 1997

3. DIRECTORS' EMOLUMENTS

	<u>1997</u>	<u>1996</u>
Emoluments	£ -	£ -

4. TAXATION

	<u>1997</u>	<u>1996</u>
Corporation Tax based on profits for the year at 24% (1996 - 25%)	£ 22,365	£ 32,134
Underprovision in respect of previous year	972	-
	<u>£ 23,337</u>	<u>£ 32,134</u>

5. INTANGIBLE ASSET

	<u>Goodwill</u>
	£
<u>Cost</u>	
Additions and at 31st March 1997	<u>12,801</u>
<u>Depreciation</u>	
Charge for the Year and at 31st March 1997	<u>641</u>
<u>Net Book Value</u>	
At 31st March 1997	<u>£ 12,160</u>
At 31st March 1996	<u>£ -</u>

6. TANGIBLE ASSETS

	<u>Leasehold Property Improvements</u>	<u>Plant and Equipment</u>	<u>Total</u>
	£	£	£
<u>Cost</u>			
At 1st April 1996	-	32,811	32,811
Additions	<u>4,309</u>	<u>8,056</u>	<u>12,365</u>
At 31st March 1997	<u>4,309</u>	<u>40,867</u>	<u>45,176</u>
<u>Depreciation</u>			
At 1st April 1996	-	10,579	10,579
Charge for Year	<u>861</u>	<u>6,426</u>	<u>7,287</u>
At 31st March 1997	<u>861</u>	<u>17,005</u>	<u>17,866</u>
<u>Net Book Values</u>			
At 31st March 1997	<u>£ 3,448</u>	<u>£ 23,862</u>	<u>£ 27,310</u>
At 31st March 1996	<u>£ -</u>	<u>£ 22,232</u>	<u>£ 22,232</u>

INTERNATIONAL TELECOMMUNICATIONS EQUIPMENT LIMITEDNOTES TO THE FINANCIAL STATEMENTS (continued)FOR THE YEAR ENDED 31ST MARCH 19977. INVESTMENT IN SUBSIDIARY

	<u>1997</u>	<u>1996</u>
Shares, at cost	£ 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 1997 it had called-up share capital of £ 100 and accumulated losses of £ 4,455.

8. CALLED UP SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
Ordinary Shares of £1 each -		
Authorised, Called up, Allotted and Fully Paid	£ 100	£ 100