

**REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2002
FOR
DIGI INTERNATIONAL LIMITED**



DIGI INTERNATIONAL LIMITED

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for the Year Ended 30 September 2002**

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DIGI INTERNATIONAL LIMITED

COMPANY INFORMATION

for the Year Ended 30 September 2002

DIRECTOR: S Krishnan

SECRETARY: DWW Secretarial Limited

REGISTERED OFFICE: Ashwood House
Almondsbury Business Centre
Woodlands
Bradley Stoke
Bristol
BS32 4QH

REGISTERED NUMBER: 3138036

AUDITORS: De-Warrenne Waller & Co Limited
Chartered Accountants
57 Grosvenor Street
Mayfair
London
W1K 3JA

DIGI INTERNATIONAL LIMITED

REPORT OF THE DIRECTOR
for the Year Ended 30 September 2002

The director presents his report with the financial statements of the company for the year ended 30 September 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a distributor of telecommunication products in the United Kingdom.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 30 September 2002.

DIRECTOR

S Krishnan was the sole director during the year under review.

The director holding office at 30 September 2002 did not hold any beneficial interest in the issued share capital of the company at 1 October 2001 or 30 September 2002.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director 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 director is required to

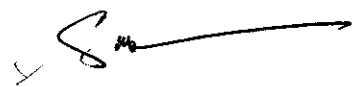
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

AUDITORS

The auditors, De-Warrenne Waller & Co Limited, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



S Krishnan - DIRECTOR

Dated: 22 January 2003

DIGI INTERNATIONAL LIMITED

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
DIGI INTERNATIONAL LIMITED**

We have audited the financial statements of DIGI INTERNATIONAL LIMITED for the year ended 30 September 2002 on pages four to ten. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of director and auditors

As described on page two the company's director is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you if, in our opinion, the Report of the Director 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 director's remuneration and transactions with the company is not disclosed.

We read the Report of the Director and consider the implications for our report if we become aware of any apparent misstatements within it.

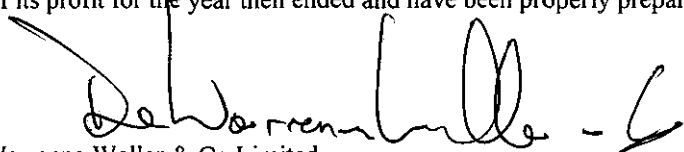
Basis of audit opinion

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 director 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 30 September 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



De-Warrenne Waller & Co Limited
Chartered Accountants
57 Grosvenor Street
Mayfair
London
W1K 3JA

Dated: 22 January 2003

DIGI INTERNATIONAL LIMITED**PROFIT AND LOSS ACCOUNT**

for the Year Ended 30 September 2002

		2002	2001
	Notes	£	£
TURNOVER		1,637,256	2,558,773
Cost of sales		881,259	1,332,565
GROSS PROFIT		755,997	1,226,208
Administrative expenses		708,964	591,178
OPERATING PROFIT	3	47,033	635,030
Interest receivable and similar income		22,983	3,380
		70,016	638,410
Interest payable and similar charges	4	116	83,399
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		69,900	555,011
Tax on profit on ordinary activities	5	82	337
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		69,818	554,674
Deficit brought forward		(339,349)	(894,023)
DEFICIT CARRIED FORWARD		£(269,531)	£(339,349)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

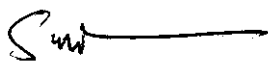
The notes form part of these financial statements

DIGI INTERNATIONAL LIMITED

BALANCE SHEET
30 September 2002

		2002		2001	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	6		97,139		103,403
Tangible assets	7		8,011		6,545
			<u>105,150</u>		<u>109,948</u>
CURRENT ASSETS:					
Debtors	8	273,893		461,633	
Cash at bank and in hand		<u>104,195</u>		<u>423,040</u>	
		378,088		884,673	
CREDITORS: Amounts falling due within one year	9	<u>652,769</u>		<u>1,233,970</u>	
NET CURRENT LIABILITIES:			<u>(274,681)</u>		<u>(349,297)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£(169,531)</u>		<u>£(239,349)</u>
CAPITAL AND RESERVES:					
Called up share capital	11		100,000		100,000
Profit and loss account			<u>(269,531)</u>		<u>(339,349)</u>
SHAREHOLDERS' FUNDS:	14		<u>£(169,531)</u>		<u>£(239,349)</u>

ON BEHALF OF THE BOARD:

X  X

S Krishnan - DIRECTOR

Approved by the Board on 22 January 2003

The notes form part of these financial statements

DIGI INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 30 September 2002

1. ACCOUNTING POLICIES

Accounting convention

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

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in earlier periods, is being written off over its estimated useful life of twenty years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	277,550	196,051
Other pension costs	7,824	2,820
	<u>285,374</u>	<u>198,871</u>

The average monthly number of employees during the year was as follows:

	2002	2001
Sales and administration	4	4
	<u> </u>	<u> </u>

DIGI INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 September 2002****3. OPERATING PROFIT**

The operating profit is stated after charging:

	2002	2001
	£	£
Hire of plant and machinery	4,400	2,550
Depreciation - owned assets	4,698	9,508
Goodwill written off	6,264	6,264
Auditors' remuneration	<u>2,850</u>	<u>2,850</u>
Director's emoluments	<u>-</u>	<u>-</u>

Fees amounting to £10,684 (2001: £9,979) were paid to the company's auditors for management accounting, business administration and payroll services.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Loan	3,101	32,041
Currency adjustments	<u>(2,985)</u>	<u>51,358</u>
	<u>116</u>	<u>83,399</u>

5. TAXATION**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2002	2001
	£	£
Current tax:		
UK corporation tax	<u>82</u>	<u>337</u>
Tax on profit on ordinary activities	<u>82</u>	<u>337</u>

UK corporation tax has been charged at 4.99% (2001 - 10%).

DIGI INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 September 2002

6. INTANGIBLE FIXED ASSETS

	Goodwill
	£
COST:	
At 1 October 2001	
and 30 September 2002	125,329
AMORTISATION:	
At 1 October 2001	21,926
Charge for year	6,264
At 30 September 2002	28,190
NET BOOK VALUE:	
At 30 September 2002	97,139
At 30 September 2001	103,403

7. TANGIBLE FIXED ASSETS

	Plant and machinery	Fixtures and fittings	Computer equipment	Totals
	£	£	£	£
COST:				
At 1 October 2001	22,115	9,074	29,367	60,556
Additions	-	4,552	1,612	6,164
At 30 September 2002	22,115	13,626	30,979	66,720
DEPRECIATION:				
At 1 October 2001	19,825	5,434	28,752	54,011
Charge for year	2,076	1,703	919	4,698
At 30 September 2002	21,901	7,137	29,671	58,709
NET BOOK VALUE:				
At 30 September 2002	214	6,489	1,308	8,011
At 30 September 2001	2,290	3,640	615	6,545

DIGI INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 September 2002

**8. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2002 £	2001 £
Trade debtors	232,973	442,227
Taxation recoverable	4,229	4,019
Prepayments	36,691	15,387
	<u>273,893</u>	<u>461,633</u>

**9. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2002 £	2001 £
Bank loans and overdrafts (see note 10)	426	-
Trade creditors	11,436	5,076
Amounts owed to group under- takings	627,630	1,198,192
Social security & other taxes	2,951	5,334
Taxation	82	344
Accrued expenses	10,244	25,024
	<u>652,769</u>	<u>1,233,970</u>

10. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2002 £	2001 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>426</u>	<u>-</u>

11. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2002 £	2001 £
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>

12. ULTIMATE PARENT COMPANY

The parent undertaking is ITK International Inc, a company registered in the USA. The ultimate parent undertaking is Digi International Inc, a company registered in the USA. Copies of the financial statements of the parent undertaking may be obtained from 11001 Bren Road E. Minnetonka, MN55343, USA.

DIGI INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 September 2002

13. OTHER FINANCIAL COMMITMENTS

At 30th September 2002 the company had annual commitments for land and buildings under non-cancellable operating leases amounting to £27,189 (2001: £27,189).

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Profit for the financial year	69,818	554,674
Net addition to shareholders' funds	69,818	554,674
Opening shareholders' funds	(239,349)	(794,023)
Closing shareholders' funds	(169,531)	(239,349)
Equity interests	(169,531)	(239,349)