

ECHO COMMUNICATIONS LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 1999**

REGISTERED NUMBER: 1578483



ECHO COMMUNICATIONS LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999**

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ECHO COMMUNICATIONS LIMITED

COMPANY INFORMATION
AT 31 MARCH 1999

DIRECTORS

R I D Bampfylde
S Turner

SECRETARY

J S W Grazebrook

REGISTERED OFFICE

Garratt Court
Furmage Street
London, SW18 4DF

BUSINESS ADDRESS

Garratt Court
Furmage Street
London SW18 4DF

AUDITORS

Jones & Partners
Chartered Accountants
Fifth Floor Julco House
26-28 Great Portland Street
London W1N 6AS

PRINCIPAL BANKERS

Barclays Bank plc
93 Baker Street
London W1A 4SD

ECHO COMMUNICATIONS LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were the supply, installation and maintenance of telephone systems and the brokerage of independent telephone networks.

REVIEW OF THE BUSINESS

The net loss after providing for taxation amounted to £1,157.

DIRECTORS AND THEIR INTERESTS

The directors in office in the year and their beneficial interests in the ultimate parent company at the balance sheet date and the beginning of the year (or on appointment if later) were as follows:

		Number of Shares	
		1999	1998
R I D Bampfylde	Ordinary shares	43,797	43,797
S P Lincoln	Ordinary shares	-	6,660
J S W Grazebrook	Ordinary shares	-	30,976
S Turner	Ordinary shares	-	-
I Mathieson	Ordinary shares	-	-

Directors retired during the year:

S P Lincoln	15 June 1998
J S W Grazebrook	26 January 1999

Directors appointed during the year:

S Turner	26 January 1999
I Mathieson	26 January 1999

Following the year end I Mathieson resigned as director of the company.

ECHO COMMUNICATIONS LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES

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;
- 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 maintaining 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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made charitable contributions totalling £350.

YEAR 2000 ISSUES

The directors have made an assessment of the year 2000 problem and do not consider that it would have any major impact on its operational activities.

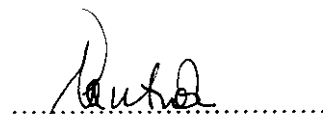
CLOSE COMPANY

The company is a close company, as defined by the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, Jones & Partners, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

By order of the board:



J S W Grazebrook
Secretary

Date: 25/02/00

ECHO COMMUNICATIONS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and on the basis of accounting policies set out on pages 7 and 8.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described in the directors' report, 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 as to whether 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 31 March 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



.....
Jones & Partners
Chartered Accountants
Registered Auditors
Fifth Floor Julco House
26-28 Great Portland Street
London W1N 6AS

Date: 25 FEBRUARY 2000
.....

ECHO COMMUNICATIONS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1999**

	Notes	1999	1998
		£	£
TURNOVER			
Continuing operations		4,612,807	4,584,962
Discontinued operations		-	839,656
		<hr/>	<hr/>
Cost of sales	2	4,612,807 (2,352,893)	5,424,618 (2,947,781)
GROSS PROFIT	2	<hr/> 2,259,914	<hr/> 2,476,837
Net operating expenses	2	(2,264,373)	(2,374,281)
OPERATING (LOSS) / PROFIT	3		
Continuing operations		(4,459)	102,556
Profit on sale of discontinued operations		-	140,456
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(4,459)	243,012
Investment income and interest receivable	4	5,158	3,943
Interest payable and similar charges	5	(3,079)	(26,403)
		<hr/>	<hr/>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,380)	220,552
Tax on(loss) / profit on ordinary activities	8	1,223	(59,684)
		<hr/>	<hr/>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1,157)	160,868
Dividends paid or proposed	9	(430,000)	(5,000)
		<hr/>	<hr/>
(ACCUMULATED LOSS) / RETAINED PROFIT FOR THE FINANCIAL YEAR	18	(431,157)	155,868
		<hr/>	<hr/>

Total recognised gains and losses


The company has no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 7 to 17 form part of these financial statements.

ECHO COMMUNICATIONS LIMITED**BALANCE SHEET
AT 31 MARCH 1999**

	Notes	£	1999 £	£	1998 £
FIXED ASSETS					
Tangible assets	10		101,801		116,100
CURRENT ASSETS					
Stocks	11	424,662		351,755	
Debtors	12	789,723		1,128,199	
Cash at bank and in hand		296,542		125,683	
		<u>1,510,927</u>		<u>1,605,637</u>	
CREDITORS: amounts falling due within one year	13	<u>(1,384,561)</u>		<u>(1,061,629)</u>	
NET CURRENT ASSETS			126,366		544,008
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>228,167</u>		<u>660,108</u>
CREDITORS: amounts falling due after more than one year	14		<u>(208,779)</u>		<u>(209,563)</u>
NET ASSETS			<u>19,388</u>		<u>450,545</u>
CAPITAL AND RESERVES					
Called up share capital	17		100		100
Profit and loss account	18		<u>19,288</u>		<u>450,445</u>
TOTAL SHAREHOLDERS' FUNDS	19		<u>19,388</u>		<u>450,545</u>

Approved by the board of directors on 25 FEB 2000 and signed on its behalf by:


.....
R I D Bampfylde
Director

The notes on pages 7 to 17 form part of these financial statements.

ECHO COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards.

The financial statements have also been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the significant accounting policies adopted by the company in the preparation of the financial statements.

Cash flow

The accounts do not include a cash flow statement because the company, as a wholly-owned subsidiary, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1: "Cash flow statements".

Turnover

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year.

Depreciation of tangible fixed assets

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

Short leasehold land and buildings	Over the term of the lease
Plant and machinery	25 % on cost
Fixtures and fittings	20 % on cost
Motor vehicles	25 % on cost

Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

ECHO COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

1. STATEMENT OF ACCOUNTING POLICIES - (continued)

Leasing and hire purchase commitments

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

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Pension costs

The company operates a defined contribution pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets.

2. ANALYSIS OF OPERATIONS

	1999		
	Continuing £	Discontinued £	Total £
Gross profit	<u>2,259,914</u>	<u>-</u>	<u>2,259,914</u>
Cost of sales	<u>(2,352,893)</u>	<u>-</u>	<u>(2,352,893)</u>
Administration expenses	<u>(2,264,372)</u>	<u>-</u>	<u>(2,264,372)</u>
	1998		
	Continuing £	Discontinued £	Total £
Gross profit	<u>2,179,821</u>	<u>297,016</u>	<u>2,476,837</u>
Cost of sales	<u>(2,405,141)</u>	<u>(542,640)</u>	<u>(2,947,781)</u>
Administration expenses	<u>(2,275,008)</u>	<u>(239,729)</u>	<u>(2,514,737)</u>
Other operating income	<u>140,456</u>	<u>-</u>	<u>140,456</u>
	<u>(2,134,552)</u>	<u>(239,729)</u>	<u>(2,374,281)</u>

ECHO COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

3. OPERATING (LOSS) / PROFIT

Operating (loss) / profit is stated	1999 £	1998 £
After charging:		
Depreciation of fixed assets	59,923	68,553
Auditors' remuneration	6,000	6,000
Operating lease rentals		
Land and buildings	42,094	78,225
Plant and machinery	105,704	106,790
After crediting:		
Profit on disposal of tangible assets	8,879	-
Exceptional items:		
Profit on sale of discontinued operations	-	140,456

4. INVESTMENT INCOME AND INTEREST RECEIVABLE

	1999 £	1998 £
Interest received and receivable		
Bank interest	5,158	3,943

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
On amounts payable to group undertakings	-	22,800
On bank loans and overdrafts	210	399
Lease finance charges and hire purchase interest	2,869	3,204
	3,079	26,403

ECHO COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

6. INFORMATION ON DIRECTORS AND EMPLOYEES

	1999 £	1998 £
Staff costs		
Wages and salaries	1,368,584	1,340,029
Social security costs	137,425	125,851
Other pension costs	28,177	39,778
	<u>1,534,186</u>	<u>1,505,658</u>

	1999 No.	1998 No.
The average number of employees during the year was made up as follows:		
Administration and sales	<u>55</u>	<u>63</u>

	1999 £	1998 £
Directors' emoluments		
Emoluments	75,453	88,946
Pension contributions to money purchase (defined contribution) schemes	9,360	8,573
	<u>84,813</u>	<u>97,519</u>

	1999 £	1998 £
Details of highest paid director's emoluments		
Emoluments	<u>35,280</u>	<u>49,607</u>

7. PENSION COSTS

Defined contribution scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £28,177.

ECHO COMMUNICATIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999**

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	1999	1998
	£	£
The taxation credit comprises:		
Corporation tax at 21 % (1998 - 21 %)	8,000	60,000
Adjustment in respect of prior years	(9,223)	(316)
	<u>(1,223)</u>	<u>59,684</u>

9. DIVIDENDS PAID OR PROPOSED

	1999	1998
	£	£
On ordinary shares:		
Interim dividends paid		
Dividend paid	<u>430,000</u>	<u>5,000</u>

ECHO COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

10. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost:					
At 1 April 1998	15,310	103,356	71,597	81,068	271,331
Additions	440	31,155	6,359	31,988	69,942
Disposals	-	-	(736)	(81,068)	(81,804)
At 31 March 1999	15,750	134,511	77,220	31,988	259,469
Depreciation:					
At 1 April 1998	6,178	53,357	47,007	48,689	155,231
Charge for year	4,387	28,099	11,353	16,084	59,923
On disposals	-	-	(736)	(56,750)	(57,486)
At 31 March 1999	10,565	81,456	57,624	8,023	157,668
Net book value:					
At 31 March 1999	5,185	53,055	19,596	23,965	101,801
At 31 March 1998	9,132	49,999	24,590	32,379	116,100
				1999 £	1998 £
Analysis of net book value of land and buildings:					
Short leasehold				5,185	9,132

ECHO COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

10. TANGIBLE FIXED ASSETS - (continued)

**Included above are assets held under finance leases
or hire purchase contracts as follows:**

	1999	1998
	£	£
Net book values:		
Motor vehicles	<u>23,965</u>	<u>32,379</u>
Depreciation charge for the year:		
Motor vehicles	<u>8,023</u>	<u>16,530</u>

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

11. STOCKS

	1999	1998
	£	£
Finished goods and goods for resale	<u>424,662</u>	<u>351,755</u>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

12. DEBTORS

	1999	1998
	£	£
Trade debtors	679,703	850,143
Amounts recoverable on long term contracts	683	275
Amounts owed by group undertakings	-	178,694
Other debtors	21,426	14,262
Prepayments and accrued income	87,911	84,825
	<u>789,723</u>	<u>1,128,199</u>

Included in other debtors is a loan to the directors R Bampfylde and S Turner of £3,000 and £1,165 respectively.

ECHO COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

13. CREDITORS: amounts falling due within one year

	1999	1998
	£	£
Net obligations under finance leases and hire purchase contracts	6,043	11,269
Trade creditors	648,978	541,489
Amounts owed to group undertakings	321,977	41,495
Corporation tax	8,000	60,000
Other taxes and social security costs	107,816	125,962
Other creditors	4,599	5,175
Accruals and deferred income	287,148	276,239
	<u>1,384,561</u>	<u>1,061,629</u>

14. CREDITORS: amounts falling due after more than one year

	1999	1998
	£	£
Loans	190,000	190,000
Net obligations under finance leases and hire purchase contracts	18,779	19,563
	<u>208,779</u>	<u>209,563</u>

There is no fixed date on the repayment of the loan of £190,000 due to the parent company, The Telecom Centre Limited.

ECHO COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1999	1998
	£	£
The company's obligations are repayable as follows:		
Within one year or on demand	9,042	13,366
In two to five years	19,331	19,825
Total gross obligations	<u>28,373</u>	<u>33,191</u>
Finance charges and interest allocated to future accounting periods	(3,551)	(2,359)
Total net obligations	<u>24,822</u>	<u>30,832</u>
Net obligations analysed as follows:		
Included in creditors - amounts falling due within one year	6,043	11,269
Included in creditors - amounts falling due after more than one year	18,779	19,563
	<u>24,822</u>	<u>30,832</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Not provided		Provided	
	1999	1998	1999	1998
	£	£	£	£
Deferred tax is calculated at Deferred tax rate - 20% (1998 - Deferred tax rate - 20%) analysed over the following timing differences:				
On the excess of capital allowances over depreciation	<u>4,759</u>	<u>3,029</u>	<u>-</u>	<u>-</u>

ECHO COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

17. SHARE CAPITAL

	1999 £	1998 £
Authorised:		
Equity interests:		
200 Ordinary shares of £1 each	<u>200</u>	<u>200</u>
Allotted, called up and fully paid:		
Equity interests:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

18. PROFIT AND LOSS ACCOUNT

	1999 £	1998 £
Retained profit as at 1 April 1998	450,445	294,577
(Loss) / profit for the year	<u>(431,157)</u>	<u>155,868</u>
Retained profit as at 31 March 1999	<u>19,288</u>	<u>450,445</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
(Loss) / profit for the year	(1,157)	160,868
Dividends	<u>(430,000)</u>	<u>(5,000)</u>
Net (reduction) / addition to shareholders' funds	<u>(431,157)</u>	<u>155,868</u>
Opening shareholders' funds	450,545	294,677
Closing shareholders' funds	<u>19,388</u>	<u>450,545</u>
Represented by:-		
Equity interests	<u>19,388</u>	<u>450,545</u>

ECHO COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

20. REVENUE COMMITMENTS

At the year end the company was committed to making the following payments during the next year in respect of operating leases with expiry dates as follows:

	Land and buildings		Other	
	1999	1998	1999	1998
	£	£	£	£
Within one year	30,836	-	22,633	-
More than one year and less than five years	-	41,677	80,369	92,551
	<u>30,836</u>	<u>41,677</u>	<u>103,002</u>	<u>92,551</u>

21. ULTIMATE PARENT COMPANY

The ultimate parent company is The Telecom Centre Limited, a company registered in Great Britain.