

REGISTRAR OF COMPANIES

MINT COMMUNICATIONS SYSTEMS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER 1997



MINT COMMUNICATIONS SYSTEMS LIMITED

COMPANY INFORMATION

Directors

G Hausmann
Avi Zeevi
A Kutner
G Tweddle

Secretary

N Rivers

Company Number

01598829

Registered Office

Peek House
20 Eastcheap
London
EC3M 1EB

Auditors

Soteriou Banerji
253 Gray's Inn Road
London
WC1X 8QT

MINT COMMUNICATIONS SYSTEMS LIMITED

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MINT COMMUNICATIONS SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1997

The directors present their report together with the audited accounts for the year ended 31st December 1997.

Principal Activities

The company's principal activity continued to be that of computer software marketing, selling, maintenance and support.

Results

The results for the year are set out in the profit and loss account on page 4.

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	<u>Ordinary shares of £1</u>	
	31st December 1997	1st January 1996
G Hausmann	2	2
Avi Zeevi	-	-
A Kutner	-	-
G Tweddle	-	-

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of the company's affairs and of the profit or loss for that year. In preparing these accounts 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 accounts 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 enable them to ensure that the accounts 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.

MINT COMMUNICATIONS SYSTEMS LIMITED

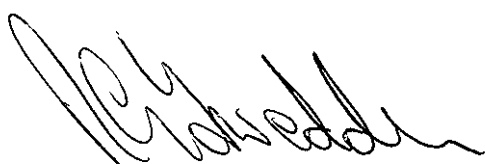
DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1997

Auditors

A resolution to reappoint Soteriou Banerji Chartered Accountants as auditors will be put to the members at the Annual General Meeting.

The report of the Directors' has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 and was approved by the board on 12th February 1998, and signed on its behalf.



G Tweddle - Director
12th February 1998

SOTERIOU BANERJI

Chartered Accountants

253 Gray's Inn Road, London, WC1X 8QT
Telephone: 0171-278 8251 Facsimile: 0171-278 3475



AUDITORS' REPORT TO THE SHAREHOLDERS OF MINT COMMUNICATIONS SYSTEMS LIMITED

We have audited the accounts on pages 4 to 10 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 the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Soteriou Banerji
Chartered Accountants
and Registered Auditors

Date: 12th February 1998

MINT COMMUNICATIONS SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1997

	Notes	1997 £	1996 £
Turnover	2	1,660,069	754,802
Cost of Sales		836,944	480,406
Gross Profit		823,125	274,396
Administrative Expenses		802,899	457,963
Operating Profit/Loss	3	20,226	(183,567)
Interest Receivable		2,457	101
Interest Payable and Similar Charges		(2,417)	(2,985)
Profit/Loss on Ordinary Activities before Taxation		20,266	(186,451)
Tax on profit/loss on ordinary activities	6	535	68
Profit/Loss for the Financial Year after Taxation		19,731	(186,519)
Retained Loss Brought Forward		(1,078,371)	(891,852)
Retained Loss Carried Forward		(1,058,640)	(1,078,371)

All amounts relate to continuing activities.

There were no recognised gains or losses for 1997 or 1996 other than those included in the profit and loss account.

MINT COMMUNICATIONS SYSTEMS LIMITED

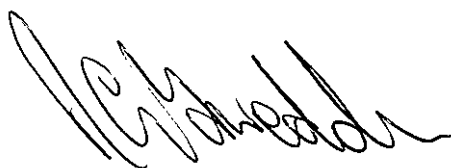
BALANCE SHEET

AS AT 31ST DECEMBER 1997

	Notes	1997 £	1996 £
Fixed Assets			
Tangible assets	7	61,012	31,699
Current Assets			
Debtors	8	983,001	363,627
Cash at bank and in hand		373	861
		<u>983,374</u>	<u>364,488</u>
Creditors: Amounts Falling Due Within One Year	9	<u>1,255,165</u>	<u>626,697</u>
Net Current Liabilities		(271,791)	(262,209)
Total Assets Less Current Liabilities		(210,779)	(230,510)
Creditors: Amounts Falling Due After More Than One Year	10	<u>627,861</u>	<u>627,861</u>
		<u>(838,640)</u>	<u>(858,371)</u>
Capital and Reserves			
Share Capital - Equity	12	220,000	220,000
Profit and loss account		(1,058,640)	(1,078,371)
Shareholders' Funds	13	<u>(838,640)</u>	<u>(858,371)</u>

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

These accounts were approved by the board on 12th February 1998 and signed on its behalf.



G Tweddle
Director

MINT COMMUNICATIONS SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

1 Accounting Policies

Basis of Accounting

The Accounts have been prepared under the historical cost convention.

The company has taken advantage of the exemptions in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

Turnover

Turnover represents income from services provided and costs recovered during the year, excluding value added tax.

Revenue from standard software licenses is recognised on a despatch basis, provided that the Company's remaining obligations, if any, are insignificant. Revenue from projects and customisations is recognised on the basis of value of work completed. Revenue from maintenance and other services is recognised over the terms of respective contracts.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates and periods generally applicable are:

Leasehold properties	- 20% on cost
Office equipment	- 15% on cost
Fixtures and fittings	- 15% on cost
Computer equipment	- 20% on cost

Deferred Taxation

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

Pension Costs

Pension contributions are payable into a group personal pension scheme for all employees. The cost of these contributions is charged to the profit and loss account as incurred and the company has no pension obligations beyond the costs so charged.

2 Turnover

The turnover was derived from the company's principal activity. The amount of turnover attributable to markets outside the UK is 5% (1996 - 8%).

MINT COMMUNICATIONS SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

3 Operating Profit

Operating profit is stated after charging or crediting:

	1997	1996
	£	£
Depreciation	13,587	16,753
Hire of equipment	1,422	-
Auditors' remuneration	5,100	4,800

4 Directors

	1997	1996
	£	£
Directors' emoluments (including pension contributions)	129,716	114,909

Directors' emoluments relate to one director only. No other directors receive any emoluments from the company.

5 Interest Payable and Similar Charges

	1997	1996
	£	£
Bank overdrafts and loans	2,417	2,985

6 Taxation

	1997	1996
	£	£
Based on the profit/loss for the year		
UK corporation tax at current taxation rates	535	68

MINT COMMUNICATIONS SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

7 Tangible Fixed Assets

	Short Leasehold Land and Buildings	Furniture and Equipment	Fixtures and Fittings	Computer Equipment	Total
Cost	£	£	£	£	£
At 1st January 1997	-	6,675	-	39,099	45,774
Additions	8,959	11,273	13,566	9,102	42,900
At 31st December 1997	8,959	17,948	13,566	48,201	88,674
Depreciation					
At 1st January 1997	-	3,869	-	10,206	14,075
Charge for the year	1,249	2,123	1,907	8,308	13,587
At 31st December 1997	1,249	5,992	1,907	18,514	27,662
Net Book Value					
At 31st December 1997	7,710	11,956	11,659	29,687	61,012
At 31st December 1996	-	2,806	-	28,893	31,699

8 Debtors	1997 £	1996 £
Trade debtors	445,205	300,440
Other debtors	36,600	6,412
Prepayments and accrued income	501,196	56,775
	983,001	363,627

9 Creditors: Amounts Falling Due Within One Year	1997 £	1996 £
Bank loans and overdrafts	153,897	101,116
Trade creditors	84,491	30,576
Amounts owed to group undertakings	532,947	145,257
Amounts owed to fellow subsidiary undertakings	106,439	98,840
Corporation tax	561	26
Other taxes and social security	56,170	40,550
Accruals and deferred income	320,660	210,332
	1,255,165	626,697

The bank has a fixed and floating charge over all the assets of the company.

The bank overdraft facility is supported by a guarantee given by the ultimate parent company Oshap Technologies Limited.

MINT COMMUNICATIONS SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

10	Creditors: Amounts Falling Due After One Year	1997 £	1996 £
	Group loans - subordinated	627,861	627,861
		<u>627,861</u>	<u>627,861</u>

None of the loans is repayable by instalments. These loans, which are loans from the company's parent company, are interest free and have no fixed repayment terms.

11 Pension Scheme

The total contributions paid in the year under the group personal pension scheme amounted to £8,172 (1996 - £5,379).

12	Share Capital	1997 £	1996 £
	Authorised Equity Shares 220,000 Ordinary shares of £1.00 each	220,000	220,000
		<u>220,000</u>	<u>220,000</u>
	Allotted Equity Shares 220,000 Allotted, called up and fully paid ordinary shares of £1.00 each	220,000	220,000
		<u>220,000</u>	<u>220,000</u>

13	Reconciliation of Shareholders' Funds	1997 £	1996 £
	Profit/Loss for the financial year	19,731	(186,519)
	Increase/Decrease in the shareholders' funds	19,731	(186,519)
	Opening shareholders' funds	(858,371)	(671,852)
	Closing shareholders' funds	<u>(838,640)</u>	<u>(858,371)</u>

12 Ultimate Parent Company

Mint Communications Systems Limited is a wholly owned subsidiary of Mint Technologies (1984) Limited (previously Manof Communications Systems (International) Limited) which is incorporated in Israel and is part of the Oshap Group which has as its ultimate parent company Oshap Technologies Limited also incorporated in Israel.

MINT COMMUNICATIONS SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

15 Operating Lease Commitments

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1997	1996	1997	1996
	£	£	£	£
Operating leases which expire:				
Between two and five years	24,780	-	4,090	7,665
	<u>24,780</u>	<u>-</u>	<u>4,090</u>	<u>7,665</u>

16 Contingent Liabilities and capital commitments

There were no contingent liabilities at the balance sheet date (1996: Nil).

17 Related Parties

The company has the following related parties:

Mint Technologies (1984) Limited

(previously Manof Communications Systems (International) Limited) - Parent undertaking

Manof Systems Europe SA

- Fellow subsidiary undertaking

Under a licence agreement with its parent undertaking, the company has been granted a right to market and sell computer software which has been developed by its parent. In return, the company pays fees which during the year ended 31 December 1997, amounted to £710,827. Customisation of systems requested by clients of the company is carried out by staff of the parent undertaking for which a subcontractor's fee is charged. During the year, these subcontractor fees amounted to £68,947. As at 31 December 1997, the balance owed to the parent by the company in respect of trading was £532,947 and in respect of funding was £627,861.

The company has the following trading balances with its fellow subsidiaries as at 31 December 1997:

Owed to Manof Systems Europe SA - £106,439

During the year, the company has not entered into any material transactions with its fellow subsidiary undertaking.

Mint Technologies (1984) Limited is a controlling related party. The ultimate controlling party is not known since the company's ultimate parent undertaking Oshap Technologies Limited is a public company whose shares are traded on the NASDAQ in the U.S.A.