

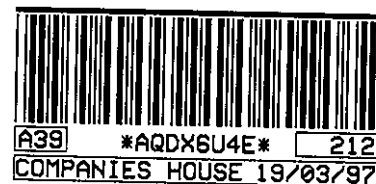
REGISTRAR OF COMPANIES

MINT COMMUNICATIONS SYSTEMS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER 1996



MINT COMMUNICATIONS SYSTEMS LIMITED

COMPANY INFORMATION

Directors

G Hausmann
Avi Zeevi
A Kutner
G Tweddle

Secretary

N Rivers

Company Number

01598829

Registered Office

11 Beaufort Court
Admirals Way
South Quay
London
E14 9XL

Auditors

Soteriou Banerji
253 Grays 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 1996

The directors present their report together with the audited accounts for the year ended 31st December 1996.

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:

	Ordinary shares of £1	
	31st December 1996	1st January 1996
G Hausmann	2	2
Avi Zeevi	-	-
A Kutner	-	-
G Tweddle (appointed 29 July 1996)	-	-
A Rick (resigned 29 July 1996)	-	-

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 1996

Auditors

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

This report was approved by the board on 11th March 1997, taking advantage of the exemptions conferred by Part II of Schedule 8 to the Companies Act 1985, and signed on its behalf

A handwritten signature in black ink, appearing to read 'G Tweddle', written in a cursive style.

G Tweddle, Director

AUDITORS' REPORT TO THE

SHAREHOLDERS OF MINT COMMUNICATIONS SYSTEMS LIMITED

We have audited the accounts on pages 4 to 11 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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



Soteriou Banerji
Chartered Accountants
and Registered Auditors

Date: 11th March 1997

MINT COMMUNICATIONS SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1996

	Notes	1996 £	1995 £
Turnover	3	754,802	862,293
Cost of sales		480,406	440,067
Gross Profit		274,396	422,226
Administrative expenses		457,963	413,839
Operating Loss/Profit	4	(183,567)	8,387
Interest payable and similar charges		(2,985)	(1,517)
Loss/Profit on Ordinary Activities before Taxation		(186,451)	7,036
Tax on loss/profit on ordinary activities		68	-
Loss/Profit for the Financial Year		(186,519)	7,036
Retained Loss Brought Forward		(891,852)	(898,888)
Retained Loss Carried Forward		(1,078,371)	(891,852)

All amounts relate to continuing activities.

There were no recognised gains and losses for 1996 or 1995 other than those included in the profit and loss account.

MINT COMMUNICATIONS SYSTEMS LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 1996

	Notes	1996	1995
		£	£
Fixed Assets			
Tangible assets		31,699	93,210
Current Assets			
Debtors	9	363,627	487,791
Cash at bank and in hand		861	14,211
		<u>364,488</u>	<u>502,002</u>
Creditors: Amounts Falling Due Within One Year	10	<u>626,697</u>	<u>495,388</u>
Net Current Liabilities/Assets		<u>(262,209)</u>	<u>6,614</u>
Total Assets Less Current Liabilities		<u>(230,510)</u>	<u>99,824</u>
Creditors: Amounts Falling Due After More Than One Year	11	<u>627,861</u>	<u>771,676</u>
		<u>(858,371)</u>	<u>(671,852)</u>
Capital and Reserves			
Share capital - equity	12	220,000	220,000
Profit and loss account		<u>(1,078,371)</u>	<u>(891,852)</u>
Shareholders' funds	13	<u>(858,371)</u>	<u>(671,852)</u>

The directors have taken advantage, in the preparation of these accounts, of special exemptions applicable to small companies under Schedule 8 Part I of the Companies Act 1985 on the grounds that, in the opinion of the directors, the company qualifies as a small company and is entitled to make use of the special exemptions.

These accounts were approved by the board on 11th March 1997 and signed on its behalf.



G Tweddle
Director

MINT COMMUNICATIONS SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1996

1 Accounting Policies

Basis of Accounting

The Accounts have been prepared in accordance with applicable Accounting Standards 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:

Office equipment	- 15%
Computer equipment	- 20%

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.

2 Accounting Policies

Basis of Accounting

The Accounts have been prepared in accordance with applicable Accounting Standards 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.

MINT COMMUNICATIONS SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1996

Turnover

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Foreign Currencies

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3 Turnover

The turnover was derived from the company's principal activity. The amount of turnover attributable to markets outside the UK is 8 % (1995 - 29%).

4 Operating Loss

Operating loss is stated after charging or crediting:

	1996	1995
	£	£
Depreciation	16,753	22,369
Auditors' remuneration	4,800	4,200

5 Operating Loss

Operating loss is stated after charging or crediting:

	1996	1995
	£	£
Depreciation	16,753	22,369
Auditors' remuneration	4,800	4,200

MINT COMMUNICATIONS SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1996

6	Directors	1996	1995	
		£	£	
	Directors' remuneration	<u>114,909</u>	<u>84,024</u>	
7	Interest Payable and Similar Charges	1996	1995	
		£	£	
	Bank overdrafts and loans	<u>2,985</u>	<u>1,517</u>	
8	Tangible Fixed Assets			
		Furniture and Equipment	Computer Equipment	Total
	Cost	£	£	£
	At 1st January 1996	6,139	121,393	127,532
	Additions	536	10,206	10,742
	Disposals	-	(92,500)	(92,500)
	At 31st December 1996	<u>6,675</u>	<u>39,099</u>	<u>45,774</u>
	Depreciation			
	At 1st January 1996	2,504	31,818	34,322
	Charge for the year	1,365	15,388	16,753
	Disposals	-	(37,000)	(37,000)
	At 31st December 1996	<u>3,869</u>	<u>10,206</u>	<u>14,075</u>
	Net Book Value			
	At 31st December 1996	<u>2,806</u>	<u>28,893</u>	<u>31,699</u>
	<i>At 31st December 1995</i>	<u>3,635</u>	<u>89,575</u>	<u>93,210</u>
9	Debtors	1996	1995	
		£	£	
	Trade debtors	300,440	386,761	
	Amounts owed by group undertakings	-	62,807	
	Other debtors	6,412	7,276	
	Prepayments and accrued income	56,775	30,947	
		<u>363,627</u>	<u>487,791</u>	

MINT COMMUNICATIONS SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1996

10	Creditors: Amounts Falling Due Within One Year	1996 £	1995 £
	Bank loans and overdrafts	101,116	-
	Trade creditors	30,576	131,335
	Amounts owed to group undertakings	145,257	-
	Amounts owed to fellow subsidiary undertakings	98,840	108,157
	Corporation tax	26	-
	Other taxes and social security	40,550	24,356
	Accruals and deferred income	210,332	231,540
		<u>626,697</u>	<u>495,388</u>

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

11	Creditors: Amounts Falling Due After One Year	1996 £	1995 £
	Group loans - not subordinated	-	143,816
	Group loans - subordinated	627,861	627,860
		<u>627,861</u>	<u>771,676</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.

12	Share Capital	1996 £	1995 £
	Authorised Equity Shares		
	Ordinary shares of £1.00 each	<u>220,000</u>	<u>220,000</u>
	Allotted Equity Shares		
	Allotted, called up and fully paid ordinary shares of £1.00 each	<u>220,000</u>	<u>220,000</u>

13	Reconciliation of Shareholders' Funds	1996 £	1995 £
	Loss/Profit for the financial year	<u>(186,519)</u>	<u>7,036</u>
	Decrease/Increase in the shareholders' funds	<u>(186,519)</u>	<u>7,036</u>
	Opening shareholders' funds	<u>(671,852)</u>	<u>(678,888)</u>
	Closing shareholders' funds	<u>(858,371)</u>	<u>(671,852)</u>

MINT COMMUNICATIONS SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1996

12 Ultimate Parent Company

Mint Communications Systems Limited is a wholly owned subsidiary of 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.

15 Operating Lease Commitments

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1996	1995	1996	1995
	£	£	£	£
Operating leases which expire:				
Between two and five years	-	-	7,665	13,065
After five years	-	17,500	-	-
	-	17,500	7,665	13,065

16 Contingent Liabilities and capital commitments

There were no contingent liabilities at the balance sheet date (1995: Nil).

The company has the following capital commitments in respect of new office premises:

Authorised but not contracted - Annual rental of £25,000 for a period of four years.

MINT COMMUNICATIONS SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1996

17 Related Parties

The company has the following related parties:

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 1996, amounted to £170,237. 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 £199,844. As at 31 December 1996, the balance owed to the parent by the company in respect of trading was £145,257 and in respect of funding was £627,861.

The company has the following trading balances with its fellow subsidiaries as at 31 December 1996:

Owed to Manof Systems Europe SA - £98,840

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

Manof Communications systems (International) 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.