

SATELCOM (U K) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995

RE-SCAN

Company No 2181266 (England and Wales)



7.8-96
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SATELCOM (U K) LIMITED

COMPANY INFORMATION

Directors: B T Jacobs
I R L George
M A Rochester
M Mathieu
M Croize-Pourcelet
P J Bismut

Secretary: R G Maingot

Company Number: 2181266 (England and Wales)

Registered Office: Satelcom House
Silwood Park
Buckhurst Road
Ascot
Berkshire
SL5 7PW

Auditors: Willis Parsons
Chartered Accountants
& Registered Auditors
7 Winchester Place
North Street
Poole
Dorset
BH15 1NX

SATELCOM (U K) LIMITED

Financial Statements

For The Year Ended 31 December 1995

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SATELCOM (U K) LIMITED**REPORT OF THE DIRECTORS**
For The Year Ended 31 December 1995

The Directors present their report and the Financial Statements for the year ended 31 December 1995.

STATEMENT OF 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 Group and of the profit or loss of the Group 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 Group 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 Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Group's principal activity is that of development, manufacture, sale and installation of computer communications equipment, the provision of consultancy services to the computer industry, the maintenance of computer installations and development of computer software.

During the year the Satelcom (U K) Limited acquired 100% of the share capital of Gateway Systems Limited as set out in notes 14 and 22.

The results for the year are set out on page 4.

The Directors consider the profit achieved on ordinary activities before taxation and the state of affairs to be satisfactory and that adequate finance is available to take advantage of business opportunities.

DIVIDENDS

The following dividends were paid during the year.

First interim of £195,000 (£9.75 per share 'A' & 'B')
Second interim of £97,500 (£4.875 per share 'A' & 'B')

The Directors recommend a final dividend of £167,584 (£8.379 per share 'A' and 'B') and the retained profits of £412,471 will be added to reserves.

FIXED ASSETS

Details of movements in fixed assets are set out in note 12 to the financial statements.

SATELCOM (U K) LIMITED**REPORT OF THE DIRECTORS**
For The Year Ended 31 December 1995**INSURANCE**

The Group has purchased insurance for its Directors and officers against liability in relation to the Group.

CHARITABLE CONTRIBUTIONS

During the year the Group made various Charitable contributions totalling £5,925.

DIRECTORS

The Directors who served during the year and their beneficial interests in the Group's issued ordinary share capital were:

	31 December 1995		1 January 1995	
	A' Shares	'B' Shares	'A' Shares	'B' Shares
B T Jacobs	4800	-	4800	-
I R L George	4800	-	4800	-
M A Rochester	200	-	200	-
M Mathieu	-	1	-	1
P J Bismut	-	1	-	1
M Croize-Pourcelet	-	1	-	1

AUDITORS

The Auditors, Willis Parsons will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the Board on 29 February 1996.

Signed on behalf of the Board of Directors.

R. G. Maingot

R G Maingot (Company Secretary)

SATELCOM (U K) LIMITED**AUDITORS REPORT
For The Year Ended 31 December 1995****AUDITORS REPORT TO THE SHAREHOLDERS OF
SATELCOM (U K) LIMITED**

We have audited the Financial Statements on pages 4 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective Responsibilities of Directors and Auditors

As described on page 1 the Group'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 Group'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 Group's affairs at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



7 Winchester Place
North Street
Poole
Dorset
BH15 1NX

WILLIS PARSONS
Chartered Accountants
& Registered Auditors

29 February 1996

SATELCOM (U K) LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
For The Year Ended 31 December 1995

	Note	1995 £	1995 £	1994 £	1994 £
TURNOVER	2				
Continuing Operations		13,232,814		11,131,388	
Acquisitions		1,024,207		-	
		<hr/>	14,257,021	<hr/>	11,131,388
COST OF SALES	3		7,646,991		6,711,417
			<hr/>		<hr/>
GROSS PROFIT			6,610,030		4,419,971
Administrative Expenses	3		(5,427,229)		(3,599,873)
			<hr/>		<hr/>
OPERATING PROFIT	4				
Continuing Operations		1,031,012		820,098	
Acquisitions		151,789		-	
		<hr/>		<hr/>	
Other Income	7		1,182,801		820,098
			120,000		120,000
			<hr/>		<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			1,302,801		940,098
Interest Receivable			85,308		70,954
Interest Payable	8		(18,750)		-
			<hr/>		<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			1,369,359		1,011,052
Taxation on profit on ordinary activities	9		496,804		368,407
			<hr/>		<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			872,555		642,645
Dividends	10		460,084		321,322
			<hr/>		<hr/>
RETAINED PROFIT FOR THE YEAR	20		412,471		321,323
			<hr/>		<hr/>

There were no recognised gains and losses for 1995 or 1994 other than those included in the Profit and Loss Account.

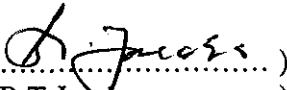
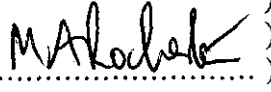
The notes on pages 8 to 19 form part of these Financial Statements.

SATELCOM (U K) LIMITED

CONSOLIDATED BALANCE SHEET
As At 31 December 1995

	Note	£	1995 £	£	1994 £
FIXED ASSETS					
Tangible Assets	12		250,296		78,233
Intangible Asset	13		987,690		-
Investment	14		1,802		-
			<hr/>		<hr/>
			1,239,788		78,233
CURRENT ASSETS					
Stocks	15	902,090		890,472	
Debtors	16	2,907,175		2,060,051	
Cash at Bank and in Hand		1,564,168		1,547,837	
		<hr/>		<hr/>	
		5,373,433		4,498,360	
		<hr/>		<hr/>	
CREDITORS- amounts falling due within one year					
Creditors	17	3,288,838		1,685,921	
		<hr/>		<hr/>	
NET CURRENT ASSETS			2,084,595		2,812,439
			<hr/>		<hr/>
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred Taxation	18		3,324,383 (21,240)		2,890,672 -
			<hr/>		<hr/>
NET ASSETS			3,303,143		2,890,672
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up Share Capital	19		20,000		20,000
Profit and Loss Account	20		3,283,143		2,870,672
			<hr/>		<hr/>
SHAREHOLDERS' FUNDS	21		3,303,143		2,890,672
			<hr/>		<hr/>

These Financial Statements were approved by the Board on 29 February 1996 and signed on its behalf.


)
 B T Jacobs)
) Directors

)
 M A Rochester

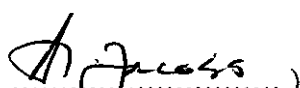
The notes on pages 8 to 19 form part of these Financial Statements.

SATELCOM (U K) LIMITED


BALANCE SHEET
As At 31 December 1995

	Note	£	1995 £	£	1994 £
FIXED ASSETS					
Tangible Assets	12		127,354		78,233
Investment	14		2,000,000		-
			<hr/>		<hr/>
			2,127,354		78,233
CURRENT ASSETS					
Stocks	15	827,369		890,472	
Debtors	16	2,544,204		2,060,051	
Cash at Bank and in Hand		1,148,651		1,547,837	
		<hr/>		<hr/>	
		4,520,224		4,498,360	
		<hr/>		<hr/>	
CREDITORS- amounts falling due within one year					
Creditors	17	3,408,890		1,685,921	
		<hr/>		<hr/>	
NET CURRENT ASSETS			1,111,334		2,812,439
			<hr/>		<hr/>
NET ASSETS			3,238,688		2,890,672
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up Share Capital	19		20,000		20,000
Profit and Loss Account	20		3,218,688		2,870,672
			<hr/>		<hr/>
SHAREHOLDERS' FUNDS	21		3,238,688		2,890,672
			<hr/>		<hr/>

These Financial Statements were approved by the Board on 29 February 1996 and signed on its behalf.


.....)
B T Jacobs)

) Directors


.....)
M A Rochester)

The notes on pages 8 to 19 form part of these Financial Statements.

SATELCOM (U K) LIMITED**CONSOLIDATED CASHFLOW STATEMENT**
For The Year Ended 31 December 1995

	Note	£	1995 £	£	1994 £
NET CASH INFLOW FROM OPERATING ACTIVITIES 23			1,231,127		936,427
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest Received		85,308		70,954	
Interest Paid		(18,750)		-	
Dividends Paid		(321,322)		(292,500)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(254,764)		(221,546)
TAXATION					
Corporation Tax Paid			(400,524)		(435,731)
INVESTING ACTIVITIES					
Payments to acquire tangible fixed assets		(180,285)		(74,662)	
Receipts from sales of tangible fixed assets		28,200		5,500	
Purchase of subsidiary undertakings	24	(1,165,317)		-	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(1,317,402)		(69,162)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING			(741,563)		209,988
FINANCING					
New unsecured loan repayable 1996 (757,894)				-	
NET CASH INFLOW FROM FINANCING			(757,894)		-
INCREASE IN CASH AND CASH EQUIVALENTS	25		16,331		209,988
			(741,563)		209,988

The notes on pages 8 to 19 form part of these Financial Statements.

SATELCOM (U K) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

1. ACCOUNTING POLICIES

(a) Basis of Preparation of Financial Statements

The Financial Statements are prepared under the historical cost convention and include the results of the Group's operations which are described in the Directors' Report and all of which are continuing.

(b) Basis of Consolidation

The consolidated accounts incorporate the accounts of Satelcom (U K) Limited and the subsidiary Gateway Systems Limited made up to 31 December 1995. The acquisition method of accounting has been used to consolidate the results of the subsidiary.

(c) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

(d) Depreciation

Depreciation is provided to write off the cost of the assets over their estimated useful lives within the following rates:

Fixtures, Fittings & Equipment	2 - 5 years straight line basis
Computer Equipment	2 - 5 years straight line basis
Motor Vehicles	2 - 4 years straight line basis
Software & Associated Rights	10 years straight line basis

(e) Goodwill

Goodwill is amortised in equal investments over 7 years being the Directors' estimate of its useful economic life.

(f) Stock and Work in Progress

Stocks and Work in Progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

(g) Development Expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

(h) Deferred Taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the Directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

(i) Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

SATELCOM (U K) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

(j) Leasing and Hire Purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge.

(k) Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. ANALYSIS OF TURNOVER BETWEEN MARKETS

	1995 £	1994 £
United Kingdom	11,689,438	9,155,358
Eire	55,113	96,267
Other	2,512,470	1,879,763
	<hr/> 14,257,021	<hr/> 11,131,388

3. ANALYSIS OF RESULTS

The analysis of the 1995 figures detailing amounts relating to the acquisition where not shown on page 4 are as follows:

	Acquisition £	1995 Continuing £	Total £
Cost of Sales	581,792	7,065,199	7,646,991
	<hr/>	<hr/>	<hr/>
Administrative Expenses	881,622	4,545,607	5,427,229
	<hr/>	<hr/>	<hr/>

SATELCOM (U K) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For The Year Ended 31 December 1995**4. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	1995 £	1994 £
Directors' Fees	60,000	54,000
Directors' Emoluments	316,587	208,324
	<hr/>	<hr/>
Total Directors' Emoluments	376,587	262,324
Loss/(Profit) on disposal of Tangible Fixed Assets	1,819	(1,310)
Depreciation of Tangible Fixed Assets		
- owned by the Group	139,547	103,711
Depreciation of Intangible Fixed Assets		
- owned by the Group	85,109	-
Auditors Remuneration	12,328	9,000
Operating Lease Rentals		
- Hire of Plant & Machinery	314,049	226,908
- Other	228,688	192,500
	<hr/>	<hr/>

5. STAFF COSTS

	1995 £	1994 £
Cost for the Year		
Wages & Salaries	2,613,062	1,624,636
Social Security Costs	266,919	165,606
	<hr/>	<hr/>
	2,879,981	1,790,242
	<hr/>	<hr/>

The average number of employees including Directors of the Group during the year was as follows:-

	1995	1994
Administration & Management	15	13
Sales	6	4
Development	38	27
	<hr/>	<hr/>
	59	44
	<hr/>	<hr/>

SATELCOM (U K) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For The Year Ended 31 December 1995**6. DIRECTORS' REMUNERATION**

The emoluments, excluding pension contributions, of Directors of the Group are detailed as follows:-

	1995 £	1994 £
Chairman	126,433	83,908
Highest Paid Director	-	85,508
	<hr/>	<hr/>

Other Directors' emoluments fell within the following ranges:

	1995	1994
£1 to £5,000	3	3
£80,001 to £85,000	-	1
£120,001 to £125,000	2	-
	<hr/>	<hr/>

7. OTHER INCOME

	1995 £	1994 £
Consultancy	120,000	120,000
	<hr/>	<hr/>

8. INTEREST PAYABLE

	1995 £	1994 £
Interest Payable	18,750	-
	<hr/>	<hr/>

9. TAXATION

	1995 £	1994 £
U K Current Year Taxation		
UK Corporation Tax @ 33% (1994 - 33%)	511,090	368,407
Prior Years		
UK Corporation Tax	(14,286)	-
	<hr/>	<hr/>
	496,804	368,407
	<hr/>	<hr/>

SATELCOM (U K) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

10. DIVIDENDS

	1995 £	1994 £
A Shares first interim £9.75 per share (1994 £9.75)	95,550	95,550
B Shares first interim £9.75 per share (1994 £9.75)	99,450	99,450
A Shares second interim £4.875 per share (1994 £4.875)	47,775	47,775
B Shares second interim £4.875 per share (1994 £4.875)	49,725	49,725
A Shares proposed final £8.379 per share (1994 £1.44)	82,116	14,123
B Shares proposed final £8.379 per share (1994 £1.44)	85,468	14,699
	<hr/> 460,084	<hr/> 321,322

11. PROFIT ATTRIBUTABLE TO MEMBERS

	1995 £	1994 £
Amount dealt with in the accounts of the Holding Company	348,016	321,323

The Company has taken advantage of the available exemption from presenting its own profit and loss account.

12. TANGIBLE FIXED ASSETS GROUP

	Equipment Fixtures & Fittings £	Computer Equipment £	Motor Vehicles £	Total £
COST				
At 1 January 1995	323,929	624,527	75,770	1,024,226
Additions	16,690	71,523	253,416	341,629
Disposals	-	-	(49,713)	(49,713)
	<hr/> 340,619	<hr/> 696,050	<hr/> 279,473	<hr/> 1,316,142
DEPRECIATION				
At 1 January 1995	306,248	608,771	30,974	945,993
Charge for Year	21,988	51,345	66,214	139,547
Disposals	-	-	(19,694)	(19,694)
	<hr/> 328,236	<hr/> 660,116	<hr/> 77,494	<hr/> 1,065,846
NET BOOK AMOUNT				
At 31 December 1995	12,383	35,934	201,979	250,296
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1994	17,681	15,756	44,796	78,233

SATELCOM (U K) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

12. TANGIBLE FIXED ASSETS COMPANY

	Fixtures & Fittings £	Computer Equipment £	Motor Vehicles £	Total £
COST				
At 1 January 1995	323,929	624,527	75,770	1,024,226
Additions	15,982	68,638	95,665	180,285
Disposals	-	-	(49,713)	(49,713)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	339,911	693,165	121,722	1,154,798
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 January 1995	306,248	608,771	30,974	945,993
Charge for Year	21,516	50,074	29,555	101,145
Disposals	-	-	(19,694)	(19,694)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	327,764	658,845	40,835	1,027,444
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK AMOUNT				
At 31 December 1995	12,147	34,320	80,887	127,354
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1994	17,681	15,756	44,796	78,233
	<hr/>	<hr/>	<hr/>	<hr/>

13. INTANGIBLE FIXED ASSETS

Intangible Assets comprise computer software, source code rights, copyrights and all interest therein and Goodwill, arising from the acquisition of Gateway Systems Limited on 25 July 1995.

	Computer Software £	Goodwill £	Total £
<u>COST</u>			
Addition	406,197	666,602	1,072,799
	<hr/>	<hr/>	<hr/>
At 31 December 1995	406,197	666,602	1,072,799
	<hr/>	<hr/>	<hr/>
<u>AMORTISATION</u>			
Charge for Year	37,495	47,614	85,109
	<hr/>	<hr/>	<hr/>
At 31 December 1995	37,495	47,614	85,109
	<hr/>	<hr/>	<hr/>
<u>NET BOOK AMOUNTS</u>			
At 31 December 1995	368,702	618,988	987,690
	<hr/>	<hr/>	<hr/>

SATELCOM (U K) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

14. INVESTMENT

GROUP

Two of the Group's wholly owned subsidiaries, Gateway Data Systems Limited and Gateway Networks Limited, both incorporated in England, have not been included in the consolidated results for the year on the basis that they are not material.

The amount included on the Group's balance sheet of £1,802 represents the cost of acquiring 901 shares in each Company. The two subsidiaries were in voluntary liquidation as at 31 December 1995. It is anticipated that the Group will receive at least the cost of its investment as a capital return when the liquidations are concluded.

COMPANY

This represents the cost of acquiring 950 shares in Gateway Systems Limited being 100% of the issued ordinary share capital of that Company. Gateway Systems Limited is a Company incorporated in England and operates in the computer communications industry.

At 31 December 1995 the aggregate of the share capital and reserves of the subsidiary and its profit for the period to 31 December 1995 is as follows:-

	£
Aggregate share capital and reserves	1,445,467
Retained profit for the period	117,518

15. STOCKS

	GROUP		COMPANY	
	1995	1994	1995	1994
	£	£	£	£
Finished Goods	902,090	890,472	827,369	890,472

16. DEBTORS

	GROUP		COMPANY	
	1995	1994	1995	1994
	£	£	£	£
Due after more than one year				
Other Debtors	-	7,205	41,896	7,205
Due within one year				
Amounts recoverable on contracts	136,890	-	-	-
Trade Debtors	2,321,873	1,814,434	2,112,829	1,814,434
Amount owed by Group				
Undertakings	238,511	8,189	238,511	8,189
Other Debtors	55,475	109,225	51,091	109,225
Prepayments & Accrued Income	154,426	120,998	99,877	120,998
	2,907,175	2,060,051	2,544,204	2,060,051

SATELCOM (U K) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

17. CREDITORS: amounts falling due
within one year

	GROUP		COMPANY	
	1995	1994	1995	1994
	£	£	£	£
Trade Creditors	513,950	615,452	445,394	615,452
Amounts owed to Group				
Undertakings	-	-	955,768	-
Other Creditors	772,667	458,491	772,667	458,491
Corporation Tax	457,181	321,250	399,673	321,250
Social Security & Other Taxes	420,938	106,715	298,556	106,715
Accruals & Deferred Income	914,622	147,986	327,352	147,986
Proposed Dividend	167,584	28,822	167,584	28,822
ACT on Proposed Dividend	41,896	7,205	41,896	7,205
	<hr/> 3,288,838	<hr/> 1,685,921	<hr/> 3,408,890	<hr/> 1,685,921

18. PROVISION FOR LIABILITIES AND CHARGES

	December	Adjustment for Advance	Subsidiary	December
	1995	Corporation Tax	Provision	1994
	£	£	£	£
Deferred Taxation	21,240	(41,896)	63,136	-

Deferred Taxation

	1995 Provision Made	1994 Provision Made
	£	£
Corporation Tax deferred by		
Capital Allowances	63,136	-

The provision is based on a corporation tax rate of 33% (1995 - 33%).

The provision made fully covers the potential liability.

SATELCOM (U K) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

19. CALLED UP SHARE CAPITAL

	1995	1994
	£	£
Authorised, Issued and Fully Paid		
'A' Shares of £1 each	9,800	9,800
'B' Shares of £1 each	10,200	10,200
	<hr/>	<hr/>
	20,000	20,000
	<hr/>	<hr/>

20. PROFIT AND LOSS ACCOUNT

	GROUP	COMPANY
	£	£
At 1 January 1995	2,870,672	2,870,672
Retained Profit for Period	412,471	348,016
	<hr/>	<hr/>
At 31 December 1995	3,283,143	3,218,688
	<hr/>	<hr/>

21. MOVEMENT ON SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	1995	1994	1995	1994
	£	£	£	£
Profit for the Year	872,555	642,645	808,100	642,645
Less: Dividends	460,084	321,322	460,084	321,322
	<hr/>	<hr/>	<hr/>	<hr/>
Opening Shareholders' Funds	412,471	321,323	348,016	321,323
	2,890,672	2,569,349	2,890,672	2,569,349
	<hr/>	<hr/>	<hr/>	<hr/>
Closing Shareholders' Funds	3,303,143	2,890,672	3,238,688	2,890,672
	<hr/>	<hr/>	<hr/>	<hr/>

SATELCOM (U K) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For The Year Ended 31 December 1995**22. ACQUISITION****Fair Value Table****Acquisition of Gateway Systems Limited on 25 July 1995**

Consideration of £2,000,000 was paid to acquire the following assets, giving rise to goodwill of £666,602. The goodwill is carried forward as an intangible asset.

	Book Value & Fair Value to Group £
Fixed Assets	
Intangible	406,199
Tangible	161,342
Investments	1,802
Current Assets	
Stock	184,462
Debtors	688,254
Cash at Bank	834,683
Total Assets	<hr/> 2,276,742 <hr/>
Liabilities	
Provisions	
Taxation	63,136
Creditors	
Trade Creditors	101,594
Other Creditors	84,801
Accruals	693,813
Total Liabilities	<hr/> 943,344 <hr/>
NET ASSETS	<hr/> 1,333,398 <hr/>

SATELCOM (U K) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For The Year Ended 31 December 1995**Pre Acquisition Results**

The following details the pre-acquisition results of Gateway Systems Limited made up to 30 June 1995 on which all acquisition negotiations were based.

	Period 1 April 1995 to 30 June 1995 £
Turnover	589,428
Operating Loss	(6,012)
Profit before Tax	7,825
Tax	2,426

For the previous financial year to 31 March 1995 the Company made profit after tax of £417,233.

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995 £	1994 £
Operating Profit	1,182,801	820,098
Other Income	120,000	120,000
Depreciation Charges	224,656	103,711
Loss/(Profit) on disposal of Tangible Fixed Assets	1,819	(1,310)
Decrease/(Increase) in Stocks	172,844	(308,492)
(Increase)/Decrease in Debtors	(158,870)	322,809
(Decrease) in Creditors	(312,123)	(120,389)
	<hr/> 1,231,127	<hr/> 936,427

24. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE PURCHASE OF SUBSIDIARY UNDERTAKING

	1995 £
Cash consideration	2,000,000
Cash at bank and in hand acquired	(834,683)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiary	<hr/> 1,165,317

The subsidiary undertaking acquired during the year resulted in a reduction of £397,303 to the Group's net operating cash flows, increased returns on investments and servicing of finance by £15,712 and paid £37,585 in respect of taxation.

SATELCOM (U K) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 1995

25. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1995 £	1994 £
Balance as at 1 January	1,547,837	1,337,849
Net Cash Inflow	16,331	209,988
	<hr/>	<hr/>
Balance as at 31 December	1,564,168	1,547,837
	<hr/>	<hr/>

The balance for cash and cash equivalents is shown in the Balance Sheet as "cash at bank and in hand" £1,564,168 (1994 - £1,547,837).

26. HOLDING COMPANY

The Group's ultimate holding Company is Societe d' Applications Generales d' Electricite et de Mecanique incorporated in France.

27. COMMITMENTS

CAPITAL COMMITMENTS

As at 31 December 1995, capital expenditure commitments were as follows:

	1995 £	1994 £
Contracted but not provided for in the accounts	-	31,425
	<hr/>	<hr/>

LEASING COMMITMENTS

As at 31 December 1995, the Group had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings		Other	
	1995	1994	1995	1994
	£	£	£	£
Expiry Date:				
Within one year	-	-	123,753	52,946
Between two and five years	67,955	10,478	71,436	118,832
More than five years	290,400	192,500	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

28. CONTINGENT LIABILITIES

The Group has given its bankers an indemnity in respect of a performance bond for £34,950 provided by the bank to one of the Group's customers, in respect of work carried out under a contract. The performance bond and thus the indemnity expires on 22 August 1996.