

SATELCOM (U K) LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1996

Company No 2181266 (England and Wales)



***SATELCOM (U K) LIMITED***

**COMPANY INFORMATION**

|                           |   |
|---------------------------|---|
| <b>Directors:</b>         | B T Jacobs<br>I R L George<br>M A Rochester<br>M Mathieu<br>M Croize-Pourcelet<br>P J Bismut  |
| <b>Secretary:</b>         | R G Maingot   |
| <b>Company Number:</b>    | 2181266 (England and Wales)   |
| <b>Registered Office:</b> | Satelcom House<br>Silwood Park<br>Buckhurst Road<br>Ascot<br>Berkshire<br>SL5 7PW   |
| <b>Auditors:</b>          | Willis Parsons<br>Chartered Accountants<br>& Registered Auditors<br>7 Winchester Place<br>North Street<br>Poole<br>Dorset<br>BH15 1NX |

***SATELCOM (U K) LIMITED***

**Financial Statements**

**For The Year Ended 31 December 1996**

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**SATELCOM (U K) LIMITED****REPORT OF THE DIRECTORS'**  
**For The Year Ended 31 December 1996**

The Directors present their report and the financial statements for the year ended 31 December 1996.

**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 Company and 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 activities are the 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.

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

The Directors consider the profit achieved on ordinary activities before taxation of £1,190,525 (1995 - £1,369,359) and the state of affairs to be satisfactory and that adequate finance is available to take advantage of business opportunities.

**RESULTS AND DIVIDENDS**

An interim dividend of £195,000 (£9.75 per share 'A' & 'B') was paid during the year.

The Directors recommend a final dividend of £195,334 (£9.767 per share 'A' and 'B') and the retained profits of £295,107 will be added to reserves.

**FIXED ASSETS**

Details of movements in fixed assets are set out in notes 12 to 14 of the financial statements.

**SATELCOM (U K) LIMITED****REPORT OF THE DIRECTORS'**  
**For The Year Ended 31 December 1996****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 £8,712.

**DIRECTORS**

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

|                    | <b>31 December 1996</b> |                   | <b>1 January 1996</b> |                   |
|--------------------|-------------------------|-------------------|-----------------------|-------------------|
|                    | <b>'A' Shares</b>       | <b>'B' Shares</b> | <b>'A' Shares</b>     | <b>'B' Shares</b> |
| B T Jacobs         | <b>4800</b>             | -                 | 4800                  | -                 |
| I R L George       | <b>4800</b>             | -                 | 4800                  | -                 |
| M A Rochester      | <b>200</b>              | -                 | 200                   | -                 |
| M Mathieu          | -                       | <b>1</b>          | -                     | <b>1</b>          |
| P J Bismut         | -                       | <b>1</b>          | -                     | <b>1</b>          |
| M Croize-Pourcelet | -                       | <b>1</b>          | -                     | <b>1</b>          |


The Group's Articles of Association do not require Directors to retire by rotation.

**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 27 February 1997.

Signed by order of the Board of Directors.

  
.....  
R G Maingot - Company Secretary

**SATELCOM (U K) LIMITED****AUDITORS' REPORT  
For The Year Ended 31 December 1996****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 affairs of the Company and the Group at 31 December 1996 and of the profit for the Group 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

27 February 1997

**SATELCOM (U K) LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**For The Year Ended 31 December 1996**

|  | Note | 1996<br>£  | 1996<br>£   | 1995<br>£  | 1995<br>£   |
|--|------|------------|-------------|------------|-------------|
| <b>TURNOVER</b>  | 2    |            |             |            |             |
| Continuing Operations                                    |      | 13,923,348 |             | 13,232,814 |             |
| Acquisitions   |      | -          |             | 1,024,207  |             |
|  |      |            | 13,923,348  |            | 14,257,021  |
| <b>COST OF SALES</b>                                     |      |            | 6,084,645   |            | 7,646,991   |
|  |      |            |             |            |             |
| <b>GROSS PROFIT</b>                                      |      |            | 7,838,703   |            | 6,610,030   |
| Administrative Expenses                                  | 3    |            | (6,720,775) |            | (5,427,229) |
|  |      |            |             |            |             |
| <b>OPERATING PROFIT</b>                                  | 4    |            |             |            |             |
| Continuing Operations                                    |      | 1,117,928  |             | 1,031,012  |             |
| Acquisitions   |      | -          |             | 151,789    |             |
|  |      |            |             |            |             |
| Other Income   | 7    |            | 1,117,928   |            | 1,182,801   |
|  |      |            | 16,378      |            | 120,000     |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE INTEREST</b> |      |            | 1,134,306   |            | 1,302,801   |
| Interest Receivable                                      |      |            | 86,833      |            | 85,308      |
| Interest Payable   | 8    |            | (30,614)    |            | (18,750)    |
|  |      |            |             |            |             |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> |      |            | 1,190,525   |            | 1,369,359   |
| Taxation on profit on ordinary<br>activities             | 9    |            | 505,084     |            | 496,804     |
|  |      |            |             |            |             |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>AFTER TAXATION</b>  |      |            | 685,441     |            | 872,555     |
| Dividends  | 10   |            | 390,334     |            | 460,084     |
|  |      |            |             |            |             |
| <b>RETAINED PROFIT FOR<br/>THE YEAR</b>                  | 20   |            | 295,107     |            | 412,471     |

There were no recognised gains and losses for 1996 or 1995 other than those included in the Profit and Loss Account.

None of the Company's activities were acquired or discontinued during 1996.


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

**SATELCOM (U K) LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**As At 31 December 1996**

|  | Note | 1996      | 1995      |
|--|------|-----------|-----------|
|  |      | £         | £         |
| <b>FIXED ASSETS</b>                                      |      |           |           |
| Tangible Assets  | 12   | 257,612   | 250,296   |
| Intangible Assets  | 13   | 817,471   | 987,690   |
| Investment   | 14   | -         | 1,802     |
|  |      | <hr/>     | <hr/>     |
|  |      | 1,075,083 | 1,239,788 |
| <b>CURRENT ASSETS</b>                                    |      |           |           |
| Stocks   | 15   | 1,292,779 | 902,090   |
| Debtors  | 16   | 3,460,717 | 2,907,175 |
| Cash at Bank and in Hand                                 |      | 631,481   | 1,564,168 |
|  |      | <hr/>     | <hr/>     |
|  |      | 5,384,977 | 5,373,433 |
|  |      | <hr/>     | <hr/>     |
| <b>CREDITORS-</b> amounts falling due<br>within one year | 17   | 2,861,810 | 3,288,838 |
|  |      | <hr/>     | <hr/>     |
| <b>NET CURRENT ASSETS</b>                                |      | 2,523,167 | 2,084,595 |
|  |      | <hr/>     | <hr/>     |
|  |      | 3,598,250 | 3,324,383 |
| <b>PROVISIONS FOR LIABILITIES<br/>AND CHARGES</b>        |      |           |           |
| Deferred Taxation  | 18   | -         | (21,240)  |
|  |      | <hr/>     | <hr/>     |
| <b>NET ASSETS</b>  |      | 3,598,250 | 3,303,143 |
|  |      | <hr/>     | <hr/>     |
| <b>CAPITAL AND RESERVES</b>                              |      |           |           |
| Called Up Share Capital                                  | 19   | 20,000    | 20,000    |
| Profit and Loss Account                                  | 20   | 3,578,250 | 3,283,143 |
|  |      | <hr/>     | <hr/>     |
| <b>SHAREHOLDERS' FUNDS</b>                               | 21   | 3,598,250 | 3,303,143 |
|  |      | <hr/>     | <hr/>     |

These Financial Statements were approved by the Board on 27 February 1997 and signed on its behalf.

  
 B T Jacobs - Director

  
 M A Rochester - Director

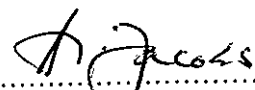
The notes on pages 8 to 19 form part of these Financial Statements.




**SATELCOM (U K) LIMITED****BALANCE SHEET**  
**As At 31 December 1996**

|                                       | Note | £         | 1996<br>£ | £         | 1995<br>£ |
|---------------------------------------|------|-----------|-----------|-----------|-----------|
| <b>FIXED ASSETS</b>                   |      |           |           |           |           |
| Tangible Assets                       | 12   |           | 203,525   |           | 127,354   |
| Investment                            | 14   |           | 2,000,000 |           | 2,000,000 |
|                                       |      |           | <hr/>     |           | <hr/>     |
|                                       |      |           | 2,203,525 |           | 2,127,354 |
| <b>CURRENT ASSETS</b>                 |      |           |           |           |           |
| Stocks                                | 15   | 1,292,779 |           | 827,369   |           |
| Debtors                               | 16   | 3,318,848 |           | 2,544,204 |           |
| Cash at Bank and in Hand              |      | 442,337   |           | 1,148,651 |           |
|                                       |      |           | <hr/>     | <hr/>     |           |
|                                       |      |           | 5,053,964 | 4,520,224 |           |
|                                       |      |           | <hr/>     | <hr/>     |           |
| <b>CREDITORS- amounts falling due</b> |      |           |           |           |           |
| within one year                       | 17   | 3,723,091 |           | 3,408,890 |           |
|                                       |      |           | <hr/>     | <hr/>     |           |
| <b>NET CURRENT ASSETS</b>             |      |           | 1,330,873 |           | 1,111,334 |
|                                       |      |           | <hr/>     |           | <hr/>     |
| <b>NET ASSETS</b>                     |      |           | 3,534,398 |           | 3,238,688 |
|                                       |      |           | <hr/>     |           | <hr/>     |
| <b>CAPITAL AND RESERVES</b>           |      |           |           |           |           |
| Called Up Share Capital               | 19   |           | 20,000    |           | 20,000    |
| Profit and Loss Account               | 20   |           | 3,514,398 |           | 3,218,688 |
|                                       |      |           | <hr/>     |           | <hr/>     |
| <b>SHAREHOLDERS' FUNDS</b>            | 21   |           | 3,534,398 |           | 3,238,688 |
|                                       |      |           | <hr/>     |           | <hr/>     |

These Financial Statements were approved by the Board on 27 February 1997 and signed on its behalf.

  
 .....  
 B T Jacobs - Director

  
 .....  
 M A Rochester - Director

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 1996**

|  | Note | 1996      |   | 1995        |   |
|--|------|-----------|---|-------------|---|
|  |      | £         | £ | £           | £ |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>                             | 22   | 857,368   |   | 1,231,127   |   |
| <b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>                       |      |           |   |             |   |
| Interest Received  |      | 86,833    |   | 85,308      |   |
| Interest Paid  |      | (30,614)  |   | (18,750)    |   |
| Dividends Paid   |      | (362,584) |   | (321,322)   |   |
|  |      | <hr/>     |   | <hr/>       |   |
| <b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b> |      | (306,365) |   | (254,764)   |   |
| <b>TAXATION</b>  |      |           |   |             |   |
| Corporation Tax Paid   |      | (537,722) |   | (400,524)   |   |
| <b>INVESTING ACTIVITIES</b>  |      |           |   |             |   |
| Payments to acquire tangible fixed assets                                    |      | (224,684) |   | (180,285)   |   |
| Receipts from sales of tangible fixed assets                                 |      | 28,430    |   | 28,200      |   |
| Purchase of subsidiary undertakings  | 23   | -         |   | (1,165,317) |   |
| Receipt from investment  |      | 8,180     |   | -           |   |
|  |      | <hr/>     |   | <hr/>       |   |
| <b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>                            |      | (188,074) |   | (1,317,402) |   |
|  |      | <hr/>     |   | <hr/>       |   |
| <b>NET CASH OUTFLOW BEFORE FINANCING</b>                                     |      | (174,793) |   | (741,563)   |   |
|  |      | <hr/>     |   | <hr/>       |   |
| <b>FINANCING</b>   |      |           |   |             |   |
| Unsecured loan repaid 1996   |      | 757,894   |   | (757,894)   |   |
|  |      | <hr/>     |   | <hr/>       |   |
| <b>NET CASH OUTFLOW/(INFLOW) FROM FINANCING</b>                              |      | 757,894   |   | (757,894)   |   |
| <b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>                      | 24   | (932,687) |   | 16,331      |   |
|  |      | <hr/>     |   | <hr/>       |   |
|  |      | (174,793) |   | (741,563)   |   |
|  |      | <hr/>     |   | <hr/>       |   |

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 1996**

**COMPLIANCE WITH ACCOUNTING STANDARDS**

The accounts have been prepared in accordance with applicable accounting standards. There were no material departures from those standards.

**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 1996. 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 at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their estimated useful lives on the following bases:

|                                |                                 |
|--------------------------------|---------------------------------|
| 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 instalments 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.

**SATELCOM (U K) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 December 1996**

**(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 the profit and loss account as incurred.

**(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**

The Group's turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year. The analysis of turnover by geographical area is as follows:-

|                | <b>1996</b>       | <b>1995</b> |
|----------------|-------------------|-------------|
|                | <b>£</b>          | <b>£</b>    |
| United Kingdom | <b>11,880,829</b> | 11,689,438  |
| Eire           | <b>60,578</b>     | 55,113      |
| Other          | <b>1,981,941</b>  | 2,512,470   |
|                | <hr/>             | <hr/>       |
|                | <b>13,923,348</b> | 14,257,021  |
|                | <hr/>             | <hr/>       |

**SATELCOM (U K) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 December 1996****3. ANALYSIS OF RESULTS**

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

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

**4. OPERATING PROFIT**

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

|  | 1996<br>£ | 1995<br>£ |
|--|-----------|-----------|
| Directors' Fees                                    | 54,000    | 60,000    |
| Directors' Emoluments                              | 406,783   | 316,587   |
| Total Directors' Emoluments                        | 460,783   | 376,587   |
| (Profit)/Loss on disposal of Tangible Fixed Assets | (7,833)   | 1,819     |
| Depreciation of Tangible Fixed Assets              |           |           |
| - owned by the Group                               | 196,771   | 139,547   |
| Depreciation of Intangible Fixed Assets            |           |           |
| - owned by the Group                               | 170,219   | 85,109    |
| Auditors Remuneration                              | 13,829    | 12,328    |
| Operating Lease Rentals                            |           |           |
| - Hire of Plant & Machinery                        | 411,449   | 314,049   |
| - Other  | 291,957   | 228,688   |

**SATELCOM (U K) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 December 1996****5. STAFF COSTS**

Staff costs, including Directors' remuneration, were as follows:-

|                       | <b>1996</b>      | <b>1995</b> |
|-----------------------|------------------|-------------|
|                       | <b>£</b>         | <b>£</b>    |
| Cost for the Year     |                  |             |
| Wages & Salaries      | <b>3,241,890</b> | 2,613,062   |
| Social Security Costs | <b>341,510</b>   | 266,919     |
|                       | <hr/>            | <hr/>       |
|                       | <b>3,583,400</b> | 2,879,981   |
|                       | <hr/>            | <hr/>       |

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

|                             | <b>1996</b>   | <b>1995</b>   |
|-----------------------------|---------------|---------------|
|                             | <b>Number</b> | <b>Number</b> |
| Administration & Management | <b>18</b>     | 15            |
| Sales                       | <b>6</b>      | 6             |
| Development                 | <b>48</b>     | 38            |
|                             | <hr/>         | <hr/>         |
|                             | <b>72</b>     | 59            |
|                             | <hr/>         | <hr/>         |

**6. DIRECTORS' REMUNERATION**

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

|  | <b>1996</b>    | <b>1995</b> |
|--|----------------|-------------|
|  | <b>£</b>       | <b>£</b>    |
| Chairman                                       | <b>149,821</b> | 126,433     |
|  | <hr/>          | <hr/>       |
| Highest Paid Director (where not the Chairman) | <b>151,981</b> | n/a         |
|  | <hr/>          | <hr/>       |

Other Directors' emoluments fell within the following ranges:

|                      | <b>1996</b>   | <b>1995</b>   |
|----------------------|---------------|---------------|
|                      | <b>Number</b> | <b>Number</b> |
| £1 to £5,000         | <b>3</b>      | 3             |
| £120,001 to £125,000 | -             | 2             |
| £145,001 to £150,000 | <b>1</b>      | -             |
|                      | <hr/>         | <hr/>         |

**SATELCOM (U K) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 December 1996**

**7. OTHER INCOME**

|                      | 1996<br>£    | 1995<br>£     |
|----------------------|--------------|---------------|
| Consultancy          | 10,000       | 120,000       |
| Return on investment | 6,378        | -             |
|                      | <hr/> 16,378 | <hr/> 120,000 |

**8. INTEREST PAYABLE**

|                                | 1996<br>£ | 1995<br>£ |
|--------------------------------|-----------|-----------|
| Interest Payable - other loans | 30,614    | 18,750    |
|                                | <hr/>     | <hr/>     |

**9. TAXATION**

|                                       | 1996<br>£     | 1995<br>£     |
|---------------------------------------|---------------|---------------|
| <b>U K Current Year Taxation</b>      |               |               |
| UK Corporation Tax @ 33% (1995 - 33%) | 514,510       | 511,090       |
| Deferred Taxation                     | (48,136)      | -             |
| <b>Prior Years</b>                    |               |               |
| UK Corporation Tax                    | 38,710        | (14,286)      |
|                                       | <hr/> 505,084 | <hr/> 496,804 |

**10. DIVIDENDS ON EQUITY SHARES**

|  | 1996<br>£     | 1995<br>£     |
|--|---------------|---------------|
| A Shares first interim £9.75 per share (1995 £9.75)    | 95,550        | 95,550        |
| B Shares first interim £9.75 per share (1995 £9.75)    | 99,450        | 99,450        |
| A Shares second interim £NIL per share (1995 £4.875)   | -             | 47,775        |
| B Shares second interim £NIL per share (1995 £4.875)   | -             | 49,725        |
| A Shares proposed final £9.767 per share (1995 £8.379) | 95,714        | 82,116        |
| B Shares proposed final £9.767 per share (1995 £8.379) | 99,620        | 85,468        |
|  | <hr/> 390,334 | <hr/> 460,084 |

**SATELCOM (U K) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 December 1996****11. PROFIT ATTRIBUTABLE TO MEMBERS**

|  | 1996<br>£      | 1995<br>£ |
|--|----------------|-----------|
| Amount dealt with in the accounts of the Holding Company | <b>295,710</b> | 348,016   |

In accordance with Section 230 of the Companies Act 1985 a separate profit and loss account of Satelcom (UK) Limited is not presented.

**12. TANGIBLE FIXED ASSETS GROUP**

|                        | Equipment<br>Fixtures &<br>Fittings<br>£ | Computer<br>Equipment<br>£ | Motor<br>Vehicles<br>£ | Total<br>£       |
|------------------------|--|----------------------------|------------------------|------------------|
| <b>COST</b>            |  |                            |                        |                  |
| At 1 January 1996      | 340,619                                  | 696,050                    | 279,473                | 1,316,142        |
| Additions              | 8,375                                    | 97,992                     | 118,317                | 224,684          |
| Disposals              | -  | -                          | (55,935)               | (55,935)         |
|                        | <hr/>                                    | <hr/>                      | <hr/>                  | <hr/>            |
| At 31 December 1996    | <b>348,994</b>                           | <b>794,042</b>             | <b>341,855</b>         | <b>1,484,891</b> |
|                        | <hr/>                                    | <hr/>                      | <hr/>                  | <hr/>            |
| <b>DEPRECIATION</b>    |  |                            |                        |                  |
| At 1 January 1996      | 328,236                                  | 660,116                    | 77,494                 | 1,065,846        |
| Charge for Year        | 9,845                                    | 70,244                     | 116,682                | 196,771          |
| Disposals              | -  | -                          | (35,338)               | (35,338)         |
|                        | <hr/>                                    | <hr/>                      | <hr/>                  | <hr/>            |
| At 31 December 1996    | <b>338,081</b>                           | <b>730,360</b>             | <b>158,838</b>         | <b>1,227,279</b> |
|                        | <hr/>                                    | <hr/>                      | <hr/>                  | <hr/>            |
| <b>NET BOOK AMOUNT</b> |  |                            |                        |                  |
| At 31 December 1996    | <b>10,913</b>                            | <b>63,682</b>              | <b>183,017</b>         | <b>257,612</b>   |
|                        | <hr/>                                    | <hr/>                      | <hr/>                  | <hr/>            |
| At 31 December 1995    | 12,383                                   | 35,934                     | 201,979                | 250,296          |
|                        | <hr/>                                    | <hr/>                      | <hr/>                  | <hr/>            |



**SATELCOM (U K) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 December 1996**

**12. TANGIBLE FIXED ASSETS COMPANY**

|                        | Fixtures &<br>Fittings<br>£ | Computer<br>Equipment<br>£ | Motor<br>Vehicles<br>£ | Total<br>£       |
|------------------------|-----------------------------|----------------------------|------------------------|------------------|
| <b>COST</b>            |                             |                            |                        |                  |
| At 1 January 1996      | 339,911                     | 693,165                    | 121,722                | 1,154,798        |
| Additions              | 8,375                       | 97,992                     | 118,317                | 224,684          |
| Disposals              | -                           | -                          | (41,335)               | (41,335)         |
|                        | <hr/>                       | <hr/>                      | <hr/>                  | <hr/>            |
| At 31 December 1996    | <b>348,286</b>              | <b>791,157</b>             | <b>198,704</b>         | <b>1,338,147</b> |
|                        | <hr/>                       | <hr/>                      | <hr/>                  | <hr/>            |
| <b>DEPRECIATION</b>    |                             |                            |                        |                  |
| At 1 January 1996      | 327,764                     | 658,845                    | 40,835                 | 1,027,444        |
| Charge for Year        | 9,609                       | 68,630                     | 49,677                 | 127,916          |
| Disposals              | -                           | -                          | (20,738)               | (20,738)         |
|                        | <hr/>                       | <hr/>                      | <hr/>                  | <hr/>            |
| At 31 December 1996    | <b>337,373</b>              | <b>727,475</b>             | <b>69,774</b>          | <b>1,134,622</b> |
|                        | <hr/>                       | <hr/>                      | <hr/>                  | <hr/>            |
| <b>NET BOOK AMOUNT</b> |                             |                            |                        |                  |
| At 31 December 1996    | <b>10,913</b>               | <b>63,682</b>              | <b>128,930</b>         | <b>203,525</b>   |
|                        | <hr/>                       | <hr/>                      | <hr/>                  | <hr/>            |
| At 31 December 1995    | 12,147                      | 34,320                     | 80,887                 | 127,354          |
|                        | <hr/>                       | <hr/>                      | <hr/>                  | <hr/>            |

**13. INTANGIBLE FIXED ASSETS**

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

|                         | Computer Software<br>£ | Goodwill<br>£  | Total<br>£       |
|-------------------------|------------------------|----------------|------------------|
| <b>COST</b>             |                        |                |                  |
| At 1 January 1996       | 406,197                | 666,602        | 1,072,799        |
|                         | <hr/>                  | <hr/>          | <hr/>            |
| At 31 December 1996     | <b>406,197</b>         | <b>666,602</b> | <b>1,072,799</b> |
|                         | <hr/>                  | <hr/>          | <hr/>            |
| <b>AMORTISATION</b>     |                        |                |                  |
| At 1 January 1996       | 37,495                 | 47,614         | 85,109           |
| Charge for Year         | 74,991                 | 95,228         | 170,219          |
|                         | <hr/>                  | <hr/>          | <hr/>            |
| At 31 December 1996     | <b>112,486</b>         | <b>142,842</b> | <b>255,328</b>   |
|                         | <hr/>                  | <hr/>          | <hr/>            |
| <b>NET BOOK AMOUNTS</b> |                        |                |                  |
| At 31 December 1996     | <b>293,711</b>         | <b>523,760</b> | <b>817,471</b>   |
|                         | <hr/>                  | <hr/>          | <hr/>            |
| 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 1996**

**14. INVESTMENT**

**GROUP**

Two wholly owned subsidiaries, Gateway Data Systems Limited and Gateway Networks Limited, were placed into voluntary liquidation during the last financial period. The subsidiaries were dissolved on 23 May 1996 and 16 May 1996 respectively.

**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.

**15. STOCKS**

|                | <b>GROUP</b> |             | <b>COMPANY</b> |             |
|----------------|--------------|-------------|----------------|-------------|
|                | <b>1996</b>  | <b>1995</b> | <b>1996</b>    | <b>1995</b> |
|                | <b>£</b>     | <b>£</b>    | <b>£</b>       | <b>£</b>    |
| Finished Goods | 1,292,779    | 902,090     | 1,292,779      | 827,369     |
|                | <hr/>        | <hr/>       | <hr/>          | <hr/>       |

**16. DEBTORS**

|                                     | <b>GROUP</b> |             | <b>COMPANY</b> |             |
|-------------------------------------|--------------|-------------|----------------|-------------|
|                                     | <b>1996</b>  | <b>1995</b> | <b>1996</b>    | <b>1995</b> |
|                                     | <b>£</b>     | <b>£</b>    | <b>£</b>       | <b>£</b>    |
| <b>Due after more than one year</b> |              |             |                |             |
| Other Debtors                       | 33,834       | -           | 48,834         | 41,896      |
| <b>Due within one year</b>          |              |             |                |             |
| Amounts recoverable on contracts    | 129,281      | 136,890     | -              | -           |
| Trade Debtors                       | 3,113,180    | 2,321,873   | 3,109,912      | 2,112,829   |
| Amount owed by Group                |              |             |                |             |
| Undertakings                        | -            | 238,511     | -              | 238,511     |
| Other Debtors                       | 36,203       | 55,475      | 14,383         | 51,091      |
| Prepayments & Accrued Income        | 148,219      | 154,426     | 145,719        | 99,877      |
|                                     | <hr/>        | <hr/>       | <hr/>          | <hr/>       |
|                                     | 3,460,717    | 2,907,175   | 3,318,848      | 2,544,204   |
|                                     | <hr/>        | <hr/>       | <hr/>          | <hr/>       |

**SATELCOM (U K) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 December 1996**

**17. CREDITORS: amounts falling due within one year**

|                               | <b>GROUP</b> |             | <b>COMPANY</b> |             |
|-------------------------------|--------------|-------------|----------------|-------------|
|                               | <b>1996</b>  | <b>1995</b> | <b>1996</b>    | <b>1995</b> |
|                               | <b>£</b>     | <b>£</b>    | <b>£</b>       | <b>£</b>    |
| Trade Creditors               | 681,075      | 513,950     | 671,961        | 445,394     |
| Amounts owed to Group         |              |             |                |             |
| Undertakings                  | 32,397       | -           | 1,291,385      | 955,768     |
| Other Creditors               | -            | 772,667     | -              | 772,667     |
| Corporation Tax               | 423,845      | 457,181     | 366,742        | 399,673     |
| Social Security & Other Taxes | 376,007      | 420,938     | 357,113        | 298,556     |
| Accruals & Deferred Income    | 1,104,318    | 914,622     | 791,722        | 327,352     |
| Proposed Dividend             | 195,334      | 167,584     | 195,334        | 167,584     |
| ACT on Proposed Dividend      | 48,834       | 41,896      | 48,834         | 41,896      |
|                               | <hr/>        | <hr/>       | <hr/>          | <hr/>       |
|                               | 2,861,810    | 3,288,838   | 3,723,091      | 3,408,890   |
|                               | <hr/>        | <hr/>       | <hr/>          | <hr/>       |

**18. PROVISION FOR LIABILITIES AND CHARGES**

|                   | <b>December</b> | <b>Adjustment</b>      | <b>Subsidiary</b> | <b>December</b> |
|-------------------|-----------------|------------------------|-------------------|-----------------|
|                   | <b>1996</b>     | <b>for Advance</b>     | <b>Provision</b>  | <b>1995</b>     |
|                   | <b>£</b>        | <b>Corporation Tax</b> | <b>£</b>          | <b>£</b>        |
| Deferred Taxation | -               | 26,896                 | (48,136)          | 21,240          |
|                   | <hr/>           | <hr/>                  | <hr/>             | <hr/>           |

**Deferred Taxation**

|                                    | <b>1996</b>      | <b>1995</b>      |
|------------------------------------|------------------|------------------|
|                                    | <b>Provision</b> | <b>Provision</b> |
|                                    | <b>Made</b>      | <b>Made</b>      |
|                                    | <b>£</b>         | <b>£</b>         |
| Corporation Tax deferred by        |                  |                  |
| Capital Allowances                 | 15,000           | 63,136           |
| Unrelieved Advance Corporation Tax | (15,000)         | (41,896)         |
|                                    | <hr/>            | <hr/>            |
|                                    | -                | 21,240           |
|                                    | <hr/>            | <hr/>            |

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 1996****19. CALLED UP SHARE CAPITAL**

|                                   | 1996<br>£ | 1995<br>£ |
|-----------------------------------|-----------|-----------|
| 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<br>£ | COMPANY<br>£ |
|----------------------------|------------|--------------|
| At 1 January 1996          | 3,283,143  | 3,218,688    |
| Retained Profit for Period | 295,107    | 295,710      |
|                            | <hr/>      | <hr/>        |
| At 31 December 1996        | 3,578,250  | 3,514,398    |
|                            | <hr/>      | <hr/>        |

**21. MOVEMENT ON SHAREHOLDERS' FUNDS**

|                                     | GROUP     |           | COMPANY   |           |
|-------------------------------------|-----------|-----------|-----------|-----------|
|                                     | 1996<br>£ | 1995<br>£ | 1996<br>£ | 1995<br>£ |
| Profit for the Year                 | 685,441   | 872,555   | 686,044   | 808,100   |
| Less: Dividends                     | 390,334   | 460,084   | 390,334   | 460,084   |
|                                     | <hr/>     | <hr/>     | <hr/>     | <hr/>     |
| Net addition to Shareholders' Funds | 295,107   | 412,471   | 295,710   | 348,016   |
| Opening Shareholders' Funds         | 3,303,143 | 2,890,672 | 3,238,688 | 2,890,672 |
|                                     | <hr/>     | <hr/>     | <hr/>     | <hr/>     |
| Closing Shareholders' Funds         | 3,598,250 | 3,303,143 | 3,534,398 | 3,238,688 |
|                                     | <hr/>     | <hr/>     | <hr/>     | <hr/>     |

**SATELCOM (U K) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 December 1996**

**22. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

|   | 1996<br>£           | 1995<br>£             |
|---|---------------------|-----------------------|
| Operating Profit                                      | 1,117,928           | 1,182,801             |
| Other Income  | 10,000              | 120,000               |
| Depreciation Charges                                  | 366,990             | 224,656               |
| (Profit)/Loss on disposal of<br>Tangible Fixed Assets | (7,833)             | 1,819                 |
| (Increase)/Decrease in Stocks                         | (390,689)           | 172,844               |
| (Increase) in Debtors                                 | (568,542)           | (158,870)             |
| Increase/(Decrease) in Creditors                      | 329,514             | (312,123)             |
|   | <hr/> 857,368 <hr/> | <hr/> 1,231,127 <hr/> |

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

|  | 1996<br>£     | 1995<br>£             |
|--|---------------|-----------------------|
| Cash consideration   | -             | 2,000,000             |
| Cash at bank and in hand acquired  | -             | (834,683)             |
| Net outflow of cash and cash equivalents in<br>respect of the purchase of subsidiary | <hr/> - <hr/> | <hr/> 1,165,317 <hr/> |

The subsidiary undertaking acquired during 1995 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.

**24. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

|                           | 1996<br>£ | 1995<br>£ |
|---------------------------|-----------|-----------|
| Balance as at 1 January   | 1,564,168 | 1,547,837 |
| Net Cash (Outflow)/Inflow | (932,687) | 16,331    |
|                           | <hr/>     | <hr/>     |
| Balance as at 31 December | 631,481   | 1,564,168 |
|                           | <hr/>     | <hr/>     |

The balance for cash and cash equivalents is shown in the Balance Sheet as "Cash at Bank and in Hand" £631,481 (1995 - £1,564,168).

**SATELCOM (U K) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 December 1996****25. HOLDING COMPANY**

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

**26. LEASING COMMITMENTS**

As at 31 December 1996, the Group had annual commitments under non-cancellable operating leases as follows:

|                            | Land & Buildings |         | Other   |         |
|----------------------------|------------------|---------|---------|---------|
|                            | 1996             | 1995    | 1996    | 1995    |
|                            | £                | £       | £       | £       |
| Expiry Date:               |                  |         |         |         |
| Within one year            | -                | -       | 71,761  | 123,753 |
| Between two and five years | 67,955           | 67,955  | 187,391 | 71,436  |
| More than five years       | 290,400          | 290,400 | -       | -       |

**27. RELATED PARTIES AND CONTROL RELATIONSHIPS**

During the year ended 31 December 1996 the following transactions took place between Satelcom (U K) Limited and Societe Anonyme De Telecommunications (SAT) and Euronis. All three Companies are members of Groupe SAGEM (note 25). SAT is also the 100% holding Company of Tregor Electronique which holds 10,197 shares in Satelcom (U K) Limited representing 50.985% of the Company's share capital. Three of SAT's Directors also hold one share each in Satelcom (U K) Limited thereby giving it a 51% controlling interest in Satelcom (U K) Limited.

|                                | £       |
|--------------------------------|---------|
| Sales to Group Companies       | 746,874 |
| Purchases from Group Companies | 306,505 |

As at the balance sheet date £32,397 was owed to SAT.