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VANGUARD
COMMUNICATIONS PLC.

Annual Report & Accounts

nineteen ninety-six

Chairman & Managing Director

The financial year under review has seen significant growth supported by a most encouraging improvement in profitability. The efforts of all concerned are to be applauded against the backdrop of such a fast-moving industry.

The industry's current perception is that the mobile phone market has reached its first stage of maturity. It is a time when we must focus our attention to retaining existing customers as well as seeking new business.

We at Vanguard are confident that our quality of after sales service will ensure we are up to the competition that lies ahead. It is indeed a compliment to have received Vodafone Plc's nomination as their "Distributor Of The Year 1996".

As we move forward, the increasing requirement for data over cellular products falls successfully in line with our existing IT infrastructure. Further substantial investment in this area will be implemented during the new financial year with ISDN links established with our retailers.

While we will not divert far from core activities, I am pleased to report our own Research and Development has produced several competitive products. Having successfully obtained Welsh Development Agency "Innovation" grant aid during previous years, our latest Global Positioning Satellite (GPS) system is generating an impressive amount of commercial interest.

With the four mobile phone networks continuing to battle for supremacy, I believe our experienced management team are extremely well placed to benefit from the increased level of public awareness generated.

I look forward to the commercial challenges that lie ahead and feel confident that as the marketplace becomes ever more sophisticated in its needs, Vanguard will remain at the forefront of cellular distribution.

Financial Director

It is pleasing to report further profit growth achieved in line with forecast. While the increase in turnover to £4,702,886 recognises our scheduled growth, it is particularly pleasing to note the control of overheads, thus maintaining profit margins.

During the year under review we have made excellent progress with our core activity, that of wholesale distribution. Our distribution operation now supplies over two hundred independent High Street retailers supported by our on line dealer support team.

With the added support of Service Repair Centre status, wholesale clients are able to enjoy the benefit of our repair service. With approval from many of the major manufacturers, the growth in our service centre has largely mirrored the wholesale growth.

Moreover, the increasing change from analogue to digital handsets has led to our investment in the latest GSM test equipment which has already facilitated an increase in repair output.

Our own retail division has seen continued growth with the latest addition of our new Queensferry outlet taking the current total to four. It is anticipated that further additions will be sought in due course, with one potential site already under consideration.

As we embark upon the Investors In People accreditation, an ongoing commitment to our hard working colleagues coupled with significant IT investment should ensure we are able to uphold our objective of "Quality of Service with Economy of Price".

Operating in an ever more competitive industry, it is our aim to continue our expansion while further improving profitability. With financial stability already established, I believe we are well placed to further enhance the performance and progress already achieved.

Report of the Directors and

Financial Statements

For The Year Ended 30 June 1996

for

Vanguard Communications Plc

Vanguard Communications Plc

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For The Year Ended 30 June 1996

Vanguard Communications Plc

Company Information
For The Year Ended 30 June 1996

DIRECTORS:	J A Sutherland	Chairman & Managing Director
	P Maddocks	Financial Director
	M E Sutherland	

SECRETARY: P. Maddocks

REGISTERED OFFICE:
Communications House
76 Wellington Road
Rhyl
Denbighshire
LL18 1LA

REGISTERED NUMBER: 2724392 (England and Wales)

AUDITOR:
Kenneth Taylor
Registered Auditor
Certified Accountant
49 Leadbrook Drive
Oakenholt
Flintshire
CH6 5ST

Vanguard Communications Plc

Report of the Directors
For The Year Ended 30 June 1996

The directors present their report with the financial statements of the company for the year ended 30 June 1996.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of wholesale distribution, retail and repair of mobile telephones.

REVIEW OF BUSINESS
The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS
No interim dividends were paid during the year ended 30 June 1996.

The directors recommend final dividends per share as follows:

Ordinary £1.00 shares	£2.72
Ordinary a £1.00 shares	NIL
Ordinary b £1.00 shares	£5000.00

The total distribution of dividends for the year ended 30 June 1996 will be £39,000.

DIRECTORS
The directors during the year under review were:

J A Sutherland
P Maddocks
Mrs M E Sutherland

The beneficial interests of the directors holding office on 30 June 1996 in the issued share capital of the company were as follows:

	30.6.96	**1.7.95**
Ordinary £1.00 shares		
J A Sutherland	12,501	12,501
P Maddocks	-	-
Mrs M E Sutherland	1	1
Ordinary a £1.00 shares		
J A Sutherland	1	1
P Maddocks	-	-
Mrs M E Sutherland	-	-
Ordinary b £1.00 shares		
J A Sutherland	-	-
P Maddocks	1	1
Mrs M E Sutherland	-	-

Report of the Directors
For The Year Ended 30 June 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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITOR

The auditor, Kenneth Taylor, will be proposed for re-appointment in accordance with Section 385A of the Companies Act 1985.

ON BEHALF OF THE BOARD:

P. Maddocks - SECRETARY P. Maddocks

Dated: 25 September 1996

Report of the Auditor to the Shareholders of Vanguard Communications Plc

I have audited the financial statements on pages five to fifteen which have been prepared under the historical cost convention and the accounting policies set out on page ten.

Respective responsibilities of directors and auditor
As described on page three the company's directors are responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion
I conducted my 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In my opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kenneth Taylor

Kenneth Taylor
Registered Auditor
Certified Accountant
49 Leadbrook Drive
Oakenholt
Flintshire
CH6 5ST

Dated: 25 September 1996

Vanguard Communications Plc

Profit and Loss Account
For The Year Ended 30 June 1996

	Notes	1996 £	1995 £
TURNOVER	2	4,702,886	2,526,593
Cost of sales		3,784,927	2,108,965
GROSS PROFIT		917,959	417,628
Administrative expenses		640,907	268,623
OPERATING PROFIT	4	277,052	149,005
Interest receivable and similar income	5	5,599	1,577
		282,651	150,582
Interest payable and similar charges	6	26,863	10,465
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		255,788	140,117
Tax on profit on ordinary activities	7	62,997	34,614
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		192,791	105,503
Dividends	8	39,000	23,234
		153,791	82,269
Retained profit brought forward		156,318	74,049
RETAINED PROFIT CARRIED FORWARD		£310,109	£156,318

CONTINUING OPERATIONS
None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES
The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

Vanguard Communications Plc

Balance Sheet
30 June 1996

	Notes	1996 £	1996 £	1995 £	1995 £
FIXED ASSETS:					
Tangible assets	9		101,658		76,914
CURRENT ASSETS:					
Stocks	10	127,079		212,140	
Debtors	11	910,921		346,807	
Cash at bank and in hand		188,911		55,100	
		1,226,911		614,047	
CREDITORS: Amounts falling due within one year	12	827,916		292,211	
NET CURRENT ASSETS:			398,995		321,836
TOTAL ASSETS LESS CURRENT LIABILITIES:			500,653		398,750
CREDITORS: Amounts falling due after more than one year	13		178,040		229,928
			£322,613		£168,822
CAPITAL AND RESERVES:					
Called up share capital	17		12,504		12,504
Profit and loss account			310,109		156,318
Shareholders' funds	18		£322,613		£168,822

ON BEHALF OF THE BOARD:

J A Sutherland - DIRECTOR

Approved by the Board on 25 September 1996

The notes form part of these financial statements

Vanguard Communications Plc

Cash Flow Statement
For The Year Ended 30 June 1996

	1996		1995	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		342,727		(140,909)
Returns on investments and servicing of finance				
Interest received	5,599		1,577	
Interest paid	(23,724)		(7,365)	
Interest element of finance lease rentals payments	(3,139)		(3,100)	
Dividends paid	(39,000)		(23,552)	
Net cash outflow from returns on investments and servicing of finance		(60,264)		(32,440)
Taxation				
Corporation Tax paid	(30,179)		(29,366)	
Tax paid		(30,179)		(29,366)
Investing activities				
Purchase of tangible fixed assets	(41,602)		(57,428)	
Sale of tangible fixed assets	-		9,063	
Net cash outflow from investing activities		(41,602)		(48,365)
Net cash inflow/(outflow) before financing		210,682		(251,080)
Financing				
New loans taken out in year	-		273,794	
Loan repayments in year	(51,888)		-	
Net cash (outflow)/inflow from financing		(51,888)		273,794
Increase in cash and cash equivalents		£158,794		£22,714

The notes form part of these financial statements

Notes to the Cash Flow Statement
For The Year Ended 30 June 1996

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	1996 £	1995 £
Operating profit	277,052	149,005
Depreciation charges	16,858	10,499
Profit on sale of fixed assets	-	(2,295)
Decrease/(Increase) in stocks	85,061	(157,514)
Increase in debtors	(564,114)	(67,543)
Increase/(Decrease) in creditors	527,870	(73,061)
Net cash inflow/(outflow) from operating activities	342,727	(140,909)

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

Year ended 30 June 1996

	£
Balance at 1 July 1995	30,117
Net cash inflow	158,794
Balance at 30 June 1996	188,911

Year ended 30 June 1995

	£
Balance at 1 July 1994	7,403
Net cash inflow	22,714
Balance at 30 June 1995	30,117

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

Year ended 30 June 1996

	30.6.96 £	1.7.95 £	Change in year £
Cash at bank and in hand	188,911	55,100	133,811
Bank overdrafts	-	(24,983)	24,983
	188,911	30,117	158,794

The notes form part of these financial statements

Notes to the Cash Flow Statement
For The Year Ended 30 June 1996

Year ended 30 June 1995

	30.6.95	1.7.94	Change in year
	£	£	£
Cash at bank and in hand	55,100	7,403	47,697
Bank overdrafts	(24,983)	-	(24,983)
	30,117	7,403	22,714

4. **ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

Year ended 30 June 1996

	Loans
	£
Balance at 1 July 1995	282,983
Repayments	(51,888)
Balance at 30 June 1996	231,095

Year ended 30 June 1995

	Loans
	£
Balance at 1 July 1994	9,189
New loans	273,794
Balance at 30 June 1995	282,983

The notes form part of these financial statements

Notes to the Financial Statements
For The Year Ended 30 June 1996

1. ACCOUNTING POLICIES

Accounting convention
The financial statements have been prepared under the historical cost convention.

Turnover
Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance

Stocks
Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation
Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

3. STAFF COSTS

	1996	1995
	£	£
Wages and salaries	324,055	80,801

The average monthly number of employees during the year was as follows:

	1996	1995
	28	17

4. OPERATING PROFIT

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

	1996	1995
	£	£
Hire of plant and machinery	1,637	315
Depreciation - owned assets	16,858	7,450
Profit on disposal of fixed assets	-	(2,295)
Auditor's remuneration	3,000	4,000
Directors' emoluments	47,240	8,086

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1996	1995
	£	£
Deposit account interest	5,599	1,577

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1996	1995
	£	£
Bank loan interest	23,724	7,365
Hire purchase	3,139	3,100
	26,863	10,465

7. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

	1996	1995
	£	£
UK Corporation Tax	62,997	34,614

UK Corporation Tax has been charged at 24% (1995 - 25%).

8. DIVIDENDS

	1996	1995
	£	£
Equity shares:		
12,502 Ordinary shares of £1.00 each		
Final - ordinary shares	34,000	-
1 Ordinary a shares of £1.00 each		
Interim - Ordinary a	-	7,400
1 Ordinary b shares of £1.00 each		
Interim - Ordinary b	-	15,834
Final - ordinary b	5,000	-
	39,000	23,234

Notes to the Financial Statements
For The Year Ended 30 June 1996

9. TANGIBLE FIXED ASSETS

	Plant and machinery	Motor vehicles	Totals
	£	£	£
COST:			
At 1 July 1995	43,676	49,962	93,638
Additions	39,389	2,213	41,602
At 30 June 1996	83,065	52,175	135,240
DEPRECIATION:			
At 1 July 1995	10,147	6,577	16,724
Charge for year	7,260	9,598	16,858
At 30 June 1996	17,407	16,175	33,582
NET BOOK VALUE:			
At 30 June 1996	65,658	36,000	101,658
At 30 June 1995	33,529	43,385	76,914

10. STOCKS

	1996	1995
	£	£
Stock	127,079	212,140

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996	1995
	£	£
Trade debtors	891,918	309,377
Other debtors	1,000	19,930
Prepayments & accrued income	18,003	17,500
	910,921	346,807

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank loans and overdrafts (see note 14)	53,056	78,039
Hire purchase and finance leases (see note 15)	10,000	10,000
Trade creditors	652,483	157,285
V.A.T.	34,086	-
Social security & other taxes	11,274	4,861
Taxation	62,997	30,179
Accrued expenses	4,020	11,847
	827,916	292,211

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
Bank loans (see note 14)	159,908	196,945
Hire purchase and finance leases (see note 15)	18,132	32,983
	178,040	229,928

14. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	1996 £	1995 £
Amounts falling due within one year or on demand:		
Bank overdrafts	-	24,983
Bank loans	53,056	53,056
	53,056	78,039
Amounts falling due between one and two years:		
Bank loans	53,056	53,056
Amounts falling due between two and five years:		
Bank loans	106,852	143,889

15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts 1996 £	1995 £
Gross obligations repayable:		
Within one year	11,039	11,039
Between one and five years	19,672	36,218
	30,711	47,257
Finance charges repayable:		
Within one year	1,039	1,039
Between one and five years	1,540	3,235
	2,579	4,274
Net obligations repayable:		
Within one year	10,000	10,000
Between one and five years	18,132	32,983
	28,132	42,983

16. SECURED DEBTS

The following secured debts are included within creditors:

	1996 £	1995 £
Bank overdrafts	-	24,983
Bank loans	212,964	250,001
	212,964	274,984

The bank loans are secured by a debenture.

17. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	1996 £	1995 £
49,998	Ordinary	£1.00	49,998	49,998
1	Ordinary a	£1.00	1	1
1	Ordinary b	£1.00	1	1
			50,000	50,000

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	1996 £	1995 £
12,502	Ordinary	£1.00	12,502	12,502
1	Ordinary a	£1.00	1	1
1	Ordinary b	£1.00	1	1
			12,504	12,504

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit for the financial year	192,791	105,503
Dividends	(39,000)	(23,234)
NET ADDITION TO SHAREHOLDERS' FUNDS	153,791	82,269
Opening shareholders' funds	168,822	86,553
CLOSING SHAREHOLDERS' FUNDS	322,613	168,822
Equity interests	322,613	168,822