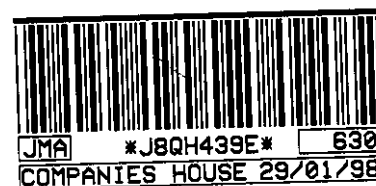


# Vanguard Communications Plc

## Report and Accounts

30 June 1997

*Registered No. 2724392*



# Vanguard Communications Plc

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Registered No. 2724392

## **DIRECTORS**

J A Sutherland	Chairman and Managing Director
P Maddocks	Financial Director
M E Sutherland	
N L Wilson	

## **SECRETARY**

P Maddocks

## **AUDITORS**

Ernst & Young  
Silkhouse Court  
Tithebarn Street  
Liverpool  
L2 2LE

## **BANKERS**

Barclays Bank Plc  
Corporate Banking Centre  
Egerton House  
Rhosddu Road  
Wrexham  
LL11 1EQ

## **SOLICITORS**

Dibb Lupton Alsop  
India Buildings  
Water Street  
Liverpool  
L2 0NH

## **REGISTERED OFFICE**

Communications House  
76 Wellington Road  
Rhyl  
Denbighshire  
LL18 1LA

# Vanguard Communications Plc

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## CHAIRMAN'S REPORT

The financial year ended 30 June 1997 has, as we anticipated, presented a strong challenge to maintain and enhance our growing reputation within the cellular industry.

It is my belief that our diverse range of activities within our sector coupled with continued and increasing commitment to our Research and Development programme has ensured that we have responded to the challenge and can be justifiably proud of our performance.

Once again, our efforts were rewarded by Vodafone's nomination as Distributor of the Year and further recognised by the industry journal Mobile News with their Certificate of Commendation.

In the case of Research and Development, our increased effort has resulted in the launch of CELLTRACK, our latest Global Positioning Satellite Tracking System. It should be noted that expenses incurred during the year under review are reflected within our increased overheads, however, the anticipated return is expected to justify this considerable investment.

Throughout the year, we have continued our search to relocate our existing Head Office and we enter the new financial year with the probability of having found a prestigious Head Office complex to suitably reflect the stature of Vanguard Communications Plc.

Finally, I would like to express my appreciation of the continued dedication and support of my colleagues who have once again produced a performance to be proud of and I look forward to the year ahead, confident that we have the ability to further realise our exciting potential.

FINANCIAL DIRECTOR'S REPORT

The year ending 30 June 1997 has seen a further substantial increase in turnover to £8,096,861 as we strive to keep pace with the rapidly expanding cellular industry.

Success achieved within the high volume wholesale trade market has inevitably impacted upon margins while our latest Research and Development product, CELLTRACK has incurred considerable expense leading to its official launch.

Ongoing investment in our Service Repair Centre has maintained our status as one of the largest authorised Ericsson Service Centres in the UK. In addition, our successful authorised Nokia status ensures we are able to directly support both market leaders.

It is our intention to further develop our Service Repair Operation and we have recently embarked upon discussions of expansion both within the UK and internationally. We intend to improve upon our impressive list of manufacturers' authorised status in line with consumer demand.

Our Retail Division continued to lead with strong margin and has benefited from improved focus and additional resources. We intend to improve our marketing activity and local brand awareness, having acquired a new outlet in Warrington, due to open during the first quarter of the new financial year.

The appointment of our new auditors, Ernst & Young has proved a successful transition and I record my appreciation for the manner in which the transfer has been processed.

We look forward to the great challenges offered by the new financial year and must be sure to recognise and seize every opportunity to increase our market share.

# Vanguard Communications Plc

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 June 1997.

### RESULT AND DIVIDENDS

The profit for the year, after taxation, amounted to £215,573 (1996: £192,791).

No interim dividends were paid during the year ended 30 June 1997.

The directors recommend final dividends per share as follows:

Ordinary £1.00 shares	Nil
Ordinary a £1.00 shares	£15,000
Ordinary b £1.00 shares	£10,000

The total distribution of dividends for the year ended 30 June 1997 will be £25,000.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is wholesale distribution, retail and repair of mobile telephones.

### FIXED ASSETS

Changes in fixed assets during the year are set out in the notes to the accounts.

### RESEARCH AND DEVELOPMENT

The company's activities include the development of new products and services in the area of telecommunications.

### SUPPLIER PAYMENT POLICY

It is the company's policy to establish terms of payment with suppliers when agreeing each transaction or series of transactions, to ensure that suppliers are aware of these terms of payment and to abide by them.

At the year end, the company had an average of 22 days purchases outstanding in trade creditors.

### DIRECTORS AND THEIR INTERESTS

The directors at 30 June 1997 and their interests in the share capital of the company were as follows:

		At 30 June 1997	At 1 July 1996 or subsequent date of appointment
J A Sutherland	Ordinary £1 shares	12,501	12,501
	Ordinary a £1 shares	1	1
Mrs M E Sutherland	Ordinary £1 shares	1	1
P Maddocks	Ordinary b £1 shares	1	1
N L Wilson (appointed 23 December 1996)		-	-

# Vanguard Communications Plc

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## DIRECTORS' REPORT

### AUDITORS

During the year the previous auditor resigned and Ernst & Young were appointed in their place.

In accordance with Section 385 of the Companies Act 1985, a resolution for reappointment of Ernst & Young as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Secretary

*P. Maddock*

Date 27/1/98.

## Vanguard Communications Plc

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company Law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose the reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act. 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.

**REPORT OF THE AUDITORS**  
**to the members of Vanguard Communications Plc**

We have audited the accounts on pages 8 to 19, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 11.

**Respective responsibilities of directors and auditors**

As described on page 6 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

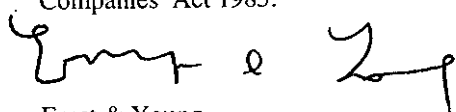
**Basis of opinion**

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
Liverpool

Date 28 January 1998



# Vanguard Communications Plc

## PROFIT AND LOSS ACCOUNT for the year ended 30 June 1997

	Notes	1997 £	1996 £
<b>TURNOVER</b>	2	8,096,861	4,702,886
Cost of sales		6,843,163	3,784,927
<b>GROSS PROFIT</b>		1,253,698	917,959
Research and development		59,071	37,023
Administrative expenses		907,897	603,884
<b>OPERATING PROFIT</b>	4	286,730	277,052
Interest receivable	7	23,855	5,599
Interest payable	8	22,035	26,863
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		288,550	255,788
Taxation	9	72,977	62,997
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		215,573	192,791
Dividends	10	25,000	39,000
<b>RETAINED PROFIT FOR THE YEAR</b>		190,573	153,791

### STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the retained profit for the financial year.


# Vanguard Communications Plc

## BALANCE SHEET at 30 June 1997

	Notes	1997 £	1996 £
<b>FIXED ASSETS</b>			
Tangible assets	11	198,436	101,658
<b>CURRENT ASSETS</b>			
Stocks	12	107,477	127,079
Debtors	13	732,400	920,671
Cash at bank and in hand		474,009	188,911
		<u>1,313,886</u>	<u>1,236,661</u>
<b>CREDITORS: amounts falling due within one year</b>	14	897,285	837,666
		<u>416,601</u>	<u>398,995</u>
<b>NET CURRENT ASSETS</b>			
		<u>643,014</u>	<u>500,653</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>CREDITORS: amounts falling due after more than one year</b>	15	101,851	178,040
		<u>513,186</u>	<u>322,613</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	12,504	12,504
Profit and loss account	20	500,682	310,109
		<u>513,186</u>	<u>322,613</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			

Approved by the board on 27/1/98.

Director



# Vanguard Communications Plc

## CASH FLOW STATEMENT

for the year ended 30 June 1997

	Notes	1997 £	1996 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	5a)	569,796	342,727
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest paid		(19,456)	(23,724)
Interest element of finance lease payments		(2,579)	(3,139)
Interest received		23,855	5,599
<b>NET CASH IN/(OUT) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		1,820	(21,264)
<b>TAXATION</b>			
Corporation tax paid		(62,997)	(30,179)
<b>TAX PAID</b>		(62,997)	(30,179)
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets		(178,919)	(41,602)
Receipts from sales of tangible fixed assets		38,987	-
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		(139,932)	(41,602)
<b>NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		368,787	249,682
<b>EQUITY DIVIDENDS PAID</b>		-	(39,000)
<b>CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		368,787	210,682
<b>FINANCING</b>			
Debt due within one year:			
Repayment of secured loan		(55,557)	(37,037)
	5 c)	(55,557)	(37,037)
Repayment of capital element of hire purchase agreements	5 c)	(28,132)	(14,851)
<b>NET CASH OUTFLOW FROM FINANCING</b>		(83,689)	(51,888)
<b>INCREASE IN CASH</b>		285,098	158,794

# Vanguard Communications Plc

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## NOTES TO THE ACCOUNTS

for the year ended 30 June 1997

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

#### *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 are stated at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items.

#### *Deferred taxation*

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated the tax will be payable.

#### *Leasing and hire purchase commitments*

Assets obtained under finance lease and hire purchase agreements are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

#### *Capital instruments*

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

#### *Research and development*

Research and development expenditure is written off as incurred.

### 2. TURNOVER

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

The turnover and profit before taxation are attributable to the one principal activity of the company being wholesale distribution, retail and repair of mobile telephones, and all arises in the United Kingdom.

# Vanguard Communications Plc

## NOTES TO THE ACCOUNTS

for the year ended 30 June 1997

### 3. STAFF COSTS

	1997 £	1996 £
Wages and salaries	534,974	292,287
Social security costs	48,120	31,765
	<u>583,094</u>	<u>324,052</u>

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

	1997 No	1996 No
Sales and support services	22	18
Administration	16	10
	<u>38</u>	<u>28</u>

### 4. OPERATING PROFIT

The operating profit is stated after charging:

	1997 £	1996 £
Auditor's remuneration	10,000	3,000
Hire of plant and machinery	2,169	1,637
Depreciation - owned assets	41,313	16,858
Research and development	59,071	37,023
Loss on disposal of fixed assets	1,741	-
	<u>104,294</u>	<u>58,518</u>

### 5a) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1997 £	1996 £
Operating profit	286,730	277,052
Depreciation and amortisation	41,313	16,858
Loss on sale of fixed assets	1,741	-
Decrease in stocks	19,602	85,061
Decrease/(increase) in debtors	181,794	(564,114)
Increase in creditors	38,616	527,870
	<u>569,796</u>	<u>342,727</u>

# Vanguard Communications Plc

## NOTES TO THE ACCOUNTS

for the year ended 30 June 1997

### 5b) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997 £	1996 £
Increase in cash in the period	285,098	158,794
Cash inflow from increase in debt and lease financing	83,689	51,888
Change in net debt arising from cash inflows	368,787	210,682
Net debt at 1 July	(52,185)	(262,867)
Net debt at 30 June	316,602	(52,185)

### 5c) ANALYSIS OF NET DEBT

	1996 £	Cash flow £	Reclassification £	1997 £
Cash	188,911	285,098	-	474,009
	188,911	285,098	-	474,009
Debt due within one year	(53,056)	55,557	(58,057)	(55,556)
Debt due after more than one year	(159,908)	-	58,057	(101,851)
Finance lease obligations	(28,132)	28,132	-	-
	(241,096)	83,689	-	(157,407)
	(52,185)	368,787	-	316,602

### 6. DIRECTORS' REMUNERATION

	1997 £	1996 £
Fees	-	-
Other emoluments	149,928	40,768
Pension contributions	-	-
	149,928	40,768

# Vanguard Communications Plc

## NOTES TO THE ACCOUNTS

for the year ended 30 June 1997

### 7. INTEREST RECEIVABLE

	1997 £	1996 £
Bank interest	23,855	5,599

### 8. INTEREST PAYABLE

	1997 £	1996 £
Bank loan interest	19,456	23,724
Hire purchase	2,579	3,139
	22,035	26,863

### 9. TAXATION

	1997 £	1996 £
Corporation tax on profit on ordinary activities at 21% (1996: 24%)	70,000	62,997
Deferred taxation (note 18)	2,977	-
	72,977	62,997

### 10. DIVIDENDS

	1997 £	1996 £
Equity dividends on ordinary shares:		
Final - ordinary shares of £1.00 each	-	34,000
Final - ordinary a shares of £1.00 each	15,000	5,000
Final - ordinary b shares of £1.00 each	10,000	5,000
	25,000	39,000

# Vanguard Communications Plc

## NOTES TO THE ACCOUNTS for the year ended 30 June 1997

### 11. TANGIBLE FIXED ASSETS

	<i>Plant and machinery £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Cost or valuation:			
At 1 July 1996	83,065	52,175	135,240
Additions	67,252	111,567	178,819
Disposals	(8,143)	(52,175)	(60,318)
At 30 June 1997	142,174	111,567	253,741
Depreciation:			
At 1 July 1996	17,407	16,175	33,582
Charge for year	22,134	19,179	41,313
Disposals	(1,083)	(18,507)	(19,590)
At 30 June 1997	38,458	16,847	55,305
Net book amount:			
At 30 June 1997	103,716	94,720	198,436
At 30 June 1996	65,658	36,000	101,658

### 12. STOCKS

	<i>1997 £</i>	<i>1996 £</i>
Stock	107,477	127,079

### 13. DEBTORS

	<i>1997 £</i>	<i>1996 £</i>
Trade debtors	685,956	891,918
Other debtors	22,717	1,000
ACT recoverable	3,273	9,750
Prepayments and accrued income	20,454	18,003
	732,400	920,671



# Vanguard Communications Plc

## NOTES TO THE ACCOUNTS for the year ended 30 June 1997

### 14. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Bank loans and overdraft (see note 16)	55,556	53,056
Obligations under finance leases and hire purchase contracts (see note 17)	-	10,000
Trade creditors	334,464	398,304
Corporation tax	70,000	62,997
ACT payable	6,250	9,750
Other taxation and social security costs	26,886	45,360
Other creditors	512	4,020
Directors current accounts	-	26,150
Accruals	378,617	232,049
Proposed dividends	25,000	-
	<u>897,285</u>	<u>837,666</u>

### 15. CREDITORS: amounts falling due after more than one year

	1997 £	1996 £
Bank loans (see note 6)	101,851	159,908
Obligations under finance leases and hire purchase contracts (see note 17)	-	18,132
	<u>101,851</u>	<u>178,040</u>

### 16. LOANS

	1997 £	1996 £
Bank loan wholly repayable within five years	157,407	212,964
Less: included in creditors falling due within one year	55,556	53,056
	<u>101,851</u>	<u>159,908</u>
Amounts repayable:		
Between one and two years	55,556	53,056
Between two and five years	46,295	106,852
	<u>101,851</u>	<u>159,908</u>

NOTES TO THE ACCOUNTS  
for the year ended 30 June 1997

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1997	1996
	£	£
Within one year	-	11,039
In the second to fifth years	-	19,672
	-	30,711
Less finance charges allocated to future years	-	2,579
	-	28,132
Analysed as follows:		
Current liabilities	-	10,000
Due after more than one year	-	18,132
	-	28,132

18. DEFERRED TAXATION

Deferred taxation provided in the accounts and amounts not provided are as follows:

	Provision 1997	Potential liability 1997	Provision 1996	Potential liability 1996
	£	£	£	£
Capital allowances in advance of depreciation	2,977	-	-	2,295
Other timing differences	-	-	-	-
	2,977	-	-	2,295
Less: advance corporation tax	(2,977)	-	-	-
	-	-	-	2,295

The potential liability is based on a corporation tax rate of 21% (1996:24%).

The movement in deferred taxation during the current and previous years are as follows:

	1997	1996
	£	£
At 1 July 1996	-	-
Charge for the year (see note 8)	2,977	-
Movement in advance corporation tax	(2,977)	-
	-	-
At 30 June 1997	-	-

# Vanguard Communications Plc

## NOTES TO THE ACCOUNTS for the year ended 30 June 1997

### 19. CALLED UP SHARE CAPITAL

	<i>Authorised</i>			
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1.00 each	49,998	49,998	49,998	49,998
Ordinary a shares of £1.00 each	1	1	1	1
Ordinary b shares of £1.00 each	1	1	1	1
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

	<i>Allotted, called up and fully paid</i>			
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1.00 each	12,502	12,502	12,502	12,502
Ordinary a shares of £1.00 each	1	1	1	1
Ordinary b shares of £1.00 each	1	1	1	1
	<u>12,504</u>	<u>12,504</u>	<u>12,504</u>	<u>12,504</u>

### 20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 July 1995	12,504	156,318	168,822
Profit for the year	-	192,791	192,791
Dividends	-	(39,000)	(39,000)
	<u>12,504</u>	<u>310,109</u>	<u>322,613</u>
At 1 July 1996	12,504	310,109	322,613
Profit for the year	-	215,573	215,573
Dividends	-	(25,000)	-
	<u>12,504</u>	<u>500,682</u>	<u>538,186</u>

# Vanguard Communications Plc

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## NOTES TO THE ACCOUNTS

for the year ended 30 June 1997

### 21. RELATED PARTY TRANSACTIONS

Included in 'Other Debtors' is a loan to a director, J A Sutherland.

	1997	1996
	£	£
Amount outstanding at 30 June	14,717	-

The maximum amount outstanding during the year was £14,717 (1996:£12,851).

During the year the company paid rent amounting to £12,500 to Telecommunication Consultants of which J A Sutherland is a partner. The company also purchased fixtures and fittings amounting to £17,000 from Telecommunication Consultants.