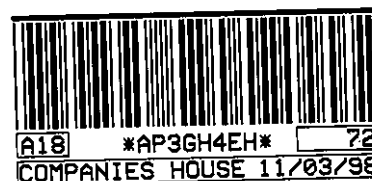


# Opt-Tel Systems Management Limited

## FINANCIAL STATEMENTS

for the year ended

31 August 1997



Company Registration No. 2906057

# **Opt-Tel Systems Management Limited**

DIRECTORS AND OFFICERS

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## DIRECTORS

G R Bell  
D E Kimber  
J Leask

## SECRETARY

G R Bell

## COMPANY NUMBER

2906057

## REGISTERED OFFICE

2 Bloomsbury Street  
London  
WC1B 3ST

## AUDITORS

Baker Tilly  
Chartered Accountants  
Iveco Ford House  
Station Road  
Watford  
Herts  
WD1 1TG

# Opt-Tel Systems Management Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of Opt-Tel Systems Management Limited for the year ended 31 August 1997.

### PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the sale of telecommunications equipment and the supply of specialist technical engineering and field operations telecommunications labour.

### REVIEW OF THE BUSINESS

The results for the year were satisfactory.

### RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £677,814.

A dividend of £640,000 was paid during the year, leaving £37,814 to be transferred to reserves.

### DIRECTORS

The following directors have held office since 1 September 1996:-

D E Kimber

G R Bell

J Leask

M J Snaith

(resigned 9.10.96)

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors have no interest in the shares of the company.

### FIXED ASSETS

The significant changes in fixed assets during the year are explained in note 10 to the financial statements.

### POST BALANCE SHEET EVENTS

On 30 September 1997 the issued share capital of the company was transferred to Opt-Tel Holdings Limited at par.

### CHARITABLE DONATIONS

£500 was donated during the year to a charity.

### AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board

G R Bell

Secretary

6.3.98



# **Opt-Tel Systems Management Limited**

## **DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS**

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Company law requires 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, directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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.

## AUDITORS' REPORT TO THE MEMBERS OF OPT-TEL SYSTEMS MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 15.

### **Respective responsibilities of directors and auditors**

As described on page 3 the company'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 of 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 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 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 company's affairs at 31 August 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY

Chartered Accountants  
Iveco Ford House  
Station Road  
Watford  
Herts  
WD1 1TG

9.3.98

# Opt-Tel Systems Management Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 August 1997

|   | Notes | 1997<br>£ | 1996<br>£ |
|---|-------|-----------|-----------|
| TURNOVER                                      | 1     | 6,910,756 | 3,297,134 |
| Cost of Sales                                 |       | 2,053,077 | 2,421,483 |
| Gross profit                                  |       | 4,857,679 | 875,651   |
| Other operating expenses (net)                | 2     | 3,914,192 | 630,850   |
| OPERATING PROFIT                              |       | 943,487   | 244,801   |
| Investment income                             | 3     | 50,000    | -         |
|   |       | 993,487   | 244,801   |
| Interest payable and similar charges          | 4     | 45        | 2         |
| Other interest receivable and similar income  | 5     | 21,496    | 372       |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 6     | 1,014,938 | 245,171   |
| Taxation                                      | 8     | 337,124   | 77,079    |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION  |       | 677,814   | 168,092   |
| Dividends                                     | 9     | (640,000) | -         |
| RETAINED PROFIT IN YEAR                       | 16    | £37,814   | £168,092  |

The operating profit for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

# Opt-Tel Systems Management Limited

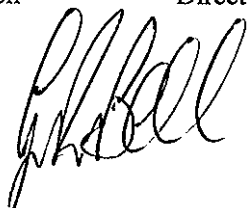
## BALANCE SHEET

31 August 1997

|  | Notes | 1997<br>£ | 1996<br>£ |
|--|-------|-----------|-----------|
| <b>FIXED ASSETS</b>                            |       |           |           |
| Tangible assets                                | 10    | 148,715   | 31,586    |
| Investments                                    | 11    | 2         | 2         |
|  |       | <hr/>     | <hr/>     |
|  |       | 148,717   | 31,588    |
|  |       | <hr/>     | <hr/>     |
| <b>CURRENT ASSETS</b>                          |       |           |           |
| Stocks   | 12    | 232,702   | 176,038   |
| Debtors  | 13    | 600,793   | 530,757   |
| Cash at bank and in hand                       |       | 1,442,936 | 146,774   |
|  |       | <hr/>     | <hr/>     |
|  |       | 2,276,431 | 853,569   |
|  |       | <hr/>     | <hr/>     |
| CREDITORS: Amounts falling due within one year | 14    | 2,162,402 | 660,225   |
|  |       | <hr/>     | <hr/>     |
| NET CURRENT ASSETS                             |       | 114,029   | 193,344   |
|  |       | <hr/>     | <hr/>     |
| TOTAL ASSETS LESS CURRENT LIABILITIES          |       | £262,746  | £224,932  |
|  |       | <hr/>     | <hr/>     |
| <b>CAPITAL AND RESERVES</b>                    |       |           |           |
| Called up share capital                        | 15    | 2         | 2         |
| Profit and loss account                        | 16    | 262,744   | 224,930   |
|  |       | <hr/>     | <hr/>     |
| EQUITY SHAREHOLDERS' FUNDS                     | 17    | £262,746  | £224,932  |
|  |       | <hr/>     | <hr/>     |
| Approved by the board on 6th Nov 1998          |       |           |           |

G R Bell

Director



# Opt-Tel Systems Management Limited

## CASH FLOW STATEMENT

for the year ended 31 August 1997

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|   | Notes | 1997<br>£         | 1996<br>£       |
|---|-------|-------------------|-----------------|
| Cash flow from operating activities             | 3     | 2,258,191         | 177,160         |
| Returns on investments and servicing of finance | 4     | 61,451            | 370             |
| Taxation  |       | (227,124)         | (18,945)        |
| Capital expenditure                             | 4     | (156,356)         | (31,797)        |
| Equity dividends paid                           |       | (640,000)         | -               |
| INCREASE IN CASH IN THE YEAR                    | 1,2   | <u>£1,296,162</u> | <u>£126,788</u> |

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# Opt-Tel Systems Management Limited

## CASH FLOW STATEMENT

for the year ended 31 August 1997

### NOTES TO CASH FLOW STATEMENT

|  | 1997<br>£  | 1996<br>£ |
|--|------------|-----------|
| <b>1 Reconciliation of Net Cash Flow to Movements in Net Funds</b> |            |           |
| Increase in cash in the period                                     | 1,296,162  | 126,788   |
| Change in net funds resulting from cash flows                      | 1,296,162  | 126,788   |
| Net Funds at 1 September 1996                                      | 146,774    | 19,986    |
| Net Funds at 31 August 1997  | £1,442,936 | £146,774  |

### 2 Movement in Net Funds in the Period

|                        | At 1.9.96 | Cashflow  | At 31.8.97 |
|------------------------|-----------|-----------|------------|
| Cash (at bank) in hand | 146,774   | 1,296,162 | 1,442,936  |

### 3 Reconciliation of operating profit to net cash inflow from operating activities

|  |                   |                  |
|--|-------------------|------------------|
| Operating Profit                               | 943,487           | 224,801          |
| Depreciation                                   | 39,327            | 211              |
| Profit on sale of fixed assets                 | (100)             | -                |
| Increase in stocks                             | (56,664)          | (176,038)        |
| Increase in debtors                            | (70,036)          | (402,206)        |
| Increase in creditors                          | 1,402,177         | 530,392          |
| <b>Net cash flow from operating activities</b> | <b>£2,258,191</b> | <b>£ 177,160</b> |

|  |           |           |
|--|-----------|-----------|
|  | 1997<br>£ | 1996<br>£ |
|--|-----------|-----------|

### 4 Analysis of cash flows for headings netted in the cash flow

#### Returns on investments and servicing of finance

|                    |        |     |
|--------------------|--------|-----|
| Interest received  | 21,496 | 372 |
| Interest paid      | (45)   | (2) |
| Dividends received | 40,000 | -   |

|   |               |            |
|---|---------------|------------|
| <b>Net cash flow for returns on investment and servicing of finance</b> | <b>61,451</b> | <b>370</b> |
|---|---------------|------------|

|  |           |          |
|--|-----------|----------|
| Capital expenditure and financial investment | (156,955) | (31,797) |
| Sale of plant and machinery                  | 599       | -        |

|  |                   |                  |
|--|-------------------|------------------|
| <b>Net cash outflow for capital expenditure and financial investment</b> | <b>£(156,356)</b> | <b>£(31,797)</b> |
|--|-------------------|------------------|

# Opt-Tel Systems Management Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, on a going concern basis.

### DEFERRED TAXATION

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

### PENSIONS CONTRIBUTIONS

The company has charged pension contributions made to personal pension schemes directly to the Profit and Loss account as incurred.

### TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

|                       |                    |
|-----------------------|--------------------|
| Plant and equipment   | 33⅓% straight line |
| Fixtures and fittings | 25% straight line  |

### STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling prices less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving items.

### LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements this give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All the leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

# Opt-Tel Systems Management Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1997

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1. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity. Sales were made in the following geographical markets:

|                | 1997      | 1996      |
|----------------|-----------|-----------|
|                | £         | £         |
| United Kingdom | 6,804,826 | 2,775,186 |
| Europe         | 105,930   | 521,948   |

---

|  |            |            |
|--|------------|------------|
|  | £6,910,756 | £3,297,134 |
|--|------------|------------|

---

2. OTHER OPERATING EXPENSES (NET)

|                         | 1997       | 1996     |
|-------------------------|------------|----------|
|                         | £          | £        |
| Administration expenses | £3,914,192 | £630,850 |

3. INVESTMENT INCOME

Income from fixed asset investments:  
Unlisted

|  |         |      |
|--|---------|------|
|  | 1997    | 1996 |
|  | £       | £    |
|  | £50,000 | £-   |

4. INTEREST PAYABLE

On bank loans, overdrafts and other loans repayable within 5 years

|  |      |      |
|--|------|------|
|  | 1997 | 1996 |
|  | £    | £    |
|  | £45  | £2   |

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable

|  |         |      |
|--|---------|------|
|  | 1997    | 1996 |
|  | £       | £    |
|  | £21,496 | £372 |

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# Opt-Tel Systems Management Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1997

|    |   |             |             |
|----|---|-------------|-------------|
| 6. | PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION   | 1997<br>£   | 1996<br>£   |
|    | Profit on ordinary activities before taxation is stated after charging/(crediting):                         |             |             |
|    | Depreciation and amounts written off tangible fixed assets:   |             |             |
|    | Charge for the year:  |             |             |
|    | owned assets  | 39,327      | 211         |
|    | Auditors' remuneration  | 13,062      | 4,000       |
|    | Hire of equipment   | 224,454     | -           |
|    | Profit on disposal  | (100)       | -           |
|    |   | <hr/>       | <hr/>       |
| 7. | EMPLOYEES   | 1997<br>No. | 1996<br>No. |
|    | The average monthly number of persons (including directors)<br>employed by the company during the year was: |             |             |
|    | Office and management   | 21          | 11          |
|    | Engineering   | 17          | 18          |
|    | Installation and maintenance  | 44          | 57          |
|    | Production and procurement  | 1           | 1           |
|    |   | <hr/>       | <hr/>       |
|    |   | 83          | 87          |
|    |   | <hr/>       | <hr/>       |
|    |   | 1997<br>£   | 1996<br>£   |
|    | Staff costs for the above persons:  |             |             |
|    | Wages and salaries  | 2,096,299   | 1,923,845   |
|    | Social security costs   | 182,102     | 193,771     |
|    | Other pension costs   | 120,907     | 19,190      |
|    |   | <hr/>       | <hr/>       |
|    |   | £2,399,308  | £2,136,806  |
|    |   | <hr/>       | <hr/>       |
|    | DIRECTORS' REMUNERATION   | 1997<br>£   | 1996<br>£   |
|    | Aggregate emoluments  | 198,834     | 256,286     |
|    | Company pension contributions to<br>money purchase schemes  | 7,367       | -           |
|    |   | <hr/>       | <hr/>       |
|    |   | £206,201    | £256,286    |
|    |   | <hr/>       | <hr/>       |

Retirement benefits are accruing to two directors under money purchase schemes.

# Opt-Tel Systems Management Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1997

|     |  |   |  |
|-----|--|---|--|
| 8.  | TAXATION                                     | 1997<br>£                               | 1996<br>£  |
|     | Based on the profit for the year:            |   |  |
|     | UK Corporation tax at 31% (1996 32.6%)       | 327,000                                 | 77,000   |
|     | Tax credit on dividend income                | 10,000                                  | -  |
|     | Under provision of taxation in previous year | 124                                     | 79   |
|     |  | <hr/>                                   | <hr/>  |
|     |  | £337,124                                | £77,079  |
|     |  | <hr/>                                   | <hr/>  |
| 9.  | DIVIDENDS                                    | 1997<br>£                               | 1996<br>£  |
|     | Dividends paid (£320,000 per share)          | £640,000                                | £ -  |
|     |  | <hr/>                                   | <hr/>  |
| 10. | TANGIBLE FIXED ASSETS                        |   |  |
|     |  | <i>Plant<br/>and<br/>machinery</i><br>£ | <i>Fixtures<br/>fittings,<br/>tools &amp;<br/>equipment</i><br>£ |
|     |  |   | <i>Total</i><br>£  |
|     | Cost or valuation                            | 31,797                                  | -  |
|     | Additions                                    | 138,057                                 | 18,898   |
|     | Disposals                                    | (599)                                   | -  |
|     |  | <hr/>                                   | <hr/>  |
|     | 31 August 1997                               | 169,255                                 | 18,898   |
|     |  | <hr/>                                   | <hr/>  |
|     | Depreciation                                 | 211                                     | -  |
|     | Charged in the year                          | 36,356                                  | 2,971  |
|     | Disposals                                    | (100)                                   | -  |
|     |  | <hr/>                                   | <hr/>  |
|     | 31 August 1997                               | 36,467                                  | 2,971  |
|     |  | <hr/>                                   | <hr/>  |
|     | Net book value                               |   |  |
|     | 31 August 1997                               | 132,788                                 | 15,927   |
|     |  | <hr/>                                   | <hr/>  |
|     | 31 August 1996                               | 31,586                                  | -  |
|     |  | <hr/>                                   | <hr/>  |

# Opt-Tel Systems Management Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1997

|     |                         |           |           |
|-----|-------------------------|-----------|-----------|
| 11. | FIXED ASSET INVESTMENTS | 1997<br>£ | 1996<br>£ |
|     | Subsidiary undertakings | £2        | £2        |

Group accounts have not been prepared, in accordance with the exemption conferred by section 248 of the Companies Act.

| Name of company            | Nature of business  | Class of shares held | Proportion of class held | Capital and reserves at year end | Loss for the year |
|----------------------------|---------------------|----------------------|--------------------------|----------------------------------|-------------------|
| Opt-Tel Technology Limited | Tele Communications | Ordinary             | 100%                     | £22,896                          | £4,789            |

The company is registered in England and Wales.

|     |                                     |           |           |
|-----|-------------------------------------|-----------|-----------|
| 12. | STOCK                               | 1997<br>£ | 1996<br>£ |
|     | Raw materials and consumables       | 49,463    | -         |
|     | Work in progress                    | -         | 54,031    |
|     | Finished goods and goods for resale | 183,239   | 122,007   |
|     |                                     | £232,702  | £176,038  |

|     |                                     |           |           |
|-----|-------------------------------------|-----------|-----------|
| 13. | DEBTORS                             | 1997<br>£ | 1996<br>£ |
|     | Due within one year                 |           |           |
|     | Trade debtors                       | 341,957   | 270,510   |
|     | Amounts due from group undertakings | 199,618   | 167,163   |
|     | Other debtors                       | -         | 18,550    |
|     | Prepayments and accrued income      | 59,218    | 74,534    |
|     |                                     | £600,793  | £530,757  |

# Opt-Tel Systems Management Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1997

|     |   |                   |                 |
|-----|---|-------------------|-----------------|
| 14. | CREDITORS: Amounts falling due within one year                  | 1997<br>£         | 1996<br>£       |
|     | Trade creditors   | 625,959           | 374,067         |
|     | Amounts due to group undertaking                                | 21,335            | -               |
|     | Corporation tax   | 177,000           | 77,000          |
|     | Other taxation and social security costs                        | 395,687           | 73,834          |
|     | Other creditors   | 35,977            | 650             |
|     | Accruals and deferred income                                    | 906,444           | 134,674         |
|     |   | <u>£2,162,402</u> | <u>£660,225</u> |
| 15. | SHARE CAPITAL   | 1997<br>£         | 1996<br>£       |
|     | Authorised<br>1,000 ordinary shares of £1 each                  | <u>£1,000</u>     | <u>£1,000</u>   |
|     | Allotted, issued and fully paid<br>2 ordinary shares of £1 each | <u>£2</u>         | <u>£2</u>       |
| 16. | PROFIT AND LOSS ACCOUNT   | 1997<br>£         | 1996<br>£       |
|     | 1 September 1996  | 224,930           | 56,838          |
|     | Profit for the year   | <u>37,814</u>     | <u>168,092</u>  |
|     | 31 August 1997  | <u>£262,744</u>   | <u>£224,930</u> |
| 17. | RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS               | 1997<br>£         | 1996<br>£       |
|     | Profit for the financial year                                   | 677,814           | 168,092         |
|     | Dividends   | <u>640,000</u>    | <u>-</u>        |
|     | Net increase to shareholders' funds                             | 37,814            | 168,092         |
|     | Opening shareholders' funds                                     | <u>224,932</u>    | <u>56,840</u>   |
|     | Closing shareholders' funds                                     | <u>£262,746</u>   | <u>£224,932</u> |

# Opt-Tel Systems Management Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1997

### 18. TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

In the opinion of the directors, the ultimate holding company is Opt-Tel Limited a company incorporated in England.

Transactions on normal trading terms were made with the following related parties.

- Opt-Tel Technology Limited, its subsidiary company, £167,410 of sales and £253,954 of purchases. The balance at 31.8.97, included in creditors is £2,832 and debtors is £21,497.
- Opt-Tel Limited, its holding company, £4,304,079 (1996: £1,766,509) of sales and £324,454 (1996:£1,847,267) of purchases. The balance at 31.8.97, included in debtors is £178,121, and in creditors is £18,503.
- HTEC Limited, a company in which D E Kimber is a director and has a minority interest, £58,475 of purchases.

### 19. COMMITMENTS UNDER OPERATING LEASES

|   | 1997     | 1996     |
|---|----------|----------|
|   | £        | £        |
| At 31 August 1997 the company had annual commitments under non-cancellable operating leases as follows: |          |          |
| Other assets:   |          |          |
| Expiring in less than 1 year  | 8,090    | 155,217  |
| Expiring between 2 and 5 years  | 93,024   | 20,712   |
| Land and buildings  |          |          |
| Expiring in less than 1 year  | -        | 14,000   |
| Expiring between 2 and 5 years  | 57,600   | 57,600   |
|   | <hr/>    | <hr/>    |
|   | £158,714 | £247,529 |
|   | <hr/>    | <hr/>    |

### 20. CAPITAL COMMITMENTS

|   | 1997    | 1996  |
|---|---------|-------|
|   | £       | £     |
| Capital expenditure contracted for but not provided in the financial statements | £25,487 | £-    |
|   | <hr/>   | <hr/> |