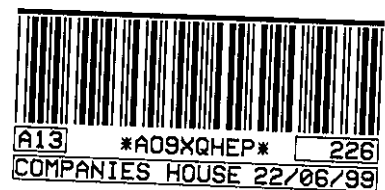


Opt-Tel Systems Management Limited

FINANCIAL STATEMENTS

for the year ended

31 August 1998



Company Registration No. 2906057

Opt-Tel Systems Management Limited

DIRECTORS AND OFFICERS

DIRECTORS

G R Bell
D E Kimber

SECRETARY

G R Bell

COMPANY NUMBER

2906057 (England and Wales)

REGISTERED OFFICE

Iveco Ford House
Station Road
Watford
Herts
WD1 1TG

AUDITORS

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

Opt-Tel Systems Management Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of Opt-Tel Systems Management Limited for the year ended 31 August 1998.

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.

YEAR 2000

The directors are currently addressing the impact on the business of the year 2000. All computer systems, telecommunications and other technical systems are being assessed. Many of the company's systems and processes are already compliant and the directors anticipate that the review, including all necessary software modifications will be completed by the end of December 1999. The directors do not expect the costs of the review to be material.

INTRODUCTION OF THE EURO

The company will be able to handle euro transactions when required.

REVIEW OF THE BUSINESS

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £1,642,768.

The directors have paid an ordinary interim dividend amounting to £1,200,000, and they do not recommend payment of a final dividend.

DIRECTORS

The following directors have held office since 1 September 1997:-

G R Bell

D E Kimber

J Leask

(Resigned 30 November 1998)

Opt-Tel Systems Management Limited

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows:

	<i>Ordinary shares of £ 1 each</i>	
	31.8.98	1.9.97
G R Bell	-	-
D E Kimber	-	-
J Leask	-	-

CHARITABLE CONTRIBUTIONS

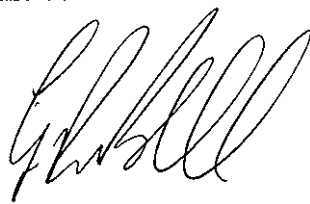
During the year £290 was donated to charities.

AUDITORS

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

By order of the board

G R Bell
Director



Date: 25.5.99

Opt-Tel Systems Management Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- 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 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 SHAREHOLDERS OF
OPT-TEL SYSTEMS MANAGEMENT LIMITED

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of directors and auditors

As described on page 4 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.

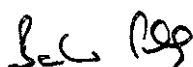
Basis of opinion

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 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 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 as at 31 August 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

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

Date: 26.5.99

Opt-Tel Systems Management Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 August 1998

	<i>Notes</i>	1998 £	1997 £
TURNOVER	1	9,852,563	6,910,756
Cost of sales		4,197,217	2,053,077
Gross profit		5,655,346	4,857,679
Other operating expenses	2	3,342,915	3,914,192
OPERATING PROFIT		2,312,431	943,487
Investment income	3	-	50,000
Other interest receivable and similar income	3	76,052	21,496
		2,388,483	1,014,983
Interest payable and similar charges	4	1,620	45
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	2,386,863	1,014,938
Taxation	7	744,095	337,124
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,642,768	677,814
Dividends	8	1,200,000	640,000
RETAINED PROFIT FOR THE YEAR	15	442,768	37,814

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

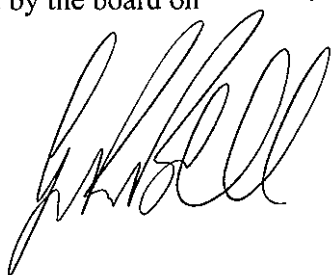
31 August 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	9	173,700	148,715
Investments	10	-	2
		<u>173,700</u>	<u>148,717</u>
CURRENT ASSETS			
Stocks	11	291,153	232,702
Debtors	12	2,616,927	600,793
Cash at bank and in hand		1,494,820	1,442,936
		<u>4,402,900</u>	<u>2,276,431</u>
CREDITORS: Amounts falling due within one year	13	3,871,086	2,162,402
		<u>531,814</u>	<u>114,029</u>
NET CURRENT ASSETS			
		<u>705,514</u>	<u>262,746</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>705,514</u>	<u>262,746</u>
CAPITAL AND RESERVES			
Called up share capital	14	2	2
Profit and loss account	15	705,512	262,744
		<u>705,514</u>	<u>262,746</u>
SHAREHOLDERS' FUNDS			
	16	<u>705,514</u>	<u>262,746</u>

Approved by the board on

25.5.99

G R Bell



Director

Opt-Tel Systems Management Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

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

Plant and machinery	33 1/3% straight line
Fixtures, fittings, tools and equipment	25% straight line

INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

STOCK

Stock is valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

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.

LEASED ASSETS

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

Where sales are made by the company on terms equivalent to a finance lease, notional interest is calculated and credited to the profit and loss account by equal instalments over the period of the agreement and the balance is recognised as a sale when delivery is made.

PENSION CONTRIBUTIONS

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

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

TURNOVER

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

Opt-Tel Systems Management Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

1. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Turnover 1998 £	1997 £
United Kingdom	9,517,748	6,804,826
Europe	334,815	105,930
	<u>9,852,563</u>	<u>6,910,756</u>

2. OTHER OPERATING EXPENSES

	1998 £	1997 £
Administrative expenses	3,342,915	3,914,192
	<u>3,342,915</u>	<u>3,914,192</u>

3. INCOME FROM INVESTMENTS, OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £	1997 £
Income from unlisted investments	-	50,000
Bank interest	72,736	21,496
Other interest	3,316	-
	<u>76,052</u>	<u>71,496</u>

4. INTEREST PAYABLE

	1998 £	1997 £
On bank loans and overdrafts	1,620	45
	<u>1,620</u>	<u>45</u>

Opt-Tel Systems Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1998 £	1997 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible assets:		
Charge for the year:		
owned assets	71,367	39,327
(Profit) on disposals	-	(100)
Hire of plant and machinery	115,584	224,454
Operating lease rentals:		
Land and buildings	57,600	52,800
Auditors' remuneration	13,500	13,062

Opt-Tel Systems Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

6. EMPLOYEES

The average monthly number of persons (including directors) employed by the company during the year was:	1998 No.	1997 No.
Office and management	14	17
Engineering	12	17
Installation and maintenance	43	44
Production and procurement	5	1
Sales and marketing	6	4
	<u>80</u>	<u>83</u>

Staff costs for the above persons:

Wages and salaries	2,051,261	2,096,300
Social security costs	206,047	182,102
Other pension costs	33,823	120,907
	<u>2,291,131</u>	<u>2,399,309</u>

DIRECTORS' REMUNERATION

	1998 £	1997 £
Emoluments for qualifying services	91,268	198,834
Company pension contributions to money purchase schemes	1,083	7,367
	<u>92,351</u>	<u>206,201</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (1997 - 2).

7. TAXATION

	1998 £	1997 £
Based on the profit for the year:		
U.K. Corporation tax at 31% (1997 - 31%)	751,449	327,000
Tax credits on franked investment income	-	10,000
	<u>751,449</u>	<u>337,000</u>
(Over)/under provided in earlier years	(7,354)	124
	<u>744,095</u>	<u>337,124</u>

Opt-Tel Systems Management Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

8. DIVIDENDS	1998 £	1997 £
Ordinary:		
Interim paid - £600,000 (1997 - £320,000)	1,200,000	640,000

9. TANGIBLE FIXED ASSETS

	<i>Plant and machinery</i> £	<i>Fixtures, fittings, tools and equipment</i> £	<i>Total</i> £
Cost			
1 September 1997	169,255	18,898	188,153
Additions	71,156	-	71,156
Intergroup transfers	702,370	62,571	764,941
31 August 1998	942,781	81,469	1,024,250
Depreciation			
1 September 1997	36,467	2,971	39,438
Charge in the year	66,642	4,725	71,367
Intergroup transfers	681,104	58,641	739,745
31 August 1998	784,213	66,337	850,550
Net book value			
31 August 1998	158,568	15,132	173,700
31 August 1997	132,788	15,927	148,715

10. FIXED ASSET INVESTMENTS

	<i>Shares in subsidiary undertakings</i> £
Cost	
1 September 1997	2
Disposals	(2)
31 August 1998	-

Opt-Tel Systems Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

11. STOCKS	1998 £	1997 £
Raw materials and consumables	41,250	49,463
Finished goods and goods for resale	249,903	183,239
	<u>291,153</u>	<u>232,702</u>
12. DEBTORS	1998 £	1997 £
Due within one year		
Trade debtors	1,641,216	341,957
Amounts owed by group undertakings	163,623	199,618
Other debtors	396,912	-
Prepayments and accrued income	415,176	59,218
	<u>2,616,927</u>	<u>600,793</u>
13. CREDITORS: Amounts falling due within one year	1998 £	1997 £
Trade creditors	1,498,580	625,959
Amounts owed to group undertakings	839,261	21,335
Corporation tax	742,942	177,000
Other taxes and social security costs	261,617	395,687
Other creditors	3,362	35,977
Accruals and deferred income	525,324	906,444
	<u>3,871,086</u>	<u>2,162,402</u>
14. SHARE CAPITAL	1998 £	1997 £
Authorised		
1,000 Ordinary shares of £ 1 each	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid		
2 Ordinary shares of £ 1 each	<u>2</u>	<u>2</u>

Opt-Tel Systems Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

15. STATEMENT OF MOVEMENT ON RESERVES

	<i>Profit and loss account</i> £
1 September 1997	262,744
Retained profit for the year	442,768
	<hr/>
31 August 1998	705,512
	<hr/>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1998 £	1997 £
Profit for the financial year	1,642,768	677,814
Dividends	(1,200,000)	(640,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	442,768	37,814
Opening shareholders' funds	262,746	224,932
	<hr/>	<hr/>
Closing shareholders' funds	705,514	262,746
	<hr/>	<hr/>

17. CAPITAL COMMITMENTS	1998 £	1997 £
Capital expenditure contracted for but not provided in the financial statements	-	25,487
	<hr/>	<hr/>

18. COMMITMENTS UNDER OPERATING LEASES

At 31 August 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Land and buildings expiring in the second to fifth year	57,600	57,600
Plant and machinery expiring in the first year	-	8,090
expiring in the second to fifth year	132,875	93,024
	<hr/>	<hr/>
	190,475	158,714
	<hr/>	<hr/>

Opt-Tel Systems Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

19. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £33,823 (1997 - £120,907). Contributions totalling £3,362 (1997 - £3,227) were payable to the fund at the year end and are included in creditors.

20. CONTROL

The ultimate parent company is Opt-Tel Holdings Limited, a company registered in England and Wales.

21. RELATED PARTY TRANSACTIONS

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

HTEC Limited, a company in which D E Kimber was a director and minority shareholder until 2 February 1998, sales of £6,796 (1997: £nil) and purchases of £679,412 (1997: £58,475).

Opt-Tel Technology Limited, a fellow subsidiary, £290,615 of sales (1997: £167,410) and purchases of £nil (1997: £253,954).

The balance at 31.8.98 included in debtors is £134,166 (1997: £21,497) and in creditors is £480,329 (1997: £2,832).

Opt-Tel Limited, a fellow subsidiary, £3,958,477 of sales (1997: £4,304,079) and £147,738 of purchases (1997: £324,454). Fixed assets with a net book and market value of £20,673 were transferred to Opt-Tel Systems Management Limited during the year. The company also recharged depreciation of £115,584 and bank charges of £11,487 to Opt-Tel Systems Management Limited.

The balance at 31.8.98 included in debtors is £10,191 (1997: £178,121) and in creditors £250,493 (1997: £18,503).

Communications Systems Management Limited, a fellow subsidiary, £16,396 of sales (1997: £nil), £28,566 of purchases (1997: £nil) and fees payable of £75,000 (1997: £nil). Fixed assets with a net book value of £4,523 were sold to Opt-Tel Systems Management Limited at net book value during the year.

The balance at 31.8.98 included in creditors is £108,089 (1997: £nil) and included in debtors is £19,264 (1997: £nil).

Opt-Tel Holdings Limited, the holding company, the sale of shares in Opt-Tel Technology Limited at cost of £2.

The balance at 31.8.98 included in debtors is £2 (1997: £nil) and in creditors is £350 (1997: £nil).