

Allied Telesis International Services Limited

Report and Financial Statements

Year ended 31 December 2005



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REPORT AND FINANCIAL STATEMENTS 2005

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Allied Telesis International Services Limited

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G E Cooper
T Oshima
M J Wray (resigned 9 October 2006)
R Hendricks (appointed 9 October 2006)

SECRETARY

G E Cooper

REGISTERED OFFICE

Unit 24
Westmead Industrial Estate
Westmead
Swindon
Wiltshire
SN5 7YT

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Reading

BANKERS

Barclays Bank plc
Swindon

SOLICITORS

Osborne Clarke
London

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of maintenance and servicing for the Allied Telesyn group of companies.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company is a wholly owned trading subsidiary of Allied Telesis International SA, a company incorporated in Switzerland. The company performs service and maintenance work for the Allied Telesyn group in the United Kingdom.

The directors are satisfied with the results for the year and expect the company to continue trading at a similar level in the future.

RESULTS AND DIVIDENDS

The profit after tax for the year was £40,033 (2004: £89,648). An interim dividend of £60,000 was paid during the year (2004: £114,000). The directors do not recommend payment of a final dividend (2004: £nil).

DIRECTORS AND THEIR INTERESTS

The current directors are shown on page 1.

None of the directors had any beneficial interest in the shares of the company at any time during the year. None of the directors has any interest in the shares or debentures of any group company that are required to be disclosed in accordance with the Companies Act 1985.

AUDITORS

Pursuant to s386 Companies Act 1985, an elective resolution was passed on 1 July 2003 dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche LLP are deemed to continue as auditors.

Approved by the Board of Directors and signed on behalf of the Board



G E Cooper

7th November 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report including the financial statements. The director has chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the director is required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed; and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIED TELESIS INTERNATIONAL SERVICES LIMITED

We have audited the financial statements of Allied Telesis International Services Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors

Reading

8/11/ 2006

Allied Telesis International Services Limited

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2005

	Note	2005 £	2004 £
TURNOVER	2	<u>1,605,606</u>	<u>2,927,936</u>
Gross profit		1,605,606	2,927,936
Administrative expenses		<u>(1,523,794)</u>	<u>(2,785,976)</u>
OPERATING PROFIT	3	81,811	141,960
Interest receivable and similar income	5	6,228	16,049
Interest payable and similar charges	6	<u>(8,450)</u>	<u>(20,465)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		79,590	137,544
Tax on profit on ordinary activities	7	<u>(39,557)</u>	<u>(47,896)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		40,033	89,648
Dividend paid on ordinary shares		<u>(60,000)</u>	<u>(114,000)</u>
RETAINED LOSS FOR THE YEAR TRANSFERRED TO RESERVES	12	<u><u>(19,967)</u></u>	<u><u>(24,352)</u></u>

There are no recognised gains or losses for the current and preceding financial periods other than as stated in the profit and loss account and therefore no statement of total recognised gains and losses is presented.

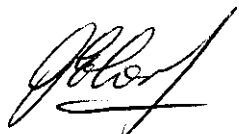
All amounts derive from continuing operations.

BALANCE SHEET
31 December 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	8	29,672	106,155
CURRENT ASSETS			
Debtors	9	135,135	413,245
Cash at bank and in hand		129,796	37,902
		264,931	451,147
CREDITORS: amounts falling due within one year	10	(199,063)	(441,795)
NET CURRENT ASSETS		65,868	9,352
NET ASSETS		95,540	115,507
CAPITAL AND RESERVES			
Called up share capital	11	25,000	25,000
Profit and loss account	12	70,540	90,507
EQUITY SHAREHOLDERS' FUNDS	13	95,540	115,507

These financial statements were approved by the Board of Directors on 7th November 2006.

Signed on behalf of the Board of Directors



G E Cooper
Director

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. These accounting policies have been consistently applied in both the current and preceding years.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

During the year all turnover, net of value added tax, has been commission income received.

Tangible fixed assets

Tangible fixed assets are stated at cost, less depreciation and provision for any impairment. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Office and computer equipment	3 years
Tooling	3 years
Fixtures and fittings	3 years
Leasehold improvements	3 years

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Pension costs

For defined contribution pension schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at average exchange rates for the month in which the transaction arises. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from the translation of transactions and balances denominated in foreign currency is recorded within the profit and loss account.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on untreated earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2005

2. TURNOVER

All turnover represents a recharge of costs received to group companies. All turnover is considered by the directors to relate to a single class of business in the UK.

3. OPERATING PROFIT

	2005 £	2004 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets - owned	72,313	78,627
Rentals under operating leases:		
other	65,778	66,412
Auditors' remuneration		
Audit services	10,200	8,200
Other services	9,600	8,200
	<u> </u>	<u> </u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005 £	2004 £
Directors' remuneration		
Aggregate remuneration directors (excluding pension contributions)	150,910	88,302
Contributions paid in respect of money purchase pension schemes	4,455	2,397
	<u> </u>	<u> </u>
	155,365	90,699
	<u> </u>	<u> </u>
	£	£
Aggregate remuneration of the highest paid director (excluding pension contributions)	90,910	88,302
Contributions paid in respect of money purchase pension schemes	2,655	2,397
	<u> </u>	<u> </u>
	93,565	90,699
	<u> </u>	<u> </u>

Two (2004: 1) director is accruing benefits under a money purchase pension scheme.

None of the directors emoluments paid by other group companies were allocated to the company (2004: £nil).

Staff costs during the year (including directors)	£	£
Wages and salaries	582,381	1,016,892
Social security costs	55,599	103,780
Other pension costs	12,877	27,107
	<u> </u>	<u> </u>
	650,857	1,147,779
	<u> </u>	<u> </u>

The average number of employees (including directors) employed by the company during the year was 20 (2004: 30).

Pension scheme

The company operated a money purchase pension scheme for the benefit of employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The total contributions paid in the year to 31 December 2005 amounted to £12,877 (2004: £27,107).

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	2004
	£	£
Foreign exchange gains	6,228	16,049

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Foreign exchange losses	8,450	20,465

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005	2004
	£	£
Current tax:		
United Kingdom corporation tax at 30%	37,672	76,914
Adjustments in respect of prior years	(17,244)	5,380
Current tax charge for the year	20,428	82,294
Deferred tax:		
- timing differences, origination and reversal	263	(29,111)
- adjustments in respect of prior years	18,866	(5,287)
Tax on profit on ordinary activities	39,557	47,896

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained below:

	2005	2004
	£	£
Profit on ordinary activities before tax	79,590	137,544
Tax at 30% (2004: 30%) thereon	23,877	41,263
Expenses not deductible for tax purposes	14,057	6,540
Depreciation in (excess) of /less than capital allowances	(464)	9,858
Other deferred tax movements	202	19,253
Adjustments in respect of prior years	(17,244)	5,380
Current tax charge for the year	20,428	82,294

NOTES TO THE ACCOUNTS
For the year ended 31 December 2005

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The deferred tax asset (note 9) arises entirely as a result of timing differences. Movement on the deferred tax asset is as follows:

	2005 £	2004 £
Opening balance	42,995	8,597
(Charge)/Credit to the profit and loss account	(19,129)	34,398
	<u>23,866</u>	<u>42,995</u>

8. TANGIBLE FIXED ASSETS

	Office and computer equipment £	Tooling £	Fixtures and fittings £	Leasehold improve- ments £	Total £
Cost					
At 1 January 2005	111,313	67,740	15,278	131,319	325,650
Disposals	-	(4,170)	-	-	(4,170)
At 31 December 2005	<u>111,313</u>	<u>63,570</u>	<u>15,278</u>	<u>131,319</u>	<u>321,480</u>
Accumulated depreciation					
At 1 January 2005	84,372	39,614	15,278	80,231	219,495
Charge for the year	17,905	16,147	-	38,261	72,313
Disposals	-	-	-	-	-
At 31 December 2005	<u>102,277</u>	<u>55,761</u>	<u>15,278</u>	<u>118,492</u>	<u>291,808</u>
Net book value					
At 31 December 2005	<u>9,036</u>	<u>7,809</u>	<u>-</u>	<u>12,827</u>	<u>29,672</u>
At 31 December 2004	<u>26,941</u>	<u>28,126</u>	<u>-</u>	<u>51,088</u>	<u>106,155</u>

9. DEBTORS

	2005 £	2004 £
Amounts owed by group undertakings	37,544	313,881
Other debtors	33,360	32,181
Prepayments and accrued income	38,111	21,934
Corporation tax recoverable	2,254	2,254
Deferred tax asset (note 7)	23,866	42,995
	<u>135,135</u>	<u>413,245</u>

All amounts are due within one year.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Trade creditors	49,821	231,992
Amounts owed to group undertakings	32,886	10,833
Corporation tax	36,942	62,446
Other taxes and social security	36,720	72,251
Accruals and deferred income	42,693	64,273
	<u>199,063</u>	<u>441,795</u>

11. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid		
25,000 ordinary share of £1 each	<u>25,000</u>	<u>25,000</u>

12. RESERVES

	Profit and loss account £
At 1 January 2005	90,507
Retained loss for the year	<u>(19,967)</u>
At 31 December 2005	<u>70,540</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2005 £	2004 £
Profit for the financial year	40,033	89,648
Dividends paid and proposed	<u>(60,000)</u>	<u>(114,000)</u>
Net reduction to shareholder's funds	(19,967)	(24,352)
Opening shareholder's funds	<u>115,507</u>	<u>139,859</u>
Closing shareholder's funds	<u>95,540</u>	<u>115,507</u>

NOTES TO THE ACCOUNTS
For the year ended 31 December 2005

14. OPERATING LEASE COMMITMENTS

At 31 December 2005, the company was committed to making the following payments during the next year in respect of operating leases:

	2005	2004
	Land and	Land and
	buildings	buildings
	£	£
Leases which expire:		
Within two to five years	65,000	65,000

15. CONTINGENT LIABILITIES

The company had no contingent liabilities as at 31 December 2005 (2004: £nil).

16. CASH FLOW STATEMENT

The company has taken advantage of the exemption provided by Financial Reporting Standard 1 (Revised) not to prepare a cash flow statement as it is a wholly owned subsidiary of Allied Telesis Inc registered in USA which prepares consolidated accounts including a cash flow statement which are publicly available.

17. RELATED PARTY TRANSACTIONS

In accordance with paragraph 3(c) of Financial Reporting Standard No. 8 "Related Party Disclosures", transactions with other undertakings within, and investee related parties of, the Allied Telesis Holdings KK group are not disclosed in these financial statements.

18. ULTIMATE PARENT COMPANY AND CONTROLLING PARTIES

The directors regard Allied Telesis International SA, a company incorporated in Switzerland, as the immediate parent company. According to the register kept by the company, Allied Telesis International SA has a 100% beneficial interest in the equity capital of Allied Telesis International Services Limited.

The directors regard Allied Telesis Holdings KK, a company incorporated in Japan, as the ultimate controlling company. Copies of the consolidated accounts of Allied Telesis Holdings KK are available from Allied Telesis Holdings KK, 4th Floor, TOC Building, 7-22-17, Nishi Gotanda, Shinagawa-ku, Tokyo, 141-8635, Japan, or at www.allied-telesis.co.jp.

The largest group of undertakings for which group accounts have been drawn up is that headed by Allied Telesis Holdings KK and the smallest group of undertakings for which group accounts have been prepared is that headed by Allied Telesis Inc. Copies of the consolidated accounts of Allied Telesis Inc are available from Allied Telesis Inc, 19800 North Creek Parkway, Ste 200, Bothell, WA 98011, USA.