

# Paradise Datacom Limited

Annual Report

*Year ended 31 March 2008*

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## Company Information

Directors	I D Brodie K N Edwards J Restivo
Secretary	K N Edwards
Registered office	P O Box 25 South Marston Park Swindon Wiltshire SN3 4TR
Registered number	2829165
Auditors	Grant Thornton UK LLP Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	Barclays Bank Park House Stoke Gifford Bristol BS34 8TN

## Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 March 2008. The company is exempt from preparing the Directors' Report in accordance with S234 ZZB as a small company.

### Principal activities

The company designs, supports and sells high specification digital satellite communications equipment.

### Business review and future developments

The results for the year ended 31 March 2008 are shown on page 6. The Directors consider the results to be satisfactory.

### Dividends

The Directors have not proposed a final dividend for the year ended 31 March 2008 (2007: £Nil). An interim dividend of £82,000 was paid during the year (2007: £130,000). A dividend in specie of £3,873,207 was paid in March 2007 on the disposal of the investment in Paradise Datacom LLC to Inteltek Inc.

### Directors

The present Directors of the company are set out on page 1.

P A McConnell resigned on 1 April 2007.

The interests of the Directors, who are all main board directors of Inteltek plc except for those Directors noted below, are disclosed in the financial statements of that company.

The beneficial interests of the Directors and their families at 31 March 2008 and the beginning of the year in the ordinary share capital of Inteltek plc, other than for main board directors are detailed below.

#### Ordinary shares of 5p each

	Beneficial	
	2008	2007
J Restivo	106,437	62,287

There have been no changes in the above since the year end.

## Report of the Directors

(continued)

### Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 these 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
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

### Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 1, confirm the following:

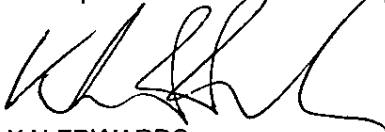
- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

### Auditors

RSM Robson Rhodes LLP resigned as auditors on 1 July 2007 and were replaced with Grant Thornton UK LLP. Grant Thornton UK LLP are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

### Approval

The report of the Directors was approved by the Board on 28 July 2008 and signed on its behalf by



K N EDWARDS  
Director and Secretary

# **Report of the Independent Auditor to the Members of Paradise Datacom Limited**

We have audited the financial statements of Paradise Datacom Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, and notes 1 to 20. 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 auditor's 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**

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 consider the implications for our report if we become aware of any apparent misstatements within it.

## **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.

# Report of the Independent Auditor to the Members of Paradise Datacom Limited

(Continued)

## 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 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS

Birmingham  
28 July 2008

## Profit and Loss Account

for the year ended 31 March 2008

	Note	2008 £	2007 £
<b>Turnover - continuing operations</b>	2	2,560,266	5,485,037
Cost of sales		(1,504,436)	(3,802,526)
		<hr/>	<hr/>
<b>Gross profit</b>		1,055,830	1,682,511
Distribution costs		(241,094)	(284,488)
Administrative expenses		(316,016)	(473,122)
		<hr/>	<hr/>
<b>Operating profit – continuing operations</b>	3	498,720	924,901
Bank interest receivable		17,072	15,803
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		515,792	940,704
Taxation	6	(156,554)	(277,287)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>	15	359,238	663,417
		<hr/>	<hr/>

All recognised gains and losses are reflected in the profit and loss account for the years, accordingly no statement of total recognised gains and losses is provided

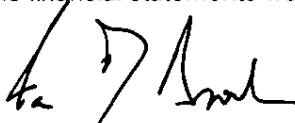


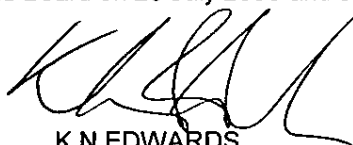
# Balance Sheet

at 31 March 2008

	Note	2008 £	2007 £
<b>Fixed assets</b>			
Intangible fixed assets	8	133,071	285,356
Tangible assets	9	230,610	325,928
		<hr/>	<hr/>
		363,681	611,284
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	10	354,712	794,437
Cash at bank and in hand		949,717	1,313,574
		<hr/>	<hr/>
<b>Creditors: Amounts falling due within one year</b>	11	1,304,429 (483,712)	2,108,011 (812,135)
		<hr/>	<hr/>
<b>Net current assets</b>		820,717	1,295,876
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		1,184,398	1,907,160
<b>Creditors: Amounts falling due after more than one year</b>	12	(788,958)	(1,788,958)
		<hr/>	<hr/>
<b>Net assets</b>		395,440	118,202
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	14	60,000	60,000
Profit and loss account	15	335,440	58,202
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	16	395,440	118,202
		<hr/>	<hr/>

The financial statements were approved by the Board on 28 July 2008 and signed on its behalf by

  
I D BRODIE  
Director

  
K N EDWARDS  
Director

# Notes to the Financial Statements

31 March 2008

## 1. ACCOUNTING POLICIES

### Basis of accounting

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

### Turnover

Turnover is the amount receivable for goods and services supplied, excluding value added tax. Turnover is recognised on long term contracts as these progress and comprises the sales value of work performed in the year

### Depreciation

Depreciation is provided to write down the cost of tangible fixed assets over their estimated useful lives. No depreciation is provided on assets in the course of construction. The principal annual rates used are

Leasehold property	Period of lease
Plant and machinery	7-33% straight line
Fixtures, fittings and equipment	15% straight line
Motor vehicles	25% straight line

### Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

### Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction, or if hedged at the forward contract rate. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date, or if hedged the forward contract rate. All exchange differences are recognised in the profit and loss account.

# Notes to the Financial Statements

31 March 2008

## 1. ACCOUNTING POLICIES (Continued)

### Research and development

Research expenditure is written off as incurred. Expenditure on a development project will be written off as incurred unless and until

- (i) the project is identified as being
  - a for a new or substantially improved product or process,
  - b technically feasible,
  - c commercially feasible, with a high probability that recovery will take place
- and (ii) measurable costs can be attributed to the asset and adequate resources are available to complete the project

For a project meeting these criteria, subsequent costs will be capitalised and amortised from the date the product or process is available for use on a straight line basis over the product's estimated life up to a maximum of 3 years

### Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are invested and managed independently of the finances of the company. The pension cost charge represents contributions payable in the year.

### Leased assets

Fixed assets subject to finance leases are capitalised and depreciated in accordance with the depreciation policy stated above. The corresponding liability for the capital element is included in creditors, and the interest, calculated on the basis of the amount outstanding, is charged against profits over the period of the lease.

The rental and operating lease costs of all other assets are charged against profit before interest, as incurred.

### Cash flow statement

The company has taken advantage of the exemption not to prepare a cashflow statement on the basis that it is a wholly owned subsidiary of Intelek Plc for which consolidated financial statements have been prepared.

## 2. TURNOVER BY GEOGRAPHICAL MARKET

	2008 £	2007 £
United Kingdom	4,084	842,836
Rest of Europe	26,833	677,489
America	2,529,349	3,105,050
Africa	-	575,249
Rest of world	-	284,413
	<hr/>	<hr/>
	2,560,266	5,485,037
	<hr/>	<hr/>

# Notes to the Financial Statements

31 March 2008

## 3 OPERATING PROFIT

Operating profit is arrived at after charging/(crediting)

	2008 £	2007 £
Depreciation of tangible fixed assets	124,236	243,649
Amortisation of development cost	152,285	148,506
Operating lease rental on land and buildings	104,137	100,562
Research and development expenditure	845,028	993,915
Loss on sale of fixed assets	-	24,264
Realised foreign exchange losses	8,966	12,961
Rental income	(3,437)	(3,591)
Auditors' remuneration – audit services	8,900	8,675
Auditors' remuneration – taxation services	3,500	5,928
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## 4 EMPLOYEES

Average monthly number of employees, including executive directors

	2008 No	2007 No.
Production	20	22
Administration and distribution	6	9
	<hr/>	<hr/>
	26	31
	<hr/>	<hr/>

Staff costs, including directors

	2008 £	2007 £
Wages and salaries	985,208	1,278,883
Social security costs	111,989	123,647
Pension costs	49,501	39,422
	<hr/>	<hr/>
	1,146,698	1,441,952
	<hr/>	<hr/>

# Notes to the Financial Statements

31 March 2008

## 5. DIRECTORS

Emoluments of the company's directors

	2008 £	2007 £
Emoluments	-	84,289
Pension contributions	-	4,208
	<hr/>	<hr/>
	-	88,497
	<hr/>	<hr/>
Emoluments excluding pension contributions		
	2008 £	2007 £
Highest paid director	-	84,289
	<hr/>	<hr/>
No of directors who accrue benefits under a money purchase scheme	-	1
	<hr/>	<hr/>

All other directors accrue retirement benefits within the parent company or other group companies

## 6. TAXATION

	2008 £	2007 £
<b>Group relief payable</b>		
Current tax on income for the year	165,751	311,537
Adjustment in respect of prior year	9,532	15,901
	<hr/>	<hr/>
<b>Total current tax</b>	175,283	327,438
	<hr/>	<hr/>
<b>Deferred taxation</b>		
Net origination of timing differences	(18,729)	(66,196)
Adjustment to prior years	-	6,021
Impact of future change in corporation tax rate	-	10,024
	<hr/>	<hr/>
<b>Deferred taxation</b>	(18,729)	(50,151)
	<hr/>	<hr/>
<b>Tax on profit on ordinary activities</b>	156,554	277,287
	<hr/>	<hr/>

# Notes to the Financial Statements

31 March 2008

## 6. TAXATION (Continued)

### Current tax reconciliation

	2008 £	2007 £
Profit on ordinary activities before taxation	515,792	940,704
Theoretical tax at UK corporation tax rate of 30% (2007 30%)	154,738	282,211
Effects of		
- Adjustments in respect of prior years	9,532	15,901
- Research and development credit	(16,500)	-
- Expenditure that is not tax deductible	7,446	(41,599)
- Income that is not taxable	-	-
- Accelerated capital allowances	20,067	71,705
- Other timing differences	-	(780)
Actual current taxation charge	175,283	327,438

## 7. DIVIDENDS

	2008 £	2007 £
Interim dividend paid	82,000	130,000
Dividend in specie	-	3,873,207
	82,000	4,003,207

In March 2007, Paradise Datacom Limited disposed of its investment in Paradise Datacom LLC, a company registered in the USA. The disposal was made to Intelek plc at the investments book value via a dividend in specie.

# Notes to the Financial Statements

31 March 2008

## 8. INTANGIBLE FIXED ASSETS

	<b>Total £</b>
<b>Development cost</b>	
At 1 April 2007 and 31 March 2008	456,390
<b>Depreciation</b>	
At 1 April 2007	171,034
Charge for year	152,285
At 31 March 2008	323,319
<b>Net book value</b>	
At 31 March 2008	133,071
At 31 March 2007	285,356

The above expenditure on intangible fixed assets relates to development costs, which will be amortised over 3 years from date of first production

## 9. TANGIBLE ASSETS

	<b>Leasehold property £</b>	<b>Plant and fixtures £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 April 2007	188,652	1,694,306	1,882,958
Prior year adjustment	-	66,455	66,455
Restated at 1 April 2007	188,652	1,760,761	1,949,413
Additions	4,988	23,930	28,918
At 31 March 2008	193,640	1,784,691	1,978,331
<b>Depreciation</b>			
At 1 April 2007	102,475	1,454,555	1,557,030
Prior year adjustment	-	66,455	66,455
Restated at 1 April 2007	102,475	1,521,010	1,623,485
Charge for year	19,115	105,121	124,236
At 31 March 2008	121,590	1,626,131	1,747,721
<b>Net book value</b>			
At 31 March 2008	72,050	158,560	230,610
At 31 March 2007	86,177	239,751	325,928

The prior year adjustment reflects a correction to cost and accumulated depreciation to agree with the fixed asset register. There is no impact on net book value.

# Notes to the Financial Statements

31 March 2008

## 10. DEBTORS

	2008 £	2007 £
Trade debtors	-	35,884
Amounts owed by group undertakings	10,705	523,914
Other debtors	25,668	7,334
Prepayments and accrued income	99,092	26,787
Deferred tax asset (note 13)	219,247	200,518
	<u>354,712</u>	<u>794,437</u>

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Trade creditors	160,710	230,155
Corporation tax	175,283	327,438
Other taxation and social security	31,012	65,941
Other creditors	-	25,817
Accruals and deferred income	116,707	162,784
	<u>483,712</u>	<u>812,135</u>

## 12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £	2007 £
Loan from parent company	<u>788,958</u>	<u>1,788,958</u>

The loan from the parent company is interest free, unsecured and has no fixed term of repayment. The parent company has confirmed that no substantial repayment will be requested within 12 months of the balance sheet date.



# Notes to the Financial Statements

31 March 2008

## 13. DEFERRED TAXATION

	Accelerated Capital allowances £
<b>Movement in year</b>	
Asset at 1 April 2007	200,518
Credit to profit and loss account	18,729
	<hr/>
Asset at 31 March 2008 (note 10)	219,247
	<hr/>

## 14 CALLED UP SHARE CAPITAL

	2008 £	2007 £
<b>Authorised</b>		
250,000 Ordinary shares of £1 each	250,000	250,000
	<hr/>	<hr/>
<b>Allotted and fully paid</b>		
60,000 Ordinary shares of £1 each	60,000	60,000
	<hr/>	<hr/>

## 15. RESERVES

	Profit and loss account £
At 1 April 2007	58,202
Profit for the year	359,238
Dividends paid (note 7)	(82,000)
	<hr/>
At 31 March 2008	335,440
	<hr/>



# Notes to the Financial Statements

31 March 2008

## 16 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS FUNDS

	2008 £	2007 £
Profit on ordinary activities after taxation	359,238	663,417
Dividends	(82,000)	(4,003,207)
	<hr/>	<hr/>
Net addition to equity shareholders' funds	277,238	(3,339,790)
Opening shareholders' funds	118,202	3,457,992
	<hr/>	<hr/>
Closing equity shareholders' funds	395,440	118,202
	<hr/>	<hr/>

## 17. CONTINGENT LIABILITIES

The company has given an unlimited cross currency guarantee in favour of Barclays Bank plc as security for the borrowings of certain group companies

## 18. FINANCIAL COMMITMENTS

### Operating lease commitments

The annual commitments under operating leases are analysed to the year in which each lease expires, as follows

	2008 £	2007 £
Land and buildings, leases expiring		
between two and five years	105,000	-
beyond five years	-	105,000
	<hr/>	<hr/>

## 19. RELATED PARTY DISCLOSURES

Advantage has been taken of the special exemption for group companies regarding related party disclosures

## 20. PARENT UNDERTAKING

The ultimate parent company is Intelek plc, which is registered in England and Wales. Its group accounts are available on the Intelek web-site, [www.intelekplc.uk](http://www.intelekplc.uk)