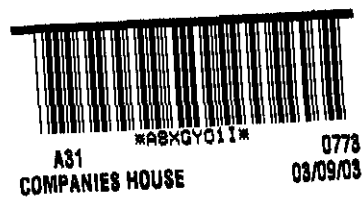


Paradise Datacom Limited

Annual Report

Year ended 31 March 2003



PARADISE DATACOM LIMITED

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PARADISE DATACOM LIMITED

COMPANY INFORMATION

Directors	N L Mills R Titchener J Dixon I D Brodie K N Edwards
Secretary	K N Edwards
Registered office	P O Box 25 South Marston Park Swindon Wiltshire SN3 4TR
Registered number	2829165
Auditors	RSM Robson Rhodes LLP Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	Barclays Bank 10 - 14 High Street Swindon SN1 3ED

PARADISE DATACOM LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2003.

Principal activities

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

Business review and future developments

The year to 31 March 2003 was both challenging and eventful for Paradise Datacom on both sides of the Atlantic. During the year, the US operation transferred and integrated the VSAT product line, acquired from Sierra Satcom at the end of the previous year, to its Boalsburg Pennsylvania facility. This required some extraordinary effort but now the benefits are evident with significant monthly turnover from the acquired product line, now under the Paradise Datacom brand name.

With product development expenditure running at 9.8% of sales, development programmes have continued apace at both Paradise locations, resulting in a number of new product introductions to broaden our offering during the year. The new Internet Modems have been well received by the customer base and allow exceptional performance of Internet traffic over satellite links. A variety of new SSPA products have also been completed, including smaller rack mountable units and these, together with new outdoor amplifiers, are keeping the company at the leading edge of SSPA technology. Finally, new block up-converter products have been added to the acquired VSAT product line. Engineering and management effort is also being channelled towards reducing costs across all product groups.

Despite the continued volatility in the telecommunications arena and a general poor economic climate, Paradise Datacom has returned a record year for order acquisition and sales, with operating profit increasing by 48% to £2.6 million.

The company has significantly broadened its product range, which in turn has opened up new markets, and has continued to expand its sales and distribution channels. A number of major contracts have been won by Paradise Datacom in the latter half of 2002/03 indicating that prospects for the coming year continue to be encouraging, despite market conditions badly affecting some of the other companies in our industry.

Dividends

An interim dividend of £718,411 was paid during the year (2002: £Nil). The directors propose a final dividend for the year of £Nil (2002: £114,000).

Directors

The directors of the company who served during the year are set out on page 1.

None of the directors have any interest in shares of the company. The interests of the directors; who are all main board directors of Intelek plc except for the director noted below, are disclosed in the directors report of that company.

PARADISE DATACOM LIMITED

REPORT OF THE DIRECTORS (Continued)

Directors (continued)

The beneficial interests of the directors and their families at 31 March 2003 and the beginning of the year (or date of appointment if appointed during 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		Options under the Executive Scheme		Options under Savings Related Scheme	
	2003	2002	2003	2002	2003	2002
R Titchener	60,000	10,000	40,000	30,000	6,529	6,529

The options granted under the terms of the Executive Scheme are exercisable between 2003 and 2013 at prices between 10.5p and 34p per share.

Statement of directors' responsibilities for the Annual Report

Company law in the United Kingdom 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 these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which 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.


The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

Auditors

On 3 May 2003, the auditors RSM Robson Rhodes transferred their business to RSM Robson Rhodes LLP. The auditors, RSM Robson Rhodes LLP, are willing to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Approval

The report of the directors was approved by the Board on 10 June 2003 and signed on its behalf by:



K N EDWARDS
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PARADISE DATACOM LIMITED

We have audited the financial statements on pages 5 to 18.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 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 transactions with the company is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

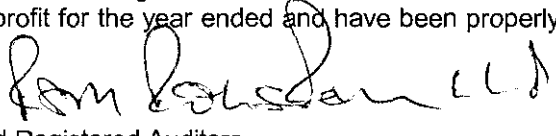
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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 affairs of the company as at 31 March 2003 and of its profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.


RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Birmingham, England
10 June 2003

PARADISE DATACOM LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 March 2003

	Note	2003 £	2002 £
Turnover - continuing operations	2	6,781,158	4,879,343
Cost of sales		(4,451,911)	(3,685,114)
Gross profit		2,329,247	1,194,229
Distribution costs		(260,611)	(26,702)
Administrative expenses		(880,151)	(426,820)
Other operating (expenditure)/income		(23,993)	36,497
Operating profit - continuing operations	3	1,164,492	777,204
Exceptional loss on termination of operations	4	(48,413)	(527,423)
Profit on ordinary activities before interest and taxation		1,116,079	249,781
Dividend received from subsidiary undertaking		316,456	-
Bank interest receivable		12,128	94,992
Profit on ordinary activities before taxation		1,444,663	344,773
Taxation	7	(324,296)	(99,723)
Profit on ordinary activities after taxation		1,120,367	245,050
Equity dividends	8	(718,411)	(114,000)
Retained profit for the year	17	401,956	131,050

There is no material difference between the reported result above and the result on a historical cost basis.

PARADISE DATACOM LIMITED

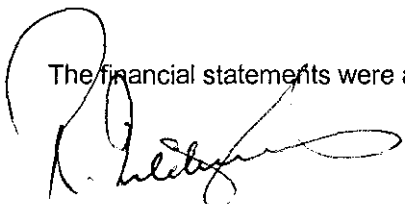
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2003

	2003 £	2002 £
Profit on ordinary activities after taxation	1,120,367	245,050
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	1,120,367	245,050
Prior year adjustment	-	(10,000)
	<hr/>	<hr/>
Total gains and losses recognised since the last Annual Report	1,120,367	235,050
	<hr/>	<hr/>

PARADISE DATACOM LIMITED**BALANCE SHEET**
at 31 March 2003

	Note	2003 £	2002 £
Fixed assets			
Intangible fixed assets	9	40,875	-
Tangible assets	10	866,386	698,732
Investments	11	3,873,207	3,873,207
		<hr/>	<hr/>
		4,780,468	4,571,939
		<hr/>	<hr/>
Current assets			
Stocks	12	746,365	871,780
Debtors	13	1,706,607	822,348
Cash at bank and in hand		754,029	899,632
		<hr/>	<hr/>
		3,207,001	2,593,760
Creditors: Amounts falling due within one year	14	(2,229,297)	(2,071,426)
		<hr/>	<hr/>
Net current assets		977,704	522,334
		<hr/>	<hr/>
Total assets less current liabilities		5,758,172	5,094,273
Creditors: Amounts falling due after more than one year	15	(3,960,095)	(3,699,652)
Provisions for liabilities and charges	16	(28,500)	(27,000)
		<hr/>	<hr/>
Net assets		1,769,577	1,367,621
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	60,000	60,000
Profit and loss account	18	1,709,577	1,307,621
		<hr/>	<hr/>
Equity shareholders' funds	19	1,769,577	1,367,621
		<hr/>	<hr/>

The financial statements were approved by the Board on 10 June 2003 and signed on its behalf by:



R TITCHENER
Director

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

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 consists of the invoiced value (excluding VAT) for goods and services supplied in the year.

Tangible fixed assets and depreciation

Depreciation is provided on a reducing balance basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The principal annual rates used are:

Leasehold property	Period of lease
Plant and machinery	20% per annum
Fixtures, fittings and equipment	15% per annum
Motor vehicles	25% per annum

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximately to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheets date. All differences are taken to the profit and loss accounts.

Research and development

To the extent that there is no clearly identifiable project, or where expenditure is not separately identifiable, research and development expenditure is charged to the profit and loss account as incurred. Development costs relating to projects the outcome of which can be assessed with reasonable certainty are capitalised as an intangible fixed asset. These costs are amortised from the date of product release over a period not exceeding 36 months, representing the Directors' view of the maximum product life span within the market in which it operates.

Investments

Investments are stated at cost less provision for impairment in value. Cost is purchase price including acquisition expenses, but excluding any payment for accrued interest or fixed dividend entitlement.

Leased assets

Where assets are financed by leasing agreements ('finance leases') the assets are included in the balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

1. ACCOUNTING POLICIES (Continued)

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.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from:

- a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date; and
- b) gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

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.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

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.

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

	2003 £	2002 £
European Community (excluding United Kingdom)	2,307,122	1,254,204
Rest of the world	1,688,897	1,610,355
	<hr/>	<hr/>
Export sales	3,996,019	2,864,559
United Kingdom	2,785,139	2,014,784
	<hr/>	<hr/>
	6,781,158	4,879,343
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

3. OPERATING PROFIT

Operating profit is arrived at after charging:

	2003 £	2002 £
Depreciation of tangible fixed assets	208,985	130,616
Auditors' remuneration	6,000	7,000
Fees paid to auditors for other services	-	250
Operating lease rental on land and buildings	83,803	81,000
Research and development expenditure	753,205	610,000
Management charges	113,000	169,000

4. EXCEPTIONAL ITEM

	2003 £	2002 £
Loss on termination of Pascall Microwave operation	48,413	527,423

5 EMPLOYEES

	2003 £	2002 £
Wages and salaries	1,600,492	1,487,610
Social security costs	160,748	158,134
Pension costs	56,486	30,002

1,817,727	1,675,746
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Average monthly number employed, including executive directors

Production	37	29
Administration	9	11

46	40
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NOTES TO THE FINANCIAL STATEMENTS
31 March 2003

6. DIRECTORS

Emoluments of the company's directors:

	2003 £	2002 £
Emoluments	207,495	213,596
Contributions to defined contribution scheme	21,626	9,868
	<u>229,121</u>	<u>223,464</u>
Number of directors to whom retirement benefits are accruing	<u>1</u>	<u>1</u>

The emoluments of the highest paid director (excluding pension contributions) were £118,663 (2002: £130,105).

7. TAXATION

	2003 £	2002 £
United Kingdom Corporation Tax		
Current tax on income for the year	-	14,343
Adjustment in respect of prior year	(2,529)	(3,422)
Total	<u>(2,529)</u>	<u>10,921</u>
Group relief payable		
Current tax on income for the year	308,877	71,802
Adjustment in respect of prior year	16,448	-
Total	<u>325,325</u>	<u>71,802</u>
Current taxation	322,796	82,723
Deferred taxation	1,500	17,000
Tax on profit on ordinary activities	<u>324,296</u>	<u>99,723</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2003

7. TAXATION (continued)

Current tax reconciliation

	2003 £	2002 £
Profit on ordinary activities before taxation	1,448,663	344,773
Theoretical tax at UK corporation tax rate 30% (2002: 30%)	433,399	103,432
Effects of:		
- Marginal tax rates	-	(3,750)
- Adjustments in respect of prior years	13,919	(3,422)
- Research and development credit	(27,000)	-
- Depreciation of ineligible fixed assets	5,075	-
- Expenditure that is not tax deductible	(6,160)	4,047
- income that is not taxable	(94,937)	-
- Accelerated capital allowances	(1,500)	(17,584)
Actual current taxation charge	322,796	82,723

Exceptional item

The taxation charge is stated after a tax credit of £14,524 (2002: £158,227) relating to the exceptional loss on discontinued operations.

8. EQUITY DIVIDENDS

	2003 £	2002 £
Interim dividend paid of £11.97 per share (2002: £Nil)	718,411	-
Final dividend proposed of £Nil per share (2002: £1.90)	-	114,000
	718,411	114,000

NOTES TO THE FINANCIAL STATEMENTS
31 March 2003

9. INTANGIBLE FIXED ASSETS

	Total £
Cost	
At 1 April 2002	-
Additions	40,875
	<hr/>
At 31 March 2003	40,875
	<hr/>
Depreciation	
At 1 April 2002	-
Charge for year	-
	<hr/>
At 31 March 2003	-
	<hr/>
Net book value	
At 31 March 2003	40,875
	<hr/>
At 31 March 2002	-
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2003

10. TANGIBLE ASSETS

	Leasehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 April 2002	180,550	687,158	217,962	1,085,670
Additions	842	225,672	150,124	376,638
Inter Group transfer	-	(62,732)	116,426	53,694
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	181,392	850,098	484,512	1,516,002
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2002	10,266	211,514	165,158	386,938
Charge for year	18,118	101,747	89,119	208,984
Inter Group transfer	-	81,646	(27,952)	53,694
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	28,384	394,907	226,325	649,616
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2003	153,008	455,191	258,187	866,386
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	170,284	475,644	52,804	698,732
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2003

11. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertaking £
Cost and net book value	
At 1 April 2002	3,873,207
Transferred from parent undertaking	
	<hr/>
At 31 March 2003	3,873,207
	<hr/>

The company owns a 100% share in Paradise Datacom, LLC a limited liability corporation incorporated and operating in the USA.

Paradise Datacom LLC designs and manufactures high specification digital satellite communications equipment.

The company is itself a wholly owned subsidiary and has therefore not presented consolidated financial statements.

12. STOCKS

	2003 £	2002 £
Raw materials	459,685	248,986
Work in progress	157,208	502,376
Finished Goods	129,472	120,418
	<hr/>	<hr/>
	746,365	871,780
	<hr/>	<hr/>

In the directors opinion, the replacement cost of stock and work in progress does not differ materially from the values stated.

13. DEBTORS

	2003 £	2002 £
Trade debtors	1,435,900	708,442
Amounts owed by parent company	109,686	8,311
Amounts owed by group undertakings	42,343	25,343
Other debtors	37,984	12,118
Prepayments and accrued income	80,784	68,134
	<hr/>	<hr/>
	1,706,607	822,348
	<hr/>	<hr/>

	2003 £	2002 £
Bank loans and overdrafts	534,268	466,952
Trade creditors	809,185	632,075
Amounts owed to parent company	-	437,688
Amounts owed to group undertakings	98,244	17,644
Corporation tax	308,878	105,476
Group relief payable	-	71,802
Other taxation and social security	143,325	47,365
Other creditors	94,649	80,689
Accruals and deferred income	240,748	97,735
Dividends payable	-	114,000
	<hr/>	<hr/>
	2,229,297	2,071,426

	2003 £	2002 £
Loan from parent company	3,960,095	3,699,652

16 PROVISIONS FOR LIABILITIES AND CHARGES

16

NOTES TO THE FINANCIAL STATEMENTS
31 March 2003

17. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
250,000 Ordinary shares of £1 each	250,000	250,000
Allotted and fully paid		
60,000 Ordinary shares of £1 each	60,000	60,000

19. RESERVES

	Profit and loss account £
At 1 April 2002	1,307,621
Profit for the year	401,956
At 31 March 2003	1,709,577

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	2003 £	2002 £
Profit on ordinary activities after taxation	1,120,367	245,050
Dividends	(718,411)	(114,000)
Net addition to shareholders funds	401,956	131,050
Opening shareholders funds	1,367,621	1,236,571
Closing shareholders funds	1,769,577	1,367,621

20. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2003

21. FINANCIAL COMMITMENTS

Operating lease commitments

The annual commitments under operating leases are analysed for the year in which each lease expiring, as follows:

	2003	2002
	£	£
Land and Buildings leases expiring:		
Between one and five years *	303,633	82,771
	<hr/>	<hr/>

* The current lease is for ten years, with a break clause after five years. Therefore the commitment is shown as between one and five years so as to truly reflect the commitment.

22. RELATED PARTY DISCLOSURES

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

23. PARENT UNDERTAKING

The ultimate parent company is Intelek plc, a company registered in England and Wales. Its group accounts are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.