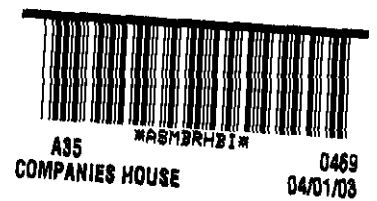

Paradise Datacom Limited

Annual Report

◆ *Year ended 31 March 2002* ◆



PARADISE DATACOM LIMITED

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PARADISE DATACOM LIMITED

COMPANY INFORMATION

Directors
N L Mills
R Titchener
J Dixon - Appointed 26 June 2001
I D Brodie
K N Edwards
J S Ellison - Resigned 30 June 2001

Secretary
K N Edwards

Registered office
P O Box 25
South Marston Park
Swindon
Wiltshire
SN3 4TR

Registered number
2829165

Auditors
RSM Robson Rhodes
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 2002.

Principal activities

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

Business review and future developments

2001/02 was the company's first full year of trading since its acquisition by Intelek in March 2002.

The company is very proud to have received its second Queens Award in two years, this time for innovation. The company also completed a move to a larger facility of 18,000 sq ft in Witham Essex.

Despite the volatility of the Telecoms sector the company met its budgeted operating profit for the year, which in turn was a considerable increase over the previous year's results.

Whilst recognising the market continues to be volatile the Directors remain confident of the company's continuing ability to both grow its existing markets and to penetrate new ones via new product developments and a broader range of product offerings.

Dividends

The directors propose a final dividend for the year of £114,000 (2001 - £Nil).

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 directors noted below, are disclosed in the directors report of that company.

The beneficial interests of the directors and their families at 31 March 2002 and the beginning of the year (or date of appointment if appointed during the year) in the ordinary share capital of Intelek plc other than for main board directors are detailed below:

	Beneficial		Options under the Executive Scheme		Options under Savings Related Scheme	
	2002	2001	2002	2001		
R Titchener	10,000	-	30,000	-	6,529	-
J Dixon	2,151,695	2,151,695	-	-	-	-

The options granted under the terms of the Executive Scheme are exercisable between 2002 and 2012 at prices between 16p and 36p per share.

PARADISE DATACOM LIMITED

REPORT OF THE DIRECTORS **(Continued)**

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

The auditors, RSM Robson Rhodes, 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 17 June 2002 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 19.

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 2002 and of its profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes
Chartered Accountants and Registered Auditors

Birmingham, England
17 June 2002

PARADISE DATACOM LIMITED
PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2002

	Note	2002 £	2001 (restated) £
Turnover - continuing operations		4,879,343	3,649,775
Cost of sales	2	(3,685,114)	(2,464,341)
		<hr/>	<hr/>
Gross profit		1,194,229	1,185,434
Distribution costs		(26,702)	-
Administrative expenses		(426,820)	(680,486)
Other operating income		36,497	54,841
		<hr/>	<hr/>
Operating profit - continuing operations	3	777,204	559,789
Exceptional loss on termination of operations	4	(527,423)	-
		<hr/>	<hr/>
Profit on ordinary activities before interest and taxation		249,781	559,789
Bank interest receivable		94,992	25,998
Interest payable	7	-	(1,264)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		344,773	584,523
Taxation	8	(99,723)	(179,851)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		245,050	404,672
Dividends	9	(114,000)	-
		<hr/>	<hr/>
Retained profit for the year	18	131,050	404,672
		<hr/>	<hr/>

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 2002

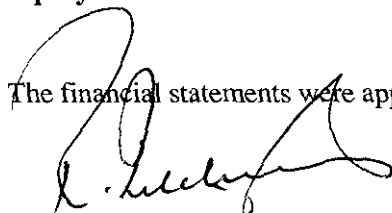
	2002	2001
	£	(restated)
		£
Profit on ordinary activities after taxation	245,050	404,672
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	245,050	404,672
Prior year adjustment (note 8)	(10,000)	<hr/>
	<hr/>	
Total gains and losses recognised since the last Annual Report	235,050	
	<hr/>	

PARADISE DATACOM LIMITED**BALANCE SHEET**

at 31 March 2002

	Note	2002 £	2001 (restated) £
Fixed assets			
Tangible assets	10	698,732	255,911
Investments	11	3,873,207	173,555
		<hr/>	<hr/>
		4,571,939	429,466
		<hr/>	<hr/>
Current assets			
Stocks	12	871,780	362,247
Debtors	13	822,348	851,898
Cash at bank and in hand		899,632	798,260
		<hr/>	<hr/>
		2,593,760	2,012,405
Creditors: Amounts falling due within one year	14	(2,071,426)	(1,195,300)
		<hr/>	<hr/>
Net current assets		522,334	817,105
		<hr/>	<hr/>
Total assets less current liabilities		5,094,273	1,246,571
Creditors: Amounts falling due after more than one year	15	(3,699,652)	-
Provisions for liabilities and charges	16	(27,000)	(10,000)
		<hr/>	<hr/>
Net assets		1,367,621	1,236,571
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	60,000	60,000
Profit and loss account	18	1,307,621	1,176,571
		<hr/>	<hr/>
Equity shareholders' funds	19	1,367,621	1,236,571
		<hr/>	<hr/>

The financial statements were approved by the Board on 17 June 2002 and signed on its behalf by:



R TITCHENER
Director

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

1. ACCOUNTING POLICIES

Basis of accounting

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

New accounting standards

FRS 19 "Deferred Tax" has been adopted for the first time in these financial statements. Comparative figures have been restated to be consistent with the new accounting policy that is described below. The effect of the change is quantified in Note 8. FRS 18 "Accounting Policies" has also been adopted. It did not cause any other changes in policy, as after careful review, the directors are satisfied that the current accounting policies are the most appropriate for the company.

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

Research and development expenditure is written off in the year in which it is incurred.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2002

1. ACCOUNTING POLICIES (Continued)

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.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19.

In accordance with FRS 19 deferred tax is not provided for:

- i) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- ii) gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over;
- iii) extra tax payable if the overseas retained profits of subsidiaries and associates are remitted in the future; and
- iv) fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

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

Previously under SSAP 15 provision was only made for deferred taxation if it was probable that the tax would be payable in the foreseeable future.

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.

PARADISE DATACOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 March 2002**2. TURNOVER BY GEOGRAPHICAL MARKET**

	2002	2001
	£	£
European Community (excluding United Kingdom)	1,254,204	983,742
Rest of the world	1,610,355	596,440
	<hr/>	<hr/>
Export sales	2,864,559	1,580,182
United Kingdom	2,014,784	2,069,593
	<hr/>	<hr/>
	4,879,343	3,649,775
	<hr/> <hr/>	<hr/> <hr/>

3. OPERATING PROFIT

Operating profit is arrived at after charging:

	2002	2001
	£	£
Depreciation of tangible fixed assets	130,616	61,860
Auditors' remuneration	7,000	7,500
Fees paid to auditors for other services	250	-
Operating lease rental on land and buildings	81,000	-
Research and development expenditure	610,000	-
Management charges	169,000	-
	<hr/> <hr/>	<hr/> <hr/>

4. EXCEPTIONAL ITEM

	2002	2001
	£	£
Loss on termination of Pascall Microwave operation	527,423	-
	<hr/> <hr/>	<hr/> <hr/>

On 1 April 2001 the company acquired the trade and certain assets and liabilities of the Pascall Microwave operations from a fellow subsidiary undertaking at net book value. This operation was discontinued without further trading during the year.

PARADISE DATACOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS**31 March 2002****5 EMPLOYEES**

	2002	2001
	£	£
Wages and salaries	1,487,610	1,039,690
Social security costs	158,134	86,936
Pension costs	30,002	46,599
	<hr/>	<hr/>
	1,675,746	1,173,225
	<hr/>	<hr/>
Average monthly number employed, including executive directors		
Production	29	31
Administration	11	5
	<hr/>	<hr/>
	40	36
	<hr/>	<hr/>

6. DIRECTORS

Emoluments of the company's directors:

	2002	2001
	£	£
Emoluments	213,596	221,651
Contributions to defined contribution scheme	9,868	10,371
	<hr/>	<hr/>
	223,464	232,022
	<hr/>	<hr/>
Number of directors to whom retirement benefits are accruing	1	2
	<hr/>	<hr/>

The emoluments of the highest paid director (excluding pension contributions) were £130,105 (2001: £126,290).

7. INTEREST PAYABLE

	2002	2001
	£	£
Bank loan and overdraft interest	-	1,264
	<hr/>	<hr/>

PARADISE DATACOM LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
31 March 2002**8. TAXATION**

	2002 £	2001 £
United Kingdom Corporation Tax		
Current tax on income for the year	14,343	178,301
Adjustment in respect of prior year	(3,422)	-
	<hr/>	<hr/>
Total	10,921	178,301
	<hr/>	<hr/>
Group relief payable		
Current tax on income for the year	71,802	-
Adjustment in respect of prior year	-	-
	<hr/>	<hr/>
Total	71,802	-
	<hr/>	<hr/>
Current taxation	82,723	178,301
Deferred taxation	17,000	1,550
	<hr/>	<hr/>
Tax on profit on ordinary activities	99,723	179,851
	<hr/>	<hr/>
Current tax reconciliation		
	2002 £	2001 £
Profit on ordinary activities before taxation	344,773	584,523
	<hr/>	<hr/>
Theoretical tax at UK corporation tax rate 30% (2001 : 30%)	103,432	175,357
Effects of:		
- Marginal tax rates	(3,750)	-
- Adjustments in respect of prior years	(3,422)	-
- Expenditure that is not tax deductible	4,047	4,494
- Accelerated capital allowances	(17,584)	(1,550)
	<hr/>	<hr/>
Actual current taxation charge	82,723	178,301
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2002**8. TAXATION (continued)****Exceptional item**

The taxation charge is stated after a tax credit of £158,227 (2001: £Nil) relating to the exceptional loss on discontinued operations.

Change of accounting policy

The change of accounting policy for deferred tax had the following effects on the company accounts:

	2002 £	2001 £
Profit for the year		
Company tax charge	17,000	1,550
	<hr/>	<hr/>
Reduction in reported profit for the financial year	17,000	1,550
	<hr/>	<hr/>
Balance sheet		
Company tax provision	27,000	10,000
	<hr/>	<hr/>
Reduction in shareholders' funds	27,000	10,000
	<hr/>	<hr/>

9. DIVIDENDS

	2002 £	2001 £
Final dividend proposed of £1.90 per share (2001: £Nil)	114,000	-
	<hr/>	<hr/>

PARADISE DATACOM LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
31 March 2002**10. TANGIBLE ASSETS**

	Leasehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 April 2001	1,274	354,164	154,285	509,723
Additions	179,276	296,704	63,677	539,657
Inter Group transfer	-	36,290	-	36,290
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	180,550	687,158	217,962	1,085,670
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2001	-	143,336	110,476	253,812
Charge for year	10,266	65,668	54,682	130,616
Inter Group transfer	-	2,510	-	2,510
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	10,266	211,514	165,158	386,938
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2002	170,284	475,644	52,804	698,732
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	1,274	210,828	43,809	255,911
	<hr/>	<hr/>	<hr/>	<hr/>

PARADISE DATACOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS **31 March 2002**

11. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertaking £
Cost and net book value	
At 1 April 2001	173,555
Transferred from parent undertaking	3,699,652
	<hr/>
At 31 March 2002	3,873,207
	<hr/>

The company owns a 100% share (2001 : 49.9%) 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

	2002 £	2001 £
Raw materials	248,986	362,247
Work in progress	502,376	-
Finished Goods	120,418	-
	<hr/>	<hr/>
	871,780	362,247
	<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

	2002 £	2001 £
Trade debtors	708,442	682,150
Amounts owed by parent company	8,311	-
Amounts owed by group undertakings	25,343	129,130
Other debtors	12,118	33,071
Prepayments and accrued income	68,134	7,547
	<hr/>	<hr/>
	822,348	851,898
	<hr/>	<hr/>

PARADISE DATACOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Bank loans and overdrafts	466,952	-
Trade creditors	632,075	421,176
Amounts owed to parent company	437,688	260,442
Amounts owed to group undertakings	17,644	-
Corporation tax	105,476	273,641
Group relief payable	71,802	-
Other taxation and social security	47,365	72,381
Amounts due to directors	-	8,323
Other creditors	80,689	71,667
Accruals and deferred income	97,735	87,670
Dividends payable	114,000	-
	<hr/>	<hr/>
	2,071,426	1,195,300
	<hr/>	<hr/>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002	2001
	£	£
Loan from parent company	3,699,652	-
	<hr/>	<hr/>

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 2002

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
Movement in year	
At 1 April 2001	-
Prior year adjustment (note 8)	10,000
	<hr/>
At 1 April 2001 as restated	10,000
Transfer from profit and loss account	17,000
	<hr/>
At 31 March 2002	27,000
	<hr/> <hr/>

Deferred taxation comprises:

	2002 £	2001 £
Capital allowances	27,000	10,000
	<hr/> <hr/>	<hr/> <hr/>

17. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised		
250,000 Ordinary shares of £1 each	250,000	250,000
	<hr/> <hr/>	<hr/> <hr/>
Allotted and fully paid		
60,000 Ordinary shares of £1 each	60,000	60,000
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2002**18. RESERVES**

	Profit and loss account £
Company	
Reserves at 1 April 2001	1,186,571
Prior year adjustment (note 8)	(10,000)
	<hr/>
At 1 April 2001 as restated	1,176,571
Profit for the year	131,050
	<hr/>
At 31 March 2002	1,307,621
	<hr/>

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	2002 £	2001 £
Profit on ordinary activities after taxation	245,050	404,672
Dividends	(114,000)	-
	<hr/>	<hr/>
Net addition to shareholders funds	131,050	404,672
Opening shareholders funds	1,236,571	831,899
	<hr/>	<hr/>
Closing shareholders funds	1,367,621	1,236,571
	<hr/>	<hr/>

The opening shareholders' funds at 31 March 2001 as previously reported amounted to £1,246,571 before the prior year adjustment of £10,000 (see note 8).

20. DIRECTORS LOANS

The company has loans payable to the directors and their associates as follows:

	2002 £	2001 £
Amounts due to directors		
N L Mills	-	8,323
	<hr/>	<hr/>

There are no formal terms for these loans, which are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2002

21. 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.

22. FINANCIAL COMMITMENTS

Operating lease commitments

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

	2002	2001
	£	£
Land and Buildings leases expiring:		
Between one and five years	82,771	-
	<hr/>	<hr/>

23. RELATED PARTY DISCLOSURES

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

24. 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.