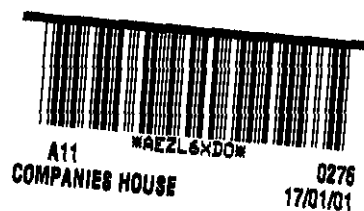


2829165

PARADISE DATACOM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2000



pb Price Bailey
CHARTERED ACCOUNTANTS

With offices in
Bishop's Stortford Cambridge Chingford Ely Harlow
Newmarket Norwich Saffron Walden

A member of the UK 200 Group,
an association of independent practising Chartered Accountants

SHAREHOLDERS FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2000

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PARADISE DATACOM LIMITED

COMPANY INFORMATION AS AT 30 APRIL 2000

NUMBER 2829165

DIRECTORS N L Mills
Mrs E Mills
R Titchener

SECRETARY R Titchener

REGISTERED OFFICE Tower Business Park
Tiptree
Essex
CO5 0LX

AUDITORS Price Bailey
Chartered Accountants
Aylmer House
The High
Harlow
Essex
CM20 1DH

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 April 2000.

Principal activity

The principal activity of the company was that of the manufacture and sale of communication equipment.

There have been no events since the year end which require comment by the directors.

Business review

The company's balance sheet, as detailed on page 7, shows a satisfactory position with shareholders funds amounting to £840,349 (1999 - £578,605).

Results and dividends

The results for the year are shown in the profit and loss account on page 6.

The directors do not propose the payment of an ordinary dividend.

Future developments and events since the end of the year

There has been no significant change in activities during the year.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	30 April 2000	1 May 1999
	Ordinary shares	Ordinary shares
N L Mills	59,999	59,999
Mrs E Mills	1	1

R Titchener Esq was appointed to the board of directors after the year end.

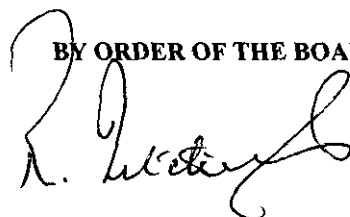
Auditors

A resolution to reappoint Price Bailey as auditors will be put to the members at the annual general meeting.

REGISTERED OFFICE

**Tower Business Park
Tiptree
Essex
CO5 0LX**

BY ORDER OF THE BOARD



**R Titchener
Secretary**

Dated: 10 January 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under company law 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 we are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable us to ensure that the financial statements comply with the Companies Act 1985. We 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.

ON BEHALF OF THE BOARD



**N L Mills
Chairman**

PARADISE DATACOM LIMITED

AUDITORS' REPORT TO THE MEMBERS OF PARADISE DATACOM LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

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 any 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 error or other irregularity. 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 30 April 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



AYLMER HOUSE

PRICE BAILEY

THE HIGH

**CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS**

HARLOW

ESSEX

CM20 1DH

Dated: 10 January 2001

PARADISE DATACOM LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30 APRIL 2000**

	Notes		1999
TURNOVER	2	2,894,720	1,923,940
Cost of sales		2,137,885	1,488,181
GROSS PROFIT		756,835	435,759
Distribution costs	38,806		23,183
Administrative expenses	412,342		327,831
Other operating income	(54,711)		-
		396,437	351,014
OPERATING PROFIT	3	360,398	84,745
Other interest receivable and similar income		6,044	129
Interest payable	6	(9,358)	(5,339)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		357,084	79,535
Taxation	7	95,340	2,976
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION RETAINED FOR THE YEAR		261,744	76,559
RETAINED PROFIT BROUGHT FORWARD		518,605	442,046
RETAINED PROFIT CARRIED FORWARD		£780,349	£518,605

There are no recognised gains and losses in 2000 or 1999 other than the profit for the year.

There were no acquisitions and no discontinued operations in the year.

The notes on pages 9 to 15 form part of these financial statements.

PARADISE DATACOM LIMITED

BALANCE SHEET AT 30 APRIL 2000

	Notes		1999
FIXED ASSETS			
Tangible fixed assets	8	161,644	125,534
Investments	9	175,400	-
		<u>337,044</u>	<u>125,534</u>
CURRENT ASSETS			
Stocks	10	332,537	256,145
Debtors	11	717,377	552,150
Cash at bank and in hand		31,303	-
		<u>1,081,217</u>	<u>808,295</u>
CREDITORS: amounts falling due within one year	12	498,479	355,224
		<u>582,738</u>	<u>453,071</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>919,782</u>	<u>578,605</u>
CREDITORS: amounts falling due after more than one year	13	79,433	-
		<u>£840,349</u>	<u>£578,605</u>
CAPITAL AND RESERVES			
Called up share capital	14	60,000	60,000
Profit and loss account		780,349	518,605
EQUITY SHAREHOLDERS FUNDS	15	<u>£840,349</u>	<u>£578,605</u>

The financial statements on pages 6 to 15 were approved by the board of directors on 10 January 2001 and signed on its behalf by:

Nigel Mills

N L Mills
Chairman

The notes on pages 9 to 15 form part of these financial statements.

PARADISE DATACOM LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 APRIL 2000

	Note	April 2000	April 1999
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating profit		360,398	84,745
Depreciation charges		52,726	39,095
Intangible fixed assets written back		-	55,211
Increase in stocks		(76,392)	(140,592)
Increase in debtors		(165,227)	(102,899)
Increase in creditors		116,151	42,075
Net cash inflow from operating activities		<u>£287,656</u>	<u>£(22,365)</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities		287,656	(22,365)
Returns on investments and servicing of finance	19	(3,314)	(5,210)
Taxation		(2,976)	32,138
Capital expenditure	19	(264,236)	(37,422)
		<u>17,130</u>	<u>(32,859)</u>
Financing	19	94,855	-
Increase/(decrease) in cash		<u>£111,985</u>	<u>£(32,859)</u>

**RECONCILIATION OF NET CASH FLOW
TO MOVEMENT IN NET DEBT**

	20		
Increase/(decrease) in cash in the period		111,985	(32,859)
New loans acquired		<u>(94,855)</u>	<u>-</u>
		<u>17,130</u>	<u>(32,859)</u>
Net debt at 1 May 1999		(80,682)	-
Net funds at 30 April 2000		<u>£(63,552)</u>	<u>£(32,859)</u>

The notes on pages 9 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2000

1 ACCOUNTING POLICIES

Accounting convention and standards

The financial statements are prepared under the historical cost convention and in accordance with the applicable Statements of Standard Accounting Practice and Financial Reporting Standards. This is a change from the previous year when the company accounts were prepared in accordance with the Financial Reporting Standard for Smaller Entities (FRSSE).

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives, on the reducing balance basis, as follows:

Plant and machinery	33% per annum
Motor vehicles	25% per annum
Fixtures and fittings	15% per annum

Investments

Investments are valued at cost.

Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Foreign currencies

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

Defined contribution pension scheme

Contributions to a money purchase scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Group accounts

The company is not required to prepare group accounts as it has taken advantage of Section 248 of the Companies Act 1985.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2000

2 TURNOVER

In the opinion of the directors, 41% of the turnover of the company is attributable to geographical markets outside the United Kingdom. (1999 - 50%)

3 OPERATING PROFIT

		1999
Operating profit is stated after crediting:		
Profit on foreign exchange	£Nil	£173
and after charging:		
Auditors' remuneration	£3,950	£3,650
Loss on sale of assets	£Nil	£279
Research and development expenditure	£Nil	£55,211
Depreciation of tangible fixed asset	£52,726	£38,816

4 DIRECTORS

		1999
Benefits in kind	362	362
Directors' emoluments	96,503	86,139
Contributions to a money purchase pension scheme	33,617	4,946
	£130,482	£91,447
Number of directors to whom retirement benefits are accruing	1	1

Defined contribution pension scheme

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 £62,251 (1999 - £27,075).

No contributions (1999 - £Nil) were outstanding to the fund at 30 April 2000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2000

5 STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

		1999
Wages and salaries	681,004	558,204
Social security costs	71,381	54,813
Pension costs	62,251	27,075
	<u>£814,636</u>	<u>£640,092</u>
Average monthly number employed, including executive directors	<u>30</u>	<u>25</u>

6 INTEREST PAYABLE

		1999
Bank interest	6,363	5,882
Bank loan interest	2,995	-
Other interest	-	(543)
	<u>£9,358</u>	<u>£5,339</u>

7 TAXATION

		1999
Corporation tax on profit on ordinary activities at 27% (1999 - 21%)	<u>£95,340</u>	<u>£2,976</u>

PARADISE DATACOM LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 APRIL 2000****8 TANGIBLE FIXED ASSETS**

	Motor vehicles	Plant and machinery	Fixtures and fittings	Total
Cost				
1 May 1999	2,950	132,719	130,556	266,225
Additions	-	69,771	19,065	88,836
30 April 2000	<u>£2,950</u>	<u>£202,490</u>	<u>£149,621</u>	<u>£355,061</u>
Depreciation				
1 May 1999	738	81,133	58,820	140,691
Charge for year	552	21,254	30,920	52,726
30 April 2000	<u>£1,290</u>	<u>£102,387</u>	<u>£89,740</u>	<u>£193,417</u>
Net book value				
30 April 2000	<u>£1,660</u>	<u>£100,103</u>	<u>£59,881</u>	<u>£161,644</u>
30 April 1999	<u>£2,212</u>	<u>£51,586</u>	<u>£71,736</u>	<u>£125,534</u>

9 FIXED ASSET INVESTMENTS

	Investments other than loans
Cost	
Additions	175,400
30 April 2000	<u>£175,400</u>
Net book amount	
30 April 2000	<u>£175,400</u>
30 April 1999	<u>£Nil</u>

The company owns a 49.9% share in Paradise Datacom LLC, a limited partnership incorporated in the USA. At 31 December 1999, in that company's latest financial statements, it had net assets of £493,888, and a profit for the year of £272,346.

At 31 December 1999 the company owned a 65% share in Paradise Datacom LLC.

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

Paradise Datacom LLC has a line of credit with a bank which has been guaranteed by its members. The balance outstanding at 31 December 1999 was £73,930.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2000

10 STOCKS

		1999
Stocks	£332,537	£256,145

11 DEBTORS

		1999
Trade debtors	670,818	419,450
Amounts owed by undertakings in which the company has a participating interest	26,862	114,640
Other debtors	417	14,424
Prepayments and accrued income	19,280	3,636
	£717,377	£552,150

12 CREDITORS: amounts falling due within one year

		1999
Bank loans and overdrafts (note 13)	15,422	80,682
Trade creditors	228,501	225,470
Corporation tax	95,340	2,976
Other taxation and social security	42,888	16,465
Amounts due to directors (note 16)	8,657	20,233
Other creditors	100,080	3,165
Accruals and deferred income	7,591	6,233
	£498,479	£355,224

13 CREDITORS: amounts falling due after more than one year

		1999
Borrowings		
Bank loans	£79,433	£Nil
Borrowings - maturity of debt included above		
In one year or less, or on demand (note 12)	15,422	-
In five years or more by instalments	79,433	-
	£94,855	£Nil

The bank borrowings are secured by a fixed and floating charge over the assets of the company. The bank loan is repayable within five years. Interest is charged at 2.7% over Barclays Bank Plc base rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2000

14 CALLED UP SHARE CAPITAL

	Number of shares	£	Number of shares	1999 £
Authorised share capital				
Ordinary shares of £1 each	250,000	250,000	250,000	250,000
Allotted called up and fully paid				
Ordinary shares of £1 each	60,000	60,000	60,000	60,000

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

		1999
Profit for the financial year	261,744	76,559
Shareholders funds at 1 May 1999	578,605	502,046
Shareholders funds at 30 April 2000	£840,349	£578,605

16 DIRECTORS LOANS

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

		1999
Amounts due to the directors		
N L Mills	£8,657	£20,233

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

17 CONTROL

The company is under the immediate and ultimate control of N L Mills Esq.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2000

18 RELATED PARTY TRANSACTIONS

At 30 April 2000, a £31,567 loan was due from Paradise Datacom LLC. The loan was provided for working capital purposes. At the year-end interest had been charged amounting to £5,911. Furthermore, there has been inter-company trading and various expenses paid on behalf of Paradise Datacom LLC and at the year-end the company owed £4,705. During 1997 the company entered into a Technology Exchange Agreement with Paradise Datacom LLC. Royalties in accordance with this agreement were received amounting to £54,711.

During the year the company made total payments of £21,902 (1999 £25,246) to N L Mills Esq, a director of the company, for use of the property owned by himself.

The director has provided a personal guarantee in regard to the bank loan.

19 GROSS CASH FLOW

	1999	
Returns on investments and servicing of finance		
Interest received	6,044	129
Interest paid	(9,358)	(5,339)
	<u>£(3,314)</u>	<u>£(5,210)</u>
 Capital expenditure		
Payments to acquire tangible fixed assets	(88,836)	(37,972)
Payments to acquire investment	(175,400)	-
Receipts from sale of tangible fixed assets	-	550
	<u>£(264,236)</u>	<u>£(37,422)</u>
 Financing		
New loans	<u>£94,855</u>	<u>£Nil</u>

20 ANALYSIS OF CHANGES IN NET DEBT

	<i>At 1999</i>	<i>Cash Flows</i>	<i>At 2000</i>
Cash at bank and in hand	-	31,303	31,303
Overdrafts	(80,682)	80,682	-
Debt due within one year	-	(94,855)	(15,422)
Debt due after one year	-	-	(79,433)
	<u>£(80,682)</u>	<u>£17,130</u>	<u>£(63,552)</u>