

**REGISTRAR
OF COMPANIES**

REGISTERED NUMBER:
2615421
England and Wales

CANNON TELECOMMS LIMITED

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31ST DECEMBER 2000



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CANNON TELECOMMS LIMITED

DIRECTORS

- E.A. Reddicliffe
M.Goulding

SECRETARY

- E.A. Reddicliffe

REGISTERED OFFICE

- Queensway
Steam Lane Industrial Estate
New Milton
Hampshire
BH25 5NU

REGISTERED NUMBER

- 2615421 England and Wales

AUDITORS

- Simpson Wreford & Partners,
Chartered Accountants,
Suffolk House,
George Street,
Croydon CRO OYN.
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CANNON TELECOMMS LIMITED

ANNUAL REPORT AND ACCOUNTS - 31ST DECEMBER 2000

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CANNON TELECOMMS LIMITED**REPORT OF THE DIRECTORS**

The directors present their annual report with the accounts of the company for the year ended 31st December 2000. For the year ended 31st December 2000, the company is a wholly owned subsidiary of Cannon Technologies Group Plc., a company registered in England and Wales.

PRINCIPAL ACTIVITY

The company's principal activities are those of manufacturing and marketing products to telecommunication, CATV and cable companies and establishing a sales and distribution network.

REVIEW OF DEVELOPMENTS

The result for the year was a loss after taxation of £14,424 compared with a profit of £244,894 for the previous year.

Financial position and future prospects.

Shareholders equity has decreased by £14,424 as analysed in note 12 to the accounts.

The directors are confident that sufficient financial resources will be generated to enable opportunities for growth to be pursued as they arise.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend for the year ended 31st December 2000 and no dividend was declared for the previous year ended 31st December 1999. The loss after tax of £14,424 has been transferred to reserves.

FIXED ASSETS

The movement on fixed assets during the year are stated in note 7 to the financial statements.

CANNON TELECOMMS LIMITED

REPORT OF THE DIRECTORS

DIRECTORS

The following persons were directors during the year:-

E.A.Reddicliffe
C.G.Rogers (resigned 30th June 2000)
M.Goulding (appointed 30th June 2000)

The directors interests in the £1 ordinary shares of the ultimate parent company, Cannon Technologies PLC, were as follows:-

		31st December 2000	1st January 2000
E.A. Reddicliffe	(including family interests)	47,000	47,000
M.Goulding		-	-

DIRECTORS' RESPONSIBILITIES

Company law 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 those financial statements, the directors are required to:

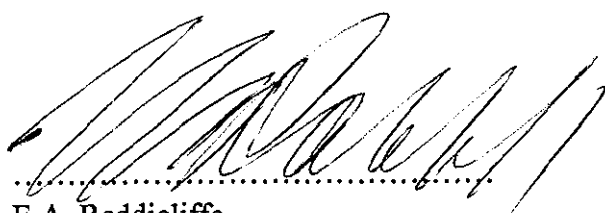
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

CANNON TELECOMMS LIMITED**REPORT OF THE DIRECTORS****AUDITORS**

Simpson Wreford & Partners will be proposed for reappointment in accordance with Section 385 of the Finance Act 1985.

Signed on behalf of
the board of directors

A handwritten signature in dark ink, appearing to be 'E.A. Reddicliffe', written over a dotted line.

E.A. Reddicliffe
Director

Approved by the board: 23rd March 2001

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
CANNON TELECOMMS LIMITED**

We have audited the accounts on pages 5 to 12 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 7 & 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Simpson Wreford & Partners

SIMPSON WREFORD & PARTNERS

Chartered Accountants and Registered Auditors

Suffolk House,
George Street,
Croydon CRO OYN.

26th March 2001

CANNON TELECOMMS LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST DECEMBER 2000**

	Notes	2000 £	1999 £
TURNOVER	2	857,884	1,723,961
Cost of sales		<u>(745,285)</u>	<u>(1,270,435)</u>
GROSS PROFIT		112,599	453,526
Administrative expenses		<u>(126,621)</u>	<u>(205,427)</u>
OPERATING (LOSS)/PROFIT	4	(14,022)	248,099
Interest payable and similar charges	5	<u>(402)</u>	<u>(3,205)</u>
(LOSS)/PROFIT on ordinary activities before taxation		(14,424)	244,894
TAXATION	6	<u>-</u>	<u>-</u>
(LOSS)/PROFIT for the financial year after taxation		<u><u>(14,424)</u></u>	<u><u>244,894</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

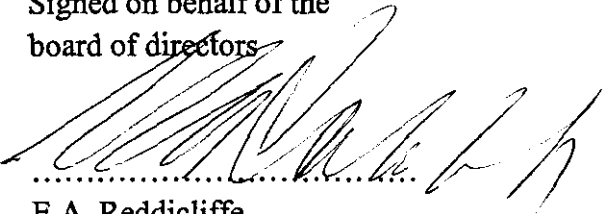
The company has no recognised gains or losses other than the profit or loss for the above two financial years.

CANNON TELECOMMS LIMITED

BALANCE SHEET - 31ST DECEMBER 2000

	Notes	2000	1999
		£	£
FIXED ASSETS			
Tangible assets	7	35,172	27,534
CURRENT ASSETS			
Stocks		119,344	65,227
Debtors	8	99,508	312,779
Cash at bank and in hand		<u>195,290</u>	<u>92,736</u>
		414,142	470,742
CREDITORS: Amounts falling due within one year	9	<u>116,047</u>	<u>150,585</u>
NET CURRENT ASSETS		<u>298,095</u>	<u>320,157</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>333,267</u>	<u>347,691</u>
CAPITAL AND RESERVES			
Called up share capital	11	379,052	379,052
Profit and loss account		<u>(45,785)</u>	<u>(31,361)</u>
	12	<u>333,267</u>	<u>347,691</u>

Signed on behalf of the
board of directors


.....
E.A. Reddicliffe
Director

Approved by the board: 23rd March 2001

CANNON TELECOMMS LIMITED**NOTES TO THE ACCOUNTS - 31ST DECEMBER 2000****1 ACCOUNTING POLICIES****Accounting basis and standards**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents net invoiced sales of goods, excluding VAT.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its expected life:

Plant and machinery	- 15% on written down value
Fixtures, fittings and equipment	- 15% on written down value
Motor vehicles	- 20% on cost

Stocks and work in progress

Stocks and short term work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable possibility that the liability will not arise in the foreseeable future.

Research and development

Expenditure on research and development is written off as incurred.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. All exchange differences are dealt with in the profit and loss account.

CANNON TELECOMMS LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER 2000

Leases**Finance leases**

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. Finance charges are allocated to accounting periods during the lease term so as to give a constant rate of charge during that term.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

Rentals paid under operating leasing are charged to the profit and loss account as incurred.

Pension costs

The company operated a defined contribution pension scheme, the assets of which were held separately from those of the company and in an independently administered fund.

Contributions were charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company. Turnover attributable to geographical markets outside of the United Kingdom amounted to 3% of the company's turnover in the year (1999 - 8%).

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000 No	1999 No
The average number of persons employed by the company (including directors) was as follows:		
Management and administration	2	4
Production	1	2
	<u>3</u>	<u>6</u>
	2000 £	1999 £
The aggregate payroll costs of these persons were as follows:-		
Wages and salaries	74,498	94,820
Social security costs	6,416	9,544
Other pension costs	260	647
	<u>81,174</u>	<u>105,011</u>

CANNON TELECOMMS LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER 2000

4. OPERATING (LOSS)/PROFIT	2000 £	1999 £
The operating loss (1999-profit) is stated after charging:		
Depreciation of tangible fixed assets	6,019	5,466
Loss on disposal of tangible fixed assets	3,653	3,212
Operating lease rentals:		
Land and buildings	-	10,085
Plant and machinery	3,243	4,723
Auditors' remuneration	3,000	4,685
	<u> </u>	<u> </u>
5. INTEREST PAYABLE AND SIMILAR CHARGES		
Bank loan and overdraft	<u>402</u>	<u>3,205</u>
	<u>402</u>	<u>3,205</u>

6. TAXATION

No corporation tax liability arises based on the results for the year. Losses available for set off against future trading profits amounted to approximately £15,000 at 31st December 2000 (1999 - £15,000).

CANNON TELECOMMS LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER 2000

7. TANGIBLE FIXED ASSETS

	Plant and Machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1st January 2000	24,999	7,933	14,031	46,963
Additions	11,410	-	10,900	22,310
Disposals	-	-	(14,031)	(14,031)
At 31st December 2000	<u>36,409</u>	<u>7,933</u>	<u>10,900</u>	<u>55,242</u>
Depreciation				
At 1st January 2000	9,491	4,560	5,378	19,429
Charge for the year	4,036	713	1,270	6,019
Eliminated on disposal	-	-	(5,378)	(5,378)
At 31st December 2000	<u>13,527</u>	<u>5,273</u>	<u>1,270</u>	<u>20,070</u>
Net book value				
At 31st December 2000	<u>22,882</u>	<u>2,660</u>	<u>9,630</u>	<u>35,172</u>
At 31st December 1999	<u>15,508</u>	<u>3,373</u>	<u>8,653</u>	<u>27,534</u>
		2000 £		1999 £

8. DEBTORS

Trade debtors	92,674	312,779
Other debtors	<u>6,834</u>	<u>-</u>
	<u>99,508</u>	<u>312,779</u>

All amounts are due within one year.

CANNON TELECOMMS LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER 2000

13. CONTINGENT LIABILITIES

The company is party to a composite guarantee between itself, Cannon Technologies Limited and Cannon Technologies Group Plc.

14. COMMITMENTS**Capital commitments**

There were no capital commitments contracted for at 31st December 2000 (1999 - Nil).

Commitments - Operating leases

At 31st December 2000, the company had the following annual commitments to be made under non cancellable operating leases:

	2000 £	1999 £
Plant and machinery - within one year	447	842
- within two to five years	-	7,770
	<u>447</u>	<u>8,612</u>

Pension commitments

The company had a fully insured defined contribution pension scheme for a past director and past employee. Premiums paid into the scheme in the year amounted to £260 (1999 - £647).

There are no present commitments with regard to any pension schemes.

15. RELATED PARTY TRANSACTIONS

Exemption has been taken of related party disclosures in respect of group transactions on the grounds that all details are included in the publicly available group accounts of Cannon Technologies Group Plc.

16. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.