

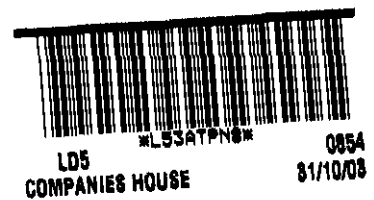
Registration number 2615421 England & Wales

**REGISTRAR
OF COMPANIES**

Cannon Datacom Limited

Directors' report and financial statements

for the year ended 31st December 2002



Cannon Datacom Limited

Company information

Directors	E. A. Reddcliffe M. Goulding
Secretary	E. A. Reddcliffe
Company number	2615421 England & Wales
Registered office	Queensway Stem Lane Industrial Estate New Milton Hampshire BH25 5NN
Auditors	Simpson Wreford & Partners Suffolk House George Street Croydon CR0 0YN
Business address	Queensway Stem Lane Industrial Estate New Milton Hampshire BH25 5NN

Cannon Datacom Limited

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Cannon Datacom Limited

**Directors' report
for the year ended 31st December 2002**

The directors present their report and the financial statements for the year ended 31st December 2002.

Principal activity and review of the business

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

For the year 31st December 2002, the company is a wholly owned subsidiary of Cannon Technologies Group Plc., a company registered in England and Wales.

Shareholders' equity has decreased by £65,682 as analysed in Note 11.

Results and dividends

The result for the year was a loss after taxation of £65,682 compared with a loss of £99,398 for 2001.

The directors do not recommend payment of a final dividend.

Post balance sheet events

There were no significant post balance sheet events.

Future developments

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

Directors and their interests

The directors who served during the year and their interests in the £1 ordinary shares of the ultimate parent company, Cannon Technologies Group Plc., are as stated below:

	Ordinary shares	
	31/12/02	01/01/02
E. A. Reddicliffe	47,000	47,000
M. Goulding	-	-

Cannon Datacom Limited

Directors' report for the year ended 31st December 2002

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 the affairs of the company and of the profit or loss of the company for that year.

In preparing these the directors 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.

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. 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.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Simpson Wreford & Partners be reappointed as auditors of the company will be put to the Annual General Meeting.

The directors recommend that Simpson Wreford & Partners remain in office until further notice.

This report was approved by the Board on 22nd August 2003 and signed on its behalf by

E. A. Reddicliffe

Director

A handwritten signature in dark ink, appearing to read 'E. A. Reddicliffe', written over the printed name and title.

Cannon Datacom Limited

Independent auditors' report to the shareholders of Cannon Datacom Limited

We have audited the financial statements of Cannon Datacom Limited for the year ended 31st December 2002 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 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 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 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.

Cannon Datacom Limited

Independent auditors' report to the shareholders of Cannon Datacom Limited continued

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Simpson Wreford & Partners
Chartered Accountants and Registered Auditors
22nd August 2003

Suffolk House
George Street
Croydon
CR0 0YN

Cannon Datacom Limited

**Profit and loss account
for the year ended 31st December 2002**

		Continuing operations	
		2002	2001
	Notes	£	£
Turnover	2	571,287	442,564
Cost of sales		<u>(533,987)</u>	<u>(409,260)</u>
Gross profit		37,300	33,304
Administrative expenses		<u>(102,982)</u>	<u>(132,702)</u>
Loss for the year		<u>(65,682)</u>	<u>(99,398)</u>
Accumulated loss brought forward		<u>(145,183)</u>	<u>(45,785)</u>
Accumulated loss carried forward		<u><u>(210,865)</u></u>	<u><u>(145,183)</u></u>

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 7 to 11 form an integral part of these financial statements.

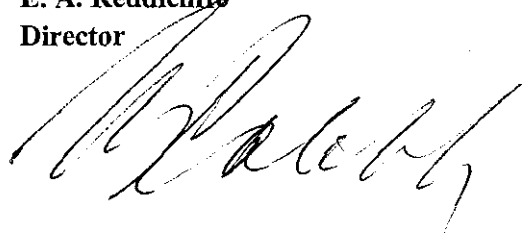
Cannon Datacom Limited

**Balance sheet
as at 31st December 2002**

		2002		2001	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	5		23,261		28,943
Investments	6		100		-
			<u>23,361</u>		<u>28,943</u>
Stocks	7	131,173		110,231	
Debtors	8	192,900		317,136	
Cash at bank and in hand		454		453	
		<u>324,527</u>		<u>427,820</u>	
Creditors: amounts falling due within one year	9	(179,701)		(222,894)	
Net current assets			<u>144,826</u>		<u>204,926</u>
Net assets			<u>168,187</u>		<u>233,869</u>
Capital and reserves					
Called up share capital	10		379,052		379,052
Profit and loss account			<u>(210,865)</u>		<u>(145,183)</u>
Equity shareholders' funds	11		<u>168,187</u>		<u>233,869</u>

The financial statements were approved by the Board on 22nd August 2003 and signed on its behalf by

E. A. Reddicliffe
Director



The notes on pages 7 to 11 form an integral part of these financial statements.

Cannon Datacom Limited

Notes to the financial statements for the year ended 31st December 2002

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention .

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

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

1.4. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.5. Stock

Stock is valued at the lower of cost and net realisable value.

1.6. Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to materialise.

1.7. Group accounts

The company is entitled to the exemption under Section 248 of the Companies Act 1985 from the obligation to prepare group accounts.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

	2002	2001
	£	£
Class of business		
UK Sales	569,887	398,308
Overseas Sales	1,400	44,256
	<u>571,287</u>	<u>442,564</u>

Cannon Datacom Limited

Notes to the financial statements for the year ended 31st December 2002

..... continued

3. Operating loss	2002	2001
	£	£
Operating loss is stated after charging:		
Depreciation and other amounts written off tangible assets	5,682	6,229
Auditors' remuneration	2,920	4,640
	<u> </u>	<u> </u>

4. Employees

Number of employees

The average monthly numbers of employees
(including the directors) during the year were:

	2002	2001
Management and administration	4	4
Production	1	1
	<u> </u>	<u> </u>
	5	5
	<u> </u>	<u> </u>

Employment costs

	2002	2001
	£	£
Wages and salaries	55,300	84,563
	<u> </u>	<u> </u>

5. Tangible fixed assets	Plant and fixtures, machinery fittings and equipment			Motor vehicles	Total
	£	£	£		£
Cost					
At 1st January 2002	36,409	7,933	10,900		55,242
At 31st December 2002	36,409	7,933	10,900		55,242
Depreciation					
At 1st January 2002	16,962	5,887	3,450		26,299
Charge for the year	2,918	584	2,180		5,682
At 31st December 2002	19,880	6,471	5,630		31,981
Net book values					
At 31st December 2002	16,529	1,462	5,270		23,261
At 31st December 2001	19,447	2,046	7,450		28,943
	<u> </u>	<u> </u>	<u> </u>		<u> </u>

Cannon Datacom Limited

Notes to the financial statements for the year ended 31st December 2002

..... continued

6. Fixed asset investments	Subsidiary undertakings	Total
	shares £	£
Cost		
Additions	100	100
At 31st December 2002	<u>100</u>	<u>100</u>
Net book values		
At 31st December 2002	<u>100</u>	<u>100</u>
	£	
Unlisted investments	<u>100</u>	

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

Cannon Telecomms Limited

Nature of business: Distribute enclosure systems for data networking

Class of shares:	%	
Ordinary shares	Holding	
	100	
		£
Aggregate capital and reserves		(2904)
Loss for the period		<u>(3004)</u>

7. Stocks	2002	2001
	£	£
Finished goods and goods for resale	<u>131,173</u>	<u>110,231</u>

Cannon Datacom Limited

Notes to the financial statements for the year ended 31st December 2002

..... continued

9. Creditors: amounts falling due within one year	2002 £	2001 £
Bank overdraft	111,515	151,911
Trade creditors	52,815	68,233
Amounts owed to group undertaking	100	-
Accruals and deferred income	15,271	2,750
	<u>179,701</u>	<u>222,894</u>

The bank borrowings are secured by an unscheduled mortgage debenture jointly given by the company, Cannon Technologies Limited and Cannon Technologies Group Plc.

10. Share capital	2002 £	2001 £
Authorised equity		
400,000 Ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>
Allotted, called up and fully paid equity		
379,052 Ordinary shares of £1 each	<u>379,052</u>	<u>379,052</u>

11. Reconciliation of movements in shareholders' funds	2002 £	2001 £
Loss for the year	(65,682)	(99,398)
Opening shareholders' funds	233,869	333,267
Closing shareholders' funds	<u>168,187</u>	<u>233,869</u>

12. Capital commitments

There were no capital commitments contracted for at 31st December 2002 (2001 - Nil).

13. Contingent liabilities

The company is party to a composite guarantee between itself, Cannon Technologies Limited and Cannon Technologies Group Plc. There are no other contingent liabilities at 31st December 2002 (2001 - Nil).

Cannon Datacom Limited

**Notes to the financial statements
for the year ended 31st December 2002**

..... continued

14. 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.

15. Ultimate parent undertaking

Cannon Technologies Group Plc prepares accounts for the year ended 31st December 2002.

16. Post balance sheet events

There were no significant post balance sheet events.