Telspec Limited

Annual Report and Accounts 2009

Telspec Limited

Results at a Glance

	2009 **£'000**	2008 £'000
Turnover	**49**	**483**
Operating loss	**(660)**	(633)
Net interest receivable	**19**	85
Loss on ordinary activities before tax	**(641)**	(548)
Tax	**-**	**-**
Loss after tax	**(641)**	**(548)**
Non-current assets	**-**	**3**
Working capital including provisions	**(191)**	**(78)**
Cash and cash equivalents	**556**	**3,128**
Shareholders' Funds	**365**	**3,053**

Telspec Limited

Contents

Telspec Limited

Business Review

Business

The Group is not developing new products and will only take on new profitable business. Its strategy is to maximise its eventual return to shareholders and to do this it is carefully managing the level of its cash outflow.

In 2009 the Group focused on obtaining formal acceptance of product delivered in previous years, delivering final tranches of old contracts and providing support services. During the year the Group continued to meet its warranty and after-sales obligations to existing customers but made no significant sales.

Capital Return

In last year's Chairman's statement we announced that it was our intention to return excess capital to shareholders. A series of steps were taken during the year to pave the way for the return of £2m, which took place in November 2009.

At an EGM on 14 August 2009 shareholders approved the cancellation of trading in the shares on the AIM market of the London Stock Exchange. They also approved the conversion of the Company into a private limited company. As a consequence the Company changed its name to Telspec Limited.

At a second EGM on 23 November 2009 shareholders approved the return of 5 pence per old ordinary share, a total of £2m. Shareholders also approved the reorganisation and consolidation of the Company's share capital into 3,755 new ordinary shares of 20p each to reflect its smaller size after the return of capital.

2009 Results

Sales in 2009 were £49,000 (2008: £483,000). A loss before tax of £641,000 was incurred during the year (2008: loss of £548,000). The loss before tax is stated after redundancy costs of £0.1m (2008: £0.2m) and exceptional transaction costs in respect of circulars in 2008 of £0.3m.

The final payment from ICE, the Group's customer in Costa Rica, was received in December 2008 and the contract is now completed, subject to providing warranty and repair services.

The Group has no significant orders in its orderbook.

Dividend

As in recent years the Company is unable to pay a dividend.

Business Review (continued)

Outlook and Prospects

The Group continues to complete its support service obligations under its existing contracts. However, it no longer has the capability to complete substantial projects and operations are gradually being wound down.

As noted above, the Company continues to fulfil its contractual obligations and to make losses.

Board

Fred White resigned as a director on 1 October 2009. David Steeds and Shiv Rakkar served as directors throughout the year.

Staff

The Board is extremely grateful to the staff for their loyalty and hard work during these very difficult times.

David Steeds
Chairman
24 June 2010

Telspec Limited

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2009.

Principal activities and business review

Telspec Limited is the parent company of a group of companies engaged in the manufacture, service and sale of advanced telecommunications equipment.

Other matters which may be material for an appreciation of the Group's activities and the state of the Group's affairs and potential future developments are contained in the Business Review.

Results and Dividends

Group loss before tax for the year ended 31 December 2009 amounted to £641,000 (2008: loss of £548,000). No final dividend is being recommended (2008: £nil).

Directors

Fred White resigned as a director on 1 October 2009.

The names of the Directors at the date of this report are as follows:

D W H Steeds	- Chairman
S D S Rakkar	- Non-executive Director

Neither Director who held office at 31 December 2009 had any beneficial interest in the Company's shares during the year.

Other than service contracts or as stated in Note 8 in the financial statements, no Director has, or has had during the financial year, any interest in any significant contract, with either the Company or any of its subsidiaries.

Employment Policy

The Group maintains close consultation with its employees in matters likely to affect their interests and is committed to involve them in the performance and development of the Group.

Corporate Governance

On 18 February 2008 the Company moved its listing from the Official List to the Alternative Investment Market (AIM). On 24 August 2009 trading in the Company's shares on AIM ceased. Telspec is no longer required to comply with the provisions of the Combined Code but the Company is still committed to the effective implementation of the principles of good corporate governance insofar as reasonably practicable.

The Board consults its professional advisers frequently and invites them to attend board meetings when matters of particular importance or sensitivity are discussed, such as Directors' remuneration, contracts and announcements.

Directors' Report (continued)

Company's Policy and Practice on the Payment of Creditors
Subsidiary companies agree terms and conditions with their suppliers for their business transactions in accordance with local laws and accepted practice. Payment is normally made in accordance with these terms and conditions.

Directors' Confirmation
Each of the persons who are directors at the time when this report is approved confirms that:

(a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and of the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors
and signed on behalf of the Board

David Steeds
Chairman
24 June 2010

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. The Directors are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU.

The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of both the Group and the parent company and of the profit or loss of the Group and Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards as adopted by the EU have been followed, subject to any material departures being disclosed and explained in the financial statements;
- 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Shareholders of Telspec Limited

We have audited the financial statements of Telspec Limited for the year ended 31 December 2009 which comprise the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's and the parent company's loss for the year then ended;
- The financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion in relation to IRFSs as issued by the IASB

As explained in note 2 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Independent Auditors' Report to the Shareholders of Telspec Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; Or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanation we require for our audit.

Trevor Rose FCA, CTA (Senior statutory auditor)
For and on behalf of
Crossley & Co

Chartered Accountants
Registered Auditors

Star House
Star Hill
Rochester
Kent
ME1 1UX

Date: 24 June 2010

Condensed consolidated statement of comprehensive income for year ended 31 December 2009

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Sales	4	49	483	75	120
Cost of sales		13	(347)	-	-
Gross profit		**62**	**136**	**75**	**120**
Other income	9	76	531	-	-
Selling and marketing expenses		(36)	(132)	-	-
Administrative expenses		(646)	(965)	(150)	(177)
Other operating expenses	7	(116)	(203)	-	-
Impairment provision		-	-	(251)	(781)
Operating loss	6	**(660)**	**(633)**	**(326)**	**(838)**
Net interest receivable	10	19	85	31	104
Loss after taxation		**(641)**	**(548)**	**(295)**	**(734)**
Currency translation adjustments		(22)	(178)	-	-
Loss after taxation		**(663)**	**(726)**	**(295)**	**(734)**

Telspec Limited

Condensed consolidated statement of financial position at 31 December 2009

Company Registration No: 02870908

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Non current assets					
Property, plant and equipment	12	-	2	-	-
Investments	13	-	1	14	739
		-	**3**	**14**	**739**
Current assets					
Inventories	14	1	20	-	-
Trade and other receivables	15	36	166	357	1,972
Cash and cash equivalents	22	556	3,128	1	2
		593	**3,314**	**358**	**1,974**
Total assets		**593**	**3,317**	**372**	**2,713**
Current liabilities					
Trade and other payables	16	(180)	(176)	(38)	(59)
Provisions	17	(35)	(35)	-	-
		(214)	**(211)**	**(38)**	**(59)**
Net current assets		**379**	**3,103**	**320**	**1,915**
Non-current liabilities					
Provisions	17	(14)	(53)	-	-
Net assets		**365**	**3,053**	**334**	**2,654**
Equity					
Called up share capital – ordinary	19	1	10,125	1	10,125
Called up share capital – deferred	19	8,099	-	8,099	-
Share premium account	20	10,419	10,419	10,419	10,419
Merger reserve	20	(6,930)	(6,930)	-	-
Other reserves	20	361	361	-	-
Profit and loss account – deficit	20	(11,585)	(10,922)	(18,185)	(17,890)
		365	**3,053**	**334**	**2,654**

Approved and authorised for issue by the Board of Directors on 24 June 2010
Signed on behalf of the Board of Directors

David Steeds
Chairman

Condensed consolidated statements of changes in shareholders' equity for year ended 31 December 2009

Group

	Share capital £'000	Other reserves £'000	Accumulated Loss £'000	Total equity £'000
At 1 January 2008	**10,125**	**3,850**	**(10,196)**	**3,779**
Total comprehensive loss for the period	-	-	(726)	(726)
At 31 December 2008	**10,125**	**3,850**	**(10,922)**	**3,053**
Capital repayment	(2,025)	-	-	(2,025)
Total comprehensive loss for the period	-	-	(663)	(663)
At 31 December 2009	**8,100**	**3,850**	**(11,585)**	**365**

Company

	Share capital £'000	Other reserves £'000	Accumulated Loss £'000	Total equity £'000
At 1 January 2008	**10,125**	**10,419**	**(16,156)**	**3,388**
Loss for the period	-	-	(734)	(734)
At 31 December 2008	**10,125**	**10,419**	**(17,890)**	**2,654**
Capital repayment	(2,025)	-	-	(2,025)
loss for the period	-	-	(295)	(295)
At 31 December 2009	**8,100**	**10,419**	**(18,185)**	**334**

Telspec Limited

Condensed consolidated cash flow statement for year ended 31 December 2009

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Cash flows from operating activities					
Cash inflow/(outflow) from operations	21	(547)	528	1,993	(102)
Net cash inflow/(outflow) used in operating activities		**(547)**	**528**	**1,993**	**(102)**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		13	30	-	-
Interest received		19	85	31	104
Net cash from investing activities		**32**	**115**	**31**	**104**
Cash flows from financing activities					
Capital repayment to shareholders		(2,025)	-	(2,025)	-
Net cash outflow from financing activities		**(2,025)**	**-**	**(2,025)**	**-**
Exchange losses		(32)	(282)	-	-
Net increase/(decrease) in cash			**361**	**(1)**	**2**
Cash and cash equivalents at beginning of period		3,128	2,767	2	-
Cash and cash equivalents at end of the period	22	**556**	**3,128**	**1**	**2**

Notes to the Consolidated Financial Statements

Year ended 31 December 2009

1 General Information

Telspec Limited is a Company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is 150 Aldersgate Street, London EC1A 4AB. The nature of the Group's operations and its principal activities are set out in notes 4 and 5 and in the Business review on pages 4 and 5. The Group includes the Company and all its subsidiaries as disclosed in note 26.

2 Accounting policies

The principal accounting policies are set out below:

(1) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

(2) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings made up to 31 December each year. All subsidiaries have a coterminous accounting reference date to the parent Company. The surplus of the nominal value of shares issued over the nominal value of shares acquired arose on the acquisition of Telspec Europe and Telspec Australia Holdings in 1993 and is accounted for as a merger reserve in accordance with the transitional provisions of IFRS 1.

(3) Fixed assets and depreciation

Tangible fixed assets are included in the financial statements at cost, less accumulated depreciation. Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives using the straight-line method at the following annual rates.

Long leasehold land and buildings	2% to 4%
Plant and machinery	10% to 33%
Fixtures, fittings, tools and equipment	20%

(4) Investments

Investments are initially measured at fair value, including transaction costs. Investments in subsidiary undertakings and other investments, classified as available for sale, are measured at fair value. Gains and losses arising from a change in fair value are recognised directly to equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Investments are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(5) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Notes to the Consolidated Financial Statements

Year ended 31 December 2009

2 Accounting policies (continued)

(6) Inventories

Inventories are valued at the lower of cost and net realisable value on a first-in, first-out basis. Work in progress and finished goods include appropriate production overheads. Net realisable value is based on the estimated selling price less further costs expected to be incurred to completion and sale.

(7) Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rates ruling at the date of the transaction. Gains and losses on exchange are included as part of the results for the year.

Financial results of the subsidiaries, which are expressed in currencies other than sterling, are translated at the closing rate of exchange in respect of the balance sheet and an average rate in respect of the income statement. Exchange differences arising on translation of the opening balances of subsidiaries at period end rates of exchange and on translation of the income statement at period end rates of exchange are taken directly to reserves.

(8) Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts.

(9) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(10) Deferred taxation

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability transaction, other than business combination, that at any time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

(11) Pension costs

The Group contributes into a money purchase scheme. Contributions to the pension schemes are charged to the income statement in the period to which they relate.

(12) Warranties

Provision is made for estimated warranty costs for products sold.

Notes to the Consolidated Financial Statements

Year ended 31 December 2009

2 Accounting policies (continued)

(13) Turnover

Turnover represents the value of goods and services supplied to customers during the period, excluding sales taxes. Sales of goods are recognised when goods are delivered and title has passed, and are stated net of financial discounts.

(14) Reclassifications

Comparative figures have been reclassified to be consistent with current year presentation.

3 Critical Accounting Estimates and Judgements

Estimates and judgements are based upon historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The Group has made estimates and assumptions concerning the future and these will, by definition, seldom equal the actual result.

The basis for providing for warranties is set out in note 18. By its nature this is only an estimate and could therefore result in material adjustment.

4 Turnover

An analysis of the Group's turnover is as follows:

	2009 £'000	2008 £'000
Sale of goods	49	274
Turnover from support contracts	-	209
	49	**483**

Company sales represent management charges to group companies.

5 Business and segmental analysis

The Group operates from four geographical regions. The sale of advanced telecommunications equipment is considered to be the only business segment. For this reason the only segmental information provided is that for the geographical destination of product supplied as follows:

Geographical analysis

	2009 £'000	2008 £'000
Turnover by geographical destination		
EU	35	213
Costa Rica	1	(11)
Middle East	9	6
Australia	2	275
Other	2	-
	49	**483**

6 Operating loss

Operating loss is stated after charging/(crediting):

	2009 £'000	2008 £'000
Hire of equipment	-	4
Operating lease rentals – land and buildings	48	79
Fees paid to the Auditors:		
- Statutory audit of Group (of which, parent company £5,000 (2008: £10,000))	18	31
- taxation services	1	7
- other services	-	2
Exchange differences	9	(427)
Employment costs - see note 8(c)	253	812

7 Other operating charges

Group

	2009 £'000	2008 £'000
Redundancy costs	116	203
	116	**203**

8 Directors and employees

(a) The average number of employees (including Executive Directors) during the year was as follows:

	2009 Number	2008 Number
Production	-	2
Sales and marketing	2	3
Engineering	2	3
Administration	4	5
	8	**13**

Notes to the Consolidated Financial Statements (continued)

Year ended 31 December 2009

8 Directors and employees (continued)

(b) Directors' emoluments

The remuneration of Directors who served during the year was as follows:

	Salary and fees	Benefits	Compensation payment	Total 2009	Total 2008
	£'000	£'000	£'000	£'000	£'000
Executive Directors					
S. D. S. Rakkar	-	-	-	-	85
F. C. White (note 2)	32	3	24	59	88
Non-executive Directors					
D. W. H. Steeds (note 1)	12	-	-	12	12
S. D. S. Rakkar	21	-	5	26	18
Total	**65**	**3**	**29**	**97**	**235**

The compensation payments set out above include payments in lieu of notice and benefits.

Note 1. A payment of £27,566, which is not included above, was made to Steeds & Co., of which David Steeds is the principal, for corporate advisory work.

Note 2. A payment of £11,500, which is not included above, was made to F.C. White and Co Ltd, of which Fred White is the principal, for accounting and professional advice.

(c) Group employment costs for all employees (including Executive Directors) were as follows:

	2009	2008
	£'000	£'000
Wages and salaries	210	526
Social security costs	23	60
Redundancy payments	116	203
Pension costs	9	23
	358	**812**

9 Other income

	2009 £'000	2008 £'000
Exchange gains	9	427
Unwinding of financial discount on sales recorded in 2007	-	70
Other	67	34
	76	**531**

10 Net interest receivable

Group	2009 £'000	2008 £'000
Interest receivable – bank interest	19	85
Net interest receivable	**19**	**85**

Company	2009 £'000	2008 £'000
Interest from group companies	31	104

11 Tax credit on loss on ordinary activities

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2008: 28%). The actual tax for the current and previous year differs to that based upon the standard rate for the reasons set out in the following reconciliation:

	2009 £'000	2008 £'000
Loss before taxation	(641)	(548)
UK Corporation tax at standard rate 28% (2008: 28%)	(179)	(153)
Effects of:		
Expenses not deductible for tax purposes	17	5
Prior period adjustments	-	(139)
Losses carried forward	162	287
Current tax credit/(charge)	**-**	**-**

A deferred tax asset has not been recognised in respect of timing differences relating to revenue losses, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised, calculated at the standard rate of taxation of 28% is £2.9m (2008: £2.8m).

Notes to the Consolidated Financial Statements (continued)

Year ended 31 December 2009

12 Property, plant and equipment

Group	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost or valuation:					
At 1 January 2008	**2**	**1**	**2,096**	**518**	**2,617**
Exchange adjustment	-	-	1	3	4
Disposals		-	(1,099)	(299)	(1,398)
At 31 December 2008	**2**	**1**	**998**	**222**	**1,223**
Disposals	-	-	(960)	(193)	(1,153)
At 31 December 2009	**2**	**1**	**38**	**29**	**70**
Accumulated depreciation:					
At 1 January 2008	**-**	**-**	**2,092**	**517**	**2,609**
Exchange adjustment	-	-	(2)	3	1
Charge for year	2	1	6	-	9
Disposals	-	-	(1,099)	(299)	(1,398)
At 31 December 2008	**2**	**1**	**997**	**221**	**1,221**
Exchange adjustment	-	-	1	-	1
Disposals	-	-	(960)	(193)	(1,152)
At 31 December 2009	**-**	**-**	**38**	**29**	**70**
Net book value					
At 31 December 2009	**-**	**-**	**-**	**-**	**-**
At 31 December 2008	**-**	**-**	**1**	**1**	**2**

Notes to the Consolidated Financial Statements (continued)

Year ended 31 December 2009

13 Investments

	Available for sale investments £'000	Shares in subsidiary undertakings £'000	Total £'000
Group			
Cost			
At 1 January 2008 and 31 December 2009	**1**	**-**	**1**
Provisions for impairment:			
At 1 January 2008	**-**	-	**-**
At 1 January 2009	-	-	-
Impairment charge	(1)	-	-
At 31 December 2009	**(1)**	**-**	**(1)**
Net Book Value:			
At 1 January 2008	**1**	**-**	**1**
At 1 January 2009	**1**	**-**	**1**
At 31 December 2009	**-**	**-**	**-**
Company			
Cost			
At 1 January and 31 December 2008		**9,019**	**9,019**
Disposal		(725)	(725)
At 31 December 2009	**-**	**8,294**	**8,294**
Provisions for impairment:			
At 1 January 2008	**-**	**7,592**	**7,592**
Impairment charge	-	688	688
At 31 December 2008 and 31 December 2009	**-**	**8,280**	**8,280**
Net book value:			
At 1 January 2008	**-**	**1,427**	**1,427**
At 1 January 2009	**-**	**739**	**739**
At 31 December 2009	**-**	**14**	**14**

Further details of subsidiaries are provided in note 26.

14 Inventories

	Group 2009 £'000	Group 2008 £'000
Finished goods	1	20
	1	**20**

Amounts relating to write-down of inventories shown as an expense during the period were £15,000 (2008: £105,000)

Notes to the Consolidated Financial Statements (continued)

Year ended 31 December 2009

15 Trade and other receivables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade receivables – gross	27	150	-	-
Less provisions for impairment	(27)	(31)	-	-
Net trade receivables	-	119	-	-
Amounts owed by subsidiary undertakings	-	-	356	1,966
Other receivables	32	15	-	1
Prepayments and accrued income	4	32	1	5
	36	**166**	**357**	**1,972**

16 Trade and other payables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade payables	9	57	-	-
Amounts owed to subsidiary undertakings	-	-	14	14
Other taxation and social security	6	15	-	-
Other payables	1	5	-	-
Accruals and deferred income	164	99	24	45
	180	**176**	**38**	**59**

The company has entered into a Composite Accounting Agreement dated 20 December 1995 (The "Agreement"). Each participating company has provided a guarantee to the Bank. Under the terms of the Agreement and the guarantees, the Bank is authorised to allow set-off for interest purposes and in certain circumstances to seize credit balances and apply them in reduction of liabilities including debit balances within the Composite Accounting System.

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2009

17 Provisions

The Group	**Warranty provision**
	£'000
At 1 January 2008	**128**
Released to profit and loss account	(8)
Utilised	(32)
At 31 December 2008	**88**
Released to profit and loss account	(34)
Utilised	(5)
At 31 December 2009	**49**
Less non-current portion	(14)
Current portion	**35**

Warranty costs are provided for the repair or replacement of goods sold while under warranty. Warranty arrangements vary between products and customers to cover a period of up to 5 years.

The estimated number of returns is derived by applying a percentage (0.5% – 1.5%) to the number of units with outstanding warranties Standard repair costs specific to the type of unit are used to calculate the total cost.

Although the Directors recognise the uncertainty in the valuation of the warranty provision, they are confident that this represents a prudent estimate of the likely costs attributable to the period.

18 Financial Risk Management

The Group's financial risk management objectives are to maximise its cash balances and minimise its exposure to credit and foreign currency risk. The main risks arising from the Group's financial instruments are in respect of credit and foreign exchange risk. The Group monitors its trade receivables and, when appropriate, will discount its debt to ensure funds are received in advance of its terms and conditions.

The Group's financial instruments comprise cash balances, short term receivables and payables arising directly from the Group's trading operations. The Group does not undertake any speculative derivative transactions or trade in financial instruments. There is no significant difference between the fair value of the Group's financial assets and liabilities as at 31 December 2009 and that as shown in the balance sheet at that date.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 December 2009

18 Financial Risk Management (continued)

Financial assets and liabilities as at 31 December 2009 and 31 December 2008 were:

	2009	2008
	£'000	£'000
Financial assets		
Investments	-	1
Cash at bank	556	3,128
Trade receivables	-	119
	556	**3,248**
Financial liabilities		
Trade payables	**9**	**57**

Performance bonds and guarantees are provided in the ordinary course of business. At the year end £81,000 (2008: £300,000) was pledged to the bank as collateral against outstanding bonds amounting to £72,000 (2008: £292,000). Collateral will be released when the Group has satisfactorily completed its requirements under its contracts, including the completion of the appropriate guarantee period.

Credit risk

The Group's sales consist of contracts with a small number of customers. At the year end trade receivables consisted of debt due from two customers. The Group limits its risk by requiring customers to pay a proportion of sales values in advance of delivery of goods.

Exchange risk

The table below shows the Group's currency exposures being cash and receivable balances that are not denominated in the operating or functional currency of the operating unit involved:

	Sterling £ £'000	US $ £'000	Euro £'000
Functional currency			
Sterling -2009	-	81	54
Euros – 2009	3	-	-
Sterling – 2008	-	110	52
Euros – 2008	1,485	31	-

19 Share capital

From 1 January 2008 to 23 November 2009 the Company's share capital comprised wholly of ordinary equity shares and was made up as follows:

	£'000
Authorised: 55,000,000 ordinary 25p shares	13,750
Issued, allotted and fully paid: 40,500,615 ordinary 25p shares	10,125

On 23 November 2009 shareholders approved a reorganisation of the share capital of the Company as follows:

a. A return of capital of 5 pence per share was approved and implemented. This had the effect of reducing the par value of each share from 25 pence to 20 pence.
b. A new class of deferred shares of 19.998 pence was created with very limited rights.
c. Each 20 ordinary share of 20 pence was subdivided into one ordinary share of 0.002 pence and one deferred share of 19.998 pence.
d. The subdivided ordinary shares of 0.002 pence were consolidated into New Ordinary Shares of 20 pence on the basis of 10,000 subdivided ordinary share for each New Ordinary Share.

Following the reorganisation and return of capital the Company's share capital was made up as follows:

		£'000
Authorised:	5,500 ordinary 20p shares	1
	55,000,000 deferred 19.998p shares	10,999
		11,000
Issued, allotted and fully paid:	3,755 ordinary 20p shares	1
	40,500,615 deferred 19.998p shares	8,099
		8,100

Notes to the Consolidated Financial Statements (continued)

Year ended 31 December 2009

20 Reserves

	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Profit and loss Account £'000
Group				
At 1 January 2008	**10,419**	**(6,930)**	**361**	**(10,196)**
Loss for the period	-	-	-	(726)
At 31 December 2008	**10,419**	**(6,930)**	**361**	**(10,922)**
Loss for the period	-	-	-	(663)
At 31 December 2009	**10,419**	**(6,930)**	**361**	**(11,585)**

Other reserves comprise legal reserves in certain foreign subsidiary undertakings which are required by local law and are unavailable for distribution.

	Share premium account £'000	Profit and loss Account £'000
Company		
At 1 January 2008	**10,419**	**(17,156)**
Loss for the year	-	(734)
At 1 January 2009	**10,419**	**(17,890)**
Loss for the year	-	(295)
At 31 December 2009	**10,419**	**(18,185)**

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2009

21 Cash flow - Reconciliation of operating loss to operating cash flows

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Operating loss	(660)	(633)	(326)	(838)
Depreciation charge	1	9	-	-
Impairment of investments	1	-	725	688
Profit on disposal of property, plant and equipment	(13)	(30)	-	-
Net movement in provisions	(39)	(39)	-	-
Changes in working capital:			-	
Inventories	19	120	-	-
Trade and other receivables	143	1,652	1,615	111
Trade and other payables	1	(551)	(21)	(63)
Net cash inflow/(outflow) from operating activities	**(547)**	**528**	**1,993**	**(102)**

22 Cash and cash equivalents

	2009 £'000	2008 £'000
Cash at bank and in hand	103	143
Short term deposits	453	2,985
	556	**3,128**

23 Operating lease commitments

The Group had the following minimum rental commitments in respect of operating leases:

	2009 Land and buildings £'000	2008 Land and buildings £'000
Operating leases which expire:		
Within one year	-	12
	-	**12**

24 Pensions

Telspec Europe Limited contributes to a money purchase scheme. Telspec Europe Limited makes employer contributions of 1.5% per 1% contributed by the member up to a maximum of 7.5% for employees and 9% for Directors.

Telspec Pty Limited contributes 6% of the employees' basic salary to defined contribution superannuation funds independently managed in Australia.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 December 2009

24 Pensions (continued)

The pension costs charged in the accounts represent contributions payable by the Group to these funds and amounted to £8,000 (2008: £23,000). Contributions totalling £Nil (2008: £2,000) were payable to the fund at the year end and are included in creditors.

25 Related party transactions

During the year the Company received management charges and interest on outstanding inter Company balances of £75,000 and £31,000 (2008: £120,000 and £104,000) respectively.

26 Subsidiary undertakings

The subsidiaries in the Group are:

Company	**Activity**	**Place of Incorporation and Operation**	**Issued share capital**	**Held by**
Telspec Europe Limited	Design, manufacture, sale and support of telecommunications equipment	England and Wales	13,686 ordinary shares of £1 each	Telspec Limited
Telspec Pty Limited	Sale and support of telecommunications equipment	Australia	102 ordinary shares of Aus$1 each	Telspec Australia Limited
Telspec Australia Limited	Intermediate holding Company for Telspec Pty Limited	England and Wales	13,686 ordinary shares of £1 each	Telspec Limited
Telspec Espana sl	Sale of telecommunications equipment	Spain	10,000 ordinary shares of 6 Euros each	Telspec Europe Limited
Telspec Istanbul Limited	Sale, distribution and support of telecommunications equipment	Turkey	16,610 ordinary shares of 25,000,000 TL each	Telspec Europe Limited (90%) Telspec Limited (10%)

All subsidiary companies are 100% owned.

27 Ultimate controlling party

Until 30 April 2010 there was no ultimate controlling party. However, Faraday Holdings Limited ("Faraday"), a Company incorporated in the British Virgin Islands, currently held 41.97% of the Company's issued share capital. On 30 April 2010 David Steeds acquired a controlling interest in the Company.

28 Report and accounts

Copies of the annual report and accounts will be posted to shareholders shortly and are available at www.telspec.co.uk.

Notice of Annual General Meeting

Telspec Limited

(Registered in England and Wales with registered number 2870908)

Notice is hereby given that the Annual General Meeting of Telspec Ltd (the “Company”) will be held at the Company’s offices at 101 Laker Road, Rochester Airport, Rochester, Kent ME1 3QX on Thursday, 15 July 2010 at 12.00 noon at which the following resolutions will be proposed:

As ordinary business

1. To receive and adopt the financial statements for the year ended 31 December 2009 together with the Report of the Directors and Auditors thereon.

2. To re-elect D W H Steeds as a Director who offers himself for re-election.

3. To re-appoint Crossley & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration.

By order of the Board

D.W.H. Steeds
Director

24 June 2010

Registered Office:
St Paul’s House
Warwick Lane
London
EC4M 7BP

Notes:

1. A member entitled to attend and vote at the above Meeting may appoint a proxy or proxies to attend, speak and vote and, on a poll, vote instead of him. A proxy need not also be a member of the Company. Completion and return of a Form of Proxy does not preclude a member from attending and voting at the Meeting or any adjournment thereof in person.

2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy please contact the Company on 01634 662500 or you may photocopy the Form of Proxy.

3. A Form of Proxy, to be valid, must be signed and lodged with the Company at 101 Laker Road, Rochester Airport, Rochester, Kent ME1 3QX not later than 48 hours before the time appointed for the Meeting together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of attorney.

4. In the case of joint holders the signature of only one of the joint holders is required on the Form of Proxy but the vote of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders.

5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 10.00 a.m. on 14 July 2010 (being not more than 48 hours prior to the time fixed for the meeting). If the Meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 10.00 a.m. on the day preceding the date fixed for the adjourned meeting. Changes to entries on the register of members after the relevant time will be disregarded in determining the right of any person to attend or vote at the Meeting.