

2027207

Cableship Limited

Report and Financial Statements

Year Ended

31 July 1994

IBDO

BDO Stoy Hayward
Chartered Accountants



CABLESHIP LIMITED

Annual report and financial statements for the year ended 31 July 1994

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Directors

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Directors

P Pela (Chairman)
M Brownhill
R Marshall
D Moëd FCA
R Bell

Secretary and registered office

D Moëd FCA, The Hallmarks, 146 Field End Road, Eastcote, Pinner, Middlesex, HA5 1RJ.

Company number

2027207

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

CABLESHIP LIMITED

Report of the directors for the year ended 31 July 1994

The directors present their report together with the audited financial statements for the year ended 31 July 1994.

Results and dividends

The profit for the year before tax was £158,609.

The directors do not recommend the payment of a dividend.

Principal activities, review of business and future developments

The principal activity of the company is the supply of communications services and products through the design, installation and maintenance of communications cabling systems and network solutions.

The company as an independent member of The Cable Group has continued to effectively utilise the 3i Plc investment to yield both a 42% increase in turnover and 148% increase in operating profit for the year.

The company has worked throughout the UK and Europe during the year. Furthermore our geographical expansion has included the opening of a Manchester based operation in June 1994 and, since the year end, we have relocated our Head Office to new premises in Eastcote.

As a company committed to providing our customers with innovative solutions to their communications needs we are continually striving to strengthen the partnerships forged with them and our suppliers.

This innovation extends to the launch in October 1994 of our ESOS (Employee Share Option Scheme) whereby employees may purchase options in The Cable Group. In order to allow them to share in the longer term rewards that their efforts will bring some 10% of the equity has been allocated to the scheme and on the first issue some 86% of the available options were taken up. Furthermore the company has recently started a formal trainee program with day release in order to further enhance the depth and calibre of our team.

The board remains encouraged by the company's performance and we are looking forward to further improvements in growth and profitability during the current year.

Mission statement

The company has adopted The Cable Group Mission Statement which focuses on the principal objectives of the group:

"Quality, Innovation and Customer Satisfaction are the group's hallmarks and we will polish these distinguishing features to sustain excellence, profitability and integrity for the benefit of our customers, investors and employees."

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CABLESHIP LIMITED

Report of the directors for the year ended 31 July 1994 (*Continued*)

Fixed assets

Movements on fixed assets are set out in the notes to the financial statements.

Share capital

On 27 July 1994 the authorised share capital was increased followed by the issue of 99,700 ordinary shares of £1, at par, for a consideration of the capitalisation of intercompany loan account.

Charitable donations

Charitable donations in the year amounted to £185 (1993 - £1,150).

Insurance

During the year the company made payments for insurance of directors against liabilities arising as a result of activities carried out on behalf of the company.

Directors

The directors of the company during the year were:

P Pela
M Brownhill
R Marshall
D Moëd FCA
J P McMonigall (resigned on 25 November 1993)
R Bell

None of the directors has any interest in the shares of the company. The interests of the directors in the share capital of the parent company, The Cable Group Limited, are disclosed in the directors' report of that company.

The Board are happy that after over two years on the Board of Cablesip John McMonigall has been appointed as a Non Executive Director of the parent company.

CABLESHIP LIMITED

Report of the directors for the year ended 31 July 1994 (*Continued*)

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; and
- 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

Following their admission on 1 October 1994 as the United Kingdom representatives of BDO International our auditors have changed their name to BDO Stoy Hayward with effect from that date. BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



D Moëd FCA

Secretary

2 March 1995

CABLESHIP LIMITED

Report of the auditors

To the members of Cableship Limited

We have audited the financial statements on pages 5 to 18 which have been prepared under the accounting policies as set out on pages 7 and 8.

Respective responsibilities of the directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the 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.

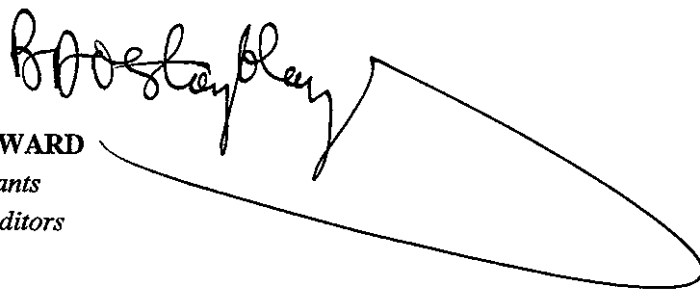
Basis of opinion

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 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 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 assurances as to whether the financial statements are free from material mis-statement, 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 the company's affairs as at 31 July 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

2 March 1995

CABLESHIP LIMITED**Profit and loss account for the year ended 31 July 1994**

	Note	1994 £	1993 £
Turnover	2	9,501,298	6,693,210
Cost of sales		6,561,898	4,309,495
Gross profit		2,939,400	2,383,715
Administrative expenses		2,825,673	2,324,775
		113,727	58,940
Other operating income	3	85,000	21,250
Operating profit	4	198,727	80,190
Interest receivable and income from other investments	7	-	854
		198,727	81,044
Interest payable and similar charges	8	40,118	33,449
Profit on ordinary activities before taxation		158,609	47,595
Taxation on profit on ordinary activities	9	58,198	43,691
Profit on ordinary activities after taxation		100,411	3,904
Retained profit brought forward		153,824	149,920
Retained profit carried forward	18	254,235	153,824

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 18 form part of these financial statements.

CABLESHIP LIMITED

Balance sheet at 31 July 1994

	Note	1994		1993	
		£	£	£	£
Fixed assets					
Intangible assets	10		259,789		387,901
Tangible assets	11		<u>239,491</u>		<u>138,773</u>
			499,280		526,674
Current assets					
Stocks	12	125,237		117,691	
Debtors	13	2,912,174		2,601,436	
Cash at bank and in hand		<u>303</u>		<u>167,029</u>	
		3,037,714		2,886,156	
Creditors: amounts falling due within one year	14	<u>2,866,396</u>		<u>2,983,569</u>	
Net current assets/(liabilities)			<u>171,318</u>		<u>(97,413)</u>
Total assets less current liabilities			670,598		429,261
Creditors: amounts falling due after more than one year	15	242,143		188,867	
Provisions for liabilities and charges					
Deferred taxation	16	<u>74,220</u>		<u>86,270</u>	
			<u>316,363</u>		<u>275,137</u>
			354,235		154,124
Capital and reserves					
Called up share capital - equity	17		100,000		300
Profit and loss account - equity			<u>254,235</u>		<u>153,824</u>
Shareholders' funds			<u>354,235</u>		<u>154,124</u>

The financial statements were approved by the Board on 2 March 1995

P Pela)

) Directors

D Moëd FCA)

The notes on pages 7 to 18 form part of these financial statements

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1994

1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts together with the value of work carried out to the balance sheet date on long-term contracts less value added tax and discounts allowed.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated on a straight line basis at the following annual rates:

Freehold buildings	- 2%
Leasehold buildings	- 10%
Fixtures and fittings	- 20%
Office equipment	- 33 $\frac{1}{3}$ %
Motor vehicles	- 25%

Stocks

Stocks and work-in-progress are valued in accordance with SSAP9 at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials	- cost of purchase
Work-in-progress	- cost of raw materials and labour, together with attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Long-term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for that contract.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1994 (*Continued*)

1 Accounting policies (*Continued*)

Research and development

Costs incurred on research and development of new projects are carried forward to be set against revenue from these projects in future accounting periods where it is considered the total profit from related sales and other revenues will exceed development costs.

The development costs will be written off on a straight line basis over the expected life span of the product or five years, whichever is the shorter, commencing with commercial production. Each year, in accordance with SSAP 13, any expenditure on a project not covered by future income from that project is written off.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between their capital and interest components using the actuarial method. The interest is charged to the profit and loss account. The capital part reduces the amounts payable to the lessor.

All other leases are treated as "operating leases". Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they became payable.

2 Turnover and profit

The turnover and profit before tax is attributable to the company's principal activity and derived from sales made principally in the United Kingdom. Sales to Europe amounted to £217,854 (1993 - £253,426).

3 Other operating income

	1994 £	1993 £
Royalty income	85,000	21,250

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1994 (Continued)

4 Operating profit is stated after charging:

	1994 £	1993 £
Depreciation on own assets	63,649	43,461
Depreciation on assets under finance leases	11,072	16,115
Amortisation of intangible assets	128,112	96,975
Exchange differences	2,046	(8,699)
(Profit)/loss on sale of fixed assets	(10,054)	980
Auditors' remuneration	7,500	7,500
	<u> </u>	<u> </u>

5 Employees

The average weekly number of employees, including directors, during the year was as follows:

	Number	Number
Administration	50	44
Direct staff	22	20
	<u> </u>	<u> </u>
	72	64
	<u> </u>	<u> </u>

Staff costs (including directors) consist of:

Wages and salaries	1,619,753	1,332,981
Social security costs	168,454	138,916
Other pension costs	43,363	48,999
	<u> </u>	<u> </u>
	1,831,570	1,520,896
	<u> </u>	<u> </u>

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1994 (*Continued*)

6 Directors' emoluments

	1994 £	1993 £
Remuneration for management services	290,406	209,581
Pensions	15,446	10,678
	<u>305,852</u>	<u>220,259</u>
Emoluments (excluding pension contributions) of:		
Chairman	53,972	48,159
Highest paid director	80,440	72,035
	<u></u>	<u></u>
The number of other directors whose emoluments (excluding pension contributions) fell in the following ranges was:	Number	Number
£ 0 - £ 5,000	1	2
£40,001 - £45,000	-	1
£45,001 - £50,000	1	1
£50,001 - £55,000	2	-
	<u></u>	<u></u>

7 Interest receivable and income from other investments

	£	£
Bank deposits	-	854
	<u></u>	<u></u>

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1994 (Continued)

8 Interest payable and similar charges

	1994 £	1993 £
Bank overdrafts	19,126	10,786
Loans repayable in less than five years	16,179	15,325
Finance leases	4,813	7,338
	<u>40,118</u>	<u>33,449</u>

9 Taxation

UK corporation tax at 33% based on profit for the year	70,248	8,050
Transfer (from)/to deferred taxation account (see note 16)	(12,050)	35,641
	<u>58,198</u>	<u>43,691</u>

The charge to corporation tax is reduced due to group relief amounting to approximately £42,500.

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1994 *(Continued)*

10 Intangible fixed assets

	1994 £	1993 £
Development costs		
At 1 August 1993	640,562	529,639
Additions	-	110,923
At 31 July 1994	640,562	640,562
Amortisation		
At 1 August 1993	252,661	155,686
Amortised in year	128,112	96,975
At 31 July 1994	380,773	252,661
Net book values	259,789	387,901

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1994 (*Continued*)

11 Tangible fixed assets

	Land and buildings £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
<i>Cost</i>					
At 1 August 1993	59,600	55,819	217,629	90,567	423,615
Additions	-	3,267	31,577	142,891	177,735
Disposal	-	-	-	(56,651)	(56,651)
At 31 July 1994	59,600	59,086	249,206	176,807	544,699
<i>Depreciation</i>					
At 1 August 1993	3,400	37,525	153,350	90,567	284,842
Provided for the year	1,560	11,164	48,305	13,692	74,721
Disposal	-	-	-	(54,355)	(54,355)
At 31 July 1994	4,960	48,689	201,655	49,904	305,208
<i>Net book value</i>					
At 31 July 1994	54,640	10,397	47,551	126,903	239,491
At 31 July 1993	56,200	18,294	64,279	-	138,773

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1994 (*Continued*)

11 Tangible fixed assets (*Continued*)

Land and buildings	1994	1993
	£	£
Cost		
Freehold	55,000	55,000
Short leasehold	4,600	4,600
	59,600	59,600
Accumulated depreciation		
Freehold	2,200	1,100
Short leasehold	2,760	2,300
	4,960	3,400

The net book value of tangible fixed assets includes an amount of £116,414 (1992 - £37,637) in respect of assets held under finance leases.

	1994	1993
	£	£
Commitments for capital expenditure		
Contracted for but not provided in the accounts	-	-

12 Stocks

Raw materials	52,954	48,792
Work in progress	72,283	68,899
	125,237	117,691

The replacement value of stock is not significantly different from cost.

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1994 (Continued)

13 Debtors

	1994 £	1993 £
Trade debtors	1,677,611	1,780,242
Amounts owed from fellow subsidiary undertakings	1,596	156,725
Other debtors	13,328	68,558
Prepayments and accrued income	241,603	72,179
Amounts recoverable on contracts	978,036	523,732
	2,912,174	2,601,436

These amounts are all due within one year.

14 Creditors: amounts falling due within one year

Bank loans and overdrafts (secured - see below)	271,872	188,515
Trade creditors	1,406,218	1,301,220
Amounts owed to the parent company	447,777	742,759
Payments in advance	209,584	270,680
Other creditors	64,648	183,636
Taxation and social security	184,946	270,421
Accruals and deferred income	168,737	15,323
Obligations under finance leases	34,316	2,965
Corporation tax	78,298	8,050
	2,866,396	2,983,569

The bank borrowings are secured by a fixed and floating charge over the assets of the company together with an unlimited guarantee given by the parent company.

CABLESHIP LIMITEDNotes forming part of the financial statements for the year ended 31 July 1994 (*Continued*)**15 Creditors: amounts falling due after more than one year**

	1994 £	1993 £
Bank loans and overdrafts	169,832	187,198
Obligations under finance leases	72,311	1,669
	<u>242,143</u>	<u>188,867</u>
Obligations under finance leases are due as follows:		
Within 1 - 2 years	32,940	1,669
Within 2 - 5 years	39,371	-
	<u>72,311</u>	<u>1,669</u>

16 Deferred taxation

The amount of deferred taxation provided
is as follows:

Accelerated capital allowances	(11,510)	(10,705)
Sundry timing differences	85,730	96,975
	<u>74,220</u>	<u>86,270</u>

There is no deferred taxation unprovided.

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1994 (Continued)

16 Deferred taxation (Continued)

	1994 £	1993 £
Deferred taxation movements:		
Balance at beginning of year	86,270	50,629
Transfer (to)/from the profit and loss account (see note 9)	(12,050)	35,641
Balance at end of year	74,220	86,270

17 Share capital

	Authorised		Allotted, called up and fully paid	
	1994 £	1993 £	1994 £	1993 £
Ordinary shares of £1 each	100,000	300	100,000	300

On 27 July 1994 the authorised share capital was increased to 100,000 and 99,700 ordinary shares of £1 each were issued, at par, for a consideration of the capitalisation of intercompany loan. The shares were issued to strengthen the capital base of the company.

18 Reconciliation of movements in shareholders' funds

	1994 £	1993 £
Profit for the financial year	100,411	3,904
Issue of new shares	99,700	-
Net addition to shareholders' funds	200,111	3,904
Opening shareholders' funds	154,124	150,220
Net assets at 31 July 1994	354,235	154,124

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1994 (*Continued*)

19 Contingent liabilities

The company has entered into an unlimited cross guarantee with the group's bankers in respect of the bank balances of the parent company. At 31 July 1994 these balances amounted to £Nil (1993 - £Nil).

20 Pensions

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 charge represents contributions payable by the company to the fund.

21 Commitments under operating leases

As at 31 July 1994, the company had annual commitments under non-cancellable operating leases expiring as set out below:

	1994	1993
	£	£
Operating leases which expire:		
Within one year	31,509	28,120
In one to two years	38,450	62,046
In two to five years	93,185	126,031
	163,144	216,197

22 Related party transactions

During the year the company has rented premises from Mr P Pela at a market rental amounting to £45,000 (1993 - £45,000).

In addition, a loan amounting to £4,500 was granted to Mr M Brownhill on 1 August 1993. This loan was not interest bearing and was repaid in full by 31 July 1994.

23 Ultimate parent company

The ultimate parent company is The Cable Group Limited, a company registered in England.

24 Statement of cash flows

The company has adopted the exemption in FRS1 and has not presented a statement of cash flows on the grounds that the company cash flows are included in the statement presented in the group accounts.