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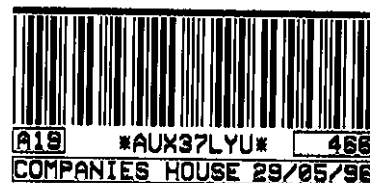
Cableship Limited

Report and Financial Statements

Year Ended

31 July 1995

**REGISTRAR OF
COMPANIES**



BDO

BDO Stoy Hayward
Chartered Accountants

CABLESHIP LIMITED

Annual report and financial statements for the year ended 31 July 1995

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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 1995

The directors present their report together with the audited financial statements for the year ended 31 July 1995.

Results and dividends

The profit for the year is set out on page 5.

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 increased turnover by 20% and maintained significant levels of operating profit during the year.

Working throughout the UK and Europe the company successfully relocated to new premises in Eastcote during the year and the Manchester based operation, which opened 18 months ago, has flourished with a core of key local customers.

As a company committed to providing our customers with innovative solutions to their communications needs we are continually striving to strengthen the partnership 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, 10% of the equity has been allocated to the scheme and on the first issue 86% of the available options within that issue were taken up. Furthermore during the year the company started a formal trainee program with day release in order to further enhance the depth and calibre of our team and has begun to work towards "Investors in People" accreditation.

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 1995 (Continued)

Fixed assets

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

Share capital

On 26 July 1995 the authorised share capital was increased followed by the issue of 300,000 ordinary shares of £1 at par.

Charitable donations

Charitable donations in the year amounted to £680 (1994 - £185).

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
R Bell

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

The interests in the share capital of the parent company of the other directors is as follows:

	Ordinary shares of 1p each	
	1995	1994
M Brownhill	201,400	201,400
R Marshall	201,400	201,400
R Bell	-	-

In addition, R Bell has options over 40,000 ordinary shares under the group's Employee Share Option Scheme.

CABLESHIP LIMITED

Report of the directors for the year ended 31 July 1995 (*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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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

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

Date

2 May 1996

CABLESHIP LIMITED

Report of the auditors

To the members of Cableschip Limited

We have audited the financial statements on pages 5 to 17 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

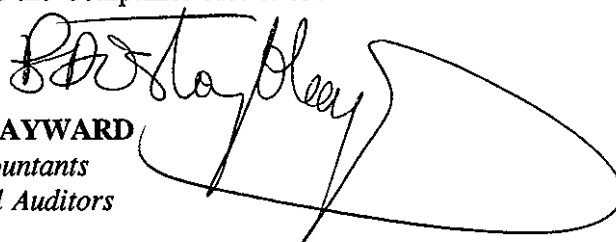
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 1995 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

A large, stylized handwritten signature in black ink, likely belonging to a representative of BDO Stoy Hayward, is written over the company name and extends to the right.

2 May 1996

CABLESHIP LIMITED**Profit and loss account for the year ended 31 July 1995**

	Note	1995 £	1994 £
Turnover	2	11,419,586	9,501,298
Cost of sales		8,103,572	6,561,898
Gross profit		3,316,014	2,939,400
Administrative expenses		3,092,526	2,697,561
		223,488	241,839
Other operating income	3	85,000	85,000
Operating profit	4	308,488	326,839
Interest receivable		167	-
		308,655	326,839
Interest payable and similar charges	7	59,072	40,118
Profit on ordinary activities before taxation		249,583	286,721
Taxation on profit on ordinary activities	8	85	70,248
Profit on ordinary activities after taxation		249,498	216,473
Retained profit brought forward		68,666	(147,807)
Retained profit carried forward		318,164	68,666

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 17 form part of these financial statements.

CABLESHIP LIMITED

Balance sheet at 31 July 1995

	Note	1995	1994
		£	£
Fixed assets			
Tangible assets	10	571,356	239,491
Current assets			
Stocks	11	359,368	125,237
Debtors	12	3,168,861	2,912,174
Cash at bank and in hand		<u>572</u>	<u>303</u>
		3,528,801	3,037,714
Creditors: amounts falling due within one year	13	<u>2,979,230</u>	<u>2,866,396</u>
Net current assets		549,571	171,318
Total assets less current liabilities		1,120,927	410,809
Creditors: amounts falling due after more than one year	14	402,763	242,143
		<u>718,164</u>	<u>168,666</u>
Capital and reserves			
Called up share capital	16	400,000	100,000
Profit and loss account	17	318,164	68,666
Shareholders' funds		<u>718,164</u>	<u>168,666</u>

All amounts above relate to equity.

The financial statements were approved by the Board on

2 May 1996

P Pela

)

) Directors

D Moëd FCA

)

The notes on pages 7 to 17 form part of these financial statements

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1995

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%
Improvements to premises	- at either 2% or 20%
Fixtures and fittings	- 20%
Office equipment	- 33 $\frac{1}{3}$ %
Motor vehicles	- 25%

Stocks

Stocks and work-in-progress are valued in accordance with SSAP 9 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 1995 (*Continued*)

1 Accounting policies (*Continued*)

Research and development

Costs incurred on research and development of new projects are written off to the profit and loss account as incurred. This represents a change in accounting policy. Further details are set out in note 9.

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 a method which approximates to 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 £172,655 (1994 - £217,854).

3 Other operating income

	1995 £	1994 £
Royalty income	85,000	85,000

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1995 (Continued)

4 Operating profit

This is stated after charging/(crediting):

	1995 £	1994 £
Depreciation on own assets	63,356	63,649
Depreciation on assets under finance leases	79,048	11,072
Exchange differences	-	2,046
Profit on sale of fixed assets	(4,038)	(10,054)
Auditors' remuneration	8,000	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	53	50
Direct staff	39	22
	<u> </u>	<u> </u>
	92	72
	<u> </u>	<u> </u>

Staff costs (including directors) consist of:

Wages and salaries	2,092,534	1,619,753
Social security costs	218,912	168,454
Other pension costs	61,045	43,363
	<u> </u>	<u> </u>
	2,372,491	1,831,570
	<u> </u>	<u> </u>

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1995 (Continued)

6 Directors' emoluments

	1995 £	1994 £
Remuneration for management services	305,608	290,406
Pensions	16,134	15,446
	<u>321,742</u>	<u>305,852</u>
Emoluments (excluding pension contributions) of:		
Chairman	55,258	53,972
Highest paid director	77,955	80,440
	<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
£45,001 - £50,000	-	1
£50,001 - £55,000	1	2
£55,001 - £60,000	1	-
£60,001 - £65,000	1	-
	<u></u>	<u></u>

7 Interest payable and similar charges

	£	£
Bank overdrafts	22,763	19,126
Loans repayable in less than five years	16,570	16,179
Finance leases	19,739	4,813
	<u>59,072</u>	<u>40,118</u>

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1995 (*Continued*)

8 Taxation on profit on ordinary activities

	1995 £	1994 £
UK corporation tax at 33 % based on profit for the year	-	70,248
Underprovision in respect of prior years	85	-
	<u>85</u>	<u>70,248</u>

The charge to corporation tax is reduced due to group relief amounting to approximately £87,000 (1994 - £42,500).

9 Intangible fixed assets and prior year adjustment

In previous years the company has carried forward costs on the research and development of new projects. These have been written off over the expected life span of the product, or five years if shorter, with any expenditure on a project not covered by future income being fully written off.

The directors have reviewed this policy and have concluded that, in view of the speed of technological progress in the industry, it would be more prudent and give a more true and fair view to write off such expenditure to the profit and loss account as incurred.

Accordingly, the accounting policy on research and development has been changed to that stated on page 8.

The effect of this change has been to increase the profit before taxation in the year ended 31 July 1995 by £259,789 (1994 - £128,112).

In addition, the deferred taxation release to the profit and loss account has been reduced by £74,220 as a result of the change in policy (1994 - reduction of £12,050).

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1995 (*Continued*)

10 Tangible fixed assets

	Land and buildings £	Improvements to premises £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
<i>Cost</i>						
At 1 August 1994	59,600	-	59,086	249,206	176,807	544,699
Additions	-	51,400	7,053	73,525	361,264	493,242
Disposal	-	-	-	-	(51,301)	(51,301)
At 31 July 1995	59,600	51,400	66,139	322,731	486,770	986,640
<i>Depreciation</i>						
At 1 August 1994	4,960	-	48,689	201,655	49,904	305,208
Provided for the year	1,560	5,973	5,658	47,295	81,918	142,404
Disposal	-	-	-	-	(32,328)	(32,328)
At 31 July 1995	6,520	5,973	54,347	248,950	99,494	415,284
<i>Net book value</i>						
At 31 July 1995	53,080	45,427	11,792	73,781	387,276	571,356
At 31 July 1994	54,640	-	10,397	47,551	126,903	239,491

CABLESHIP LIMITEDNotes forming part of the financial statements for the year ended 31 July 1995 *(Continued)***10 Tangible fixed assets (Continued)**

Land and buildings	1995 £	1994 £
Cost		
Freehold	55,000	55,000
Short leasehold	4,600	4,600
	<u>59,600</u>	<u>59,600</u>
Accumulated depreciation		
Freehold	3,300	2,200
Short leasehold	3,220	2,760
	<u>6,520</u>	<u>4,960</u>

The net book value of tangible fixed assets includes an amount of £381,664 (1994 - £116,414) in respect of assets held under finance leases.

11 Stocks

	1995 £	1994 £
Raw materials	107,126	52,954
Work in progress	252,242	72,283
	<u>359,368</u>	<u>125,237</u>

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

CABLESHIP LIMITEDNotes forming part of the financial statements for the year ended 31 July 1995 (*Continued*)**12 Debtors**

	1995 £	1994 £
Trade debtors	1,833,735	1,677,611
Amounts owed by parent undertaking	360,878	-
Amounts owed by fellow subsidiary undertakings	-	1,596
Other debtors	85,714	13,328
Prepayments and accrued income	187,489	241,603
Amounts recoverable on contracts	701,045	978,036
	3,168,861	2,912,174

These amounts are all due within one year.

13 Creditors: amounts falling due within one year

Bank loans and overdrafts (secured - see below)	618,650	271,872
Payments received on account	481,258	209,584
Trade creditors	1,166,966	1,406,218
Amounts owed to parent undertaking	-	447,777
Other creditors	89,469	64,648
Taxation and social security	300,743	184,946
Corporation tax	70,248	78,298
Accruals and deferred income	122,314	168,737
Obligations under finance leases	129,582	34,316
	2,979,230	2,866,396

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 LIMITED

Notes forming part of the financial statements for the year ended 31 July 1995 (Continued)

14 Creditors: amounts falling due after more than one year

	1995 £	1994 £
Bank loans and overdrafts	189,698	169,832
Obligations under finance leases	213,065	72,311
	<u>402,763</u>	<u>242,143</u>
Obligations under finance leases are due as follows:		
Within 1 - 2 years	128,207	32,940
Within 2 - 5 years	84,858	39,371
	<u>213,065</u>	<u>72,311</u>

15 Deferred taxation

The amount of unprovided deferred taxation is as follows:

Accelerated capital allowances	(2,364)	(11,510)
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16 Share capital

	Authorised		Allotted, called up and fully paid	
	1995 £	1994 £	1995 £	1994 £
Ordinary shares of £1 each	400,000	100,000	400,000	100,000

On 26 July 1995 the authorised share capital was increased to 400,000 ordinary shares of £1 each. On the same day 300,000 ordinary shares of £1 each were issued, at par. The shares were issued to strengthen the capital base of the company.

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1995 (*Continued*)

17 Profit and loss account

	1995 £	1994 £
At beginning of year - as previously reported	254,235	153,824
Prior year adjustment (see note 9)	(185,569)	(301,631)
As restated	68,666	(147,807)
Profit retained for the year	249,498	216,473
At end of year	318,164	68,666

18 Reconciliation of movements in shareholders' funds

Profit for the financial year	249,498	216,473
Issue of new shares	300,000	99,700
Net addition to shareholders' funds	549,498	316,173
Opening shareholders' funds	168,666	(147,507)
Closing shareholders' funds	718,164	168,666

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 1995 these balances amounted to £2,104 (1994 - £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.

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1995 (*Continued*)

21 Commitments under operating leases

As at 31 July 1995, the company had annual commitments under non-cancellable operating leases expiring as set out below:

	1995 £	1994 £
Operating leases which expire:		
Within one year	47,633	31,509
In one to two years	57,735	38,450
In two to five years	44,532	93,185
	149,900	163,144

22 Related party transactions

During the year the company has rented premises from Mr P Pela at a market rental amounting to £45,000 (1994 - £45,000).

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.