

C. H. S. C.

Cableschip Limited

Report and Financial Statements

Year Ended

31 July 1996



BDO

BDO Stoy Hayward
Chartered Accountants

CABLESHIP LIMITED

Annual report and financial statements for the year ended 31 July 1996

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Directors

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Directors

P Pela (Chairman)
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 1996

The directors present their report together with the audited financial statements for the year ended 31 July 1996.

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, for the 10th consecutive year, increased turnover. At the same time, after adjusting for a payment made on termination of office, the operating profit has also risen by some 27%.

Working throughout the UK and Europe the company has successfully completed numerous significant contracts for customers who include over 60 blue chip commercial and financial institutions. Continued customer satisfaction and loyalty ensured that 63% of our business once again derived from existing customers across a wide, and growing, range of market sectors.

As a company committed to providing our customers with innovative solutions to their communications needs, irrespective of the size of project, we are continually striving to strengthen our partnerships with them and our suppliers. Currently we are furthering these aims by forging the necessary strategic alliances and implementing extensive training to allow us to provide existing and future customers with total network solutions capable of supporting their requirements well into the next millennium.

The Board remain encouraged by the company's performance and we are looking forward to further significant 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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Charitable donations

Charitable donations in the year amounted to £350 (1995 - £680).

CABLESHIP LIMITED

Report of the directors for the year ended 31 July 1996 (Continued)

Directors

The directors of the company during the year were:

P Pela	(Chairman)
M Brownhill	(resigned 17 July 1996)
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 interest in the share capital of the parent company of the other directors, who were directors at 31 July 1996, is as follows:

	Ordinary shares of 1p each	
	1996	1995
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.

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.

CABLESHIP LIMITED

Report of the directors for the year ended 31 July 1996 (Continued)

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

3/12/96

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 2 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.

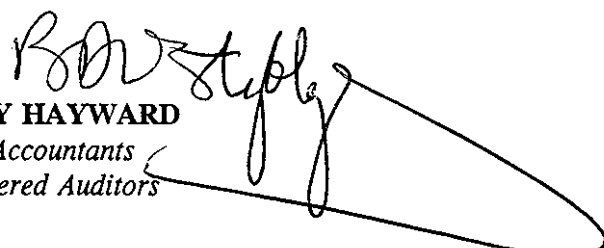
Basis of opinion

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 1996 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

3 December 1996

CABLESHIP LIMITED**Profit and loss account for the year ended 31 July 1996**

	Note	1996 £	1995 £
Turnover	2	11,832,123	11,419,586
Cost of sales		8,324,166	8,103,572
Gross profit		3,507,957	3,316,014
Administrative expenses		3,285,612	3,092,526
		222,345	223,488
Other operating income	3	85,000	85,000
Operating profit	4	307,345	308,488
Interest receivable		-	167
		307,345	308,655
Interest payable and similar charges	7	101,649	59,072
Profit on ordinary activities before taxation		205,696	249,583
Taxation on profit on ordinary activities	8	41,013	85
Profit on ordinary activities after taxation		164,683	249,498
Retained profit brought forward		318,164	68,666
Retained profit carried forward		482,847	318,164

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.

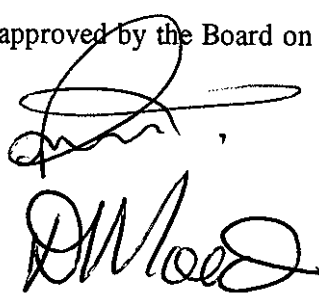
CABLESHIP LIMITED

Balance sheet at 31 July 1996

	Note	£	1996 £	£	1995 £	£
Fixed assets						
Tangible assets	9		725,348			571,356
Current assets						
Stocks	10	497,889		359,368		
Debtors	11	4,399,359		3,168,861		
Cash at bank and in hand		1,019		572		
			<u>4,898,267</u>	<u>3,528,801</u>		
Creditors: amounts falling due within one year	12	4,412,962		2,979,230		
			<u>4,898,267</u>	<u>3,528,801</u>		
Net current assets			485,305			549,571
Total assets less current liabilities			1,210,653			1,120,927
Creditors: amounts falling due after more than one year	13		327,806			402,763
			<u>882,847</u>	<u>718,164</u>		
Capital and reserves						
Called up share capital	15		400,000			400,000
Profit and loss account	16		482,847			318,164
			<u>882,847</u>	<u>718,164</u>		
Shareholders' funds - equity			<u>882,847</u>	<u>718,164</u>		

The financial statements were approved by the Board on 3 December 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 1996

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	- 33⅓%
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 1996 (*Continued*)

1 Accounting policies (*Continued*)

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 £427,188 (1995 - £217,854).

3 Other operating income

	1996 £	1995 £
Royalty income	85,000	85,000

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1996 (*Continued*)

4 Operating profit

This is stated after charging/(crediting):

	1996 £	1995 £
Depreciation on own assets	79,198	63,356
Depreciation on assets under finance leases	140,669	79,048
Profit on sale of fixed assets	(112)	(4,038)
Auditors' remuneration	9,500	8,000
	<u> </u>	<u> </u>

5 Employees

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

	Number	Number
Administration	55	53
Direct staff	46	39
	<u> </u>	<u> </u>
	101	92
	<u> </u>	<u> </u>

Staff costs (including directors) consist of:

Wages and salaries	2,172,205	2,092,534
Social security costs	232,023	218,912
Other pension costs	66,084	61,045
	<u> </u>	<u> </u>
	2,470,312	2,372,491
	<u> </u>	<u> </u>

CABLESHIP LIMITEDNotes forming part of the financial statements for the year ended 31 July 1996 (*Continued*)**6 Directors' emoluments**

	1996 £	1995 £
Remuneration for management services	293,162	305,608
Pensions	18,535	16,134
Payment on termination of office	83,963	-
	<u>395,660</u>	<u>321,742</u>
Emoluments (excluding pension contributions) of:		
Chairman	53,273	55,258
Highest paid director	76,705	77,955
	<u></u>	<u></u>
The number of other directors whose emoluments (excluding pension contributions) fell in the following ranges was:		
	Number	Number
£45,001 - £50,000	1	-
£50,001 - £55,000	1	1
£55,001 - £60,000	1	1
£60,001 - £65,000	-	1
	<u></u>	<u></u>

7 Interest payable and similar charges

	£	£
Bank overdrafts	44,332	22,763
Loans repayable in less than five years	21,466	16,570
Finance leases	35,851	19,739
	<u>101,649</u>	<u>59,072</u>

CABLESHIP LIMITED**Notes forming part of the financial statements for the year ended 31 July 1996 (Continued)**

8 Taxation on profit on ordinary activities

	1996 £	1995 £
UK corporation tax at 33% based on profit for the year (1995 - 33%)	41,013	-
Underprovision in respect of prior years	-	85
	41,013	85

The charge to corporation tax is reduced due to group relief amounting to approximately £32,700 (1995 - £87,000).

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1996 (*Continued*)

9 Tangible fixed assets

	Land and buildings £	Improvements to premises £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
<i>Cost</i>						
At 1 August 1995	59,600	51,400	66,139	322,731	486,770	986,640
Additions	-	7,823	556	143,009	226,218	377,606
Disposal	-	-	-	-	(5,620)	(5,620)
	<u>59,600</u>	<u>59,223</u>	<u>66,695</u>	<u>465,740</u>	<u>707,368</u>	<u>1,358,626</u>
At 31 July 1996	59,600	59,223	66,695	465,740	707,368	1,358,626
<i>Depreciation</i>						
At 1 August 1995	6,520	5,973	54,347	248,950	99,494	415,284
Provided for the year	1,560	9,058	5,988	60,720	142,541	219,867
Disposal	-	-	-	-	(1,873)	(1,873)
	<u>8,080</u>	<u>15,031</u>	<u>60,335</u>	<u>309,670</u>	<u>240,162</u>	<u>633,278</u>
At 31 July 1996	8,080	15,031	60,335	309,670	240,162	633,278
<i>Net book value</i>						
At 31 July 1996	<u>51,520</u>	<u>44,192</u>	<u>6,360</u>	<u>156,070</u>	<u>467,206</u>	<u>725,348</u>
At 31 July 1995	<u>53,080</u>	<u>45,427</u>	<u>11,792</u>	<u>73,781</u>	<u>387,276</u>	<u>571,356</u>

CABLESHIP LIMITEDNotes forming part of the financial statements for the year ended 31 July 1996 (*Continued*)**9 Tangible fixed assets (*Continued*)**

Land and buildings	1996 £	1995 £
Cost		
Freehold	55,000	55,000
Short leasehold	4,600	4,600
	<u>59,600</u>	<u>59,600</u>
Accumulated depreciation		
Freehold	4,400	3,300
Short leasehold	3,680	3,220
	<u>8,080</u>	<u>6,520</u>

The net book value of tangible fixed assets includes an amount of £467,220 (1995 - £381,664) in respect of assets held under finance leases.

10 Stocks

	1996 £	1995 £
Raw materials	212,046	107,126
Work in progress	285,843	252,242
	<u>497,889</u>	<u>359,368</u>

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 1996 (Continued)

11 Debtors

	1996 £	1995 £
Trade debtors	2,376,637	1,833,735
Amounts owed by parent undertaking	616,352	360,878
Other debtors	15,967	85,714
Prepayments and accrued income	117,650	187,489
Amounts recoverable on contracts	1,272,753	701,045
	4,399,359	3,168,861

All amounts fall due for payment within one year.

12 Creditors: amounts falling due within one year

Bank loans and overdrafts (secured - see below)	745,739	618,650
Payments received on account	591,298	481,258
Trade creditors	2,307,941	1,166,966
Other creditors	16,900	89,469
Taxation and social security	272,195	300,743
Corporation tax	41,013	70,248
Obligations under finance leases	175,349	129,582
Accruals and deferred income	262,527	122,314
	4,412,962	2,979,230

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 1996 (*Continued*)**13 Creditors: amounts falling due after more than one year**

	1996 £	1995 £
Bank loans and overdrafts	140,394	189,698
Obligations under finance leases	187,412	213,065
	<u>327,806</u>	<u>402,763</u>
Obligations under finance leases are due as follows:		
Within 1 - 2 years	101,957	128,207
Within 2 - 5 years	85,455	84,858
	<u>187,412</u>	<u>213,065</u>

14 Deferred taxation

The amount of unprovided deferred taxation is as follows:

Accelerated capital allowances	(54,429)	(46,656)
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15 Share capital

	1996 £	1995 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	400,000	400,000

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1996 (*Continued*)

16 Profit and loss account

	1996 £	1995 £
At beginning of year	318,164	68,666
Profit retained for the year	164,683	249,498
At end of year	482,847	318,164

17 Reconciliation of movements in shareholders' funds

Profit for the financial year	164,683	249,498
Issue of new shares	-	300,000
Net addition to shareholders' funds	164,683	549,498
Opening shareholders' funds	718,164	168,666
Closing shareholders' funds	882,847	718,164

18 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 1996 these balances amounted to £Nil (1995 - £2,104).

19 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.