

**REGISTRAR OF
COMPANIES**

2027207

Cableship Limited

Report and Financial Statements

Year Ended

31 July 1997



BDO

BDO Stoy Hayward
Chartered Accountants

CABLESHIP LIMITED

Annual report and financial statements for the year ended 31 July 1997

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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.

World Wide Web Address

www.cableship.co.uk

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 1997

The directors present their report together with the audited financial statements for the year ended 31 July 1997.

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 network solutions and communications cabling systems.

The company, as an independent member of The Cable Group, has, for the 11th consecutive year, increased turnover and operating profit to record levels, up 59% and 103% respectively. The company was featured for the 5th consecutive year by the Independent on Sunday newspaper as one of the fastest growing companies in the UK and in November 1997, Cablesip was voted 'Company of the Year' by the Institute of Management.

Working throughout the UK and Europe the company has successfully completed numerous significant projects for customers who include over 70 blue chip commercial and financial institutions, some of which were the largest and most prestigious of their type in Europe. Continued customer satisfaction and loyalty ensured that 67% 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. On a continuous basis we are furthering these aims by forging the necessary strategic alliances and investing extensively in training and development 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 is encouraged by the company's performance and is 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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CABLESHIP LIMITED

Report of the directors for the year ended 31 July 1997 (*Continued*)

Charitable donations

Charitable donations in the year amounted to £895.

Directors

The directors of the company during the year were:

P Pela (Chairman)
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 1997, is as follows:

	Ordinary shares of 1p each	
	1997	1996
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.

CABLESHIP LIMITED

Report of the directors for the year ended 31 July 1997 (*Continued*)

Directors' responsibilities (*Continued*)

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 12/5/98

CABLESHIP LIMITED

Report of the auditors

To the members of Cablesip Limited

We have audited the financial statements on pages 5 to 16 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 pages 2 and 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.

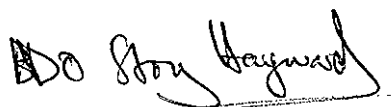
Basis of opinion

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 1997 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

12 May 1998

CABLESHIP LIMITED**Profit and loss account for the year ended 31 July 1997**

	Note	1997 £	1996 £
Turnover	2	18,782,249	11,832,123
Cost of sales		14,284,316	8,324,166
Gross profit		4,497,933	3,507,957
Administrative expenses		3,957,777	3,285,612
		540,156	222,345
Other operating income	3	85,000	85,000
Operating profit	4	625,156	307,345
Interest payable and similar charges	7	157,960	101,649
Profit on ordinary activities before taxation		467,196	205,696
Taxation on profit on ordinary activities	8	93,731	41,013
Profit on ordinary activities after taxation		373,465	164,683
Retained profit brought forward		482,847	318,164
Retained profit carried forward		856,312	482,847

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 16 form part of these financial statements.

CABLESHIP LIMITED

Balance sheet at 31 July 1997

	Note	1997	1996
		£	£
Fixed assets			
Tangible assets	9	1,138,092	725,348
Current assets			
Stocks	10	591,521	497,889
Debtors	11	5,764,969	4,399,359
Cash at bank and in hand		12,359	1,019
		<u>6,368,849</u>	<u>4,898,267</u>
Creditors: amounts falling due within one year	12	5,613,311	4,412,962
		<u>6,368,849</u>	<u>4,898,267</u>
Net current assets		755,538	485,305
Total assets less current liabilities		1,893,630	1,210,653
Creditors: amounts falling due after more than one year	13	637,318	327,806
		<u>1,256,312</u>	<u>882,847</u>
Capital and reserves			
Called up share capital	15	400,000	400,000
Profit and loss account	16	856,312	482,847
		<u>1,256,312</u>	<u>882,847</u>
Shareholders' funds - equity		<u>1,256,312</u>	<u>882,847</u>

The financial statements were approved by the Board on 12/5/98

P Pela)
) Directors
 D Moëd FCA)

The notes on pages 7 to 16 form part of these financial statements

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1997

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 1997 (*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.

Sale and leaseback transactions

Where the company enters into arrangements for the sale and leaseback of assets where the rights approximating to ownership are not surrendered, the proceeds received are treated as a loan secured over the specific asset. In all other respects, the treatment is as for an asset acquired by means of a finance 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 become 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 £521,170 (1996 - £428,188).

3 Other operating income

	1997 £	1996 £
Royalty income	85,000	85,000

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1997 (Continued)

4 Operating profit

This is stated after charging/(crediting):

	1997 £	1996 £
Depreciation on own assets	99,516	79,198
Depreciation on assets under finance leases	294,625	140,669
Profit on sale of fixed assets	(6,616)	(112)
Auditors' remuneration	12,000	9,500
	<u> </u>	<u> </u>

5 Employees

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

	Number	Number
Administration	63	55
Direct staff	63	46
	<u> </u>	<u> </u>
	126	101
	<u> </u>	<u> </u>

Staff costs (including directors) consist of:

Wages and salaries	3,122,843	2,172,205
Social security costs	331,021	232,023
Other pension costs	97,678	66,084
	<u> </u>	<u> </u>
	3,551,542	2,470,312
	<u> </u>	<u> </u>

CABLESHIP LIMITEDNotes forming part of the financial statements for the year ended 31 July 1997 (*Continued*)**6 Directors' emoluments**

	1997 £	1996 £
Remuneration for management services	370,238	293,162
Pensions	25,155	18,535
Payment on termination of office	-	83,963
	<u>395,393</u>	<u>395,660</u>
Emoluments (excluding pension contributions) of:		
Highest paid director	<u>150,944</u>	<u>76,705</u>

7 Interest payable and similar charges

	£	£
Bank overdrafts	56,131	44,332
Loans repayable in less than five years	20,036	21,466
Finance leases	81,793	35,851
	<u>157,960</u>	<u>101,649</u>

8 Taxation on profit on ordinary activities

UK corporation tax	96,335	41,013
Overprovision in respect of prior year	(2,604)	-
	<u>93,731</u>	<u>41,013</u>

The charge to corporation tax is reduced due to group relief amounting to approximately £79,000 (1996 -£32,700).

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1997 (*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 1996	59,600	59,223	66,695	465,740	707,368	1,358,626
Additions	-	-	1,131	197,635	629,402	828,168
Disposals	-	-	-	-	(45,763)	(45,763)
At 31 July 1997	59,600	59,223	67,826	663,375	1,291,007	2,141,031
<i>Depreciation</i>						
At 1 August 1996	8,080	15,031	60,335	309,670	240,162	633,278
Provided for the year	2,020	9,875	6,151	121,047	255,048	394,141
Disposals	-	-	-	-	(24,480)	(24,480)
At 31 July 1997	10,100	24,906	66,486	430,717	470,730	1,002,939
<i>Net book value</i>						
At 31 July 1997	49,500	34,317	1,340	232,658	820,277	1,138,092
At 31 July 1996	51,520	44,192	6,360	156,070	467,206	725,348

CABLESHIP LIMITED**Notes forming part of the financial statements for the year ended 31 July 1997 (Continued)****9 Tangible fixed assets (Continued)**

Land and buildings	1997 £	1996 £
Cost		
Freehold	55,000	55,000
Short leasehold	4,600	4,600
	<u>59,600</u>	<u>59,600</u>
Accumulated depreciation		
Freehold	5,500	4,400
Short leasehold	4,600	3,680
	<u>10,100</u>	<u>8,080</u>

The net book value of tangible fixed assets includes an amount of £997,518 (1996 - £467,200) in respect of assets held under finance leases.

10 Stocks

	1997 £	1996 £
Raw materials	136,248	212,046
Work in progress	455,273	285,843
	<u>591,521</u>	<u>497,889</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 1997 (*Continued*)**11 Debtors**

	1997 £	1996 £
Trade debtors	2,288,368	2,376,637
Amounts owed by parent undertaking	324,322	616,352
Other debtors	1,610	15,967
Prepayments and accrued income	98,185	117,650
Amounts recoverable on contracts	3,052,484	1,272,753
	5,764,969	4,399,359

All amounts fall due for payment within one year.

12 Creditors: amounts falling due within one year

Bank loans and overdrafts (secured - see below)	34,639	745,739
Payments received on account	1,070,759	591,298
Trade creditors	2,950,327	2,307,941
Other creditors	15,946	16,900
Taxation and social security	928,617	272,195
Corporation tax	134,744	41,013
Obligations under finance leases (secured - see below)	279,540	175,349
Accruals and deferred income	198,739	262,527
	5,613,311	4,412,962

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.

The obligations under finance leases are secured on the respective assets financed.

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1997 (*Continued*)

13 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Bank loans and overdrafts (secured - see note 12)	100,736	140,394
Obligations under finance leases (secured - see note 12)	536,582	187,412
	<u>637,318</u>	<u>327,806</u>
Bank loans and overdrafts are due as follows:		
Within 1 - 2 years	22,448	22,448
Within 2 - 5 years	78,288	117,946
	<u>100,736</u>	<u>140,394</u>
Obligations under finance leases are due as follows:		
Within 1 - 2 years	246,558	101,957
Within 2 - 5 years	290,024	85,455
	<u>536,582</u>	<u>187,412</u>

14 Deferred taxation

The amount of unprovided deferred taxation is as follows:

Accelerated capital allowances	(46,751)	(46,656)
	<u></u>	<u></u>

15 Share capital

Authorised, allotted, called up and fully paid

Ordinary shares of £1 each	400,000	400,000
	<u></u>	<u></u>

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1997 (*Continued*)

16 Profit and loss account

	1997 £	1996 £
At beginning of year	482,847	318,164
Profit retained for the year	373,465	164,683
At end of year	856,312	482,847

17 Reconciliation of movements in shareholders' funds

Profit for the financial year	373,465	164,683
Opening shareholders' funds	882,847	718,164
Closing shareholders' funds	1,256,312	882,847

18 Contingent liabilities

The company has entered into an unlimited cross guarantee with the group's bankers in respect of the bank balances of group companies. At 31 July 1997 the balances guaranteed by the company in respect of group companies amounted to £133,787 (1996 - £Nil).

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 of £97,678 (1996 - £66,084) represents contributions payable by the company to the fund.

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1997 (*Continued*)

20 Commitments under operating leases

As at 31 July 1997, the company had annual commitments under non-cancellable operating leases expiring as set out below:

	1997 £	1996 £
Operating leases which expire:		
Within one year	16,983	41,039
In one to two years	29,471	28,207
In two to five years	64,000	101,973
	110,454	171,219

21 Related party transactions

During the year the company has rented premises from Mr P Pela at a market rental amounting to £25,000 (1996 - £45,000).

Lewis Communications Limited provided marketing services to the value of £59,808 during the year (1996 - £43,295). Mr C Lewis is a director of Lewis Communications Limited and a non-executive director of The Cable Group Limited.

22 Ultimate parent company

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

23 Statement of cash flows

The company has adopted the exemption in FRS1 (revised) 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.