

**REGISTRAR OF
COMPANIES**

Cableship Limited

Report and Financial Statements

Year Ended

31 July 1998

2027207



BDO

BDO Stoy Hayward
Chartered Accountants

CABLESHIP LIMITED

Annual report and financial statements for the year ended 31 July 1998

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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.

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CABLESHIP LIMITED

Report of the directors for the year ended 31 July 1998

The directors present their report together with the audited financial statements for the year ended 31 July 1998.

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 12th consecutive year, increased turnover and continued to invest into the future of the business.

Our focus continues to be towards improving the quality of our earnings by providing our clients with a wide range of integrated information technology solutions, which add value to and enhance their businesses.

Working throughout the UK and Europe the company has successfully completed numerous significant contracts for clients who include over 90 blue chip commercial and financial institutions. Continued client satisfaction and loyalty ensured that 64% of our business once again derived from existing clients across a wide, and growing, range of market sectors.

As a company committed to providing our clients 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 clients with integrated information technology 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.

CABLESHIP LIMITED

Report of the directors for the year ended 31 July 1998 (*Continued*)

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 £1,572 (1997 - £895).

Year 2000

The company is currently reviewing its operating systems to assess the risks to its business in relation to Year 2000 compliance. From this review a prioritised action plan will be developed and implemented. Costs of the review which are not expected to be significant, are to be written off to the profit and loss account as incurred.

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 1998, is as follows:

	Ordinary shares of 1p each	
	1998	1997
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 1998 (*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 10 May 1999

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 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 1998 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

10 May 1999

CABLESHIP LIMITED**Profit and loss account for the year ended 31 July 1998**

	Note	1998 £	1997 £
Turnover	2	20,325,732	18,782,249
Cost of sales		15,313,312	14,284,316
Gross profit		5,012,420	4,497,933
Administrative expenses		4,503,219	3,957,777
		509,201	540,156
Other operating income	3	63,837	85,000
Operating profit	4	573,038	625,156
Interest payable and similar charges	7	214,529	157,960
Profit on ordinary activities before taxation		358,509	467,196
Taxation on profit on ordinary activities	8	104,530	93,731
Profit on ordinary activities after taxation		253,979	373,465
Retained profit brought forward		856,312	482,847
Retained profit carried forward		1,110,291	856,312

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 1998

	Note	1998	1997
		£	£
Fixed assets			
Tangible assets	9	991,514	1,138,092
Current assets			
Stocks	10	729,305	591,521
Debtors	11	6,491,328	5,764,969
Cash at bank and in hand		114	12,359
		<u>7,220,747</u>	<u>6,368,849</u>
Creditors: amounts falling due within one year	12	<u>6,220,420</u>	<u>5,613,311</u>
Net current assets		<u>1,000,327</u>	<u>755,538</u>
Total assets less current liabilities		<u>1,991,841</u>	<u>1,893,630</u>
Creditors: amounts falling due after more than one year	13	<u>481,550</u>	<u>637,318</u>
		<u>1,510,291</u>	<u>1,256,312</u>
Capital and reserves			
Called up share capital	15	400,000	400,000
Profit and loss account	16	1,110,291	856,312
Shareholders' funds - equity		<u>1,510,291</u>	<u>1,256,312</u>

The financial statements were approved by the Board on 10 May 1999

P Pela)
D Moëd FCA) Directors

[Signatures]

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 1998

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 1998 (*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 £346,250 (1997 - £205,054).

3 Other operating income

	1998 £	1997 £
Royalty income	63,837	85,000

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1998 (*Continued*)

4 Operating profit

This is stated after charging/(crediting):

	1998 £	1997 £
Depreciation on own assets	89,841	99,516
Depreciation on assets under finance leases	427,965	294,625
Loss/(profit) on sale of fixed assets	9,883	(6,616)
Auditors' remuneration - audit services	15,000	12,000
- non audit services	33,301	25,956
Exchange differences	5,342	-
Operating leases - land and buildings	89,000	89,000
- plant and machinery	38,227	61,367
	<u> </u>	<u> </u>

5 Employees

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

	Number	Number
Administration	68	63
Direct staff	86	63
	<u> </u>	<u> </u>
	154	126
	<u> </u>	<u> </u>

Staff costs (including directors) consist of:

Wages and salaries	3,982,577	3,122,843
Social security costs	468,196	331,021
Other pension costs	120,144	97,678
	<u> </u>	<u> </u>
	4,570,917	3,551,542
	<u> </u>	<u> </u>

CABLESHIP LIMITED**Notes forming part of the financial statements for the year ended 31 July 1998 (Continued)****6 Directors' emoluments**

	1998 £	1997 £
Remuneration for management services	477,717	370,238
Pensions	28,251	25,155
	<u>505,968</u>	<u>395,393</u>
Emoluments (excluding pension contributions) of:		
Highest paid director	<u>163,900</u>	<u>150,944</u>

7 Interest payable and similar charges

Bank overdrafts	84,077	56,131
Loans repayable in less than five years	21,540	20,036
Finance leases	108,912	81,793
	<u>214,529</u>	<u>157,960</u>

8 Taxation on profit on ordinary activities

UK corporation tax	106,000	96,335
Overprovision in respect of prior year	(1,470)	(2,604)
	<u>104,530</u>	<u>93,731</u>

The charge to corporation tax has been reduced by approximately £57,000 (1997 - £79,000) due to group relief.

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1998 (*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 1997	59,600	59,223	67,826	663,375	1,291,007	2,141,031
Additions	-	2,798	30,782	102,317	304,739	440,636
Disposals	-	-	-	-	(136,151)	(136,151)
At 31 July 1998	59,600	62,021	98,608	765,692	1,459,595	2,445,516
<i>Depreciation</i>						
At 1 August 1997	10,100	24,906	66,486	430,717	470,730	1,002,939
Provided for the year	2,020	9,875	8,350	141,864	355,697	517,806
Disposals	-	-	-	-	(66,743)	(66,743)
At 31 July 1998	12,120	34,781	74,836	572,581	759,684	1,454,002
<i>Net book value</i>						
At 31 July 1998	47,480	27,240	23,772	193,111	699,911	991,514
At 31 July 1997	49,500	34,317	1,340	232,658	820,277	1,138,092

CABLESHIP LIMITED**Notes forming part of the financial statements for the year ended 31 July 1998 (Continued)****9 Tangible fixed assets (Continued)**

Land and buildings	1998 £	1997 £
Cost		
Freehold	55,000	55,000
Short leasehold	4,600	4,600
	<u>59,600</u>	<u>59,600</u>
Accumulated depreciation		
Freehold	6,600	5,500
Short leasehold	5,520	4,600
	<u>12,120</u>	<u>10,100</u>

The net book value of tangible fixed assets includes an amount of £804,884 (1997 - £997,518) in respect of assets held under finance leases.

10 Stocks

	1998 £	1997 £
Raw materials	155,913	136,248
Work in progress	573,392	455,273
	<u>729,305</u>	<u>591,521</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 1998 (*Continued*)

11 Debtors

	1998 £	1997 £
Trade debtors	2,563,210	2,288,368
Amounts owed by parent undertaking	179,878	324,322
Other debtors	1,238	1,610
Prepayments and accrued income	80,333	98,185
Amounts recoverable on contracts	3,666,669	3,052,484
	6,491,328	5,764,969

All amounts fall due for payment within one year.

12 Creditors: amounts falling due within one year

Bank loans and overdrafts (secured - see below)	720,741	34,639
Payments received on account	1,057,732	1,070,759
Trade creditors	3,237,286	2,950,327
Other creditors	71,260	15,946
Taxation and social security	400,539	928,617
Corporation tax	106,000	134,744
Obligations under finance leases (secured - see below)	274,554	279,540
Accruals and deferred income	352,308	198,739
	6,220,420	5,613,311

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 1998 (*Continued*)

13 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Bank loans and overdrafts (secured - see note 12)	73,880	100,736
Obligations under finance leases (secured - see note 12)	407,670	536,582
	<u>481,550</u>	<u>637,318</u>
Bank loans and overdrafts are due as follows:		
Within 1 - 2 years	25,077	22,448
Within 2 - 5 years	48,803	78,288
	<u>73,880</u>	<u>100,736</u>
Obligations under finance leases are due as follows:		
Within 1 - 2 years	118,299	246,558
Within 2 - 5 years	289,371	290,024
	<u>407,670</u>	<u>536,582</u>

14 Deferred taxation

The amount of unprovided deferred taxation is as follows:

Accelerated capital allowances	(97,432)	(46,751)
	<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 1998 (*Continued*)

16 Profit and loss account

	1998 £	1997 £
At beginning of year	856,312	482,847
Profit retained for the year	253,979	373,465
At end of year	1,110,291	856,312

17 Reconciliation of movements in shareholders' funds

Profit for the financial year	253,979	373,465
Opening shareholders' funds	1,256,312	882,847
Closing shareholders' funds	1,510,291	1,256,312

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 1998 the balances guaranteed by the company in respect of group companies amounted to £434,873 (1997 - £133,787).

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 £120,144 (1997 - £97,678) represents contributions payable by the company to the fund.

CABLESHIP LIMITED

Notes forming part of the financial statements for the year ended 31 July 1998 (*Continued*)

20 Commitments under operating leases

As at 31 July 1998, the company had annual commitments under non-cancellable operating leases expiring as set out below:

	1998 £	1997 £
Operating leases which expire:		
Within one year - plant and equipment	8,364	16,983
In one to two years - plant and equipment	-	29,471
In two to five years - land and buildings	64,000	64,000
	72,364	110,454

21 Related party transactions

During the year the company has rented premises from Mr P Pela at a market rental amounting to £25,000 (1997 - £25,000).

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.