

**REGISTRAR OF
COMPANIES**

Comunica plc

Report and Financial Statements

Year Ended

31 May 2001



BDO

BDO Stoy Hayward
Chartered Accountants

Annual report and financial statements for the year ended 31 May 2001

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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, W1U 3LL

World Wide Web Address

www.comunicaplco.co.uk

Report of the directors for the year ended 31 May 2001

The directors present their report together with the audited financial statements for the year ended 31 May 2001.

Results and dividends

The profit and loss account is set out on page 8 and shows the profit for the year.

Principal activities, review of business and future developments

The company's principal activity is the supply of tailor-made communication solutions through the design, implementation and maintenance of network and cabling infrastructures.

The company, as an independent member of the Comunica Holdings plc group, has, for the 15th 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 a number of significant contracts for clients who include over 150 blue chip commercial and financial institutions.

Continued client satisfaction and loyalty ensured over 70% 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, irrespective of the size of a project, we are continually striving to strengthen our partnerships with them and our suppliers. On a continuous basis we are forging the necessary strategic alliances and investing extensively in training and development to ensure that we remain at the leading edge.

The Board is encouraged by the company's performance.

The level of activity in our traditional markets, coupled with our approach towards reacting to change and expanding our business in other areas, has resulted in a promising start to trading and we are looking forward to further significant improvements in growth and profitability during the current year.

Purpose and vision

As a business that operates in a fast changing sector, we have clearly defined our purpose and vision to underpin our philosophy for all our stakeholders.

Purpose

Comunica is dedicated to enabling its clients to maximise their communication infrastructure, so enhancing and adding value to their business.

Vision

- To be the choice for clients, suppliers and employees
- To be recognised as a leading edge provider
- To be seen as a centre of excellence
- To generate good profits which can be reinvested in the company, thus:
- Providing staff with the opportunity of career development
- Creating a satisfying place to work and providing growth for all stakeholders in the business.

Creditor payment policy

The company's policy for the year to 31 May 2001 for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. Year end trade creditors represent 52 days' (2000 - 68 days) purchases.

Charitable and political contributions

During the year the company made charitable contributions of £7,382 (2000 - £5,554). There were no political contributions.

Report of the directors for the year ended 31 May 2001 (*Continued*)

Directors

The directors of the company during the year and their interests in the share capital of the previous parent company, The Cable Group Limited, as at 31 May 2000 is set out below. No director had any interest in the share capital of the company.

	At 31 May 2000	
	Ordinary shares of 1p each	'C' ordinary shares of US\$ 0.016
P Pela (Chairman)	2,023,800	20,238,000
R Marshall	-	-
D Moëd FCA	201,400	2,014,000
R Bell	-	-

The interests of the directors in the share capital of the parent company at 31 May 2001, Comunica Holdings plc, are shown in the directors' report of that company.

In addition, R Bell has options over 60,000 ordinary shares under the group's Employee Share Option Scheme. These options can be exercised after certain specified events. The exercise price will be based on a valuation of the shares when they are exercised with a possible discount of 10% to 100% subject to a minimum payment of £0.01 per share.

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 year. 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.

Còmunica plc

Report of the directors for the year ended 31 May 2001 (*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.

On behalf of the board



D Moëd FCA

Secretary and Director

18 October 2001

To the shareholders of Comunica plc

We have audited the financial statements of Comunica plc for the year ended 31 May 2001 on pages 8 to 21 which have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

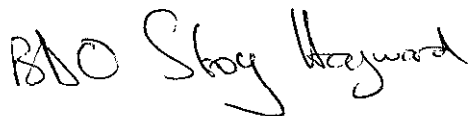
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and performed 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 assurance that the financial statements are free from material misstatement, 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 May 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'BDO Stoy Hayward', is written in a cursive style.

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

18 October 2001

Profit and loss account for the year ended 31 May 2001

	Note	Year ended 31 May 2001 £	10 months ended 31 May 2000 £
Turnover	2	43,590,735	23,867,612
Cost of sales		34,772,923	18,833,626
Gross profit		8,817,812	5,033,986
Administrative expenses		7,057,435	4,700,893
Operating profit	3	1,760,377	333,093
Interest payable and similar charges	6	(209,785)	(129,677)
Profit on ordinary activities before taxation		1,550,592	203,416
Taxation on profit on ordinary activities	7	460,613	115,797
Profit on ordinary activities after taxation for the year/period		1,089,979	87,619
Dividends	8	700,000	1,465,000
Retained profit/(accumulated loss) for the financial year/period	16	389,979	(1,377,381)
Retained profit brought forward		90,401	1,467,782
Retained profit carried forward		480,380	90,401

All amounts relate to continuing activities.

All recognised gains and losses in the current year and prior period are included in the profit and loss account.

The notes on pages 10 to 21 form part of these financial statements.

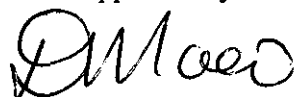
Comunica plc

Balance sheet at 31 May 2001

	Note	31 May 2001 £	31 May 2001 £	31 May 2000 £	31 May 2000 £
Fixed assets					
Tangible assets	9		1,131,817		1,588,846
Current assets					
Stocks	10	544,854		414,926	
Debtors	11	11,491,637		7,836,711	
Cash at bank and in hand		731		979	
		<u>12,037,222</u>		<u>8,252,616</u>	
Creditors: amounts falling due within one year	12	<u>11,380,815</u>		<u>7,905,733</u>	
Net current assets			<u>656,407</u>		<u>346,883</u>
Total assets less current liabilities			<u>1,788,224</u>		<u>1,935,729</u>
Creditors: amounts falling due after more than one year	13		<u>407,844</u>		<u>945,328</u>
			<u>1,380,380</u>		<u>990,401</u>
Capital and reserves					
Called up share capital	15		900,000		900,000
Profit and loss account	16		480,380		90,401
Equity shareholders' funds			<u>1,380,380</u>		<u>990,401</u>

The financial statements were approved by the Board on 18 October 2001.

D Moëd FCA
Director



The notes on pages 10 to 21 form part of these financial statements.

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 external customers at invoiced amounts together with the value of work carried out to 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 tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	-	2%
Leasehold property	-	10%
Improvements to premises	-	at either 2% or 20%
Motor vehicles	-	25%
Fixtures & fittings	-	20%
Office equipment	-	33 1/3%

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.

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

Long-term contracts

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.

Short-term contracts

Profits are recognised following practical completion of contracts. For period schedule work, contracts are determined on an individual job basis rather than for the schedule as a whole.

1 Accounting policies (*continued*)

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.

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 during the lease term. 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 capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. 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.

Pensions

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.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Comunica Holdings plc and the company is included in consolidated financial statements.

2 Turnover

	Year ended 31 May 2001 £	10 months ended 31 May 2000 £
Analysis by geographical market:		
<i>By destination</i>		
Europe	1,474,800	26,984
United Kingdom	42,115,935	23,840,628
	<u>43,590,735</u>	<u>23,867,612</u>

Turnover is wholly attributable to the principal activity of the company.

3 Operating profit

This is arrived at after charging/(crediting):

	Year ended 31 May 2001 £	10 months ended 31 May 2000 £
Depreciation of tangible fixed assets	743,539	558,814
Hire of plant and machinery - operating leases	227,958	181,978
Hire of other assets - operating leases	158,444	84,575
Auditors' remuneration - audit services	32,000	30,000
Auditors' remuneration - non audit services	107,544	120,793
Profit on sale of fixed assets	(48,394)	(41,856)
	<u> </u>	<u> </u>

Depreciation includes £396,787 (2000 - £380,091) charged on assets held under finance leases and hire purchase contracts.

4 Employees

Staff costs (including directors) consist of:

	Year ended 31 May 2001 £	10 months ended 31 May 2000 £
Wages and salaries	7,210,800	4,638,554
Social security costs	880,021	565,904
Other pension costs	237,319	162,901
	<u>8,328,140</u>	<u>5,367,359</u>

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

	Year ended 31 May 2001 Number	10 months ended 31 May 2000 Number
Administration	92	86
Direct staff	119	108
	<u>211</u>	<u>194</u>

5 Directors' remuneration

	Year ended 31 May 2001 £	10 months ended 31 May 2000 £
Directors' emoluments	754,536	353,472
	<u>754,536</u>	<u>353,472</u>

There were 3 directors in the company's defined contribution pension scheme during the year (2000 - 3).

The total amount payable to the highest paid director in respect of emoluments was £328,687 (2000 - £122,320).

6 Interest payable and similar charges

	Year ended 31 May 2001 £	10 months ended 31 May 2000 £
Bank loans and overdrafts	146,153	68,124
Finance leases and hire purchase contracts	63,632	61,553
	<u>209,785</u>	<u>129,677</u>

7 Taxation on profit on ordinary activities

	Year ended 31 May 2001 £	10 months ended 31 May 2000 £
<i>UK Corporation tax</i>		
<i>Current year</i>		
Current tax on income for the year	604,391	151,280
<i>Prior periods</i>		
Overprovision	(143,778)	(35,483)
	<u>460,613</u>	<u>115,797</u>

8 Dividends

	Year ended 31 May 2001 £	10 months ended 31 May 2000 £
<i>Equity shares</i>		
Ordinary shares		
Interim of £0.78 (2000 - £1.63) per share 2000	700,000	1,465,000
	<u>700,000</u>	<u>1,465,000</u>

Notes forming part of the financial statements for the year ended 31 May 2001 (*Continued*)

9 Tangible fixed assets

	Land and buildings £	Improvement to premises £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
<i>Cost</i>						
At 1 June 2000	59,600	82,868	2,150,445	154,732	989,596	3,437,241
Additions	-	11,585	139,750	55	244,392	395,782
Disposals	(59,600)	-	(357,072)	-	-	(416,672)
At 31 May 2001	-	94,453	1,933,123	154,787	1,233,988	3,416,351
<i>Depreciation</i>						
At 1 June 2000	13,983	60,962	822,498	98,759	852,193	1,848,395
Provided for the year	-	16,136	516,528	19,129	191,746	743,539
Disposals	(13,983)	-	(293,417)	-	-	(307,400)
At 31 May 2001	-	77,098	1,045,609	117,888	1,043,939	2,284,534
<i>Net book value</i>						
At 31 May 2001	-	17,355	887,514	36,899	190,049	1,131,817
At 31 May 2000	45,617	21,906	1,327,947	55,973	137,403	1,588,846

The net book value of tangible fixed assets includes an amount of £866,644 (2000 - £1,321,396) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £396,787 (2000 - £380,091).

Notes forming part of the financial statements for the year ended 31 May 2001 (*Continued*)**10 Stocks**

	31 May 2001 £	31 May 2000 £
Raw materials	151,275	155,999
Work in progress	393,579	258,927
	544,854	414,926

In the opinion of the directors, the replacement value of stock is not materially different from cost.

11 Debtors

	31 May 2001 £	31 May 2000 £
Amounts receivable within one year		
Trade debtors	5,732,391	2,749,450
Amounts owed by group undertakings	277,738	231,182
Other debtors	114,862	14,850
Prepayments and accrued income	116,366	140,596
Amounts recoverable on contracts	5,250,280	4,671,345
	11,491,637	7,807,423
Amounts receivable after more than one year		
Amounts recoverable on contracts	-	29,288
	11,491,637	7,836,711

Notes forming part of the financial statements for the year ended 31 May 2001 (*Continued*)

12 Creditors: amounts falling due within one year

	31 May 2001 £	31 May 2000 £
Bank loans and overdrafts (secured - see note 13)	2,720,754	2,885,567
Payments received on account	940,997	448,961
Trade creditors	3,909,593	3,392,738
Amounts owed to group undertakings	689,243	81,324
Taxation and social security	1,201,060	310,129
Corporation tax	600,034	29,923
Obligations under finance lease and hire purchase contracts	508,166	510,539
Accruals and deferred income	810,968	246,552
	11,380,815	7,905,733

13 Creditors: amounts falling due after more than one year

	31 May 2001 £	31 May 2000 £
Bank loans	40,000	129,367
Obligations under finance lease and hire purchase contracts	367,844	815,961
	407,844	945,328

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

Maturity of debt:

	Finance Leases		Other debt		Total	
	31 May 2001 £	31 May 2000 £	31 May 2001 £	31 May 2000 £	31 May 2001 £	31 May 2000 £
In one year or less, or on demand	508,166	510,539	2,720,754	2,885,567	3,228,920	3,396,106
In more than one year but not more than two years	345,749	527,587	40,000	89,367	385,749	616,954
In more than two years but not more than five years	22,095	288,374	-	40,000	22,095	328,374
	<u>876,010</u>	<u>1,326,500</u>	<u>2,760,754</u>	<u>3,014,934</u>	<u>3,636,764</u>	<u>4,341,434</u>

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.

Bank loans consist of two separate loans. On the first, repayment is in monthly instalments of principal and interest to achieve full repayment by October 2001. On the second repayment is in quarterly instalments by October 2002. Interest is repayable at 2.75% above the bank's base rate.

14 Provision for liabilities and charges

Deferred taxation

	31 May 2001 £	Unprovided 31 May 2000 £
The amount of deferred tax unprovided for is as follows:		
Accelerated capital allowances	(171,167)	(119,471)
There is no provided deferred tax.	<u> </u>	<u> </u>

Notes forming part of the financial statements for the year ended 31 May 2001 (*Continued*)

15 Share capital

	31 May 2001 £	Authorised 31 May 2000 £	Allotted, called up and fully paid 31 May 2001 £	31 May 2000 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	900,000	900,000	900,000	900,000

16 Reserves

	Profit and loss account £
At 1 June 2000	90,401
Retained profit for the year	389,979
At 31 May 2001	480,380

17 Reconciliation of movements in shareholders' funds

	Year ended 31 May 2001 £	10 months ended 31 May 2000 £
Profit for the year	1,089,979	87,619
Dividends	(700,000)	(1,465,000)
New share capital subscribed	389,979	(1,377,381)
	-	500,000
Net additions/(reductions) to shareholders' funds	389,979	(877,381)
Opening shareholders' funds	990,401	1,867,782
Closing shareholders' funds	1,380,380	990,401

18 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 and amounted to £237,319 (2000 - £162,901). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

19 Commitments under operating leases

As at 31 May 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	31 May 2001		31 May 2000	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	27,441	-	-
In two to five years	223,312	95,978	93,575	135,226
	<u>223,312</u>	<u>123,419</u>	<u>93,575</u>	<u>135,226</u>
	<u><u>223,312</u></u>	<u><u>123,419</u></u>	<u><u>93,575</u></u>	<u><u>135,226</u></u>

20 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Comunica Holdings plc on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

Notes forming part of the financial statements for the year ended 31 May 2001 (*Continued*)

20 Related party disclosures (*continued*)

Related Party Balances

	Amounts owed to related party	Amounts owed by related party
	£	£
Related party		
Cablessoft Limited	-	277,738
Comunica Holdings plc	689,243	-
	<u>689,243</u>	<u>277,738</u>

21 Ultimate parent company and parent undertaking of larger group

The largest group in which the results of the company are consolidated is that headed by Comunica Holdings plc. The consolidated accounts of this company are available to the public and may be obtained from Companies House. The smallest group of which the company is a member is headed by Comunica Group Limited.