

Comunica plc

Report and Financial Statements

Year Ended

31 May 2002



IBDO

BDO Stoy Hayward
Chartered Accountants

Comunica plc

Annual report and financial statements for the year ended 31 May 2002

Contents

Page:

1	Report of the directors
5	Report of the independent auditors
7	Profit and loss account
8	Balance sheet
9	Notes forming part of the financial statements

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.comunicaplc.co.uk

Comunica plc

Report of the directors for the year ended 31 May 2002

The directors present their report together with the audited financial statements for the year ended 31 May 2002.

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

An interim dividend of 22p (2001 - 78p) per share was paid to ordinary shareholders during the year. The directors do not recommend the payment of a final dividend (2001: £-nil).

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 16th 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 165 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 and consider it well placed to capitalise on future opportunities which it encounters.

Comunica plc

Report of the directors for the year ended 31 May 2002 (*Continued*)

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 2002 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 53 days' (2001 - 52 days') purchases.

Charitable and political contributions

During the year the company made charitable contributions of £25,282 (2001 - £7,382). There were no political contributions.

Comunica plc

Report of the directors for the year ended 31 May 2002 (*Continued*)

Directors

The directors of the company during the year were:

P Pela (Chairman)
R Marshall
D Moëd FCA
R Bell

No director had any interest in the ordinary shares of the company.

P. Pela and D. Moëd are also directors of the ultimate parent company, Comunica Holdings plc, and their interests in the share capital of that company are shown in its financial statements.

The interests of the other directors in the share capital of Comunica Holdings plc are as follows:

	D' ordinary shares of US\$0.016		F' ordinary shares of 1p each		G' ordinary shares of 0.01p each		H' ordinary shares of 0.0001p each	
	2002	2001	2002	2001	2002	2001	2002	2001
R Marshall	1,007,000	1,007,000	100,700	100,700	1,867,000	-	294,495,300	-
R Bell	-	-	-	-	2,974,700	-	294,495,300	-

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.

Comunica plc

Report of the directors for the year ended 31 May 2002 (*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

A handwritten signature in black ink, appearing to read 'D Moëd', written over the printed name.

Director

23 December 2002

Comunica plc

Report of the independent auditors

To the shareholders of Comunica plc

We have audited the financial statements of Comunica plc for the year ended 31 May 2002 on pages 7 to 18 which have been prepared under the accounting policies set out on page 9 to 10.

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.

Comunica plc

Report of the independent auditors (*Continued*)

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 2002 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 black ink, appearing to read 'BDO Stoy Hayward', is written over the printed name.

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

23 December 2002

Comunica plc

Profit and loss account for the year ended 31 May 2002

	Note	2002 £	2001 £
Turnover	2	46,148,847	43,590,735
Cost of sales		36,945,883	34,772,923
Gross profit		9,202,964	8,817,812
Administrative expenses		7,388,352	7,057,435
Operating profit	3	1,814,612	1,760,377
Other interest receivable and similar income	6	7,846	-
Interest payable and similar charges	7	(90,845)	(209,785)
Profit on ordinary activities before taxation		1,731,613	1,550,592
Taxation on profit on ordinary activities	8	644,389	460,613
Profit on ordinary activities after taxation		1,087,224	1,089,979
Dividends	9	202,461	700,000
Retained profit for the financial year	16	884,763	389,979
Retained profit brought forward		480,380	90,401
Retained profit carried forward		1,365,143	480,380

All amounts relate to continuing activities.

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

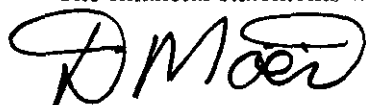
The notes on pages 9 to 18 form part of these financial statements.

Comunica plc

Balance sheet at 31 May 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	10		919,158		1,131,817
Current assets					
Stocks	11	326,092		544,854	
Debtors	12	10,775,459		11,491,637	
Cash at bank and in hand		41,634		731	
		11,143,185		12,037,222	
Creditors: amounts falling due within one year	13	9,732,166		11,380,815	
Net current assets			1,411,019		656,407
Total assets less current liabilities			2,330,177		1,788,224
Creditors: amounts falling due after more than one year	14		65,034		407,844
			2,265,143		1,380,380
Capital and reserves					
Called up share capital	15		900,000		900,000
Profit and loss account	16		1,365,143		480,380
Equity shareholders' funds			2,265,143		1,380,380

The financial statements were approved by the Board on **23rd DECEMBER 2002**



D Moëd FCA
Director

The notes on pages 9 to 18 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 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 tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

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*)

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

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. 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.

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.

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

	2002 £	2001 £
Analysis by geographical market:		
United Kingdom	45,956,140	42,115,935
Europe	192,707	1,474,800
	<u>46,148,847</u>	<u>43,590,735</u>

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

3 Operating profit

	2002 £	2001 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	683,403	743,539
Profit on disposal of tangible fixed assets	(36,774)	(48,394)
Hire of plant and machinery - operating leases	229,314	227,958
Hire of other assets - operating leases	233,588	158,444
Auditors' remuneration - non audit services	151,917	107,544
Auditors' remuneration - audit services	32,000	32,000
	<u>683,403</u>	<u>743,539</u>

4 Employees

Staff costs (including directors) consist of:

	2002 £	2001 £
Wages and salaries	8,041,365	7,210,800
Social security costs	981,047	880,021
Other pension costs	201,995	237,319
	<u>9,224,407</u>	<u>8,328,140</u>

4 Employees (*continued*)

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

	2002 Number	2001 Number
Administration	93	92
Direct staff	134	119
	<u> </u>	<u> </u>
	227	211
	<u> </u>	<u> </u>

5 Directors' remuneration

	2002 £	2001 £
Directors' emoluments	711,348	721,939
Company contributions to money purchase pension schemes	32,404	32,597
	<u> </u>	<u> </u>

There were 3 directors in the company's defined contribution pension scheme during the year (2001 - 3).

The total amount payable to the highest paid director in respect of emoluments was £234,711 (2001 - £328,697). Company pension contributions of £9,000 (2001 - £7,200) were made to a money purchase scheme on his behalf.

6 Other interest receivable and similar income

	2002 £	2001 £
Bank interest	7,846	-
	<u> </u>	<u> </u>

Comunica plc

Notes forming part of the financial statements for the year ended 31 May 2002 (*Continued*)

7 Interest payable and similar charges

	2002 £	2001 £
Bank loans and overdrafts	45,072	146,153
Finance leases and hire purchase contracts	45,773	63,632
	<u>90,845</u>	<u>209,785</u>

8 Taxation on profit on ordinary activities

	2002 £	2002 £	2001 £	2001 £
<i>Current tax</i>				
UK corporation tax on profits of the year	644,389		604,391	
Adjustment in respect of previous periods	-		(143,778)	
	<u>644,389</u>		<u>460,613</u>	
Total current tax		<u>644,389</u>		<u>460,613</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	1,731,613	1,550,592
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 - 30%)	519,484	465,178
Effect of:		
Expenses not deductible for tax purposes	108,775	39,180
Depreciation in excess of capital allowances	16,130	100,033
Adjustment to tax charge in respect of previous periods	-	(143,778)
	<u>644,389</u>	<u>460,613</u>
Current tax charge for period	<u>644,389</u>	<u>460,613</u>

9 Dividends

	2002 £	2001 £
<i>Equity shares</i>		
Interim paid of £0.22 (2001 - £0.78) per share	202,461	700,000

10 Tangible fixed assets

	Improvement to premises £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
<i>Cost</i>					
At 1 June 2001	94,453	1,933,123	154,787	1,233,988	3,416,351
Additions	-	61,084	74,964	409,168	545,216
Disposals	-	(514,269)	-	-	(514,269)
At 31 May 2002	94,453	1,479,938	229,751	1,643,156	3,447,298
<i>Depreciation</i>					
At 1 June 2001	77,098	1,045,609	117,888	1,043,939	2,284,534
Provided for the year	16,921	397,630	22,156	246,696	683,403
Disposals	-	(439,797)	-	-	(439,797)
At 31 May 2002	94,019	1,003,442	140,044	1,290,635	2,528,140
<i>Net book value</i>					
At 31 May 2002	434	476,496	89,707	352,521	919,158
At 31 May 2001	17,355	887,514	36,899	190,049	1,131,817

The net book value of tangible fixed assets includes an amount of £474,776 (2001 - £866,644) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £382,647 (2001 - £396,787).

Comunica plc

Notes forming part of the financial statements for the year ended 31 May 2002 (*Continued*)

11 Stocks

	2002 £	2001 £
Raw materials	194,793	151,275
Work in progress	131,299	393,579
	<u>326,092</u>	<u>544,854</u>

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

12 Debtors

	2002 £	2001 £
Trade debtors	5,428,451	5,732,391
Amounts owed by group undertakings	-	277,738
Other debtors	18,506	114,862
Prepayments and accrued income	232,443	116,366
Amounts recoverable on contracts	5,096,059	5,250,280
	<u>10,775,459</u>	<u>11,491,637</u>

All amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts (secured - see note 14)	-	2,720,754
Payments received on account	598,561	940,997
Trade creditors	3,856,895	3,909,593
Amounts owed to group undertakings	963,797	689,243
Corporation tax	250,695	600,034
Other taxation and social security	2,489,890	1,201,060
Obligations under finance lease and hire purchase contracts (secured - see note 14)	412,881	508,166
Other creditors	8,367	-
Accruals and deferred income	1,151,080	810,968
	<u>9,732,166</u>	<u>11,380,815</u>

14 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Bank loans	-	40,000
Obligations under finance lease and hire purchase contracts	65,034	367,844
	<u>65,034</u>	<u>407,844</u>

Obligations under finance leases are repayable as follows:

	2002 £	2001 £
In one year or less, or on demand	412,881	508,166
In more than one year but not more than two years	50,039	345,749
In more than two years but not more than five years	14,995	22,095
	<u>65,034</u>	<u>367,844</u>

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

The bank borrowings were 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.

15 Share capital

	2002 £	Authorised 2001 £	Allotted, called up and fully paid 2002 £	2001 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	900,000	900,000	900,000	900,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 Reserves

	Profit and loss account £
At 1 June 2001	480,380
Retained profit for the year	884,763
	<u> </u>
At 31 May 2002	1,365,143
	<u> </u>

17 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the year	1,087,224	1,089,979
Dividends	(202,461)	(700,000)
	<u> </u>	<u> </u>
	884,763	389,979
Opening shareholders' funds	1,380,380	990,401
	<u> </u>	<u> </u>
Closing shareholders' funds	2,265,143	1,380,380
	<u> </u>	<u> </u>

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 £201,995 (2001 - £237,319). 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 2002, the company had annual commitments under non-cancellable operating leases as set out below:

	2002 Land and buildings £	2002 Other £	2001 Land and buildings £	2001 Other £
Operating leases which expire:				
Within one year	16,575	-	-	27,441
In two to five years	206,737	388,299	223,312	95,978
	<u>223,312</u>	<u>388,299</u>	<u>223,312</u>	<u>123,419</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.

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.