

265021

North Sea Cables Limited

Report and Financial Statements

31 March 2004

Ernst & Young



North Sea Cables Limited

Registered No: 245021

Directors

J R MacLean
D R MacLean
R L MacLean
G W Carswell
M H Pitts

Secretary

G W Carswell

Auditors

Ernst & Young LLP
Barony House
Stoneyfield Business Park
Stoneyfield
Inverness
IV2 7PA

Bankers

Clydesdale Bank PLC
Festival Square
50 Lothian Road
Edinburgh
EH3 9AN

Solicitors

MacLeod & MacCallum
PO Box 4
28 Queensgate
Inverness
IV1 1YN

Registered office

Noskab House
Badentoy Crescent
Portlethen
Aberdeen
AB12 4NH

Directors' report

The directors present their report and financial statements for the period from 4 March 2003 to 31 March 2004.

Results and dividends

The profit for the period, after taxation, amounted to £3,152. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The company was incorporated as Cornerall Limited on 4 March 2003 and changed its name to North Sea Cables Limited on 22 April 2003.

The principal activity of the company during the year was wholesaling of cable products.

The directors expect the profitability to continue.

Directors

The directors who served the company during the period were as follows:

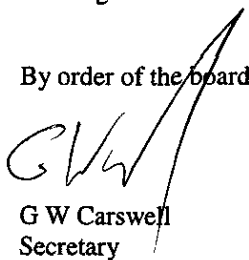
J R MacLean	(appointed 30 April 2003)
D R MacLean	(appointed 30 April 2003)
R L MacLean	(appointed 30 April 2003)
G W Carswell	(appointed 27 March 2003)
M H Pitts	(appointed 27 March 2003)
First Scottish International Services Limited	(served from 4 March 2003 to 27 March 2003)

There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board


G W Carswell
Secretary

6/12/ 2004

Statement of directors' responsibilities in respect of the financial statements

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; 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.

Independent auditors' report

to the members of North Sea Cables Limited

We have audited the company's financial statements for the period ended 31 March 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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.

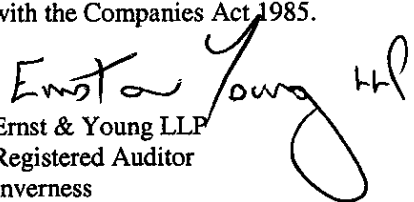
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of North Sea Cables Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink, appearing to read 'Ernst & Young LLP', is written over the printed text.
Ernst & Young LLP
Registered Auditor
Inverness

14/12 2004

Profit and loss account

for the period from 4 March 2003 to 31 March 2004

	Notes	Period from 4 Mar 03 to 31 Mar 04 £
Turnover	2	5,364,927
Cost of sales		4,319,779
Gross profit		1,045,148
Administrative expenses		1,024,130
Operating profit	3	21,018
Bank interest receivable	5	2,990
Interest payable and similar charges	6	(17,158)
		(14,168)
Profit on ordinary activities before taxation		6,850
Tax on profit on ordinary activities	7	3,698
Profit retained for the financial period		3,152

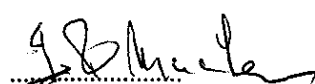
Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £3,152 attributable to the shareholders for the period ended 31 March 2004.

Balance sheet

at 31 March 2004

	Notes	31 Mar 04 £
Fixed assets		
Intangible assets	8	—
Tangible assets	9	135,934
		<u>135,934</u>
Current assets		
Stocks	10	970,979
Debtors	11	643,723
Cash in hand		828
		<u>1,615,530</u>
Creditors: amounts falling due within one year	12	1,050,250
Net current assets		<u>565,280</u>
Total assets less current liabilities		<u>701,214</u>
Creditors: amounts falling due after more than one year	13	697,262
Provisions for liabilities and charges	15	799
		<u>3,153</u>
Capital and reserves		
Called up share capital	17	1
Profit and loss account	18	3,152
Equity shareholders' funds	18	<u>3,153</u>


 J R MacLean
 Director


 D R MacLean
 Director

6/12/ 2004

Statement of cash flows

for the period from 4 March 2003 to 31 March 2004

		Period from 4 Mar 03 to 31 Mar 04 Notes £
Net cash inflow from operating activities	19(a)	(565,535)
Returns on investments and servicing of finance	19(b)	(14,134)
Capital expenditure and financial investment	19(c)	(59,685)
Financing	19(d)	626,470
Decrease in cash		<u>(12,884)</u>

Reconciliation of net cash flow to movement in net debt

		31 Mar 04 £
Decrease in cash		(12,884)
Cash used to repay capital element of hire purchase payments		33,531
Cash inflow from increase in long-term amounts owed to group undertakings		(660,000)
Change in net debt resulting from cash flows	19(e)	(639,353)
New hire purchase contracts		(106,190)
Movement in net debt		<u>(745,543)</u>
Net funds at 4 March	19(e)	-
Net debt at 31 March	19(e)	<u>(745,543)</u>

Notes to the financial statements

at 31 March 2004

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

Related parties transactions

The company is a wholly owned subsidiary of John MacLean & Sons Electrical (Dingwall) Ltd, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the John MacLean & Sons Electrical (Dingwall) Ltd group.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Plant & Equipment	-	10-20% per annum
Fixtures & Fittings	-	20% per annum
Motor Vehicles	-	25% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Notes to the financial statements

at 31 March 2004

1. Accounting policies (continued)

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, in respect of goods and services supplied by the company. Turnover is attributable to one continuing activity, the supply of wholesale cable products.

An analysis of turnover by geographical market is given below:

	<i>Period from 4 Mar 03 to 31 Mar 04 £</i>
United Kingdom	2,903,106
EEC	1,516,148
Other	945,673
	<u>5,364,927</u>

3. Operating profit

This is stated after charging/(crediting):

	<i>Period from 4 Mar 03 to 31 Mar 04 £</i>
Auditors' remuneration - audit services	3,000
- non-audit services	-
	<u>3,000</u>
Depreciation of owned fixed assets	10,925
Depreciation of assets held under hire purchase contracts	19,193
	<u>30,118</u>
Amortisation	1
	<u>30,119</u>
Profit on disposal of fixed assets	(178)
Operating lease rentals - land and buildings	132,033
Net loss on foreign currency translation	51,581
	<u>193,545</u>

Notes to the financial statements

at 31 March 2004

4. Staff costs

	<i>Period from 4 Mar 03 to 31 Mar 04 £</i>
Wages and salaries	505,373
Social security costs	53,952
Other pension costs	13,749
	<u>573,074</u>

The monthly average number of employees during the period was as follows:

	<i>Period from 4 Mar 03 to 31 Mar 04 No.</i>
Sales and distribution staff	10
Administrative staff	7
	<u>17</u>

5. Interest receivable

	<i>Period from 4 Mar 03 to 31 Mar 04 £</i>
Bank interest receivable	<u>2,990</u>

6. Interest payable and similar charges

	<i>Period from 4 Mar 03 to 31 Mar 04 £</i>
Bank interest payable	1,793
Finance charges payable under hire purchase contracts	1,799
Interest payable to group undertakings	13,566
	<u>17,158</u>

Notes to the financial statements

at 31 March 2004

7. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge/(credit) is made up as follows:

*Period from
4 Mar 03 to
31 Mar 04
£*

Current tax:

UK corporation tax	2,899
Total current tax (note 7(b))	<u>2,899</u>

Deferred tax:

Origination and reversal of timing differences	799
Tax on profit on ordinary activities	<u>3,698</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

*Period from
4 Mar 03 to
31 Mar 04
£*

Profit on ordinary activities before taxation	<u>6,850</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	1,301
Expenses not deductible for tax purposes	2,711
Marginal relief	(314)
Capital allowances less than depreciation	(1,001)
Other short term timing differences	202
Total current tax (note 7(a))	<u>2,899</u>

(c) Deferred tax

*31 Mar 04
£*

Capital allowances in advance of depreciation	(1,001)
Other timing differences	202
Provision for deferred taxation	<u>(799)</u>

£

Profit and loss account movement arising during the period	<u>(799)</u>
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At 31 March 2004	<u>(799)</u>
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Notes to the financial statements

at 31 March 2004

8. Intangible fixed assets

	<i>Goodwill</i> £
Cost:	
Additions	1
At 31 March 2004	<u>1</u>
Amortisation:	
Provided during the period	1
At 31 March 2004	<u>1</u>
Net book value:	
At 31 March 2004	<u><u>—</u></u>

9. Tangible fixed assets

	<i>Leasehold Property</i> £	<i>Plant & Equipment</i> £	<i>Fixtures & Fittings</i> £	<i>Motor Vehicles</i> £	<i>Total</i> £
Cost:					
Additions	1	79,931	1,000	95,043	175,975
Disposals	—	—	—	(10,500)	(10,500)
At 31 March 2004	<u>1</u>	<u>79,931</u>	<u>1,000</u>	<u>84,543</u>	<u>165,475</u>
Depreciation:					
Provided during the period	1	12,443	200	17,474	30,118
Disposals	—	—	—	(577)	(577)
At 31 March 2004	<u>1</u>	<u>12,443</u>	<u>200</u>	<u>16,897</u>	<u>29,541</u>
Net book value:					
At 31 March 2004	<u><u>—</u></u>	<u><u>67,488</u></u>	<u><u>800</u></u>	<u><u>67,646</u></u>	<u><u>135,934</u></u>

The net book value of assets above includes an amount of £86,996 in respect of assets held under hire purchase contracts.

10. Stocks

	<i>31 Mar 04</i> £
Finished goods	<u>970,979</u>

Notes to the financial statements

at 31 March 2004

11. Debtors

	31 Mar 04 £
Trade debtors	538,097
Amounts owed by group undertakings	84,155
Other debtors	21,471
	<u>643,723</u>

12. Creditors: amounts falling due within one year

	31 Mar 04 £
Bank overdraft	13,712
Obligations under hire purchase contracts (note 14)	35,397
Trade creditors	871,600
Amounts owed to group undertakings	33,750
Taxation and social security	52,647
Accruals and deferred income	43,144
	<u>1,050,250</u>

The bank loan is secured.

13. Creditors: amounts falling due after more than one year

	31 Mar 04 £
Obligations under hire purchase contracts (note 14)	37,262
Amounts owed to group undertakings	660,000
	<u>697,262</u>

14. Obligations under hire purchase contracts

The maturity of these amounts is as follows:

	31 Mar 04 £
Amounts payable:	
Within one year	35,397
In one to two years	33,398
In three to five years	3,864
	<u>72,659</u>

15. Provisions for liabilities and charges

	<i>Deferred taxation</i> £
Profit and Loss Account movement arising during the period	799
At 31 March 2004	<u>799</u>

Notes to the financial statements

at 31 March 2004

16. Commitments under operating leases

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i> £
Operating leases which expire:	
In two to five years	131,000

17. Share capital

	<i>Authorised</i> <i>31 Mar 04</i> £
Ordinary shares of £1 each	1,000
	<i>Allotted, called up and fully paid</i>
	No. £
Ordinary shares of £1 each	1 1

18. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i> £	<i>Profit and loss</i> <i>account</i> £	<i>Total share-</i> <i>holders' funds</i> £
Profit for the period	–	3,152	3,152
New equity share capital subscribed	1	–	1
At 31 March 2004	1	3,152	3,153

19. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	<i>Period from</i> <i>4 Mar 03 to</i> <i>31 Mar 04</i> £
Operating profit	21,018
Depreciation	30,118
Profit on disposal of fixed assets	(178)
Amortisation of goodwill	1
Increase in stocks	(970,979)
Increase in debtors	(643,723)
Increase in creditors	998,208
Net cash outflow from operating activities	(565,535)

Notes to the financial statements

at 31 March 2004

19. Notes to the statement of cash flows (continued)

(b) Returns on investments and servicing of finance

	<i>Period from 4 Mar 03 to 31 Mar 04 £</i>
Interest received	2,990
Interest paid	(15,325)
Interest element of hire purchase rentals payments	(1,799)
	<u>(14,134)</u>

(c) Capital expenditure

	<i>Period from 4 Mar 03 to 31 Mar 04 £</i>
Payments to acquire intangible fixed assets	(1)
Payments to acquire tangible fixed assets	(69,785)
Receipts from sales of tangible fixed assets	10,101
	<u>(59,685)</u>

(d) Financing

	<i>Period from 4 Mar 03 to 31 Mar 04 £</i>
Issue of equity shares	1
Repayment of long-term amounts owed to group undertakings	660,000
Repayment of capital element of hire purchase contracts	(33,531)
	<u>626,470</u>

(e) Analysis of changes in net debt

	<i>At 4 March 2003 £</i>	<i>Cash flows £</i>	<i>Other changes £</i>	<i>At 31 March 2004 £</i>
Cash at bank and in hand	—	828	—	828
Overdrafts	—	(13,712)	—	(13,712)
Debt due after one year	—	(660,000)	—	(660,000)
Hire purchase contracts	—	33,531	(106,190)	(72,659)
	<u>—</u>	<u>(639,353)</u>	<u>(106,190)</u>	<u>(745,543)</u>

Notes to the financial statements

at 31 March 2004

19. Notes to the statement of cash flows (continued)

(f) Non-cash transactions

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £106,190.

20. Ultimate parent company

The company's ultimate parent undertaking and controlling party is John MacLean (Electrical) Dingwall Limited, a company incorporated in Scotland. Copies of its group financial statements, which include the company, are available from 8 Fodderty Way, Dingwall Business Park, Strathpeffer Road, Dingwall, Ross-shire, Scotland.