INSTALCOM LIMITED

ABBREVIATED FINANCIAL STATEMENTS

31ST AUGUST 1999

Registered number: 03421543

Thickbroom Coventry

Chartered Accountants

INSTALCOM LIMITED

ABBREVIATED FINANCIAL STATEMENTS

for the year ended 31st August 1999

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INSTALCOM LIMITED

COMPANY INFORMATION

31st August 1999

INCORPORATED	England & Wales
NUMBER	03421543
DIRECTORS	M Gould S Hackett D Dix
SECRETARY	M Gould
REGISTERED OFFICE	Unit 10, Watermill Business Centre Millmarsh Lane Enfield Middlesex EN3 7XF
AUDITORS	Thickbroom Coventry Chartered Accountants 147a High Street Waltham Cross EN8 7AP

INSTALCOM LIMITED

DIRECTORS' REPORT

31st August 1999

The directors present their report and the abbreviated financial statements for the year ended 31st August 1999.

Principal activity

The principal activity of the company in the year under review is that of cable installation and ancillary services.

Business review

The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £801,988.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. An ordinary dividend amounting to £100,000 is proposed.

Fixed assets

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details are set out in note 8.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	31st August 1999 Ordinary shares	1st September 1998 Ordinary shares
M Gould	-	-
S Hackett	-	-
D Dix	-	-

continued ....

INSTALCOM LIMITED

DIRECTORS' REPORT
(continued)

31st August 1999

Future Developments

Instalcom Limited expects to further its core business of fibre optic cable installation and maintenance of networks. The Directors hope to increase market share in the coming year.

Auditors

Thickbroom Coventry have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board

M. Gould

M Gould
Secretary

Unit 10, Watermill Business Centre
Millmarsh Lane
Enfield
Middlesex EN3 7XF

2nd March 2000

INSTALCOM LIMITED

STATEMENT OF 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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

2nd March 2000

On behalf of the board

M. Gould

M Gould
Director

INSTALCOM LIMITED

Auditors' report to
Instalcom Limited
under section 247B of the Companies Act 1985

We have examined the abbreviated financial statements set out on pages 5 to 16, together with the financial statements of the company for the year ended 31st August 1999 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion
We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion
In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated financial statements on pages 5 to 16 are properly prepared in accordance with those provisions.

Thickbroom Coventry

Thickbroom Coventry
Registered Auditors
Chartered Accountants

2nd March 2000

INSTALCOM LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

for the year ended 31st August 1999

	Note	1999 £	1998 £
Gross profit		2,144,120	1,574,244
Net operating expenses			
Administrative expenses		(1,376,969)	(904,366)
Other operating income		22,794	2,896
Operating profit	3	789,945	672,774
Interest payable	5	(29,654)	(21,137)
Profit on ordinary activities before taxation		760,291	651,637
Taxation	6	(225,740)	(184,300)
Profit on ordinary activities after taxation		534,551	467,337
Dividends	7	(100,000)	(100,000)
Retained profit for the year	16	434,551	367,337

Movements in reserves are shown in note 16.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1999 or 1998 other than the profit for the year.

INSTALCOM LIMITED

ABBREVIATED BALANCE SHEET

at 31st August 1999

	Note	1999 £	1999 £	1998 £	1998 £
Fixed assets					
Tangible assets	8		940,154		822,662
Current assets					
Stocks	9	278,895		313,315	
Debtors	10	3,474,766		2,833,169	
Cash at bank and in hand		4,316		1,731	
		3,757,977		3,148,215	
Creditors: amounts falling due within one year	11	(3,242,303)		(2,965,028)	
Net current assets			515,674		183,187
Total assets less current liabilities			1,455,828		1,005,849
Creditors: amounts falling due after more than one year	12		(653,840)		(638,412)
			801,988		367,437
Capital and reserves					
Called up share capital	15		100		100
Profit and loss account	16		801,888		367,337
Total shareholders' funds	14		801,988		367,437

continued ......

INSTALCOM LIMITED

ABBREVIATED BALANCE SHEET
(continued)

at 31st August 1999

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The abbreviated financial statements on pages 5 to 16 were approved by the board of directors on 2nd March 2000 and signed on its behalf by:

M. Gould

M Gould
Director

INSTALCOM LIMITED

CASH FLOW STATEMENT

for the year ended 31st August 1999

	Note	1999 £	1999 £	1998 £	1998 £
Net cash inflow/(outflow) from operating activities	18		73,912		(452,726)
Returns on investments and servicing of finance					
Interest paid		(15,727)		(2,683)	
Interest element of finance lease rental payments		(13,927)		(18,454)	
			(29,654)		(21,137)
Taxation					
Corporation tax paid			(180,087)		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(332,969)		(792,551)	
Sale of tangible fixed assets		9,300		42,350	
			(323,669)		(750,201)
			(459,498)		(1,224,064)
Equity dividends paid			-		(100,000)
			(459,498)		(1,324,064)
Financing					
Issue of share capital		-		100	
Debt due beyond a year:					
Other loan advances		-		600,000	
		72,411		(134,194)	
			72,411		465,906
Decrease in cash			(387,087)		(858,158)

INSTALCOM LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st August 1999

1 Accounting policies

Basis of accounting
The financial statements have been prepared under the historical cost accounting rules.

Turnover
Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Tangible fixed assets
Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Leasehold land and buildings	4% straight line
Plant and machinery	15% reducing balance
Motor vehicles	25% reducing balance
Fixtures and fittings	15% reducing balance

Leases and hire purchase contracts
Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

Stocks and work in progress
Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis.

The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation
Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Pensions

Defined contribution scheme
Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Turnover

The turnover for the year was derived from the company's principal activity.

For competitive reasons the company does not wish to disclose information about the breakdown of net sales in various markets.

INSTALCOM LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st August 1999

3 Operating profit

	1999 £	1998 £
Operating profit is stated after crediting:		
Interest receivable	22,794	2,896
and after charging:		
Auditors' remuneration	7,500	6,000
Operating leases:		
Hire of plant and machinery	390,962	62,203
Rent & security expenses	92,896	69,895
Loss on sale of assets	451	5,233
Depreciation of tangible fixed assets (note 8):		
Owned assets	128,491	130,255
Leased assets	77,235	44,450
	205,726	174,705
The total amount charged against profits in respect of finance leases and hire purchase contracts is (of which part is shown as depreciation and the balance is shown as interest payable in note 5)	91,162	62,904

4 Directors

	1999 £	1998 £
Directors' emoluments	130,833	198,958

Defined contribution pension scheme

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £30,000 (1998 £42,500) including contributions in respect of employees.

Contributions totalling £0 (1998 £0) were payable to the fund at 31st August 1999 and are included in creditors.

5 Interest payable

	1999 £	1998 £
Finance lease and hire purchase contracts	13,927	18,454
Other interest payable	15,727	2,683
	29,654	21,137

INSTALCOM LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st August 1999

6 Taxation

	1999 £	1998 £
Corporation tax on profit on ordinary activities at 30.58% (1998 31%)	225,740	184,300

The unprovided deferred tax liability arising from accelerated capital allowances for the year ended 31st August 1999 was £44,593 (1998:£25,458). No provision is considered necessary at present due to the ongoing capital expenditure program of the company.

7 Dividends

	1999 £	1998 £
Equity - ordinary/final	100,000	100,000

8 Tangible fixed assets

	Motor Vehicles	Plant and Machinery	Fixtures and Fittings	Land and Buildings	Total
Cost	£	£	£	£	£
1st September 1998	576,328	291,549	68,998	2,372	939,247
Additions	213,626	108,163	11,180	-	332,969
Disposals	(14,938)	-	-	-	(14,938)
31st August 1999	775,016	399,712	80,178	2,372	1,257,278
Depreciation					
1st September 1998	76,879	30,445	9,137	124	116,585
Charge for the year	148,161	48,036	9,405	124	205,726
Disposals	(5,187)	-	-	-	(5,187)
31st August 1999	219,853	78,481	18,542	248	317,124
Net book amount					
31st August 1999	555,163	321,231	61,636	2,124	940,154
1st September 1998	499,449	261,104	59,861	2,248	822,662

The net book amount of fixed assets includes £404,650 (1998 £226,524) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

INSTALCOM LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st August 1999

9 Stocks

	1999	1998
	£	£
Stocks	278,895	313,315

10 Debtors

	1999	1998
	£	£
Amounts falling due within one year		
Trade debtors	3,393,828	2,747,446
Amounts owed by group undertakings	150	150
Other debtors	15,000	40,000
Prepayments and accrued income	65,788	45,573
	3,474,766	2,833,169

11 **Creditors:** amounts falling due within one year

	1999	1998
	£	£
Bank overdrafts	1,249,561	859,889
Trade creditors	597,956	1,162,472
Amounts owed to group undertakings	168,879	66,661
Corporation tax	229,953	184,300
Other taxation and social security	393,062	266,602
Dividend	100,000	-
Other creditors	69,154	280,554
Accruals and deferred income	296,962	64,757
Obligations under finance leases and hire purchase contracts - note 12	136,776	79,793
	3,242,303	2,965,028

The bank overdraft is secured by a fixed and floating charge over all current and future assets of the company including specific equitable charges.
There are in place cross guarantees given by and for Millmarsh Lane Services Limited and Instalcom (Holdings) Limited.

INSTALCOM LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st August 1999

12 **Creditors:** amounts falling due after more than one year

	1999	1998
	£	£
Other liabilities		
Other loans	600,000	600,000
Obligations under finance leases and hire purchase contracts	53,840	38,412
	653,840	638,412
Maturity of debt		
In one year or less, or on demand - see note 11	-	-
In more than one year but not more than two years	600,000	600,000
	600,000	600,000

Obligations under finance leases and hire purchase contracts

These are repayable over varying periods by monthly instalments as follows:

	1999	1998
In the next year - see note 11	136,776	79,793
In the second to fifth years	53,839	38,412
	190,615	118,205

INSTALCOM LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st August 1999

13 Deferred taxation

	1999		1998	
	Amount unprovided	Amount provided	Amount unprovided	Amount provided
	£	£	£	£
Corporation tax deferred by				
Capital allowances in excess of depreciation	44,593	-	25,458	-
Other timing differences	-	-	-	-
Unrelieved taxation losses	-	-	-	-
Capital gains rolled over	-	-	-	-
	44,593	-	25,458	-
Advance corporation tax	-	-	-	-
	44,593	-	25,458	-
Corporation tax on revaluation surplus	-	-	-	-

Deferred taxation is based on a corporation tax rate of 30.58% (1998 31%).

14 Reconciliation of movements in shareholders' funds

	1999	1998
	£	£
Profit for the financial year	534,551	467,337
Dividends	(100,000)	(100,000)
	434,551	367,337
New share capital subscribed	-	100
Net addition to shareholders' funds	434,551	367,437
Opening shareholders' funds	367,437	-
Closing shareholders' funds	801,988	367,437

INSTALCOM LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st August 1999

15 Called up share capital

	1999 Number of shares	1999 £	1998 Number of shares	1998 £
Authorised				
Ordinary shares of £1 each	10,000	10,000	10,000	10,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	100	100	100	100

16 Profit and loss account

	1999 £
1st September 1998	367,337
Retained profit for the year	434,551
31st August 1999	801,888

17 Ultimate parent undertaking

The company is a wholly owned subsidiary of Instalcom (Holdings) Limited, a company incorporated in England.

The sahreholders of Instalcom (Holdings) Limited are as follows:

M Gould	55 ordinary shares
S Hackett	35 ordinary shares
D Dix	10 ordinary shares

18 Notes to the cash flow statement

Reconciliation of operating profit to operating cash flows

	1999 £	1998 £
Operating profit	789,945	672,774
Depreciation charges	205,726	174,705
Loss on sale of fixed assets	451	5,233
Decrease/(increase) in stocks	34,420	(313,315)
Increase in debtors	(666,597)	(2,808,169)
(Decrease)/increase in creditors	(290,033)	1,816,046
Net cash inflow/(outflow) from operating activities	73,912	(452,726)

INSTALCOM LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31st August 1999

19 **Notes to the cash flow statement (continued)**

Analysis of changes in net debt

	At start of year £	Cash flows £	Other changes £	At end of year £
Cash at bank and in hand	1,731	2,585	-	4,316
Bank overdrafts	(859,889)	(389,672)	-	(1,249,561)
		(387,087)		
Debt due after 1 year	(600,000)	-	-	(600,000)
Finance leases	(118,205)	(72,411)	-	(190,616)
		(72,411)		
Total	(1,576,363)	(459,498)	-	(2,035,861)

Reconciliation of net cash flow to movement in net debt

	1999 £	1998 £
Decrease in cash in the year	(387,087)	(858,158)
Cash inflow from increase in debt and lease financing	(72,411)	(465,806)
Change in net debt resulting from cash flows	(459,498)	(1,323,964)
New finance leases	-	(252,399)
Movement in net debt in the year	(459,498)	(1,576,363)
Net debt at 1st September 1998	(1,576,363)	-
Net debt at 31st August 1999	(2,035,861)	(1,576,363)

20 Related parties

Instalcom (Holdings) Limited

The holding company did not trade during the financial year other than to provide management services to members of the group.
During the year Instalcom Limited was charged a management charge of £295,000 (1998: £5,000) relating to services rendered by the Directors of Instalcom (Holdings) Limited.

As at 31st August 1999 there was a creditor due to Instalcom (Holdings) Limited of £768,879 (1998: £5,000).

Millmarsh Lane Services Limited

There is an inter company creditor of £0 (1998: £666,661).

Instalcom Technical Services Limited

This associated company is related because it is under the control of Instalcom Limited. There is an inter-company debtor of £15,000 (1998: £15,000).