189075

ITnet Limited

Accounts - 31 December 1996

Together with Directors' and Auditors' reports

Registered number: 189075
ITnet Limited

Board of Directors

Lord Crickhowell - Non Executive Chairman
B P Blow - Managing Director
R A Catto, D Howe, R J Watts, B R Wells, P J Williamson
R H Lawson - Non Executive
S A Ricketts - Non Executive

Secretary

B R Wells

Registered Office

Laburnum House, Laburnum Road, Birmingham, B30 2BD

Auditors

Price Waterhouse, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT

Directors' report

For the year ended 31 December 1996

The Directors submit their report and the audited accounts for 52 weeks and three days ended 31 December 1996 (the 'year').

Results and dividends

The profit on ordinary activities for the financial year, after taxation, was £3,822,000 (1995 £2,658,000). The Directors have recommended that a dividend of £2,370,000 be paid (1995 £6,975,000).

Review of business and future developments

A description of the Company's principal activities and a review of business and future developments are contained within the Review of 1996 which is attached.

Directors and their interests

The Directors at the date of this report are as stated on page 1.

The Directors who held office throughout the year were as follows:

B P Blow-Managing Director
R A Catto
Lord Crickhowell - Non Executive Chairman
D Howe
R H Lawson-Non Executive
S A Ricketts-Non Executive
R J Watts
B R Wells
P J Williamson

All Directors are Directors of the parent undertaking, ITnet Holdings Limited. Accordingly their interest in the share capital of Group Companies is shown in that Company's accounts.

At no time during the period has any Director been materially interested in any contract with the Company which was significant in relation to its business (other than the Directorship of S A Ricketts in companies serviced by ITnet Limited).

Directors and officers liability insurance

The Company has maintained insurance to cover Directors' and Officers' liability.

Disabled persons

The Company has always carefully considered any application for employment by registered disabled persons. In the event of any employee becoming disabled, it is standard practice to offer other employment in all but the most extreme circumstances, with the appropriate training where necessary. The Company's training, development and promotion policies provide equal opportunities for minority groups, including the disabled.

Employee involvement

The policy of informing and consulting with employees has continued by means of regular team briefs and meetings, and employees are encouraged to present their views and suggestions in respect of the Company's performance. An employee share ownership trust is in operation, and as a result of this, over 80% of employees have been allocated shares in the parent undertaking.

Post balance sheet events

No circumstances have arisen or events occurred since the balance sheet date in respect of matters which would require adjustment to or disclosure in the accounts.

Auditors

In accordance with section 386 of the Companies Act 1985 and the Resolution passed by the Company in General Meeting on 20 June 1991, the Company has elected to dispense with the annual re-appointment of Auditors. Accordingly Price Waterhouse will continue as Auditors.

Statement of Directors' responsibilities

Company law requires the Directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in the business.

The Directors confirm that they have complied with the above requirements in preparing the accounts, and that the accounts have been prepared on a Going Concern basis.

Although not obliged to, the Board conform where appropriate to the principles and standards of good corporate governance as applicable to public limited companies. A Remuneration Committee and Audit Committee of the Board have been appointed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. These duties are principally discharged through the Audit Committee of the Board.

Signed on behalf of the Board

B P Blow
Managing Director

Laburnum House, Laburnum Road, Birmingham, B30 2BD

3 April 1997

Auditors' report

To the Shareholders of ITnet Limited.

We have audited the accounts on pages 6 to 22 which have been prepared under the historical cost convention and the accounting policies set out in pages 9 and 10.

Respective responsibilities of Directors and auditors

As described on page 4 above, the Company's Directors are responsible for the preparation of the accounts and it is our responsibility to form an independent opinion, based on our audit, on those accounts and 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts 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 accounts 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants and Registered Auditors

Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT

3 April 1997

ITnet Limited
Profit and loss account
For the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Turnover		68,675	58,560
Cost of sales		(57,195)	(48,650)
Gross profit		11,480	9,910
Other operating expenses	2	(6,410)	(5,820)
Operating profit before exceptional release of pension accrual		5,070	4,090
Exceptional release of pension accrual		-	1,149
Operating profit after exceptional release of pension accrual		5,070	5,239
Interest receivable	3	473	372
Interest payable and similar charges	4	-	(4)
Profit on ordinary activities before taxation	5	5,543	5,607
Tax on profit on ordinary activities	7	(1,721)	(2,949)
Profit for the financial year		3,822	2,658
Dividends paid and proposed	8	(2,370)	(6,975)
Retained profit/(loss) for the financial year		1,452	(4,317)

The accompanying notes are an integral part of this profit and loss account. All activities are continuing operations.

Recognised gains and losses
For the year ended 31 December 1996

	1996	1995
	£'000	£'000
Profit for the financial year, being total recognised gains and losses for the year	3,822	2,658

Note of historical cost profits and losses

Profit on ordinary activities before taxation	3,822	5,607
Release of revaluation reserve	-	2,179
Historical cost profit on ordinary activities before taxation	3,822	7,786
Historical cost profit/(loss) attributable to ordinary shareholders	3,822	(2,138)

The accompanying notes are an integral part of this statement.

The reconciliation of movements in shareholders' funds is shown under note 17.

ITnet Limited
Balance Sheet
31 December 1996

	Notes	1996	As re-stated 1995
		£'000	£'000
Fixed assets			
Tangible assets	9	6,229	5,106
Current assets			
Stocks	10	341	142
Debtors	11	17,701	19,310
Cash at bank and in hand		7,816	912
		25,858	20,364
Creditors: Amounts falling due within one year	12	(23,489)	(18,244)
Net current assets		2,369	2,120
Total assets less current liabilities		8,598	7,226
Provisions for liabilities and charges (SSAP 24)	13	(459)	(539)
Net assets		8,139	6,687
Capital and reserves			
Called up share capital	15	6,004	6,004
Profit and loss account	16	2,135	683
Total shareholders' funds	17	8,139	6,687

Signed on behalf of the Board

B P Blow Director

R A Catto Director

3 April 1997

The accompanying notes are an integral part of this balance sheet.

Notes to accounts
For the year ended 31 December 1996

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1. **Accounting policies**
The principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, are as follows:

(a) *Basis of accounting*
The accounts are prepared under the historical cost convention and modified in accordance with applicable accounting standards.

(b) *Research and development expenditure*
Research and development expenditure is written off in the financial year in which it is incurred.

(c) *Tangible fixed assets*
Fixed assets are shown at cost.

Depreciation is provided on the original cost or subsequent valuation of assets on a straight-line basis over their estimated useful lives. The principal rates used are as follows:

Computer equipment	2-5 years (50%-20% per annum)
Plant	8 years (12.5% per annum)
Office furniture and fittings	8 years (12.5% per annum)

In specific cases, higher depreciation rates are used, (for example, for equipment subject to technological changes or equipment with a high obsolescence factor). Capital work-in-progress is not depreciated. In addition some items of furniture are written off in the year of addition.

(d) *Stocks and Work-in-Progress*
Stocks and work-in-progress are stated at the lower of cost and net realisable value. The company did not account for work-in-progress in previous years, details of which are given in note 10. The previous years figures have not been restated as it is not considered that this would have a material effect on the results.

(e) *Taxation*
Corporation tax payable is provided on taxable profits at the current rate.

(f) *Pension costs*

The costs of providing pensions and other termination benefits are charged to the profit and loss account on a consistent basis over the expected service lives of the employees. Such costs are calculated by reference to actuarial valuations, and variations from such regular costs are spread over the remaining service lives of the current employees.

(g) *Fixed assets held under leases*

Where assets are financed by leasing agreements which give rights approximating to ownership ('finance leases') the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the profit and loss account on the same basis as shown in (1c) above. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account.

All other leases are operating leases and the relevant annual rentals are charged wholly to the profit and loss account.

(h) *Turnover*

Turnover comprises the invoiced value of sales, excluding VAT and trade discounts, of goods and services provided in the normal course of business. The directors believe that the company has only one class of business.

2. Other operating expenses

	1996	1995
	£'000	£'000
Distribution costs including marketing	2,540	2,683
Administration expenses	3,870	3,137
	6,410	5,820

3. Interest receivable

	1996	1995
	£'000	£'000
Interest Receivable from parent undertaking	250	-
Interest receivable from former parent undertaking	-	372
Bank interest	223	-
	473	372

Interest is receivable on loans wholly repayable within five years.

4. Interest payable and similar charges

Interest payable is on bank overdrafts wholly repayable within 1 year.

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1996	1995
	£'000	£'000
Depreciation of tangible fixed assets		
- owned	2,578	2,610
Loss on disposal of fixed assets	-	2
Operating lease rentals:		
- properties	1,118	1,274
- plant & machinery	3,009	2,121
Auditors' remuneration - audit	26	25
- non audit	25	-
Staff costs (see note 6)	27,900	23,332

6. Staff costs

(a) Employee costs during the year amounted to

Wages and salaries	24,141	20,301
Social security costs	2,117	1,767
Other pension costs	1,642	1,264
	27,900	23,332

6. Staff costs (continued)

(b) The average weekly number of employees including Directors during the year was as follows:

	1996	1995
IT and related administrative services	1,016	855
Administration	42	45
	1,058	900

(c) Directors' remuneration -

	1996	1995
Directors of the Company received the following remuneration (including pension contributions)	746	697
Compensation for loss of office	-	5
	746	702
The Directors' remuneration shown above (excluding pensions and pension contributions) included -		
Chairman	-	-
Highest paid Director	179	150

Notes to accounts (continued)
For the year ended 31 December 1996

Directors received emoluments (excluding pensions and pension contributions) in the following ranges -

		1996 Number	1995 Number
Up to	£5,000	3	6
£55,001	- £60,000	-	1
£75,001	- £80,000	-	1
£85,001	- £90,000	-	1
£90,001	- £95,000	2	-
£95,001	- £100,000	-	1
£100,001	- £105,000	1	1
£115,001	- £120,000	2	-
£150,001	- £155,000	-	1
£175,001	- £180,000	1	-

7. Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1996	1995
	£'000	£'000
Corporation tax at 33% (1995 - 33%)	1,961	1,800
	1,961	1,800
Prior year under/(over) provisions		
- corporation tax	(240)	-
- deferred tax	-	1,149
	1,721	2,949

The movement on deferred taxation is set out in note 14.

If the full potential deferred taxation asset, excluding pensions, had been recognised on an ongoing basis, there would have been an additional tax charge of £51,000 (1995:credit £698,000).

8. Dividends paid and proposed

	1996	1995
Ordinary - final paid	-	6,975
- proposed	2,370	-
	2,370	6,975

9. Tangible fixed assets

	Plant and Machinery	Capital Work in Progress	Total
	£'000	£'000	£'000
Cost or valuation			
Beginning of year	22,496	275	22,771
Additions	2,372	1,329	3,701
End of year	24,868	1,604	26,472
Depreciation			
Beginning of year	17,665	-	17,665
Charge	2,578	-	2,578
End of year	20,243	-	20,243
Net book value			
End of year	4,625	1,604	6,229
Net book value			
Beginning of year	4,831	275	5,106

Assets held under finance leases within plant and machinery included above are at a cost of £684,000 (1995 nil) and accumulated depreciation of £nil (1995 nil).

	1996	1995
	£'000	£'000

10. Stocks and Work in Progress

	1996	1995
Work in Progress	160	-
Consumables	181	142
	341	142

11. Debtors

The following are included in debtors:

	1996	1995
Amounts falling due within one year:		
Trade debtors	8,333	12,303
Prepayments and accrued income	3,810	2,892
Loans to employees	41	53
ACT recoverable	1,021	653
	13,205	15,901
Amounts falling due after more than one year:		
Amounts owed by parent undertaking	4,496	3,409
	17,701	19,310

12. Creditors - amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1996	1995
	£'000	£'000
Trade creditors	4,645	2,001
Other creditors		
- UK corporation tax payable	1,592	949
- VAT	2,159	1,404
- ACT payable	-	1,744
- Loan in respect of ACT from Cadbury Schweppes plc	1,705	-
- other taxation and social security	706	606
- amounts under finance leases	634	-
Accruals and deferred income	10,048	9,540
Loan from parent company	2,000	2,000
	23,489	18,244

The loan from Cadbury Schweppes Plc relates to an ACT loan provided in respect of the ACT arising on the dividend paid in the year ended 31 December 1995.

The amount of future payments under finance leases is as follows:

	1996	1995
	£'000	£'000
Payable within 12 months	150	-
Payable between 13 and 60 months	484	-
Payable after 60 months	-	-
	634	-

13. Provisions for liabilities and charges

	Pension
	£'000
At the start of year	539
Utilisation of pension accrual	(80)
At end of year	459

Details of the pension arrangements are set out in note 19.

14. Deferred taxation

Deferred taxation assets are as follows:

	Provided		Full Potential	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	(822)	(765)
Short term timing differences	-	-	(436)	(571)
	-	-	(1,258)	(1,336)

		1996	1995
		£'000	£'000
15.	**Called up share capital**		
	Authorised:		
	6,000,000 Deferred Ordinary shares of £1 each	6,000	6,000
	6,000,000 Ordinary shares of $0.001 each	4	4
		6,004	6,004
	Allotted, called up and fully paid:		
	6,000,000 Deferred Ordinary shares of £1 each	6,000	6,000
	6,000,000 Ordinary shares of $0.001 each	4	4
		6,004	6,004

The deferred ordinary share capital carries no rights to any dividend, no voting rights and limited rights to distribution on winding up where proceeds of winding up are in excess of £600,000,000,000,000.

The ordinary shares of $0.001 each were issued in November 1995 as a bonus issue.

16. Reserves

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	Profit & Loss
	£'000
At start of year	683
Retained profit for the year	1,452
At end of year	2,135

17. Reconciliation of movements in shareholders' funds

	1996	1995
	£'000	£'000
Profit for the financial year	3,822	2,658
Dividends to ordinary shareholders	(2,370)	(6,975)
Net increase / (reduction) in shareholders' funds	1,452	(4,317)
Opening Shareholders' funds	6,687	11,004
Closing shareholders' funds	8,139	6,687

18. Guarantees and other financial commitments

(a) *Capital commitments*

At the end of the year, capital commitments were:	1996	1995
	£'000	£'000
Contracted for but not provided for	202	1,895

(b) *Commitments under operating leases:*

During the next year, the Company is contracted to make payments under operating leases which mature as follows:

	Property		Plant and computer equipment	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Within one year	-	-	1,208	616
Within one to five years	148	62	1,801	2,694
After more than five years	970	843	-	-
	1118	905	3,009	3,310

(c) *Charges*

The undertaking, property and assets of the Company are subject to fixed and floating charges in favour of the Company's parent undertaking's bankers.

19. Pension arrangements

As part of the sale agreement between ITnet Holdings Limited and Cadbury Schweppes plc, arrangements were made for ITnet Limited members to continue as members of the Cadbury Schweppes Pension Scheme until no later than 1 April 1997.

ITnet Holdings Limited, the parent undertaking, has set up a new pension scheme which is broadly similar to the Cadbury Schweppes scheme. Members have the option to transfer to this scheme during 1997.

The Cadbury Schweppes Pension Fund's last full valuation was carried out at 5 April 1996 on the projected unit method. At this date the market value of the assets was £989m and the level of funding on an actuarial basis was 102.50%.

The principal assumptions on average were that the rate of return on fund assets would be 8%, that the rate of salary increase would be 6% and that past and future pensions would increase by 4%.

The total pension costs for the Company were £1,642,000 (1995: £1,264,000) which together with the pension costs of the Cadbury Schweppes Pension Scheme were assessed by qualified actuaries based on the latest actuarial assessment.

20. Ultimate parent undertaking

The Company's ultimate parent undertaking is ITnet Holdings Limited, a company registered in England which prepares consolidated accounts. These accounts are available from Laburnum House, Laburnum Road, Bournville, Birmingham, B30 2BD. The shareholders of the ultimate parent undertaking are disclosed in a note to those accounts.

21. Related Parties.

Advantage has been taken of the exemption granted by FRS 8 to a wholly owned subsidiary not to disclose details of related party transactions with ITnet Holdings Limited.