

Company Registration No. 609981

COMMUNICATIONS INSTALLATIONS
TECHNOLOGY LIMITED

Report and Financial Statements

31 December 1998

Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN



COMMUNICATIONS INSTALLATIONS TECHNOLOGY LIMITED
REPORT AND FINANCIAL STATEMENTS 1998

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REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P D Skett (Chairman)
R Hammerton
G J Wentzell
D J Lloyd

SECRETARY

D Cooper

REGISTERED OFFICE

Intersection House
Birmingham Road
West Bromwich
West Midlands
B70 6RX

BANKERS

Midland Bank plc
130 New Street
Birmingham
B2 4JU

AUDITORS

Deloitte & Touche
Chartered Accountants
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

REPORT OF THE DIRECTORS'

The directors present their annual report and the audited financial statements for the year ended 31st December 1998.

ACTIVITIES

The principal activity the Company continues to be the installation of data cable and telephony networks.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The Company achieved a satisfactory result for the year with significantly increased work loads and an expansion of the civil construction work.

Future prospects for the Company remain positive as it develops new business opportunities within the utilities sector.

RESULTS

The results of the company are as set out in the accounts on page 7.

The Company has paid an interim dividend of £340,098 (1997 - £1,150,900). The directors do not recommend the payment of a final dividend (1997 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and those appointed since the year end are set out below:-

P D Skett (Chairman)
R Hammerton
G J Wentzell (appointed 27/08/98)
C Gateley (appointed 27/08/98, resigned on 30/6/99)
D Summerfield (resigned 31/07/98)
T K P Stead (appointed 1/04/98, resigned 16/08/98)
D J Lloyd (appointed 17/02/99)

In accordance with the Articles of Association directors are not required to retire by rotation.

The interests of the directors at 31st December 1998 in the capital of the ultimate parent undertakings are as stated on Page 3.

REPORT OF THE DIRECTORS (continued)

	<u>Shares of 10p each</u>		<u>Options over Shares of 10p each</u>		<u>Exercise Price p</u>	<u>Period of Exercise</u>
	<u>1.1.98*</u>	<u>31.12.98</u>	<u>1.1.98*</u>	<u>31.12.98</u>		
<u>Tilbury Douglas plc</u>						
P D Skett	-	107,205	-	14,150	212.00	07.10.01-06.10.08
				25,850	212.00	07.10.01-06.10.05
G J Wentzell	8,800	8,800	19,737	19,737	216.80	13.04.95-12.04.02
			221,897	221,897	268.40	18.06.00-17.06.04
			8,657	8,657	199.20	01.01.03-30.06.03
			-	70,000	212.00	07.10.01-06.10.05
C Gateley	-	-	14,150	14,150	212.00	07.10.01-06.10.08
			850	850	212.00	07.10.01-06.10.05
R Hammerton	-	10,430	-	14,150	212.00	07.10.01-06.10.08
			-	10,850	212.00	07.10.01-06.10.05
<u>Loan Notes of £1 each</u>						
P D Skett	-	251,708				
<u>How Group Plc</u>						
P D Skett	24,500#	-	20,000#	-	87.00	16.02.89-15.02.99
			50,000#	-	68.00	08.02.90-07.02.00
			150,000#	-	33.00	13.06.94-13.06.01
			300,000#	-	33.00	08.12.98-08.12.05
R Hammerton	-	-	15,000#	-	57.00	24.05.90-23.05.00
			50,000#	-	34.00	18.07.94-17.07.04
			5,000#	-	87.00	16.02.89-15.02.99

* or later date of appointment

on the 16th June 1998 the Recommended Offer ("the offer") for How Group Plc by Tilbury Douglas Plc was declared unconditional in all respects. In each case the Offer was accepted in full in respect of both shares and options.

The market price of Tilbury Douglas Plc shares at 31st December 1998 was 218p.
The range of closing prices during the year was 194p to 306p.

In addition to the above P D Skett and D R Gwilliams held options in respect of 75,000 and 52,500 shares respectively under How Group Plc's Cash Option Scheme at 1 January 1998 or later date of appointment as directors.

REPORT OF THE DIRECTORS (continued)**EMPLOYEES**

The company has an established policy that disabled persons, especially should they become disabled in the course of their employment with the company, are employed where circumstances permit. The company endeavors to ensure that disabled employees benefit from training and career development programmes in common with other employees.

POLICY ON PAYMENT OF CREDITORS

It is the Company's normal practice to agree payment terms with its suppliers and abide by those terms. Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with the relevant contractual conditions. Trade creditors at 31st December 1998, calculated in accordance with the requirements of the Companies Act 1985, were 71 days (1997-75 days). This represents the ratio, expressed in days, between the amounts invoiced to the Company in the year by its supplier and the amounts due, at the year end, to trade creditors falling due for payment within one year.

YEAR 2000

The Company continues to review its financial and operating systems in the light of the potential dangers of the "Millennium Bug". Many of the systems have already been modified or replaced in order to minimise such dangers and those areas yet to be completed are planned to have been dealt with well before the end of this year. The Board regularly considers this matter. Any costs related to those changes are not expected to have a significant effect upon Company profitability.

AUDITORS

Resolutions will be proposed at the annual general meeting to re-appoint Deloitte & Touche as auditors to the company and to authorise the directors to fix their remuneration.

Intersection House]
110 Birmingham Road]
West Bromwich]
West Midlands]
B70 6RX]

Approved by the Board of Directors and
signed on behalf of the Board by



D Cooper

Secretary

06.07. 1999

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 as at the end of the financial year and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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.

**AUDITORS' REPORT TO THE MEMBERS OF
COMMUNICATIONS TECHNOLOGY INSTALLATIONS LIMITED**

We have audited the financial statements on pages 7 to 15 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company 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 affairs of the company as at 31st December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors

9 July 1999

Colmore Gate
Birmingham
B3 2BN

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1998

	<u>NOTE</u>	<u>1998</u> £	<u>1997</u> £
TURNOVER	1	9,191,610	9,661,943
Cost of Sales		<u>(6,805,233)</u>	<u>(7,060,602)</u>
GROSS PROFIT		2,386,377	2,601,341
Administration Expenses		<u>(1,314,297)</u>	<u>(1,449,934)</u>
OPERATING PROFIT	3	1,072,080	1,151,407
Interest receivable	7	<u>73,982</u>	<u>77,097</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,146,062	1,228,504
Tax on profit on ordinary activities	8	<u>(321,748)</u>	<u>(410,341)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		824,314	818,163
Equity dividend paid		<u>(340,098)</u>	<u>(1,150,900)</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR TRANSFERRED TO RESERVES	14	<u>484,216</u>	<u>(332,737)</u>

All activities derive from continuing operations.

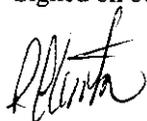
A statement of Total Recognised Gains and Losses is not presented as there have been no recognised gains or losses other than the profit/[loss] for the year and the preceding year set out above.

BALANCE SHEET AT 31ST DECEMBER 1998

	<u>NOTE</u>	<u>£</u>	<u>1998</u> <u>£</u>	<u>£</u>	<u>1997</u> <u>£</u>
FIXED ASSETS					
Tangible assets	9		188,771		152,924
CURRENT ASSETS					
Debtors	11	1,114,357		1,495,140	
Cash at bank and in hand		<u>1,247,575</u>		<u>1,124,762</u>	
		2,361,932		2,619,902	
CREDITORS FALLING DUE WITHIN ONE YEAR					
Trade creditors		(627,519)		(957,519)	
Sundry creditors	12	<u>(902,100)</u>		<u>(1,278,439)</u>	
		(1,529,619)		(2,235,958)	
NET CURRENT ASSETS			<u>832,313</u>		<u>383,944</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,021,084</u>		<u>536,868</u>
CAPITAL AND RESERVES					
Called up share capital	13		50,000		50,000
Profit and loss account	14		<u>971,084</u>		<u>486,868</u>
SHAREHOLDERS' FUNDS					
Equity interest	15		<u>1,021,084</u>		<u>536,868</u>

These financial statements were approved by the Board of Directors on 06 .07 . 1999

Signed on behalf of the Board of Directors.



R Hammerton
DIRECTOR

06 .07. 1999

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

ACCOUNTING CONVENTION

These financial statements have been prepared in accordance with the historical cost convention.

TURNOVER

Turnover represents the invoiced value of goods supplied and services rendered as adjusted by the variation between opening and closing valuations of contracts in progress and after making full provision for potential claims and allowances.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is provided on a straight-line basis calculated to write down their cost over their estimated useful economic lives at the following annual rates:

Plant, equipment and fixtures	-	20% - 25%
Motor Vehicles	-	25%

OPERATING LEASES

Operating lease rentals are charged on a straight line basis over the lease terms.

CONTRACTS IN PROGRESS

Contracts in progress are valued individually at the lower of cost, including related overheads, and estimated net realisable value, provision being made for anticipated future losses where appropriate.

PENSION COSTS

The cost of the defined benefits pension arrangements are charged to the profit and loss account as the contributions become payable to the Scheme's principle employer, How Group Limited.

COMPARATIVE FIGURES

Comparative figures for work in progress have been transferred to amounts recoverable on contracts to bring presentation in line with that of the parent undertaking, Tilbury Douglas Plc.

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICIES (Continued)

DEFERRED TAXATION

Provision is made and relief is taken at projected rates of taxation for timing differences between the treatment of certain items for taxation and for accounting purposes to the extent that liabilities or assets are likely to crystallise in the foreseeable future. Advance Corporation tax which is available to reduce the corporation tax payable on future profits is deducted from the provision for deferred taxation.

2. SEGMENTAL ANALYSIS

The Company's turnover arises in the U.K. from its ordinary activities.

3. OPERATING PROFIT	1998	1997
	£	£
Operating profit is arrived at after charging/(crediting):		
Depreciation (including adjustments for disposals)		
On owned assets	127,439	169,070
Depreciation written back on revision of fixed asset depreciation rates	(133,000)	-
Rentals under operating leases		
Hire of plant, machinery and vehicles	-	56,350
Land and buildings	131,688	124,325
Remuneration payable to auditors		
Audit fees	3,300	3,000

Following the acquisition of How Group Plc by Tilbury Douglas Plc fixed asset depreciation rates were reviewed and, as a consequence, £133,000 was written back to profit and loss account.

4. EMPLOYEES	<u>Number</u>	<u>Number</u>
The average number employed by the company (including directors) within each category of persons was:		
Production	30	40
Sales	6	7
Administration	7	8
	<u>43</u>	<u>55</u>
The costs incurred in respect of these employees (including directors) were:	£	£
Wages and salaries	1,033,130	1,224,797
Social Security costs	99,008	118,416
Other pension costs	40,202	30,667
	<u>1,172,340</u>	<u>1,373,880</u>

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

5. PENSION COSTS

The company is a member of the How Group Staff Pension and Life Assurance Scheme. The Scheme is of the defined benefit type and is funded in advance by contributions at rates assessed by independent professionally qualified actuaries in valuation reports, normally every three years. Particulars of the actuarial valuation are contained in the financial statements of the parent undertaking, How Group Limited.

6. DIRECTORS	1998	1997
	£	£
Remuneration	73,613	68,378
Pension contributions	6,529	4,852
	<u>80,142</u>	<u>73,230</u>

Two directors are members of the How Group Staff Pension and Life Assurance Scheme.
(1997 - three directors)

7. INTEREST RECEIVABLE

Group interest	<u>73,982</u>	<u>77,097</u>
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8. TAX ON PROFIT ON ORDINARY ACTIVITIES

UK Corporation tax at 31% (1997-31.5%)	322,353	411,500
Adjustments relating to prior years		
Corporation tax	(605)	(1,159)
	<u>321,748</u>	<u>410,341</u>

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

9. TANGIBLE FIXED ASSETS

	<u>Motor Vehicles</u> £	<u>Plant Equip. and Fixtures</u> £	<u>Total</u> £
a) Movement during year			
COST			
1st January 1998	212,395	641,017	853,412
Additions at cost	-	30,786	30,786
Disposals	(16,847)	(24,590)	(41,437)
31st December 1998	<u>195,548</u>	<u>647,213</u>	<u>842,761</u>
DEPRECIATION			
1st January 1998	173,765	526,723	700,488
Provided in year	8,596	118,843	127,439
Disposals	(16,347)	(24,590)	(40,937)
Exceptional credit (see note 3)	-	(133,000)	(133,000)
31st December 1998	<u>166,014</u>	<u>487,976</u>	<u>653,990</u>
NET BOOK VALUE			
31st December 1998			
Owned assets	<u>29,534</u>	<u>159,237</u>	<u>188,771</u>
NET BOOK VALUE			
31st December 1997			
Owned assets	<u>38,630</u>	<u>114,294</u>	<u>152,924</u>

10. OPERATING LEASES

At 31st December 1998 Company had annual commitments under non-cancellable operating leases as follows:-

	<u>Land and Buildings</u>		<u>Other</u>	
	1998 £	1997 £	1998 £	1997 £
Commitments expiring:-				
within one year	3,726	12,570	1,358	6,863
in two to five years	-	-	53,296	44,133
after five years	18,195	18,195	-	-
	<u>21,921</u>	<u>30,765</u>	<u>54,654</u>	<u>50,996</u>

The majority of leases of land and buildings are subject to annual rent reviews.

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

11. DEBTORS	1998	1997
	£	£
Amounts recoverable on contracts	598,760	883,226
Trade debtors	396,407	529,902
Amounts owed by group undertakings	8,221	32,601
Other debtors	84,420	623
Prepayments and accrued income	26,549	48,788
	<u>1,114,357</u>	<u>1,495,140</u>
12. SUNDRY CREDITORS		
Payments received on account	-	334,921
Amounts owed to group undertakings	21,489	16,236
Contract completion costs	-	256,498
Other creditors	278,053	31,478
Corporation tax	321,748	411,500
Other taxation and social security	200,174	192,777
Accruals and deferred income	80,636	35,029
	<u>902,100</u>	<u>1,278,439</u>

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998Cont'd

	1998 £	1997 £
13. CALLED UP SHARE CAPITAL		
Authorised		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted and fully paid		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
14. PROFIT AND LOSS ACCOUNT		
1st January 1998	486,868	819,605
Retained profit/(loss) for the year	<u>484,216</u>	<u>(332,737)</u>
31st December 1998	<u>971,084</u>	<u>486,868</u>
15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
Profit attributable to shareholders	824,314	818,163
Dividends	<u>(340,098)</u>	<u>(1,150,900)</u>
	484,216	(332,737)
Capital subscribed	<u>-</u>	<u>17,900</u>
Movement in year	484,216	(314,837)
Opening shareholders' funds	<u>536,868</u>	<u>851,705</u>
Closing shareholders' funds	<u>1,021,084</u>	<u>536,868</u>

16. CONTINGENT LIABILITIES

At 31st December 1998 there were contingent liabilities in respect of guarantees given in the ordinary course of business.

17. CASH FLOW STATEMENT

The company is not presenting a cash flow statement. It has taken advantage of the exemption contained in Financial Reporting Standard 1 (Revised) - Cash Flow Statements, as the ultimate parent undertaking, Tilbury Douglas Plc, has included a consolidated cash flow statement in the group accounts.

18. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The Company's ultimate parent undertaking and ultimate controlling party is Tilbury Douglas Plc, which is incorporated in Great Britain. The Group accounts of Tilbury Douglas Plc are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The Company has taken advantage of the exemption contained in Financial Reporting Standard 8 - Related Party Transactions not to report transactions with Tilbury Douglas Group related parties which are disclosed in the consolidated financial statements of Tilbury Douglas Plc.