

DOWTY COMMUNICATIONS LIMITED
(a wholly owned subsidiary of TI Group plc)

DIRECTORS' REPORT AND
ACCOUNTS - 31 DECEMBER 1994

The company's registered number is 730286

(DCOMMS)



DOWTY COMMUNICATIONS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 1994

The directors present their report together with the accounts and auditors' report for the year ended 31 December 1994.

PRINCIPAL ACTIVITIES

The company ceased to trade in 1992 and has not traded since then.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

D Saunders
D P Lillycrop
N Moore

The beneficial interests of the directors in the shares and options of the ultimate holding company, TI Group plc, during the year were as follows:

	<u>TI Group plc ordinary shares</u>		<u>TI Group plc ordinary shares under option</u>			
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>Options granted</u>	<u>Options exercised</u>	<u>1993</u>
D P Lillycrop	1,325	509	121,251	5,000	-	116,251
N Moore	-	-	98,251	-	-	98,251

The beneficial interests of Mr. D Saunders are disclosed in the TI Group plc annual report and accounts for the year ended 31 December 1994.

Options are held under the TI Group Executive Share Option Scheme, The TI Group (1990) Executive Share Option Scheme and the TI(1981) Savings-Related Share Option Scheme. The TI Group Executive Share Option Scheme was adopted at the 1978 Annual General Meeting of TI Group plc and subsequently amended to qualify for approval by the Inland Revenue under the Finance Act 1984. The TI Group (1990) Executive Share Option Scheme, which is Revenue approved, was adopted at the 1990 Annual General Meeting of TI Group plc. The effect of the Executive Schemes is to enable selected senior executives to acquire options on TI Group plc ordinary shares.

The TI (1981) Savings-Related Scheme was adopted at the 1981 Annual General Meeting of TI Group plc and has been approved by the Inland Revenue. The effect of the Scheme is to enable employees to acquire options on TI Group plc ordinary shares in conjunction with a Save-As-You-Earn contract.

Further information regarding share options is included in the accounts of TI Group plc.

DOWTY COMMUNICATIONS LIMITED

The directors of the company have no interests in the shares of the company.

Insurance in respect of certain liabilities of directors and officers in relation to the company as permitted by Section 310(3) of the Companies Act 1985 has been maintained by the ultimate parent undertaking.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO 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 judgments and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed.

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.

The directors confirm that these financial statements comply with these requirements.

AUDITORS

A resolution not to re-appoint auditors, pursuant to section 250 of the Companies Act 1985, will be proposed at the Annual General Meeting.



J. BUCHAN
By order of the board

Secretary

7 March 1995

DOWTY COMMUNICATIONS LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF DOWTY COMMUNICATIONS LIMITED

We have audited the financial statements on pages 4 to 7 which have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Respective responsibilities of Directors and Auditors

As described in page 2 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.

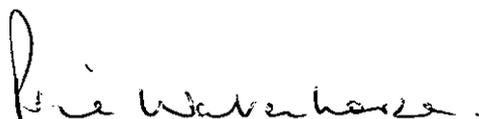
Basis of opinion

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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st December 1994 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants and Registered Auditors

Birmingham, England

7 March 1995

DOWTY COMMUNICATIONS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1994

	<u>Notes</u>	<u>31 December</u> <u>1994</u> £'000	<u>31 December</u> <u>1993</u> £'000
FIXED ASSETS			
Tangible Assets	2	-	5,000
CURRENT ASSETS			
Debtors	3	-	246
CREDITORS: Amounts falling due within one year	4	(1,600)	(1,600)
NET CURRENT LIABILITIES		(1,600)	(1,354)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,600)	3,646
CREDITORS: Amounts falling due after more than one year	5	(9,756)	(15,002)
		(11,356)	(11,356)
CAPITAL AND RESERVES			
Called-up equity share capital	6	2	2
Profit and loss account	7	(11,358)	(11,358)
SHAREHOLDERS' FUNDS		(11,356)	(11,356)

SIGNED ON BEHALF OF THE BOARD on 7th March 1995

D. P. LILLYCROP



Director

DOWTY COMMUNICATIONS LIMITED

PROFIT AND LOSS ACCOUNT - YEAR ENDED 31 DECEMBER 1994

During the financial year and the preceding financial year the company did not trade. In 1993 there were no transactions. In 1994 the company sold its long leasehold land and buildings for £5m, equivalent to their book value. Consequently, during these years the company made neither a profit nor loss.

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

1. BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

2. TANGIBLE FIXED ASSETS

	<u>Land & Buildings</u> <u>Long Leasehold</u> £'000
COST OR VALUATION:	
At 31 December 1993	13,250
Disposal	<u>(13,250)</u>
At 31 December 1994	<u>-</u>
DEPRECIATION:	
At 31 December 1993	(8,250)
Disposal	<u>8,250</u>
At 31 December 1994	<u>-</u>
NET BOOK VALUE	
At 31 December 1993	<u>5,000</u>
NET BOOK VALUE	
At 31 December 1994	<u><u>-</u></u>

The property was sold during the year to another Group Company for book value.

DOWTY COMMUNICATIONS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

3. DEBTORS

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Amounts falling due within one year:		
Corporation tax	-	246
	<u>-</u>	<u>246</u>
	<u>-</u>	<u>246</u>

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Amounts owed to ultimate parent undertaking	1,600	1,600
	<u>1,600</u>	<u>1,600</u>
	<u>1,600</u>	<u>1,600</u>

5. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Subordinated loans from immediate parent undertaking	9,756	15,002
	<u>9,756</u>	<u>15,002</u>
	<u>9,756</u>	<u>15,002</u>

The immediate parent company loan is interest free and is subordinated to all other obligations of the company. The immediate parent company has indicated that it will not seek to recover the amounts owed to it in the foreseeable future.

DOWTY COMMUNICATIONS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

6. SHARE CAPITAL

Share capital comprises:

	<u>1994</u>	<u>1993</u>
Authorised:		
2,000 ordinary equity shares of £1 each	<u>£2,000</u>	<u>£2,000</u>
Allotted, called-up and fully-paid:		
1,600 ordinary equity shares of £1 each	<u>£1,600</u>	<u>£1,600</u>

7. PROFIT AND LOSS ACCOUNT

The company made neither profit nor loss and made no recognised gains or losses for 1994 and 1993.

8. ULTIMATE PARENT UNDERTAKING

The company is a subsidiary undertaking of Dowty Group PLC, registered in England. The ultimate parent undertaking is TI Group plc, registered in England.

The results of the company are consolidated in the financial statements of TI Group plc, which may be obtained from its registered office, 50 Curzon Street, London, W1Y 7PN.