

KABEL-TEKNIK LIMITED
(Registered Number 1317074)

DIRECTORS' REPORT AND ACCOUNTS FOR
THE YEAR ENDED 31 DECEMBER, 1996



KABEL-TEKNIK LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited accounts for the year to 31 December, 1996.

ACTIVITIES

The principal activity of the company continues to be manufacturing special purpose machinery.

REVIEW OF THE BUSINESS

The company suffered a loss as a result of difficult trading conditions.

RESULTS

	£
Loss on ordinary activities for the year before taxation	(48,877)
Taxation	19,958
Retained loss in year	(28,919)
Retained loss brought forward	(474,692)
Retained loss carried forward	(503,611)

DIRECTORS

The directors who served during the year were:-

Mr P J K Haslehurst (Chairman)
Mr J J Hobbs
Mr A J Booton
Mr J G Masters
Mr P Groves

Mr A Booton and Mr J G Masters retire by rotation and, being eligible, offer themselves for re-election.

KABEL-TEKNIK LIMITED

REPORT OF THE DIRECTORS
(contd.)

DIRECTORS' INTERESTS

Directors' interests in the share capital of the ultimate holding company, EIS Group PLC, as recorded in the register of directors' interests were:-

	<u>Interest in 25p ordinary shares</u>		<u>Options to acquire 25p ordinary shares</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
Mr A J Booton	—	—	5,830	5,830
Mr P Groves	—	—	466	466

The interests of Mr P J K Haslehurst, Mr J G Masters and Mr J J Hobbs in the share capital of the ultimate holding company are shown in the directors' report of that company. The directors' interests were beneficially owned.

With the exception of the interests disclosed above, no director had any interest in the shares or debentures of any group company at either 31st December 1996 or 31st December 1995.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 7 to the accounts.

RESEARCH AND DEVELOPMENT

The company is committed to a policy of investment in the future both by acquisition of new capital equipment and by expenditure on product development and improvement.

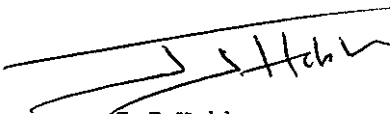
PAYMENT POLICY

It is the company's payment policy to negotiate terms with its suppliers in all sectors to ensure that they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No charitable or political donations were made during the year.

By order of the board


J J Hobbs
Secretary

11th April 1997

KABEL-TEKNIK 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 loss of the company for the year. In preparing those financial statements, the directors are required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (iv) 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 of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF KABEL-TEKNIK LTD.

We have audited the financial statements on pages 4 to 12.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As described above, 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 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG AUDIT PLC

KPM G Audit Plc

Chartered Accountants
Registered Auditor

St. Albans

11th April, 1997

KABEL-TEKNIK LIMITED

PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
TURNOVER	2	827,182	854,512
Cost of sales		(636,287)	(624,605)
		<hr/>	<hr/>
GROSS PROFIT		190,895	229,907
Distribution & Selling costs		(119,282)	(154,802)
Administration costs		(120,490)	(128,818)
		<hr/>	<hr/>
OPERATING LOSS	3	(48,877)	(53,713)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(48,877)	(53,713)
Taxation on loss on ordinary activities	6	19,958	17,759
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(28,919)	(35,954)
		<hr/>	<hr/>
RETAINED LOSS FOR THE YEAR	13	(28,919)	(35,954)
		<hr/>	<hr/>

There have been no acquisitions or discontinued operations during the period.

The notes on pages 7 to 12 form part of these accounts.

KABEL-TEKNIK LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<u>1996</u> £	<u>1995</u> £
Reported loss on ordinary activities before taxation	(48,877)	(53,713)
Difference between the historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued asset	—	—
Historical cost loss on ordinary activities before taxation	(48,877)	(53,713)
Historical cost loss for the year, retained after taxation and dividends	(28,919)	(35,954)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit or loss for the current and preceding period.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<u>1996</u> £	<u>1995</u> £
Loss for the financial year	(28,919)	(35,954)
Dividends	—	—
Opening shareholders' funds	(28,919) (399,692)	(35,954) (363,738)
Closing shareholders' funds	(428,611)	(399,692)

KABEL-TEKNIK LIMITED

BALANCE SHEET AT 31 DECEMBER, 1996

	<u>Note</u>	<u>1996</u> £	<u>1995</u> £
FIXED ASSETS			
Tangible assets	7	5,192	7,796
CURRENT ASSETS			
Stocks	8	34,892	15,630
Debtors	9	210,742	211,392
Cash at bank and in hand		44,246	7,107
		<hr/> 289,880	<hr/> 234,129
CREDITORS: amounts falling due within one year	10	(192,918)	(203,809)
		<hr/>	<hr/>
NET CURRENT ASSETS		96,962	30,320
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		102,154	38,116
CREDITORS: amounts falling due after one year	11	(530,765)	(437,808)
		<hr/> (428,611)	<hr/> (399,692)
CAPITAL AND RESERVES			
Called up share capital	12	75,000	75,000
Profit and loss account	13	(503,611)	(474,692)
		<hr/> (428,611)	<hr/> (399,692)

The accounts were approved by the board of directors on 11th April, 1997 and were signed on its behalf by:

A Booton - Director



The notes on pages 7 to 12 form part of these accounts.

KABEL-TEKNIK LIMITED

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies which are in accordance with applicable accounting standards have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

a) Basis of accounting

The accounts have been prepared under the historical cost convention.

b) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Fixtures & Fittings	10% to 20% p.a.
Plant and machinery	10% to 25% p.a.

c) Stocks and work-in-progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes works overheads where applicable.

d) Research and development

Research and development expenditure is written off against profit in the year in which the expenditure arises.

e) Deferred taxation

Deferred taxation is provided at the future rate of taxation using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

f) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date or where there are matching forward contracts in respect of trading transactions, the rates of exchange specified in the contracts are used. All realised differences are taken to the profit and loss account and unrealised differences on forward contracts are taken to the balance sheet.

KABEL-TEKNIK LIMITED

NOTES TO THE ACCOUNTS

(contd.)

g) Grants

Government and other similar grants are recognised in the profit and loss account so as to match them with the expenditure to which they are intended to contribute.

h) Cash flow statement

The company has not produced a Cash Flow Statement as it is a wholly owned subsidiary of EIS Group P.L.C., whose accounts include a consolidated Cash Flow Statement.

i) Operating Leases

All leases are accounted for as operating leases and the rental charges are charged to the profit and loss account in the period in which these are incurred.

2. TURNOVER

Turnover represents invoiced sales during the year exclusive of value added tax.

All of the company's turnover and profit on ordinary activities before taxation relate to the company's principal activity.

The geographic analysis of turnover is as follows:

	<u>1996</u>	<u>1995</u>
	£	£
United Kingdom	526,854	484,561
Asia, Far East and Australia	20,472	17,623
North, South & Central America	32,249	1,422
Europe	247,607	346,911
Africa	—	—
Middle East	—	3,995
	<hr/>	<hr/>
	827,182	854,512
	<hr/>	<hr/>

3. OPERATING LOSS

Operating loss is stated after charging/(crediting) the following items:

	<u>1996</u>	<u>1995</u>
	£	£
Auditors' remuneration - Audit work	2,675	2,125
Depreciation	4,632	8,337
Research and development expenditure	—	—
	<hr/>	<hr/>

KABEL-TEKNIK LIMITED

NOTES TO THE ACCOUNTS
(contd.)

4. DIRECTORS' EMOLUMENTS

	<u>1996</u>	<u>1995</u>
	£	£
For services as directors	<u>63,077</u>	<u>62,116</u>

The amounts (excluding pension contributions) paid to the chairman and highest paid director were as follows:

	<u>1996</u>	<u>1995</u>
	£	£
Chairman	<u>NIL</u>	<u>NIL</u>
Highest paid director	<u>34,838</u>	<u>34,475</u>

The emoluments of the directors (excluding pension contributions) fell within the following bands:

	<u>1996</u>	<u>1995</u>
	No.	No.
£ Nil - £ 5,000	3	3
£25,001 - £30,000	1	1
£30,001 - £35,000	<u>1</u>	<u>1</u>

5. STAFF COSTS

The average weekly number of employees, including directors, during the year was as follows:

	<u>1996</u>	<u>1995</u>
	No.	No.
Sales, administration and distribution	<u>7</u>	<u>7</u>
	<u>7</u>	<u>7</u>

The aggregate payroll costs of these persons were as follows:

	<u>1996</u>	<u>1995</u>
	£	£
Wages and salaries	142,514	128,687
Social security costs	8,544	7,420
Other pension costs	<u>2,774</u>	<u>3,891</u>
	<u>153,832</u>	<u>139,998</u>

KABEL-TEKNIK LIMITED

NOTES TO THE ACCOUNTS
(contd.)

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1996</u> £	<u>1995</u> £
Based on the profit for the year:		
Corporation tax at 33% (1995:33%)	(17,000)	(15,000)
	<u>(17,000)</u>	<u>(15,000)</u>
Taxation relating to prior years:		
Corporation tax	(2,958)	(2,759)
	<u>(19,958)</u>	<u>(17,759)</u>

7. TANGIBLE FIXED ASSETS

	<u>Plant and machinery</u> £
COST	
At 1 January, 1996	186,012
Additions	2,030
Disposals	(20,257)
	<u>167,785</u>
At 31 December, 1996	
DEPRECIATION	
At 1 January, 1996	178,216
Charge for the year	4,632
Disposals	(20,255)
	<u>162,593</u>
At 31 December, 1996	
NET BOOK VALUE	
At 31 December, 1996	<u>5,192</u>
At 31 December, 1995	<u>7,796</u>

8. STOCKS

	<u>1996</u> £	<u>1995</u> £
Raw materials	5,273	—
Work-in-progress	—	—
Finished goods	29,619	15,630
	<u>34,892</u>	<u>15,630</u>

The replacement value of stock and work in progress is not considered to be materially different from the book value.

KABEL-TEKNIK LIMITED

NOTES TO THE ACCOUNTS
(contd.)

9. DEBTORS

	<u>1996</u>	<u>1995</u>
	£	£
Amounts falling due within one year:		
Trade debtors	140,235	184,539
Amounts owed by group companies	25,299	7,749
Other debtors	3,490	3,579
Sales taxes	24,718	—
Prepayments and accrued income	—	525
Corporation Tax recoverable	17,000	15,000
	<u>210,742</u>	<u>211,392</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1996</u>	<u>1995</u>
	£	£
Payments received in advance	11,882	22,695
Trade creditors	3,028	7,995
Amounts owed to group undertakings	94,468	74,665
Other taxation and social security	5,026	—
Other creditors	46,449	18,705
Accruals and deferred income	32,065	79,749
	<u>192,918</u>	<u>203,809</u>

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

	<u>1996</u>	<u>1995</u>
	£	£
Amounts owed to group companies	<u>530,765</u>	<u>437,808</u>

12. SHARE CAPITAL

	<u>1996 and 1995</u>			
	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	No.	£	No.	£
Ordinary shares of £1 each	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>

KABEL-TEKNIK LIMITED

NOTES TO THE ACCOUNTS
(contd.)

13. RESERVES

	<u>Profit and loss account</u> £
At 1 January, 1996	(474,692)
Retained loss for year	(28,919)
	<hr/>
At 31 December, 1996	(503,611)
	<hr/>

14. RELATED PARTY DISCLOSURE

The company is a wholly owned subsidiary of EIS Group P.L.C. In accordance with paragraph 3(c) of FRS 8, "Related Party Transactions", the company is exempt from disclosing details of arrangements with other companies in the EIS group.

15. ULTIMATE HOLDING COMPANY

The ultimate holding company is EIS Group P.L.C., a company registered in England and Wales. Copies of the group accounts are available from:

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF4 3HZ