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HUTCHISON CELLULAR SERVICES LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER 1994



HUTCHISON CELLULAR SERVICES LTD
REPORT AND ACCOUNTS FOR THE YEAR ENDED
31st DECEMBER 1994

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HUTCHISON CELLULAR SERVICES LTD

DIRECTORS' REPORT

The Directors present their Annual Report and the Audited Accounts for the year ended 31st December 1994.

Principal Activities and Business Review

The Company continues to operate as a service provider of cellular communication services and equipment.

The Results for the Year

The loss for the year was £1,909,000 (1993: £12,044,000) on a turnover of £89,870,000 (1993: £84,070,000).

Detailed results for the year are shown in the Profit and Loss Account on page 5.

Dividend

The Directors do not recommend the payment of a dividend (1993: nil).

Fixed Assets

A summary of the changes to the Company's tangible fixed assets during the year is given in note 8.

Disabled Employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions, and to provide training and career development and promotion wherever appropriate.

Employee Involvement

During the year, the policy of providing employees with information about the Company has been continued. Regular meetings have been held between senior management and staff to allow a free flow of information and ideas.

Directors

The following have served as Directors of the Company during the year.

The Lord Derwent LVO	Chairman	
Hans R Snook		
Anthony Wei Kit Wong	Resigned	11/1/95
Malcolm Nugent Way	Resigned	01/1/94
Graham Howe	Appointed	11/1/95 22/04/94
Robert Fuller	Appointed	11/1/95
David Johnston	Appointed	11/1/95
Khoo Chek Ngee	Appointed	11/1/95

G H S L
For and on behalf of
ABOGADO NOMINEES LIMITED

No Director held any interest in the equity share capital of the Company at any time during the year. The Directors had no interests in the shares of other group companies at 31st December 1994. As permitted by statutory instrument, the Directors are exempt from notifying the Company of interests in the ultimate holding company, which is incorporated outside the United Kingdom.

HUTCHISON CELLULAR SERVICES LTD

DIRECTORS' REPORT (CONTINUED)

Auditors

The Company's auditors are Price Waterhouse. A resolution to reappoint Price Waterhouse as the Company's auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



.....
Director

Dated: 11 October 1995

Registered Office:
St. James Court
Great Park Road
Almondsbury Park
Bradley Stoke
Bristol BS12 4OJ

Registered Number 2090958

HUTCHISON CELLULAR SERVICES LTD
STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act 1985 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 the financial year.

The Directors consider that in preparing the financial statements on pages 5 to 14, the Company has used appropriate accounting policies, supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. In addition the financial statements have been prepared on a going concern basis as the directors are of the opinion that it is appropriate to presume that the company will continue in business.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities.

HUTCHISON CELLULAR SERVICES LTD
AUDITORS' REPORT TO THE SHAREHOLDERS OF
HUTCHISON CELLULAR SERVICES LIMITED
FOR THE YEAR ENDED 31st DECEMBER 1994

We have audited the accounts on pages 5 to 14, which have been prepared under the historical cost convention, and the accounting policies set out on pages 8 and 9.

Respective responsibilities of Directors and Auditors

As described on page 3, 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 its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Price Waterhouse', is written over a horizontal line.

Price Waterhouse
Chartered Accountants
and Registered Auditors
Middlesbrough

Date: 11 October 1995

HUTCHISON CELLULAR SERVICES LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 1994

	Notes	<u>1994</u> £'000	<u>1993</u> £'000
TURNOVER	2	89,870	84,070
Cost of sales		<u>(77,597)</u>	<u>(70,487)</u>
GROSS PROFIT		12,273	13,583
Distribution costs		(3,643)	(4,534)
Administrative expenses		<u>(8,766)</u>	<u>(18,947)</u>
OPERATING LOSS	3	(136)	(9,898)
Other interest receivable and similar income		10	3
Interest payable and similar charges	4	<u>(1,783)</u>	<u>(2,149)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,909)	(12,044)
Tax on loss on ordinary activities	7	<u>0</u>	<u>0</u>
LOSS FOR THE YEAR		<u><u>(1,909)</u></u>	<u><u>(12,044)</u></u>

Movements on reserves is shown in note 15.

The notes on pages 8 to 14 form an integral part of these accounts.

There are no differences between reported profits and losses and historical cost profits and losses.

HUTCHISON CELLULAR SERVICES LTD
STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31st DECEMBER 1994

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Loss for the Financial Year	(1,909)	(12,044)
Prior Year adjustment	<u>0</u>	<u>(14,825)</u>
Total losses since last Annual Report	<u>(1,909)</u>	<u>(26,869)</u>

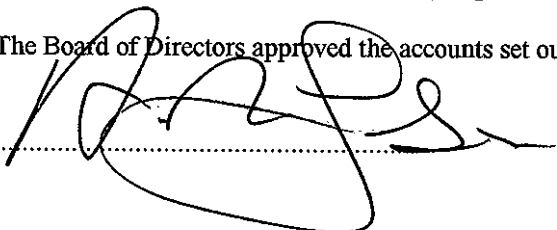
The notes of pages 8 to 14 form an integral part of these accounts.

HUTCHISON CELLULAR SERVICES LTD**BALANCE SHEET AT 31st DECEMBER 1994**

	Notes	1994	1993
		£'000	£'000
FIXED ASSETS			
Tangible assets	8	5,597	6,657
CURRENT ASSETS			
Stocks	9	794	2,003
Debtors	10	13,725	13,040
Cash at bank and in hand		82	(204)
		<u>14,601</u>	<u>14,839</u>
CREDITORS: Amounts falling due within one year	11	<u>(46,354)</u>	<u>(37,535)</u>
NET CURRENT LIABILITIES		<u>(31,753)</u>	<u>(22,696)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(26,156)	(16,039)
CREDITORS: Amounts falling due in more than one year	12	(21,303)	(29,382)
DEFERRED INCOME	13	<u>(98)</u>	<u>(227)</u>
NET LIABILITIES		<u><u>(47,557)</u></u>	<u><u>(45,648)</u></u>
CAPITAL AND RESERVES			
Called up equity share capital	14	500	500
Reserves	15	<u>(48,057)</u>	<u>(46,148)</u>
		<u><u>(47,557)</u></u>	<u><u>(45,648)</u></u>

The notes on pages 8 to 14 form an integral part of these accounts

The Board of Directors approved the accounts set out on pages 5 to 14 on the 11 October 1995

 Director

HUTCHISON CELLULAR SERVICES LTD

NOTES TO THE ACCOUNTS **FOR THE YEAR ENDED 31st DECEMBER 1994**

1. **Accounting Policies**

Accounting Convention

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

Turnover

Turnover represents the amounts invoiced and to be invoiced for goods and services supplied to third parties within the period, excluding amounts billed in advance and value added tax.

Tangible Fixed Assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on tangible fixed assets on a straight line basis from the date that the assets are brought into operation. The rates for each major category are as follows:

Freehold Land	Nil
Freehold Buildings	2%
Leasehold land and buildings	Term of lease
Motor vehicles	25%
Fixtures, fittings and equipment	15% - 20%

Subscriber Base

The cost of obtaining new subscribers is charged to the profit and loss account as the expenditure is incurred.

Stocks

Stocks have been valued at the lower of cost and net realisable value.

Deferred Taxation

Deferred taxation is provided using the liability method in respect of the taxation effects of all timing differences to the extent that it is probable that liabilities will crystallise or assets will be realised in the foreseeable future.

HUTCHISON CELLULAR SERVICES LTD

NOTES TO THE ACCOUNTS **FOR THE YEAR ENDED 31st DECEMBER 1994**

1 Accounting Policies (continued)

Leased Assets

Where the Group has substantially all the risk and rewards of ownership of an asset subject to lease, the lease is treated as a finance lease with the equivalent of cost recorded as a fixed asset and a liability. Depreciation is provided in line with the Group policy and finance charges are included in interest.

Other leases are classified as operating leases and lease payments are written off to profit and loss in the period that they are paid.

Pensions

The Company has set up a defined contribution pension scheme for substantially all employees. Contributions made during the year are taken to the Profit and Loss Account.

Government Grant

Regional Selective Assistance grants are credited to the Profit and Loss Account in relation to the expenditure against which they are given.

2 Turnover

Turnover represents sales to third parties of goods and services within the UK and excludes VAT.

3 Operating Loss

	<u>1994</u> £'000	<u>1993</u> £'000
Operating loss is stated after charging/crediting:		
Auditors' remuneration - Audit Services	27	48
Auditors' remuneration - Non-Audit Services	31	12
Depreciation of tangible fixed assets	1,450	4,044
Amortisation of Government Grants	(129)	(88)
Loss on sale of tangible fixed assets	0	648
Directors' emoluments (see note 6)	0	77
Staff costs (see note 5)	3,845	5,156
Operating lease rentals re hire of equipment	272	969
- other	381	0
Exceptional item in respect of provision for accommodation costs	0	4,189

HUTCHISON CELLULAR SERVICES LTD

NOTES TO THE ACCOUNTS **FOR THE YEAR ENDED 31st DECEMBER 1994**

4 Interest Payable and Similar Charges

	<u>1994</u> £'000	<u>1993</u> £'000
Interest payable on finance leases	33	77
Interest payable to holding company	1,750	2,064
Interest payable on bank loans and overdrafts	0	8
	<u>1,783</u>	<u>2,149</u>

5 Staff Numbers and Costs

The average number of persons employed by the Company (including directors) during the year was as follows:

	<u>1994</u> <u>Number</u>	<u>1993</u> <u>Number</u>
Telecommunications	<u>269</u>	<u>269</u>

The aggregate payroll costs of these persons were as follows:

	<u>1994</u> £'000	<u>1993</u> £'000
Wages and salaries	3,479	4,657
Social security costs	284	393
Other pension costs	82	106
	<u>3,845</u>	<u>5,156</u>

6 Directors' Emoluments

	<u>1994</u> £'000	<u>1993</u> £'000
Amounts paid for the services of directors:		
Remuneration as executives	0	42
Compensation for loss of office	0	35
Pension Contributions	0	0
	<u>0</u>	<u>77</u>

Particulars of Directors' emoluments (excluding pension contributions), disclosed in accordance with Schedule 5 of the Companies Act 1985, are as follows:

	<u>1994</u> £'000	<u>1993</u> £'000
Chairman	0	0
Highest paid Director	<u>0</u>	<u>30</u>

HUTCHISON CELLULAR SERVICES LTD

NOTES TO THE ACCOUNTS **FOR THE YEAR ENDED 31st DECEMBER 1994**

Directors emoluments fell within the following range:	<u>1994</u>	<u>1993</u>
	£'000	£'000
£0 - £5,000	5	6
£5,001 - £10,000	<u>0</u>	<u>1</u>

7 Taxation

There is no liability to corporation tax in respect of the current period or prior period as the Company has made a trading loss. At 31st December 1994 the Company had significant losses available for carry forward to offset future taxable profits.

8 Tangible Fixed Assets

	<u>Freehold property</u> £'000	<u>Short Leasehold improvements</u> £'000	<u>Fixtures fittings and equipment</u> £'000	<u>Total</u> £'000
Cost				
1st January 1994	4,703	206	9,012	13,921
Additions	10	0	380	390
Disposals	0	0	(71)	(71)
31st December 1994	<u>4,713</u>	<u>206</u>	<u>9,321</u>	<u>14,240</u>
Depreciation				
1st January 1994	(312)	(40)	(6,912)	(7,264)
Charged in year	(97)	(10)	(1,343)	(1,450)
Disposals	0	0	71	71
31st December 1994	<u>(409)</u>	<u>(50)</u>	<u>(8,184)</u>	<u>(8,643)</u>
Net book value				
31st December 1994	<u>4,304</u>	<u>156</u>	<u>1,137</u>	<u>5,597</u>
31st December 1993	<u>4,391</u>	<u>166</u>	<u>2,100</u>	<u>6,657</u>

Fixed Assets held under finance leases included above as follows:

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Net book value at 31st December 1994	<u>228</u>	<u>526</u>
Depreciation	<u>298</u>	<u>298</u>

HUTCHISON CELLULAR SERVICES LTD**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31st DECEMBER 1994****9 Stocks**

	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Goods for resale	<u>794</u>	<u>2,003</u>

10 Debtors

	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Trade Debtors	6,254	6,598
Other Debtors	1,908	2,196
Prepayments and accrued income	4,915	3,601
Amounts owed by Group companies	648	645
	<u>13,725</u>	<u>13,040</u>

11 Creditors: Amounts falling due within one year

	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Trade creditors	15,066	17,440
Other Creditors	580	1,507
Finance lease commitments	66	397
Accruals and deferred income	8,088	5,616
Amounts owed to Group companies	22,554	12,575
	<u>46,354</u>	<u>37,535</u>

12 Creditors: Amounts falling due in more than one year

	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Accruals and deferred income	3,518	4,321
Amount owed to parent undertaking	17,785	24,995
Finance lease commitments	0	66
	<u>21,303</u>	<u>29,382</u>

HUTCHISON CELLULAR SERVICES LTD

NOTES TO THE ACCOUNTS **FOR THE YEAR ENDED 31st DECEMBER 1994**

13 Provisions and Deferred Income - Deferred Government Grants

	<u>1994</u> £'000	<u>1993</u> £'000
1st January 1994	(227)	(315)
Amortised in year	129	88
31st December 1994	<u>(98)</u>	<u>(227)</u>

14 Equity Share Capital

	<u>1994</u>		<u>1993</u>	
	<u>Number</u>	<u>£'000</u>	<u>Number</u>	<u>£'000</u>
Authorised Ordinary shares of £1	<u>500,000</u>	<u>500</u>	<u>500,000</u>	<u>500</u>
Allotted, called up and fully paid Ordinary shares of £1	<u>500,000</u>	<u>500</u>	<u>500,000</u>	<u>500</u>

15 Reserves

	<u>Goodwill Reserve £'000</u>	<u>Profit and Loss Account £'000</u>	<u>Total £'000</u>
1st January 1994	(353)	(45,795)	(46,148)
Loss for year	0	(1,909)	(1,909)
31st December 1994	<u>(353)</u>	<u>(47,704)</u>	<u>(48,057)</u>

16 Reconciliation of Movements on Shareholders' Funds

	<u>1994</u> £'000	<u>1993</u> £'000
Loss for the financial year	(1,909)	(12,044)
Opening Shareholders' funds	(45,795)	(33,751)
Closing Shareholders' funds	<u>(47,704)</u>	<u>(45,795)</u>

HUTCHISON CELLULAR SERVICES LTD

NOTES TO THE ACCOUNTS **FOR THE YEAR ENDED 31st DECEMBER 1994**

17 Lease Commitments

	<u>1994</u>			<u>1993</u>		
	<u>£'000</u>			<u>£'000</u>		
	<u>Land & Buildings</u>	<u>Other</u>	<u>Total</u>	<u>Land & Buildings</u>	<u>Other</u>	<u>Total</u>
Within one year	0	272	272	210	0	210
One to five years	152	0	152	325	0	325
Over five years	229	0	229	433	0	433
	<u>381</u>	<u>272</u>	<u>653</u>	<u>968</u>	<u>0</u>	<u>968</u>

18 Capital Commitments

	<u>1994</u>	<u>1993</u>
	<u>£'000</u>	<u>£'000</u>
Contracted for but not provided	45	21
Approved but not contracted for	223	374
	<u>268</u>	<u>395</u>

19 Financial Support

The principal shareholders have informed the Company that it is the current intention to provide adequate funds to finance the Company's operations for the foreseeable future.

20 Ultimate Holding Company

The ultimate holding company and the parent of the largest group which prepares group accounts is Hutchison Whampoa Limited, a company incorporated in Hong Kong.

The parent of the smallest group which prepares group accounts is Hutchison Telecommunications UK) Limited, a company incorporated in Great Britain and registered in England.

Copies of the Group accounts of Hutchison Whampoa may be obtained from the Company Secretary at Hutchison House, 22/F, 10 Harcourt Road, Hong Kong.