

PEH UK HOLDINGS LIMITED

Report and Accounts

31 December 2000



PEH Holdings UK Limited

Registered No. 03607871

DIRECTORS

E M Kalawski
P E Norment
J A Kaye
J Orlando

SECRETARY

E M Kalawski

AUDITORS

Ernst & Young
Apex Plaza
Reading
RG1 1YE

BANKERS

Barclays Bank plc
P O Box 2481
60 Queens Road
Reading
RG1 4XX

SOLICITORS

Baker & McKenzie
100 New Bridge Street
London
EC4V 6JA

REGISTERED OFFICE

100 New Bridge Street
London
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DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The profit for the year is set out in the profit and loss account on pages 6 and 7.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2000 (17 months ended 31 December 1999: £nil).

PRINCIPAL ACTIVITIES

The principal activity of the company is the configuration, installation and maintenance of data communications networks.

REVIEW OF BUSINESS

The company has continued its policy of concentrating on its core business and, despite a reduction in turnover, remains profitable.

The reorganisation of the business of the subsidiary company Milgo Solutions Limited and that of Timeplex Group Limited which started during 1999 was completed during the year ended 31 December 2000.

FUTURE DEVELOPMENTS

Following the year end, the share capital of PEH UK Holdings Limited was acquired by Kingston Communications (Hull) Plc, on 9 March 2001.

DIRECTORS AND THEIR INTERESTS

The directors during the period are listed on page 1.

No director had any beneficial interests in the shares of the company. No directors hold any shares or have been granted any options in the company or the group.

DONATIONS

During 31 December 2000, £1,887 (1999: £485) of charitable donations were made.

No political donations were made during the period.

EMPLOYMENT INVOLVEMENT AND CONSULTATION

Employee involvement and commitment is the established responsibility of the Board of Directors and requires their participation. Regular contact and exchange of information between managers and staff are maintained through departmental managers, the staff council, and social functions. The company promotes the principle of team briefing on a regular and continuing basis with the aim of ensuring that all employees are personally advised of the financial and commercial progress of the company.

DISABLED PERSONS

The company's attitude concerning the employment of disabled persons is the same as that relating to all other staff in matters of recruitment, continuity of employment, training, development and promotion. Nevertheless the company is very conscious of the difficulties experienced by the disabled and takes account sympathetically of individual circumstances.

DIRECTORS' REPORT

PAYMENTS TO CREDITORS

It is the company's practice to make payments to suppliers when necessary.

Creditor days at 31 December 2000, based on the aggregate of the amounts which were owed to trade creditors at that date and the aggregate of the amounts which the company was invoiced by suppliers during the year, amounted to 57 (17 months ended 31 December 1999: 30).

YEAR 2000

No adverse computer linked occurrences have been experienced as a result of the Year 2000 date change which remains a theatrical possibility that difficulties may arise, the Board consider the likelihood as remote.

AUDITORS

A resolution to appoint Ernst & Young as auditors will be put to the Board at the Annual General Meeting.

Ernst & Young has stated that, subject to the approval of its partners, it is intending to transfer its business to a limited liability partnership during the year. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the Board of Directors

Secretary



STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

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;
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS

to the shareholders of PEH UK Holdings Limited

We have audited the accounts on pages 6 to 21, which have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

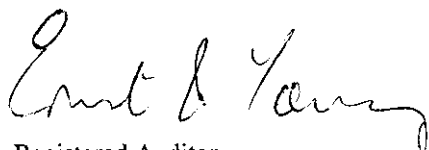
Basis of opinion

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 information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Reading

11 April 2000

PEH UK Holdings Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

		Year ended 31 December 2000 £'000	17 months ended 31 December 1999 £'000
	Notes		
TURNOVER	2	20,842	38,581
Cost of sales		(12,962)	(23,792)
GROSS PROFIT		7,880	14,789
Selling and distribution		(3,202)	(5,474)
Administrative expenses		(1,212)	(4,238)
TOTAL ADMINISTRATIVE EXPENSES		(4,414)	(9,712)
OPERATING PROFIT/(LOSS)	3	3,466	5,077
Exceptional cost of fundamental reorganisation	4	-	(3,850)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		3,466	1,227
Interest income	5	157	198
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		3,623	1,425
Tax on profit/(loss) on ordinary activities	8	(49)	-
RETAINED PROFIT/(LOSS) FOR THE YEAR/PERIOD		3,574	1,425
RETAINED PROFIT/(LOSS) AT THE BEGINNING OF THE YEAR/PERIOD		1,425	-
RETAINED PROFIT/(LOSS) AT THE END OF THE YEAR/PERIOD		4,999	1,425

PEH UK Holdings Limited

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2000

	<i>Year ended ended 31 December 2000 £'000</i>	<i>17 months ended 31 December 1999 £000</i>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	3,574	1,425
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR/PERIOD	3,574	1,425

PEH UK Holdings Limited

BALANCE SHEET at 31 December 2000

		31 December 2000	31 December 1999
	Note	£'000	£'000
FIXED ASSETS			
Tangible assets	10	994	1,153
Intangible assets	9	(1,411)	(3,829)
		(417)	(2,676)
CURRENT ASSETS			
Stocks	12	1,812	3,083
Debtors	13	12,808	5,906
Cash at bank and in hand		-	4,839
		14,620	13,828
CREDITORS: amounts falling due within one year	14	8,849	9,372
NET CURRENT ASSETS		5,771	4,456
TOTAL ASSETS LESS CURRENT LIABILITIES		5,354	1,780
PROVISIONS FOR LIABILITIES AND CHARGES	20	-	-
NET ASSETS		5,354	1,780
CAPITAL AND RESERVES			
Share capital	15/16	355	355
Profit and loss account		4,999	1,425
EQUITY SHAREHOLDERS' FUNDS	16	5,354	1,780

Approved by the board on 8 March 2001


Director 

PEH UK Holdings Limited

COMPANY BALANCE SHEET at 31 December 2000

		31 December 2000	31 December 1999
	Notes	£	£
FIXED ASSETS			
Investment in subsidiary	11	355,040	355,040
CAPITAL AND RESERVES			
Share capital	15	100	100
Share premium account	16	354,940	354,940
		<u>355,040</u>	<u>355,040</u>

Approved by the board on 8 March 2001

Director 

PEH UK Holdings Limited

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2000

	<i>Notes</i>	<i>2000</i> <i>£'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	(4,463)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest paid	5	(5)
Interest received	5	162
		<u>157</u>
TAXATION		
UK corporation tax paid	.	(49)
		<u>(49)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets		(587)
Receipts from sale of tangible fixed assets		87
		<u>(500)</u>
DECREASE IN CASH IN THE PERIOD		(4,855)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>Notes</i>	<i>2000</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
OPENING NET DEBT		<u>4,839</u>	<u>-</u>
MOVEMENT IN THE YEAR	26	<u>(4,855)</u>	<u>4,839</u>
CLOSING NET DEBT		<u>(16)</u>	<u>4,839</u>

NOTES TO THE ACCOUNTS

At 31 December 2000

1. ACCOUNTING POLICIES

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

Basis of accounting

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the parent company and its subsidiary made up to the end of the financial year. Intra group balances are eliminated on consolidation and all sales figures related to external transactions only.

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. During the year, the holding company did not trade and therefore the profit for the year was £Nil (1999: £Nil).

Turnover

Turnover for equipment sales, installation and professional services represents invoiced sales by the company (net of sales related taxes).

Maintenance contracts are mainly invoiced a year in advance. Turnover represents the proportion of invoiced sales earned, calculated on a day by day basis.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rates ruling at the date of the transaction.

All differences are taken to the profit and loss account.

Fixed asset investments

Fixed asset investments are carried at cost less any provision for permanent diminution in value.

Stocks

The company holds a stock of parts for use in repairing customer equipment covered by maintenance agreements. These stocks are valued initially at cost, then subsequently written down by a factor according to age and obsolescence.

Other stocks and work in progress are valued at the lower of cost and estimated net realisable value less progress payments received. Cost includes manufacturing overheads, where applicable.

Depreciation

Depreciation is provided on all tangible fixed assets, at such rates as to write off the cost of those assets in equal instalments over their expected useful lives as follows:

Computer equipment	3 years
Plant, machinery, furniture, fixtures and fittings	4-10 years
Motor vehicles	4 years

NOTES TO THE ACCOUNTS

At 31 December 2000

1. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Negative goodwill is capitalised, classified as a negative asset on the balance sheet and recognised in the profit and loss over the estimated economic life of the assets to which it relates.

Lease commitments

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

Deferred taxation

Deferred taxation is provided using the liability method on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pension costs

The company operates a defined benefit and a defined contribution pension scheme. Pension costs, which are periodically calculated by professional qualified actuaries, are charged against profits so that the expected cost of providing pensions is recognised during the period in which benefit is derived from employees' services. The cost of the various pension schemes may vary from the funding dependent upon actuarial advice with any difference between pension cost and funding being treated as a provision or repayment. The latest actuarial review took place on 1 April 1999.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to equipment sales, maintenance contracts, installation and professional services of computer networking equipment.

Group	Year	17 months
	ended	ended
	31 December	31 December
	2000	1999
	£'000	£'000
Product sales	1,057	2,698
Network services	19,785	35,883
	<u>20,842</u>	<u>38,581</u>

NOTES TO THE ACCOUNTS

At 31 December 2000

2. **TURNOVER** (continued)

An analysis of turnover by geographical market is given below:

<i>Group</i>	<i>Year ended 31 December 2000 £'000</i>	<i>17 months ended 31 December 1999 £'000</i>
United Kingdom	19,898	36,900
Other European countries	612	-
Africa	-	2
The Americas	332	1,651
Asia and Australasia	-	28
	<u>20,842</u>	<u>38,581</u>

3. **OPERATING PROFIT/(LOSS)**

This is stated after charging/(crediting):

<i>Group</i>	<i>Year ended 31 December 2000 £'000</i>	<i>17 months ended 31 December 1999 £000</i>
Directors' emoluments (note 6)	226	394
Auditors' remuneration and expenses		
- audit fees	50	67
- non-audit fees	8	3
Depreciation of tangible fixed assets		
- owned assets	661	-
Amortisation of negative goodwill	(2,418)	(3,426)
Payments under operating leases		
- land and buildings	790	1,256
- plant and machinery	659	776
Redundancy, severance and reorganisation costs	82	109
Profit on sale of tangible fixed assets	(2)	(42)

4. **EXCEPTIONAL ITEMS**

Exceptional costs disclosed separately are as follows:

Cost of fundamental re-organisation

These represent redundancy and other salary costs incurred following the change of ownership.

NOTES TO THE ACCOUNTS

At 31 December 2000

5. INTEREST PAYABLE AND SIMILAR CHARGES, NET

Group

	Year ended 31 December 2000 £'000	17 months ended 31 December 1999 £000
Interest payable:		
Bank overdrafts, loans and other borrowings	(5)	(4)
Interest income:		
Bank Balances	162	202
	<u>157</u>	<u>198</u>

6. DIRECTORS' EMOLUMENTS

Group

	Year ended 31 December 2000 £'000	17 months ended 31 December 1999 £000
Directors' emoluments		
Fees	-	-
Other emoluments	202	371
Pension contributions	24	23
	<u>226</u>	<u>394</u>

Emoluments of the highest paid director are as follows:

	2000 £'000	1999 £'000
Remuneration of the highest paid director	226	330

No directors exercised share options in the year.

The highest paid director had an accrued pension of £Nil as at 31 December 2000 as a member of a defined benefit pension scheme to which both he and the company have contributed.

PEH UK Holdings Limited

NOTES TO THE ACCOUNTS

At 31 December 2000

7. STAFF COSTS

Group

Employee costs during the period:

Wages and salaries

Social security costs

Other pension costs

	Year ended 31 December 2000 £'000	17 months ended 31 December 1999 £'000
	7,992	9,773
	936	936
	471	673
	<u>9,399</u>	<u>11,382</u>

Average number of persons employed

Administration, selling and distribution

	Year ended 31 December 2000 No.	17 months ended 31 December 1999 No.
	176	195
	<u>176</u>	<u>195</u>

8. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES

Group

Corporation tax

	2000 £'000	1999 £'000
	49	-
	<u>49</u>	<u>-</u>

NOTES TO THE ACCOUNTS

At 31 December 2000

9. INTANGIBLE FIXED ASSETS

Group

Goodwill

£'000

Cost:

At 1 January 2000

(7,255)

At 31 December 2000

(7,255)

Amortisation:

At 1 January 2000

3,426

Written back during the year

2,418

At 31 December 2000

5,844

Net book value:

At 31 December 2000

(1,411)

At 1 January 2000

(3,829)

Goodwill is being written back in equal annual instalments over its estimated economic life of 3 years.

NOTES TO THE ACCOUNTS
At 31 December 2000

10. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Computer equipment £000</i>	<i>Plant, machinery furniture fixtures and fittings £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
COST				
At 1 January 2000	1,178	1,114	58	2,350
Additions	166	421	-	587
Disposals	(7)	(78)	-	(85)
At 31 December 2000	1,337	1,457	58	2,852
DEPRECIATION				
At 1 January 2000	566	586	45	1,197
Charge for the year	396	256	9	661
At 31 December 2000	962	842	54	1,858
NET BOOK VALUE				
At 31 December 2000	375	615	4	994
At 1 January 2000	612	528	13	1,153

11. INVESTMENT IN SUBSIDIARY

	<i>2000 £'000</i>	<i>1999 £'000</i>
At 31 December 2000	355	355

The following information relates to the company's investment:

<i>Name of company and country of incorporation</i>	<i>Description of shares held</i>	<i>Proportion of shares held</i>	<i>No. of shares</i>
Milgo Solutions Limited	Ordinary shares of £1 each	100%	25,504,240

Milgo Solutions Limited's principal activity is the configuration, installation, maintenance and management of data communications networks.

12. STOCKS

<i>Group</i>	<i>2000 £'000</i>	<i>1999 £000</i>
Finished goods	1,812	3,083

There is no material difference between purchase price of stocks and their replacement cost.

NOTES TO THE ACCOUNTS

At 31 December 2000

13. DEBTORS

<i>Group</i>	<i>2000</i>	<i>1999</i>
	<i>£'000</i>	<i>£000</i>
Trade debtors	4,496	4,830
Debtors - finance leases	-	-
Amounts owned by group companies		
- fellow subsidiaries	4,243	395
- ultimate parent company	3,127	-
Other debtors	33	165
Prepayments and accrued income	909	516
	<u>12,808</u>	<u>5,906</u>

14. CREDITORS: amounts falling due within one year

<i>Group</i>	<i>2000</i>	<i>1999</i>
	<i>£'000</i>	<i>£000</i>
Bank overdraft	16	-
Trade creditors	2,057	1,732
Amounts owed to group companies	1,023	-
Other taxes and social security costs	746	572
Accruals and deferred income	5,007	7,068
	<u>8,849</u>	<u>9,372</u>

15. SHARE CAPITAL

	<i>2000</i>	<i>1999</i>
	<i>£'000</i>	<i>£000</i>
<i>Authorised:</i>		
100 ordinary shares of £1 each	100	100
<i>Called up, allotted and fully paid:</i>		
100 ordinary shares of £1 each	100	100

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit & loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1 January 2000	100	354,940	1,425,000	1,780,040
Retained profit/(loss) for the year	-	-	3,574,000	3,574,000
At 31 December 2000	<u>100</u>	<u>354,940</u>	<u>4,999,000</u>	<u>5,354,040</u>

NOTES TO THE ACCOUNTS

At 31 December 2000

17. FUTURE CAPITAL EXPENDITURE

Group

Capital expenditure contracted for at 31 December 2000 for which no provision has been made in these financial statements was as follows:

	2000 £'000	1999 £'000
Contracted	36	28

18. CONTINGENT LIABILITIES

During the year ended 31 December 2000 the company continued to guarantee certain of the bank borrowings of Platinum Holdings LLC and has given over its assets in connection with those borrowings.

19. FINANCIAL COMMITMENTS

Group

	Land & buildings		Other assets	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Operating leases which expire:				
within one year	-	72	594	-
between two and five years	-	-	688	813
after five years	7,681	8,153	-	-
	7,681	8,225	1,282	813

20. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax not provided is as follows:

Group

	Amount not provided 2000 £000	Amount not provided 1999 £000
Depreciation in advance of capital allowances	(529)	(566)
Other timing difference	(60)	(127)
	(589)	(693)

NOTES TO THE ACCOUNTS

At 31 December 2000

21. PENSION COMMITMENTS

The subsidiary company, Milgo Solutions Ltd operates a defined benefit and a defined contribution pension scheme. Pension costs, which are periodically calculated by professional qualified actuaries, are charged against profits so that the expected cost of providing pensions is recognised during the period in which benefit is derived from employees' services. The cost of the various pension schemes may vary from the funding dependent upon actuarial advice with any difference between pension cost and funding being treated as a provision or repayment. The latest actuarial review took place on 1 April 1999.

At the date of valuation the market value of the scheme assets was £4,541,000 and the level of funding at that date after allowing for future salary increases was 97.7%. The level of contributions has been adjusted in order to eliminate this deficit over the expected period of employee service.

22. RELATED PARTY TRANSACTIONS

In accordance with the exemptions offered by FRS 8, there is no disclosure in these financial statements of transactions within entities that are part of the group headed by PEH Worldwide Holdings LLC.

23. IMMEDIATE AND ULTIMATE PARENT COMPANY

At 31 December 2000 the company's immediate parent company is PEH Worldwide Holdings LLC, a company incorporated in the USA. The ultimate holding company is Platinum Equity Holdings LLC, a company based in Los Angeles, USA.

24. POST BALANCE SHEET EVENT

Following the year end, the share capital of PEH UK Holdings Limited was acquired by Kingston Communications (Hull) Plc, on 9 March 2001.

25. NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2000 £'000
Operating profit	3,466
Cost of fundamental restructuring	-
Depreciation of tangible fixed assets	661
Amortisation of intangible fixed assets	(2,418)
Provision against fixed asset investments	-
Profit on sale of tangible fixed assets	(2)
Decrease in stocks	1,271
Increase in operating debtors and prepayments	(6,902)
Decrease in operating creditors and accruals	(539)
Decrease in provisions	-
Share of profits of associate	-
Dividends received from associates	-
Exchange gain on cash, liquid resources and loans	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	(4,463)

NOTES TO THE ACCOUNTS

At 31 December 2000

26. ANALYSIS OF NET DEBT

	31 December 2000 £'000	Cash flow £'000	31 December 1999 £'000
<i>Net cash</i>			
Cash at bank and in hand	(16)	(4,855)	4,839
		2000 £'000	1999 £'000
<i>Analysed in balance sheet</i>			
Cash at bank and in hand		(16)	4,839