

Maintel Holdings Limited

Report and Financial Statements

Year Ended

31 December 1999



A38 *AC633QU6* 0343
COMPANIES HOUSE 27/05/00



BDO Stoy Hayward
Chartered Accountants

MAINTEL HOLDINGS LIMITED

Annual report and financial statements for the year ended 31 December 1999

Contents

	Directors
Page:	
1	Report of the directors
3	Report of the auditors
4	Consolidated profit and loss account
5	Reconciliation of movements in shareholders' funds
6	Consolidated balance sheet
7	Balance sheet
8	Consolidated cash flow statement
9	Notes forming part of the financial statements

Directors

J D S Booth	Chairman
W F Madden	Non-Executive Director
T T Mason	Managing Director
A J McCaffery	Sales and Marketing Director
A Millet	Finance Director
J A Spens	Deputy Chairman

Secretary and registered office

A Millet ACA, 33 Parkgate Road, London, SW11 4NP.

Company number

3181729

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

MAINTEL HOLDINGS LIMITED

Report of the directors for the year ended 31 December 1999

The directors present their report together with the audited financial statements for the year ended 31 December 1999.

Results and dividends

The consolidated profit and loss account is set out on page 4 and shows the profit for the year.

During the year the directors paid a dividend of £99,960 (1998 - £Nil). The directors do not recommend payment of a final dividend (1998 - £Nil).

Principal activities, trading review and future developments

The company acts principally as a holding company. The company has a 100% share holding in Maintel Europe Limited, Maintel Finance Limited and Maintel Voice and Data Limited. The company incurs administrative costs. The directors are confident that all the subsidiaries will be profitable in the future and subsequently this company will receive dividend income.

There has been no events since the balance sheet date which materially affect the position of the company.

Year 2000

The group does not appear to have been affected by any of the anticipated problems associated with the Year 2000. The directors will continue to monitor the group's systems and in the event of any problems have plans to minimise any impact.

Directors

The directors of the company and their interests in the ordinary shares of the company at the year end were as follows :

	Number of £1 Ordinary Shares		
	'A' shares	'B' shares	'B' share options
J D S Booth	-	2,607	-
W F Madden	-	510	-
T T Mason	2,860	-	-
A J McCaffery	3,005	-	-
J A Spens	-	-	1,334
A Millet (appointed 24 May 2000)	-	60	60

Details of share options granted to directors are disclosed in note 15.

Post balance sheet event

Details of the new office lease entered into by the company are disclosed in note 22.

MAINTEL HOLDINGS LIMITED

Report of the directors for the year ended 31 December 1999 (Continued)

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 profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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

BDO Stoy Hayward who were appointed during the year have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board


A Millet

Secretary

Date *24 May 2000.*

MAINTEL HOLDINGS LIMITED

Report of the auditors

To the shareholders of Maintel Holdings Limited

We have audited the financial statements on pages 4 to 18 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the 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.

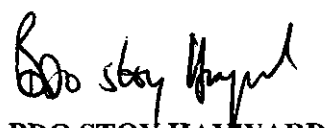
Basis of opinion

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 affairs of the company and of the group as at 31 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

24 May 2000

MAINTEL HOLDINGS LIMITED**Consolidated profit and loss account for the year ended 31 December 1999**

	Note	1999 £	1998 £
Turnover		3,838,783	3,344,875
Cost of sales		2,062,374	1,765,809
Gross profit		<u>1,776,409</u>	<u>1,579,066</u>
Administrative expenses		1,205,103	1,093,342
Operating profit	4	571,306	485,724
Income from other investments	13	29,260	19,708
Interest receivable		11,619	7,088
Interest payable and similar charges	5	7,483	17,618
Profit on ordinary activities before taxation		<u>604,702</u>	<u>494,902</u>
Taxation on profit from ordinary activities	6	183,371	130,631
Profit on ordinary activities after taxation		<u>421,331</u>	<u>364,271</u>
Dividend	7	99,960	-
Retained profit for the year	16	<u><u>321,371</u></u>	<u><u>364,271</u></u>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 9 to 18 form part of these financial statements.

MAINTEL HOLDINGS LIMITED

Reconciliation of movements in shareholders' funds for the year ended 31 December 1999

	Note	1999 £	1998 £
Reconciliation of movements in shareholders' funds			
Profit for the year	16	421,331	364,271
Dividends	16	99,960	-
		<hr/>	<hr/>
Net addition in shareholders' funds		321,371	364,271
Opening shareholders' funds		(115,932)	(480,203)
		<hr/>	<hr/>
Net assets at 31 December 1999		205,439	(115,932)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 18 form part of these financial statements

MAINTEL HOLDINGS LIMITED

Consolidated balance sheet at 31 December 1999

	Note	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	9		119,337		120,422
Current assets					
Stocks	11	657,228		595,240	
Debtors	12	924,122		899,303	
Investments	13	888,968		474,708	
Cash at bank and at hand		262,721		246,461	
			2,733,039		2,215,712
Creditors: amounts falling due within one year	14	2,646,937		2,452,066	
Net current assets			86,102		(236,354)
Total assets less current liabilities			205,439		(115,932)
Capital and reserves					
Called up share capital	15		12,000		12,000
Share premium	16		593,880		593,880
Profit and loss account	16		(400,441)		(721,812)
Shareholders' funds - equity			205,439		(115,932)

The financial statements were approved by the Board on *24 Mar 2000*.

T T Mason

T T Mason
Director

The notes on pages 9 to 18 form part of these financial statements.

MAINTEL HOLDINGS LIMITED

Balance sheet at 31 December 1999

	Note	1999		1998	
		£	£	£	£
Fixed assets					
Investment in subsidiary	10		843,892		843,888
Current assets					
Cash at bank and at hand		1,100		607	
Other debtors	12	-		150,000	
		<u>1,100</u>		<u>150,607</u>	
Creditors: amounts falling due within one year	14	185,232		487,792	
Net current liabilities			<u>(184,132)</u>		<u>(337,185)</u>
Net assets			<u>659,760</u>		<u>506,703</u>
Capital and reserves					
Called up share capital	15		12,000		12,000
Share premium	16		593,880		593,880
Profit and loss account	16		53,880		(99,177)
Shareholders' funds - equity			<u>659,760</u>		<u>506,703</u>

The financial statements were approved by the Board on *24 May 2000*

T T Mason

T T Mason
Director

The notes on pages 9 to 18 form part of these financial statements.

MAINTEL HOLDINGS LIMITED

Consolidated cash flow statement for the year ended 31 December 1999

	Note	1999		1998	
		£	£	£	£
Net cash inflow from operating activities	19		1,011,592		155,756
Returns on investments and servicing of finance					
Interest received		11,619		7,088	
Interest paid		(7,483)		(17,618)	
Net cash inflow/(outflow) from returns on investment and servicing of finance			4,136		(10,530)
Taxation					
Corporation tax			(133,978)		(684)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(57,691)		(70,353)	
Proceeds from sale of tangible fixed assets		-		10,986	
Payments to acquire short-term investments		(385,000)		(455,000)	
Net cash outflow from capital expenditure			(442,691)		(514,367)
Equity dividends paid			(99,960)		-
Net cash inflow/(outflow) before financing			339,099		(369,825)
Financing					
Repayment of bank loan		(164,009)		164,009	
Repayment of loan to director		(158,809)		158,809	
			(322,818)		322,818
Increase/(decrease) in cash	20		16,281		(47,007)

The notes on pages 9 to 18 form part of these financial statements

MAINTEL HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999

1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the results of Maintel Holdings Limited and its subsidiary undertakings as at 31 December 1999 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired.

For years up to 31 December 1998, goodwill on acquisitions has been set off directly against reserves. If a subsidiary is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves is taken into account in determining the profit or loss on sale or closure.

From 1 January 1999 goodwill arising on acquisitions is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Goodwill in these financial statements is amortised over the directors' estimate of its useful economic life which ranges from 15-20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition
- in other periods if events or circumstances indicate that the carrying value may not be recoverable.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax. Amounts invoiced annually in advance in respect of maintenance contracts are deferred and released to the profit and loss account over the period of the contract.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rates:

Office equipment	-	25% per annum
Motor vehicles	-	25% per annum

Stock

Stock is valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

MAINTEL HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

1 Accounting policies (*Continued*)

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Investments

Investments are shown at market valuation at the year end date.

Operating leases

Annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease. Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

2 Employees

	1999 £	1998 £
Staff costs consist of:		
Wages and salaries	1,509,295	1,255,187
Social security costs	147,966	112,096
Other pension costs	13,889	5,915
	<u>1,671,150</u>	<u>1,373,198</u>

The average number of employees, including directors, during the year was 71 (1998 - 61).

3 Directors

	1999 £	1998 £
Directors' emoluments consist of:		
Remuneration for management services	228,749	196,655
	<u>228,749</u>	<u>196,655</u>
Emoluments of the highest paid director:		
Emoluments	68,505	65,855
	<u>68,505</u>	<u>65,855</u>

The group does not operate a defined contribution or defined benefit pension scheme.

No director exercised share options during the year.

MAINTEL HOLDINGS LIMITEDNotes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)**4 Operating profit**

	1999	1998
	£	£
This has been arrived at after charging/ (crediting):		
Depreciation	56,293	46,936
Hire of other assets - operating leases	186,834	180,557
Auditors' remuneration	1,500	1,000
Loss/(profit) on sale of fixed assets	2,483	(1,034)
Settlement from legal dispute	-	(125,200)
	<u> </u>	<u> </u>

In 1998 £125,200 was credited to the company for damages relating to a dispute with a customer.

5 Interest payable and similar charges

	1999	1998
	£	£
Loans	7,483	17,618
	<u> </u>	<u> </u>

6 Taxation on profit from ordinary activities

UK corporation tax	180,407	129,947
Underprovision in prior year	2,964	684
	<u> </u>	<u> </u>
	183,371	130,631
	<u> </u>	<u> </u>

7 Dividends

Ordinary – interim paid	99,960	-
	<u> </u>	<u> </u>

8 Profit for the financial year

The company has taken advantage of the exemption under S230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax and before dividends paid of £253,017 (1998 – loss of £19,799) which is dealt with in the financial statements of the parent company.

MAINTEL HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

9 Tangible assets

Group	Office equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>			
At 1 January 1999	231,863	-	231,863
Additions	52,091	5,600	57,691
Disposals	(6,386)	-	(6,386)
	<hr/>	<hr/>	<hr/>
At 31 December 1999	277,568	5,600	283,168
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 1999	111,441	-	111,441
Provided for the year	55,826	467	56,293
Disposals	(3,903)	-	(3,903)
	<hr/>	<hr/>	<hr/>
At 31 December 1999	163,364	467	163,831
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1999	114,204	5,133	119,337
	<hr/>	<hr/>	<hr/>
At 31 December 1998	120,422	-	120,422
	<hr/>	<hr/>	<hr/>

10 Investment in subsidiaries

Maintel Europe Limited

In June 1996 51% of the issued share capital of Maintel Europe Limited was acquired for a net cash consideration of £939,536. The remaining 49% of issued share capital of Maintel Europe Limited was acquired by the issue of 5,880 'A' ordinary shares of £1 each.

The cash consideration for the 51% holding was in three tranches. The final tranche of £306,000 was paid into an escrow account pending a warranty claim against the vendor. Settlement of this claim took place in April 1999 and £150,000 was returned from the escrow account to the company. Offset against this £150,000 was legal and consultancy fees of £54,352 relating to the recovery of this money. The investment in Maintel Europe Limited has therefore been restated at £843,888.

The subsidiary undertaking Maintel Europe Limited, a company registered in England, provides maintenance on telephone systems.

MAINTEL HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

10 Investment in subsidiaries (*Continued*)

Maintel Finance Limited

Maintel Finance Limited, a company registered in England, was incorporated during 1999. Maintel Finance Limited is a 100% owned subsidiary of the company. The £2 issued share capital remains unpaid at the year end. At 31 December 1999 the company was dormant. In January 2000 the company started to trade. Maintel Finance Limited is a finance broker targeting customers that want to lease their telephone system.

Maintel Voice and Data Limited

Maintel Voice and Data Limited, a company registered in England, was incorporated during 1999. Maintel Voice and Data Limited is a 100% owned subsidiary of the company. The £2 issued share capital remains unpaid at the year end. At 31 December 1999 the company was dormant. In January 2000 the company started to trade. Maintel Voice and Data Limited provides competitive telephone network services.

11 Stock

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
Goods held for resale	657,228	595,240	-	-

There is no material difference between the replacement cost of stock and the amounts stated above.

12 Debtors

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
Trade debtors	723,507	566,856	-	-
Other debtors	-	150,000	-	150,000
Prepayments and accrued income	200,615	182,447	-	-
	924,122	899,303	-	150,000

All amounts shown under debtors fall due for payment within one year.

MAINTEL HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

13 Investments

	1999 £	1998 £
Group		
671,071 (1998 - 376,752) units in CUCIM Trust valued at £1.3247p (1998 - £1.26p) per unit	888,968	474,708

The Trust is managed by Commercial Union Captives Investment Management Limited. This Trust invests primarily in cash deposits and money market instruments. The Trust is quoted daily in the Financial Times under 'Offshore and Overseas Managed Funds'.

14 Creditors: amounts falling due within one year

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
Amounts due to subsidiary undertakings	-	-	182,673	107,801
Unpaid issued share capital due to subsidiary undertakings (see note 11)	-	-	4	-
Bank overdraft	-	21	-	21
Bank loans	-	164,009	-	164,009
Loan from director	-	158,809	-	158,809
Trade creditors	274,663	207,764	-	-
Tax and social security	236,986	175,786	-	-
Accruals and deferred income	1,864,680	1,451,924	1,000	57,152
Other creditors	91,268	163,806	-	-
Corporation tax	179,340	129,947	1,555	-
	<u>2,646,937</u>	<u>2,452,066</u>	<u>185,232</u>	<u>487,792</u>

The bank loan of £Nil (1998 - £164,009) was secured by both a first equitable charge over 1,000 ordinary shares of £1 each in Maintel Europe Limited and a second charge over assets belonging to T T Mason, a director of the company. Shares in Maintel Europe Limited are included within investments at a cost.

The loan from director of £Nil (1998 - £150,000) was provided by W F Madden, a director of the company. Interest was payable at the same rate that Lloyds Bank Plc charge on the loan disclosed as bank loan, above. At the year end £Nil (1998 - £8,809) interest had been charged to the profit and loss account. Both interest and capital had been repaid at the year end.

MAINTEL HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

15 Share capital - equity

Company	1999		1998	
	Authorised £	Allotted, called up and fully paid £	Authorised £	Allotted, called up and fully paid £
'A' ordinary shares of £1 each	5,865	5,865	5,880	5,880
'B' ordinary shares of £1 each	9,135	6,135	6,120	6,120
	<u>15,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>

On 28 October 1999 the authorised share capital of the company increased to £15,000 by the creation of 3,000 new 'B' ordinary shares of £1 each ranking *pari passu* in all respects with the existing 'B' ordinary shares.

On 28 October 1999 15 'A' ordinary shares of £1 each were reclassified as 15 'B' ordinary shares of £1 each ranking *pari passu* in all respects with the existing 'B' ordinary shares.

In 1996 the company granted an option to J A Spens (a director of the company) which entitles J A Spens to 1,334 'B' ordinary shares of £1 each. The option may be exercised at any time before 7 June 2003 at a consideration of £80.73 per share for the first 667 shares and then at a consideration of £121.59 per share for the next 667 shares so acquired. Under the option agreement if the company consolidate or sub-divide any of the shares during the option period prior to the exercise date, the number of the option shares will be decreased in the case of a consolidation of shares, or increased, in the case of a sub-division, in due proportion and the option price shall be adjusted accordingly. In addition J A Spens will be entitled to subscribe on the same terms as the other subscribers concerned for the number of shares being offered or allotted which bears the same proportion to the total number being offered or allotted as the number of option shares in respect of which the option has not as that date been exercised bears to the total amount issued share capital of the company prior to such offer or allotment. Accordingly J A Spens will be entitled to subscribe for further shares should A Millet exercise his option as described below.

In 1999 the company granted an option to A Millet (the company secretary and director of the company) which entitles A Millet to a maximum of 60 'B' ordinary shares of £1 each. The option may be exercised at any time before 16 December 2009 at a consideration of £375.00 per share. In the event of any alteration of the share capital by way of capitalisation or rights issue, or sub-division, consolidation or reduction or any other variation in the share capital of the company, the directors may make such adjustment as considered appropriate to the number of share option or/and the exercise price.

MAINTEL HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

16 Reserves

	Group		Company	
	Share premium account £	Profit and loss account £	Share premium account £	Profit and loss account £
At 1 January 1999	593,880	(721,812)	593,880	(99,177)
Profit for year	-	421,331	-	253,017
Dividend	-	(99,960)	-	(99,960)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	593,880	(400,441)	593,880	53,880
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The cumulative amount of goodwill resulting from acquisitions in previous years which has been eliminated against group reserves is £1,172,120 (1998 – £1,172,120).

17 Commitments under operating leases

As at 31 December 1999, the group had annual commitments under non-cancellable operating leases as set out below:

	1999		1998	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	179,404	16,625	149,012
In two to five years	-	45,287	-	40,143
	<hr/>	<hr/>	<hr/>	<hr/>
	-	224,691	16,625	189,155
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18 Related party transactions

The company incurred interest charges from a director, W F Madden of £3,785 (1998 - £8,809) relating to a loan for £150,000. The loan and the interest was repaid during the year. The rate of interest charged was the same as the rate paid to Lloyds TSB Bank plc.

The company incurred consultancy fee charges from a director, J A Spens of £Nil (1998 - £29,375 inclusive of VAT) whilst carrying out his duties as a consultant relating to the warranty claim detailed in note 10.

MAINTEL HOLDINGS LIMITEDNotes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)**19 Reconciliation of operating profit to net cash inflow from operating activities**

	1999	1998
	£	£
Operating profit	571,306	485,723
Depreciation charge	56,293	46,936
Loss/(profit) on sale of fixed assets	2,483	(1,034)
Increase in stocks	(61,988)	(135,525)
Increase in debtors	(24,820)	(276,011)
Increase in creditors	468,318	35,666
	<hr/>	<hr/>
Net cash inflow from operating activities	1,011,592	155,756
	<hr/> <hr/>	<hr/> <hr/>

20 Reconciliation of net cash flow to movement in net debt

	£	£
Increase in cash in the year	16,281	
Cash outflow from financing	(322,818)	
	<hr/>	
Change in net debt		(306,537)
Net debt at 1 January 1999		569,258
		<hr/>
Net debt at 31 December 1999		262,721
		<hr/> <hr/>

21 Analysis of net debt

	At		At
	1 January	Cash	31 December
	1999	flow	1998
	£	£	£
Cash in hand, at bank	246,461	17,260	262,721
Overdrafts	(21)	21	-
	<hr/>	<hr/>	<hr/>
Total	246,440	16,281	262,721
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MAINTEL HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

22 Post balance sheet event

During May 2000, the company signed a five year lease for a new office with a 3 year option to break the lease. The annual rent payable including estimated rates is as follows for the period up to the 3 year break.

	£
31 December 2000	49,525
31 December 2001	90,557
31 December 2002	90,557
31 December 2003	35,020
	<u> </u>