

**Company Registration No. SC145376**

**CAPROCK UK LIMITED**

**Report and Financial Statements**

**31 December 2005**



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COMPANIES HOUSE      18/10/2006

# **CAPROCK UK LIMITED**

## **Report and financial statements 2005**

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# **CAPROCK UK LIMITED**

## **Report and financial statements 2005**

### **Officers and professional advisers**

#### **Directors**

C J Brucato (appointed 2 January 2006)

M Blackburn (resigned 2 January 2006)

A Farrar (resigned 2 January 2006)

P Hobby (resigned 2 January 2006)

S Kriscunas (resigned 2 January 2006)

E J Olivier

P Shaper

#### **Secretary**

I Ford

#### **Solicitors and Registered Office**

Raeburn Christie & Co

16 Albany Place

Aberdeen

#### **Bankers**

Clydesdale Bank

20 Filton Road

Bridge of Don

Aberdeen

#### **Independent auditors**

Deloitte & Touche LLP

Aberdeen

# CAPROCK UK LIMITED

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005

### Activities

The principal activity of the company is the provision and delivery of highly reliable managed communication services to the offshore energy, maritime construction and mining industries

### Results and dividends

The results for the year ended 31 December 2005 are shown in the profit and loss account on page 5. The profit for the year after taxation amounted to £2,635,893 (2004 restated £2,556,187)

The directors do not propose the payment of a dividend and recommend that the retained profit of £2,635,893 (2004 restated £2,556,187) is transferred to reserves

### Review of developments and future prospects

The directors are satisfied with the results for the year and are confident of the future prospects for the company

### Change in accounting policy

The directors have changed their fixed assets accounting policy in the year from revaluation to historical cost basis. The reason for doing so is that they believe the cost of performing an interim valuation (required under Financial Reporting Standard 15) outweighs the benefits. The impact of this change is disclosed at note 15.

### Directors and their interests

The present membership of the board is set out on page 1

The directors holding office at 31 December 2005 did not hold any direct interest in the issued share capital of the company at 31 December 2005

The company is a wholly owned subsidiary of a body corporate incorporated outside Great Britain and therefore the directors are not required to notify the company of any interests in shares or debentures of that or any other body corporate incorporated outside Great Britain

### Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors  
and signed on behalf of the Board



I Ford  
Secretary

19th September 2006

# **CAPROCK UK LIMITED**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed,
- (d) 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.

## **Independent auditors' report to the members of CAPROCK UK LIMITED**

We have audited the financial statements of CapRock UK Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche LLP**

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
Aberdeen

16 October 2006

# CAPROCK UK LIMITED

## Profit and loss account Year ended 31 December 2005

	Note	2005 £	Restated 2004 £
<b>Turnover* continuing operations</b>	2	11,918,419	10,438,466
Cost of sales		(6,694,504)	(5,689,894)
Gross profit		5,223,915	4,748,572
Administrative expenses		(1,237,769)	(1,188,759)
<b>Operating profit continuing operations</b>	4	3,986,146	3,559,813
Interest receivable	5	10,434	4,893
Interest payable and similar charges	6	(50,764)	(135)
<b>Profit on ordinary activities before taxation</b>		3,945,816	3,564,571
Tax on profit on ordinary activities	7	(1,309,923)	(1,008,384)
<b>Profit for the financial year</b>	14	<u>2,635,893</u>	<u>2,556,187</u>

There are no recognised gains and losses in the current or preceding financial year other than as included in the profit and loss account. Accordingly, no Statement of Total Recognised Gains and Losses is presented.

# CAPROCK UK LIMITED

## Balance sheet 31 December 2005

	Note	2005 £	Restated 2004 £
<b>Fixed assets</b>			
Tangible assets	8	4,491,057	4,298,455
<b>Current assets</b>			
Stocks	9	266,115	227,346
Debtors	10	3,274,182	1,366,715
Cash at bank and in hand		251,213	321,495
		3,791,510	1,915,556
<b>Creditors: amounts falling due within one year</b>	11	(1,692,766)	(2,260,103)
<b>Net current assets/(liabilities)</b>		2,098,744	(344,547)
<b>Net assets</b>		6,589,801	3,953,908
<b>Capital and reserves</b>			
Called up share capital	12	1,250,000	1,250,000
Profit and loss account	13	5,339,801	2,703,908
<b>Total equity shareholders' funds</b>	14	6,589,801	3,953,908

These financial statements were approved by the Board of Directors on 19 September 2006

Signed on behalf of the Board of Directors



Errol Olivier

Director

no



# CAPROCK UK LIMITED

## Notes to the financial statements Year ended 31 December 2005

### 1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, with the exception of the accounting policy for tangible fixed assets which is explained in note 15.

#### Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

#### Revenue recognition

Revenue is recognised on provision of service, or on despatch, net of any discounts.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Building improvements	6 years
Rental equipment	3 – 4 years
Test equipment	3 – 5 years
Fixtures, fittings, tools and equipment	1 – 5 years

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow moving or defective items where appropriate.

#### Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. These translation differences are dealt with in the profit and loss account.

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Leases

Rental costs under operating leases are charged to the profit and loss account as incurred.

# CAPROCK UK LIMITED

## Notes to the financial statements Year ended 31 December 2005

### 1 Accounting policies (continued)

#### Pension costs

The company operates a defined contribution scheme for all employees. Contributions are charged to the profit and loss account as and when they fall due. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The assets of the scheme are held separately from those of the company.

#### Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard 1 to present a cash flow statement as it is a wholly owned subsidiary of CapRock Holdings Inc. which prepares consolidated financial statements that are publicly available.

### 2 Turnover

Turnover represents the value of goods and services provided in the normal course of business net of trade discounts, VAT and other sales related taxes. The trading activities of hire assets in which the company trades is an integral part of the company's business. The proceeds from the sale of hire assets are recorded in turnover.

An analysis of turnover has not been included as the directors believe that to do so could be prejudicial to the best interests of the company.

### 3. Information regarding directors and employees

None of the directors received remuneration from the company during the year (2004: £nil).

	2005 No	2004 No
<b>Average number of persons employed</b>		
Engineering	51	31
Sales	9	6
Administration	11	9
	<u>71</u>	<u>46</u>
	2005 £	2004 £
<b>Staff costs during the year</b>		
Wages and salaries	2,719,816	2,293,160
Social security costs	228,830	176,924
Pension costs	62,836	25,457
	<u>3,011,482</u>	<u>2,495,541</u>

# CAPROCK UK LIMITED

## Notes to the financial statements Year ended 31 December 2005

### 4 Operating profit

	2005 £	Restated 2004 £
<b>Operating profit is stated after charging/(crediting).</b>		
Depreciation – owned assets	1 500 036	1,104,823
Auditors' remuneration for audit services	18,500	16 500
Loss/(gain) on disposal of fixed assets	22,154	(900)
Rentals under operating leases		
Land and buildings	113,370	113 856
Other	17,987	3,135
Foreign exchange gain	(150,538)	(37,648)

### 5 Interest receivable

	2005 £	2004 £
Bank interest receivable	10,434	4,893

### 6. Interest payable and similar charges

	2005 £	2004 £
Bank interest and similar charges	254	135
Other interest	50,510	
	50,764	135

# CAPROCK UK LIMITED

## Notes to the financial statements Year ended 31 December 2005

### 7 Taxation

	2005 £	2004 £
United Kingdom corporation tax at 30% (2004 – 30%) based on the profit for the year	1,304,384	1,078,781
Double taxation relief	(2,666)	
Foreign tax for current period	3,378	
Adjustment in respect of prior years	4,827	(70,397)
<b>Total current tax charge</b>	<b>1,309,923</b>	<b>1,008,384</b>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(8,928)	(79,249)
Adjustment to the estimated recoverable amount of deferred tax assets arising in previous periods		(44,751)
Prior year adjustment	8,928	74,000
<b>Tax charge on loss on ordinary activities</b>	<b>1,309,923</b>	<b>1,008,384</b>

The standard rate of tax for the year, based on the U.K. standard rate of corporation tax is 30%. The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation

	2005 £	2004 £
Profit on ordinary activities before tax	3,945,186	3,564,571
<b>Tax on profit on ordinary activities at standard rate</b>	<b>1,183,745</b>	<b>1,069,371</b>
<b>Factors affecting charge for the period.</b>		
Expenses not deductible for tax purposes	40,063	26,653
Capital allowances in excess of depreciation	80,181	(19,562)
Movement in short term timing differences	396	2,319
Prior period adjustments	4,826	(70,397)
Unrelieved foreign taxes	712	
	<b>1,309,923</b>	<b>1,008,384</b>

# CAPROCK UK LIMITED

## Notes to the financial statements Year ended 31 December 2005

### 8. Tangible fixed assets

	Building improve- ments £	Rental equip- ment £	Test equip- ment £	Fixtures, fittings, tools and equipment £	Totals £
<b>Cost or valuation</b>					
At 1 January 2005 (restated)	145,759	4,365,573	1 879 988	216,551	6,607 871
Additions	16,048	1 239,270	587,946	54,107	1,897,371
Disposals		(478,088)	(5,500)	(750)	(484,338)
Transfers to group undertakings		(67 828)			(67,828)
At 31 December 2005	161 807	5,058,927	2,462,434	269,908	7,953,076
<b>Accumulated depreciation</b>					
At 1 January 2005 (restated)	15 124	1 662 631	519,029	112,632	2,309,416
Charge for the year	15,343	1,062 776	390,688	31,229	1,500,036
On disposals		(318,574)	(5,500)	(750)	(324,824)
Transfers to group undertakings		(22 609)			(22 609)
At 31 December 2005	30,467	2 384 224	904,217	143,111	3,462,019
<b>Net book value</b>					
At 31 December 2005	131,340	2,674,703	1,558,217	126,797	4,491,057
At 31 December 2004	130,635	2,702,942	1,360,959	103 919	4 298 455

### 9. Stock

	2005 £	2004 £
Parts and spares	266,115	227,346

### 10. Debtors

	2005 £	2004 £
Trade debtors	878,485	944 036
Other debtors	122,343	102,587
Prepayments and accrued income	251 699	320,092
Amounts owed by group undertakings	2,021,655	
	3,274,182	1,366,715

All amounts are due within one year

# CAPROCK UK LIMITED

## Notes to the financial statements Year ended 31 December 2005

### 11 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft	36,939	114,882
Trade creditors	297,619	389,152
Other creditors		5,273
Other taxes and social security	82,644	62,413
Accruals and deferred income	565,546	457,550
Amounts owed to group undertaking	72,390	230,594
Corporation tax	637,628	1,000,239
	<u>1,692,766</u>	<u>2,260,103</u>

### 12. Called up share capital

	2005 £	2004 £
<b>Authorised:</b>		
10,000,000 ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>
<b>Called up, allotted and fully paid</b>		
1,250,000 ordinary shares of £1 each	<u>1,250,000</u>	<u>1,250,000</u>

### 13 Reserves

	Restated profit and loss account £
At 1 January 2005	2,703,908
Profit for the year	<u>2,635,893</u>
At 31 December 2005	<u>5,339,801</u>

# CAPROCK UK LIMITED

## Notes to the financial statements Year ended 31 December 2005

### 14 Reconciliation of movements in shareholders' funds

	2005 £	Restated 2004 £
Profit for the financial year	2 635 893	2,556,187
Opening shareholders' funds	3,953,908	1,397,721
Closing shareholders' funds	<u>6,589,801</u>	<u>3,953,908</u>

### 15. Change of accounting policy

The company has changed its fixed assets accounting policy to value its fixed assets under the historical cost convention. Previously, assets were held at their revalued amounts. The company has decided to change its accounting policy as the directors believe the cost of performing an interim revaluation of fixed assets as required by FRS 15 Tangible Fixed Assets to outweigh the benefits. The effect of this change in accounting policy is disclosed in the table below.

	Per 2004 Accounts £	Adjustment in respect of change in accounting policy £	Restated 2004 £
<b>Profit and loss account</b>			
Operating profit	<u>3 388,471</u>	<u>171,342</u>	<u>3 559,813</u>
<b>Balance sheet</b>			
Tangible fixed assets			
Closing cost or valuation	6 412,955	194,916	6 607,871
Closing accumulated depreciation	<u>(2,114,500)</u>	<u>(194,916)</u>	<u>(2,309,416)</u>
	<u>4,298,455</u>		<u>4,298,455</u>

### 16 Operating lease commitments

Annual commitments under non cancellable operating leases are as follows

	Land and buildings		Other	
	2005 £	2004 £	2005 £	2004 £
Expiry date				
Within one year	22 125	3,821	478	
Between two and five years	18,563	15,704	6,855	11,925
After five years	<u>53,509</u>	<u>88,500</u>		<u>6,017</u>
	<u>94 197</u>	<u>108,025</u>	<u>7,333</u>	<u>17,942</u>

## **CAPROCK UK LIMITED**

### **Notes to the financial statements Year ended 31 December 2005**

#### **17 Related party transactions**

The company has taken advantage of the exemption, available under Financial Reporting Standard 8, from disclosure of related party transactions with group companies since it is a 100% subsidiary

#### **18. Pension costs**

The company operates a defined contribution pension scheme. The assets of the company pension scheme were held separately from those of the company in an independently administered fund.

The pension cost charge for the year amounted to £62,836 (2004: £25,457). There were no prepaid or accrued contributions at the year end (2004: £nil).

#### **19 Ultimate parent company**

The company's ultimate parent undertaking is CapRock Holdings Inc, a company incorporated in the United States of America. A copy of the accounts of CapRock Holdings Inc may be obtained from its registered office at 4400 S Sam Houston Parkway E, Houston, Texas.

The smallest group in which the results of CapRock UK Limited are consolidated is that headed by CapRock Communications, Inc (formerly IWL Communications Incorporation), the immediate parent company, which is a company incorporated in the United States of America. The consolidated accounts of CapRock Communications, Inc (formerly IWL Communications Incorporation) are not available to the public.

On 1 February 2006, the parent undertaking entered into a Recapitalisation Agreement through which ABRY Partners, a private equity firm located in Boston, Massachusetts acquired a majority of the Company's outstanding common shares, all outstanding warrants and all outstanding stock options in accordance with the terms of the Recapitalisation Agreement. There was no change to the management team of the Company or its direct and indirect subsidiaries as a result of this transaction.