

UNI WORLD COMMUNICATIONS LIMITED

DIRECTORS' REPORT
and
AUDITED FINANCIAL STATEMENTS

31 May 2002

Company registration number: 2998021



UNI WORLD COMMUNICATIONS LIMITED
DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
Year ended 31 May 2002

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UNI WORLD COMMUNICATIONS LIMITED

COMPANY INFORMATION

Year ended 31 May 2002

REGISTERED COMPANY NAME AND ADDRESS

Uni World Communications Limited
59 Kennedy Crescent
Gosport
Hampshire
United Kingdom

COMPANY REGISTRATION

Registered in England and Wales
Registered number: 2998021

COMPANY CONTACTS NUMBERS

Telephone: +44 (0)845 458 4510
Facsimile: +44 (0)845 458 4509
Email : Customer.service@Uniworld.co.uk
Web-site : <http://www.Uniworld.co.uk>

DIRECTORS

Mr C Potter	- Managing director
Mrs B Potter	- Financial director
Mr A G C Potter	- Billing director

COMPANY SECRETARY

Mrs B Potter

PROFESSIONAL ADVISERS

Auditors

Wood, Hicks & Co.
101a High Street
Gosport
Hampshire PO12 1DS

Bankers

National Westminster Bank Plc
5 High Street
Gosport
Hampshire PO12 1DA

UNI WORLD COMMUNICATIONS LIMITED

DIRECTORS' REPORT

Year ended 31 May 2002

The directors present their annual report and the audited financial statements of the Company as at and for the year ended 31 May 2002.

1. Principal activity

The Company's principal activity remains that of the provision of telecommunication services to the business community.

2. Review of business and future developments

The directors are pleased to report the substantial growth of its key business activity, the sale of fixed line telephony network services to businesses. Compound growth in monthly revenues occurred throughout the year to exceed £400,000 in May 2002, an increase of 700% over the corresponding month in 2001.

The Company has continued to focus on growth of its fixed line network revenues and the directors are pleased to report billings of £540,000 in September 2002, an increase of 35% over May 2002.

The achievement of this growth is a great source of satisfaction to the directors and is a testament to the importance that the Company places on high quality support to its customers and dealers. Maintenance of growth and standards of customer service remain the Company's highest priority.

The directors would also like to state very clearly that the Company uses the most stringent accounting policies. In particular, customer set up and installation costs are written off to revenue as incurred and no other expenditures are deferred. With the enormous expansion in the fixed line business, the effect of this policy has been to temporarily reduce profits. The directors are confident that as the business consolidates, strong growth in profitability will follow.

No revenues are included in the financial statements other than those fully earned within the year and for which settlement within 30 days of invoice is required.

The past year has seen the demise of several telephone carriers who were suppliers to the Company. This has had a two-fold effect:

- the sudden cessation of commissions payable to the Company for customers billed directly by those carriers resulting in a fall in commission income of around £380,000 or 60% in the year.
- the need to transfer services from defunct carriers to alternative suppliers. This was achieved at some additional cost to the Company but in a manner transparent to our customers.

The Company's performance in the year is a testament to the tight control over expenses exercised by the management and the dedicated teamwork of the Company staff to whom the directors would like to express their deep appreciation. The directors are anticipating substantial growth in both revenues and profits in the forthcoming year.

3. Results and dividend

We are pleased to report that the Company has weathered the turbulent times in the telecommunications industry, has grown its customer base substantially, and has managed to achieve a profit after tax of £41,844, from which, dividends totalling £32,150 have been paid.

UNI WORLD COMMUNICATIONS LIMITED

DIRECTORS' REPORT (continued)

Year ended 31 May 2002

4. Directors and their interests

The directors of the Company during the year and their beneficial interests in the shares of the Company at the beginning and end of the year were:

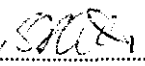
	<u>2002</u> Ordinary shares of 1 penny each	<u>2001</u> Ordinary shares of £1 each
Mr C Potter	49,871	53
Mrs B Potter	58,933	74
Mr A G C Potter	none	none

The Company's authorised share capital was increased from 1,000 to 10,000 ordinary shares of £1 each on 10 December 2001 and sub-divided into 1,000,000 ordinary shares of one penny each on 12 December 2001.

5. Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Wood, Hicks & Co. as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board


.....
B Potter (Mrs)
Company Secretary
7 October 2002

UNI WORLD COMMUNICATIONS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 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. In addition, the directors are 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
SHAREHOLDERS OF UNI WORLD COMMUNICATIONS LIMITED**

We have audited the financial statements of Uni World Communications Limited for the year ended 31 May 2002 that comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view 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 specifically required by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement in it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 May 2002, and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Wood Hicks & Co.

Wood, Hicks & Co.
Chartered Accountants and Registered Auditor
101a High Street
Gosport
Hampshire PO12 1DS
7 October 2002

UNI WORLD COMMUNICATIONS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 May 2002

	<u>Note</u>	<u>2002</u> £	<u>2001</u> £
TURNOVER		3,525,555	1,422,296
COST OF SALES		3,089,993	992,909
GROSS PROFIT		435,562	429,387
OPERATING EXPENSES			
Selling and administrative expenses		368,394	289,796
OPERATING PROFIT	3	67,168	139,591
OTHER INCOME (CHARGES)			
Interest receivable and similar income		512	2,913
Interest payable and similar charges	6	(12,541)	(3,757)
		(12,029)	(844)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		55,139	138,747
TAXATION			
Tax on profit on ordinary activities	7	13,295	28,543
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		41,844	110,204
APPROPRIATION			
Equity dividends		32,150	80,000
		9,694	30,204
CAPITALISATION OF RESERVES FOR SCRIP ISSUE	14	(4,500)	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		£ 5,194	£ 30,204

CONTINUING OPERATIONS

Turnover and operating loss derive from continuing operations.

TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses either in the current or the preceding year other than those recorded in the profit and loss account.

The notes on pages 12 to 16 form an integral part of these financial statements.

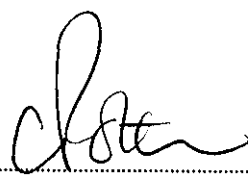
UNI WORLD COMMUNICATIONS LIMITED

BALANCE SHEET

31 May 2002

	Note	<u>2002</u> £	<u>2001</u> £
FIXED ASSETS			
Tangible	9	<u>16,785</u>	<u>15,446</u>
CURRENT ASSETS			
Stock	10	773	3,461
Debtors	11	967,319	372,086
Cash at bank and in hand		<u>271,067</u>	<u>118,233</u>
		1,239,159	493,780
CREDITORS: Amounts falling due within one year	12	<u>1,112,010</u>	<u>383,382</u>
NET CURRENT ASSETS		<u>127,149</u>	<u>110,398</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>143,934</u>	<u>125,844</u>
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>1,543</u>	<u>1,128</u>
NET ASSETS		<u>£ 142,391</u>	<u>£124,716</u>
REPRESENTED BY:			
CAPITAL AND RESERVES			
Called up share capital	14	5,000	500
Share option reserve	15	7,981	-
Profit and loss account	15	<u>129,410</u>	<u>124,216</u>
SHAREHOLDERS' FUNDS		<u>£ 142,391</u>	<u>£124,716</u>

Approved by the Board on 7 October 2002
and signed on its behalf


..... Director
C Potter

The notes on pages 12 to 16 form an integral part of these financial statements.

UNI WORLD COMMUNICATIONS LIMITED

CASH FLOW STATEMENT

Year ended 31 May 2002

Reconciliation of operating profit to net cash flow from operating activities

	<u>2002</u>	<u>2001</u>
	£	£
Operating profit	67,168	139,591
Amortisation of negative intangible fixed asset	-	(1,652)
Depreciation of tangible fixed assets	4,512	4,530
Decrease (increase) in stock	2,688	(3,461)
(Increase) in debtors	(595,233)	(268,412)
Increase in creditors	743,056	234,031
Increase in share option reserve	7,981	-
Net cash inflow from operating activities	£ 230,172	£104,627

CASH FLOW STATEMENT

Net cash inflow from operating activities	230,172	104,627
Returns on investments and servicing of finance:		
- Interest received	512	2,913
- Interest (paid)	(12,541)	(3,757)
Taxation:		
- Corporation tax paid	(27,308)	(30,840)
Capital acquisitions:		
- (Payments) for tangible fixed assets	(5,851)	(5,140)
Dividends:		
- Equity dividends paid	(32,150)	(80,000)
Increase (decrease) in cash from Company activities	£152,834	£(12,197)

The notes on pages 12 to 16 form an integral part of these financial statements.

UNI WORLD COMMUNICATIONS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 May 2002

	<u>Note</u>	<u>2002</u> <u>£</u>	<u>2001</u> <u>£</u>
Profit on ordinary activities after taxation		41,844	110,204
Dividends paid	8	(32,150)	(80,000)
Creation of share option reserve		7,981	-
Net addition to shareholders' funds		<u>17,675</u>	<u>30,204</u>
Opening shareholders' funds at 1 June 2001		<u>124,716</u>	<u>94,512</u>
Closing shareholders' funds at 31 May 2002		<u>£142,391</u>	<u>£124,716</u>

The notes on pages 12 to 16 form an integral part of these financial statements.

UNI WORLD COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 May 2002

NOTE 1 - ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules.

(b) Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

(c) Tangible fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by instalments over their estimated useful economic lives as follows:

Office equipment	- 25% reducing balance
Office furniture	- 25% reducing balance

(d) Stock

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and consumables, the first in first out price is used.

(e) Customer set up and installation costs

Customer set up and system installation costs are charged to revenue as incurred.

(f) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision is made for deferred tax.

NOTE 2 - ANALYSIS OF TURNOVER

	<u>2002</u> £	<u>2001</u> £
By activity		
Sales of call and rental charges	3,208,483	693,156
Commissions receivable	240,160	620,213
Sales of mobile phone equipment	76,882	108,302
Other	30	625
	<u>£3,525,555</u>	<u>£1,422,296</u>

By geographical market

The turnover is wholly attributable to the United Kingdom market.

UNI WORLD COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 May 2002

NOTE 3 - OPERATING PROFIT

The operating profit for the year has been arrived at after charging (crediting):

	<u>2002</u>	<u>2001</u>
	£	£
Directors' emoluments	38,426	17,110
Auditors' remuneration:		
- Audit	4,000	4,000
- Other accountancy services	2,000	500
Depreciation of tangible fixed assets	4,512	4,530
Amortisation of negative goodwill	-	(1,652)
	<u> </u>	<u> </u>

NOTE 4 - EMPLOYEE NUMBERS AND COSTS

The average number of persons being employed by the Company during the year, analysed by category, is as follows:

	<u>Number of employees</u>	
	<u>2002</u>	<u>2001</u>
Management	3	3
Selling and distribution	8	8
Administration	3	2
	<u>14</u>	<u>13</u>

The aggregate payroll costs of these employees were as follows:

	£	£
Wages and salaries	236,373	189,652
Social security costs	20,205	16,517
	<u>£256,578</u>	<u>£206,169</u>

NOTE 5 - EMPLOYEE SHARE OPTIONS

On 4 January 2002, an employee was granted options over 55,555 ordinary shares of one penny each exercisable between 4 January 2003 and 4 January 2012. The price for these shares payable on exercise is one penny each. The underlying value of each option share at the date of grant has been agreed with the Shares Valuation Division of the Inland Revenue at 54 pence giving an intrinsic value of 53 pence per share.

The minimum term from which benefits to the Company are expected to accrue from this award is considered to be a period of eighteen months commencing 4 January 2002. No market exists in the Company's shares at 31 May 2002.

NOTE 6 - INTEREST PAYABLE

	<u>2002</u>	<u>2001</u>
In respect of borrowings from directors	<u>£4,170</u>	<u>£3,757</u>

UNI WORLD COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 May 2002

NOTE 7 - TAXATION

	<u>2002</u>	<u>2001</u>
	£	£
UK Corporation tax:		
Current tax on profit for the year	12,880	27,308
Adjustment relating to an earlier year	-	107
Deferred taxation (See note 13)	415	1,128
	<u>£13,295</u>	<u>£28,543</u>

NOTE 8 - DIVIDENDS

	<u>2002</u>	<u>2001</u>
	£	£
Interim dividend on equity shares	<u>£32,150</u>	<u>£80,000</u>

NOTE 9 - TANGIBLE FIXED ASSETS

	<u>Office equipment</u>	<u>Office furniture</u>	<u>Total</u>
	£	£	£
Cost			
At 1 June 2001	20,717	7,897	28,614
Additions in year	4,989	862	5,851
At 31 May 2002	<u>25,706</u>	<u>8,759</u>	<u>34,465</u>
Depreciation			
At 1 June 2001	9,786	3,382	13,168
Charge for year	3,198	1,314	4,512
At 31 May 2002	<u>12,984</u>	<u>4,696</u>	<u>17,680</u>
Net book value			
At 31 May 2002	<u>£12,722</u>	<u>£4,063</u>	<u>£16,785</u>
At 31 May 2001	<u>£10,931</u>	<u>£4,515</u>	<u>£15,446</u>

NOTE 10 - STOCK

	<u>2002</u>	<u>2001</u>
	£	£
Raw materials and consumables	<u>£773</u>	<u>£3,461</u>

NOTE 11 - DEBTORS

	<u>2002</u>	<u>2001</u>
	£	£
Amounts falling due within one year		
Trade debtors	242,791	170,603
Due from Parent Company	239,575	43,565
Prepayments and accrued income	484,953	157,918
	<u>£967,319</u>	<u>£372,086</u>

UNI WORLD COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 May 2002

NOTE 12 - CREDITORS: Amounts falling due within one year

	<u>2002</u>	<u>2001</u>
	£	£
Trade creditors	477,721	125,103
Taxation and social security:		
- Corporation tax	12,880	27,308
- Other taxes and social security	31,046	22,729
Directors' loan accounts	235,345	63,697
Accrued charges	355,018	144,545
	<u>£1,112,010</u>	<u>£383,382</u>

NOTE 13 - PROVISIONS FOR LIABILITIES AND CHARGES

The following deferred tax liability has been recorded in the financial accounts as a provision for liabilities and charges.

	<u>2002</u>		<u>2001</u>	
	<u>Timing difference</u>	<u>Tax effect</u>	<u>Timing difference</u>	<u>Tax effect</u>
Capital allowances	£8,120	£1,543	£5,641	£1,128

NOTE 14 - CALLED UP SHARE CAPITAL

	<u>2002</u>	<u>2001</u>
Authorised		
1,000 ordinary shares of £1 each	-	1,000
1,000,000 ordinary shares of 1 penny each	10,000	-
	<u>£10,000</u>	<u>£1,000</u>
Allotted, called up and fully paid		
500 ordinary shares of £1 each	-	£500
500,000 ordinary shares of 1 penny each	5,000	-
	<u>£5,000</u>	<u>£500</u>

The following changes occurred in the Company's share capital in December 2001:

- (a) The authorised capital was increased by £9,000.
- (b) The shares of £1 each were sub-divided into 100 shares of 1 penny each.
- (c) A bonus issue of 9 ordinary shares was made for each ordinary share held.

As explained in Note 5, the Company granted options over 55,555 ordinary shares of one penny each to an employee on 4 January 2002.

UNI WORLD COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 May 2002

NOTE 15 - RESERVES

The movements on the Company's reserves in the year ended 31 May 2002 are:

	<u>Share option reserve</u> £	<u>Profit and loss account</u> £
At beginning of year	-	124,216
Increase in the year (see Note 5)	7,981	-
Retained profit for the year	-	5,194
At end of year	<u>£7,981</u>	<u>£129,410</u>

NOTE 16 - RELATED PARTY TRANSACTIONS

The following transactions occurred between the Company and its parent company, Andrew Charles Associates (Communication) Limited during the year ended 31 May 2002:

- (a) Mr C and Mrs B Potter assigned a total of £210,000 of the amount due to them by Andrew Charles Associates (Communication) Limited to the Company in consideration for the Company crediting their directors' loan account in like amount.
- (b) Mr A G C Potter assigned the total of £9,994 due to him by Andrew Charles Associates (Communication) Limited to the Company in consideration for the Company crediting his director's loan account in like amount.
- (c) The Company pays interest on the amount due to the directors at the rate of 7% p.a. (2001: 7%). The purpose of this loan is to finance the Company's continued expansion into direct sales of telecommunication provision rather than the agency activities that were predominant in previous years. The interest accrued for the year in respect of this loan at 31 May 2002 amounts to £4,170 (2001: £3,757). A total of £3,680 was paid to the directors on 1 October 2001, representing the interest accrued at 31 May 2001 net of income tax.

NOTE 17 - ULTIMATE PARENT COMPANY

The ultimate parent company of Uni World Communications Limited is Andrew Charles Associates (Communication) Limited.