

UNI WORLD COMMUNICATIONS LIMITED

DIRECTORS' REPORT
and
AUDITED FINANCIAL STATEMENTS

31 May 2003

Company registration number: 2998021



UNI WORLD COMMUNICATIONS LIMITED

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Year ended 31 May 2003

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UNI WORLD COMMUNICATIONS LIMITED

COMPANY INFORMATION

Year ended 31 May 2003

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 CONTACT 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	- Information technology director
Mr G Potter	- Marketing director (appointed 6 April 2003)
Mr R Hisom	- Sales director (appointed 6 April 2003)
Miss J Hilsden	- Operations director (appointed 6 April 2003)

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 2003

The directors present their annual report and the audited financial statements of the Company as at and for the year ended 31 May 2003.

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 and profitable growth of its key business activity, the sale of fixed line telephony network services to businesses. The monthly revenues have grown to over £890,000 in the month of May 2003, an increase of 220% over the corresponding month in 2002.

This strong advance has continued after the balance sheet date and July 2003 revenue has risen by a further 22% over that of May 2003.

During the year, the Company became service providers for British Telecommunications products and is actively offering services such as line rentals to existing and new customers. These new services have helped to reposition the Company in the marketplace, moving from an alternative carrier for telephone calls, to a complete service provider for telephony.

These new products and the Company's strong focus on high standards of personal service to its customers are the major factors behind the improvement and give the directors' confidence in forecasting further strong profitable growth in the coming year.

The directors would 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. 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. 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.

The directors' would also like to express their deep appreciation for the dedication of the Company's staff and the commitment from the Company's third party dealer channel, which are major factors behind the continued financial progress.

3. **Results and dividend**

We are pleased to report that the Company has weathered the turbulent times in the telecommunications industry, has strengthened its customer base substantially, and has managed to achieve a profit after tax of £264,958, from which, dividends totalling £22,000 have been paid.

UNI WORLD COMMUNICATIONS LIMITED

DIRECTORS' REPORT (continued)

Year ended 31 May 2003

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>	<u>2001</u>
	<u>Ordinary shares of 1 penny each</u>	
Mr C Potter	45,471	49,871
Mrs B Potter	54,533	58,933
Mr A G C Potter	none	none
Mr G Potter (appointed 6 April 2003)	none	none
Mr R Hisom (appointed 6 April 2003)	none	none
Miss J Hilsden (appointed 6 April 2003)	none	none

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

31 July 2003

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 2003 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.

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 auditor's 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 that 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 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 2003, and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

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

Wood, Hicks & Co.

31 July 2003

UNI WORLD COMMUNICATIONS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 May 2003

	<u>Note</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
TURNOVER	2	7,881,167	3,525,555
COST OF SALES		6,860,190	3,089,993
GROSS PROFIT		1,020,977	435,562
OPERATING EXPENSES			
Selling and administrative expenses		661,030	376,765
OPERATING PROFIT	3	359,947	58,797
OTHER INCOME (CHARGES)			
Interest receivable and similar income		2,158	512
Interest payable and similar charges	6	(16,583)	(4,170)
		(14,425)	(3,658)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		345,522	55,139
TAXATION			
Tax on profit on ordinary activities	7	80,564	13,295
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		264,958	41,844
APPROPRIATION			
Equity dividends		22,000	32,150
		242,958	9,694
CAPITALISATION OF RESERVES FOR SCRIP ISSUE		-	(4,500)
RETAINED PROFIT FOR THE FINANCIAL YEAR		£ 242,958	£ 5,194

CONTINUING OPERATIONS

Turnover and operating profit 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 2003

	<u>Note</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
FIXED ASSETS			
Tangible	9	<u>46,096</u>	<u>16,785</u>
CURRENT ASSETS			
Stock	10	-	773
Debtors	11	1,443,200	967,319
Cash at bank and in hand		<u>870,343</u>	<u>271,067</u>
		<u>2,313,543</u>	<u>1,239,159</u>
CREDITORS: Amounts falling due within one year	12	<u>1,943,861</u>	<u>1,112,010</u>
NET CURRENT ASSETS		<u>369,682</u>	<u>127,149</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>415,778</u>	<u>143,934</u>
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>10,746</u>	<u>1,543</u>
NET ASSETS		<u>£ 405,032</u>	<u>£ 142,391</u>
REPRESENTED BY:			
CAPITAL AND RESERVES			
Called up share capital	14	5,000	5,000
Share option reserve	15	27,664	7,981
Profit and loss account	15	<u>372,368</u>	<u>129,410</u>
SHAREHOLDERS' FUNDS		<u>£ 405,032</u>	<u>£ 142,391</u>

Approved by the Board on 31 July 2003
and signed on its behalf



..... Director
C Potter

UNI WORLD COMMUNICATIONS LIMITED

CASH FLOW STATEMENT

Year ended 31 May 2003

Reconciliation of operating profit to net cash flow from operating activities

	<u>2003</u>	<u>2002</u>
	£	£
Operating profit	359,947	67,168
Depreciation of tangible fixed assets	7,673	4,512
Decrease in stock	773	2,688
(Increase) in debtors	(475,881)	(595,233)
Increase in creditors	773,370	743,056
Increase in share option reserve	19,683	7,981
	<u> </u>	<u> </u>
Net cash inflow from operating activities	<u>£685,565</u>	<u>£230,172</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities	685,565	230,172
Returns on investments and servicing of finance:		
- Interest received	2,158	512
- Interest (paid)	(16,583)	(12,541)
Taxation:		
- Corporation tax paid	(12,880)	(27,308)
Capital acquisitions:		
- (Payments) for tangible fixed assets	(36,984)	(5,851)
Dividends:		
- Equity dividends paid	(22,000)	(32,150)
	<u> </u>	<u> </u>
Increase in cash from Company activities	<u>£599,276</u>	<u>£152,834</u>

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 2003

	<u>Note</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
Profit on ordinary activities after taxation		264,958	41,844
Dividends paid	8	(22,000)	(32,150)
Increase in share option reserve		19,683	7,981
Net addition to shareholders' funds		<u>262,641</u>	<u>17,675</u>
Opening shareholders' funds at 1 June,		<u>142,391</u>	<u>124,716</u>
Closing shareholders' funds at 31 May,		<u>£405,032</u>	<u>£142,391</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 2003

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>2003</u> £	<u>2002</u> £
By activity		
Sales of call and rental charges	7,704,153	3,208,483
Commissions receivable	155,190	240,160
Sales of mobile phone equipment	21,824	76,882
Other	-	30
	<u>£7,881,167</u>	<u>£3,525,555</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 2003

NOTE 3 - OPERATING PROFIT

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

	<u>2003</u>	<u>2002</u>
	£	£
Directors' emoluments	53,851	38,426
Auditors' remuneration:		
- Audit	4,000	4,000
- Other accountancy services	1,500	2,000
Depreciation of tangible fixed assets	<u>7,673</u>	<u>4,512</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>2003</u>	<u>2002</u>
Management	5	3
Selling and distribution	13	8
Administration	6	3
Information Technology	2	-
	<u>26</u>	<u>14</u>

The aggregate payroll costs of these employees were as follows:

	£	£
Wages and salaries	386,740	236,373
Social security costs	<u>37,658</u>	<u>20,205</u>
	<u>£424,398</u>	<u>£256,578</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 2003.

NOTE 6 - INTEREST PAYABLE

	<u>2003</u>	<u>2002</u>
In respect of borrowings from directors	<u>£16,583</u>	<u>£4,170</u>

UNI WORLD COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 May 2003

NOTE 7 - TAXATION

	<u>2003</u> £	<u>2002</u> £
UK Corporation tax:		
Current tax on profit for the year	71,361	12,880
Deferred taxation (See note 13)	9,203	415
	<u>£80,564</u>	<u>£13,295</u>

NOTE 8 - DIVIDENDS

	<u>2003</u>	<u>2002</u>
Interim dividend on equity shares	<u>£22,000</u>	<u>£32,150</u>

NOTE 9 - TANGIBLE FIXED ASSETS

	<u>Office equipment</u> £	<u>Office furniture</u> £	<u>Total</u> £
Cost			
At 1 June 2002	25,706	8,759	34,465
Additions in year	26,263	10,721	36,984
At 31 May 2003	<u>51,969</u>	<u>19,480</u>	<u>71,449</u>
Depreciation			
At 1 June 2002	12,984	4,696	17,680
Charge for year	5,836	1,837	7,673
At 31 May 2003	<u>18,820</u>	<u>6,533</u>	<u>25,353</u>
Net book value			
At 31 May 2003	<u>£33,149</u>	<u>£12,947</u>	<u>£46,096</u>
At 31 May 2002	<u>£12,722</u>	<u>£ 4,063</u>	<u>£16,785</u>

NOTE 10 - STOCK

	<u>2003</u>	<u>2002</u>
Raw materials and consumables	<u>£ -</u>	<u>£773</u>

NOTE 11 - DEBTORS

	<u>2003</u> £	<u>2002</u> £
Amounts falling due within one year		
Trade debtors	252,099	242,791
Due from Parent Company	339,079	239,575
Prepayments and accrued income	852,022	484,953
	<u>£1,443,200</u>	<u>£967,319</u>

UNI WORLD COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 May 2003

NOTE 12 - CREDITORS: Amounts falling due within one year

	<u>2003</u>	<u>2002</u>
	£	£
Trade creditors	822,723	477,721
Taxation and social security:		
- Corporation tax	71,361	12,880
- Other taxes and social security	81,972	31,046
Directors' loan accounts	208,885	235,345
Accrued charges	758,920	355,018
	<u>£1,943,861</u>	<u>£1,112,010</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>2003</u>		<u>2002</u>	
	<u>Timing difference</u>	<u>Tax effect</u>	<u>Timing difference</u>	<u>Tax effect</u>
Capital allowances	£32,811	£10,746	£8,120	£1,543

NOTE 14 - CALLED UP SHARE CAPITAL

	<u>2003</u>	<u>2002</u>
Authorised		
1,000,000 ordinary shares of 1 penny each	£10,000	£10,000
Allotted, called up and fully paid		
500,000 ordinary shares of 1 penny each	£5,000	£5,000

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.

NOTE 15 - RESERVES

The movements on the Company's reserves in the year ended 31 May 2003 are:

	<u>Share option reserve</u>	<u>Profit and loss account</u>
	£	£
At beginning of year	7,981	129,410
Increase in the year (see Note 5)	19,683	-
Retained profit for the year	-	242,958
At end of year	<u>£27,664</u>	<u>£372,368</u>

UNI WORLD COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 May 2003

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 2003:

- (a) On 5 April 2003, Mr C and Mrs B Potter, directors and shareholders of both companies sold 4,400 ordinary shares of 1 penny each respectively in the Company to Andrew Charles Associates (Communication) Limited for £30,800. In the opinion of the directors the price equates to an open market value of those shares.
- (b) Mr C and Mrs B Potter assigned a total of £112,556.50 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.
- (c) Mr A G C Potter assigned the total of £4,160 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.
- (d) The Company pays interest on the amount due to the directors at the rate of 7% p.a. (2002: 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 2003 amounts to £16,583 (2002: £4,170). A total of £3,336 was paid to the directors on 18 July 2002, representing the interest accrued at 31 May 2002 net of income tax.

NOTE 17 - ULTIMATE PARENT COMPANY

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