

Registered number: 3074721

CIBERNET PLC

Report and financial statements

for the year ended 31 May 2002



CIBERNET PLC

Annual report for the year ended 31 May 2002

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Directors and advisers

Directors

T Wheeler
G Shaginaw
J Edgerton
S Reddy
S Raju
M Procopio

Secretary and registered office

Hackwood Secretaries Limited
1 Silk Street
LONDON
EC2Y 8HQ

Auditors

PricewaterhouseCoopers
1 Embankment Place
LONDON
WC2N 6NN

**Directors report
for the year ended 31 May 2002**

The directors present their report and audited financial statements for the year ended 31 May 2002.

Principal activities

The principal activity of the company is promoting and operating a net settlement system for telephone operators and carriers.

Review of business and future developments

The business continued to expand and further contracts were secured during the year.

The directors envisage the further development of the business in the future.

Results and dividends

The profit for the financial year amounted to £836,494 (restated 2001: profit £1,285,209). The directors do not recommend the payment of a dividend for the year.

Research and development

The company does not carry out research and development other than on internal software. The cost of internally developed software is expensed to the profit and loss account as incurred.

Directors and directors' interests

The names of directors who held office during the year are given below:

T Wheeler
G Shaginaw
J Edgerton
S Reddy
S Raju
M Procopio (appointed 10 December 2001)

G Shaginaw holds a nominee share of £1 in the company.

The remaining directors had no interest as defined by the Companies Act 1985 in the ordinary share capital of the company at the beginning or end of the year.

G Shaginaw and T Wheeler are also directors of the immediate parent company, Cibernet Corporation.

Independent auditors' report to the members of CIBERNET PLC

We have audited the financial statements which 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 which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

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 specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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 judgments 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 at 31 May 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

21 November 2002

Profit and loss account for the year ended 31 May 2002

	Notes	Year ended 31 May 2002 £	Restated year ended 31 May 2001 £
Turnover	1,3	3,640,330	2,512,534
Net operating expenses	4	(2,672,451)	(1,665,630)
Operating profit	5	967,879	846,904
Interest receivable and similar income		41,390	11,596
Interest payable and similar charges	8	(2,673)	(83,379)
Profit on ordinary activities before taxation		1,006,596	775,121
Taxation	9	(170,102)	510,088
Profit on ordinary activities after taxation	14	836,494	1,285,209
Retained loss brought forward		(668,569)	(1,953,778)
Accumulated profit/(loss) carried forward		167,925	(668,569)

The above results relate to continuing operations.

Statement of total recognised gains and losses for the year ended 31 May 2002

	Notes	Year ended 31 May 2002 £	Restated year ended 31 May 2001 £
Profit for financial year		836,494	1,285,209
Prior year adjustment – FRS19	14	519,619	-
Total recognised gains and losses since last annual report		1,356,113	1,285,209

There is no material difference between the profit on ordinary activities before taxation and profit for the year as stated above, and their historical cost equivalents.

Balance sheet at 31 May 2002

	Notes	As at 31 May 2002 £	Restated As at 31 May 2001 £
Fixed assets			
Tangible assets	10	155,902	37,160
Current assets			
Debtors	11	2,282,280	2,245,553
Cash at bank and in hand		942,155	160,680
		<u>3,224,435</u>	<u>2,406,233</u>
Creditors: amounts falling due within one year	12	(480,022)	(379,572)
Net current assets		<u>2,744,413</u>	<u>2,026,661</u>
Total assets less current liabilities		<u>2,900,315</u>	<u>2,063,821</u>
Net assets		<u>2,900,315</u>	<u>2,063,821</u>
Capital and reserves			
Called up share capital	13	78,125	78,125
Share premium account	14	2,654,265	2,654,265
Profit and loss account	14	167,925	(668,569)
Equity shareholders' funds	15	<u>2,900,315</u>	<u>2,063,821</u>

The financial statements on pages 6 to 20 were approved by the board of directors on
and were signed on its behalf by:

Director

Mark P. P. P.
29.10.02

Cash flow statement for the year ended 31 May 2002

	Notes	2002 £	Restated 2001 £
Net cash inflow/(outflow) from operating activities	17	<u>821,196</u>	<u>(1,128,464)</u>
Returns on investments and servicing of finance			
Interest received		41,390	11,596
Interest paid		(2,673)	(520)
Interest paid on J Dwyer loan		<u>-</u>	<u>(135,105)</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance		<u>38,717</u>	<u>(124,029)</u>
Taxation			
Corporation tax paid		<u>(2,319)</u>	<u>(7,212)</u>
Capital expenditure			
Purchase of tangible fixed assets		<u>(76,119)</u>	<u>(24,460)</u>
Financing			
Issue of shares to minority shareholders		-	2,075,999
Repayment of J Dwyer loan		<u>-</u>	<u>(700,476)</u>
Net cash inflow from financing		<u>-</u>	<u>1,375,523</u>
Increase in cash in the year	18,19	<u>781,475</u>	<u>91,358</u>

Notes to the financial statements for the year ended 31 May 2002

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies are set out below.

Accounting policies

Financial Reporting Standard 18 "Accounting Policies", effective for accounting periods ending on or after 22 June 2001 has been adopted. The directors have reviewed the group's accounting policies and consider that the financial statements are prepared in accordance with FRS18.

Software costs

Externally purchased and developed software is capitalised. Internally developed software is expensed to the profit and loss account as incurred. (See note 2 for changes in accounting policy).

Fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their residual values, over the expected useful lives of the assets concerned. The rates used for this purpose are as follows:

Computer equipment and associated software	50% reducing balance basis
Fixtures and fittings	30% reducing balance basis
Leasehold property and improvements	Over length of lease

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Foreign currencies

Foreign currency transactions during the year are translated at the rates ruling on the dates of the transactions. Foreign currency balances at the year end are translated at the rate ruling at that date. Any exchange differences are charged to the profit and loss account in the period in which they arise.

Deferred taxation

FRS19 "Deferred Tax", effective for accounting periods ending on or after 23 January 2002, has been adopted for the first time in the preparation of these financial statements.

Deferred taxation is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred taxation assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date. The company does not discount deferred tax assets and liabilities (See note 2 for changes in accounting policy).

Turnover

Turnover, which excludes value added tax and trade discounts, represents settlement, invoicing and consultancy fees for services provided to telephone operators and carriers. Deferred revenue arises from timing differences caused by invoicing quarterly for work not yet carried out at the year end.

2 Changes in accounting policy**Software costs**

During the year the company has reviewed its accounting policies in accordance with FRS18. As a result the company has changed its accounting policy on software costs. The revised policy is to capitalise externally purchased and developed software.

The previous policy was to write-off all software costs to the profit and loss account as incurred.

The directors believe the new policy is more appropriate as the new policy is now in line with Cibernet plc's parent company's policy on software, and the subsequent capitalisation and depreciation of the software costs more accurately represents the software's worth to the business.

The change in policy has no material impact on the prior or current years' financial statements, and therefore no prior year adjustment is required.

Deferred tax

FRS19 "Deferred Tax" requires full provision to be made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur. In adopting FRS19, the company has chosen not to discount deferred tax assets and liabilities. The comparative figures for the prior period have been restated to reflect the impact of FRS19. This change in accounting policy has been reflected by means of a prior year adjustment. (See note 14).

FRS19 requires deferred tax assets to be recognised to the extent that they are regarded as recoverable. They should be regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets of £357,795 and £519,619 have been recognised as at 31 May 2002 and 2001 respectively as a result of adopting FRS19. (See note 11).

3 Segmental reporting

All the results relate to the company's sole principal activity.

The geographical analysis of turnover is as follows:

	2002 £	2001 £
UK	179,341	156,890
Africa	232,664	99,069
Asia	391,765	282,551
Europe	1,732,603	1,134,414
North America	341,986	280,032
Latin America	559,295	415,591
Rest of the world	202,676	143,987
	<u>3,640,330</u>	<u>2,512,534</u>

4 Net operating expenses

	2002 £	2001 £
Continuing operations		
Selling costs	652,955	607,456
Distribution costs	1,437,597	767,348
Administrative expenses	581,899	220,671
Exceptionals	-	70,155
	<u>2,672,451</u>	<u>1,665,630</u>

Exceptionals in 2001 relate to legal and other associated costs resulting from a share issue. No such expenditure occurred in the year ended 31 May 2002.

5 Operating profit

Operating profit is stated after charging the following amounts:

	2002 £	2001 £
Auditors' remuneration		
- audit	17,500	15,000
- non audit	13,450	32,020
Depreciation on owned tangible fixed assets	50,900	28,065
Operating lease charges		
- Land and buildings	71,393	57,544
- Other operating leases	10,762	2,188
	<u>115,500</u>	<u>-</u>

6 Directors' emoluments

	2002 £	2001 £
Aggregate emoluments	<u>115,500</u>	<u>-</u>

Included in the above amount is £nil (2001: £nil) relating to contributions to the directors personal pension scheme.

7 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2002 Number	2001 Number
By activity		
Selling, distributing and administration	<u>28</u>	<u>19</u>
	2002 £	2001 £
Staff costs (for the above employees)		
Wages and salaries	962,394	658,963
Social security costs	101,069	67,675
Other pension costs	25,235	14,476
	<u>1,088,698</u>	<u>741,114</u>

8 Interest payable and similar charges

	2002	2001
	£	£
Interest payable to bank	2,673	520
Interest payable on loan from J Dwyer	-	82,859
	<u>2,673</u>	<u>83,379</u>

9 Taxation**(a) Analysis of charge in the year**

	2002	Restated 2001
	£	£

The charge for taxation is made up as follows:

Current tax

UK corporation tax at 20% (2001: 20%) on profits of the year

Adjustments in respect of previous periods

Total current tax

8,278	2,319
-	7,212
<u>8,278</u>	<u>9,531</u>

Deferred tax

Origination of timing differences

Reversal of timing differences

Total deferred tax

-	(738,734)
161,824	219,115
<u>161,824</u>	<u>(519,619)</u>

Total tax charge/(credit) on profit on ordinary activities

<u>170,102</u>	<u>(510,088)</u>
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(b) Factors affecting the tax charge in the year

	2002	Restated 2001
	£	£
Profit before tax	1,006,596	775,121
Profit multiplied by standard rate of corporation tax in the UK of 20% (2001: 20%)	201,319	155,024
Effects of:		
Short term timing differences	(37,883)	-
Permanent differences	6,666	2,000
Prior period corporation tax adjustment	-	7,212
Losses brought forward	-	(154,705)
Deferred tax amount not previously recognised	-	(519,619)
Current tax charge for year (note 9(a))	170,102	(510,088)

The deferred tax asset provided is made up as follows:

	2002	Restated 2001
	£	£
Excess of capital allowances over depreciation	30,000	20,632
Losses	327,795	498,987
	357,795	519,619

10 Fixed assets

	Short leasehold property £	Leasehold improvements £	Fixtures and fittings £	Computer equipment and associated software £	Total £
Cost					
At 1 June 2001	20,000	3,676	7,472	113,451	144,599
Additions in the year	-	7,804	17,051	144,787	169,642
At 31 May 2002	20,000	11,480	24,523	258,238	314,241
Depreciation					
At 1 June 2001	16,588	3,063	3,177	84,611	107,439
Charge for the year	3,412	1,263	5,405	40,820	50,900
At 31 May 2002	20,000	4,326	8,582	125,431	158,339
Net book value					
At 31 May 2002	-	7,154	15,941	132,807	155,902
At 31 May 2001	3,412	613	4,295	28,840	37,160

11 Debtors

	2002 £	Restated 2001 £
Trade debtors	630,273	517,206
Amounts owed by group undertakings (see below)	1,156,701	1,196,286
Intercompany loan (see below)	82,926	-
Other debtors	41,069	5,959
Prepayments and accrued income	13,516	6,483
Deferred tax (see note 9)	357,795	519,619
	2,282,280	2,245,553

The above intercompany balance and loan are repayable on demand. Interest is charged at 6.5% per annum on the intercompany loan and at a variable US commercial rate on amounts owed by group undertakings, this was an average rate of 1.6% during the year.

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	135,470	102,176
UK Corporation tax payable	8,278	2,319
Taxation and social security	40,611	84,001
Accruals and deferred income	295,663	191,076
	<u>480,022</u>	<u>379,572</u>

13 Called up share capital

	2002 £	2001 £
Authorised		
102,041 ordinary shares of £1 each	<u>102,041</u>	<u>102,041</u>
Allotted, called up and fully paid		
78,125 ordinary shares of £1 each	<u>78,125</u>	<u>78,125</u>

14 Reserves

	Share premium account £	Profit and loss account £
At 1 June 2001	-	(1,188,188)
Prior year adjustment	-	519,619
Restated at 1 June 2001	2,654,265	(668,569)
Retained profit for the year	-	836,494
At 31 May 2002	<u>2,654,265</u>	<u>167,925</u>

15 Reconciliation of movement in shareholders' funds

	2002 £	Restated 2001 £
Opening shareholders' funds/(deficit) as previously reported	1,544,202	(1,297,387)
Prior year adjustment – FRS19 (see note 2)	519,619	-
Opening shareholders' funds/(deficit) as restated	2,063,821	(1,297,387)
Profit after taxation	836,494	1,285,209
Net proceeds from issue of ordinary share capital	-	2,075,999
Closing shareholders' funds	2,900,315	2,063,821

16 Financial commitments

At 31 May 2002 company had annual commitments under non-cancellable operating leases expiring as follows:

	2002 Land and buildings £	2001 Land and buildings £
Within one year	-	50,899
In one to two years	-	-
In two to five years	132,482	-
	132,482	50,899

17 Reconciliation of operating profit to net operating cash flows

	2002 £	2001 £
Operating profit	967,879	846,904
Depreciation charges	50,900	28,065
(Increase) in debtors	(250,122)	(638,587)
Increase/(decrease) in creditors	52,539	(1,392,454)
Exchange difference	-	27,608
Cash flow from operating activities	821,196	(1,128,464)

18 Reconciliation of net cash flows to movement in net funds

	£
Increase in cash in the period	<u>781,475</u>
Change in net funds resulting from cash flow	781,475
Net funds at 1 June 2001	<u>160,680</u>
Net funds at 31 May 2002	<u>942,155</u>

19 Analysis of net funds

	1 June 2001 £	Cash flows £	31 May 2002 £
Cash at bank and in hand	<u>160,680</u>	<u>781,475</u>	<u>942,155</u>
	<u>160,680</u>	<u>781,475</u>	<u>942,155</u>

20 Related parties

Name of related party	Relationship	Material transactions	Value of transactions	Balance outstanding at year-end
Cibernet Corporation	60% ownership of Cibernet plc	Transfer of debt to Cibernet plc	£324,327	£324,327 creditor
		Transfer of loan to Cibernet plc	£82,926	£82,926 creditor
		Recharged capital expenditure	£32,037	£32,037 creditor
		Cash repayment to Cibernet plc	£34,038	Nil
		Licence fee payable by Cibernet plc	£90,112	£90,112 creditor
		Income due to Cibernet plc for customers based in Latin America	£339,205	£16,891 debtor
		Interest payable by Cibernet Corporation on the intercompany balance	£16,891	£339,205 debtor
		Recharged costs	£190,567	£166,515 creditor
Trans Cibernet Cyprus	20% ownership of Cibernet plc	Exchange of debt from Cibernet Corporation to Cibernet plc	£295,220	£295,220 debtor
Trans Cibernet India	100% owned by Trans Cibernet Cyprus	Loan plus interest	£85,514	£85,514 debtor
Trans Cibernet India		Intercompany trading	Income of £48,063 and expenses of £26,892	£7,359 debtor
Trans Cibernet Ireland	100% owned by Trans Cibernet Cyprus	Exchange of debt from Cibernet Corporation to Cibernet plc	£29,107	£29,107 debtor

No amounts due from or to related parties have been provided against and no amounts have been written off in the year in respect of amounts due from related parties.

21 Ultimate parent undertaking

Due to its 60% shareholding in the issued share capital of the company, the immediate parent undertaking is Cibernet Corporation, a company incorporated in the United States of America.

The ultimate controlling party, due to its 100% shareholding in the issued share capital of Cibernet Corporation, is Cellular Telecommunications and Internet Association which is incorporated in the United States of America. Copies of Cellular Telecommunications and Internet Association's financial statements can be obtained from 1250 Connecticut Avenue, N.W., Suite 200, Washington, D.C. 20036.