Aspen Group Limited

Directors' report and financial statements

Registered number 00663645

30 June 2002

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2002.

Principal activities

The company was acquired by Pensa Limited on 20 July 1999. Following a group re-organisation the Aspen Group Limited was acquired by Pensa Holdings Limited on 8 June 2001.

Business review

The results for the year are shown in the profit and loss account on page 4.

Proposed dividend

The directors do not recommend the payment of a final ordinary dividend *(2001: £nil)*.

Directors and directors' interests

The directors who held office during the year were as follows:

H P J Meakin

P J M Threlfall

Aspen Corporate Director Limited (resigned 13 June 2002)

The interests of H Meakin and P Threlfall in the shares of the ultimate parent undertaking are shown in the accounts of Pensa Holdings Limited.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

HPJ Meakin
Director

Swan Yard
9-13 Market Place
Cirencester
Gloucestershire
GL7 2NH

Statement of 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 for that period. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Arlington Business Park
Theale
Reading
Berkshire RG7 4SD

Report of the independent auditors to the members of Aspen Group Limited

We have audited the financial statements on pages 4 to 16.

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 we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company is not disclosed.

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 the company's affairs as at 30 June 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP 29/01/2004

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 30 June 2002

	Note	2002 £000	2001 £000
Administrative expenses		**(575)**	(592)
Exceptional items	*3*	**-**	(13,956)
Operating loss		**(575)**	(14,548)
Loss on disposal of tangible fixed assets	-	**-**	(38)
Interest receivable and similar income	*6*	**8**	-
Interest payable and similar charges	*7*	**(12)**	-
Loss on disposal of fixed asset investments	*9*	**(249)**	-
Loss on ordinary activities before taxation	*2-5*	**(828)**	(14,586)
Tax on profit on ordinary activities	*9*	**-**	187
Loss on ordinary activities after taxation		**(828)**	(14,399)
Loss for the financial year		**(828)**	(14,399)
Balance brought forward		**(9,318)**	5,081
Retained loss for the year		**(10,146)**	(9,318)

The profit and loss account contains all recognised gains and losses for the current period. There is no difference between the results reported above and their historical cost equivalents.

Balance sheet
at 30 June 2002

	Note	2002 £000	2002 £000	2001 £000	2001 £000
Fixed assets					
Tangible assets	*8*		**117**		117
Investments	*9*		**728**		906
			845		1,023
Current assets					
Debtors	*10*	**35**		661	
Cash at bank and in hand		**9**		1,011	
		44		1,672	
Creditors: amounts falling due within one year	*11*	**(1,750)**		(2,728)	
Net current liabilities			**(1,706)**		(1,056)
Net deficit			**(861)**		(33)
Capital and reserves					
Called up share capital	*13*		**774**		774
Share premium account			**5,353**		5,353
Other reserves			**3,158**		3,158
Profit and loss account			**(10,146)**		(9,318)
Shareholders' funds	*14*		**(861)**		(33)

These financial statements were approved by the board of directors on 21\1\04 and were signed on its behalf by:

HPJ Meakin
Director

Notes
(forming part of the financial statements)

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.

Basis of preparation

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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a small company.

As the company is a wholly owned subsidiary of Pensa Holdings Limited the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

The accounts have been prepared on a going concern basis as the parent company Pensa Holdings Limited has indicated its willingness to support the company in the foreseeable future.

Fixed assets and depreciation
Freehold property is not depreciated

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a pension scheme providing benefits on both a defined benefit and defined contribution basis. The assets of the scheme are held separately from those of the group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. Details of the scheme are set out in note 14 to these financial statements.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

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

2 Loss on ordinary activities before taxation

	2002	2001
	£000	£000
Loss on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off tangible fixed assets:	-	81
Auditors' remuneration:		
Audit	**12**	4
Other services - fees paid to the auditor and its associates	-	2
(Profit) on disposal of fixed assets	-	(38)
Other operating lease rentals	-	317

3 Exceptional items

	2002	2001
	£000	£000
Provisions against investment in group subsidiaries	-	14,750
Provision against intercompany debtors	-	(25)
Profit on disposal of subsidiaries	-	(769)
	-	13,956

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2002	2001
Management and administration	**2**	2

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£000	£000
Wages and salaries	**151**	221
Social security costs	-	5
Other pension costs	**33**	58
	184	284

Notes *(continued)*

5 Directors' emoluments

	2002	2001
	£000	£000
The emoluments of the directors were as follows:		
Aggregate emoluments	**153**	4

6 Interest receivable and similar income

	2002	2001
	£000	£000
Bank interest receivable	**8**	-

7 Interest payable

	2002	2001
	£000	£000
Bank loan and overdraft interest	**12**	-

8 Loss on disposal of fixed asset investments

	2002	2001
	£000	£000
Loss on disposal of investment in Aspen Direct Communications BV	**121**	-
Loss on part disposal of investment in Cleartone Telecoms PLC	**128**	-
	249	-

9 Taxation

The provision for taxation at 30% based on the results for the year, comprises:

	2002	2001
	£000	£000
Over provision in respect of prior years	**-**	(187)
	-	(187)

Notes *(continued)*

9 Taxation *(continued)*

Analysis of charge in period

	2002	2001
	£000	£000
UK corporation tax		
Current tax on income for the period	**-**	-
Adjustments in respect of prior periods	**-**	(187)
Total current tax	-	(187)
Deferred tax	**-**	-
Tax on profit on ordinary activities	-	(187)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2001: lower)* than the standard rate of corporation tax in the UK *(19%, 2001: 19%)*. The differences are explained below.

	2002	2001
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(828)**	(14,399)
Current tax at 19% *(2001: 19%)*	**(157)**	(2,736)
Effects of:		
Capital allowances for period in excess of depreciation	**(4)**	18
Expenses not deductible for tax purposes (primarily provision against investment in subsidiaries)	**29**	2,632
Other timing differences	**1**	(6)
Unrelieved loss	**131**	92
Adjustments to tax charge in respect of previous periods	-	(187)
Total current tax charge (see above)	**-**	(187)

Notes *(continued)*

10 Tangible fixed assets

	Freehold property £000
Cost	
At beginning and end of year	117
Depreciation	
At beginning and end of year	-
Net book value	
At 30 June 2002	**117**
At 30 June 2001	117

Notes *(continued)*

11 Fixed asset investments

	£000
Cost	
At beginning of year	33,912
Additions	-
Disposals	(178)
At end of year	33,734
Provisions	
At beginning of year	33,006
Permanent diminution in value	-
At end of year	33,006
Net book value	
At 30 June 2002	**728**
At 30 June 2001	906

The principal subsidiary, which is wholly owned, is set out below. This subsidiary is incorporated in England and Wales. The activity of Cleartone Telecoms PLC is the sale of mobile telecommunications equipment.

Name of company	Country of incorporation	Description
Cleartone Telecoms plc	United Kingdom	Ordinary £1 shares

During the year the company disposed of its assets in Aspen Direct Communications BV to Sure Direct BV. Sure Direct BV is now in liquidation and therefore full provision has been made for the proceeds that were due from them.

Notes *(continued)*

12 Debtors

	2002 £000	2001 £000
Trade debtors	15	174
Amounts owed by group undertakings	-	371
Other debtors	20	48
Prepayments and accrued income	-	68
	35	661

13 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	6	149
Amounts owed to Group undertakings	1,320	1,728
Corporation tax	-	-
Taxation and social security	6	27
Accruals and deferred income	418	824
	1,750	2,728

HSBC Bank plc holds a fixed and floating charge over all the assets of the Group and an unlimited cross guarantee with Pensa Limited and its principal UK subsidiaries.

Notes *(continued)*

14 Pension

As explained in the accounting policies set out in note 1, the company operates a pension scheme providing benefits on both a defined benefit and defined contribution basis. The defined benefit section was closed to both new members and for future accrual with effect from 5 April 1997 and a defined contribution section was set up in its place.

The Scheme is funded, with the assets being held by the Trustees separately from the assets of the company. The pension costs are assessed by a qualified actuary and are charged to the profit and loss account so as to spread those costs over employees' working lives with the company.

The Scheme is valued at least every three years by a qualified actuary. The last formal valuation of the Scheme was carried out as at 5 April 2002 in accordance with the Minimum Funding Requirement (MFR) legislation. This showed that for the defined benefit section the market value of the Scheme's assets was £5,105,000 and that this represented 98% of the benefits that had accrued to members on the MFR method and assumptions.

On 23 May 2003, the Scheme commenced the process of winding up. Details of the winding up were circulated to members by the Scheme Administrator in July 2003. The Trustees of the Scheme have a statutory right to submit a claim against the Company in relation to any deficit existing within the Scheme during the wind-up process, as calculated on a prescribed statutory basis.

Whilst the company continues to account for pension costs in accordance with SSAP 24, the transitional arrangements of the new accounting standard Financial Reporting Standard (FRS) 17 require disclosure of the schemes assets and liabilities at 30 June 2002. For the purpose of the financial statements these figures are illustrative only and do not impact the actual year end balance sheet. The assets of the plan have been taken at market value and the liabilities calculated by updating the last actuarial valuation using the following financial assumptions:

	30 June 2001	**30 June 2002**
Discount rate	6.0%	5.8%
Rate of earning growth	N/A	N/A
Rate of increase of pensions in payment	3.0%	3.0%
Inflation	2.5%	2.7%

The assets and liabilities of the scheme and the expected long term rate of return were :

	30 June 2001		**30 June 2002**	
	Rate of Return	Value £000's	Rate of Return	Value £000's
Managed and unitised funds	7.00%	679	7.00%	579
Insurance with profits fund	7.00%	4,343	7.00%	4,800
Net current assets	4.00%	134	4.00%	113
Total market value of scheme assets		**5,156**		**5,493**
(Present value of scheme liabilities)		**(6,168)**		**(8,162)**
Surplus in scheme		**(1,012)**		**(2,669)**
Deferred tax		**304**		**801**
Net pension asset		**(708)**		**(1,868)**

The amount charged to operating profit was nil.

Notes *(continued)*

12 Pension *(continued)*

Analysis of the amount credited to other finance income	**30 June 2002**
Interest Cost	(368)
Return on Assets	357
Other Finance Income	(11)

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses	
Actual less expected return	(28)
Experience gain (losses) on the liabilities	(1,002)
Change in assumptions underlying the liabilities	(700)
Actuarial Gain	(1,730)

Movement in surplus during the year	**30 June 2002**
Surplus at start	(1,012)
Movement	
Current service cost	-
Contributions	84
Past service cost	-
Other finance income	(11)
Actuarial gain	(1,730)
Surplus at end	(2,669)

History of experience gains and losses

Difference between the actual and expected return on scheme assets:	**30 June 2002**
- amount (£)	(28)
- percentage of scheme assets	(1%)
Experience gains (losses) on scheme liabilities:	
- amount (£)	(1,002)
- percentage of liabilities	(12%)
Total amount recognised in the STRGL:	
- amount (£)	(1,730)
- percentage of liabilities	(21%)

Notes *(continued)*

14 Pension *(continued)*

The profit and loss deficit at the year end is £10,018,000. If the deficit had been included in the balance sheet at the year end then this would be £2,669,000 higher at £12,687,000.

The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £33,000 *(2001: £58,000)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

15 Deferred tax

The elements of deferred taxation are as follows:

	2002	2001
	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	**11**	15
Other timing differences	**1**	-
Tax losses	**808**	702
Deferred tax asset	**820**	717

The deferred tax asset is not recognised in these accounts as the directors consider that it will not be realised in the foreseeable future.

Notes *(continued)*

16 Called up share capital

	2002 £000	2001 £000
Authorised		
20,000,000 Ordinary shares of 5p each	**1,000**	1,000
Allotted, called up and fully paid		
15,480,970 Ordinary shares of 5p each	774	774

17 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Equity shareholders' funds at beginning of year	**(33)**	14,366
Loss for the financial year	**(828)**	(14,399)
Equity shareholders' funds at end of year	**(861)**	(33)

18 Contingent liabilities

The company together with other group companies has guaranteed letters of credit, loan facilities and other borrowings of the ultimate holding company and fellow subsidiaries. The amount outstanding at 30 June 2002 was £1,100,000 *(2001: £1,100,000)*.

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

Pensa Holdings Limited following a group reorganisation on 8 June 2001 is now the ultimate parent undertaking and controlling party for the entire group. Pensa Holdings Limited is registered in England. The financial statements of Pensa Holdings Limited are available to the public.