

Phonenames Limited

Registered No. 907055

DIRECTORS

J F Zockoll
J B Chaplin
S M Zockoll
J A Zockoll

SECRETARY

G T Oatham

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS

Lloyds Bank Plc
83 Clarence Street
Kingston upon Thames
Surrey KT1 1RE

REGISTERED OFFICE

Zockoll House
143 Maple Road
Surbiton
Surrey KT6 4BJ

ERNST & YOUNG



Phonenames Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1995.

REVIEW OF THE BUSINESS

The principal activity of the company is the marketing of the alphanumeric telephone number concept.

The loss for the year after taxation amounted to £725,182 (1994 - £758,831 loss). Further progress was made in the securing of the necessary telephone numbers and trademarks. Marketing efforts have led to a significant increase in turnover.

FUTURE DEVELOPMENTS

To secure key named customers, the company has continued to use a direct selling approach.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

J F Zockoll (USA)

J B Chaplin

S M Zockoll (USA)

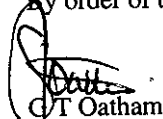
J A Zockoll (USA)

There are no directors' interests requiring disclosure under the Companies Act 1985.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board


G T Oatham
Secretary

13 MAY 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

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 of the company 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 accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of Phonenames Limited

We have audited the accounts on pages 5 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

13 May 1996

Phonenames Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

	<i>Notes</i>	<i>1995</i> £	<i>1994</i> £
TURNOVER	2	189,508	34,760
Cost of sales		1,086,487	981,982
Gross loss		(896,979)	(947,222)
Administrative expenses		159,611	175,609
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(1,056,590)	(1,122,831)
Taxation	6	(331,408)	(364,000)
LOSS RETAINED FOR THE FINANCIAL YEAR	12	(725,182)	(758,831)

There were no recognised gains or losses other than the loss for the year.

Phonenames Limited

BALANCE SHEET

at 31 December 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible assets	7	4,795	-
CURRENT ASSETS			
Debtors	9	167,514	101,706
Cash at bank and in hand		1,319	17,070
		168,833	118,776
CREDITORS: amounts falling due within one year	10	1,671,316	891,282
NET CURRENT LIABILITIES		(1,502,483)	(772,506)
SHAREHOLDERS' FUNDS		(1,497,688)	(772,506)
SHARE CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	(1,497,788)	(772,606)
		(1,497,688)	(772,506)

J F Zockoll



Director

13 MAY 1996

Phonenames Limited

NOTES TO THE ACCOUNTS

at 31 December 1995

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Fundamental accounting concept

These accounts are prepared on a going concern basis following an undertaking by the parent company to continue to provide adequate funds to the company, notwithstanding the deficiency of net assets at 31 December 1995.

Depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off cost on a straight line basis over their estimated useful working lives as follows:

Office equipment - 33% per annum

2. TURNOVER

Turnover represents the total invoiced amount in respect of charges for the use of telephone lines and sales of the alphanumeric telephone number concept, access to trademarks, and telephone equipment, excluding value added tax. Turnover and profit before taxation arise from this one class of continuing business and wholly within the British Isles.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	1995	1994
	£	£
Auditors' remuneration	6,000	4,500
Depreciation of owned tangible fixed assets	2,079	-
	<u>8,079</u>	<u>4,500</u>

4. DIRECTORS' REMUNERATION

The chairman and two of the directors of the company receive no remuneration from the company (1994 - £nil). The emoluments of the directors who are also directors of other companies within the group are disclosed in the accounts of the relevant group company. It is not possible to separately identify their emoluments relating to their services as directors of Phonenames Limited.

The emoluments of the other director, who was the highest paid director, were as follows:

	1995	1994
	£	£
Fees	3,538	-
	<u>3,538</u>	<u>-</u>

Phonenames Limited

NOTES TO THE ACCOUNTS

at 31 December 1995

5. STAFF COSTS

	1995 £	1994 £
Wages and salaries	47,528	27,301
Social security costs	4,847	2,380
	<u>52,375</u>	<u>29,681</u>

The average weekly number of employees during the year was as follows:

	1995 No.	1994 No.
Sales, marketing and administration	<u>3</u>	<u>2</u>

6. TAXATION

	1995 £	1994 £
Based on the loss for the year:		
Corporation tax credit at 33%	(349,000)	(364,000)
Overstatement of credit in previous year	17,592	-
	<u>331,408</u>	<u>(364,000)</u>

7. TANGIBLE FIXED ASSETS

	Office equipment £
Cost:	
At 1 January 1995	-
Additions	6,874
At 31 December 1995	<u>6,874</u>
Depreciation:	
At 1 January 1995	-
Provided during the year	2,079
At 31 December 1995	<u>2,079</u>
Net book value:	
At 31 December 1995	<u>4,795</u>
At 1 January 1995	<u>-</u>

Phonenames Limited

NOTES TO THE ACCOUNTS

at 31 December 1995

8. INVESTMENTS

	1995 £	1994 £
Subsidiary undertakings at cost	1,000	—
Provision for permanent diminution in value	(1,000)	—
	<u>—</u>	<u>—</u>

The company owns 70% of the issued share capital of Cook Communications Bureau Limited, a dormant company registered in England and Wales.

9. DEBTORS

	1995 £	1994 £
Trade debtors	125,428	2,029
Other debtors	41,666	99,474
Prepayments	420	203
	<u>167,514</u>	<u>101,706</u>

10. CREDITORS: amounts falling due within one year

	1995 £	1994 £
Trade creditors	96,659	75,944
Amounts owed to parent undertaking	1,566,201	809,818
Other taxes and social security costs	2,456	1,020
Other creditors and accruals	6,000	4,500
	<u>1,671,316</u>	<u>891,282</u>

11. SHARE CAPITAL

	1995 No.	Authorised 1994 No.	Allotted, called up and fully paid 1995 £	1994 £
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Phonenames Limited

NOTES TO THE ACCOUNTS

at 31 December 1995

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total shareholders' funds £</i>
At 1 January 1994	100	(13,775)	(13,675)
Loss for the year		(758,831)	(758,831)
At 1 January 1995	100	(772,606)	(772,506)
Loss for the year		(725,182)	(725,182)
At 31 December 1995	100	(1,497,788)	(1,497,688)

13. ULTIMATE PARENT COMPANY

Phonenames Limited is a wholly owned subsidiary of The Zockoll Group Limited, a company registered in England and Wales, which is regarded by the directors as the company's ultimate parent undertaking. The Zockoll Group Limited is the parent undertaking of the only group for which group accounts are drawn up and of which the company is a member. Copies of the group accounts can be obtained from Companies House.

Phonenames Limited

DETAILED PROFIT AND LOSS ACCOUNT for the year ended 31 December 1995

	1995 £	1994 £
TURNOVER:		
Sales	125,622	34,451
Rental income	13,818	110
Other income	50,068	199
	<u>189,508</u>	<u>34,760</u>
COST OF SALES:		
Installation BT 0800	139,323	134,092
Line rental BT 0800	659,826	704,287
Call costs BT 0800	1,879	26
Data conversion costs BT	—	799
Line rental BT 0891	—	327
Exchange line rental	13,546	—
Exchange line calls	11,154	—
Installation BT 0990	4,800	—
Line rental BT 0990	9,488	—
Installation Mercury 0500	1,700	1,100
Line rental Mercury 0500	18,666	10,448
Call costs Mercury 0500	88,160	8,426
Mercury site rental	4,500	—
Installation overseas	591	—
Line rental overseas	569	—
Installation BT local lines	9,206	19,751
Line rental BT local lines	116,523	102,726
Private number acquisition	4,780	—
Local CNA costs	381	—
Royalty	1,395	—
	<u>1,086,487</u>	<u>981,982</u>
GROSS LOSS	(896,979)	(947,222)

Phonenames Limited

DETAILED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

	1995 £	1994 £
ADMINISTRATIVE EXPENSES:		
Salaries	52,375	29,681
Recruitment costs	475	600
Travel and subsistence	2,118	377
Premises costs	(1,695)	4,102
Mobile call costs	758	2,142
Office calls	19,342	200
Legal fees	(6,784)	37,940
Audit and accountancy fees	7,600	6,600
Trade mark costs	67,938	59,976
Presentation costs	4,235	3,243
Agency costs	(50)	17,650
Printing	200	140
Equipment costs	1,545	2,458
Computer costs	2,198	5,481
Depreciation	2,079	—
Other costs	7,277	5,019
Total administrative expenses	159,611	175,609
OPERATING LOSS	(1,056,590)	(1,122,831)
Taxation	331,408	364,000
LOSS RETAINED FOR THE FINANCIAL YEAR	<u>(725,182)</u>	<u>(758,831)</u>