


PHONENAMES LIMITED

Report and Accounts

31 December 2001

 ERNST & YOUNG



Phonenames Limited

Registered No. 907055

DIRECTORS

J F Zockoll (Chairman)
S M Zockoll
J A Zockoll

SECRETARY

G T Oatham

AUDITORS

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

BANKERS

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

REGISTERED OFFICE

Zockoll House
143 Maple Road
Surbiton
Surrey KT6 4BJ

Phonenames Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £314,946 (2000 - £478,444).

The directors do not recommend the payment of a dividend. Accordingly, the loss for the year has been transferred to reserves.

REVIEW OF THE BUSINESS

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

Further progress was made in the securing of the necessary telephone numbers and trademarks.

FUTURE DEVELOPMENTS

To secure key named customers, the company will continue to use a direct selling approach.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

J F Zockoll
S M Zockoll
J A Zockoll

There are no directors' interests requiring disclosure under the Companies Act 1985. The interests of J F Zockoll in the shares of the ultimate parent undertaking, The Zockoll Group Limited, are shown in the report and accounts of that company.

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board


G T Oatham
Secretary

03 JUL 2002

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.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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 INDEPENDENT AUDITORS
to the members of Phonenames Limited

We have audited the company's accounts for the year ended 31 December 2001, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 14. These accounts have been prepared on the basis of 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 the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the accounts 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 accounts, 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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within 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 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
London

03 JUL 2002

Phonenames Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	<i>Notes</i>	<i>2001</i> £	<i>2000</i> £
TURNOVER	2	121,382	98,039
Cost of sales		308,872	416,358
GROSS LOSS		(187,490)	(318,319)
Administrative expenses		(388,796)	(434,184)
Other operating income		140,443	75,282
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(435,843)	(677,221)
Taxation	6	120,897	198,777
LOSS FOR THE FINANCIAL YEAR	12	(314,946)	(478,444)

There are no recognised gains or losses other than as shown above.

Phonenames Limited

BALANCE SHEET at 31 December 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	7	49,106	6,082
Investments	8	6	-
		<u>49,112</u>	<u>6,082</u>
CURRENT ASSETS			
Debtors	9	1,841,947	1,811,907
Cash at bank and in hand		-	177,634
		<u>1,841,947</u>	<u>1,989,541</u>
CREDITORS: amounts falling due within one year	10	9,769,344	9,558,962
		<u>(7,927,397)</u>	<u>(7,569,421)</u>
NET CURRENT LIABILITIES		<u>(7,878,285)</u>	<u>(7,563,339)</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	(7,878,385)	(7,563,439)
		<u>(7,878,285)</u>	<u>(7,563,339)</u>
SHAREHOLDERS' FUNDS	12	<u>(7,878,285)</u>	<u>(7,563,339)</u>

J F Zockoll

S M Zockoll

03 JUL 2002

)
) Directors

Phonenames Limited

NOTES TO THE ACCOUNTS at 31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

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

Fundamental accounting concept

The 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 2001.

Consolidated accounts

The company is exempt from preparing consolidated accounts under s228 of the Companies Act 1985.

Statement of cashflows

The company has taken advantage of the exemption from the requirement to prepare a statement of cashflows conferred by FRSI (Revised 1996) on the grounds that at least 90% of the voting rights of the company are controlled within the group and consolidated accounts which include the company are publicly available.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its estimated useful life as follows:

Motor vehicles	-	over 4 years
Office equipment	-	over 6 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed asset investments

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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 pre-tax result 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:

	2001	2000
	£	£
Auditors' remuneration - audit	4,000	6,000
- other services	2,500	583
Depreciation of owned fixed assets	13,475	1,826
	<u> </u>	<u> </u>

Phonenames Limited

NOTES TO THE ACCOUNTS at 31 December 2001

4. STAFF COSTS

	2001 £	2000 £
Wages and salaries	116,935	214,690
Social security costs	10,315	23,748
	<u>127,250</u>	<u>238,438</u>

	2001 No.	2000 No.
Sales, marketing and administration	<u>3</u>	<u>3</u>

5. DIRECTORS' EMOLUMENTS

	2001 £	2000 £
Salaries	<u>59,950</u>	<u>195,422</u>

Benefits in kind totalling £3,497 (2000 - £5,176) were paid by another group company. The chairman and the other director of the company receive no remuneration from the company. The emoluments of those directors who are also directors of other companies within the group and receive no remuneration from this company are disclosed in the accounts of the relevant group company.

6. TAXATION

	2001 £	2000 £
Based on the loss for the year:		
Corporation tax credit	(118,000)	(197,581)
Understatement in prior years	<u>(2,897)</u>	<u>(1,196)</u>
	<u>(120,897)</u>	<u>(198,777)</u>

The company makes current year tax losses available to other group companies for payment equivalent to the associated tax relief.

Phonenames Limited

NOTES TO THE ACCOUNTS at 31 December 2001

7. TANGIBLE FIXED ASSETS

	<i>Motor vehicles</i> £	<i>Office equipment</i> £	<i>Total</i> £
Cost:			
At 1 January 2001	-	14,831	14,831
Additions	54,600	1,899	56,499
At 31 December 2001	54,600	16,730	71,330
Depreciation:			
At 1 January 2001	-	8,749	8,749
Provided during the year	11,169	2,306	13,475
At 31 December 2001	11,169	11,055	22,224
Net book value:			
At 31 December 2001	43,431	5,675	49,106
At 1 January 2001	-	6,082	6,082

8. INVESTMENTS

	<i>Shares in subsidiary undertakings</i> £
Cost:	
At 1 January 2001	-
Additions	10,004
Written off in year	(9,998)
At 31 December 2001	6

The company owns 100% of the issued share capital of the following companies:

Name of company	Nature of business
800 Flowers Limited)
*800 Flowers Limited (IRE)) Marketing and promotion of retail florist businesses
Esmark Communications Limited) through licensing

*Incorporated in Ireland

Phonenames Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

9. DEBTORS

	2001 £	2000 £
Trade debtors	58,243	80,617
Amounts owed by fellow group undertakings	1,762,196	1,729,456
Other taxes and social security costs	15,400	-
Prepayments	6,108	1,834
	<u>1,841,947</u>	<u>1,811,907</u>

10. CREDITORS: amounts falling due within one year

	2001 £	2000 £
Bank overdraft	84,951	-
Trade creditors	145,540	22,227
Amounts owed to immediate parent undertakings	9,498,138	9,366,865
Amounts owed to fellow group undertakings	17,152	-
Other taxes and social security costs	3,771	2,776
Other creditors and accruals	19,792	167,094
	<u>9,769,344</u>	<u>9,558,962</u>

11. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2001 No.	2000 No.	2001 £	2000 £
Ordinary shares of £1 each	100	100	100	100

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 31 December 1999	100	(7,084,995)	(7,084,895)
Loss for the year		(478,444)	(478,444)
At 31 December 2000	100	(7,563,439)	(7,563,339)
Loss for the year		(314,946)	(314,946)
At 31 December 2001	100	(7,878,385)	(7,878,285)

NOTES TO THE ACCOUNTS

at 31 December 2001

13. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Phonenames Limited is a wholly owned subsidiary of The Zockoll Group Limited, 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. The directors regard The Ann Zockoll Settlement Trust as the company's ultimate controlling party.

14. RELATED PARTY TRANSACTIONS

During the year, the company was charged royalties of £2,620 (2000 - £1,733) for the use of trademarks by Phonenames (Guernsey) Limited, a company in which A J Zockoll, the wife of a director and the settlor of The Ann Zockoll Settlement, has a controlling interest. At the year end, the company was owed £40,136 (2000 - £40,857) by Phonenames (Guernsey) Limited.

The company has taken advantage of the exemption from the requirement to disclose transactions with group companies, conferred on 90% or more owned subsidiary undertakings.