

9005

Phonenames Limited

Report and Accounts

31 December 1999



Phonenames Limited

Registered No. 907055

DIRECTORS

J F Zockoll (Chairman)
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 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 1999.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £385,437 (1998 - £757,928).

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
J B Chaplin (resigned 31 March 2000)
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.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

Since 31 December 1999 the company has not experienced any adverse effects as a result of the Year 2000 issue. The company is continuing to monitor its computer systems and any additional costs are not expected to be significant.

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

7 July 2000

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 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 in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

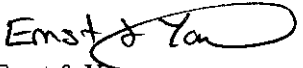
Basis of opinion

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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
London

7 July 2000

Phonenames Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

	Notes	1999 £	Restated 1998 £
TURNOVER (a)	2	93,002	74,661
Cost of sales		690,614	975,610
GROSS LOSS		(597,612)	(900,949)
Administrative expenses		317,248	344,574
		(914,860)	(1,245,523)
Other operating income (a)		378,303	4,833
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(536,557)	(1,240,690)
Taxation	6	151,120	482,762
LOSS FOR THE FINANCIAL YEAR	11	(385,437)	(757,928)

There are no recognised gains or losses other than those shown in the profit and loss account.

- (a) The turnover comparative for the year ended 31 December 1998 has been reanalysed to separate other operating income from turnover arising in the normal course of business.

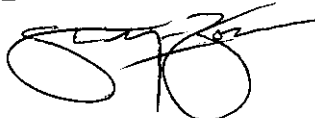
Phonenames Limited

BALANCE SHEET at 31 December 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	7	2,280	-
CURRENT ASSETS			
Debtors	8	2,126,723	2,165,262
Cash at bank and in hand		3,901	424
		<u>2,130,624</u>	<u>2,165,686</u>
CREDITORS: amounts falling due within one year	9	9,217,799	8,865,144
		<u>(7,087,175)</u>	<u>(6,699,458)</u>
NET CURRENT LIABILITIES		<u>(7,084,895)</u>	<u>(6,699,458)</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	10	100	100
Profit and loss account	11	(7,084,995)	(6,699,558)
SHAREHOLDERS' FUNDS	11	<u>(7,084,895)</u>	<u>(6,699,458)</u>



J F Zockoll
S M Zockoll



)
) Directors

7 July 2000

Phonenames Limited

NOTES TO THE ACCOUNTS at 31 December 1999

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 1999.

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:

Office equipment - over 3 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.

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:	1999 £	1998 £
Auditors' remuneration - audit	6,000	4,000
- other services	5,933	3,363
Depreciation of owned fixed assets	49	258

4. STAFF COSTS

	1999 £	1998 £
Wages and salaries	83,779	76,519
Social security costs	8,564	7,652
	92,343	84,171

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

	1999 No.	1998 No.
Sales, marketing and administration	3	3

Phonenames Limited

NOTES TO THE ACCOUNTS at 31 December 1999

5. DIRECTORS' EMOLUMENTS

	1999 £	1998 £
Salaries	52,089	47,384

Benefits in kind totalling £9,263 (1998 - £7,723) were paid by another group company. The chairman and two of the directors 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

	1999 £	1998 £
Based on the loss for the year:		
Corporation tax credit	(151,250)	(482,000)
Under/(over) statement in prior years	130	(762)
	<u>(151,120)</u>	<u>(482,762)</u>

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

7. TANGIBLE FIXED ASSETS

	Office equipment £
Cost:	
At 1 January 1999	6,874
Additions	2,329
At 31 December 1999	<u>9,203</u>
Depreciation:	
At 1 January 1999	6,874
Provided during the year	49
At 31 December 1999	<u>6,923</u>
Net book value:	
At 31 December 1999	<u>2,280</u>
At 1 January 1999	<u>-</u>

Phonenames Limited

NOTES TO THE ACCOUNTS at 31 December 1999

8. DEBTORS

	1999 £	1998 £
Trade debtors	48,745	67,030
Amounts owed by fellow subsidiary undertakings	1,744,057	1,621,642
Recoverable VAT	456	388,068
Other debtors	333,465	88,522
	<u>2,126,723</u>	<u>2,165,262</u>

9. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Trade creditors	96,166	177,042
Amounts owed to parent undertaking	9,095,852	8,657,299
Other taxes and social security costs	-	4,952
Other creditors and accruals	25,781	25,851
	<u>9,217,799</u>	<u>8,865,144</u>

10. SHARE CAPITAL

	1999 No.	Authorised 1998 No.	Allotted, called up and fully paid 1999 £	1998 £
Ordinary shares of £1 each	100	100	100	100

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 1998	100	(5,941,630)	(5,941,530)
Loss for the year		(757,928)	(757,928)
At 31 December 1998	100	(6,699,558)	(6,699,458)
Loss for the year		(385,437)	(385,437)
At 31 December 1999	100	(7,084,995)	(7,084,895)

12. 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.

NOTES TO THE ACCOUNTS
at 31 December 1999

13. RELATED PARTY TRANSACTIONS

During the year, the company was charged royalties of £4,951 (1998 - £743) 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 £50,000 by Phonenames (Guernsey) Limited (1998 - £50,000).

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.