

TELECENTRIC SOLUTIONS LIMITED TRADING AS HURRICANESEYE

Report and Accounts

31 December 2001



# TeleCentric Solutions Limited trading as Hurricaneseye

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Registered No. 3779638

## **DIRECTORS**

W Lochner  
G J Bartlett  
D R Sedgewick  
G A Sheppard  
J C May  
N W Horler

## **SECRETARY**

J W Jones

## **AUDITORS**

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

## **BANKERS**

Barclays Bank PLC  
London Corporate Banking  
PO Box 15161R  
50 Pall Mall  
London SW1A 1QA

## **SOLICITOR**

Haarmann Hemmelrath  
28<sup>th</sup> Floor  
Tower 42  
25 Old Broad Street  
London EC2N 1HN

## **REGISTERED OFFICE**

CityPoint  
1 Ropemaker Street  
London EC2Y 9HT

# TeleCentric Solutions Limited trading as Hurricaneseeye

## 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 £1,290,000 (2000 - loss £2,038,000). The directors do not recommend the payment of a dividend (2000 - £nil).

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be a branded telecommunications reseller and provides access for corporate and residential customers, to telecommunication networks. In addition the successful implementation of the convergent billing platform has enabled Powergen UK plc to bill their converged services and TeleCentric Solutions Limited to offer convergent billing for ISP subscription.

During the year, the company purchased a telecommunications network for £1.6 million.

### PARENT COMPANIES

The company is a joint venture owned 50% by Affinity Internet Holdings plc, and 50% by Powergen UK plc.

### DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

W Lochner	
G J Bartlett	
D R Sedgewick	
G A Sheppard	(appointed 1 April 2001)
J C May	(appointed 10 May 2001)
N W Horler	(appointed 13 September 2001)
M E Hart	(resigned 13 March 2001)
M Wagner	(resigned 15 August 2001)
R H Smith	(resigned 14 February 2001)
P Cosgrove	(appointed 14 February 2001, resigned 10 May 2001)

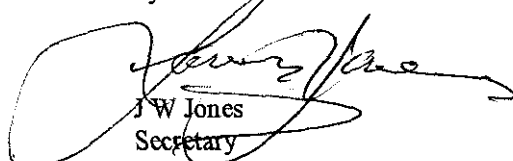
The directors who held office at the end of the year had no interests in the ordinary share capital of the company. The following directors, W Lochner and J C May had interests in the ordinary shares of the joint venture partner, Affinity Internet Holdings plc, ("AIH").

The following directors, G J Bartlett, D R Sedgewick and N W Horler had interests in the ordinary shares of the joint venture partner, Powergen UK plc. The interests of the directors can be seen in the respective published sets of accounts.

### AUDITORS

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

By order of the board

  
J W Jones  
Secretary  
24 October 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 INDEPENDENT AUDITORS**

**to the members of TeleCentric Solutions Limited trading as Hurricaneseye**

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, the statement of cash flows and the related notes 1 to 19. 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.

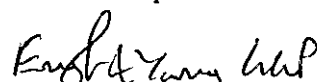
### **Basis of audit opinion**

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  
Registered Auditor  
London

31 October 2002

TeleCentric Solutions Limited trading as Hurricaneseye

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2001

	<i>Notes</i>	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
<b>TURNOVER</b>	2	31,272	4,147
Cost of sales		30,584	4,801
<b>GROSS PROFIT/(LOSS)</b>		688	(654)
Administrative expenses		1,824	1,342
<b>OPERATING LOSS</b>	3	(1,136)	(1,996)
Interest receivable and similar income	6	55	22
Interest payable and similar charges	7	(209)	(64)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,290)	(2,038)
Taxation	8	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>		(1,290)	(2,038)

All activities relate to continuing operations. There were no gains or losses, other than those recognised in the profit and loss account.

# TeleCentric Solutions Limited trading as Hurricaneseye

## BALANCE SHEET

at 31 December 2001

	Notes	2001 £000	2000 £000
<b>FIXED ASSETS</b>			
Tangible assets	9	4,706	2,873
<b>CURRENT ASSETS</b>			
Stocks	10	582	-
Debtors	11	9,642	1,900
Cash at bank and in hand		2,042	962
		12,266	2,862
<b>CREDITORS: amounts falling due within one year</b>	12	11,743	5,746
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		523	(2,884)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,229	(11)
<b>CREDITORS: amounts falling due after more than one year</b>	13	6,530	-
<b>NET LIABILITIES</b>		(1,301)	(11)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	2,500	2,500
Profit and loss account	15	(3,801)	(2,511)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	15	(1,301)	(11)

J C May

Director

G J Bartlett

Director

24 October 2002

TeleCentric Solutions Limited trading as Hurricaneseye

STATEMENT OF CASH FLOWS  
for the year ended 31 December 2001

	<i>Notes</i>	<i>2001 £000</i>	<i>2000 £000</i>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>16</b>	<b>(95)</b>	<b>(2,191)</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest paid		(209)	(64)
Interest received		55	22
		<u>(154)</u>	<u>(42)</u>
<b>CAPITAL EXPENDITURE</b>			
Purchase of tangible fixed assets		(3,221)	(1,684)
		<u></u>	<u></u>
<b>FINANCING</b>			
Issue of shares		-	2,500
Loan from parent company		4,230	2,300
		<u>4,230</u>	<u>4,800</u>
<b>INCREASE IN CASH DURING THE YEAR</b>		<u><u>760</u></u>	<u><u>883</u></u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
		<i>2001 £000</i>	<i>2000 £000</i>
<b>INCREASE IN CASH IN THE YEAR</b>		<b>760</b>	<b>883</b>
Cash inflow from increase in debt financing		(4,230)	(2,300)
		<u>(3,470)</u>	<u>(1,417)</u>
Movement in net debt			
<b>NET DEBT AT 1 JANUARY 2001</b>		<b>(1,338)</b>	<b>79</b>
		<u>(4,808)</u>	<u>(1,338)</u>
<b>NET DEBT AT 31 DECEMBER 2001 (NOTE 16)</b>		<u><u>(4,808)</u></u>	<u><u>(1,338)</u></u>



NOTES TO THE ACCOUNTS

at 31 December 2001

1. ACCOUNTING POLICIES

*Basis of preparation*

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards.

*Going concern*

Notwithstanding net liabilities of £1.3 million at 31 December 2001, the accounts have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Affinity Internet Holdings Plc ("AIH") and Powergen plc ("Powergen"), its shareholders. AIH and Powergen have provided the Company with an undertaking that for at least twelve months from the date of approval of these accounts, they will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This, if provided, should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The company is a joint venture between Affinity Internet Holdings plc and Powergen UK plc, and 50% of the company's voting rights are controlled within the group headed by Affinity Internet Holdings plc and the remaining 50% of the company's voting rights are controlled by Powergen UK plc. The consolidated accounts of Affinity Internet Holdings plc are available at Victoria House, 64 Paul Street, London EC2A 4NG.

*Tangible fixed assets and depreciation*

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives, as follows:

Computer equipment and software	-	3 years straight line
Leasehold improvements	-	straight line over the period of the lease
Billing platform	-	3 years straight line
Switch Network	-	5 years straight line

Payments on account and assets in course of construction are stated at cost incurred to date. 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.

*Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the weighted average purchase price is used.

*Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

# TeleCentric Solutions Limited trading as Hurricaneseeye

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 2. TURNOVER

Turnover is recognised as services are provided. Unbilled turnover resulting from services provided to the end of each period is accrued. Turnover represents the amounts (excluding VAT) derived from the provision of goods and services to third party customers in the United Kingdom.

### 3. OPERATING LOSS

This is stated after charging:	2001	2000
	£000	£000
Auditors' remuneration - audit fees	21	21
Depreciation and other amounts written off tangible fixed assets	1,388	466
	<u>1,409</u>	<u>487</u>

### 4. DIRECTORS' EMOLUMENTS

All directors are paid by TeleCentric Solutions Limited respective joint venture partners in which they perform their duties.

### 5. STAFF COSTS

	2001	2000
	£000	£000
Wages and salaries	1,280	515
Social security costs	119	58
	<u>1,399</u>	<u>573</u>

The average monthly number of employees (including directors) during the year was as follows:

	2001	2000
	No.	No.
Administration	4	9
Operations	20	-
Management	7	6
	<u>31</u>	<u>15</u>

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2001	2000
	£000	£000
Interest receivable on short term deposits	55	22
	<u>55</u>	<u>22</u>

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£000	£000
Loan interest	209	64
	<u>209</u>	<u>64</u>

# TeleCentric Solutions Limited trading as Hurricaneseye

## NOTES TO THE ACCOUNTS at 31 December 2001

### 8. TAXATION

There is no current tax charge for the year as a result of the losses incurred.

### 9. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i>	<i>Computer equipment and software</i>	<i>Billing platform and switch network</i>	<i>Payments on account and assets in course of construction</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:					
At 1 January 2001	84	190	2,086	1,013	3,373
Additions	28	6	3,218	-	3,252
Disposals	-	(31)	-	-	(31)
Transfers	-	-	1,013	(1,013)	-
At 31 December 2001	112	165	6,317	-	6,594
Depreciation:					
At 1 January 2001	35	74	391	-	500
Charge for the year	35	42	1,311	-	1,388
At 31 December 2001	70	116	1,702	-	1,888
Net book value:					
At 31 December 2001	42	49	4,615	-	4,706
At 1 January 2001	49	116	1,695	1,013	2,873

### 10. STOCKS

	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Goods for resale	582	-

### 11. DEBTORS: amounts falling due within one year

	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	2,865	222
Amount owed by parent undertakings	6,159	1,507
Other debtors	7	116
Prepayments and accrued income	611	55
	9,642	1,900

Amounts owed by group undertakings are interest free and have no fixed date for repayment.

# TeleCentric Solutions Limited trading as Hurricaneseye

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 12. CREDITORS: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	6,165	1,580
Amounts owed to parent undertakings	-	2,975
Accruals and deferred income	5,578	1,191
	<u>11,743</u>	<u>5,746</u>

Amounts owed to parent undertakings are interest free and have no fixed date for repayment.

### 13. CREDITORS: amounts falling due after more than one year

	2001 £000	2000 £000
Amounts owed to parent undertakings	6,530	-
	<u>6,530</u>	<u>-</u>

Interest is payable to lenders, Powergen UK plc and Affinity Internet Holdings plc at LIBOR plus 0.25%.

### 14. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2001 <i>No.</i>	2000 <i>No.</i>	2001 £000	2000 £000
Ordinary shares of £1 each	2,500,002	2,500,002	2,500	2,500
	<u>2,500,002</u>	<u>2,500,002</u>	<u>2,500</u>	<u>2,500</u>

On 1 February 2000, the company issued 2,499,998 ordinary shares of £1 each to Affinity Internet Holdings plc in exchange for cash consideration of £2,499,998. On 15 February 2000, Affinity Internet Holdings plc sold 50% of its holding to its joint venture partner, Powergen plc.

### 15. RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2000	-	(473)	(473)
Shares issued	2,500	-	2,500
Retained loss for the year	-	(2,038)	(2,038)
At 31 December 2000	2,500	(2,511)	(11)
Loss for the year	-	(1,290)	(1,290)
At 31 December 2001	<u>2,500</u>	<u>(3,801)</u>	<u>(1,301)</u>

# TeleCentric Solutions Limited trading as Hurricaneseye

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 16. NOTES TO THE STATEMENT OF CASH FLOWS

#### (a) Reconciliation of operating loss to net operating cash flows

	2001 £000	2000 £000
Operating loss	(1,136)	1,996
Depreciation	1,388	424
(Increase)/decrease in stocks	(582)	33
Increase in debtors	(8,062)	(1,419)
Increase in creditors	8,297	767
Net cash outflow from operating activities	(95)	(2,191)

#### (b) Analysis of changes in net debt

	At 1 January 2001 £000	Cash flow £000	At 31 December 2001 £000
Cash at bank and in hand	962	760	1,722
Debt due within one year	(2,300)	2,300	-
Debt due in more than one year	-	(6,530)	(6,530)
	(1,338)	(3,470)	(4,808)

### 17. CONTINGENT LIABILITY

Capital commitments at the end of the year for which no provision has been made were £nil (2000 - £434,000). The assets of the company provide security for certain group borrowings.

### 18. PARENT UNDERTAKINGS

The company is a joint venture between Affinity Internet Holdings plc and Powergen UK plc (a wholly owned subsidiary of Powergen plc), each of which owns 50% of the shares.

On 1 July 2002, Powergen plc was acquired by the E.ON AG group, the ultimate parent of which is a company registered in Germany.

### 19. RELATED PARTY TRANSACTIONS

During the year the company entered into business dealings with related parties. Transactions entered into and balances outstanding as at 31 December 2001 are summarised below.

Powergen UK plc owns 50% of the share capital of TeleCentric Solutions Limited. During the year, in its normal course of business, the company made sales to Powergen UK plc, of £23,260,000.

The company purchased from Powergen UK plc during the year a server and additional equipment. The server was leased back to Powergen UK plc.

During the year, in its normal course of business Powergen UK plc extended loans to TeleCentric Solutions Limited during the year by £2,115,000 and there was a total liability of £3,265,000 at the year end. Interest is accrued based on LIBOR plus 25 base points.

NOTES TO THE ACCOUNTS

at 31 December 2001

**19. RELATED PARTY TRANSACTIONS (continued)**

At the year end there was an outstanding debtor balance of £2.9m due from Powergen UK plc and a liability of £215,025 owing from Powergen UK plc.

Affinity Internet Holdings plc own 50% of the share capital of TeleCentric Solutions Limited.

During the year, in its normal course of business, Affinity Internet Holdings plc extended loans to TeleCentric Solutions Limited by £2,115,000. The total liability owing to Affinity Internet Holdings plc at year end was £3,265,000. Interest is accrued based on LIBOR plus 25 base points.

Affinity Wireless Limited is a wholly owned subsidiary of Affinity Internet Holdings plc.

During the year, TeleCentric Solutions Limited made sales to Affinity Wireless Limited of £8,015,584.

TeleCentric Solutions Limited purchased from Affinity Wireless Limited dialers amount to £5,064,000.