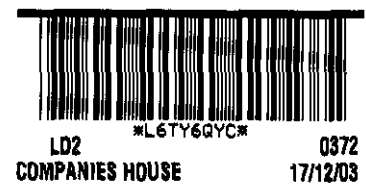


Stanhope Communications plc

REPORT AND FINANCIAL STATEMENTS

30 June 2002



Company Registration No. 4021739

Stanhope Communications plc

DIRECTORS AND OFFICERS

DIRECTORS

SR Stradling	- Non-Executive Chairman
SL Gumm	- Non-Executive Director
JK Marks	- Group Managing Director
MJ Walker	- Non-Executive Director

SECRETARY

K J Prenty

COMPANY NUMBER

4021739

REGISTERED OFFICE

Manton Lane
Bedford
Bedfordshire
MK41 7TL

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

BANKERS

Lloyds TSB Bank plc
416 Cophall Avenue
London EC2R 7DA

Stanhope Communications plc

DIRECTORS' REPORT

The directors submit their report and the financial statements of Stanhope Communications plc for the year ended 30 June 2002.

PRINCIPAL ACTIVITY

The principal activity of the group during the period was the provision of telecommunications services.

RESULTS AND DIVIDENDS

The loss for the year after taxation was £19,939,210 as set out on page 7. The directors are unable to recommend the payment of a dividend.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

In accordance with the applicable accounting standard, the Directors have reviewed the carrying value of the goodwill arising on the acquisition of the Answerlink, Stanhope and Aerofone businesses, and have considered it prudent to accelerate the write off of the goodwill, and so have charged in the period an impairment provision of £17,554,258.

The latter part of the year 2001 was spent integrating the two businesses, recruiting senior management personnel and consolidating operations in a modern headquarters in Bedford. This was completed in March 2002 and all the group's surplus property leases were terminated or assigned by the end of April 2002.

During the year there was a severe margin reduction from networks to service providers, which resulted in many telecom business failures. Consequently, it became apparent to the Board that the performance criteria within the existing banking arrangements could not be met. The Board therefore renegotiated the repayment schedule with the bank and agreed new financial performance criteria for the business going forward. At the completion of these negotiations in November 2002, the group effected the hive up of the Aerofone operations into the parent company.

Trading conditions continued to be extremely challenging, and the company's Bankers indicated that the Company's overdraft facility would be substantially reduced at the end of April 2003.

In March 2003 the Company retained Deloitte & Touche to develop a refinancing proposal to present to the Bank and to shareholders.

In April 2003, Deloitte & Touche formally presented a refinancing plan to the Board involving a rights issue and a form of structured exit for the Bank. The plan required the support of the Bank and the existing shareholders. In the event, the Bank did not accept the plan and in addition it was clear that there was insufficient shareholder support for a rights issue. Other potential external investors were contacted but it became clear that the only realistic alternative course of action was a sale of the Company's business as a going concern to Ms JK Marks.

The transaction, which was completed on 30 May 2003, comprised two parts. First, the business and assets of the Company were transferred to Aerofone (UK) Limited ("Aerofone"), a wholly owned subsidiary of the Company. Secondly, Aerofone and the two other wholly owned subsidiaries of the Company, Answerlink Plc and Stanhope Telecommunications Limited, were sold to Ms JK Marks for the sum of £19,833.

In return for the transfer of the business and assets of the Company to Aerofone, Aerofone gave the Company undertakings to perform outstanding contractual obligations of the Company and to pay all the Company's creditors in full (with the exception of the Bank which was subject to special arrangements to settle outstanding liabilities at a substantial discount).

Stanhope Communications plc

DIRECTORS' REPORT

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS *(continued)*

As a result of the transaction, the aggregate liability to the Bank of approximately £5,406,000 has been released and waived, significant liabilities under contracts with Vodafone have been novated to Aerofone, charges over the Company in favour of Vodafone and the Bank have been released and outstanding liabilities to other creditors are to be met by Aerofone.

The future of the Company

Following the completion of these transactions the company was left with shareholders' funds of £19,833 and a cash deposit of the same amount. Once the creditors of the Company have been paid by Aerofone, it is proposed that the Company will be placed into members' voluntary liquidation following which these monies can be distributed to the shareholders in accordance with the Company's articles of association. The Company will then be dissolved. The liquidation process is expected to commence in mid 2004. The costs of the liquidation itself will inevitably have to be borne by the deposit fund.

DIRECTORS

The following directors have held office since 1 July 2001:

MJ Walker	
SR Stradling	
JK Marks	
SL Gumm	
RJ Giles	(resigned 15 February 2002)
SJ Hill	(resigned 28 February 2003)
TG Price	(resigned 15 February 2002)
JF Jones	(resigned 15 February 2002)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Directors' interests in the shares of the company, including family interests, were as follows:

	<i>Ordinary shares of 10p each</i>	
	30 June 2002	30 June 2001
SJ Hill	2,993,011	2,993,011
MJ Walker	-	-
SR Stradling	310,150	310,150
JK Marks	4,800,000	4,800,000
SL Gumm	-	-

POLICY ON PAYMENT OF CREDITORS

The company and group do not follow any formal code or standard of payment practice. However, the policy is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with the standard payment practice whereby all outstanding trade accounts are settled within the terms agreed with the supplier at the time of supply.

At 30 June 2002 the average credit taken from suppliers by the group was 33 days (2001: 42 days).

Stanhope Communications plc

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board



KJ Prenty
Secretary

12 December 2003

Stanhope Communications plc

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STANHOPE COMMUNICATIONS PLC

We have audited the financial statements on pages 7 to 25.

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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

12 December 2003

Stanhope Communications plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2002

	Notes	Year 2002 £	Period 2001 £
TURNOVER	1	45,686,554	6,193,901
Cost of sales		(43,539,199)	(5,265,579)
GROSS PROFIT		<u>2,147,355</u>	<u>928,322</u>
Administration expenses		(2,599,972)	(1,808,476)
OPERATING LOSS BEFORE GOODWILL AMORTISATION		<u>(452,617)</u>	<u>(880,154)</u>
Goodwill amortisation (including impairment of £17,554,258; 2001: £2,483,619)		(18,704,212)	(2,894,432)
OPERATING LOSS	2	<u>(19,156,829)</u>	<u>(3,774,586)</u>
Interest receivable	3	680,509	36,768
Interest payable and similar charges	4	(1,461,243)	(31,080)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(19,937,563)</u>	<u>(3,768,898)</u>
Taxation	6	(1,647)	29,819
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	17	<u>(19,939,210)</u>	<u>(3,739,079)</u>

The operating loss for the year arises from the group's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

Stanhope Communications plc
CONSOLIDATED BALANCE SHEET
30 June 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Intangible assets	8	3,790,542	22,494,754
Tangible assets	9	317,649	233,433
		<u>4,108,191</u>	<u>22,728,187</u>
CURRENT ASSETS			
Stock	11	836,360	1,171,334
Debtors	12	1,872,749	4,949,384
Cash at bank and in hand		574,736	1,196,408
		<u>3,283,845</u>	<u>7,317,126</u>
CREDITORS: Amounts falling due within one year	13	(6,786,902)	(9,478,062)
NET CURRENT LIABILITIES		<u>(3,503,057)</u>	<u>(2,160,936)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		605,134	20,567,251
CREDITORS: Amounts falling due after more than one year	14	(5,159,014)	(5,185,976)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(15,008)	(10,953)
NET (LIABILITIES)/ASSETS		<u>(4,568,888)</u>	<u>15,370,322</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,992,324	1,992,324
Share premium account	17	7,530,545	7,530,545
Merger reserve	17	9,586,532	9,586,532
Profit and loss account	17	(23,678,289)	(3,739,079)
SHAREHOLDERS' FUNDS	18	<u>(4,568,888)</u>	<u>15,370,322</u>

Shareholders' funds includes non equity shares of £9,400.

Approved by the board on 12 December 2003

JK Marks

Director



Stanhope Communications plc

BALANCE SHEET

30 June 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Intangible assets	8	-	1,600,313
Tangible assets	9	157,653	147,684
Investments	10	3,790,542	16,602,229
		<u>3,948,195</u>	<u>18,350,226</u>
CURRENT ASSETS			
Debtors	12	638,357	758,702
Cash at bank and in hand		4,245	136,936
		<u>642,602</u>	<u>895,638</u>
CREDITORS: Amounts falling due within one year	13	(7,333,227)	(6,288,482)
NET CURRENT LIABILITIES		<u>(6,690,625)</u>	<u>(5,392,844)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(2,742,430)	12,957,382
CREDITORS: Amounts falling due after more than one year	14	(5,159,014)	(5,185,976)
NET (LIABILITIES)/ASSETS		<u>(7,901,444)</u>	<u>7,771,406</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,992,324	1,992,324
Share premium account	17	7,530,545	7,530,545
Profit and loss account	17	(17,424,313)	(1,751,463)
SHAREHOLDERS' FUNDS	18	<u>(7,901,444)</u>	<u>7,771,406</u>

Shareholders' funds includes non equity shares of £9,400.

Approved by the board on 12 December 2003

JK Marks

Director



Stanhope Communications plc
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 June 2002

	<i>Notes</i>	2002 £	2001 £
Cash flow from operating activities	19a	2,681,166	(3,297,216)
Returns on investments and servicing of finance	19b	(708,001)	3,193
Taxation		(100,000)	(1,130,730)
Capital expenditure and financial investment	19b	(145,073)	(119,327)
Acquisitions and disposals	19b	-	(11,228,180)
		<u>1,728,092</u>	<u>(15,772,260)</u>
Financing	19b	(1,800,147)	15,302,727
		<u>(72,055)</u>	<u>(469,533)</u>
DECREASE IN CASH IN THE PERIOD			

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £	2001 £
Decrease in cash in the period	(72,055)	(469,533)
Cash flow from movement in debt and lease financing	1,800,147	(6,978,326)
Movement in net debt resulting from cashflows	<u>1,728,092</u>	<u>(7,447,859)</u>
New finance leases	-	(125,590)
MOVEMENT IN NET DEBT IN PERIOD	<u>1,728,092</u>	<u>(7,573,449)</u>
NET DEBT AT 1 JULY 2001	(7,573,449)	-
NET DEBT AT 30 JUNE 2002	<u>(5,845,357)</u>	<u>(7,573,449)</u>

Stanhope Communications plc

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards and on a going concern basis, having regard to the various post balance sheet transactions described in note 22.

The following accounting policies are consistent with those used in previous years except with regard to deferred taxation. This change has been made to comply with Financial Reporting Standard No. 19, the new accounting standard on deferred taxation, which is applied to the financial statements for the first time. The adoption of this new standard has had no material impact on the deferred tax liabilities reported in prior years.

TURNOVER

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of Stanhope Communications plc and its subsidiary undertakings made up to 30 June 2002.

No profit and loss account is presented for Stanhope Communications plc as provided by Section 230(3) of the Companies Act 1985.

GOODWILL

Goodwill representing the excess of purchase price compared with the fair value of net assets acquired is capitalised and written off evenly over its estimated useful economic life. The useful economic life is the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of its identifiable net assets, restricted to a maximum of 20 years.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving items.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value evenly over its expected useful life, as follows:-

Fixtures, fittings and equipment	4-5 years
Motor vehicles	25% reducing balance

OTHER INTANGIBLE ASSETS

Other intangible assets are stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost evenly over its useful economic life, as follows:

Customer lists	2 years
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Stanhope Communications plc

ACCOUNTING POLICIES

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

INVESTMENTS

Shares in subsidiary undertakings are long-term investments and are classified as fixed assets. Fixed asset investments are stated at cost less provision for diminution in value.

IMPAIRMENT REVIEWS

Impairment reviews of the recoverable amounts of goodwill and fixed assets are carried out when the group has reason to believe that an impairment may have arisen. Losses arising from such a revision are treated as depreciation or amortisation.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FINANCE COSTS

The costs relating to the obtaining of loan finance are amortised through the profit and loss account at a constant periodic rate. Loans are included in the balance sheet at the amount received from the lender less the unamortised costs.

COMPARATIVE FIGURES

The comparative figures are in respect of the period 21 June 2000 to 30 June 2001.

Stanhope Communications plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2002

1 TURNOVER

The group's turnover was derived from its principal activity, wholly undertaken within the United Kingdom.

2 OPERATING LOSS

	Year 2002 £	Period 2001 £
Operating loss is stated after charging:		
Depreciation of tangible fixed assets - owned	38,939	30,137
- leased	29,105	16,841
Operating lease rentals - land and buildings	143,056	154,117
Auditors' remuneration - audit fees	45,315	53,600
Goodwill amortisation - annual charge	1,149,954	410,813
- impairment	17,554,258	2,483,619

The auditors received remuneration of £33,237 (2001: £150,375) for non audit services during the year

3 INTEREST RECEIVABLE

	Year 2002 £	Period 2001 £
Bank interest	680,509	12,698
Other interest	-	24,070
	<u>680,509</u>	<u>36,768</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	Year 2002 £	Period 2001 £
On bank loans and overdrafts	479,846	1,188
Consideration for bank guarantee	222,502	-
Hire purchase interest	3,973	8,317
On loan notes	704,487	21,575
Amortisation of loan finance costs	50,435	-
	<u>1,461,243</u>	<u>31,080</u>

Stanhope Communications plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2002

5	EMPLOYEES	Year 2002 No	Period 2001 No
	The average monthly number of persons (including directors) employed by the group during the period was:		
	Operators	23	21
	Sales and administration	53	23
		<u>76</u>	<u>44</u>
		Year 2002 £	Period 2001 £
	Staff costs for above persons:		
	Wages and salaries	1,710,732	1,436,361
	Social security costs	160,055	95,081
	Other pension costs	27,004	20,667
		<u>1,897,791</u>	<u>1,552,110</u>
		Year 2002 £	Period 2001 £
	DIRECTORS' REMUNERATION		
	In respect of the directors of Stanhope Communications plc		
	Emoluments and fees	441,608	338,471
	Amounts paid to money purchase pension schemes	27,004	20,667
	Compensation for loss of office	24,000	-
		<u>492,612</u>	<u>359,138</u>
	The number of directors to whom retirement benefits are accruing under money purchase pension schemes was 2 (2001: 2).		
		Year 2002 £	Period 2001 £
	Emoluments of the highest paid director were as follows:		
	Emoluments	215,000	149,367
	Amounts paid to money purchase pension schemes	-	13,667
		<u>215,000</u>	<u>163,034</u>

Stanhope Communications plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2002

6	TAXATION	Year 2002 £	Period 2001 £
	Current tax:		
	UK corporation tax credit on profits of the period	-	(40,772)
	Adjustments in respect of previous periods	2,408	-
	Total current tax	2,408	(40,772)
	Deferred taxation:		
	Origination and reversal of timing differences	4,055	10,953
	Total deferred tax	4,055	10,953
	Tax on loss on ordinary activities	1,647	(29,819)
	Factors affecting tax charge for period:	2002 £	2001 £
	The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Loss on ordinary activities before tax	(19,937,563)	(3,768,898)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2000: 30%)	(5,981,269)	(1,130,669)
	Effects of:		
	Expenses not deductible for tax purposes	24,703	14,268
	Capital allowances	(6,651)	(10,953)
	Tax losses carried forward	351,953	218,252
	Amortisation and impairment of goodwill not deductible for tax purposes	5,611,264	868,330
	Adjustment in respect of previous periods	2,408	-
	Tax charge for period	2,408	(40,772)

Factors affecting future tax charges:

The group has tax losses of approximately £2,800,000 (2001: £1,680,000) available to carry forward against future trading profits. The non-deductibility of amortisation and impairment of goodwill will have an ongoing impact on the group's tax charge.

7 RESULTS OF THE PARENT COMPANY

The parent company made a loss for the year of £15,672,850 (2001: £1,751,463).

Stanhope Communications plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2002

8 INTANGIBLE FIXED ASSETS

GROUP	Customer list £	Purchased Goodwill £	Total £
Cost			
1 July 2001 and 30 June 2002	26,026	25,363,160	25,389,186
Amounts written off			
1 July 2001	13,013	2,881,419	2,894,432
Amortisation	13,013	1,136,941	1,149,954
Impairment	-	17,554,258	17,554,258
30 June 2002	26,026	21,572,618	21,598,644
Net book value			
30 June 2002	-	3,790,542	3,790,542
30 June 2001	13,013	22,481,741	22,494,754
COMPANY	Customer list £	Goodwill £	Total £
Cost			
1 July 2001 and 30 June 2002	26,026	2,321,369	2,347,395
Amounts written off			
1 July 2001	13,013	734,069	747,082
Amortisation	13,013	83,542	96,555
Impairment	-	1,503,759	1,503,758
30 June 2002	26,026	2,321,369	2,347,395
Net book value			
30 June 2002	-	-	-
30 June 2001	13,013	1,587,300	1,600,313

Stanhope Communications plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2002

9 TANGIBLE FIXED ASSETS

	Telephone system £	Computer equipment £	Fixtures and fittings £	Motor vehicles £	Total £
GROUP					
Cost					
1 July 2001	1,304	82,160	307,667	105,450	496,581
Additions	-	49,864	95,209	-	145,073
30 June 2002	1,304	132,024	402,876	105,450	641,654
Depreciation					
1 July 2001	135	26,425	206,117	30,471	263,148
Charged in the year	326	19,653	21,426	19,452	60,857
30 June 2002	461	46,078	227,543	49,923	324,005
Net book value					
30 June 2002	843	85,946	175,333	55,527	317,649
30 June 2001	1,169	55,735	101,550	74,979	233,433
COMPANY					
Cost					
1 July 2001	1,304	82,160	172,537	79,400	335,401
Additions	-	49,864	-	-	49,864
30 June 2002	1,304	132,024	172,537	79,400	385,265
Depreciation					
1 July 2001	135	26,425	144,484	16,673	187,717
Charged in the year	326	19,653	4,234	15,682	39,895
30 June 2002	461	46,078	148,718	32,355	227,612
Net book value					
30 June 2002	843	85,946	23,819	47,045	157,653
30 June 2001	1,169	55,735	28,053	62,727	147,684

Stanhope Communications plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2002

9 TANGIBLE FIXED ASSETS (*continued*)

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Net book value 30 June 2002	34,674	47,045	81,719
30 June 2001	23,136	67,546	90,682
Depreciation charge for the year 30 June 2002	13,423	15,682	29,105
30 June 2001	4,627	11,854	16,841

10 FIXED ASSETS INVESTMENTS

	Shares in subsidiary undertakings £
COMPANY Cost 1 July 2001 and at 30 June 2002	16,602,229
Amounts written off in year Impairment	(12,811,687)
30 June 2002	3,790,542

The company's subsidiary undertakings are as follows:

	Class of shareholding	% of shares held	Nature of business
Stanhope Telecommunications Ltd	Ordinary and preference	100%	Dormant
Answerlink plc	Ordinary	100%	Dormant
Aerofone (UK) Ltd	Ordinary	100%	Telecommunications

11 STOCK

	2002 £	Group 2001 £	2002 £	Company 2001 £
Goods for resale	836,360	1,171,334	-	-

Stanhope Communications plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2002

12	DEBTORS	Group	Company
	2002	2001	2002
	£	£	£
Due within one year:			
Trade debtors	1,212,011	3,884,730	256,473
Other debtors	14,470	372,019	312,619
Prepayments and accrued income	646,268	692,635	189,610
	<u>1,872,749</u>	<u>4,949,384</u>	<u>758,702</u>

Other debtors of the group includes a directors current account of £nil (2001: £59,400) with Ms JK Marks. The maximum balance of the directors current account during the year was £59,400 (2001: £59,400).

13	CREDITORS: Amounts falling due within one year	Group	Company
	2002	2001	2002
	£	£	£
Bank loans and overdrafts (see note 14)	1,116,324	3,415,941	1,116,324
Unamortised loan finance	-	(40,000)	-
Net obligations under hire purchase contracts (see note 14)	35,190	47,940	47,940
Trade creditors	4,154,010	4,280,533	256,861
Corporation tax	49,592	152,000	-
Other taxation and social security	151,211	144,645	90,025
Other creditors	1,067,971	809,704	796,454
Accruals and deferred income	212,604	667,299	649,799
Due to group undertakings	-	-	2,585,673
Loan notes	14,535,671	14,535,671	14,535,671
Cash deposit	(14,535,671)	(14,535,671)	(14,535,671)
	<u>6,786,902</u>	<u>9,478,062</u>	<u>6,288,482</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the group.

Loan notes of £14,535,671 are bank guaranteed and the bank has a charge over a blocked deposit account of £14,535,671. The funds in this deposit account will be utilised to effect repayment of the loan notes. The directors consider that as the blocked deposit account can only be utilised to repay the loan notes a *Linked Presentation*, as defined by *Financial Reporting Standard No 5*, is appropriate.

Two of the group's airtime service providers, to whom £340,547 (2001: £616,756) was owing at the period end, hold charges over the goodwill and certain other assets of the subsidiary, Aerofone (UK) Limited.

Stanhope Communications plc
NOTES TO THE FINANCIAL STATEMENTS
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14	CREDITORS: Amounts falling due in more than one year	2002 £	Group 2001 £	2002 £	Company 2001 £
	Bank loans	5,250,000	5,250,000	5,250,000	5,250,000
	Unamortised loan finance	(109,565)	(120,000)	(109,565)	(120,000)
	Net obligations under hire purchase contracts	18,579	55,976	18,579	55,976
		<u>5,159,014</u>	<u>5,185,976</u>	<u>5,159,014</u>	<u>5,185,976</u>
	Analysis of loans				
	Wholly repayable within five years	<u>5,250,000</u>	<u>5,250,000</u>	<u>5,250,000</u>	<u>5,250,000</u>

The bank loan is secured by a fixed and floating charge over the assets of the group, is repayable by quarterly instalments of £437,500 and bears interest at approximately 2.5% above Lloyds TBS Bank base rate.

Obligations under hire purchase contracts are secured on the related assets.

Analysis of Debt Maturity	2002 £	Group 2001 £	2002 £	Company 2001 £
Bank loans:				
Due within 1 year	-	1,750,000	-	1,710,000
Within 1-2 years	1,750,000	-	1,750,000	-
Within 2-5 years	3,500,000	5,250,000	3,500,000	5,250,000
	<u>5,250,000</u>	<u>7,000,000</u>	<u>5,250,000</u>	<u>7,000,000</u>

Obligations under hire purchase contracts:	2002 £	2001 £
Group and company		
Net obligations under hire purchase contracts		
Repayable within one year	35,190	47,940
Repayable between one and two years	18,579	48,940
Repayable between two and five years	-	7,036
	<u>53,769</u>	<u>103,916</u>

15	PROVISIONS FOR LIABILITIES AND CHARGES	Deferred taxation £
	1 July 2001	10,953
	Transferred from profit and loss account	4,055
	30 June 2002	<u>15,008</u>

The provision for deferred taxation relates to accelerated depreciation allowances.

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16	SHARE CAPITAL	2002 £	2001 £
	Authorised:		
	219,060,000 ordinary shares of 10p each	21,906,000	21,906,000
	9,400 preference shares of £1 each	9,400	9,400
		<u>21,915,400</u>	<u>21,915,400</u>
	Allotted, issued and fully paid:		
	19,829,240 ordinary shares of 10p each	1,982,924	1,982,924
	9,400 preference shares of £1 each	9,400	9,400
		<u>1,992,324</u>	<u>1,992,324</u>

The preference shares may be redeemed at the company's option on any date and without payment of a premium. On a winding up they rank ahead only of the ordinary shares and will be repaid at par.

17	RESERVES	Share premium account £	Merger reserve £	Profit and loss account £	Total £
	GROUP				
	1 July 2001	7,530,545	9,586,532	(3,739,079)	13,377,998
	Retained loss for the year	-	-	(19,939,210)	(19,939,210)
	30 June 2002	<u>7,530,545</u>	<u>9,586,532</u>	<u>(23,678,289)</u>	<u>(6,561,212)</u>
	COMPANY				
	1 July 2001	7,530,545	-	(1,751,463)	5,779,082
	Retained loss for the year	-	-	(15,672,850)	(15,672,850)
	30 June 2002	<u>7,530,545</u>	<u>-</u>	<u>(17,424,313)</u>	<u>(9,893,768)</u>

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18	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2002	Group	2002	Company
		£	2001 £	£	2001 £
	Loss for the financial year	(19,939,210)	(3,739,079)	(15,672,850)	(1,751,463)
	Issue of shares	-	1,992,324	-	1,992,324
	Premium on shares issued for cash	-	7,530,545	-	7,530,545
	On shares issued in connection with the acquisition of subsidiaries	-	9,586,532	-	-
	Net addition to shareholders' funds	(19,939,210)	15,370,322	(15,672,850)	7,771,406
	Opening shareholders' funds	15,370,322	-	7,771,406	-
	Closing shareholders' funds	(4,568,888)	15,370,322	(7,901,444)	7,771,406
	The total of shareholders' funds comprise:	2002 £	Group 2001 £	2002 £	Company 2001 £
	Non-equity shares attributable to preference shareholders	9,400	9,400	9,400	9,400
	Equity interests	(4,578,288)	15,360,922	(7,910,844)	7,762,006
		(4,568,888)	15,370,322	(7,901,444)	7,771,406
19	CASH FLOWS			2002 £	2001 £
a	Reconciliation of operating loss to net cash outflow from operating activities				
	Operating loss			(19,156,829)	(3,774,586)
	Amortisation			18,704,212	2,894,432
	Depreciation			60,857	46,978
	Loss on disposal of fixed assets			-	44,428
	Decrease/(increase) in stocks			334,974	(263,958)
	Decrease/(increase) in debtors			3,076,635	(1,534,667)
	Decrease in creditors			(338,683)	(709,843)
	Net cash inflow/(outflow) from operating activities			2,681,166	(3,297,216)

Stanhope Communications plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2002

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CASH FLOWS (*continued*)

2002

2001

£

£

b

Analysis of cash flows for headings netted in the cash flow statement

Returns on investments and servicing of finance

Interest received

680,509

12,698

Interest paid

(1,166,008)

(9,505)

Bank guarantee consideration

(222,502)

-

Net cash (outflow)/inflow from returns on investments and servicing of finance

(708,001)

3,193

Capital expenditure and financial investment

Purchase of tangible fixed assets

(145,073)

(93,301)

Purchase of intangible fixed assets

-

(26,026)

Net cash outflow from capital expenditure and financial investment

(145,073)

(119,327)

Acquisitions and disposals

Purchase of subsidiary undertakings

-

(1,313,510)

Net cash acquired with subsidiary undertakings

-

4,621,001

Cash deposit re loan notes (see note 13)

-

(14,535,671)

Net cash outflow from acquisitions and disposals

-

(11,228,180)

Financing

Issue of share capital

-

8,324,401

New secured loans

-

7,000,000

Repayment of loan

(1,750,000)

-

Capital element of finance lease rental payments

(50,147)

(21,674)

Net cash (outflow)/inflow from financing

(1,800,147)

15,302,727

c

Analysis of net debt

At 1 July

Cash flow

At 30 June

2001

£

2002

£

Cash at bank and in hand

1,196,408

(621,672)

574,736

Overdrafts

(1,665,941)

549,617

(1,116,324)

(469,533)

(72,055)

(541,588)

Debt due within one year

(1,750,000)

1,750,000

-

Debt due after one year

(5,250,000)

-

(5,250,000)

Finance leases

(103,916)

50,147

(53,769)

(7,573,449)

1,728,092

(5,845,357)

Stanhope Communications plc
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for the year ended 30 June 2002

20 CONTINGENT LIABILITIES

The members of the group have entered into an omnibus guarantee and set-off agreement with Lloyds TSB Bank whereby each member of the group has guaranteed the obligations to the bank of the other members of the group and the bank has the right of set-off. The bank holds fixed and floating charges over the assets and undertaking of each company in the group. At 30 June 2002 the company's guarantee obligation in respect of other members of the group amounted to £Nil (£2001: £Nil).

21 RELATED PARTY TRANSACTIONS

During the year company and its subsidiaries carried out a number of transactions with related parties. These transactions are disclosed below:

During the year Aerofone (UK) Limited ("Aerofone") rented premises from Transmatic Fyllan Limited, a company of which Mr D Marks, the father of JK Marks, is a director and ultimate controlling party. The rent and services paid were £54,295 (2001: £3,282).

Aerofone also purchased services from AAC Services Limited a company of which JK Marks and Mr R Marks, her brother, have joint control. AAC Services Limited has charged £734,341 (2001: £23,960) for equipment management and repairs, computer systems support and billing services.

Aerofone recharged to AAC Services Limited an amount for rent, fees and services of £2,917 (2001: £329). A balance of £107,105 (2001: £3,921) was owed to AAC Services Limited at the year end.

The company also purchased services from Bidwell & Co Ltd a company of which J Jones has control. Bidwell & Co Ltd charged £19,766 (2001: £92,873) for financial advisory and accountancy services.

JK Marks has provided a partial guarantee to Lloyds TSB Bank in respect of the group's bank borrowings. An amount of £222,052 (2001: £Nil) was charged to the company by JK Marks as consideration for the provision of this guarantee.

During the year loan notes of £nil (2001: £14,535,671) were issued to JK Marks. Included within other creditors at the year end was £753,000 (2001 : £753,000) due to JK Marks which was satisfied by the issue of further loan notes after the year end. Interest arising in the year on these amounts was £704,483 (2001: £21,575).

At 30 June 2002 a balance of £46,667 was due to JK Marks (2001:£37,825 due from JK Marks).

Stanhope Communications plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

22 POST BALANCE SHEET EVENTS

In November 2002, the company and Aerofone (UK) Limited agreed that the assets and undertaking of Aerofone be hived up to the company.

On 30 May 2003, the company paid the sum of £224,253 to Lloyds bank plc in consideration for the waiving of all outstanding indebtedness to the bank and the release of the company and its subsidiaries from all security and guarantees provided to the bank.

Immediately thereafter, the company transferred all its remaining business, assets, and liabilities to Aerofone (UK) Limited for a consideration of £1 and the assumption by the purchaser of the company's liabilities. The company then sold all its subsidiary companies to Ms JK Marks for a total consideration of £19,833. Following the completion of these transactions the company was left with shareholders' funds of £19,833 and a cash deposit of the same amount. The directors are proposing to place the company into liquidation in due course.

23 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2002 the group had annual commitments under non-cancellable operating leases as follows:

	2002	Group	2002	Company
	£	2001	£	2001
		£		£
Land and buildings				
expiring within 1 year	50,629	163,569	-	132,744
expiring between 2 and 5 years	82,901	-	-	-
Other				
expiring within 1 year	12,150	-	12,150	-
expiring between 1 and 2 years	44,550	-	44,550	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>