Aspen Group Limited

Directors' report and financial statements

Registered number 00663645

30 June 2001

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2001.

Principal activities

The Company was acquired by Pensa Limited on 20 July 1999. Following a group re-organisation the Aspen Group Limited was acquired by Pensa Holdings Limited on 8 June 2001.

Business review

The results for the year are shown in the profit and loss account on page 4.

Proposed dividend

The directors recommend a final ordinary dividend of £nil *(2000: £400,000)* for the year.

Directors and directors' interests

The directors who held office during the year were as follows:

H J P Meakin

P J M Threlfall

Aspen Corporate Director Limited

The interests of H Meakin and P Threlfall in the shares of the ultimate parent undertaking are shown in the accounts of Pensa Holdings Limited.

Auditors

KPMG were appointed auditors to fill a casual vacancy. However, since that date their audit practice was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors in May 2001 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

By order of the board

H J P Meakin
Director

Swan Yard
9-13 Market Place
Cirencester
Gloucestershire
GL7 2NH

Statement of directors' responsibilities

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 profit or loss for that period. In preparing those financial statements, 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 financial statements;
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Arlington Business Park
Theale
Reading
Berkshire RG7 4SD

Report of the independent auditors to the members of Aspen Group Limited

We have audited the financial statements on pages 4 to 13.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

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 company's affairs as at 30 June 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

21/05/2003

Chartered Accountants
Registered Auditors

Profit and loss account
for the year ended 30 June 2001

	Note	**2001**	2000
		£000	£000
Administrative expenses	*2*	**(592)**	(842)
Exceptional items	*3*	**(13,956)**	(2,302)
Operating loss	*2-5*	**(14,548)**	(3,144)
Loss on disposal of tangible fixed assets		**(38)**	(10)
Interest payable	*6*	**-**	(191)
Dividends from subsidiaries		**-**	700
Loss on ordinary activities before taxation		**(14,586)**	(2,645)
Tax on profit on ordinary activities	*7*	**187**	-
Loss on ordinary activities after taxation		**(14,399)**	(2,645)
Dividends		**-**	(400)
Loss for the financial year		**(14,399)**	(3,045)
Balance brought forward		**5,081**	8,126
Retained (loss)/profit for the year		**(9,318)**	5,081

The profit and loss account contains all recognised gains and losses for the current period. There is no difference between the results reported above and their historical cost equivalents.

The notes on pages 6 to 13 form part of these financial statements.

Balance sheet
at 30 June 2001

	Note	2001		2000	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		117		236
Investments	9		906		17,711
			1,023		17,947
Current assets					
Debtors	10	661		9,258	
Cash at bank and in hand		1,011		40	
		1,672		9,298	
Creditors: amounts falling due within one year	11	(2,728)		(12,879)	
Net current liabilities			(1,056)		(3,581)
Net deficit			(33)		14,366
Capital and reserves					
Called up share capital	13		774		774
Share premium account			5,353		5,353
Other reserves			3,158		3,158
Profit and loss account			(9,318)		5,081
Shareholders' funds	14		(33)		14,366

These financial statements were approved by the board of directors on 21/05/2003 and were signed on its behalf by:

H J P Meakin
Director

The notes on pages 6 to 13 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a small company.

As the company is a wholly owned subsidiary of Pensa Holdings Limited the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

The accounts have been prepared on a going concern basis as the parent company Pensa Holdings has indicated its willingness to support the company in the foreseeable future.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	4 to 10 years
Plant and machinery	-	7 years
Motor vehicles	-	4 years

Freehold property is not depreciated

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a pension scheme providing benefits on both a defined benefit and defined contribution basis. The assets of the scheme are held separately from those of the group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. Details of the scheme are set out in note 12 to these financial statements.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Loss on ordinary activities before taxation

	2001 £000	2000 £000
Loss on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off tangible fixed assets:	**81**	11
Auditors' remuneration:		
Audit	**4**	88
Other services - fees paid to the auditor and its associates	**2**	91
Loss/(profit) on disposal of fixed assets	**(38)**	(10)
Other operating lease rentals	**317**	24
Rent receivable	**(146)**	(18)

3 Exceptional items

	2001 £000	2000 £000
Costs of acquisition by Pensa Limited	**-**	820
Costs in respect of group disposals	**-**	377
Provisions against investment in group subsidiaries	**14,750**	570
Provision against intercompany debtors	**(25)**	513
Profit on disposal of subsidiaries	**(769)**	-
Other	**-**	22
	13,956	2,302

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2001	2000
Management and administration	**2**	3

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	**221**	305
Social security costs	**5**	21
Other pension costs	**58**	18
	284	344

Notes *(continued)*

5 Directors emoluments

	2001	2000
	£000	£000
The emoluments of the directors were as follows:		
Aggregate emoluments	**4**	221
Company pension contributions to money purchase schemes	-	18
Compensation for loss of office	-	170

6 Interest payable

	2001	2000
	£000	£000
Bank loan and overdraft interest	-	153
Interest payable to group companies	-	38
	-	191

7 Taxation

The provision for taxation at 30% based on the results for the year, comprises:

	2001	2000
	£000	£000
Over provision in respect of prior years	**(187)**	-
	(187)	-

Notes *(continued)*

8 Tangible fixed assets

	Short Leasehold property £000	Freehold property £000	Plant and machinery £000	Total £000
Cost				
At beginning of year	145	117	780	1,042
Disposals	(145)	-	(780)	(925)
At end of year	-	117	-	117
Depreciation				
At beginning of year	145	-	661	806
Charge for year	-	-	81	81
On disposals	(145)	-	(742)	(887)
At end of year	-	-	-	-
Net book value				
At 30 June 2001	**-**	**117**	**-**	**117**
At 30 June 2000	-	117	119	236

Notes *(continued)*

9 Fixed asset investments

	£000
Cost	
At beginning of year	35,965
Additions	-
Disposals	(2,053)
At end of year	33,912
Provisions	
At beginning of year	18,254
Permanent diminution in value	14,752
At end of year	33,006
Net book value	
At 30 June 2001	**906**
At 30 June 2000	17,711

The principle subsidiaries, which are wholly owned, are set out below. All are incorporated and operate in England and Wales except where stated. The activities of Aspen Direct Communications BV are marketing and media services. The activity of Cleartone Telecoms PLC is the sale of mobile telecommunications equipment.

Name of company	Country of incorporation	Description
Aspen Direct Communications BV	Netherlands	Ordinary DFL 100 shares Non-cum preference DFL 100 shares
Cleartone Telecoms plc	United Kingdom	Ordinary £1 shares

During the year the company liquidated or disposed of all its remaining subsidiaries except those listed above.

Notes *(continued)*

10 Debtors

	2001	2000
	£000	£000
Trade debtors	**174**	146
Amounts owed by group undertakings	**371**	7,743
Other debtors	**48**	605
Prepayments and accrued income	**68**	64
Dividends receivable	**-**	700
	661	9,258

11 Creditors: amounts falling due within one year

	2001	2000
	£000	£000
Trade creditors	**149**	105
Amounts owed to Group undertakings	**1,728**	11,150
Corporation tax	**-**	187
Taxation and social security	**27**	-
Accruals and deferred income	**824**	1,037
Dividends payable	**-**	400
	2,728	12,879

HSBC Bank plc holds a fixed and floating charge over all the assets of the Group and an unlimited cross guarantee with Pensa Limited and its principal UK subsidiaries.

Notes *(continued)*

12 Pension

As explained in the accounting policies set out in note 1, the company operates a pension scheme providing benefits on both a defined benefit and defined contribution basis. The defined benefit section was closed to both new members and for future accrual with effect from 5 April 1997 and a defined contribution section was set up in its place. The Scheme is funded, with the assets being held by the Trustees separately from the assets of the company. The pension costs are assessed by a qualified actuary and are charged to the profit and loss account so as to spread those costs over employees' working lives with the company.

The Scheme is valued at least every three years by a qualified actuary. The last formal valuation of the Scheme was carried out as at 5 April 2000 in accordance with the Minimum Funding Requirement (MFR) legislation. This showed that for the defined benefit section the market value of the Scheme's assets was £5,028,000 and that this represented 90% of the benefits that had accrued to members on the MFR method and assumptions. However, a later actuarial assessment indicated that the funding position had improved and the Scheme was fully funded on the MFR basis.

Whilst the company continues to account for pension costs in accordance with SSAP 24, the transitional arrangements of the new accounting standard Financial Reporting Standard (FRS) 17 require disclosure of the Scheme's assets and liabilities at 30 June 2001. For the purpose of the financial statements these figures are illustrative only and do not impact the actual year end balance sheet. The assets of the plan have been taken at market value and the liabilities calculated using the following actuarial assumptions:

	Rate per annum
Rate of increase in salaries	N/A
Rate of increase of pensions in payment	3.00%
Discount rate	6.00%
Inflation assumption	2.75%

The assets and liabilities of the Scheme and the expected long term rate of return were :

	Value £000
Managed and unitised funds	679
Insurance with profits fund	4,343
Net current assets	134
Total market value of assets	5,156
Value of liability	(6,168)
Surplus/(deficit)	(1,012)
Deferred tax	304
Net pension deficit	(708)

The profit and loss deficit at the year end is £9,318,000. If the deficit had been included in the balance sheet at the year end then this would be £708,000 higher at £10,026,000.

The pension cost charge for the period represents contributions payable by the company to the Scheme and amounted to £58,000 *(2000 :£18,000).*
There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes *(continued)*

13 Called up share capital

	2001 £000	2000 £000
Authorised		
20,000,000 Ordinary shares of 5p each	**1,000**	1,000
Allotted, called up and fully paid		
15,480,970 Ordinary shares of 5p each	**774**	774

14 Reconciliation of movements in shareholders' funds

	£000
Equity shareholders' funds at beginning of year	**14,366**
Loss for the financial year	**(14,399)**
Equity shareholders' funds at end of year	**(33)**

15 Contingent liabilities

The company together with other group companies has guaranteed letters of credit, loan facilities and other borrowings of the ultimate holding company and fellow subsidiaries. The amount outstanding at 30 June 2001 was £nil *(2000: £1,881,000).*

16 Post balance sheet events

The company disposed of its shareholding in Aspen Direct Communications B. V. after the year end. Under the terms of the agreement the company is to receive consideration equal to the book value for the fixed assets on 30 November 2001. An element of deferred consideration was also due based on the results, but none is now expected to be paid.

17 Ultimate parent company and parent undertaking of larger group of which the company is a member

Pensa Holdings Limited following a group reorganisation on 8 June 2001 is now the ultimate parent undertaking and controlling party for the entire group. Pensa Holdings Limited is registered in England. The financial statements of Pensa Holdings Limited are available to the public.