

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001
FOR
REDNET LIMITED

M R Salvage & Co
Chartered Accountants
and Registered Auditors
7/8 Eghams Court
Boston Drive
Bourne End
Bucks. SL8 5YS



REDNET LIMITED

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FOR THE YEAR ENDED 31 MARCH 2001

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REDNET LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2001

DIRECTORS:

M R Revell
B Mowbray
J Hills
M Crabtree

SECRETARY:

Boyes Turner Secretaries Limited

REGISTERED OFFICE:

Until 23/5/01	9 Old Queen Street Westminster London SW1H 9JA
From 23/5/01	6 Cliveden Office village Lancaster Road High Wycombe HP12 3YZ

REGISTERED NUMBER:

2303859 (England and Wales)

AUDITORS:

M R Salvage & Co
Chartered Accountants
and Registered Auditors
7/8 Eghams Court
Boston Drive
Bourne End
Bucks. SL8 5YS

REDNET LIMITED

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31 MARCH 2001**

The directors present their report with the financial statements of the company for the year ended 31 March 2001.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the provision of computer services.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The company became part of the RSL Communications Group on 16 May 2001. Turnover improved significantly from £2.9m to £3.8m. The company's investment in new staff, together with other costs associated with becoming part of the RSL Group contributed to an increase in overheads and the loss for the year.

Following the receivership of RSL, the company left the group in May 2001. The director is confident that the company's results will be improved in future years by maintaining turnover and reducing overheads where necessary.

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2001.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors during the year under review were:

M R Revell	
R H Willans	- resigned 16.5.2000
H Castle	- appointed 16.5.2000
	- resigned 12.12.2000
B Mowbray	- appointed 16.5.2000
J Hills	- appointed 16.5.2000
M Crabtree	- appointed 12.12.2000

The beneficial interests of the directors holding office on 31 March 2001 in the issued share capital of the company were as follows:

	31.3.01	1.4.00 or date of appointment if later
A Ordinary £1 shares		
M R Revell	-	15,300
B Mowbray	-	-
J Hills	-	-
M Crabtree	-	-
B Mowbray, J Hills and M Crabtree resigned as directors on 8 May 2001.		

REDNET LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2001

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 of the company 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;
- 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 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.

AUDITORS

The auditors, M R Salvage & Co, will be proposed for re-appointment in accordance with Section 385A of the Companies Act 1985.

ON BEHALF OF THE BOARD:



.....
MR Revell, DIRECTOR

Dated: 11/9/2001

REDNET LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
REDNET LIMITED

We have audited the financial statements of Rednet Limited for the year ended 31 March 2001 on pages five to sixteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Report of the Directors 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 the Report of the Directors 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 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 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

M R Salvage & Co

M R Salvage & Co
Chartered Accountants
and Registered Auditors
7/8 Eghams Court
Boston Drive
Bourne End
Bucks. SL8 5YS

Dated: 13/4/01

REDNET LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2001

		<u>2001</u>	<u>2000</u>
	Notes	£	£
TURNOVER		3,732,044	2,963,583
Cost of sales		<u>1,857,582</u>	<u>1,428,195</u>
GROSS PROFIT		1,874,462	1,535,388
Administrative expenses		<u>2,112,019</u>	<u>1,436,901</u>
		(237,557)	98,487
Other operating income		<u>-</u>	<u>9,413</u>
OPERATING (LOSS)/PROFIT	3	(237,557)	107,900
Interest receivable and similar income		<u>1,246</u>	<u>899</u>
		(236,311)	108,799
Interest payable and similar charges	4	<u>22,357</u>	<u>20,963</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(258,668)	87,836
Tax on (loss)/profit on ordinary activities	5	<u>(16,504)</u>	<u>16,508</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		(242,164)	71,328
Retained profit brought forward		<u>172,959</u>	<u>101,631</u>
(DEFICIT)/RETAINED PROFIT CARRIED FORWARD		<u>£(69,205)</u>	<u>£172,959</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year.

The notes form part of these financial statements

REDNET LIMITED**BALANCE SHEET**
31 MARCH 2001

		<u>2001</u>		<u>2000</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	6		381,969		254,735
CURRENT ASSETS:					
Stocks	7	11,175		15,004	
Debtors	8	983,540		640,251	
Cash at bank and in hand		<u>35,885</u>		<u>105,834</u>	
		1,030,600		761,089	
CREDITORS: Amounts falling due within one year	9	<u>1,375,665</u>		<u>769,924</u>	
NET CURRENT LIABILITIES:			<u>(345,065)</u>		<u>(8,835)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			36,904		245,900
CREDITORS: Amounts falling due after more than one year	10		<u>76,109</u>		<u>42,941</u>
			<u>£(39,205)</u>		<u>£202,959</u>
CAPITAL AND RESERVES:					
Called up share capital	12		30,000		30,000
Profit and loss account			<u>(69,205)</u>		<u>172,959</u>
SHAREHOLDERS' FUNDS:	18		<u>£(39,205)</u>		<u>£202,959</u>

ON BEHALF OF THE BOARD:


.....
M. R. Revell - DIRECTOR

Approved by the Board on11/9/2001

The notes form part of these financial statements

REDNET LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2001**

		<u>2001</u>		<u>2000</u>	
	Notes	£	£	£	£
Net cash inflow from operating activities	1		156,603		318,328
Returns on investments and servicing of finance	2		(21,111)		(20,064)
Taxation			(16,426)		(10,334)
Capital expenditure	2		<u>(132,362)</u>		<u>(121,884)</u>
			(13,296)		166,046
Financing	2		<u>(115,839)</u>		<u>(57,932)</u>
(Decrease)/Increase in cash in the period			<u>£(129,135)</u>		<u>£108,114</u>
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
(Decrease)/Increase in cash in the period			(129,135)		108,114
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing			<u>(44,543)</u>		<u>17,216</u>
Change in net funds resulting from cash flows			<u>(173,678)</u>		<u>125,330</u>
Movement in net funds in the period			(173,678)		125,330
Net funds/(debt) at 1 April			<u>16,351</u>		<u>(108,979)</u>
Net (debt)/funds at 31 March			<u>£(157,327)</u>		<u>£16,351</u>

The notes form part of these financial statements

REDNET LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2001

1. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating (loss)/profit	(237,557)	107,900
Depreciation charges	117,380	111,620
Loss on sale of fixed assets	953	2,535
Decrease in stocks	3,829	12,040
Increase in debtors	(326,859)	(61,835)
Increase in creditors	<u>598,857</u>	<u>146,068</u>
Net cash inflow from operating activities	<u><u>156,603</u></u>	<u><u>318,328</u></u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2001 £	2000 £
Returns on investments and servicing of finance		
Interest received	1,246	899
Interest paid	(10,645)	(2,856)
Interest element of hire purchase or finance lease rentals payments	<u>(11,712)</u>	<u>(18,107)</u>
Net cash outflow for returns on investments and servicing of finance	<u><u>(21,111)</u></u>	<u><u>(20,064)</u></u>
Capital expenditure		
Purchase of tangible fixed assets	(141,935)	(126,884)
Sale of tangible fixed assets	<u>9,573</u>	<u>5,000</u>
Net cash outflow for capital expenditure	<u><u>(132,362)</u></u>	<u><u>(121,884)</u></u>

The notes form part of these financial statements

REDNET LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2001**

**2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT
- continued**

	2001 £	2000 £
Financing		
New loan taken out in year	-	40,000
Loan repayments in year	(28,259)	(11,362)
HP /Finance capital repaid	(68,660)	(86,570)
Repayment of directors loan	<u>(18,920)</u>	<u>-</u>
Net cash outflow from financing	<u>(115,839)</u>	<u>(57,932)</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.4.00 £	Cash flow £	At 31.3.01 £
Net cash:			
Cash at bank and in hand	105,834	(69,949)	35,885
Bank overdraft	<u>-</u>	<u>(59,186)</u>	<u>(59,186)</u>
	<u>105,834</u>	<u>(129,135)</u>	<u>(23,301)</u>
Debt:			
Hire purchase or finance leases	<u>(89,483)</u>	<u>(44,543)</u>	<u>(134,026)</u>
	<u>(89,483)</u>	<u>(44,543)</u>	<u>(134,026)</u>
Total	<u>16,351</u>	<u>(173,678)</u>	<u>(157,327)</u>

Analysed in Balance Sheet

Cash at bank and in hand	105,834	35,885
Bank overdraft	-	(59,186)
Hire purchase or finance leases		
within one year	(55,179)	(57,917)
after one year	<u>(34,304)</u>	<u>(76,109)</u>
	<u>16,351</u>	<u>(157,327)</u>

The notes form part of these financial statements

REDNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. STAFF COSTS

	2001	2000
	£	£
Wages and salaries	1,333,998	865,554
Social security costs	127,510	85,426
Other pension costs	27,124	19,346
	<u>1,488,632</u>	<u>970,326</u>

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

2001	2000
<u>58</u>	<u>-</u>

REDNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001

3. OPERATING (LOSS)/PROFIT

The operating loss (2000 - operating profit) is stated after charging:

	2001	2000
	£	£
Hire of plant and machinery	11,469	-
Depreciation - owned assets	53,811	63,615
Depreciation - assets on hire purchase contracts or finance leases	63,569	48,005
Loss on disposal of fixed assets	953	2,535
Auditors' remuneration	<u>3,500</u>	<u>3,500</u>
 Directors' emoluments	 <u>113,250</u>	 <u>70,113</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£	£
Bank interest	5,808	440
Loan interest	585	2,416
Director's loan interest	4,252	-
Hire purchase interest	3,040	3,789
Leasing	<u>8,672</u>	<u>14,318</u>
	<u>22,357</u>	<u>20,963</u>

5. TAXATION

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

	2001	2000
	£	£
UK corporation tax	(16,504)	16,500
(Over)/under provision in prior years	<u>-</u>	<u>8</u>
	<u>(16,504)</u>	<u>16,508</u>

REDNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001**

6. TANGIBLE FIXED ASSETS

	<u>Fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Computer equipment</u>	<u>Totals</u>
	£	£	£	£
COST:				
At 1 April 2000	74,694	86,142	406,399	567,235
Additions	36,752	-	218,387	255,139
Disposals	<u>-</u>	<u>(25,482)</u>	<u>-</u>	<u>(25,482)</u>
At 31 March 2001	<u>111,446</u>	<u>60,660</u>	<u>624,786</u>	<u>796,892</u>
DEPRECIATION:				
At 1 April 2000	11,529	30,145	270,825	312,499
Charge for year	11,808	13,064	92,508	117,380
Eliminated on disposals	<u>-</u>	<u>(14,956)</u>	<u>-</u>	<u>(14,956)</u>
At 31 March 2001	<u>23,337</u>	<u>28,253</u>	<u>363,333</u>	<u>414,923</u>
NET BOOK VALUE:				
At 31 March 2001	<u>88,109</u>	<u>32,407</u>	<u>261,453</u>	<u>381,969</u>
At 31 March 2000	<u>63,166</u>	<u>55,997</u>	<u>135,572</u>	<u>254,735</u>

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows:

	<u>Motor vehicles</u>	<u>Computer equipment</u>	<u>Totals</u>
	£	£	£
COST:			
At 1 April 2000	60,660	141,321	201,981
Additions	<u>-</u>	<u>113,204</u>	<u>113,204</u>
At 31 March 2001	<u>60,660</u>	<u>254,525</u>	<u>315,185</u>
DEPRECIATION:			
At 1 April 2000	15,189	79,887	95,076
Charge for year	<u>13,064</u>	<u>50,505</u>	<u>63,569</u>
At 31 March 2001	<u>28,253</u>	<u>130,392</u>	<u>158,645</u>
NET BOOK VALUE:			
At 31 March 2001	<u>32,407</u>	<u>124,133</u>	<u>156,540</u>
At 31 March 2000	<u>45,471</u>	<u>61,433</u>	<u>106,904</u>

REDNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001

7. STOCKS

	2001	2000
	£	£
Stock	<u>11,175</u>	<u>15,004</u>

**8. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2001	2000
	£	£
Trade debtors	841,287	462,669
Other debtors	50,424	69,694
Prepayments	75,399	107,888
Corporation tax recoverable	<u>16,430</u>	<u>-</u>
	<u>983,540</u>	<u>640,251</u>

**9. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2001	2000
	£	£
Bank loans and overdrafts (see note 11)	59,565	20,000
Trade creditors	464,290	283,084
Directors current accounts	-	18,920
Amounts due to group undertakings	250,000	-
Hire purchase	57,917	55,179
Other creditors	232,454	60,911
V.A.T.	64,976	65,836
Social security and other taxes	11,075	6,627
Accruals and deferred income	1	41,406
Taxation	-	16,500
Accrued expenses	<u>235,387</u>	<u>201,461</u>
	<u>1,375,665</u>	<u>769,924</u>

**10. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	2001	2000
	£	£
Bank loans (see note 11)	-	8,637
Hire purchase	<u>76,109</u>	<u>34,304</u>
	<u>76,109</u>	<u>42,941</u>

REDNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001

11. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2001 £	2000 £
Amounts falling due within one year or on demand:		
Bank overdrafts	59,186	-
Bank loans	<u>379</u>	<u>20,000</u>
	<u>59,565</u>	<u>20,000</u>
Amounts falling due between one and two years:		
Bank loans	<u>-</u>	<u>8,637</u>

12. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	2001 £	2000 £
46,667	A Ordinary	£1	46,667	46,667
3,333	B Ordinary	£1	<u>3,333</u>	<u>3,333</u>
			<u>50,000</u>	<u>50,000</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2001 £	2000 £
30,000	A Ordinary	£1	30,000	30,000
(2000 - 3,333)			<u>30,000</u>	<u>30,000</u>

The B ordinary shares are non-voting but otherwise rank pari passu with the A shares.

13. ULTIMATE PARENT COMPANY

At the year end date the company was a subsidiary undertaking of R S L Communications Limited, a company incorporated in Bermuda.

The directors regard R S L Communications Limited as the immediate and ultimate parent company at the year end date.

As outlined in note 18 the company was acquired by Awardmodel Limited on 14 May 2001.

REDNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001

14. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2001 or 31 March 2000.

15. OTHER FINANCIAL COMMITMENTS

OPERATING LEASE COMMITMENTS

The company has annual commitments of £82,000 (2000:£82,000) under operating leases expiring within two to five years of the balance sheet date.

16. RELATED PARTY DISCLOSURES

From 1 April 2000 to 16 May 2000 the company was controlled by M R Revell and R H Willans who between them owned 100% of the ordinary share capital.

From 16 May 2000 the company was a subsidiary undertaking of R S L Communications Limited.

During the year R S L Communications Limited provided funding to the company and at 31 March 2001 £250,000 (2000:£nil) was due to R S L Communications Limited. During the year the company made aggregate sales of £6,260 to, and aggregate purchases of £6,008 from, RSL Communications Limited. At 31 March 2001 £935 and £1,136 were included within trade debtors and trade creditors respectively.

Included within creditors is £nil (2000:£18,920) in respect of a loan to the company by M R Revell. The loan was repaid in the year.

17. POST BALANCE SHEET EVENTS

In March 2001 R S L Communications Limited was placed in provisional liquidation by the court in Bermuda.

On 14 May 2001 the company was acquired by and became a 100 % subsidiary of Awardmodel Limited, a company incorporated in England and Wales. As part of this transaction the debt due to R S L Communications Limited was settled by a loan to the company from M R Revell.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	2000
	£	£
(Loss)/Profit for the financial year	(242,164)	71,328
Net (reduction)/addition to shareholders' funds	(242,164)	71,328
Opening shareholders' funds	202,959	131,631
Closing shareholders' funds	(39,205)	202,959
 Equity interests	 (39,205)	 202,959