

REGISTERED NUMBER: 06882304 (England and Wales)

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**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
FOR
2CONNECT UK LTD**



CONTENTS OF THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2011

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	3
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Statement of Cash Flows	10
Notes to the Financial Statements	11

COMPANY INFORMATION
for the Year Ended 31 December 2011

DIRECTORS:

F Alshirawi
R Hillson
2Connect W L L

SECRETARY:

2Connect W L L

REGISTERED OFFICE:

Lakeside House
1 Furzeground Way
Uxbridge
UB11 1BD

REGISTERED NUMBER:

06882304 (England and Wales)

AUDITORS:

Oury Clark Chartered Accountants
Registered Auditors
P O Box 150, Herschel House
58 Herschel Street
Slough
Berkshire
SL1 1HD

**REPORT OF THE DIRECTORS
for the Year Ended 31 December 2011**

The directors present their report with the financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a telecommunications service provider

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2011 to the date of this report

F Alshirawi
R Hillson
2Connect W L L

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

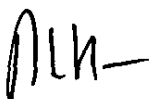
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Oury Clark Chartered Accountants, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD.



R Hillson - Director

3 May 2012



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF 2CONNECT UK LTD

We have audited the financial statements of 2Connect UK Ltd for the year ended 31 December 2011 on pages five to fourteen. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
2CONNECT UK LTD**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Report of the Directors



Mr D A Smith (Senior Statutory Auditor)
for and on behalf of Oury Clark Chartered Accountants
Registered Auditors
P O Box 150, Herschel House
58 Herschel Street
Slough
Berkshire
SL1 1HD

3 May 2012

INCOME STATEMENT
for the Year Ended 31 December 2011

		Year Ended 31 12 11 £	Period 1 5 10 to 31 12 10 £
	Notes		
CONTINUING OPERATIONS			
Revenue		169,710	12,681
Cost of sales		(164,370)	(45,399)
GROSS PROFIT/(LOSS)		5,340	(32,718)
Administrative expenses		(60,068)	(42,195)
OPERATING LOSS		(54,728)	(74,913)
Finance income	3	16	-
LOSS BEFORE INCOME TAX	4	(54,712)	(74,913)
Income tax	5	-	-
LOSS FOR THE YEAR		<u>(54,712)</u>	<u>(74,913)</u>

The notes form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 31 December 2011

	Year Ended 31 12 11 £	Period 1 5 10 to 31 12 10 £
LOSS FOR THE YEAR	(54,712)	(74,913)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(54,712)</u>	<u>(74,913)</u>

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
31 December 2011

	Notes	31 12 11 £	31 12 10 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	31,557	40,346
CURRENT ASSETS			
Inventories	7	404	-
Trade and other receivables	8	41,907	28,081
Cash and cash equivalents	9	801	7,343
Prepayments		113,769	-
		<u>156,881</u>	<u>35,424</u>
TOTAL ASSETS		<u>188,438</u>	<u>75,770</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	10	1,000	1,000
Retained earnings	11	(129,625)	(74,913)
TOTAL EQUITY		<u>(128,625)</u>	<u>(73,913)</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	317,063	149,683
TOTAL LIABILITIES		<u>317,063</u>	<u>149,683</u>
TOTAL EQUITY AND LIABILITIES		<u>188,438</u>	<u>75,770</u>

The financial statements were approved by the Board of Directors on 3 May 2012 and were signed on its behalf by

ALH-

R Hillson - Director



The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2011

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 May 2010	1,000	-	1,000
Changes in equity			
Total comprehensive income	-	(74,913)	(74,913)
Balance at 31 December 2010	<u>1,000</u>	<u>(74,913)</u>	<u>(73,913)</u>
Changes in equity			
Total comprehensive income	-	(54,712)	(54,712)
Balance at 31 December 2011	<u>1,000</u>	<u>(129,625)</u>	<u>(128,625)</u>

The notes form part of these financial statements

STATEMENT OF CASH FLOWS
for the Year Ended 31 December 2011

		Year Ended 31 12 11 £	Period 1 5 10 to 31 12 10 £
Cash flows from operating activities			
Cash generated from operations	1	(160,558)	(80,273)
Net cash from operating activities		<u>(160,558)</u>	<u>(80,273)</u>
 Cash flows from investing activities			
Purchase of tangible fixed assets		-	(43,945)
Interest received		16	-
Net cash from investing activities		<u>16</u>	<u>(43,945)</u>
 Cash flows from financing activities			
Amount introduced by directors		241	-
Intercompany funding		153,759	130,561
Net cash from financing activities		<u>154,000</u>	<u>130,561</u>
 (Decrease)/increase in cash and cash equivalents		<u>(6,542)</u>	<u>6,343</u>
Cash and cash equivalents at beginning of year	2	<u>7,343</u>	<u>1,000</u>
Cash and cash equivalents at end of year	2	<u><u>801</u></u>	<u><u>7,343</u></u>

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS
for the Year Ended 31 December 2011

1 RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	Year Ended 31 12 11 £	Period 1 5 10 to 31 12 10 £
Loss before income tax	(54,712)	(74,913)
Depreciation charges	8,789	3,599
Finance income	(16)	-
	<u>(45,939)</u>	<u>(71,314)</u>
Increase in inventories	(404)	-
Increase in trade and other receivables	(127,595)	(28,081)
Increase in trade and other payables	13,380	19,122
	<u>(160,558)</u>	<u>(80,273)</u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts

Year ended 31 December 2011

	31 12 11 £	1 1 11 £
Cash and cash equivalents	<u>801</u>	<u>7,343</u>

Period ended 31 December 2010

	31 12 10 £	1 5 10 £
Cash and cash equivalents	<u>7,343</u>	<u>1,000</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2011

1 ACCOUNTING POLICIES**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Revenue recognition

Revenue represents net invoiced sales of goods and services, excluding VAT.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Computer equipment - 25% on cost

Inventories

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

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

2 EMPLOYEES AND DIRECTORS

	Year Ended 31 12 11 £	Period 1 5 10 to 31 12 10 £
Wages and salaries	19,392	-
Social security costs	1,608	-
	<u>21,000</u>	<u>-</u>

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

	Year Ended 31 12 11	Period 1 5 10 to 31 12 10
Director	<u>1</u>	<u>-</u>

	Year Ended 31 12 11 £	Period 1 5 10 to 31 12 10 £
Directors' remuneration	<u>19,392</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2011

3 NET FINANCE INCOME

	Year Ended 31 12 11 £	Period 1 5 10 to 31 12 10 £
Finance income		
Interest received	16	-
	<u>16</u>	<u>-</u>

4 LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging

	Year Ended 31 12 11 £	Period 1 5 10 to 31 12 10 £
Cost of inventories recognised as expense	164,370	45,399
Other operating leases	6,397	4,464
Depreciation - owned assets	8,789	3,599
Auditors' remuneration	4,612	4,000
Foreign exchange differences	96	-
	<u>96</u>	<u>-</u>

5 INCOME TAX**Analysis of tax expense**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2011 nor for the period ended 31 December 2010

The company has unused tax losses of £159,372 (2010 £115,259) for which no deferred tax asset has been recognised. This is due to the fact that the company is not expected to make profits in the year to 31 December 2012

6 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £
COST	
At 1 January 2011	
and 31 December 2011	43,945
DEPRECIATION	
At 1 January 2011	3,599
Charge for year	8,789
At 31 December 2011	12,388
NET BOOK VALUE	
At 31 December 2011	31,557
At 31 December 2010	40,346

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2011

7 INVENTORIES

	31 12 11	31 12 10
	£	£
Stocks	404	-
	<u>404</u>	<u>-</u>

8 TRADE AND OTHER RECEIVABLES

	31 12 11	31 12 10
	£	£
Current		
VAT	20,122	10,307
Prepayments and accrued income	21,785	17,774
	<u>41,907</u>	<u>28,081</u>

9 CASH AND CASH EQUIVALENTS

	31 12 11	31 12 10
	£	£
Bank accounts	801	7,343
	<u>801</u>	<u>7,343</u>

10 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			31 12 11	31 12 10
Number	Class	Nominal value	£	£
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

11 RESERVES

	Retained earnings £
At 1 January 2011	(74,913)
Deficit for the year	(54,712)
At 31 December 2011	<u>(129,625)</u>

12 TRADE AND OTHER PAYABLES

	31 12 11	31 12 10
	£	£
Current		
Trade creditors	27,717	15,122
Amounts owed to group undertakings	284,320	130,561
Social security and other taxes	785	-
Accrued expenses	4,000	4,000
Directors' loan accounts	241	-
	<u>317,063</u>	<u>149,683</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2011

13 LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows

	31 12 11	31 12 10
	£	£
Within one year	<u>6,720</u>	<u>-</u>

14 ULTIMATE PARENT COMPANY

The ultimate parent company is 2Connect Holdings B S C, a Company incorporated in Bahrain

15 RELATED PARTY DISCLOSURES

During the year the company entered into transactions with its immediate parent company 2Connect W L L. Funding from 2Connect W L L amounted to £148,658 (2010 - £146,061) and sales to 2Connect W L L amounted to £169,711 (2010 - £14,500). At the year end the total amount due to 2Connect W L L was £281,485 (2010- £130,561).

16 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party of 2Connect UK Limited