

**SPACETEL (UK) LIMITED
FINANCIAL STATEMENTS
FOR
31ST DECEMBER 2001**

Company Registration Number 3036383

SHEA & CO

Chartered Accountants & Registered Auditors
105 Stanstead Road
Forest Hill
London
SE23 1HH



SPACETEL (UK) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2001

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SPACETEL (UK) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2001

The directors present their report and the financial statements of the company for the year ended 31st December 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was to connect other telecommunication systems and apparatus to the applicable systems and to provide telecommunication services by means of the applicable system.

The directors consider that the financial statements give a fair view of the results for the year ended 31st December 2001. The company will continue to be supported by the ultimate parent company.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year were as follows:

B Oueida
G Oueida
A T Mikati
H Hinojosa

The company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company.

None of the directors had any interests that require disclosure under the Companies Act 1985.

AUDITORS

A resolution to re-appoint Shea & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
88/89 College Road
Harrow
Middlesex
HA1 1BQ

Signed on behalf of the directors



H HINOJOSA
Director

Approved by the directors on 25th April 2002

SPACETEL (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31ST DECEMBER 2001

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 6 to 7, 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; and

- 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. The directors 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.

SPACETEL (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31ST DECEMBER 2001

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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.

FUNDAMENTAL UNCERTAINTY


In forming our opinion, we have also considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the uncertainty as to the continuation of the holding company's support for the company. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2001 and of the loss of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

105 Stanstead Road
Forest Hill
London
SE23 1HH

25th April 2002



SHEA & CO
Chartered Accountants
& Registered Auditors

SPACETEL (UK) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 2001

	Note	2001 £	2000 £
TURNOVER	2	1,799,045	2,454,221
Cost of sales		1,353,620	2,591,057
GROSS PROFIT/(LOSS)		445,425	(136,836)
Distribution Costs		183,264	276,874
Administrative expenses		903,702	977,564
Other operating income	3	(26,852)	(58,748)
OPERATING LOSS	4	(614,689)	(1,332,526)
Interest receivable		30,675	26,105
Interest payable	7	(69,135)	(34,117)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(653,149)	(1,340,538)
Tax on loss on ordinary activities	8	-	-
LOSS FOR THE FINANCIAL YEAR		(653,149)	(1,340,538)
Balance brought forward		(3,004,488)	(1,663,950)
Balance carried forward		(3,657,637)	(3,004,488)

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

SPACETEL (UK) LIMITED**BALANCE SHEET****31ST DECEMBER 2001**

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	9	442,573	661,189
CURRENT ASSETS			
Debtors	10	386,879	1,347,104
Cash at bank and in hand		28,556	121,108
		<u>415,435</u>	<u>1,468,212</u>
CREDITORS: Amounts falling due within one year	11	<u>(1,839,205)</u>	<u>(3,503,992)</u>
NET CURRENT LIABILITIES		<u>(1,423,770)</u>	<u>(2,035,780)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(981,197)</u>	<u>(1,374,591)</u>
CREDITORS: Amounts falling due after more than one year	12	<u>(2,476,440)</u>	<u>(1,429,897)</u>
		<u>(3,457,637)</u>	<u>(2,804,488)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	15	200,000	200,000
Profit and Loss Account		<u>(3,657,637)</u>	<u>(3,004,488)</u>
DEFICIENCY	16	<u>(3,457,637)</u>	<u>(2,804,488)</u>

These financial statements were approved by the directors on the 25th April 2002 and are signed on their behalf by:

H HINOJOSA

HD
Fin

The notes on pages 6 to 10 form part of these financial statements.

SPACETEL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2001

1. ACCOUNTING POLICIES

Basis of accounting

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

The company is dependent on the continuing support of its holding company. The directors of the holding company have indicated their intention to continue to support the company, however this support is subject to monthly review. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 20% straight line
Fixtures & Fittings	- 15% straight line
Technical Installation & Equipment	- 20% straight line

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

SPACETEL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2001

1. ACCOUNTING POLICIES *(continued)*

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2001 £	2000 £
United Kingdom	<u>1,799,045</u>	<u>2,454,221</u>

3. OTHER OPERATING INCOME

	2001 £	2000 £
Rent receivable	13,328	58,748
Commission receivable	639	-
Other operating income	12,885	-
	<u>26,852</u>	<u>58,748</u>

4. OPERATING LOSS

Operating loss is stated after charging:

	2001 £	2000 £
Depreciation	204,093	201,242
Loss on disposal of fixed assets	-	593
Auditors' remuneration		
- as auditors	5,000	6,250
Operating lease costs:		
Land and buildings	80,799	49,799
Net loss on foreign currency translation	<u>32,312</u>	<u>10,025</u>

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2001 No.	2000 No.
Management and administration	3	5
Sales and technical	1	6
	<u>4</u>	<u>11</u>

SPACETEL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2001

5. PARTICULARS OF EMPLOYEES *(continued)*

The aggregate payroll costs of the above were:

	2001	2000
	£	£
Wages and salaries	161,950	275,550
Social security costs	15,028	29,731
	<u>176,978</u>	<u>305,281</u>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2001	2000
	£	£
Emoluments receivable	<u>50,000</u>	<u>51,000</u>

7. INTEREST PAYABLE

	2001	2000
	£	£
Interest payable on bank borrowing	-	326
Finance charges	26,816	32,752
Other similar charges payable	42,319	1,039
	<u>69,135</u>	<u>34,117</u>

8. TAX ON LOSS ON ORDINARY ACTIVITIES

No taxation has been provided for due to losses in the current year and losses carried forward.

9. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Equipment £	Total £
COST				
At 1st January 2001	114,239	29,039	905,403	1,048,681
Additions	5,800	159	18,018	23,977
Disposals	-	-	(38,500)	(38,500)
At 31st December 2001	<u>120,039</u>	<u>29,198</u>	<u>884,921</u>	<u>1,034,158</u>
DEPRECIATION				
At 1st January 2001	41,457	7,644	338,391	387,492
Charge for the year	23,120	4,359	176,614	204,093
At 31st December 2001	<u>64,577</u>	<u>12,003</u>	<u>515,005</u>	<u>591,585</u>
NET BOOK VALUE				
At 31st December 2001	<u>55,462</u>	<u>17,195</u>	<u>369,916</u>	<u>442,573</u>
At 31st December 2000	<u>72,782</u>	<u>21,395</u>	<u>567,012</u>	<u>661,189</u>

Included in the cost of equipment is £39,436 relating to finance costs which have been capitalised.

SPACETEL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2001

9. TANGIBLE FIXED ASSETS *(continued)*

Finance lease agreements

Included within the net book value of £442,573 is £242,758 (2000 - £363,411) relating to assets held under finance lease agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £120,653 (2000 - £120,984).

10. DEBTORS

	2001 £	2000 £
Trade debtors	88,782	429,306
Amounts owed by group undertakings	106,630	58,397
VAT recoverable	-	51,334
Other debtors	2,700	413,599
Prepayments and accrued income	188,767	394,468
	<u>386,879</u>	<u>1,347,104</u>

11. CREDITORS: Amounts falling due within one year

	2001 £	2000 £
Trade creditors	559,918	779,650
Amounts owed to group undertakings	599,909	1,565,019
Other creditors including taxation and social security:		
PAYE and social security	3,728	6,166
VAT	36,535	-
Finance leases	171,327	145,447
Other creditors	-	382
Other creditors	-	142,410
Directors current accounts	2,581	2,581
	<u>214,171</u>	<u>296,986</u>
Accruals and deferred income	465,207	862,337
	<u>1,839,205</u>	<u>3,503,992</u>

12. CREDITORS: Amounts falling due after more than one year

	2001 £	2000 £
Amounts owed to group undertakings	2,362,222	1,222,878
Other creditors including:		
Finance leases	114,218	207,019
	<u>2,476,440</u>	<u>1,429,897</u>

The amount due to group undertakings after more than one year is owing to the parent undertaking and does not bear any interest.

SPACETEL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2001

13. COMMITMENTS UNDER FINANCE LEASE AGREEMENTS

Future commitments under finance lease agreements are as follows:

	2001 £	2000 £
Amounts payable within 1 year	195,156	180,723
Amounts payable between 1 and 2 years	121,326	223,727
	<u>316,482</u>	<u>404,450</u>
Less interest and finance charges relating to future periods	(30,937)	(51,984)
	<u>285,545</u>	<u>352,466</u>

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions for disclosure under FRS8 as an undertaking which is more than 90% controlled by the ultimate parent undertaking.

15. SHARE CAPITAL

Authorised share capital:

	2001 £	2000 £
1,000,000 Ordinary shares of £1.00 each	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	2001 £	2000 £
Ordinary share capital	<u>200,000</u>	<u>200,000</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Loss for the financial year	(653,149)	(1,340,538)
Opening shareholders' equity funds	<u>(2,804,488)</u>	<u>(1,463,950)</u>
Closing shareholders' equity funds	<u>(3,457,637)</u>	<u>(2,804,488)</u>

17. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking and controlling party is Investcom Holding (Luxembourg) S.A. It has included the company in the group accounts, copies of which are obtainable from 6 Rue Zithe, Luxembourg.

SPACETEL (UK) LIMITED
MANAGEMENT INFORMATION
YEAR ENDED 31ST DECEMBER 2001

**The following pages do not form part of the statutory financial statements
which are the subject of the auditors' report on page 3.**

SPACETEL (UK) LIMITED**DETAILED PROFIT AND LOSS ACCOUNT****YEAR ENDED 31ST DECEMBER 2001**

	2001	2000
	£	£
TURNOVER	1,799,045	2,454,221
COST OF SALES		
Cost of service revenue	1,164,107	2,255,496
Circuit rentals	8,808	87,909
Switch equipment	1,091	71,570
OFTEL license fee	3,000	2,250
Depreciation of technical installation equipment	176,614	173,832
	<u>(1,353,620)</u>	<u>(2,591,057)</u>
GROSS PROFIT/(LOSS)	445,425	(136,836)
OVERHEADS		
Distribution Costs	183,264	276,874
Administrative expenses	903,702	977,564
	<u>(1,086,966)</u>	<u>(1,254,438)</u>
	(641,541)	(1,391,274)
OTHER OPERATING INCOME	26,852	58,748
OPERATING LOSS	(614,689)	(1,332,526)
Other interest	30,675	26,105
	<u>(584,014)</u>	<u>(1,306,421)</u>
Interest payable	(69,135)	(34,117)
LOSS ON ORDINARY ACTIVITIES	<u>(653,149)</u>	<u>(1,340,538)</u>

SPACETEL (UK) LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2001

	2001		2000	
	£	£	£	£
DISTRIBUTION COSTS				
Distribution wages		38,478		118,073
NIC on distribution labour		4,015		13,900
Temporary staff		3,908		3,687
Commissions paid		133,283		88,803
Recruitment		-		16,426
Staff training and presentations		3,050		5,745
Exhibitions		-		7,372
Travel and car allowance		530		15,995
Travel and subsistence		-		2,641
Living accommodation		-		4,232
		<u>183,264</u>		<u>276,874</u>
ADMINISTRATIVE EXPENSES				
Personnel costs				
Directors salaries	50,000		51,000	
Directors NIC	5,448		12,622	
Administrative staff salaries	60,983		106,477	
Temporary staff	12,489		-	
Staff NIC	5,565		3,209	
		<u>134,485</u>		<u>173,308</u>
Establishment expenses				
Rent	80,799		49,799	
Business rates	33,313		31,775	
Water charges	304		231	
Light and heat	5,491		15,147	
Insurance	9,480		9,871	
Repairs and maintenance	10,256		15,118	
Cleaning of premises	243		610	
Security	882		2,794	
		<u>140,768</u>		<u>125,345</u>
General expenses				
Travel and subsistence	14		2,968	
Travel and car allowance	1,057		2,038	
Telephone	20,491		27,077	
Printing and stationery	7,779		8,230	
Postage and courier services	2,163		3,649	
Recruitment	4,250		3,479	
Staff training and presentations	305		399	
Staff welfare	4,822		4,022	
Staff redundancy payments	481		712	
Living accommodation	10,543		867	
Sundry expenses	1,479		9,881	
Donations	4,765		1,891	
Advertising and promotion	9,145		19,982	
Entertaining	41		1,307	
Subscriptions	2,419		120	
Management charges payable	(36)		69,966	
		<u>69,718</u>		<u>298,653</u>
Carried forward	69,718	275,253	156,588	298,653

SPACETEL (UK) LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2001

	2001		2000	
	£	£	£	£
ADMINISTRATIVE EXPENSES <i>(continued)</i>				
Brought forward	69,718	275,253	156,588	298,653
Legal and professional fees	34,803		37,645	
Accountancy fees	7,667		-	
Auditors remuneration	5,000		6,250	
Depreciation	27,479		27,410	
Loss on disposal of fixed assets	-		593	
		144,667		228,486
Financial costs				
Bad debts written off	448,217		438,651	
Bank charges	3,253		1,749	
Foreign currency gains/losses	32,312		10,025	
		483,782		450,425
		903,702		977,564
OTHER OPERATING INCOME				
Rent receivable		13,328		58,748
Commissions receivable		639		-
Other operating income		12,885		-
		26,852		58,748
INTEREST PAYABLE				
Bank interest payable		-		326
HP/Finance lease charges		26,816		32,752
Interest on other loans		42,319		1,039
		69,135		34,117