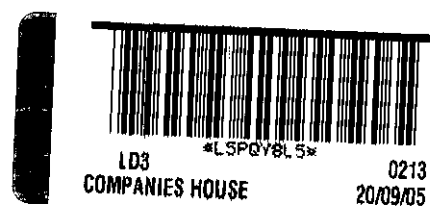




Annual Report 2004

ACN European Services Limited
Registered number: 03650246





CONTENTS

Company information	3
Report of directors	4
Report of Independent Auditors	6
Profit and loss account for the year ended 31 December 2004	7
Balance Sheet as at 31 December 2004	8
Accounting policies and notes to the financial statements for the year ended 31 December 2004	9



Company information

Legal name	ACN European Services Limited
Founded	9 October 1998
Registered country	United Kingdom
Type of business	Telecommunications
Legal form	Limited
Jurisdiction	United Kingdom
Registration number	03650246
VAT number	GB 726 3625 33
Parent company	ACN International Inc
Ownership	100%
Registered address	ACN European Services Limited. C/o Squire, Sanders & Dempsey 60 Cannon Street London, EC4N 6NP United Kingdom
Board of directors	C. Barker (US) C. Schumacher (Dutch) R. Stevanovski (US) J. Swenson (US)
Auditors	Deloitte & Touche LLP London United Kingdom
Solicitors	Squire, Sanders & Dempsey 60 Cannon Street London, EC4N 6NP United Kingdom
Bankers	Natwest (NAT) ABN-AMRO Bank (AAB) Giro-bank (GBK)



Report of directors

The directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal activity, business review and future developments

ACN European Services Limited operates in the telecommunications industry. From 1 January 2002 the company has been acting as an agent for ACN Europe B.V., which is its undisclosed principal. ACN Europe B.V. reimburses ACN European Services Limited for all local expenses incurred.

In 2004 an important changes took place in the report of results:

- The Company adopted a limited risk model for its transfer pricing as of 1 January 2004. This model allows the Company to show some profit on the activities of the representatives.

The Company strongly believes in a continuing solid operational performance and further improvement of financial results in 2005.

Results and dividends

The company had £8,363 profit after taxation (2003: £nil). The directors do not recommend payment of a dividend (2003: £nil).

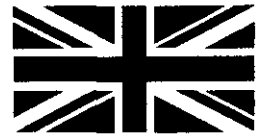
Directors and their interests

The directors who served during the year and at the date of this report were as follows:

C Barker
C Schumacher
W Swenson
R Stevanovski

None of the directors held a beneficial interest in the shares of the company at 31 December 2004 or at any time during the year.

The directors had no interests in the shares of any other body corporate in the American Communications Network Inc. group that are required to be disclosed under S324 of the Companies Act 1985.



Report of directors (continued)

Statement of Directors' Responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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;
- state whether applicable accounting standards have been followed; 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. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to appoint Deloitte & Touche LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board

A stylized, handwritten signature in black ink, appearing to read 'C Schumacher'.

C Schumacher

31 August 2005

Report of Independent Auditors

We have audited the financial statements of ACN European Services Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

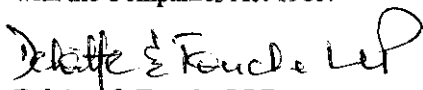
Basis of audit opinion

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 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

19th September 2005

Profit and loss account for the year ended 31 December 2004

	<i>Notes</i>	2003 £	2004 £
Turnover	1	4,633,043	4,329,824
Cost of sales		-2,526,829	-2,527,129
Gross Profit		2,106,214	1,802,695
Administrative expenses	2	-2,143,250	-1,794,803
Operating (loss)/profit	3	-37,036	7,892
Interest receivable and similar income		37,036	4,543
Profit on ordinary activities before taxation		-	12,435
Tax on profit on ordinary activities	4	-	-4,072
Profit on ordinary activities after taxation and for the financial year	8	-	8,363

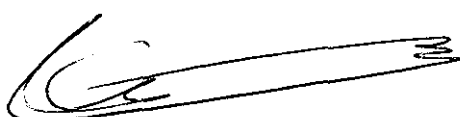
All operations are continuing.

There are no recognised gains or losses for the year other than those already dealt with in the profit and loss account hence no statement of recognised gains and losses is presented.

Balance Sheet as at 31 December 2004

	<i>Notes</i>	2003 £	2004 £
Current assets			
Debtors	5	2,980,523	4,358,155
Cash at bank and in hand		299,214	328,428
		3,279,737	4,686,583
Creditors: amounts falling due within one year	6	-8,292,570	-9,691,053
Net current liabilities		-5,012,833	-5,004,470
Net liabilities		-5,012,833	-5,004,470
Capital and reserves			
Called up share capital	7	1,000	1,000
Profit and loss account	8	-5,013,833	-5,005,470
Equity shareholders' deficit	9	-5,012,833	-5,004,470

The financial statements on pages 7 to 14 were approved by the Board of Directors on 31st of August 2005 and were signed on behalf of the Board:



C Schumacher
Director

Accounting policies and notes to the financial statements for the year ended 31 December 2004

Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 1985. The accounting policies have been applied consistently in the current and preceding year except as disclosed in note 14.

Profit and loss account

Turnover represents amounts billed to customers for services provided, excluding VAT and trade discounts. In the current year all revenues and costs are also reported in the financial statements of ACN Europe B.V. in accordance with the terms of the services agreement with that company. The starter fees and yearly renewal fees from representatives act as a subscription for services that take place during a twelve month period. According to this principle the Company spreads this revenue over the period in which the services are supplied to the representatives.

Cash flow statement

The company has not prepared a cash flow statement following the revision of FRS 1 on the basis that ACN Europe B.V. produces consolidated accounts, which include a cash flow statement, into which the company's accounts are fully consolidated.

Foreign exchange

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the rates prevailing on the dates of the transactions. Resulting differences on translation are charged or credited to the profit and loss account.

Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred taxation is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred taxation assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered. Deferred taxation assets and liabilities are not discounted.

Accounting policies and notes to the financial statements for the year ended 31 December 2004

Notes to the financial statements

1. Turnover

Turnover	2003 £	2004 £
Telecom Revenue	4,236,306	4,162,889
Energy Revenue	30,655	-
Distributor Revenue	366,082	166,935
	4,633,043	4,329,824

2. Administrative expenses

Administrative expenses	2003 £	2004 £
Distribution and administrative	474,970	622,013
Group charges	1,668,280	1,172,790
	2,143,250	1,794,803

During the year, group charges were allocated to ACN European Services Limited in respect of staff costs, billing and provisioning services, information technology services and general overhead expenditure.

Accounting policies and notes to the financial statements for the year ended 31 December 2004

Notes to the financial statements (continued)

3. Operating (loss)/profit

The operating (loss)/profit is stated after (crediting)/charging:

Operating (loss)/profit	2003 £	2004 £
Depreciation - Tangible fixed assets - owned	-8,100	-
Auditors' remuneration - Audit services	8,750	-

The company no longer owns any assets. The negative depreciation in 2003 corrects a previous over provision. The auditors' remuneration has been paid for by ACN Europe B.V. in the current year.

4. Tax on profit on ordinary activities

Tax on Profit on ordinary activities	2003 £	2004 £
Current Tax	-	4,072
Deferred Tax	-	-

The tax assessed for the current year is equal to the standard rate of corporation tax (30%).

The tax charge for the year is higher than the standard rate of corporation tax in the UK of 30%. The difference is explained below:

	2003 £	2004 £
Profit on ordinary activities before tax	-	12,435
Profit on ordinary activities at the standard rate of 30%	-	3,731
Effect of:		
Expenses not deductible for tax purposes	(2,130)	341
Losses not utilised	2,130	-
Actual tax charge	-	4,072

Accounting policies and notes to the financial statements for the year ended 31 December 2004

Notes to the financial statements (continued)

4. Tax on profit on ordinary activities (continued)

A deferred tax asset has not been recognised in respect of timing differences relating to excess trading losses as there is sufficient evidence that the asset will be recovered in the foreseeable future. The amount of the asset not recognised at 31 December 2004 is £1,490,000 (2003 £1,400,000).

5. Debtors

Debtors	2003 £	2004 £
Trade debtors	834,248	901,782
Amounts owed by group undertaking	2,042,129	3,456,373
Prepayments and accrued income	104,146	-
	2,980,523	4,358,155

6. Creditors

Creditors	2003 £	2004 £
Trade creditors	362,040	532,765
Amounts owed to group undertaking	7,903,829	9,059,794
Other taxation and social security	26,701	19,635
Accruals and deferred income	0	78,859
	8,292,570	9,691,053

7. Share capital

Share capital	2003 £	2004 £
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid 1,000 ordinary shares of £1 each	1,000	1,000

Accounting policies and notes to the financial statements for the year ended 31 December 2004

Notes to the financial statements (continued)

8. Reserves

Reserves	2003 £	2004 £
At 1 January	-5,013,833	-5,013,833
Profit for the year	-	8,363
At 31 December	-5,013,833	-5,005,470

9. Reconciliation of movements in equity shareholders' deficit

Reconciliation of movements in shareholders' deficit	2003 £	2004 £
Profit for the financial year	-	8,363
Opening equity shareholders' deficit	-5,012,833	-5,012,833
Closing equity shareholders' deficit	-5,012,833	-5,004,470

10. Contingent liabilities

Until January 2003, the company guaranteed its cash at bank and in hand as security for a loan facility that ACN Europe B.V. had from Textron Financial Corporation. This pledge was lifted in the first quarter of 2003.

11. Related party transactions

As a wholly owned subsidiary of American Communications Network Inc. the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by American Communications Network Inc.

There is an agreement in place between ACN European Services Limited and ACN Europe B.V. such that any liability incurred by the Company will be paid for by its parent company, ACN Europe B.V.

ACN Europe B.V. is liable for all risks related to the activities of the company, which includes all existing and arising debt.



Accounting policies and notes to the financial statements for the year ended 31 December 2004

Notes to the financial statements (continued)

12. Directors and employees

During the year there were no employees of the company (2003: nil). The remuneration of directors was borne by ACN Europe B.V. in both the current and prior year.

13. Ultimate parent undertaking and controlling party

The directors consider the ultimate parent undertaking and the ultimate controlling party of the company to be American Communications Network Inc., a company incorporated in Delaware, USA, which is the parent of the largest group of undertakings for which group accounts have been drawn up. This is also the immediate parent of ACN European Services Limited.

ACN Europe B.V., a company incorporated in The Netherlands, effectively exercises control over the operations of ACN European Services Limited and given that fact consolidates ACN European Services Limited into its consolidated accounts.

Copies of the group financial statements for American Communications Network Inc. and ACN Europe B.V. are publicly available and can be obtained from 32991 Hamilton Court, Farmington Hills, Michigan 48334, USA and Adam Smith Building, Thomas R. Malthusstraat 1-3, 1066 JR Amsterdam, The Netherlands, respectively.