

**ACN EUROPEAN SERVICES
LIMITED**

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 OCTOBER 1999



Company no 03650246

ACN EUROPEAN SERVICES LIMITED

FINANCIAL STATEMENTS

For the period ended 31 OCTOBER 1999

Company Registration Number: 03650246

Registered Office: Royex House
Aldermanbury Square
London
EC2V 7HR

Directors: R V Raaff
D Frederiks
G Provenzano

Secretary: D Frederiks

Bankers: National Westminster Bank plc
Holborn Circus
No 1 Hatton Garden
London
EC1P 1DU

Solicitors: Squire, Sanders & Dempsey
Royex House
Aldermanbury Square
London
EC2V 7HR

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

ACN EUROPEAN SERVICES LIMITED

FINANCIAL STATEMENTS

For the period ended 31 OCTOBER 1999

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ACN EUROPEAN SERVICES LIMITED

REPORT OF THE DIRECTORS

For the period ended 31 OCTOBER 1999

The directors present their report together with the audited financial statements for the period ended 31 October 1999.

Basis of incorporation

The company was incorporated on 9 October 1998.

Principal activity

The company's principal activity is that of the provision of telecommunication services.

Business review

There was a loss for the period after taxation amounting to £2,972,377. The directors are unable to recommend the payment of a dividend.

Directors

The directors who served during the period were as follows:

G Provenzano	(appointed 2 December 1998)
A M Kearney	(appointed 9 October 1998; resigned 3 December 1998)
J D Ostime	(appointed 2 December 1998; resigned 17 October 2000)
D Thomas	(appointed 2 December 1998; resigned 12 October 1999)

R V Raaff and D Frederiks were appointed directors on 30 November 2000.

None of the directors held an interest in the share capital of the company.

Directors' responsibilities for the financial statements

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 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, 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ACN EUROPEAN SERVICES LIMITED

REPORT OF THE DIRECTORS

For the period ended 31 OCTOBER 1999

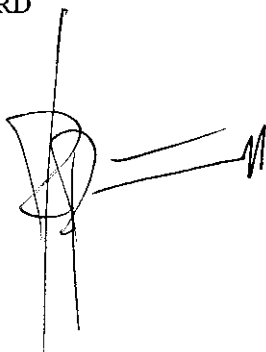
Auditors

Grant Thornton were appointed auditors on 25 February 2000 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985.

Grant Thornton offer themselves for reappointment as auditors in accordance with section 388 Companies Act 1985.

BY ORDER OF THE BOARD

R V Raaff
Director
24 July 2001

A handwritten signature in black ink, appearing to be 'R V Raaff', written over a vertical line. The signature is stylized with a large 'R' and a 'V' that loops around the 'R'. There are two horizontal lines extending from the right side of the signature.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
ACN EUROPEAN SERVICES LIMITED**

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of the directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 at 31 October 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LONDON
24 July 2001

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and on a going concern basis.

The company's ultimate parent undertaking, American Communications Network Inc. has confirmed its willingness to provide continuing financial assistance for a further twelve months, from the date of approval of these financial statements.

The principal accounting policies of the company are set out below.

TURNOVER

Turnover is the total amount receivable by the company for services provided, excluding VAT and trade discounts.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is provided at rates calculated to write off the cost or revaluation of fixed assets, less their estimated residual value, over the expected useful lives on the following basis.

Computer equipment	20% - 33.33% straight line
Computer software	20% - 33.33% straight line

STOCKS

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

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

ACN EUROPEAN SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

For the period ended 31 OCTOBER 1999

	Note	1999 £
Turnover		2,249,133
Cost of sales		<u>(1,964,780)</u>
Gross profit		284,353
Other operating charges	1	<u>(3,257,832)</u>
Operating loss		(2,973,479)
Interest payable	2	(69)
Interest receivable		<u>1,171</u>
Loss on ordinary activities before taxation	3	(2,972,377)
Tax on loss on ordinary activities	5	<u>-</u>
Loss on ordinary activities after taxation		(2,972,377)
Dividends		-
Retained loss transferred from reserves	11	<u><u>(2,972,377)</u></u>

All transactions arose from continuing operations.

There were no recognised gains or losses other than those recognised in the loss for the period.

The accompanying accounting policies and notes form an integral part of these financial statements.

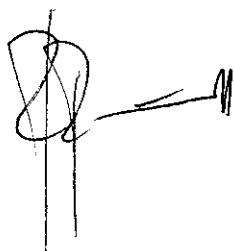
ACN EUROPEAN SERVICES LIMITED

BALANCE SHEET AT 31 OCTOBER 1999

	Note	1999 £
Fixed assets		
Tangible assets	6	<u>42,418</u>
Current assets		
Stocks	7	46,421
Debtors	8	931,622
Cash at bank and in hand		<u>373,026</u>
		1,351,069
Creditors: amounts falling due within one year	9	<u>(4,364,864)</u>
Net current liabilities		<u>(3,013,795)</u>
Total assets less current liabilities		<u>(2,971,377)</u>
Capital and reserves		
Called up share capital	10	1,000
Profit and loss account	11	<u>(2,972,377)</u>
Equity shareholders' funds		<u>(2,971,377)</u>

The financial statements were approved by the Board of Directors on 24 July 2001

R V Raaff - Director



The accompanying accounting policies and notes form an integral part of these financial statements.

ACN EUROPEAN SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 OCTOBER 1999

1 OTHER OPERATING CHARGES

	Period ended 31 October 1999 £
Distribution and administration expenses	1,339,982
Group charges	1,917,850
	<u>3,257,832</u>

During the period, group charges of £1,917,850 were allocated to ACN European Services Limited in respect of staff costs, billing and provisioning services, information technology services and general overhead expenditure.

2 INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 October 1999 £
Bank interest payable	<u>69</u>

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after:

	Period ended 31 October 1999 £
Depreciation: Tangible fixed assets owned	1,965
Auditors' remuneration: Audit Services	<u>4,500</u>

4 DIRECTORS AND EMPLOYEES

There were no employees of the company during the period. All staff costs, including the remuneration of directors was borne by another group undertaking and recharged to ACN European Services Limited by way of a group charge.

ACN EUROPEAN SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the period ended 31 OCTOBER 1999

5 TAX ON LOSS ON ORDINARY ACTIVITIES

Based on the results for the period, there is no liability to Corporation Tax.

6 TANGIBLE FIXED ASSETS

	Computer equipment and software £
Cost	
Additions	42,432
At 31 October 1999	<u>42,432</u>
Depreciation	
Provided in the period	14
At 31 October 1999	<u>14</u>
Net book amount at 31 October 1999	<u>42,418</u>

7 STOCKS

	1999 £
Merchandising supplies and consumables	<u>46,421</u>

8 DEBTORS

	1999 £
Trade debtors	658,222
Other debtors	30,000
Prepayments and accrued income	<u>243,400</u>
	<u>931,622</u>

ACN EUROPEAN SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 OCTOBER 1999

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £
Trade creditors	476,785
Amounts owed to group undertakings	3,517,158
Other taxation and social security	57,642
Accruals and deferred income	313,279
	<u>4,364,864</u>

10 SHARE CAPITAL

	1999 £
Authorised Ordinary shares of £1 each	<u>1,000</u>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>1,000</u>

11 RESERVES

	Profit and loss account £
Loss for the period	<u>(2,972,377)</u>
At 31 October 1999	<u>(2,972,377)</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £
Loss for the financial period	(2,972,377)
Issue of shares	1,000
Shareholders' funds at 31 October 1999	<u>(2,971,377)</u>

13 CAPITAL COMMITMENTS

The company had no capital commitments at 31 October 1999.

ACN EUROPEAN SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 OCTOBER 1999

14 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 October 1999.

15 ULTIMATE PARENT UNDERTAKING

The directors consider the ultimate parent undertaking and the ultimate controlling party of this company to be American Communications Network Inc, a company incorporated in Delaware, USA. The immediate parent undertaking is ACN International Inc, incorporated in Michigan, USA.

Copies of the group financial statements can be obtained from that company's registered office.