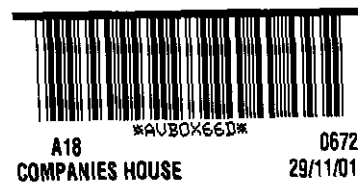


**ACN EUROPEAN SERVICES
LIMITED**

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 DECEMBER 2000



ACN EUROPEAN SERVICES LIMITED

FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 2000

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 DECEMBER 2000

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ACN EUROPEAN SERVICES LIMITED

REPORT OF THE DIRECTORS

For the period ended 31 DECEMBER 2000

The directors present their report together with the audited financial statements for the fourteen month period ended 31 December 2000.

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 £2,058,766 (1999: loss £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
R V Raaff (appointed 30 November 2000)
D Frederiks (appointed 30 November 2000)

None of the directors held an interest in the share capital of the company at any time during the period.

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 DECEMBER 2000

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a horizontal line and a small flourish.

R V Raaff
Director

15 November 2001

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.

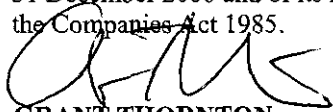
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made under Basis of Preparation on page 4 of the financial statements concerning the uncertainty over the possible outcome of negotiations for additional new loan finance to be made available to the company. In view of the significance of the fact that the preparation of the financial statements on the going concern basis assumes the successful conclusion of these negotiations, we consider that these disclosures 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 at 31 December 2000 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
23 NOVEMBER 2001

PRINCIPAL 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.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous period.

The directors are currently negotiating to raise new loan finance in order to provide adequate working capital for the company. The company's ultimate parent undertaking, American Communications Network Inc., has also offered to provide continuing financial support to the company for at least twelve months from the date of approval of these accounts.

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the successful conclusion of the negotiations to raise additional loan finance. The financial statements do not include any adjustments that would result if negotiations were not concluded successfully.

Whilst the directors are presently uncertain as to the outcome of the negotiations, they believe that it is appropriate for the financial statements to be prepared on the going concern basis.

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 and software	10% - 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.

PRINCIPAL ACCOUNTING POLICIES

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 DECEMBER 2000

	Note	14 month period ended 31 December 2000 £	Period from 9 October 1998 to 31 October 1999 £
Turnover	1	5,777,913	2,249,133
Cost of sales		<u>(3,873,189)</u>	<u>(1,964,780)</u>
Gross profit		1,904,724	284,353
Other operating charges	2	<u>(3,983,116)</u>	<u>(3,257,832)</u>
Operating loss		(2,078,392)	(2,973,479)
Interest payable	3	<u>19,626</u>	<u>1,102</u>
Loss on ordinary activities before taxation	1	(2,058,766)	(2,972,377)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation		(2,058,766)	(2,972,377)
Dividends		-	-
Loss retained and transferred from reserves	11	<u>(2,058,766)</u>	<u>(2,972,377)</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 DECEMBER 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	6	<u>41,808</u>	<u>42,418</u>
Current assets			
Stocks	7	-	46,421
Debtors	8	2,208,261	931,622
Cash at bank and in hand		<u>320,112</u>	<u>373,026</u>
		<u>2,528,373</u>	<u>1,351,069</u>
Creditors: amounts falling due within one year	9	<u>(7,600,324)</u>	<u>(4,364,864)</u>
Net current liabilities		<u>(5,071,951)</u>	<u>(3,013,795)</u>
Total asses less current liabilities		<u>(5,030,143)</u>	<u>(2,971,377)</u>
Capital and reserves			
Called up share capital	10	1,000	1,000
Profit and loss account	11	<u>(5,031,143)</u>	<u>(2,972,377)</u>
Equity shareholders' funds	12	<u>(5,030,143)</u>	<u>(2,971,377)</u>

The financial statements were approved by the Board of Directors on 15 November 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 DECEMBER 2000

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is all attributable to the company's principal activity.

The loss on ordinary activities before taxation is stated after:

	14 month period ended 31 December 2000 £	Period from 9 October 1998 to 31 October 1999 £
Depreciation: Tangible fixed assets owned	4,021	14
Auditors' remuneration: Audit Services	<u>5,000</u>	<u>4,500</u>

2 OTHER OPERATING CHARGES

	14 month period ended 31 December 2000 £	Period from 9 October 1998 to 31 October 1999 £
Distribution and administration expenses	2,378,460	1,339,982
Group charges	<u>1,604,656</u>	<u>1,917,850</u>
	<u>3,983,116</u>	<u>3,257,832</u>

During the period, group charges of £1,604,656 (1999: £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.

3 NET INTEREST

	14 month period ended 31 December 2000 £	Period from 9 October 1998 to 31 October 1999 £
On bank loans and overdrafts	19,626	69
Other interest receivable	-	1,171
	<u>19,626</u>	<u>1,102</u>

ACN EUROPEAN SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 2000

4 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	14 month period ended 31 December 2000 £	Period from 9 October 1998 to 31 October 1999 £
Wages and salaries	62,903	-
Social security costs	7,141	-
	<u>70,044</u>	<u>-</u>

During the period there was one administrative employee (1999: none) who was directly employed by the company. All remaining 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.

5 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no liability to corporation tax based on the results for the period (1999: £nil).

6 TANGIBLE FIXED ASSETS

	Computer equipment and software £
Cost	
At 1 November 1999	42,432
Additions	3,411
At 31 December 2000	<u>45,843</u>
Depreciation	
At 1 November 1999	14
Provided in the period	4,021
At 31 December 2000	<u>4,035</u>
Net book amount	
At 31 December 2000	<u>41,808</u>
Net book amount	
At 31 October 1999	<u>42,418</u>

ACN EUROPEAN SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 2000

7 STOCKS

	31 December 2000 £	31 October 1999 £
Merchandising supplies and consumables	-	46,421

8 DEBTORS

	31 December 2000 £	31 October 1999 £
Trade debtors	1,479,224	658,222
Other debtors	-	30,000
Prepayments and accrued income	729,037	243,400
	<u>2,208,261</u>	<u>931,622</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2000 £	31 October 1999 £
Trade creditors	1,488,069	476,785
Amounts owed to group undertakings	5,849,256	3,417,158
Other taxation and social security	163,733	57,642
Accruals and deferred income	99,266	313,279
	<u>7,600,324</u>	<u>4,364,864</u>

10 SHARE CAPITAL

	31 December 2000 £	31 October 1999 £
Authorised 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

ACN EUROPEAN SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 2000

11 RESERVES

	Profit and loss account £
At 1 November 1999	(2,972,377)
Loss for the period	(2,058,766)
At 31 December 2000	<u>(5,031,143)</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
At 1 November 1999	(2,971,377)	-
Loss for the financial period	(2,058,766)	(2,972,377)
Issue of shares	-	1,000
Shareholders' funds at 31 December 2000	<u>(5,030,143)</u>	<u>(2,971,377)</u>

13 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2000 or 31 October 1999.

14 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2000 or 31 October 1999.

15 RELATED PARTY TRANSACTIONS

As a wholly-owned subsidiary of American Communications Network Inc., the company is exempt from the requirements of Financial Reporting Standard No 8 to disclose transactions with other members of the group headed by American Communications Network Inc.

16 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.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by American Communications Network Inc.

Copies of the group financial statements can be obtained from Hamilton Court, Farmington Hills, Michigan 48336, USA.