



**ACN EUROPEAN SERVICES
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2001

ACN EUROPEAN SERVICES LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2001

Company Registration Number:	03650246
Registered Office:	Royex House Aldermanbury Square London EC2V 7HR
Directors:	C F Barker C H Schumacher
Secretary:	W J Swenson
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 year ended 31 DECEMBER 2001

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ACN EUROPEAN SERVICES LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 DECEMBER 2001

The directors present their report together with the audited financial statements for the year ended 31 December 2001.

Principal activity

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

Business review

There was a profit for the year after taxation amounting to £17,310 (1999: loss £2,058,766). The directors are unable to recommend the payment of a dividend.

Directors

The directors who served during the year were as follows:

C F Barker (appointed 1 February 2002)
C H Schumacher
R V Raaff (resigned 11 January 2002)
G Provenzano (resigned 1 February 2002)
D Fredericks (resigned 1 August 2001)
R R Stevanovski (appointed 1 February 2002; resigned 1 August 2002)
W J Swenson (appointed 1 January 2003)

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

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.

ON BEHALF OF THE BOARD

W.J Swenson
*
[Signature]
W.J Swenson
Director
4 February 2003

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

We have audited the financial statements of ACN European Services Limited for the year ended 31 December 2001 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses and notes 1 to 15. 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 auditor's 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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is 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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

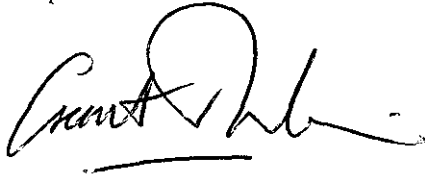
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

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

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

**LONDON
4 FEBRUARY 2003**

ACN EUROPEAN SERVICES LIMITED

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 financial statements have been prepared on a going concern basis as the ultimate parent company, American Communications Network, Inc., has agreed to provide continued financial support to the company for at least twelve months from the date of the approval of these accounts.

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
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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 year ended 31 DECEMBER 2001

	Note	Year ended 31 December 2001 £	14 month period ended 31 December 2000 £
Turnover	1	5,262,356	5,777,913
Cost of sales		<u>(3,113,301)</u>	<u>(3,873,189)</u>
Gross profit		2,149,055	1,904,724
Administrative expenses	2	<u>(2,145,818)</u>	<u>(3,983,116)</u>
Operating loss		3,237	(2,078,392)
Net interest	3	<u>14,073</u>	<u>19,626</u>
Profit/(loss) on ordinary activities before taxation	1	17,310	(2,058,766)
Tax on profit/(loss) on ordinary activities	5	<u>-</u>	<u>-</u>
Profit/(loss) on ordinary activities after taxation		17,310	(2,058,766)
Dividends		-	-
Profit/(loss) retained and transferred to/(from) reserves	10	<u>17,310</u>	<u>(2,058,766)</u>

All transactions arose from continuing operations.

There were no recognised gains or losses other than those recognised in the profit for the year.

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

ACN EUROPEAN SERVICES LIMITED

BALANCE SHEET AT 31 DECEMBER 2001

	Note	2001 £	2000 £
Fixed assets			
Tangible assets	6	<u>16,201</u>	<u>41,808</u>
Current assets			
Debtors	7	2,814,085	2,208,261
Cash at bank and in hand		<u>37,845</u>	<u>320,112</u>
		<u>2,851,930</u>	<u>2,528,373</u>
Creditors: amounts falling due within one year	8	<u>(7,880,964)</u>	<u>(7,600,324)</u>
Net current liabilities		<u>(5,029,034)</u>	<u>(5,071,951)</u>
Total assets less current liabilities		<u>(5,012,833)</u>	<u>(5,030,143)</u>
Capital and reserves			
Called up share capital	9	1,000	1,000
Profit and loss account	10	<u>(5,013,833)</u>	<u>(5,031,143)</u>
Equity shareholders' funds	11	<u>(5,012,833)</u>	<u>(5,030,143)</u>

The financial statements were approved by the Board of Directors on 4 February 2003

W.J. Swenson - Director

W.J. Swenson



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 2001

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:

	Year ended 31 December 2001 £	14 month period ended 31 December 2000 £
Depreciation:		
Tangible fixed assets owned	4,050	4,021
Loss on disposal of fixed assets	21,557	-
Auditors' remuneration:		
Audit Services	12,190	5,000

2 ADMINISTRATIVE EXPENSES

	Year ended 31 December 2001 £	14 month period ended 31 December 2000 £
Distribution and administration expenses	892,248	2,378,460
Group charges	1,253,570	1,604,656
	2,145,818	3,983,116

During the year, group charges of £1,253,570 (2000: £1,604,656) 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

	Year ended 31 December 2001 £	14 month period ended 31 December 2000 £
Interest receivable	14,073	19,626
	14,073	19,626

ACN EUROPEAN SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 DECEMBER 2001

4 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	Year ended 31 December 2001 £	14 month period ended 31 December 2000 £
Wages and salaries	-	62,903
Social security costs	-	7,141
	-	<u>70,044</u>

During the year there were no employees of the company, excluding directors (2000: one). All staff costs, including the remuneration of directors was borne by another group undertaking.

5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

There is no liability to corporation tax based on the profit for the year (1999: £nil) due to the availability of brought forward tax losses.

6 TANGIBLE FIXED ASSETS

	Computer equipment and software £
Cost	
At 1 January 2001	45,843
Disposals	(25,592)
At 31 December 2001	<u>20,251</u>
Depreciation	
At 1 January 2001	4,035
Charge for the year	4,050
Disposals	(4,035)
At 31 December 2001	<u>4,050</u>
Net book amount	
At 31 December 2001	<u>16,201</u>
Net book amount	
At 31 December 2000	<u>41,808</u>

ACN EUROPEAN SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 2001

7 DEBTORS

	2001 £	2000 £
Trade debtors	2,399,789	1,479,224
Amounts owed by group undertakings	265,931	-
Other debtors	135,404	-
Prepayments and accrued income	12,961	729,037
	<u>2,814,085</u>	<u>2,208,261</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Trade creditors	778,404	1,488,069
Amounts owed to group undertakings	6,992,271	5,849,256
Other taxation and social security	13,522	163,733
Accruals and deferred income	96,767	99,266
	<u>7,880,964</u>	<u>7,600,324</u>

9 SHARE CAPITAL

	2001 £	2000 £
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>

10 RESERVES

	Profit and loss account £
At 1 January 2001	(5,031,143)
Profit for the year	17,310
At 31 December 2001	<u>(5,013,833)</u>

ACN EUROPEAN SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 DECEMBER 2001

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit/(loss) for the financial year/period	17,310	(2,058,766)
Opening shareholders' funds	<u>(5,030,143)</u>	<u>(2,971,377)</u>
Shareholders' funds at 31 December 2001	<u>(5,012,833)</u>	<u>(5,030,143)</u>

12 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2001 or 31 December 2000.

13 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2001 or 31 December 2000.

14 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.

15 CONTROLLING RELATED PARTIES

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 largest group of undertakings for which group accounts have been drawn up is that headed by American Communications Network, Inc., incorporated in Delaware USA and the smallest such group of undertakings, including the company, is that headed by ACN Europe B.V., a company incorporated in Amsterdam, The Netherlands.

ACN European Services Limited, is a wholly owned subsidiary of American Corporation Network, Inc. However, the company is managed by ACN Europe B.V. In order to provide better information regarding the European operations, the consolidated accounts of ACN Europe B.V. include ACN European Services Limited.

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