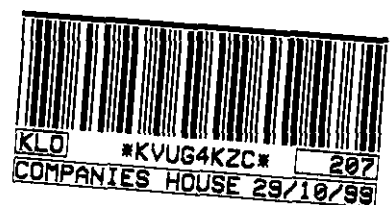


ABS TELECOM PLC

REPORT AND FINANCIAL STATEMENTS

*For the period 1st December 1997 to
31st March 1999*

Company No. 2673204



ABS TELECOM PLC

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | A Besorai C Neoh B Katz |
| Secretary | A Besorai |
| Company Number | 2673204 |
| Registered office | ABS House 607 High Street London N12 0DZ |
| Auditors | Parker Cavendish 28 Church Road Stanmore Middx HA7 4XR |

ABS TELECOM PLC

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FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999

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ABS TELECOM PLC

DIRECTORS' REPORT

FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999

The directors present their report together with the audited financial statements for the period from 1st December 1997 to 31st March 1999.

Results an dividends

The profit and loss account is set out on page 3 and shows the results for the period.

The directors do not recommend payment of a dividend.

Principal activities

The principal activity of the company is the provision of telecommunication services.

Share capital

The company's issued and fully paid share capital was increased after date by £473,520 to a total figure of £823,520.

Directors

The directors of the company during the period and their interest in the issued share capital at the period end were as follows:

| | | Ordinary £1 shares | |
|-----------|--------------------------------|--------------------|-------------------|
| | | 31st March 1999 | 1st December 1997 |
| C Neoh | (appointed 23rd November 1998) | - | - |
| B Katz | | 5,000 | 25,000 |
| L Katz | (resigned 15th May 1998) | - | 25,000 |
| A Besorai | (appointed 15th May 1998) | - | - |

Directors' responsibilities

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 departure 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. They 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.

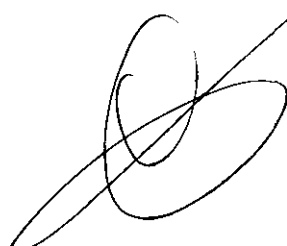
Auditors

Parker Cavendish, who were appointed as auditors during the period, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies.

By order of the Board

A Besorai
Secretary
26th October 1999



ABS TELECOM PLC

AUDITORS' REPORT TO THE SHAREHOLDERS OF ABS TELECOM PLC

FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999

We have audited the financial statements on pages 3 to 11, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 6.

Respective Responsibilities of Directors and Auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. 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 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 substantial 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 31st March 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PARKER CAVENDISH
Chartered Accountants
Registered Auditors
28 Church Road
Stanmore
Middlesex HA7 4XR

26th October 1999

ABS TELECOM PLC**PROFIT AND LOSS ACCOUNT****FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999**

| | Notes | 1st December 1997 to 31st March 1999 £ | 1997 £ |
|--|-------|--|-----------|
| Turnover | 2 | 930,762 | 883,537 |
| Cost of sales | | (644,779) | (531,396) |
| | | <hr/> | <hr/> |
| Gross profit | | 285,983 | 352,141 |
| Administrative expenses | | (658,182) | (305,163) |
| | | <hr/> | <hr/> |
| Operating loss | 4 | (372,199) | 46,978 |
| Interest receivable | | 22,852 | 23,193 |
| Interest payable and similar charges | 5 | (11,225) | (12,370) |
| | | <hr/> | <hr/> |
| Loss on ordinary activities before taxation | | (360,572) | 57,801 |
| Taxation on loss from ordinary activities | 6 | (458) | (17,500) |
| | | <hr/> | <hr/> |
| Loss on ordinary activities after taxation | | (361,030) | 40,301 |
| Dividends | 7 | - | (40,000) |
| | | <hr/> | <hr/> |
| Retained loss for the period | | (361,030) | 301 |
| | | <hr/> | <hr/> |

The notes on pages 6 to 11 form part of these financial statements.

ABS TELECOM PLC**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSS AND
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999**

| | 1st December 1997 to 31st March 1999 £ | 1997 £ |
|---|---|-------------------|
| Note of historical cost profits and losses | | |
| Reported loss on ordinary activities before taxation | (361,030) | 57,801 |
| Difference between a historical cost depreciation charge and actual depreciation charge of the period calculated on the revalued amount | 5,625 | 5,625 |
| | <hr/> | <hr/> |
| Historical cost loss on ordinary activities before taxation | (355,405) | 63,426 |
| | <hr/> | <hr/> |
| Historical cost loss for the period retained after taxation and dividends | (361,030) | 301 |
| | <hr/> | <hr/> |
| Reconciliation of movements in shareholders' funds | | |
| Loss for the period | (361,030) | 40,301 |
| Dividends | - | (40,000) |
| | <hr/> | <hr/> |
| | (361,030) | 301 |
| Issue of ordinary share capital | 337,498 | 12,500 |
| | <hr/> | <hr/> |
| Net deficit to shareholders' funds | (23,532) | 12,801 |
| Opening shareholders' funds | 29,144 | 16,343 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 5,612 | 29,144 |
| | <hr/> | <hr/> |

The notes on pages 6 to 11 form part of these financial statements.

ABS TELECOM PLC

BALANCE SHEET

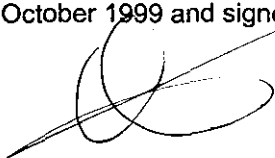
FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999

| | | At 31st March 1999 | | At 30th November 1997 | |
|--|-------|-----------------------|-----------|--------------------------|-----------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 8 | | 7,750 | | 13,750 |
| Tangible assets | 9 | | 378,518 | | 337,147 |
| | | | <hr/> | | <hr/> |
| | | | 386,268 | | 350,897 |
| Current assets | | | | | |
| Debtors | 10 | 405,462 | | 305,061 | |
| Cash at bank and in hand | | 137,061 | | 356,770 | |
| | | <hr/> | | <hr/> | |
| | | 542,523 | | 661,831 | |
| CREDITORS: Amounts falling due within one year | 11 | (854,005) | | (900,942) | |
| | | <hr/> | | <hr/> | |
| Net current liabilities | | | (311,482) | | (239,111) |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 74,786 | | 111,786 |
| Creditors: Amounts falling due after more than one year | 12 | | (69,174) | | (82,642) |
| | | | <hr/> | | <hr/> |
| Net assets | | | 5,612 | | 29,144 |
| | | | <hr/> | | <hr/> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 13 | | 350,000 | | 12,502 |
| Revaluation reserve | 14 | | - | | - |
| Profit and loss account | 14 | | (344,388) | | 16,642 |
| | | | <hr/> | | <hr/> |
| Equity shareholders' funds | | | 5,612 | | 29,144 |
| | | | <hr/> | | <hr/> |

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies.

Approved on 26th October 1999 and signed on behalf of the Board by:

A Besorai
Director



The notes on pages 6 to 11 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The company has taken advantage of the exemption of Financial Report Standard No.1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax and trade discounts.

In respect of pre-paid telephone cards, income is recognised at the point of sale.

1.3 Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land and some freehold buildings, evenly over their expected useful lives, as follows:-

| | |
|-------------------------------|-----------------------------------|
| Freehold land and buildings | 2% per annum |
| Leasehold land and buildings | Over period of lease |
| Computer and office equipment | 25% per annum on reducing balance |
| Motor vehicles | 25% per annum on reducing balance |
| Fixtures and fittings | 25% per annum on cost |
| Goodwill | Over 5 years |

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historic cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss account.

1.4 Leased assets

Where assets are financed by leasing arrangements that give rights approximating to ownership ('finance leases') the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

ABS TELECOM PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999****2. TURNOVER**

In the opinion of the directors, approximately 40% of the turnover of the company is attributable to geographical markets outside the UK (1997: 44%).

3. STAFF COSTS

| | 31st March 1999 £ | 30th November 1997 £ |
|-------------------------|----------------------------------|-------------------------------------|
| Staff costs consist of: | | |
| Wages and salaries | 173,089 | 72,122 |
| Social security costs | 18,705 | 5,607 |
| | <hr/> | <hr/> |
| | 191,794 | 77,729 |
| | <hr/> | <hr/> |

The average monthly number of employees (including directors) during the period was 21 (1997: 13)

4. OPERATING LOSS

This has been arrived at after charging/(crediting):

| | | |
|---|--------|--------|
| Depreciation on tangible fixed assets | 70,864 | 36,978 |
| Amortisation of intangible fixed assets | 6,000 | 4,500 |
| Auditors' remuneration | 4,140 | 4,000 |
| Directors emoluments | 33,333 | - |
| | <hr/> | <hr/> |

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | | |
|----------------|--------|--------|
| Bank loans | 10,452 | 11,788 |
| Finance leases | 773 | 582 |
| | <hr/> | <hr/> |
| | 11,225 | 12,370 |
| | <hr/> | <hr/> |

6. TAXATION ON LOSS FROM ORDINARY ACTIVITIES

There is no taxation charge due to the availability of losses (1997: 24/21%)

| | | |
|------------------------------------|-------|--------|
| Underprovision from previous years | - | 17,500 |
| | 458 | - |
| | <hr/> | <hr/> |
| | 458 | 17,500 |
| | <hr/> | <hr/> |

ABS TELECOM PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999

| 7. DIVIDENDS | 31st March 1999 £ | 30th November 1997 £ |
|--|----------------------------------|-------------------------------------|
| Ordinary : Nil (1997: £0.80 per £1 ordinary share) | - | 40,000 |

| 8. INTANGIBLE FIXED ASSETS | Licenses £ | Goodwill £ | Total £ |
|---|-----------------------|-----------------------|--------------------|
| Cost | | | |
| At 1st December 1997 and 31st March 1999 | 7,000 | 22,500 | 29,500 |
| Amortisation | | | |
| At 1st December 1997 | - | 15,750 | 15,750 |
| Charge for the period | - | 6,000 | 6,000 |
| At 31st March 1999 | - | 21,750 | 21,750 |
| Net book value | | | |
| At 31st March 1999 | 7,000 | 750 | 7,750 |
| At 30th November 1997 | 7,000 | 6,750 | 13,750 |

ABS TELECOM PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999

9. TANGIBLE ASSETS

| | Freehold land, buildings & improvements £ | Leasehold property £ | Plant, machinery, fixtures & fittings £ | Total £ |
|-----------------------|--|----------------------------|---|------------|
| Cost | | | | |
| At 1st December 1997 | 258,677 | 2,653 | 190,564 | 451,894 |
| Additions | 9,833 | - | 102,402 | 112,235 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31st March 1999 | 268,510 | 2,653 | 292,966 | 564,129 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | | | | |
| At 1st December 1997 | 5,173 | 2,653 | 106,921 | 114,747 |
| Charge for the period | 7,159 | - | 63,705 | 70,864 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31st March 1999 | 12,332 | 2,653 | 170,626 | 185,611 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | |
| At 31st March 1999 | 256,178 | - | 122,340 | 378,518 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30th November 1997 | 253,504 | - | 83,643 | 337,147 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The historical cost net book value of telephone equipment is:

| | 31st March 1999 £ | 30th November 1997 £ |
|---|-------------------------|----------------------------|
| Cost | 122,904 | 122,904 |
| Accumulated depreciation based on historical cost | (120,006) | (89,280) |
| | <hr/> | <hr/> |
| Historical cost net book value | 2,898 | 33,624 |
| | <hr/> | <hr/> |

The net book value of tangible fixed assets includes an amount of £7,113 (1997: £9,484) in respect of assets held under finance leases. The related depreciation charge for the period was £2,371 (1997: £3,161).

ABS TELECOM PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999

10. DEBTORS

| | 31st March 1999 £ | 30th November 1997 £ |
|--------------------------------|----------------------------------|-------------------------------------|
| Due within one year | | |
| Trade debtors | 192,354 | 245,483 |
| Prepayments and accrued income | 17,797 | 39,038 |
| Taxation and social security | 9,029 | 20,540 |
| Other debtors | 186,282 | - |
| | <hr/> | <hr/> |
| | 405,462 | 305,061 |
| | <hr/> | <hr/> |

Included within other debtors due within one year is a loan of £58,449 to B Katz, a director, and a loan of £47,833 to Tel 2000 Limited, a company in which ABS Telecom plc holds a 50% stake.

11. CREDITORS: Amounts falling due within one year

| | | |
|------------------------------------|---------|---------|
| Bank overdraft | 577 | - |
| Bank loan (secured – see note 12) | 16,016 | 14,773 |
| Trade creditors | 343,801 | 785,438 |
| Taxation and social security | 13,687 | 2,885 |
| Corporation tax | - | 16,918 |
| Obligations under financial leases | 1,183 | 3,333 |
| Accruals | 151,587 | 63,321 |
| Other creditors | 327,154 | 14,274 |
| | <hr/> | <hr/> |
| | 854,005 | 900,942 |
| | <hr/> | <hr/> |

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

| | | |
|----------------------------------|--------|--------|
| Bank loan (secured) | 69,174 | 80,387 |
| Obligations under finance leases | - | 2,255 |
| | <hr/> | <hr/> |
| | 69,174 | 82,642 |
| | <hr/> | <hr/> |
| The bank loan is due as follows: | | |
| Within two to five years | 44,319 | 44,319 |
| After five years | 24,855 | 36,068 |
| | <hr/> | <hr/> |
| | 69,174 | 80,387 |
| | <hr/> | <hr/> |

Interest is calculated on a floating rate basis at a percentage rate per annum equal to the aggregate of the margin of 2% per annum and the base rate.

ABS TELECOM PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD 1ST DECEMBER 1997 TO 31ST MARCH 1999****13. SHARE CAPITAL**

| | 31st March 1999 £ | 30th November 1997 £ |
|-------------------------------------|----------------------------------|-------------------------------------|
| Authorised | | |
| Ordinary shares of £1 each | 350,000 | 50,000 |
| | <hr/> | <hr/> |
| Allotted, called up and paid | | |
| Ordinary shares of £1 each | 350,000 | 12,502 |
| | <hr/> | <hr/> |

During the period, the company authorised an additional 300,000 ordinary £1 shares which were fully called up.

14. RESERVES

| | Revaluation reserve £ | Profit and loss account £ |
|----------------------|--------------------------------------|--|
| At 1st December 1997 | - | 16,642 |
| Loss for the period | - | (361,030) |
| | <hr/> | <hr/> |
| At 31st March 1999 | - | (344,388) |
| | <hr/> | <hr/> |

15. RELATED PARTY TRANSACTIONS

During the period, the company received service charge income of £2,420 and telephone services income of £19,656 from Tel 2000 Limited, a company in which ABS Telecom plc holds a 50% stake. The services were provided on normal commercial trading terms.

16. ULTIMATE CONTROLLER

In the opinion of the directors, the ultimate controller of the company is East Reef Holdings Limited, which is incorporated in Jersey. This company holds 57.14% of the issued shares of ABS Telecom plc.