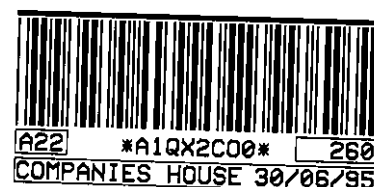


ABBREVIATED STATUTORY ACCOUNTS

XPEDITE SYSTEMS LIMITED

(Registered number 2778084)

31 December 1994



Price Waterhouse



**AUDITORS' REPORT TO THE DIRECTORS OF XPEDITE SYSTEMS LIMITED
PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT**

We have examined the abbreviated accounts on pages 2 to 5 together with the full financial statements of Xpedite Systems Limited for the year ended 31 December 1994. The scope of our work for the purpose of this report was limited to confirming that the company is entitled to the exemptions claimed in the directors' statement on page 2 and that the abbreviated accounts have been properly prepared from the full financial statements.

In our opinion the company is entitled under Sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section A of Part III of Schedule 8 to that Act in respect of the year ended 31 December 1994, and the abbreviated accounts on pages 2 to 5 have been properly prepared in accordance with that Schedule.

On 15 May 1995 we reported, as auditors of Xpedite Systems Limited, to the members on the full financial statements prepared under Section 226 of the Companies Act 1985 for the year ended 31 December 1994 and our audit report was as follows:

"We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 1994 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
PRICE WATERHOUSE

Chartered Accountants
and Registered Auditors

15 May 1995

Offices at Aberdeen, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Hull, Leeds, Leicester, Liverpool, London, Manchester, Middlesbrough, Newcastle, Nottingham, Redhill, St. Albans, Southampton and Windsor.

The partnership's principal place of business is at Southwark Towers, 32 London Bridge Street, London SE1 9SY where a list of the partners' names is available for inspection.

The firm is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

XPEDITE SYSTEMS LIMITED

BALANCE SHEET - 31 DECEMBER 1994

	Notes		31 December 1993
FIXED ASSETS	2	627,146	468,124
CURRENT ASSETS			
Debtors	3	370,748	113,552
Cash		<u>338,460</u>	<u>224,386</u>
		709,208	337,938
CREDITORS (amounts falling due within one year)		<u>(415,912)</u>	<u>(139,350)</u>
NET CURRENT ASSETS		293,296	198,588
TOTAL ASSETS LESS CURRENT LIABILITIES		920,442	666,712
CREDITORS (amounts falling due after one year)		<u>(1,721)</u>	<u>(4,944)</u>
		£918,721	£661,768
CAPITAL AND RESERVES			
Called up share capital	4	2,225,000	1,225,000
Profit and loss account		<u>(1,306,279)</u>	<u>(563,232)</u>
TOTAL SHAREHOLDERS' FUNDS		£918,721	£661,768
Equity interests		(1,198,108)	(313,232)
Non-equity interests		<u>2,116,829</u>	<u>975,000</u>
		£918,721	£661,768

The directors have taken advantage of the exemptions conferred by Section A of Part III of the Companies Act 1985 as entitling them to deliver abbreviated accounts on the grounds that the company meets the qualifying conditions as small under Section 247, and is not ineligible for such exemptions under Section 246 of the Act. The notes on pages 3 to 5 form part of these accounts.


D Proctor

DIRECTOR

APPROVED BY THE BOARD
ON 15 MAY 1995

XPEDITE SYSTEMS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

1 ACCOUNTING POLICIES

These abbreviated accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies are set out below.

(1) Turnover

Turnover represents the invoice value of services provided in the period, excluding Value Added Tax.

(2) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of assets is written off in equal annual instalments over estimated useful assets lives, which are as follows:

Motor vehicles	3 years
Computers, equipment and furniture	3-5 years

(3) Foreign exchange

Transactions denominated in foreign currencies are converted into sterling at the rate ruling at transaction date. Assets and liabilities denominated in foreign currencies are included in the balance sheet at the rates prevailing at that date. Any translation differences arising are dealt with in the profit and loss account.

(4) Hire purchase arrangements

Assets held under hire purchase arrangements and their related obligations are recorded at the value of the asset at inception. The amount by which payments exceed the recorded liability are treated as finance charges and are written off over the term of the hire purchase agreement so as to give a constant rate of charge.

Rental costs under operating leases are charged to the profit and loss account in the period in which they are incurred.

XPEDITE SYSTEMS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

2 TANGIBLE FIXED ASSETS

	<u>Total</u>
<u>Cost</u>	
At 1 January 1994	528,048
Additions	<u>295,782</u>
At 31 December 1994	<u>823,830</u>
<u>Depreciation</u>	
At 1 January 1994	59,924
Charge for the period	<u>136,760</u>
At 31 December 1994	<u>196,684</u>
<u>Net book amount</u>	
At 31 December 1994	<u>£627,146</u>
At 31 December 1993	<u>£468,124</u>

The net book amount includes £5,798 (1993 £10,436) in respect of assets held under hire purchase arrangements.

3 DEBTORS

The aggregate amount of debtors falling due after one year is nil.

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

	<u>31 December 1994</u>		<u>31 December 1993</u>	
	Number	£	Number	£
Authorised				
Ordinary shares of £1	50,000	50,000	50,000	50,000
'A' ordinary shares of £1	200,000	200,000	200,000	200,000
Cumulative redeemable preference shares of £1	<u>2,775,000</u>	<u>2,775,000</u>	<u>975,000</u>	<u>975,000</u>
	3,025,000	£3,025,000	1,225,000	£1,225,000

	<u>31 December 1994</u>		<u>31 December 1993</u>	
	Number	£	Number	£
Issued and fully paid				
Ordinary shares of £1	50,000	50,000	50,000	50,000
"A" ordinary shares of £1	200,000	200,000	200,000	200,000
Cumulative redeemable preference shares of £1	<u>1,975,000</u>	<u>1,975,000</u>	<u>975,000</u>	<u>975,000</u>
	2,225,000	£2,225,000	1,225,000	£1,225,000

During the year one million cumulative redeemable preference shares were issued at par to existing shareholders, as part of the planned financing of the company, for the purposes of funding the purchase of fixed assets and the provision of working capital.

The "A" ordinary shares rank pari passu to the ordinary shares for dividend and in priority to them for capital distribution purposes, but behind the cumulative redeemable preference shares for both.

5