

Company Registration No. 3523585 (England and Wales)

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 1999**



**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**COMPANY INFORMATION**

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**Directors** M D Charlesworth (Appointed 9 March 1998)  
D G Wylie (Appointed 9 March 1998)

**Secretary** S M Jabati

**Company number** 3523585

**Registered office** Middlesex House  
29-45 High Street  
Edgware  
Middlesex  
HA8 7HQ

**Auditors** Adler Shine  
Middlesex House  
29-45 High Street  
Edgware  
Middlesex  
HA8 7HQ

**Business address** 6/2 Cumbrian House  
Meridian Gate  
217 Marsh Wall  
London  
E14 9AT

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**MDC EUROPE LIMITED**  
**TRADING AS APT**  
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**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**DIRECTORS' REPORT**  
**FOR THE PERIOD ENDED 30 JUNE 1999**

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The directors present their report and financial statements for the period from 9 March 1998 and ended 30 June 1999.

**Principal activities and review of the business**

The principal activity of the company was that of the provision of telephone entertainment services. The company was incorporated on 9 March 1998 and commenced trading shortly thereafter.

The results for the year and the financial position at the period end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

**Results and dividends**

The results for the period are set out on page 4.

**Future developments**

The company is investigating expansion opportunities and technological developments.

**Directors**

The following directors have held office since 9 March 1998:

M D Charlesworth	(Appointed 9 March 1998)
D G Wylie	(Appointed 9 March 1998)

**Directors' interests**

The directors' beneficial interests in the shares of the company were as stated below:

	<b>Ordinary shares of £ 1 each</b>	
	<b>30 June 1999</b>	<b>9 March 1998</b>
M D Charlesworth	60	60
D G Wylie	40	40

**Auditors**

Adler Shine were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**DIRECTORS' REPORT**  
**FOR THE PERIOD ENDED 30 JUNE 1999**

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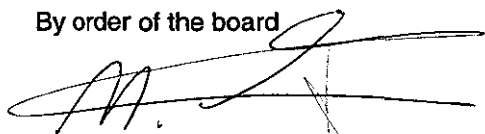
**Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year 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;
- 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.

By order of the board



.....  
M D Charlesworth

**Director**

29.6.00  
.....

**MDC EUROPE LIMITED  
TRADING AS APT  
AUDITORS' REPORT  
TO THE SHAREHOLDERS OF MDC EUROPE LIMITED**

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We have audited the financial statements on pages 4 to 13 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 2 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 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, except that the scope of our work was limited as explained below. 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. However, the evidence available to us was limited because we were unable to verify the basis of allocation of £1,147,286 income or net expenditure of £691,821 for the period 9 March 1998 to 30 June 1999 transferred from Sound Advertising Limited to MDC Europe Limited (as detailed in note 1.5 to these financial statements). There were no satisfactory audit procedures that we could adopt to confirm that income and expenditure had been properly allocated between the two companies.

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Qualified opinion arising from limitation in audit scope**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning allocation of income and expenditure between Sound Advertising Limited and MDC Europe Limited, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our audit work relating to transfers between Sound Advertising Limited and MDC Europe Limited:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we consider proper accounting records not to have been maintained.



**Adler Shine**

Chartered Accountants  
Registered Auditor

30/6/99

Middlesex House  
29-45 High Street  
Edgware  
Middlesex  
HA8 7HQ

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED 30 JUNE 1999**

	Notes	Period from 9 March 1998 to 30 June 1999 £
<b>Turnover</b>	<b>2</b>	1,804,540
Cost of sales		(820,558)
<b>Gross profit</b>		983,982
Administrative expenses		(603,618)
<b>Operating profit</b>	<b>3</b>	380,364
Other interest receivable and similar income		6,902
Interest payable and similar charges	<b>4</b>	(7,793)
<b>Profit on ordinary activities before taxation</b>		379,473
Tax on profit on ordinary activities	<b>5</b>	(116,938)
<b>Profit on ordinary activities after taxation</b>	<b>10</b>	262,535


The profit and loss account has been prepared on the basis that all operations are continuing operations.

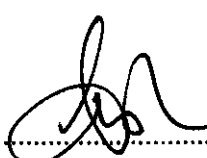
There are no recognised gains and losses other than those passing through the profit and loss account.

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**BALANCE SHEET**  
**AS AT 30 JUNE 1999**

	Notes	1999 £	£
<b>Fixed assets</b>			
Tangible assets	6		116,645
<b>Current assets</b>			
Debtors	7	1,061,807	
Cash at bank and in hand		295,008	
		<u>1,356,815</u>	
<b>Creditors: amounts falling due within one year</b>	8	(1,210,825)	
		<u></u>	
<b>Net current assets</b>			145,990
<b>Total assets less current liabilities</b>			<u>262,635</u>
<b>Capital and reserves</b>			
Called up share capital	9		100
Profit and loss account	10		<u>262,535</u>
<b>Shareholders' funds - equity interests</b>	11		<u>262,635</u>

The financial statements were approved by the Board on 29.6.00 .....

  
 .....  
 M D Charlesworth  
 Director

  
 .....  
 D G Wylie  
 Director

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED 30 JUNE 1999**

	Notes to cash flow statement	Period from 9 March 1998 to 30 June 1999 £
<b>Net cash inflow/(outflow) from operating activities</b>	1	468,488
<b>Returns on investments and servicing of finance</b>		
Interest received		3,879
Interest paid		(7,793)
		<hr/>
<b>Net cash outflow for returns on investments and servicing of finance</b>		(3,914)
<b>Capital expenditure</b>		
Payments to acquire tangible assets		(169,666)
		<hr/>
<b>Net cash outflow for capital expenditure</b>		(169,666)
		<hr/>
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		294,908
<b>Financing</b>		
Issue of ordinary share capital		100
		<hr/>
<b>Net cash inflow/(outflow) from financing</b>		100
		<hr/>
<b>Increase/(decrease) in cash in the period</b>	2,3	<u>295,008</u>

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED 30 JUNE 1999**

<b>1</b>	<b>Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</b>	<b>1999</b>
		<b>£</b>
	Operating profit/(loss)	380,364
	Depreciation of tangible assets	53,021
	Increase in debtors	(1,058,784)
	Increase in creditors within one year	1,093,887
	<b>Net cash inflow/(outflow) from operating activities</b>	<b>468,488</b>

<b>2</b>	<b>Analysis of net funds/(debt)</b>	<b>9 March 1998</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>
		<b>£</b>	<b>£</b>	<b>£</b>
	Net cash:			
	Cash at bank and in hand	-	295,008	
	Debt:			
	Net (debt)/funds	-	295,008	-

<b>3</b>	<b>Reconciliation of net cash flow to movement in net funds</b>	<b>1999</b>
		<b>£</b>
	Increase in cash in the period	295,008
	Cash inflow from increase in debt	-
	<b>Movement in net funds in the period</b>	<b>295,008</b>
	Opening net debt	-
	<b>Closing net funds</b>	<b>295,008</b>

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 1999**

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**1 Accounting policies**

**1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

**1.2 Turnover**

Turnover represents amounts receivable for services net of VAT and trade discounts.

**1.3 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	25% per annum, reducing balance basis
Fixtures, fittings & other equipment	25% per annum, reducing balance basis.

**1.4 Deferred taxation**

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

**1.5 Allocation of income and expenditure between Sound Advertising Limited and MDC Europe Limited**

Income attributed by the directors as due to MDC Europe Limited of £1,147,286 for the period 9 March 1998 to 30 June 1999 was transferred to MDC Europe Limited from Sound Advertising Limited, a related party.

Expenditure in the financial statements for the period is shown net of £291,068 costs invoiced to MDC Europe Limited which were re-allocated to Sound Advertising Limited

Expenditure is shown inclusive of transfers from Sound Advertising Limited to MDC Europe Limited of £804,442 for the 12 months to 30 June 1999 and £178,447 for the period 9 March 1998 to 30 June 1998.

**1.6 Computer software**

Computer software costs are written off as incurred.

**2 Turnover**

**Geographical market**

	<b>Turnover</b>
	<b>1999</b>
	<b>£</b>
UK	1,606,872
Eire	197,668
	<hr/>
	1,804,540
	<hr/>

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 1999**

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<b>3</b>	<b>Operating profit</b>	<b>1999</b>
		<b>£</b>
	Operating profit is stated after charging:	
	Depreciation of tangible assets	53,021
	Auditors' remuneration	3,000
		<hr/>

Operating profit is stated after charging £91,577 as a bad debt. This related to an abortive attempt to set up a business , Mediate! GmbH, in Germany and is considered to be irrecoverable.

<b>4</b>	<b>Interest payable</b>	<b>1999</b>
		<b>£</b>
	On bank loans and overdrafts	18
	On other loans wholly repayable within 5 years	7,775
		<hr/>
		7,793
		<hr/>

<b>5</b>	<b>Taxation</b>	<b>1999</b>
		<b>£</b>
	U.K. current year taxation	
	U.K. corporation tax at 38%	116,938
		<hr/>

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 1999**

**6 Tangible fixed assets**

	Computer equipment	Fixtures, fittings & other equipment	Total
	£	£	£
<b>Cost</b>			
At 9 March 1998	-	-	-
Additions	169,130	536	169,666
At 30 June 1999	169,130	536	169,666
<b>Depreciation</b>			
At 9 March 1998	-	-	-
Charge for the period	52,853	168	53,021
At 30 June 1999	52,853	168	53,021
<b>Net book value</b>			
At 30 June 1999	116,277	368	116,645

Included within fixed assets is £52,795 of computer equipment transferred to Mediatel GmbH, in Germany. This equipment was returned to MDC Europe Limited after the period end.

**7 Debtors**

	1999 £
Trade debtors	1,056,247
Prepayments and accrued income	5,560
	<u>1,061,807</u>

**8 Creditors: amounts falling due within one year**

	1999 £
Trade creditors	817,860
Corporation tax	116,938
Other taxes and social security costs	12,427
Accruals and deferred income	263,600
	<u>1,210,825</u>

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 1999**

<b>9 Share capital</b>	<b>1999</b>
	<b>£</b>
<b>Authorised</b>	
1,000 Ordinary shares of £ 1 each	1,000
	<hr/>
<b>Allotted, called up and fully paid</b>	
100 Ordinary shares of £ 1 each	100
	<hr/>

During the period 100 ordinary shares of £1 each were allotted and fully paid at par for cash consideration.

**10 Statement of movements on profit and loss account**

**Profit and  
loss account**  
**£**

Retained profit for the period 262,535

**11 Reconciliation of movements in shareholders' funds**

**1999**  
**£**

Profit for the financial period	262,535
Proceeds from issue of shares	100
	<hr/>
Net addition to shareholders' funds	262,635
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	262,635
	<hr/>

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 1999**

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**12 Employees**

**Number of employees**

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

	<b>1999 Number</b>
Sales	20
Direct operators	60
Administration and technical	5
Supervisory and management	8
	<hr/> 93 <hr/>

**Employment costs**

	<b>£</b>
Wages and salaries	271,415
Social security costs	19,067
	<hr/> 290,482 <hr/>

**13 Control**

The company is controlled by M D Charlesworth, a director, by virtue of his majority shareholding.

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 1999**

**14 Related party transactions**

Mediatel GmbH, in which M D Charlesworth and D G Wylie were shareholders, One on One Limited, controlled by M D Charlesworth, Sound Advertising Limited, in which M D Charlesworth holds 40% of the share capital and Wysoft Limited, controlled by D G Wylie, are all related parties. Transactions occurred with related parties as shown below.

Name of related party	Type of transaction	Transaction	Balance due to / (from) MDC Europe Limited at period end, included in trade debtors / (creditors)
		£	£
Mediatel GmbH	Loan written off in period	91,577	-
	Computer equipment loaned to Mediatel GmbH (included in fixed assets, as this was returned after period end)	52,795	-

**Sound Advertising Limited**

The following was receivable from Sound Advertising Limited for MDC Europe Limited's share of income:

Cable and Wireless plc sales 9/3/98-30/6/98	133,965	-
Cable and Wireless plc sales 1/7/98-30/6/99	812,058	678,957
Irish sales	197,638	78,130
Credit card sales	3,625	-
		<u>757,087</u>

The following was receivable from Sound Advertising Limited for expenses payable by MDC Europe Limited:

Professional fees	270,000	270,000
Sundry other costs	21,068	21,068
		<u>291,068</u>

The following was charged by Sound Advertising Limited for MDC Europe Limited's share of expenses:

Wages and salaries	290,482	(282,482)
Advertising	580,908	(412,151)
Professional fees	11,980	(11,980)
Rent	13,931	(7,414)
Telephone	34,532	(34,532)
Furniture and equipment	181,298	(34,576)
Sundry other costs	51,056	(28,820)
		<u>(811,955)</u>

			Balance due (from) MDC Europe Limited at period end, included in accruals
			£
One on One Limited	Professional fees charged to MDC Europe Limited	270,000	(150,000)
Wysoft Limited	Professional fees charged to MDC Europe Limited	180,000	(100,000)

All outstanding balances are interest free and no terms as to repayment have been set.