

Company Registration No. 3523585 (England and Wales)

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2000**



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

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<b>Directors</b>	M D Charlesworth D G Wylie
<b>Secretary</b>	S M Jabati
<b>Company number</b>	3523585
<b>Registered office</b>	Middlesex House 29-45 High Street Edgware Middlesex HA8 7HQ
<b>Auditors</b>	Adler Shine Middlesex House 29-45 High Street Edgware Middlesex HA8 7HQ
<b>Business address</b>	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 YEAR ENDED 30 JUNE 2000**

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The directors present their report and financial statements for the year ended 30 June 2000.

**Principal activities and review of the business**

The principal activity of the company was that of the provision of telephone entertainment services.

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 year are set out on page 3.

**Future developments**

The company is investigating expansion opportunities and technological developments.

**Directors**

The following directors have held office since 1 July 1999:

M D Charlesworth  
D G Wylie

**Directors' interests**

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

	Ordinary shares of £ 1 each	
	30 June 2000	1 July 1999
M D Charlesworth	60	60
D G Wylie	40	40

**Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Adler Shine be reappointed as auditors of the company will be put to the Annual General Meeting.

**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.

On behalf of the board



M D Charlesworth

**Director**

Date: 30.7.01

**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 3 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**Respective responsibilities of directors and auditors**

As described on page 1 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 £971,761 (1999:£1,147,286) income or net expenditure of £954,605 (1999: £691,821) for the year to 30 June 2000 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 2000 and of its profit for the year 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**

Date: 14/8/01

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

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2000**

	Notes	2000 £	1999 £
Turnover	2	1,388,688	1,804,540
Cost of sales		(829,318)	(820,558)
<b>Gross profit</b>		<b>559,370</b>	<b>983,982</b>
Administrative expenses		(366,113)	(603,618)
<b>Operating profit</b>	3	<b>193,257</b>	<b>380,364</b>
Other interest receivable and similar income		6,221	6,902
Interest payable and similar charges	4	(2,131)	(7,793)
<b>Profit on ordinary activities before taxation</b>		<b>197,347</b>	<b>379,473</b>
Tax on profit on ordinary activities	5	(52,667)	(116,938)
<b>Profit on ordinary activities after taxation</b>		<b>144,680</b>	<b>262,535</b>
Dividends	6	(175,000)	-
<b>Retained (loss)/profit for the year</b>	11	<b>(30,320)</b>	<b>262,535</b>

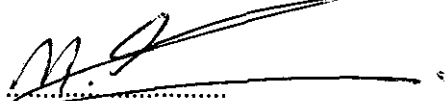
The profit and loss account has been prepared on the basis that all operations are continuing operations.

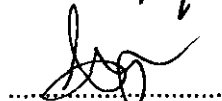
There are no recognised gains and losses other than those passing through the profit and loss account.

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2000**

	Notes	2000 £	£	1999 £	£
<b>Fixed assets</b>					
Tangible assets	7		97,758		116,645
<b>Current assets</b>					
Debtors	8	1,935,036		1,061,807	
Cash at bank and in hand		70,641		295,008	
		<u>2,005,677</u>		<u>1,356,815</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(1,871,120)</u>		<u>(1,210,825)</u>	
<b>Net current assets</b>			<u>134,557</u>		<u>145,990</u>
<b>Total assets less current liabilities</b>			<u>232,315</u>		<u>262,635</u>
<b>Capital and reserves</b>					
Called up share capital	10		100		100
Profit and loss account	11		232,215		262,535
<b>Shareholders' funds - equity interests</b>	12		<u>232,315</u>		<u>262,635</u>

The financial statements were approved by the Board on 30/7/00...

  
 M D Charlesworth  
 Director

  
 D G Wylie  
 Director

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2000**

	2000 £	1999 £
<b>Net cash inflow from operating activities</b>	93,012	468,488
<b>Returns on investments and servicing of finance</b>		
Interest received	6,221	3,879
Interest paid	<u>(2,131)</u>	<u>(7,793)</u>
<b>Net cash inflow/(outflow) for returns on investments and servicing of finance</b>	4,090	(3,914)
<b>Taxation</b>	(132,770)	-
<b>Capital expenditure</b>		
Payments to acquire tangible assets	<u>(13,699)</u>	<u>(169,666)</u>
<b>Net cash outflow for capital expenditure</b>	(13,699)	(169,666)
<b>Equity dividends paid</b>	<u>(175,000)</u>	<u>-</u>
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>	(224,367)	294,908
<b>Financing</b>		
Issue of ordinary share capital	-	100
<b>Net cash (outflow)/inflow from financing</b>	<u>-</u>	<u>100</u>
<b>(Decrease)/increase in cash in the year</b>	<u><u>(224,367)</u></u>	<u><u>295,008</u></u>



**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2000**

<b>1</b>	<b>Reconciliation of operating profit to net cash inflow from operating activities</b>	<b>2000</b>	<b>1999</b>
		<b>£</b>	<b>£</b>
	Operating profit	193,257	380,364
	Depreciation of tangible assets	32,586	53,021
	Increase in debtors	(873,229)	(1,058,784)
	Increase in creditors within one year	740,398	1,093,887
	<b>Net cash inflow from operating activities</b>	<b>93,012</b>	<b>468,488</b>

<b>2</b>	<b>Analysis of net funds</b>	<b>1 July 1999</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>30 June 2000</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	Net cash:				
	Cash at bank and in hand	295,008	(224,367)	-	70,641
	<b>Net funds</b>	<b>295,008</b>	<b>(224,367)</b>	<b>-</b>	<b>70,641</b>

<b>3</b>	<b>Reconciliation of net cash flow to movement in net funds</b>	<b>2000</b>	<b>1999</b>
		<b>£</b>	<b>£</b>
	(Decrease)/increase in cash in the year	(224,367)	295,008
	<b>Movement in net funds in the year</b>	<b>(224,367)</b>	<b>295,008</b>
	Opening net funds	295,008	-
	<b>Closing net funds</b>	<b>70,641</b>	<b>295,008</b>

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2000**

**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 £971,761 for the year ending 30 June 2000 (1999: £1,013,321) was transferred to MDC Europe Limited from Sound Advertising Limited, a related party.

Expenditure attributed by the directors as owed by MDC Europe Limited of £954,605 for the year ending 30 June 2000 (1999: £804,442) was transferred from Sound Advertising Limited to MDC Europe Limited (see note 16 for further details).

**1.6 Computer software**

Computer software costs are written off as incurred.

**2 Turnover**

**Geographical market**

	<b>Turnover</b>	
	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
UK	1,232,454	1,606,872
Eire	156,234	197,668
	<u>1,388,688</u>	<u>1,804,540</u>

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2000**

<b>3</b>	<b>Operating profit</b>	<b>2000</b>	<b>1999</b>
		<b>£</b>	<b>£</b>
	Operating profit is stated after charging:		
	Depreciation of tangible assets	32,586	53,021
	Auditors' remuneration	3,000	3,000
		<u>          </u>	<u>          </u>

Operating profit is stated after charging £68,001 as a bad debt. This related to an abortive attempt to set up a business, Mediatel GmbH, in Germany and is considered to be irrecoverable.

<b>4</b>	<b>Interest payable</b>	<b>2000</b>	<b>1999</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	-	18
	On other loans wholly repayable within 5 years	-	7,775
	On overdue tax	2,131	-
		<u>          </u>	<u>          </u>
		2,131	7,793
		<u>          </u>	<u>          </u>

<b>5</b>	<b>Taxation</b>	<b>2000</b>	<b>1999</b>
		<b>£</b>	<b>£</b>
	<b>U.K. current year taxation</b>		
	U.K. corporation tax at 23% (1999 - 38%)	52,667	116,938
		<u>          </u>	<u>          </u>

<b>6</b>	<b>Dividends</b>	<b>2000</b>	<b>1999</b>
		<b>£</b>	<b>£</b>
	Ordinary interim paid	175,000	-
		<u>          </u>	<u>          </u>

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2000**

**7 Tangible fixed assets**

	Computer equipment	Fixtures, fittings & other equipment	Total
	£	£	£
<b>Cost</b>			
At 1 July 1999	169,130	536	169,666
Additions	13,699	-	13,699
	<hr/>	<hr/>	<hr/>
At 30 June 2000	182,829	536	183,365
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 July 1999	52,853	168	53,021
Charge for the year	32,494	92	32,586
	<hr/>	<hr/>	<hr/>
At 30 June 2000	85,347	260	85,607
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 June 2000	97,482	276	97,758
	<hr/>	<hr/>	<hr/>
At 30 June 1999	116,277	368	116,645
	<hr/>	<hr/>	<hr/>

<b>8 Debtors</b>	<b>2000</b>	<b>1999</b>
	£	£
Trade debtors	1,831	(4,000)
Other debtors	1,931,900	1,060,247
Prepayments and accrued income	1,305	5,560
	<hr/>	<hr/>
	1,935,036	1,061,807
	<hr/>	<hr/>

Included in other debtors are inter-company balances which were shown as part of trade debtors in the previous year's financial statements. The comparative figures have been adjusted to reflect this reclassification.

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2000**

<b>9 Creditors: amounts falling due within one year</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Trade creditors	14,448	652
Corporation tax	36,835	116,938
Other taxes and social security costs	6,445	12,427
Directors' current accounts	15,000	-
Other creditors	1,780,563	817,208
Accruals and deferred income	17,829	263,600
	<u>1,871,120</u>	<u>1,210,825</u>

Included in other creditors are inter-company balances which were shown as part of trade creditors in the previous year's financial statements. The comparative figures have been adjusted to reflect this reclassification.

<b>10 Share capital</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000 Ordinary shares of £ 1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £ 1 each	<u>100</u>	<u>100</u>

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

	<b>Profit and loss account £</b>
Balance at 1 July 1999	262,535
Retained loss for the year	<u>(30,320)</u>
Balance at 30 June 2000	<u>232,215</u>

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2000**

<b>12 Reconciliation of movements in shareholders' funds</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	144,680	262,535
Dividends	(175,000)	-
	<u>(30,320)</u>	<u>262,535</u>
Proceeds from issue of shares	-	100
	<u>(30,320)</u>	<u>262,635</u>
Net (depletion in)/addition to shareholders' funds	(30,320)	262,635
Opening shareholders' funds	262,635	-
	<u>232,315</u>	<u>262,635</u>
Closing shareholders' funds	232,315	262,635

**13 Transactions with directors**

The following directors had interest free loans during the year. The movement on these loans are as follows:

	<b>Amount outstanding</b>		<b>Maximum</b>
	<b>2000</b>	<b>1999</b>	<b>in year</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Director's current account (debit bal)	-	-	10,000

M Charlesworth has provided an interest free loan of £15,000 to the company.

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2000**

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**14 Employees**

**Number of employees**

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

	<b>2000 Number</b>	<b>1999 Number</b>
Sales	8	20
Direct operators	40	60
Administration and technical	4	5
Supervisory and management	6	8
	<u>58</u>	<u>93</u>

**Employment costs**

	<b>£</b>	<b>£</b>
Wages and salaries	257,628	271,415
Social security costs	17,208	19,067
	<u>274,836</u>	<u>290,482</u>

**15 Control**

Throughout the previous and current period the company was controlled by M D Charlesworth by virtue of his majority shareholding.

**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2000**

**16 Related party transactions**

The related parties are as follows:

Mediatel GmbH, in which M D Charlesworth and D G Wylie were directors and shareholders;  
Fonecharge Limited (previously One on One Limited), in which M D Charlesworth is a director and holds 100% of the share capital;  
Sound Advertising Limited, in which M D Charlesworth is a director and holds 80% of the share capital;  
Wysoft Limited, in which D G Wylie is a director and holds 100% of the share capital.

Transactions with related parties are shown below.

Name of related party	Type of transaction	Amount 2000	Amount 1999
		£	£
Mediatel GmbH	Set-up costs written off	68,001	91,577
	Computer equipment loaned to Mediatel GmbH (included in fixed assets, as these were returned after the 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	815,527	946,050
Irish telecom sales	156,234	197,638
Credit card sales	-	3,625

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

Professional fees	-	270,000
Sundry other costs	3,114	21,068

The balance due from Sound Advertising Limited at 30 June 2000, included in other debtors is £1,931,900  
(1999: £1,060,247)

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

Wages and salaries	274,836	290,482
Advertising	592,534	580,908
Professional fees	-	11,980
Rent, service charge and rates	13,189	13,931
Telephone	24,460	34,532
Furniture and equipment	-	181,298
Sundry other costs	49,586	51,056

At 30 June 2000 the balance owed to Sound Advertising Limited included in other creditors is £1,766,563  
(1999: £811,955).

<b>Fonecharge Limited</b> (formerly One on One Limited)	Professional fees charged to MDC Europe Limited	50,000	270,000
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The balance owed by MDC Europe Limited at 30 June 2000 is £14,000 (1999: £5,250)



**MDC EUROPE LIMITED**  
**TRADING AS APT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2000**

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16 Related party transactions

Name of related party	Type of transaction	Amount 2000 £	Amount 1999 £
Wysoft Limited	Professional fees charged to MDC Europe Limited	33,333	180,000

The balance owed by MDC Europe Limited at 30 June 2000 is £Nil (1999: £100,000)

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