

Company Registration No. 3523585 (England and Wales)

MDC EUROPE LIMITED
TRADING AS APT
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001



MDC EUROPE LIMITED
TRADING AS APT
COMPANY INFORMATION

Directors	M D Charlesworth D G Wylie
Secretary	S M Jabati
Company number	3523585
Registered office	Aston House Cornwall Avenue Finchley London N3 1LF
Auditors	Adler Shine LLP Aston House Cornwall Avenue Finchley London N3 1LF
Business address	6/2 Cumbrian House Meridian Gate 217 Marsh Wall London E14 9AT

MDC EUROPE LIMITED
TRADING AS APT
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MDC EUROPE LIMITED
TRADING AS APT
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2001

The directors present their report and financial statements for the year ended 30 June 2001.

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. Although turnover has fallen in the year, the directors consider this to be in line with the very competitive telephone entertainment services sector. The company continue to seek expansion opportunities and technological developments.

Results and dividends

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

Directors

The following directors have held office since 1 July 2000:

M D Charlesworth

D G Wylie

Directors' interests

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

	Ordinary shares of £ 1 each	
	30 June 2001	1 July 2000
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 LLP 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: 20/6/02

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

We have audited the financial statements of MDC Europe Limited on pages 4 to 13 for the year ended 30 June 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 £651,676 (2000: £971,761) income or net expenditure of £880,321 (2000: £954,605) for the year to 30 June 2001 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.

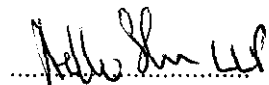
**MDC EUROPE LIMITED
TRADING AS APT
AUDITORS' REPORT
TO THE SHAREHOLDERS OF MDC EUROPE LIMITED**

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 2001 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 LLP
Chartered Accountants
Registered Auditor

Date: 28/6/02

Aston House
Cornwall Avenue
Finchley
London
N3 1LF

MDC EUROPE LIMITED
TRADING AS APT
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2001

	Notes	2001 £	2000 £
Turnover	2	944,541	1,388,688
Cost of sales		(740,487)	(829,318)
Gross profit		204,054	559,370
Administrative expenses		(185,175)	(366,114)
Operating profit	3	18,879	193,256
Other interest receivable and similar income		3,672	6,221
Interest payable and similar charges	4	(274)	(2,131)
Profit on ordinary activities before taxation		22,277	197,346
Tax on profit on ordinary activities	5	(3,927)	(52,667)
Profit on ordinary activities after taxation		18,350	144,679
Dividends	6	(137,000)	(175,000)
Retained loss for the year	11	(118,650)	(30,321)

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 2001

	Notes	2001 £	£	2000 £	£
Fixed assets					
Tangible assets	7		71,910		97,758
Current assets					
Debtors	8	2,592,497		1,935,035	
Cash at bank and in hand		170,053		70,641	
		<u>2,762,550</u>		<u>2,005,676</u>	
Creditors: amounts falling due within one year	9	<u>(2,720,796)</u>		<u>(1,871,120)</u>	
Net current assets			<u>41,754</u>		<u>134,556</u>
Total assets less current liabilities			<u>113,664</u>		<u>232,314</u>
Capital and reserves					
Called up share capital	10		100		100
Profit and loss account	11		<u>113,564</u>		<u>232,214</u>
Shareholders' funds - equity interests	12		<u>113,664</u>		<u>232,314</u>

The financial statements were approved by the Board on 24/6/02

.....
M-D Charlesworth
Director

.....
D G Wylie
Director

MDC EUROPE LIMITED
TRADING AS APT
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2001

	2001	2000
	£	£
Net cash inflow from operating activities	261,808	93,012
Returns on investments and servicing of finance		
Interest received	3,672	6,221
Interest paid	(274)	(2,131)
Net cash inflow for returns on investments and servicing of finance	3,398	4,090
Taxation	(28,794)	(132,770)
Capital expenditure		
Payments to acquire tangible assets	-	(13,699)
Net cash outflow for capital expenditure	-	(13,699)
Equity dividends paid	(137,000)	(175,000)
Net cash inflow/(outflow) before management of liquid resources and financing	99,412	(224,367)
Increase/(decrease) in cash in the year	99,412	(224,367)

MDC EUROPE LIMITED
TRADING AS APT
NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2001

1	Reconciliation of operating profit to net cash inflow from operating activities	2001		2000	
		£		£	
	Operating profit	18,879		193,256	
	Depreciation of tangible assets	23,970		32,586	
	Loss on disposal of tangible assets	1,878		-	
	Increase in debtors	(657,462)		(873,228)	
	Increase in creditors within one year	874,543		740,398	
	Net cash inflow from operating activities	261,808		93,012	
2	Analysis of net funds	1 July 2000	Cash flow	Other non-cash changes	30 June 2001
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	70,641	99,412	-	170,053
	Net funds	70,641	99,412	-	170,053
3	Reconciliation of net cash flow to movement in net funds	2001		2000	
		£		£	
	Increase/(decrease) in cash in the year	99,412		(224,367)	
	Movement in net funds in the year	99,412		(224,367)	
	Opening net funds	70,641		295,008	
	Closing net funds	170,053		70,641	

MDC EUROPE LIMITED
TRADING AS APT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

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 £651,676 for the year ending 30 June 2001 (2000: £971,761) 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 £880,321 for the year ending 30 June 2001 (2000: £954,605) 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

	Turnover	
	2001	2000
	£	£
UK	773,983	1,232,454
Eire	170,558	156,234
	<u>944,541</u>	<u>1,388,688</u>

MDC EUROPE LIMITED
TRADING AS APT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

3	Operating profit	2001	2000
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	23,970	32,586
	Loss on disposal of tangible assets	1,878	-
	Auditors' remuneration	3,000	3,000
		<u> </u>	<u> </u>
4	Interest payable	2001	2000
		£	£
	On overdue tax	274	2,131
		<u> </u>	<u> </u>
5	Taxation	2001	2000
		£	£
	Domestic current year tax		
	U.K. corporation tax	3,927	52,667
		<u> </u>	<u> </u>
	Current tax charge	3,927	52,667
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	22,277	197,346
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2000 : 27.59%)	4,455	54,448
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	195	677
	Depreciation	4,794	8,990
	Capital allowances	(5,812)	(11,446)
	Chargeable disposals	376	-
	Other tax adjustments	(81)	(2)
		<u> </u>	<u> </u>
		(528)	(1,781)
		<u> </u>	<u> </u>
	Current tax charge	3,927	52,667
		<u> </u>	<u> </u>
6	Dividends	2001	2000
		£	£
	Ordinary interim paid	137,000	175,000
		<u> </u>	<u> </u>

MDC EUROPE LIMITED
TRADING AS APT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

7 Tangible fixed assets

	Computer equipment	Fixtures, fittings & other equipment	Total
	£	£	£
Cost			
At 1 July 2000	182,829	536	183,365
Disposals	(4,450)	-	(4,450)
At 30 June 2001	178,379	536	178,915
Depreciation			
At 1 July 2000	85,347	260	85,607
On disposals	(2,572)	-	(2,572)
Charge for the year	23,901	69	23,970
At 30 June 2001	106,676	329	107,005
Net book value			
At 30 June 2001	71,703	207	71,910
At 30 June 2000	97,482	276	97,758

8 Debtors

	2001 £	2000 £
Trade debtors	5,456	1,830
Other debtors	2,587,041	1,931,900
Prepayments and accrued income	-	1,305
	2,592,497	1,935,035

MDC EUROPE LIMITED
TRADING AS APT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

9	Creditors: amounts falling due within one year	2001	2000
		£	£
	Trade creditors	9,400	14,449
	Corporation tax	11,968	36,835
	Other taxes and social security costs	-	6,444
	Directors' current accounts	16,325	15,000
	Other creditors	2,669,109	1,780,563
	Accruals and deferred income	13,994	17,829
		<u>2,720,796</u>	<u>1,871,120</u>
10	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		
	100 Ordinary shares of £ 1 each	<u>100</u>	<u>100</u>
11	Statement of movements on profit and loss account		Profit and loss account £
	Balance at 1 July 2000		232,214
	Retained loss for the year		(118,650)
	Balance at 30 June 2001		<u>113,564</u>
12	Reconciliation of movements in shareholders' funds	2001	2000
		£	£
	Profit for the financial year	18,350	144,679
	Dividends	(137,000)	(175,000)
	Net depletion in shareholders' funds	(118,650)	(30,321)
	Opening shareholders' funds	<u>232,314</u>	<u>262,635</u>
	Closing shareholders' funds	<u>113,664</u>	<u>232,314</u>

MDC EUROPE LIMITED
TRADING AS APT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

13 Transactions with directors

M Charlesworth has provided an interest free loan of £15,919 to the company.

14 Employees

Number of employees:

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

	2001	2000
	Number	Number
Sales	10	8
Direct operators	50	40
Administration and technical	3	4
Supervisory and management	7	6
	<u>70</u>	<u>58</u>

Employment costs

	£	£
Wages and salaries	190,102	257,628
Social security costs	11,131	17,208
	<u>201,233</u>	<u>274,836</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 2001

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 2001	Amount 2000
		£	£
Mediatel GmbH	Set-up costs written off	-	68,001

Sound Advertising Limited

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

Cable and Wireless plc sales	481,117	815,527
Irish telecom sales	170,558	156,234

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

Sundry other costs	-	3,114
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The balance due from Sound Advertising Limited at 30 June 2001, included in other debtors is £2,583,576 (2000: £1,931,900)

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

Wages and salaries	201,233	274,836
Advertising	572,504	592,534
Rent, service charge and rates	16,154	13,189
Telephone	40,204	24,460
Sundry other costs	50,226	49,586

At 30 June 2001 the balance owed to Sound Advertising Limited included in other creditors is £2,655,109 (2000: £1,766,563).

Fonecharge Limited (formerly One on One Limited)	Professional fees charged to MDC Europe Limited	-	50,000
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The balance owed by MDC Europe Limited at 30 June 2001 is £14,000 (2000: £14,000)

Wysoft Limited	Professional fees charged to MDC Europe Limited	-	33,333
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The balance owed by MDC Europe Limited at 30 June 2001 is £Nil (2000: £Nil)

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