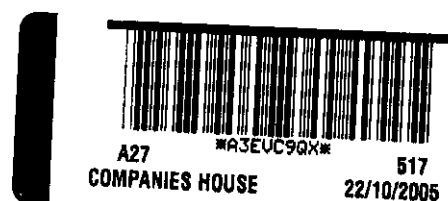


Chartered Accountants  
& Registered Auditors

**IP POWERHOUSE HOLDINGS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**  
Company Registration No. 03934310 (England and Wales)



**Plummer Parsons**  
Chartered Accountants

# IP POWERHOUSE HOLDINGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	R.L. Shure C.J. Campbell (Appointed 22 March 2005)
<b>Secretary</b>	Mawlaw Secretaries Limited
<b>Company number</b>	03934310
<b>Registered office</b>	20 Blackfriars Lane London EC4V 6HD
<b>Auditors</b>	Plummer Parsons 18 Hyde Gardens Eastbourne East Sussex BN21 4PT
<b>Solicitors</b>	Rowe & Maw 20 Blackfriars Lane London EC4V 6HD

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# IP POWERHOUSE HOLDINGS LIMITED

## CONTENTS

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	<b>Page</b>
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Statement of total recognised gains and losses	5
Balance sheet	6
Notes to the financial statements	7 - 12

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# **IP POWERHOUSE HOLDINGS LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004**

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The directors present their report and financial statements for the year ended 31 December 2004.

### **Principal activities and review of the business**

During the year the company's principal activities were limited to acting as group holding company.

### **Results and dividends**

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

All figures are presented in Euros unless otherwise stated.

The directors do not recommend payment of an ordinary dividend.

### **Directors**

The following directors have held office since 1 January 2004:

R.L. Shure

S.B. Paton

C.J. Campbell

(Resigned 22 March 2005)

(Appointed 22 March 2005)

### **Directors' interests**

There are no directors' interests requiring disclosure under the Companies Act 1985.

### **Changes in presentation of the financial statements**

During the year monies on call totalling €1,153,029 were realised in one of the company's subsidiary undertakings - Global Reach Limited - and remitted to IP Powerhouse Holdings.

In the 2003 financial statements, in anticipation of the liquidation of the subsidiary, all intercompany debt due from Global Reach was cancelled.

In light of the fact that monies were actually received prior to the liquidation of Global Reach, the intercompany debtor between the two companies has been re-instated using a prior year adjustment to reflect this remitted amount.

### **Auditors**

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

# IP POWERHOUSE HOLDINGS LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

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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.

On behalf of the board



R.L. Shure

Director

12 October 2005

# IP POWERHOUSE HOLDINGS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IP POWERHOUSE HOLDINGS LIMITED

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We have audited the financial statements of IP Powerhouse Holdings Limited on pages 4 to 12 for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 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.

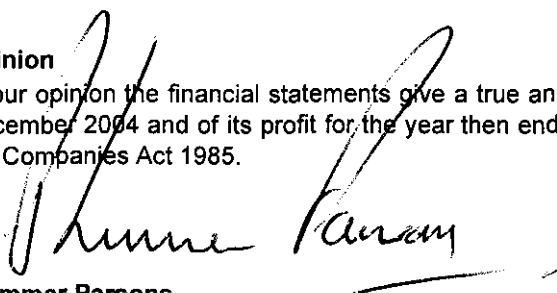
### Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Plummer Parsons**  
Chartered Accountants  
Registered Auditor

18 Hyde Gardens  
Eastbourne  
East Sussex  
BN21 4PT

Dated: 12 October 2005

# IP POWERHOUSE HOLDINGS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

		2004	2003
	Notes	€	as restated €
Administrative expenses		-	(3,897,449)
		.....	.....
<b>Operating loss</b>	<b>2</b>	-	(3,897,449)
Other interest receivable and similar income		-	2
Interest payable and similar charges	<b>3</b>	-	(28)
		.....	.....
<b>Loss on ordinary activities before taxation</b>		-	(3,897,475)
Tax on loss on ordinary activities	<b>4</b>	-	-
		.....	.....
<b>Loss on ordinary activities after taxation</b>	<b>9</b>	-	(3,897,475)
		.....	.....

# IP POWERHOUSE HOLDINGS LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2004

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	2004 €	2003 €
Loss for the financial year	-	(3,897,475)
Prior year adjustment	1,153,029 .....	- .....
Total gains and losses recognised since last financial statements	1,153,029 .....	(3,897,475) .....

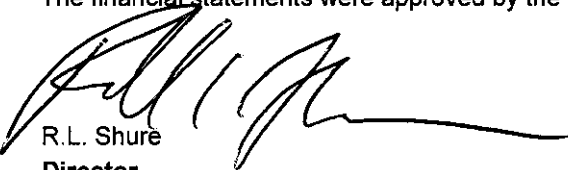


# IP POWERHOUSE HOLDINGS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2004

		2004		2003 as restated	
	Notes	€	€	€	€
<b>Fixed assets</b>					
Investments	5		2,787,890		1,634,861
<b>Current assets</b>					
Debtors	6	-		1,153,029	
Cash at bank and in hand		-		2,359	
		.....		.....	
		-		1,155,388	
<b>Creditors: amounts falling due within one year</b>	7	-		(2,359)	
		.....		.....	
<b>Net current assets</b>			-		1,153,029
			.....		.....
<b>Total assets less current liabilities</b>			2,787,890		2,787,890
			.....		.....
<b>Capital and reserves</b>					
Called up share capital	8		101,338		101,338
Share premium account	9		126,328,003		126,328,003
Profit and loss account	9		(123,641,451)		(123,641,451)
			.....		.....
<b>Shareholders' funds - equity interests</b>	10		2,787,890		2,787,890
			.....		.....

The financial statements were approved by the Board on 12 October 2005

  
R.L. Shure  
Director

# IP POWERHOUSE HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.3 Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. As it is not considered material, no provision for deferred tax has been made.

#### 1.4 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### 1.5 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2	Operating loss	2004	2003
		€	€
	Operating loss is stated after charging/(crediting):		
	Auditors' remuneration	-	1,903
	Write-back of intercompany debt	(68,237)	3,897,281
		.....	.....

In 2002 the group restructured its operations. This resulted in the subsequent comparative write-off in 2003 of the residue of the loan waivers agreed with the relevant tax authorities. The write-off during this year represents the administrative expenses paid for by IP Powerhouse International B.V. which will not be refunded.

3	Interest payable	2004	2003
		€	€
	On bank loans and overdrafts	-	28
		.....	.....

### 4 Taxation

On the basis of these financial statements, no provision for corporation tax is considered necessary.

# IP POWERHOUSE HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

### 5 Fixed asset investments

	Own shares	Shares in group undertakings	Total
	€	€	€
<b>Cost</b>			
At 1 January 2004	160	1,634,701	1,634,861
Additions	-	1,153,029	1,153,029
	.....	.....	.....
At 31 December 2004	160	2,787,730	2,787,890
	.....	.....	.....

The increase in the value of shares in group undertakings represents additional investment by the company in the share premium of its subsidiary undertaking IP Powerhouse International BV.

The investment in own shares represents IP Powerhouse Holdings Limited Employee Benefit Trust's investment in the Company's shares.

Gerrad Trust Jersey Limited, based in Jersey, is the trustee and all shares reflected above are ordinary shares and have been financed by loans from the Company. The closing balance represents the repurchase of ordinary shares from a leaver. Following the year end, in August 2005 the scheme was officially closed.

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
<b>Subsidiary undertakings</b>			
IP Powerhouse International BV	Netherlands	Ordinary	100
IP Powerhouse Amsterdam BV	Netherlands	Ordinary **	100
Iparix Network Solutions BV	Netherlands	Ordinary *	90
XB Networks International BV	Netherlands	Ordinary *	90
XB Networks BV	Netherlands	Ordinary *	90
XB VISP BV	Netherlands	Ordinary *	90
XB Facilities BV	Netherlands	Ordinary *	90
National Internet Centrum BV	Netherlands	Ordinary *	90

\* = Not held directly by the company

\*\* = Post year end holding reduced to 92.5%

The aggregate amount of capital and reserves and the results of the sub-groups containing the above subsidiaries for the last relevant financial year were as follows:

	Capital and reserves 2004 €	Result for the year 2004 €
IP Powerhouse International BV	5,362,435	(457,342)
	.....	.....

# IP POWERHOUSE HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

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<b>6</b>	<b>Debtors</b>	<b>2004</b>	<b>2003</b>
		€	€
	Amounts owed by subsidiary undertakings	-	1,153,029
		.....	.....

<b>7</b>	<b>Creditors: amounts falling due within one year</b>	<b>2004</b>	<b>2003</b>
		€	€
	Amounts owed to subsidiary undertakings	-	2,359
		.....	.....

# IP POWERHOUSE HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

8	Share capital	2004	2003
		£	£
	<b>Authorised</b>		
	100 Ordinary shares of £1 each	100	100
		.....	.....
		€	€
	12,000,000 Ordinary 'A' shares of € 0.01 each	120,000	120,000
	1,000,000 Deferred shares of € 0.01 each	10,000	10,000
		.....	.....
		130,000	130,000
		.....	.....
	<b>Allotted, called up and fully paid</b>		
	9,974,200 Ordinary 'A' shares of € 0.01 each	99,742	99,742
	159,586 Deferred shares of € 0.01 each	1,596	1,596
		.....	.....
		101,338	101,338
		.....	.....

### Conversion rights

The Articles of Association prescribe for an event of "conversion", meaning the conversion of 'A' Ordinary Shares of €0.01 each and any other class of Share in the capital of the Company in issue into Ordinary Shares under criteria laid out in the Articles of Association. The balance of those 'A' Ordinary shares shall be converted into Deferred Shares on a one-for-one basis. The Deferred shares shall be redeemable under criteria laid out in the Articles of Association.

Conversion takes place if there is a flotation.

### Rights of shares

Prior to "conversion", the rights of shares are as follows:

As to income:

- The 'A' Ordinary Shares shall be entitled to dividends as prescribed by criteria laid down in the Articles of Association; and
- The Deferred shares and the Sterling Share shall not be entitled to any dividend.

# IP POWERHOUSE HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

### 8 Share capital

(continued)

As to capital:

Upon any liquidation, dissolution or winding-up (except in the case of the redemption of Shares of any class or the purchase by the Company of its own shares), the assets of the Company available for distribution to Shareholders shall be distributed as follows:

- (a) First, in the repayment to the 'A' Ordinary Shareholders, an amount equal to the total available for distribution minus €100.
- (b) Second, to the Holders of Deferred shares equally in all respects an amount equal to €100 minus €0.01; and
- (c) Third, to the holders of the Sterling Share an aggregate amount equal to €0.01.

Upon any sale where the aggregate sale consideration is more than the Net Senior Adjusted Indebtedness (as defined by the Articles of Association), the consideration shall be applied as follows:

- (a) First, the 'A' Ordinary Shareholders shall be entitled to an amount equal to the total net amount of consideration payable for the shares on the sale.
- (b) Second, the Deferred shares and Sterling Share shall not participate in the consideration from such sale.

As to voting:

The 'A' Ordinary Shares shall have one vote for every 'A' Ordinary Share. The Deferred shares and the Sterling Share do not carry a right to vote.

### 9 Statement of movements on reserves

	Share premium account €	Profit and loss account €
Balance at 1 January 2004 as previously reported	126,328,003	(124,794,480)
Prior year adjustment	-	1,153,029
	.....	.....
Balance at 1 January 2004 as restated	126,328,003	(123,641,451)
	.....	.....
Balance at 31 December 2004	126,328,003	(123,641,451)
	.....	.....

# IP POWERHOUSE HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

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10 Reconciliation of movements in shareholders' funds	2004 €	2003 €
Loss for the financial year	-	(3,897,475)
Opening shareholders' funds	2,787,890	6,685,365
	.....	.....
Closing shareholders' funds	2,787,890	2,787,890
	.....	.....

Opening shareholders' funds were originally €1,634,861 before adding prior year adjustments of €1,153,029.

The prior year adjustment consists of an increase in amounts owed by subsidiary undertakings of €1,153,029 as described in the directors' report.

### 11 Employees

#### Number of employees

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

	2004 Number	2003 Number
Administration & operations	2	2
	.....	.....

### 12 Related party transactions

Other than disclosed in note 2 to the accounts there were no other transactions with related parties during the year.