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# **IP Powerhouse Holdings Limited**

Report and Accounts

Period ended 31 December 2000



## **Directors and Advisors**

### **Executive Directors**

S T M Murphy	(appointed 10 May 2000)
J R Wolff	(appointed 10 May 2000, resigned 25 June 2001)
E P Krawitt	(appointed 10 May 2000, resigned 27 June 2001)
Hammond Suddards Directors Limited	(appointed 25 February 2000, resigned 14 April 2000)

### **Non-executive Directors**

H V Khakhria	(appointed 14 April 2000)
R L Shure	(appointed 14 April 2000)
S B Paton	(appointed 14 April 2000)
K Briant	(appointed 14 April 2000)
D M Brush	(appointed 14 April 2000)

### **Secretary**

Mawlaw Secretaries Limited	(appointed 4 July 2000)
Hammond Suddards Secretaries Limited	(appointed 25 February 2000, resigned 28 June 2000)

### **Auditors**

Ernst & Young LLP  
Becket House  
1 Lambeth Palace Road  
London SE1 7EU

### **Bankers**

Barclays Bank plc  
50 Pall Mall  
London SW1A 1QB

### **Solicitors**

Rowe & Maw  
20 Blackfriars Lane  
London EC4B 6HD

### **Registered Office**

20 Blackfriars Lane  
London EC4B 6HD

### **Registered Number**

3934310

## DIRECTORS' REPORT

The directors present their report and group accounts, prepared under merger accounting principles, for the period from 27 July 1999 to 31 December 2000.

### INCORPORATION

The company was incorporated as Hamsard 2115 Limited in England & Wales under the Companies Act 1985 on 25 February 2000. The company changed its name to IP Powerhouse Holdings Limited on 31 May 2000.

### RESULTS AND DIVIDENDS

The proforma group loss for the period after taxation, amounted to €26,552,487. No dividend payment has been recommended by the directors.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Group's principal activities are the construction and operation of data centres and offering co-location space and related technology services in high specification infrastructure. The Group completed the first phase of its facility in Amsterdam in November 2000 and initiated construction of the second phase in December 2000.

During the period, the Group increased staffing in all departments to achieve its business objectives through a scalable organisation.

The site acquisition department established a site database and site selection criteria including power and communication fibre availability and competitors from which it identified and investigated over 100 potential sites and leased or bought four. The construction department produced a generic design for the Group, staffed existing projects and invited tenders for future projects in Madrid and Vienna. The operations department established standard operation procedures for the installation and maintenance of customers and facilities.

The technology and product development departments initiated development and implementation of the Group's product and service portfolios including installation and fit-out, equipment monitoring, first line maintenance and back-up and re-store services for customers in the data centres.

The sales and marketing department refined the Group's marketing message and increased the sales efforts through lead generation and additional sales personnel.

The support functions of finance, legal and human resources also increased to meet the demands of a multi-company international group.

### DIRECTORS AND THEIR INTERESTS

The directors who served during the period ended 31 December 2000 and their beneficial share interests in the company were as follows:

	At 31 December 2000		
	Ordinary Shares of £1 each	Ordinary B shares of €0.0001 each	Ordinary Shares of €0.0001
S T M Murphy	-	-	2,261,400
J R Wolff	-	-	1,615,300
E P Krawitt	-	-	969,200
Hammond Suddards Directors Limited	-	-	-
H V Khakhria	1	2,526,000	-
R L Shure	-	-	-
S B Paton	-	-	-
K Briant	-	-	-
D M Brush	-	-	-

## **DIRECTORS' REPORT continued**

### **GROUP STRUCTURE AND REORGANISATION**

On 14 April 2000 the Company acquired the entire share capital of Global Reach Limited in exchange for new shares and debt issued in the ratio of 1:99 (shares: loan stock) for the Euro equivalent of each 100 of shares (nominal value and share premium) issued in Global Reach Limited. Global Reach Limited was incorporated on 27 July 1999. Details of shares issued are presented in note 16, page 18. Details of loan stock issued are presented in note 11, page 15. Changes in capital structure following the balance sheet date are presented in note 23, page 22.

### **THE EURO**

The commercial implications of the UK introducing the Euro and necessary related actions are being monitored by the directors on an ongoing basis. The accounts are presented in Euros.

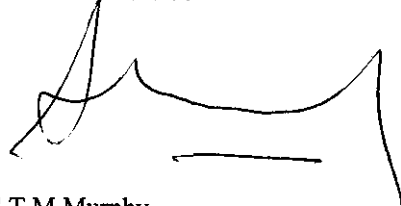
### **FUTURE DEVELOPMENTS**

Subsequent to the period end, the Group is focusing on attracting customers to its existing sites for co-location and technology services.

### **AUDITORS**

Ernst & Young were appointed auditors on 31 August 2000. On 28 June 2001, Ernst & Young transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to reappoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting.

On behalf of the board

A handwritten signature in black ink, appearing to be 'S T M Murphy', written over a horizontal line.

S T M Murphy  
Director  
9 August 2001

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## REPORT OF THE AUDITORS

to the members of IP Powerhouse Holdings Limited

We have audited the accounts on pages 6 to 22, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

### Respective responsibilities of directors and auditors

As described on page 4 the group's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

### 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

### Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 2000 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London  
21 August 2001

## IP Powerhouse Holdings Limited Financial Statements

### Consolidated pro forma profit and loss account

for the period ended 31 December:

		2000
	Notes	Total €
Administration expenses		(17,490,831)
Other operating expenses		(79,997)
Operating loss	1	(17,570,828)
Costs of restructuring	1	(7,267,207)
Loss on ordinary activities before interest and taxation		(24,838,035)
Finance income (charges)	5	(1,714,452)
Loss on ordinary activities before taxation		(26,552,487)
Taxation on loss on ordinary activities	6	-
Loss for the period	19	(26,552,487)
Memo:		
EBITDA (i)	1	(16,824,793)

The above represents the consolidated profit and loss account for the period from 27 July 1999 to 31 December 2000. The Group profit and loss account has been presented on a pro forma basis in order to meaningfully present the performance of the underlying group. See accounting policies, basis of consolidation on page 9 for further details.

The statutory consolidated profit and loss account for the period from 25 February 2000 to 31 December 2000 is presented in note 22, page 22.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above, and their historical cost equivalents. All trading amounts included in the accounts relate to continuing operations.

(i) This represents Earnings before Interest, Tax, Depreciation, Amortisation and exceptional items.

### Statement of total recognised gains and losses

for the period ended 31 December:

		2000
	Notes	€
Loss for the period		(26,552,487)
Currency retranslation	19	(525,520)
Total losses recognised for the period		(27,078,007)

### Reconciliation of movements in shareholders' funds

for the period ended 31 December:

		2000
	Notes	€
Loss for the period		(26,552,487)
Other recognised losses		(525,520)
Shares issued		525,032
Costs incurred in connection with the raising of equity in subsidiary company	19	(1,609,122)
Net decrease in shareholders' funds for the period		(28,162,097)
Opening shareholders' funds		-
Closing shareholders' funds		(28,162,097)

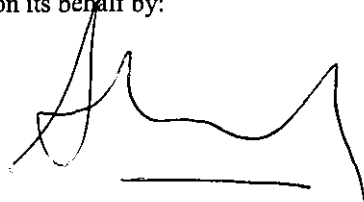
# IP Powerhouse Holdings Limited Financial Statements

## Balance sheets

as at 31 December:

		Group 2000	Company 2000
	Notes	€	€
<b>Fixed assets</b>			
Tangible assets	7	66,044,067	-
Investments: own shares	8	194	194
Investments	9	-	26,410,708
		66,044,261	26,410,902
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	9,537,089	20,083,824
Debtors: amounts falling due after more than one year	10	561,535	-
Investments and short term deposits	12	19,800,000	-
Cash at bank and in hand	12	8,272,856	2,924,218
		38,171,480	23,008,042
<b>Creditors: amounts falling due within one year</b>			
Borrowings	11	-	-
Other creditors	13	(11,033,551)	(1,098,595)
		(11,033,551)	(1,098,595)
<b>Net current assets</b>		27,137,929	21,909,447
<b>Total assets less current liabilities</b>		93,182,190	48,320,349
<b>Creditors: amounts falling due after more than one year</b>			
Borrowings	11	(113,631,003)	(49,191,744)
Other creditors	14	(7,512,650)	-
		(121,143,653)	(49,191,744)
<b>Provisions for liabilities and charges</b>			
Deferred taxation	6	-	-
Other provisions	15	(200,634)	-
		(200,634)	-
		(28,162,097)	(871,395)
<b>Capital and reserves</b>			
Called-up share capital	16	5,713	5,713
Share premium	19	519,319	519,319
Other reserve	19	(1,609,122)	-
Profit and loss reserve	19	(27,078,007)	(1,396,427)
<b>Equity shareholders' funds</b>		(28,162,097)	(871,395)
<b>Non-equity shareholders' funds</b>		-	-
<b>Total shareholders' funds</b>		(28,162,097)	(871,395)

The financial statements on pages 6 to 22 were approved by the Board of Directors on 9 August 2001 and were signed on its behalf by:



**S T M Murphy**  
Director

9 August 2001



# IP Powerhouse Holdings Limited Financial Statements

## Consolidated cash flow statement

for the period ended 31 December:

	Notes	2000 €
<b>Net cash outflow from operating activities</b>		<b>(25,176,195)</b>
<b>Returns on investments and servicing of finance</b>		
Interest received		773,526
Interest paid		(2,878)
Costs incurred in connection with the raising of debt	15	(3,932,833)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(3,162,185)</b>
<b>Tax paid</b>		<b>-</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets		(56,717,808)
Payments to acquire investments		(194)
<b>Net cash outflow from capital expenditure</b>		<b>(56,718,002)</b>
<b>Net cash outflow before management of liquid resources and financing</b>		
Management of liquid resources		(19,800,000)
<b>Financing</b>		
New loans		114,677,360
Issue of share capital	16	525,032
Costs incurred in connection with the raising of subsidiary share capital		(1,587,498)
<b>Net cash inflow from financing</b>		<b>113,614,894</b>
<b>Net cash inflow from management of liquid resources and financing</b>		<b>93,814,894</b>
<b>Increase in cash in the period</b>		<b>8,758,512</b>

## Reconciliation of operating loss to net cash flow from operating activities

	Notes	2000 €
Operating loss		(17,570,828)
Depreciation charge	7	746,035
Fixed asset write off	7	45,582
Amounts written off in respect of exceptional items	1	(7,267,207)
(Increase) decrease in working capital:		
Debtors		(8,986,673)
Creditors		7,856,896
<b>Net cash outflow from operating activities</b>		<b>(25,176,195)</b>

## **IP Powerhouse Holdings Limited Financial Statements**

### **Accounting Policies**

#### **Accounting convention**

The accounts are prepared under the historical cost convention and in accordance with accounting standards applicable in the United Kingdom.

#### **Basis of consolidation**

The group accounts consolidate the accounts of IP Powerhouse Holdings Limited ("IPPH") and all of its subsidiary undertakings. No profit and loss account has been presented for IPPH as permitted by Section 230 of the Companies Act 1985.

IPPH was incorporated on 25 February 2000.

On 14 April 2000, IPPH acquired the entire share capital of Global Reach Limited. The combination has been merger accounted as if the Group, as currently constituted, has been in place throughout the whole of the period covered by these accounts. In doing this, the directors have adopted a true and fair override, since the amount of non-equity consideration in this transaction has meant that one of the criteria for merger accounting under Financial Reporting Standard No.6 and Companies Act 1985 has not been met. However, the directors consider the substance of the transaction to be that of a group reconstruction to which merger accounting should be applied.

The group profit and loss account for the financial period has been presented on a pro forma basis, as though they had always been part of IPPH, despite the fact that this company was only incorporated on 25 February 2000, in order to meaningfully present the performance of the underlying group.

The statutory profit and loss account, which presents the results for the period from incorporation on 25 February 2000 to December 2000 is included in note 22, page 22.

#### **Tangible fixed assets**

All tangible fixed assets are initially recorded at cost. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life. The Group commences depreciation from the date of acquisition of the asset. The rates are as follows:

Land and buildings	-	over 15 years
IT equipment	-	over 3 years
Fixtures and fittings	-	over 3 years
Plant and machinery	-	from 5 to 15 years

Interest charges, in respect of financing used to fund the construction of an asset, are capitalised and included in the cost of the fixed asset to which they relate. Only interest charges incurred during the period of production of the asset are capitalised. Costs are depreciated in line with the fixed asset category to which they relate.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Start-up costs**

All costs incurred by the Group in relation to the establishment of new subsidiaries are expensed in the profit and loss account as incurred.

#### **Deferred taxation**

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions and other post-retirement benefits, to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

## **IP Powerhouse Holdings Limited Financial Statements**

### **Accounting Policies continued**

#### **Foreign currencies**

##### *Company*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves

##### *Group*

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All of the translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves

#### **Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### **Pensions**

The group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

#### **Capital instruments**

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to the period over the term of the instrument at a constant rate on the carrying amount.

**IP Powerhouse Holdings Limited Financial Statements**  
**Notes to the financial statements**

**1. Operating loss, EBITDA and exceptional items**

	2000
	€
Operating loss is stated after charging:	
Depreciation of tangible fixed assets	746,035
Write off of fixed assets	45,582
Advertising costs	119,903

**EBITDA**

This represents Earnings before Interest, Tax, Depreciation, Amortisation and exceptional items. It is calculated as follows:

	2000
	€
Loss for the year	(26,552,487)
Taxation on profit on ordinary activities	-
Net finance charges	1,714,452
Depreciation of tangible fixed assets	746,035
Exceptional items	7,267,207
<b>EBITDA</b>	<b>(16,824,793)</b>

**Exceptional items**

Exceptional items of €7,267,207 include amounts written off assets as part of a fundamental restructuring of the groups European operations.

**2. Fees to auditors**

	2000
	€
Charged to operating loss:	
Audit fees	135,654
Non audit fees	32,443
	168,097
Other fees	
Non audit fees	41,701
	209,798

**3. Directors' emoluments**

	2000
	€
Aggregate emoluments	711,886

Emoluments payable to the highest paid director are as follows:

	2000
	€
Aggregate emoluments	260,011

**IP Powerhouse Holdings Limited Financial Statements**  
**Notes to the financial statements continued**

**4. Employees Costs**

	2000
	€
Employee costs, including directors' emoluments:	
Wages and salaries	3,643,694
Social security costs	305,104
Other pension costs (note 20)	104,402
	4,053,200

The average monthly number of employees during the period was as follows.

	2000
	Number
Sales and marketing	4
Operations	11
Administration	13
	28

**5. Finance charges (income)**

	2000
	€
Interest payable on:	
Bank loans and overdrafts	2,983,398
Amortisation of deferred financing fees (note 11)	106,589
Exchange differences	(75,840)
	3,014,147
Bank interest receivable	(783,766)
Less: interest capitalised (note 7)	(515,929)
Total	1,714,452

**6. Taxation**

No current tax has been provided on the basis that trading losses are available to offset any taxable profits and no provision for deferred tax is required. The Company and the Group have the following unrecognised potential deferred tax assets:

	Group	Company
	2000	2000
	€	€
Depreciation in advance of capital allowances	(22,752)	-
Trading losses	(4,608,828)	(53,355)
	(4,631,580)	(53,355)

**IP Powerhouse Holdings Limited Financial Statements**  
**Notes to the financial statements continued**

**7. Tangible fixed assets**

<b>Group</b>	<b>Land &amp; buildings €</b>	<b>IT equipment €</b>	<b>Fixtures &amp; fittings €</b>	<b>Plant &amp; machinery €</b>	<b>Total €</b>
Cost at 27 July 1999	-	-	-	-	-
Currency retranslation	(8,641)	(13,747)	(2,280)	-	(24,668)
Additions	52,923,904	1,711,204	104,980	12,117,864	66,857,952
Write off of fixed assets	(53,954)	-	-	-	(53,954)
<b>Cost at 31 December 2000</b>	<b>52,861,309</b>	<b>1,697,457</b>	<b>102,700</b>	<b>12,117,864</b>	<b>66,779,330</b>
Depreciation at 27 July 1999	-	-	-	-	-
Currency retranslation	-	2,334	66	-	2,400
Charge for the period	(444,547)	(216,630)	(5,275)	(79,583)	(746,035)
Write off of fixed assets	8,372	-	-	-	8,372
<b>Depreciation at 31 December 2000</b>	<b>(436,175)</b>	<b>(214,296)</b>	<b>(5,209)</b>	<b>(79,583)</b>	<b>(735,263)</b>
<b>Net book values at 31 December 2000</b>	<b>52,425,134</b>	<b>1,483,161</b>	<b>97,491</b>	<b>12,038,281</b>	<b>66,044,067</b>

Included in the cost of fixed assets is an amount of €515,929 relating to interest capitalised. See 'Accounting policies, 'Tangible fixed assets', on page 9 for further details.

The Company held no fixed assets during the period.

**8. Investments: own shares**

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

The IP Powerhouse Holdings Employee Benefit Trust has been established to fulfill IP Powerhouse Holding's wish to facilitate the acquisition of shares in the Company by, or for the benefit of, the existing and future employees of the Company and its Subsidiaries. It was established on 25 October 2000 as a trust with Orbis Trustees Guernsey Limited, based in Guernsey, appointed to act as the first trustee.

All shares reflected below are ordinary shares and have been financed by loans from the Company. The closing balance represents the re-purchase of ordinary shares from a leaver.

<b>Group and Company</b>	<b>€</b>
Opening balance at 25 February 2000	-
Purchase of shares	194
<b>Closing balance at 31 December 2000</b>	<b>194</b>

**9. Investments**

Investments comprise amounts held in subsidiary undertakings as follows:

<b>Company</b>	<b>€</b>
Cost at 25 February 2000	-
Additions	26,410,708
<b>Cost at 31 December 2000</b>	<b>26,410,708</b>
Amounts provided at 25 February 2000	-
Change for the period	-
<b>Provisions at 31 December 2000</b>	<b>-</b>
<b>Net book value at 31 December 2000</b>	<b>26,410,708</b>

**Significant Investments**

The businesses set out below are those which are part of IP Powerhouse Holdings Limited as at 31 December 2000.

# IP Powerhouse Holdings Limited Financial Statements

## Notes to the financial statements continued

### 9. Investments continued

#### Subsidiary undertakings

The following information relates to those subsidiaries whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group. All subsidiaries are 100% owned.

Name of Undertaking	Country of Incorporation	Date of Incorporation
Global Reach Limited	England and Wales	27 July 1999
IP Powerhouse International BV	Netherlands	20 July 2000
IP Powerhouse Limited*	England and Wales	27 July 1999
GR International BV*	Netherlands	21 January 1997
GR Amsterdam BV *	Netherlands	3 December 1997
IP Powerhouse Nederland BV*	Netherlands	20 July 2000
IP Powerhouse Madrid SL*	Spain	20 June 2000
IP Powerhouse Barcelona SL*	Spain	14 March 2000
IP Powerhouse Milano SrL*	Italy	21 September 2000
IP Powerhouse Roma SrL*	Italy	21 September 2000
IP Powerhouse GmbH*	Austria	21 September 2000
IP Powerhouse GmbH*	Germany	28 November 2000

All subsidiaries listed above are included in the consolidation. The principal activity of all subsidiaries in the IP Powerhouse Holdings Limited Group is the construction and operation of data centres and offering co-location space and related technology services in high specification infrastructure.

\* Not held directly by the Company

### 10. Debtors

	Group	Company
	2000	2000
	€	€
Due within one year:		
Trade Debtors	44,158	-
Amounts owed by group undertakings	-	19,885,903
Included in other debtors:		
VAT recoverable	6,273,436	12,825
Rent deposits	2,680,011	-
Other	9,928	-
Prepayments and accrued income	529,556	185,096
	9,537,089	20,083,824
Due after more than one year:		
Other debtors	561,535	-
	561,535	-

# IP Powerhouse Holdings Limited Financial Statements

## Notes to the financial statements continued

### 11. Borrowings

Details of loans not wholly repayable within five years are as follows:

	Gross borrowings	Financing fees +	Net borrowings	Gross borrowings	Financing fees +	Net borrowings
	Group	Group	Group	Company	Company	Company
	2000	2000	2000	2000	2000	2000
	€	€	€	€	€	€
Mezzanine Facility Agreement	67,980,521	(3,541,262)	64,439,259	-	-	-
Unsecured Loan Stock	49,677,360	(485,616)	49,191,744	49,677,360	(485,616)	49,191,744
<b>Total Borrowings</b>	<b>117,657,881</b>	<b>(4,026,878)</b>	<b>113,631,003</b>	<b>49,677,360</b>	<b>(485,616)</b>	<b>49,191,744</b>

+ Cost incurred in connection with the raising of debt have been offset against the relevant debt investment and amortised in accordance with Financial Reporting Standard 4, 'Capital Instruments'. Details of costs amortised in the period are as follows:

	Group	Company
	2000	2000
	Notes	€
Unamortised costs as at 27 July 1999	-	-
Amounts netted against borrowings in the period	4,133,467	582,739
Amounts amortised in the period	5 (106,589)	(97,123)
Unamortised costs as at 31 December 2000	4,026,878	485,616

#### Mezzanine Facility Agreement due 2007 ("the MFA")

In September 2000 IPPI borrowed €65million from Morgan Guaranty Trust Company of New York (MGT) under an agreement among IPPH, IP Powerhouse International BV ("IPPI") and MGT. The MFA contains a number of conditions imposed upon the Group and failure to comply with them could result in a default requiring IPPI to repay the funds. The MFA also gives MGT security over certain assets in the Group, principally pledges over shares in subsidiaries of IPPI and a debenture over assets in the UK.

The rate of interest payable on the loan is 15%. Interest is accrued on a six-monthly basis and rolled up against the principal for the first 48 months of the loan term wherein it becomes payable. Thereafter, interest is paid on a semi-annual basis.

The MFA is repayable on 11 September 2007.

#### Unsecured Loan Stock 2008 ("the Loan Stock")

On 14 April 2000 the company, by a resolution of its Board of Directors, authorised 60,000,000 units of €1 unsecured loan stock 2008 to be constituted. The stock ranks pari passu amongst itself in all respects as an unsecured obligation of the Company except to the extent provided by law. No interest accrues on the principal amount of the Loan Stock.

The company may, without penalty, at any time after 31 October 2000, by serving at least 15 days written notice on the Stockholders, redeem the Loan Stock or any part of the Loan Stock at par.

The majority Stockholders may at any time after 31 October 2000, at their option, by serving at least 15 days written notice on the Company, require redemption of all the outstanding Loan Stock at par.

If any Loan Stock is still outstanding at 14 April 2008, the Company shall redeem the Loan Stock at par.

#### Issue of Unsecured Loan Stock

On 14 April 2000, 16,209,113 units of €1 loan stock were issued for a consideration of €16,209,113. The consideration was used to acquire ordinary shares in Global Reach Limited.

On 27 April 2000 7,738,169 units of €1 loan stock were issued for a consideration of €7,738,169. The consideration was used for working capital and capital expenditure.

On 9 June 2000 1,381,567 units of €1 loan stock were issued for a consideration of €1,381,567. The consideration was used for working capital and capital expenditure.



# IP Powerhouse Holdings Limited Financial Statements

## Notes to the financial statements continued

### 11. Borrowings continued

On 28 August 2000, 20,762,951 units of €1 loan stock were issued for a consideration of €20,762,951. The consideration was used for working capital and capital expenditure.

On 11 September 2000, 2,929,508 units of €1 loan stock were issued for a consideration of €2,929,508. The consideration was used for working capital and capital expenditure.

On 12 September 2000, 656,052 units of €1 loan stock were issued for a consideration of €656,052. The consideration was used for working capital and capital expenditure.

### 12. Cash, liquid resources and financing

The Group's net borrowings at 31 December 2000 comprised:

	Cash €	Liquid Resources €	Financing €	Net Borrowings €
Investments and short-term deposits	-	19,800,000	-	19,800,000
Cash at bank and in hand	8,272,856	-	-	8,272,856
	8,272,856	19,800,000	-	28,072,856
Borrowings due after more than one year	-	-	(113,631,003)	(113,631,003)
<b>At 31 December 2000</b>	<b>8,272,856</b>	<b>19,800,000</b>	<b>(113,631,003)</b>	<b>(85,558,147)</b>

The following definitions have been used:

- Cash:** Cash in hand and deposits repayable on demand if available within 24 hours without penalty and including overdrafts.
- Liquid Resources:** Investments and deposits, other than those included as cash, which are readily convertible into known amounts of cash.
- Financing:** Borrowings less overdrafts which have been treated as cash.

### Analysis of movement in the Group's net borrowings in the period

	At 27 July 1999 €	Cash flow €	Other non-cash changes + €	Exchange Movements €	At 31 December 2000 €
Cash at bank and in hand	-	8,758,512		(485,656)	8,272,856
Borrowings	-	(110,744,527)	(2,886,476)	-	(113,631,003)
Liquid resources	-	19,800,000	-	-	19,800,000
<b>Total</b>	<b>-</b>	<b>(82,186,015)</b>	<b>(2,886,476)</b>	<b>(485,656)</b>	<b>(85,558,147)</b>

+ Represents unamortised, unpaid issue costs incurred in connection with the raising of debt. These have been offset against the relevant debt instrument in accordance with Financial Reporting Standard 4 'Capital Instruments'. The cash impact of these costs is included within 'Returns on investment and servicing of finance' in accordance with Financial Reporting Standard 1 (Revised). In addition there is an amount relating to rolled up interest on the MFA. For details see note 11, page 15.

**IP Powerhouse Holdings Limited Financial Statements**  
**Notes to the financial statements continued**

**12. Cash, liquid resources and financing continued**

**Reconciliation of net cash flow to movement in net debt**

	2000
	€
Increase in cash	8,758,512
Cash inflow from increase in loans	(114,677,360)
Issue costs of long term loans	3,932,833
Cash inflow from short term deposits	19,800,000
Change in net debt resulting from cashflows	(82,186,015)
Exchange differences	(485,656)
Other	(2,886,476)
<b>Movement in net debt</b>	<b>(85,558,147)</b>
<b>Net debt at 27 July 1999</b>	<b>-</b>
<b>Net debt at 31 December 2000</b>	<b>(85,558,147)</b>

**13. Other creditors: amounts falling due within one year**

	Group	Company
	2000	2000
	€	€
Trade creditors	5,271,908	20,162
Amounts owed to group undertakings	-	931,433
Other taxes including VAT and social security costs	1,450,265	-
Other creditors	8,376	-
Accruals and deferred income	4,303,002	147,000
	<b>11,033,551</b>	<b>1,098,595</b>

**14. Other creditors: amounts falling due after more than one year**

	Group	Company
	2000	2000
	€	€
Other Creditors	7,512,650	-
	<b>7,512,650</b>	<b>-</b>

**15. Other provisions for liabilities and charges**

	Group	Company
	€	€
As at 27 July 1999	-	-
Amounts provided in the period	4,133,467	582,739
Amounts paid in the period	(3,932,833)	(582,739)
<b>At 31 December 2000</b>	<b>200,634</b>	<b>-</b>

Acquisition provisions include fees and expenses incurred in the raising of finance. The Company held no provisions as at 31 December 2000.

**IP Powerhouse Holdings Limited Financial Statements**  
**Notes to the financial statements continued**

**16. Share capital**

Group and Company	2000 Number	2000
<b>Authorised</b>		
Ordinary Shares of £1 each	100	£100
Ordinary 'A' shares of €0.0001 each	400,000,000	€40,000
Ordinary 'B' shares of €0.0001 each	20,000,000	€2,000
Ordinary 'C' shares of €0.0001 each	20,000,000	€2,000
Ordinary 'D' shares of €0.0001 each	300,000,000	€30,000
Ordinary shares of €0.0001 each	600,000,000	€60,000
		2000
	Number	€
<b>Allotted, called up and fully paid</b>		
Ordinary Shares of £1 each	1	1
Ordinary 'A' shares of €0.0001 each	48,000,000	4,800
Ordinary 'B' shares of €0.0001 each	2,526,000	253
Ordinary 'C' shares of €0.0001 each	64,600	6
Ordinary 'D' shares of €0.0001 each	-	-
Ordinary shares of €0.0001 each	6,525,800	653
		5,713

***Movements in authorised share capital***

The authorised share capital on incorporation was 100 £1 ordinary shares (the "Sterling Shares").

On 14 April 2000 the authorised share capital of the company was increased by the creation of a further 10,200,000 new ordinary shares of €0.01 each. These new ordinary shares were subdivided and redesignated the Euro share capital of the company as follows:

- €40,000 divided into 4,000,000 'A' Ordinary Shares of €0.01 each;
- €2,000 divided into 200,000 'B' Ordinary Shares of €0.01 each; and
- €60,000 divided into 6,000,000 Ordinary Shares of €0.01 each.

On 2 August 2000, the authorised share capital of the company was further increased by the creation of the following additional classes of shares;

- €2,000 divided into 200,000 'C' Ordinary Shares of €0.01 each; and
- €1 divided into 100 'D' Ordinary Shares of €0.01 each.

On 11 September 2000, the authorised share capital of the company was increased by the creation of a further 2,999,900 'D' Ordinary Shares of €0.01, each ranking pari passu with the other 'D' Ordinary Shares of the company.

On 11 September 2000, the authorised share capital of the company comprising Euro denominated shares was subdivided so that each one 'A' Ordinary Share, 'B' Ordinary Share, 'C' Ordinary Share, 'D' Ordinary Share and Ordinary Share of €0.01 each be subdivided into 100 'A' Ordinary Shares, 'B' Ordinary Shares, 'C' Ordinary Shares, 'D' Ordinary Shares or Ordinary Shares (as the case may be) of €0.0001 each.

On 6 November 2000, 64,600 issued Ordinary Shares of €0.0001 each were converted into 64,600 'C' Ordinary Shares of €0.0001 each in accordance with the company's Articles of Association.

The company's Articles of Association also allow for the creation of Deferred Shares in certain circumstances. No Deferred Shares have been authorised during the period.

## **IP Powerhouse Holdings Limited Financial Statements**

### **Notes to the financial statements continued**

#### **16. Share capital continued**

##### ***Warrants***

On 14 April 2000, 10,984 warrants, each of which entitles the holder to subscribe for one 'A' Share of the company were issued.

On 11 September 2000 8,167,200 warrants, each of which entitles the holder to subscribe for one 'A' Share of the company, were issued.

##### ***Movements in allotted, called up and fully paid share capital***

On incorporation on 25 February 2000, one £1 ordinary share was allotted, called up and issued as fully paid for a consideration of £1.

On 14 April 2000, 141,937 'A' Ordinary Shares of €0.01 were allotted, called up and issued as fully paid for a total consideration of €141,937. The consideration was used to acquire shares in Global Reach Limited.

On 14 April 2000, 25,260 'B' Ordinary Shares of €0.01 each were allotted, called up and issued as fully paid for a total consideration of €25,260. The consideration was used to acquire shares in Global Reach Limited.

On 27 April 2000, 78,163 'A' Ordinary Shares of €0.01 each were allotted, called up and issued as fully paid for a total consideration of €78,163. The consideration was used for capital expenditure and working capital.

On 9 June 2000, 13,955 'A' Ordinary Shares of €0.01 each were allotted, called up and issued as fully paid for a total consideration of €13,955. The consideration was used for capital expenditure and working capital.

On 8 August 2000, 62,673 Ordinary Shares of €0.01 each were allotted, called up and issued as fully paid at €0.30 per share for a total consideration of €18,802. The consideration was used for capital expenditure and working capital.

On 31 August 2000, 209,728 'A' Ordinary Shares of €0.01 each were allotted, called up and issued as fully paid for a total consideration of €209,728. The consideration was used for capital expenditure and working capital.

On 31 August 2000, 3,231 Ordinary Shares of €0.01 each were allotted, called up and issued as fully paid for a total consideration of €969. The consideration was used for capital expenditure and working capital.

On 11 September 2000, 36,217 'A' Ordinary Shares of €0.01 each were allotted, called up and issued as fully paid for a total consideration of €36,217. The consideration was used for capital expenditure and working capital.

On 6 November 2000, 64,600 issued Ordinary Shares of € 0.0001 each were converted into 64,600 'C' Ordinary Shares of € 0.0001 each in accordance with the company's Articles of Association.

##### ***Conversion***

The Articles of Association prescribe for an event of "conversion" meaning the conversion of 'A' Ordinary Shares into Deferred Shares and Ordinary Shares, for the conversion of 'B' Ordinary Shares into Deferred Shares and Ordinary Shares, for the conversion of 'C' Ordinary Shares (including those into which management options have been exercised) into Deferred Shares and Ordinary Shares, for the conversion of 'D' Ordinary Shares into Deferred Shares and Ordinary Shares and for the conversion of Sterling Shares and Ordinary Shares (but for the avoidance of doubt not any Ordinary Shares into which 'A' Ordinary Shares, 'B' Ordinary Shares, 'C' Ordinary Shares and 'D' Ordinary Shares have been converted) into Deferred Shares.

The number of Ordinary Shares into which 'A' Ordinary Shares, 'B' Ordinary Shares, 'C' Ordinary Shares and 'D' Ordinary Shares convert is determined by criteria laid out in the Articles of Association.

The number of Deferred Shares into which the Ordinary Shares, the 'A' Ordinary Shares, 'B' Ordinary Shares, 'C' Ordinary Shares, 'D' Ordinary Shares and the Sterling Shares convert is determined by criteria laid out in the Articles of Association.

Conversion takes place if there is a sale, flotation, members voluntary winding up or other return of capital, then after the exercise of any management options and warrants that are being exercised but immediately prior to any such sale, flotation members voluntary winding up or other return of capital then conversion takes place.

## **IP Powerhouse Holdings Limited Financial Statements**

### **Notes to the financial statements continued**

#### **16. Share capital continued**

##### ***Rights of shares***

The sterling denominated Ordinary Shares, the Euro denominated Ordinary Shares and the Euro denominated 'A' Ordinary Shares, 'B' Ordinary Shares, 'C' Ordinary Shares and 'D' Ordinary Shares and any Deferred Shares are separate classes of shares and rank pari passu in all respects except those indicated below. Prior to "conversion" the rights of shares are as follows:

##### ***As to income:***

- The 'A' Ordinary Shares, 'B' Ordinary Shares, and 'D' Ordinary Shares shall rank equally for the payment of dividends and other distributions in all respects; and
- No Sterling Shares, Euro denominated Ordinary Shares, 'C' Ordinary Shares or Deferred Shares are entitled to receive a dividend or other distribution.

##### ***As to capital:***

On a return of capital on a winding up but not otherwise, the assets of the Company available for distribution to its members shall be applied :

- (a) first, in the repayment to the 'A' Ordinary Shareholders, the 'B' Ordinary Shareholders and the 'D' Ordinary Shareholders of the subscription price for the 'A' Ordinary Shares, 'B' Ordinary Shares and 'D' Ordinary Shares, or if there are insufficient assets to repay such amount in full, in the repayment of such amount rateably between the 'A' Ordinary Shareholders, the 'B' Ordinary Shareholders and the 'D' Ordinary Shareholders.
- (b) second, in the repayment to the Ordinary Shareholders, the 'C' Ordinary Shareholders, the Deferred Shareholders and the Sterling Shareholders of the subscription price for the Ordinary Shares, the 'C' Ordinary Shareholders, the Deferred Shares and the Sterling Shares respectively or, if there are insufficient assets to repay such amounts in full, in the repayment of such amounts rateably between the Ordinary Shareholders, the 'C' Ordinary Shareholders, the Deferred Shareholders and the Sterling Shareholders.
- (c) third, in the distribution of any surplus assets remaining after the payments under paragraphs (a) and (b) above, rateably between the 'A' Ordinary Shareholders, the 'B' Ordinary Shareholders, the 'C' Ordinary Shareholders, the 'D' Ordinary Shareholders, the Ordinary Shareholders, the Deferred Shareholders and the Sterling Shareholders.

##### ***As to voting:***

The 'A' Ordinary Shares, the 'B' Ordinary Shares and the 'D' Ordinary Shares carry voting rights so that every 'A' Ordinary Shareholder, 'B' Ordinary Shareholder and 'D' Ordinary Shareholder have one vote for every 'A' Ordinary Share, 'B' Ordinary Share and 'D' Ordinary Share held. The Ordinary Shares, the 'C' Ordinary Shares, Deferred Shares and Sterling Shares do not carry a right to vote.

Following a conversion the income capital and voting rights attached to the Ordinary Shares and the Deferred Shares shall be as follows:

##### ***As to income***

The Ordinary Shares will rank equally for the payment of dividends and other distributions in all respects. No dividends or other distributions shall be declared, paid or made in respect of the Deferred Shares.

##### ***As to capital***

On a return of capital on a winding up, but not otherwise, the assets of the company available for distribution to members shall be distributed rateably between the Ordinary Shareholders. Deferred Shares shall be redeemable at the instance of the company by paying the holders of €0.01 for every 100,000 Deferred Shares held.

##### ***As to voting***

Every Ordinary Shareholder has one vote for every Ordinary Share held. No voting rights attach to Deferred Shares.

#### **17. Related party transactions**

The Company has taken advantage of the exemption under Financial Reporting Standard 8 – Related Party Disclosures ("FRS8") not to disclose related party transactions between wholly owned Group undertakings.

During the period IP Powerhouse Limited, a 100% owned subsidiary, made payments of €635,440 to Supersonic Trading Limited for the provision of consulting services and related expenses. H V Khakhria, a director of IP Powerhouse Holdings Limited, provided these consulting services in his capacity as a consultant of Supersonic Trading Limited. As at 31 December €32,462 was payable to Supersonic Trading Limited.

**IP Powerhouse Holdings Limited Financial Statements**  
**Notes to the financial statements continued**

**18. Contingent liabilities**

The management of IP Powerhouse Holdings Limited are not aware of any legal or arbitration proceedings pending or threatened against any member of IP Powerhouse Holdings which may result in any liabilities significantly in excess of provisions in the financial statements.

**19. Share premium account and reserves**

	Group			Company	
	Share premium account	Other reserve	Profit and loss reserve	Share premium account	Profit and loss reserve
	€	€	€	€	€
As at 27 July 1999	-	-	-	-	-
Currency retranslation	-	-	(525,520)	-	-
Issue of Ordinary 'A' shares of €0.0001 each	475,200	-	-	475,200	-
Issue of Ordinary 'B' shares of €0.0001 each	25,007	-	-	25,007	-
Issue of Ordinary shares of €0.0001 each	19,112	-	-	19,112	-
Expenses of share issues	-	(1,609,122)	-	-	-
Loss on ordinary activities after taxation	-	-	(26,552,487)	-	(1,396,427)
<b>At 31 December 2000</b>	<b>519,319</b>	<b>(1,609,122)</b>	<b>(27,078,007)</b>	<b>519,319</b>	<b>(1,396,427)</b>

In accordance with the exemption permitted by S203(3) of the Companies Act 1985, the profit and loss account of the Company is not separately presented. The loss on ordinary activities after taxation, dealt with in the accounts of the Company is €1,396,427.

**20. Pension commitments**

The Group operates a defined contribution scheme for its directors and employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The unpaid contributions outstanding at the year end, included in 'Other creditors' (note 13) are €8,376.

**21. Financial commitments**

Group	2000
	€
Capital expenditure: Contracted but not provided	12,135,998

At the period end, the Group had annual commitments under non-cancelable operating leases as follows:

	2000
Land and Buildings	€
Expiring within one year	37,973
Expiring between two and five years inclusive	186,632
Expiring in over five years	6,048,328
	<b>6,272,933</b>

**IP Powerhouse Holdings Limited Financial Statements**  
**Notes to the financial statements continued**

**22. Consolidated statutory profit and loss account**

for the period from 25 February 2000 to 31 December 2000:

	Total €
Administration expenses	(15,678,601)
Other operating income	44,727
Operating loss	(15,633,874)
Costs of restructuring	(7,267,207)
Loss on ordinary activities before interest and taxation	(22,901,081)
Finance income (charges)	(1,714,208)
Loss on ordinary activities before taxation	(24,615,289)
Taxation on loss on ordinary activities	-
Loss for the period	(24,615,289)

**23. Post balance sheet events**

Subsequent to the period end the Group underwent a restructuring of its capital structure involving the issue of new A Ordinary Shares in the share capital of IPPH to certain of its existing shareholders and to Morgan Guarantee Trust Company of New York (MGT). The new A Ordinary shares to be issued to MGT are to be paid up by the release of some €25,000,000 of the principal liabilities plus accrued interest thereon and accordingly the amount of the Mezzanine Facility Agreement is to be reduced to €40,000,000. In addition the Loan stock balance of €49,677,360 is to be converted into new A Ordinary Shares issued at a premium.

As a result of the restructuring H V Khakhria and D M Brush were no longer eligible to serve as directors and, as a consequence, were removed from office.