

COMPANY NUMBER: 2954343

EASYNET LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2000



EASYNET LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2000

The directors have pleasure in presenting their report and the financial statements for the year ended 31 December 2000.

ACTIVITIES

The principal activity of the company is that of the provision of Internet Access Services in the United Kingdom.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors have continued to develop the business in the light of prevailing trading conditions and the position at 31 December 2000 is reflected in the accounts for the year then ended. The present intention is to continue the development of the existing business of the company. A more detailed review of the company's business and future developments is contained within the accounts of Easynet Group Plc, the company's ultimate parent undertaking.

RESULTS AND DIVIDENDS

The profit and loss account is set out on page 4 and shows the results for the year. The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year and their beneficial interests in the share capital of the company at the beginning and end of the year were as follows:

		£1 Ordinary shares	
		31 December 2000	31 December 1999
G Davies	(resigned 25 July 2001)	-	-
G Fenton	(resigned 30 September 2001)	-	-
B Mulligan	(resigned 15 November 2001)	-	-
J Protheroe	(resigned 25 July 2001)	-	-
D Rowe		-	-
T Hart	(appointed 14 August 2000)	-	-
P Hill	(appointed 14 April 2000, resigned 3 December 2001)	-	-
D Hicks	(appointed 14 April 2000, resigned 3 December 2001)	-	-
N Rafferty	(appointed 3 December 2001)	-	-
W Gardiner	(appointed 3 December 2001)	-	-

The directors' interests in Easynet Group Plc, the ultimate parent undertaking, are disclosed in that company's financial statements where applicable.


POST BALANCE SHEET EVENT

On 1 January 2001 the business of Pavilion Internet Plc, a fellow group undertaking, was transferred into the company.

AUDITORS

The company has passed elective resolutions that inter alia dispense with the annual re-appointment of auditors and therefore Horwath Clark Whitehill continue to hold that office until further notice.

By Order of the Board


Director *19 March 2002*

EASYNET LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

It is the purpose of this statement to distinguish the directors' responsibilities for the financial statements from those of the auditors, as stated in their report.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of its profit or loss for the 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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 or other irregularities.

AUDITORS' REPORT TO THE SHAREHOLDERS OF EASYNET LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective Responsibilities of Directors and Auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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. 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 the information in the financial statements.

Unqualified Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

19 MARCH 2002

Haroon Ali Chaudhry
Chartered Accountants
and Registered Auditors
LONDON

EASYNET LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £'000	1999 £'000
TURNOVER	1b)	30,111	14,543
Cost of sales		<u>(14,338)</u>	<u>(4,536)</u>
GROSS PROFIT		15,773	10,007
Administrative expenses		(17,284)	(7,297)
Other operating income		<u>31</u>	<u>64</u>
OPERATING (LOSS)/PROFIT	3	(1,480)	2,774
Interest receivable		87	10
Interest payable and similar charges		<u>(381)</u>	<u>(303)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,774)	2,481
Tax on (loss)/profit on ordinary activities	4	<u>62</u>	<u>(442)</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(1,712)</u>	<u>2,039</u>
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
(Loss)/profit for the financial year		(1,712)	2,039
Prior year adjustment		<u>-</u>	<u>(303)</u>
		<u>(1,712)</u>	<u>1,736</u>

The (loss)/profit for the year retained and the prior year adjustment detailed above represent the only movements in shareholders' funds in 2000 and 1999.

The notes on pages 6 to 10 form part of these financial statements.

EASYNET LIMITED
BALANCE SHEET
31 DECEMBER 2000

	Notes	£'000	2000 £'000	1999 £'000
FIXED ASSETS				
Tangible assets	5		21,471	11,046
Investments	6		45	45
			<u>21,516</u>	<u>11,091</u>
CURRENT ASSETS				
Stocks		258		20
Debtors	7	8,949		3,675
Cash at bank and in hand		3,818		297
		<u>13,025</u>		<u>3,992</u>
CREDITORS: amounts falling due within one year	8	<u>(30,137)</u>		<u>(8,519)</u>
NET CURRENT LIABILITIES			<u>(17,112)</u>	<u>(4,527)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			4,404	6,564
CREDITORS: amounts falling due after one year	9		<u>(5,535)</u>	<u>(5,983)</u>
NET (LIABILITIES)/ASSETS			<u>(1131)</u>	<u>581</u>
CAPITAL AND RESERVES				
Called up share capital	10		317	317
Share premium account			18	18
Profit and loss account			<u>(1,466)</u>	<u>246</u>
SHAREHOLDERS' FUNDS			<u>(1131)</u>	<u>581</u>

Approved by the Board on
and signed on its behalf:



19 March 2002

The notes on pages 6 to 10 form part of these financial statements.

EASYNET LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2000

1. ACCOUNTING POLICIES

a) Basis Of Preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards and on the going concern basis. The directors believe this basis to be appropriate as Easynet Group Plc has indicated its intention to provide sufficient financial support to enable the company to continue to trade until at least 21 February 2002. The directors have also estimated the company's likely cash requirements until that date and believe Easynet Group Plc has adequate resources to provide the necessary support.

b) Turnover and Revenue Recognition

Turnover represents the value of goods and services supplied and is stated net of value added tax. Contracted income, where attributed to the installation and set-up of customer services, is recognised when installation is accepted by the customer. Other contracted income is recognised over the contract period in proportion to the value of the service provided.

c) Tangible Fixed Assets

Depreciation on tangible fixed assets is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:-

Leasehold improvements	- the lower of the remaining period of the lease and five years
Office equipment and fixtures	- 33% per annum
Computer equipment - hardware	- 50% per annum
Computer equipment- software	- 33% per annum
Internet access and telephony equipment	- 20% - 50% per annum
International bandwidth	- over the period of the lease

d) Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

e) Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding. Rentals under operating leases are charged to the profit and loss account as they accrue.

f) Stocks

Stocks are stated at the lower of cost and net realisable value. Stocks represent finished goods held for resale.

EASYNET LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2000

1. ACCOUNTING POLICIES (Continued)

g) Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

h) Deferred Taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that the tax will arise.

i) Pension Costs

Pension costs are charged to the profit and loss account as they accrue and relate to contributions made by the company into employees' personal pension schemes.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000 £'000	1999 £'000
Directors' emoluments		
Remuneration:		
Salaries and taxable benefits	210	118
Other pension costs	5	-
	<u>215</u>	<u>118</u>
Employees		
Staff costs (including directors) in the year:		
Wages and salaries	5,414	1,933
Social security costs	615	191
Other pension costs	129	42
	<u>6,158</u>	<u>2,166</u>
Average number of persons employed by the company in the year:	No.	No.
Sales and distribution	64	24
Administration and technical	110	40
	<u>174</u>	<u>64</u>

EASYNET LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2000

3. OPERATING (LOSS)/PROFIT

	2000 £'000	1999 £'000
Is stated after charging/(crediting):		
Management charge from ultimate parent undertaking	285	630
Depreciation	4,353	1,835
Auditor's remuneration - as auditors	12	10
- other services	5	3
Operating lease rentals - land and buildings	1,530	333
- other equipment	38	4
Foreign exchange loss	170	-

4. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

UK Corporation Tax	(62)	442
--------------------	------	-----

5. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Bandwidth, telephony, computer and Internet access eqpt. Office eqpt. and fixtures £'000	Total £'000
Cost			
1 January 2000	485	13,372	13,857
Additions	7,479	7,298	14,777
31 December 2000	7,964	20,670	28,634
Depreciation			
1 January 2000	96	2,715	2,811
Charge for the year	160	4,192	4,352
At 31 December 2000	256	6,907	7,163
Net book value			
31 December 2000	7,708	13,763	21,471
<i>31 December 1999</i>	<i>389</i>	<i>10,657</i>	<i>11,046</i>

EASYNET LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2000

6. INVESTMENTS:

Shares in fellow group undertaking

Cost
£'000

At 1 January 2000 and 31 December 2000

45

The company's sole investment is in Easynet S.A., a company incorporated in France and a fellow group undertaking. That company's principal activity is that of the provision of Internet Access Services in France. The company beneficially holds 3.5% of the issued ordinary share capital of that company.

7. DEBTORS

2000 **1999**
£'000 £'000

Trade debtors	5,676	2,721
Amounts owed by group undertakings	1,479	598
Other debtors	96	37
Prepayments and accrued income	1,698	319
	<u>8,949</u>	<u>3,675</u>

8. CREDITORS: amounts falling due within one year

Trade creditors	3,854	2,511
Amounts due to group undertakings	14,321	759
Corporation tax	-	442
Other creditors	175	98
Taxation and social security	(593)	628
Finance leases	2,566	2,022
Accruals and deferred income	9,814	2,059
	<u>30,137</u>	<u>8,519</u>

9. CREDITORS: amounts falling due after one year

Finance leases	<u>5,535</u>	<u>5,983</u>
----------------	---------------------	---------------------

The above creditor is repayable £5,476,000 (1999: £1,500,000) between one and two years and £59,000 (1999: £4,483,000) between two and five years.

EASYNET LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2000

10. SHARE CAPITAL

	2000 £'000	1999 £'000
Ordinary shares of £1 each Authorised	<u>350,000</u>	<u>350,000</u>
Allotted, called up and fully paid	<u>316,602</u>	<u>316,602</u>

11. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	2000		1999	
	Land and B'ldings £'000	Other £'000	Land and B'ldings £'000	Other £'000
Operating leases which expire				
Within one year	16	2,134	-	-
Within two to five years	-	262	63	8
In more than five years	<u>1,097</u>	<u>-</u>	<u>425</u>	<u>-</u>
	<u>1,113</u>	<u>2,396</u>	<u>488</u>	<u>8</u>

12. DIRECTORS' MATERIAL INTEREST IN CONTRACTS

D Rowe and G Davies, directors of the company, are also shareholders in Cybercafe Limited. In addition, P Mullan a director of Easynet Group plc is a director of Cybercafe Limited. The company provides premises and utilities to Cybercafe Limited for which fair market rates are charged to that company. As at 31 December 2000, Cybercafe Limited owed the company £Nil (1999 £32,000) in respect of these services.

During the year Cybercafe Limited was charged £74,000 (1999: £69,000) in respect of goods and services.

13. CAPITAL COMMITMENTS

At 31 December 2000 the company was contracted to make payments for the development of its new 80,000 square feet London data centre in the sum of £7.6 million. At 31 December 1999 the company was contracted to purchase telephony and Internet Access equipment with a cost of £154,000 under finance lease arrangements.

14. ULTIMATE PARENT UNDERTAKING

The directors consider Easynet Group Plc to be the ultimate parent undertaking. Copies of that company's accounts are available from its registered office:-
11-12 Hanover Street, London, W1S 1YQ.