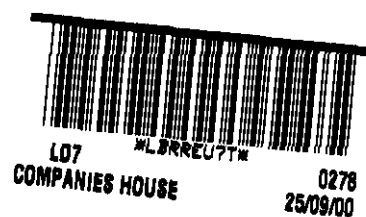


Registered number: 3074721

CIBERNET PLC

Report and financial statements

Year ended 31 May 2000





CIBERNET PLC

Annual report for the year ended 31 May 2000

	Pages
Directors and advisers	1
Directors' report	2 – 3
Report of the auditors	4 – 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 16

Directors and advisers

Directors

T Wheeler
G Shaginaw
J Edgerton

Secretary and registered office

Hackwood Secretaries Limited
1 Silk Street
LONDON
EC2Y 8HQ

Auditors

PricewaterhouseCoopers
1 Embankment Place
LONDON
WC2N 6NN

**Directors report
for the year ended 31 May 2000**

The directors present their report and audited financial statements for the year ended 31 May 2000.

Principal activities

The principal activity of the company is promoting and operating a net settlement system for telephone operators and carriers.

Review of business and future developments

The business continued to expand and further contracts were secured during the year.

The directors envisage the further development of the business in the future.

Results and dividends

The profit for the financial year amounted to £191,888 (1999: loss £726,279). The directors do not recommend the payment of a dividend for the year.

Directors and directors' interests

The directors who held office during the year are given below:

T Wheeler
G Shaginaw
J Edgerton

G Shaginaw holds a nominee share of £1 in the company.

The remaining directors had no interest as defined by the Companies Act 1985 in the ordinary share capital of the company at the beginning or end of the year.

G Shaginaw and T Wheeler are also directors of the immediate parent company, Cibernet Corporation.

None of the directors had any interests in the share capital of the immediate parent company.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 9 to the financial statements.

Year 2000 issues

The directors are continuing to review the impact of Year 2000 on the underlying systems associated with the company's business. To date no significant problems have arisen as a result of the changeover to Year 2000 and the directors do not expect significant problems in the future.

Policy on payment of suppliers

It is company policy in respect of suppliers to the company to settle the terms of payment when agreeing the basis of each transaction or series of linked transactions; to make suppliers aware of the terms of payment, and in the absence of dispute and upon receipt of a valid request, for payments to be made as expeditiously as possible within such terms. At 31 May 2000 the creditor payment period stood at 88 (1999: 88) days.

Statement of directors' responsibilities

Company law requires the director to prepare financial statements for each financial year that 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.

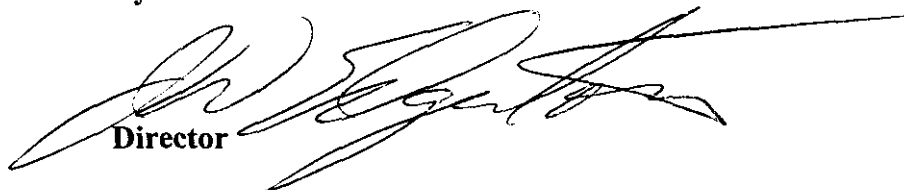
The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 10 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2000 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

Auditors

A resolution to reappoint our auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By the order of the board


Director

Report of the auditors to the members of CIBERNET PLC

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 information in the financial statements.

Going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 1 to the financial statements which explains the circumstances and considerations the directors have taken into account in preparing the financial statements on a going concern basis. In view of the significance of the continuing financial support of the company's parent company, we consider the matter should be brought to your attention.

The financial statements do not include any adjustments that would result from an inability to continue as a going concern.

Our opinion is not qualified in this respect.

Opinion

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


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

London

15/5/2000

Profit and loss account for the year ended 31 May 2000

	Notes	2000 £	1999 £
Turnover	1	1,128,895	480,709
Net operating expenses	3	(903,756)	(1,214,573)
Operating profit/(loss)	4	225,139	(733,864)
Interest receivable and similar income		32,588	60,847
Interest payable and similar charges	7	(65,839)	(53,262)
Profit/(loss) on ordinary activities before taxation		191,888	(726,279)
Taxation	8	-	-
Profit/(loss) on ordinary activities after taxation	14	191,888	(726,279)
Retained loss brought forward		(2,145,666)	(1,419,387)
Accumulated loss carried forward		(1,953,778)	(2,145,666)

The above results relate to continuing operations.

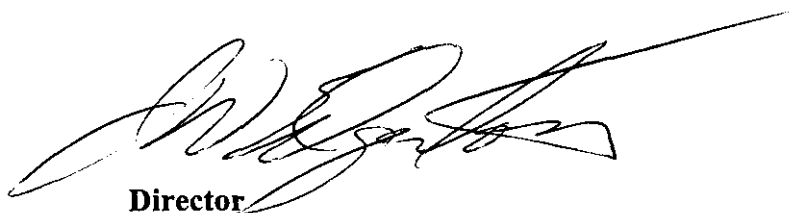
The company has no recognised gains or losses other than the profits/(losses) above. Therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

Balance sheet at 31 May 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	9	40,764	11,132
Current assets			
Debtors	10	251,766	227,421
Cash at bank and in hand		69,322	22,021
		<u>321,088</u>	<u>249,442</u>
Creditors: amounts falling due within one year	11	(988,686)	(1,125,785)
Net current liabilities		<u>(667,598)</u>	<u>(876,343)</u>
Total assets less current liabilities		<u>(626,834)</u>	<u>(865,211)</u>
Creditors: amounts falling due after more than one year	12	(670,553)	(624,064)
Net liabilities		<u>(1,297,387)</u>	<u>(1,489,275)</u>
Capital and reserves			
Called up share capital	13	62,500	62,500
Share premium account	14	593,891	593,891
Profit and loss account	14	(1,953,778)	(2,145,666)
Equity shareholders' funds	15	<u>(1,297,387)</u>	<u>(1,489,275)</u>

The financial statements on pages 6 to 16 were approved by the board of directors on 22/8/00 and were signed on its behalf by:



Director

**Cash flow statement
for the year ended 31 May 2000**

	Notes	2000 £	1999 £
Net cash inflow/(outflow) from operating activities	17	65,523	(227,376)
Returns on investments and servicing of finance			
Interest received		32,588	60,847
Net cash inflow from returns on investments and servicing of finance		32,588	60,847
Taxation paid		-	-
Capital expenditure			
Purchase of tangible fixed assets		(50,810)	(22,265)
Increase/(decrease) in cash in the year	18,19	47,301	(188,794)

Notes to the financial statements for the year ended 31 May 2000

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies are set out below.

Basis of preparing the financial statements – going concern

During the year the company made a profit of £191,888 (1999: loss £726,279) and at the balance sheet date its current liabilities exceeded its current assets by £667,598 (1999: £876,343).

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the immediate parent company continuing its support by providing adequate financial resources. The immediate parent company has confirmed in writing that it will continue to support the company.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Whilst the directors are presently uncertain as to the outcome of the matters mentioned above they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their residual values, on a straight line basis over the expected useful lives of the assets concerned. The rates used for this purpose are as follows:

Computer equipment	50% straight line basis
Fixtures and fittings	30% reducing balance basis
Leasehold property and improvements	Over length of lease

Related party transactions

The voting rights of the company are actively controlled by the ultimate parent undertaking. As a result, the company has taken advantage of the exemptions available in Financial Reporting No. 8 and has not disclosed transactions with entities which are part of the group in these accounts.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Foreign currencies

Foreign currency transactions during the year are translated at the rates ruling on those dates. Foreign currency balances at the year end are translated at the rate ruling at that date. Any exchange differences are charged to the profit and loss account in the period in which they arise.

Turnover

Turnover, which excludes value added tax and trade discounts, represents settlement and consultancy fees for services provided.

2 Segmental reporting

All the results relate to the company's sole principal activity.

The geographical analysis of turnover is as follows:

	2000	1999
	£	£
UK	90,365	80,538
Africa	42,560	9,979
Asia	96,066	32,612
Europe	495,213	312,778
North America	130,893	20,215
Latin America	205,205	-
Rest of the world	68,593	24,587
	<u>1,128,895</u>	<u>480,709</u>

3 Net operating expenses

	2000	1999
	£	£
Continuing operations		
Distribution costs	574,223	346,343
Administrative expenses	329,533	868,230
	<u>903,756</u>	<u>1,214,573</u>

4 Operating profit/(loss)

Operating profit/(loss) is stated after (crediting)/charging the following amounts:

	2000	1999
	£	£
Auditors' remuneration	13,500	13,000
Depreciation on owned tangible fixed assets	21,178	16,014
Operating lease charges		
- Land and buildings	55,690	96,252
- Other operating equipment	1,708	-
Exchange loss on currency borrowings (net)	32,928	18,985
Refund of license fee	<u>(266,667)</u>	<u>-</u>

During the year there was a refund of \$400,000 in respect of the original license fee which was paid in 1998. This was refunded as part of the renegotiations of the license fee payable to the parent company for the use of the Cibernet system.

5 Directors' emoluments

	2000	1999
	£	£
Aggregate emoluments	<u>-</u>	<u>123,000</u>

6 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	2000 Number	1999 Number
By activity		
Selling, distributing and administration	<u>14</u>	<u>13</u>
	2000	1999
	£	£
Staff costs (for the above employees)		
Wages and salaries	447,157	600,940
Social security costs	47,178	60,874
Other staff costs	93,229	109,186
	<u>587,564</u>	<u>771,000</u>

7 Interest payable and similar charges

	2000 £	1999 £
Interest payable on loan to J Dwyer	<u>65,839</u>	<u>53,262</u>

8 Taxation on profit on ordinary activities

There is no tax charge due to offset of trading losses incurred in the prior years.

9 Fixed assets

	Short leasehold property £	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 June 1999	-	-	-	69,328	69,328
Additions in the year	20,000	3,676	7,472	19,662	50,810
At 31 May 2000	<u>20,000</u>	<u>3,676</u>	<u>7,472</u>	<u>88,990</u>	<u>120,138</u>
Depreciation					
At 1 June 1999	-	-	-	58,196	58,196
Charge for the year	6,588	1,225	1,336	12,029	21,178
At 31 May 2000	<u>6,588</u>	<u>1,225</u>	<u>1,336</u>	<u>70,225</u>	<u>79,374</u>
Net book value					
At 31 May 2000	<u>13,412</u>	<u>2,451</u>	<u>6,136</u>	<u>18,765</u>	<u>40,764</u>
At 31 May 1999	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,132</u>	<u>11,132</u>

10 Debtors

	2000 £	1999 £
Trade debtors	238,601	142,613
Other debtors	-	29,560
VAT recoverable	8,562	28,861
Prepayments and accrued income	4,603	26,387
	<u>251,766</u>	<u>227,421</u>

11 Creditors: amounts falling due within one year

	2000 £	1999 £
Trade Creditors	32,506	139,232
Amounts due to group undertakings	747,014	909,216
Taxation and social security	15,694	13,601
Accruals and deferred income	193,472	63,736
	<u>988,686</u>	<u>1,125,785</u>

Amounts due to group undertakings represent amounts owing to the immediate parent company and are unsecured, interest free and repayable on demand. Refer to note 1.

12 Creditors: amount falling due after more than one year

	2000	1999
	£	£
J A Dwyer loan (note 20)	<u>670,553</u>	<u>624,064</u>

13 Called up share capital

	2000	1999
	£	£
Authorised		
102,041 ordinary shares of £1 each	<u>102,041</u>	<u>102,041</u>
Allotted, called up and fully paid		
62,500 ordinary shares of £1 each	<u>62,500</u>	<u>62,500</u>

14 Reserves

	Share Premium Account £	Profit and loss account £
At 1 June 1999	593,891	(2,145,666)
Retained profit for the year	-	191,888
At 31 May 2000	<u>593,891</u>	<u>(1,953,778)</u>

15 Reconciliation of movement in shareholders' funds

	2000	1999
	£	£
Profit/(loss) for the year	191,888	(726,279)
Issue of share capital	-	-
Shareholders' funds at 1 June 1999	(1,489,275)	(762,996)
Shareholders' funds at 31 May 2000	<u>(1,297,387)</u>	<u>(1,489,275)</u>

16 Financial commitments

At 31 May 2000 company had annual commitments under non-cancellable operating leases expiring as follows:

	2000		1999
	Land and buildings	Other operating equipment	Land and buildings
	£	£	£
Within one year	-	-	55,195
In one to two years	56,044	-	-
In two to five years	-	2,928	-
	<u>56,044</u>	<u>2,928</u>	<u>55,195</u>

17 Reconciliation of operating profit to net operating cash flows

	2000	1999
	£	£
Operating profit/(loss)	225,139	(733,864)
Depreciation charges	21,178	16,014
(Increase)/decrease in debtors	(24,345)	22,926
(Decrease)/increase in creditors	(202,938)	449,875
Exchange difference in J Dwyer loan	46,489	17,673
Cash flow from operating activities	<u>65,523</u>	<u>(227,376)</u>

18 Reconciliation of net cash flows to movement in net debt

	£
Increase in cash in the period	47,301
Change in net funds resulting from cash flow	<u>47,301</u>
Net deficit at 1 June 1999	(602,043)
Exchange difference on loan	(46,489)
Net deficit at 31 May 2000	<u>(601,231)</u>

19 Analysis of net funds

	1 June 1999 £	Cash flows £	Exchange movement £	31 May 2000 £
Cash at bank and in hand	22,021	47,301	-	69,322
Debt due after one year	(624,064)	-	(46,489)	(670,553)
	<u>(602,043)</u>	<u>47,301</u>	<u>(46,489)</u>	<u>(601,231)</u>

20 Related parties

J A Dwyer was a director of Cibernet Plc during the prior year. In June 1997 he granted the company a loan of \$1,000,000 (£670,533). Interest accrues at a rate per annum equal to the prime rate plus 200 basis points. Interest will be payable at maturity on 1 June 2001. The loan is guaranteed by Cibernet Corporation.

21 Ultimate parent undertaking

Due to its beneficial ownership, the immediate parent undertaking is Cibernet Corporation, a company incorporated in the United States of America.

The ultimate controlling party, due to its 100% shareholding of the issued share capital of Cibernet Corporation, is Cellular Telecommunications Industry Association which is incorporated in the United States of America. Copies of Cellular Telecommunications Industry Association's financial statements can be obtained from 1250 Connecticut Avenue, N.W., Suite 200, Washington, D.C. 20036.