Registered number: 3074721

CIBERNET PLC

Report and financial statements

for the year ended 31 May 2001



CIBERNET PLC

Annual report
for the year ended 31 May 2001

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Directors and advisers

Directors

T Wheeler
G Shaginaw
J Edgerton
S Reddy
S Raju

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 2001

The directors present their report and audited financial statements for the year ended 31 May 2001.

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 £765,590 (2000: profit £191,888). The directors do not recommend the payment of a dividend for the year.

Directors and directors' interests

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

T Wheeler	
G Shaginaw	
J Edgerton	
S Reddy	(appointed 1 March 2001)
S Raju	(appointed 1 March 2001)

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.

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 2001 the creditor payment period stood at 26 (2000: 88) days.

Directors' Responsibilities

The directors are responsible for preparing the Annual Report. As described below, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. United Kingdom 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:

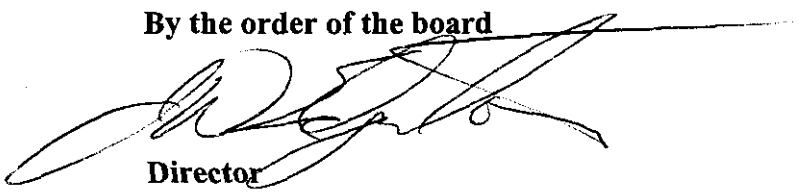
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to 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.

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 15 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 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. The other information comprises only the directors' report.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 2001 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London 22 October 2001

Profit and loss account for the year ended 31 May 2001

	Notes	2001	2000
		£	£
Turnover	1,2	**2,512,534**	1,128,895
Net operating expenses	3	**(1,665,630)**	(903,756)
Operating profit	4	**846,904**	225,139
Interest receivable and similar income		**11,596**	32,588
Interest payable and similar charges	7	**(83,379)**	(65,839)
Profit on ordinary activities before taxation		**775,121**	191,888
Taxation	8	**(9,531)**	-
Profit on ordinary activities after taxation	14	**765,590**	191,888
Retained loss brought forward		**(1,953,778)**	(2,145,666)
Accumulated loss carried forward		**(1,188,188)**	(1,953,778)

The above results relate to continuing operations.

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

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

Balance sheet at 31 May 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	9	**37,160**	40,764
Current assets			
Debtors	10	**1,725,934**	251,766
Cash at bank and in hand		**160,680**	69,322
		1,886,614	321,088
Creditors: amounts falling due within one year	11	**(379,572)**	(988,686)
Net current assets/(liabilities)		**1,507,042**	(667,598)
Total assets less current liabilities		**1,544,202**	(626,834)
Creditors: amounts falling due after more than one year	12	**-**	(670,553)
Net assets/(liabilities)		**1,544,202**	(1,297,387)
Capital and reserves			
Called up share capital	13	**78,125**	62,500
Share premium account	14	**2,654,265**	593,891
Profit and loss account	14	**(1,188,188)**	(1,953,778)
Equity shareholders' funds/(deficit)	15	**1,544,202**	(1,297,387)

The financial statements on pages 6 to 15 were approved by the board of directors on 28/9/01 and were signed on its behalf by:

Director

Cash flow statement for the year ended 31 May 2001

	Notes	2001	2000
		£	£
Net cash (outflow)/inflow from operating activities	17	**(1,128,464)**	65,523
Returns on investments and servicing of finance			
Interest received		**11,596**	32,588
Interest paid		**(520)**	-
Interest paid on J Dwyer loan		**(135,105)**	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		**(124,029)**	32,588
Taxation paid		**(7,212)**	-
Capital expenditure			
Purchase of tangible fixed assets		**(24,460)**	(50,810)
Financing			
Issue of shares to minority shareholders		**2,075,999**	-
Repayment of J Dwyer loan		**(700,476)**	-
Net inflow from financing		**1,375,523**	-
Increase in cash in the year	18,19	**91,358**	47,301

Notes to the financial statements for the year ended 31 May 2001

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.

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% reducing balance basis
Fixtures and fittings	30% reducing balance basis
Leasehold property and improvements	Over length of lease

Operating leases

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

Software costs

Software costs are written off to the profit and loss account as incurred.

Foreign currencies

Foreign currency transactions during the year are translated at the rates ruling on the dates of the trasactions. 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.

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.

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:

	2001 £	2000 £
UK	**156,890**	90,365
Africa	**99,069**	42,560
Asia	**282,551**	96,066
Europe	**1,134,414**	495,213
North America	**280,032**	130,893
Latin America	**415,591**	205,205
Rest of the world	**143,987**	68,593
	2,512,534	1,128,895

3 Net operating expenses

	2001 £	2000 £
Continuing operations		
Selling costs	**607,456**	-
Distribution costs	**767,348**	574,223
Administrative expenses	**220,671**	329,533
Exceptionals	**70,155**	-
	1,665,630	903,756

Exceptionals relate to legal and other associated costs resulting from a share issue.

4 Operating profit

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

	2001 £	2000 £
Auditors' remuneration	**15,000**	13,500
Depreciation on owned tangible fixed assets	**28,065**	21,178
Operating lease charges		
- Land and buildings	**57,544**	55,690
- Other operating equipment	**2,188**	1,708
Refund of license fee	**-**	(266,667)

5 Directors' emoluments

	2001 £	2000 £
Aggregate emoluments	-	-

6 Employee information

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

	2001 Number	2000 Number
By activity		
Selling, distributing and administration	19	14

	2001 £	2000 £
Staff costs (for the above employees)		
Wages and salaries	658,963	447,157
Social security costs	67,675	47,178
Other staff costs	14,476	93,229
	741,114	587,564

7 Interest payable and similar charges

	2001 £	2000 £
Interest payable to bank	520	-
Interest payable on loan from J Dwyer	82,859	65,839
	83,379	65,839

8 Taxation on profit on ordinary activities

	2001 £	2000 £
Corporation tax at 20% (2000: nil)	2,319	-
Underprovision in respect of prior year	7,212	-
Tax charge for the year	9,531	-

The tax charge for the year has been reduced by losses brought forward from prior years.

9 Fixed assets

	Short leasehold property £	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 June 2000	20,000	3,676	7,472	88,990	120,138
Additions in the year	-	-	-	24,461	24,461
At 31 May 2001	**20,000**	**3,676**	**7,472**	**113,451**	**144,599**
Depreciation					
At 1 June 2000	6,588	1,225	1,336	70,225	79,374
Charge for the year	10,000	1,838	1,841	14,386	28,065
At 31 May 2001	**16,588**	**3,063**	**3,177**	**84,611**	**107,439**
Net book value					
At 31 May 2001	**3,412**	**613**	**4,295**	**28,840**	**37,160**
At 31 May 2000	13,412	2,451	6,136	18,765	40,764

10 Debtors

	2001 £	2000 £
Trade debtors	**517,206**	238,601
Amounts owed by group undertakings	**1,196,286**	-
VAT recoverable	**5,959**	8,562
Prepayments and accrued income	**6,483**	4,603
	1,725,934	251,766

11 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	**102,176**	32,506
Amounts due to group undertakings	**-**	747,014
UK Corporation tax payable	**2,319**	-
Taxation and social security	**84,001**	15,694
Accruals and deferred income	**191,076**	193,472
	379,572	988,686

12 Creditors: amount falling due after more than one year

	2001	2000
	£	£
J A Dwyer loan	-	670,553

The loan was repaid during the year.

13 Called up share capital

	2001	2000
	£	£
Authorised		
102,041 ordinary shares of £1 each	**102,041**	102,041
Allotted, called up and fully paid		
78,125 ordinary shares of £1 each	**78,125**	62,500

The class of share capital, number of shares issued together with the nominal value and consideration for the shares issued during the year is as follows:

Class of share	Number	Nominal value	Consideration
		£	£
Ordinary	15,625	1	2,075,999

14 Reserves

	Share Premium Account	Profit and loss account
	£	£
At 1 June 2000	593,891	(1,953,778)
Premium on shares issued	2,060,374	-
Retained profit for the year	-	765,590
At 31 May 2001	**2,654,265**	**(1,188,188)**

15 Reconciliation of movement in shareholders' funds

	2001	2000
	£	£
Profit for the year	**765,590**	191,888
Net proceeds from the issue of ordinary share capital	**2,075,999**	-
Shareholders' funds at 1 June 2000	**(1,297,387)**	(1,489,275)
Shareholders' funds at 31 May 2001	**1,544,202**	(1,297,387)

16 Financial commitments

At 31 May 2001 company had annual commitments under non-cancellable operating leases expiring as follows:

	2001	2000
	Land and buildings	Land and buildings
	£	£
Within one year	**50,899**	-
In one to two years	**-**	56,044
In two to five years	**-**	-
	50,899	56,044

17 Reconciliation of operating profit to net operating cash flows

	2001	2000
	£	£
Operating profit	**846,904**	225,139
Depreciation charges	**28,065**	21,178
(Increase)/decrease in debtors	**(638,587)**	(24,345)
(Decrease)/increase in creditors	**(1,392,454)**	(202,938)
Exchange difference	**27,608**	46,489
Cash flow from operating activities	**(1,128,464)**	65,523