Registered number: 3074721

CIBERNET PLC

Report and financial statements for the period ended 10 March 2003



CIBERNET PLC

Annual report
for the period ended 10 March 2003

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Directors and advisers

Directors

Ian McWilliams
George Simmons
S Harris
J McDonnell

Secretary and registered office

Hackwood Secretaries Limited
1 Silk Street
LONDON
EC2Y 8HQ

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
LONDON
WC2N 6RH

Directors' report
for the period ended 10 March 2003

The directors present their report and audited financial statements for the period ended 10 March 2003.

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 period.

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

Results and dividends

The profit for the financial period amounted to £314,612 (2002: profit £836,494). The directors do not recommend the payment of a dividend for the period.

Research and development

The company does not carry out research and development other than on internal software. The cost of internally developed software is expensed to the profit and loss account as incurred.

Directors and directors' interests

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

T Wheeler	(resigned 11 March 2003)
G Shaginaw	(resigned 31 October 2003)
J Edgerton	(resigned 29 December 2003)
S Reddy	(resigned 26 June 2003)
S Raju	(resigned 26 June 2003)
M Procopio	(resigned 11 March 2003)
S Harris	(appointed 11 March 2003)
J McDonnell	(appointed 11 March 2003)
I McWilliams	(appointed 29 December 2003)
G Simmons	(appointed 29 December 2003)

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.

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 10 March 2003 the creditor payment period stood at 38 (2002: 22 days).

Directors' responsibilities statement

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 as at the end of the financial year 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;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

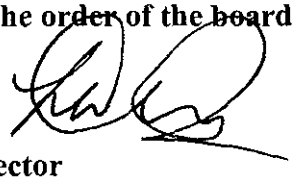
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statement comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Information published on the internet is accessible in many countries with different legal requirements. Legalisation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Following the conversion of the company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 21 January 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to appoint the new firm, PricewaterhouseCoopers LLP, as auditors to the company will be proposed at the Annual General Meeting.

By the order of the board



Director

Independent auditors' report to the members of CIBERNET PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been 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.

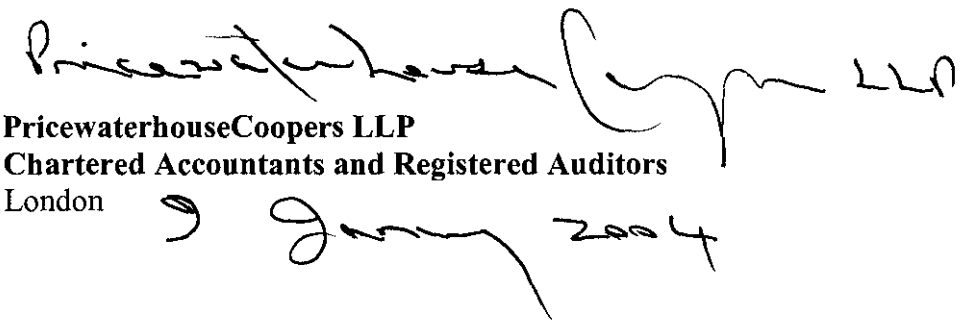
Basis of audit opinion

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 and the auditable part of the directors' remuneration report. 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 and the auditable part of the directors' remuneration report 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 10 March 2003 and of its profit and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

Profit and loss account for the period ended 10 March 2003

	Notes	Period ended 10 March 2003	Year ended 31 May 2002
		£	£
Turnover	2	**3,293,856**	3,640,330
Net operating expenses	3	**(3,013,206)**	(2,672,451)
Operating profit	4	**280,650**	967,879
Interest receivable and similar income		**34,624**	41,390
Interest payable and similar charges	7	**(662)**	(2,673)
Profit on ordinary activities before taxation		**314,612**	1,006,596
Taxation	8	**(42,577)**	(170,102)
Profit on ordinary activities after taxation	13	**272,035**	836,494
Retained profit/(loss) brought forward		**167,925**	(668,569)
Accumulated profit/(loss) carried forward		**439,960**	167,925

The above results relate to continuing operations.

Statement of total recognised gains and losses for the period ended 10 March 2003

	Notes	Period ended 10 March 2003	Year ended 31 May 2002
		£	£
Profit for financial year		**272,035**	836,494
Prior year adjustment – FRS19	14	**-**	519,619
Total recognised gains and losses since last annual report		**272,035**	1,356,113

There is no material difference between the profit on ordinary activities before taxation and profit for the period as stated above, and their historical cost equivalents.

Balance sheet as at 10 March 2003

	Notes	Period ended 10 March 2003 £	Year ended 31 May 2002 £
Fixed assets			
Tangible assets	9	**280,936**	155,902
Current assets			
Debtors	10	**1,904,520**	2,282,280
Cash at bank and in hand		**1,669,436**	942,155
		3,573,956	3,224,435
Creditors: amounts falling due within one year	11	**(682,542)**	(480,022)
Net current assets		**2,891,414**	2,744,413
Total assets less current liabilities		**3,214,927**	2,900,315
Net assets		**3,172,350**	2,900,315
Capital and reserves			
Called up share capital	12	**78,125**	78,125
Share premium account	13	**2,654,265**	2,654,265
Profit and loss account	13	**439,960**	167,925
Equity shareholders' funds	14	**3,172,350**	2,900,315

The financial statements on pages 7 to 20 were approved by the board of directors on 30/9/03 and were signed on its behalf by:



Director

Cash flow statement
for the period ended 10 March 2003

	Notes	2003	2002
		£	£
Net cash inflow/(outflow) from operating activities	16	**915,058**	821,196
Returns on investments and servicing of finance			
Interest received		**34,624**	41,390
Interest paid		**(662)**	(2,673)
Net cash inflow/(outflow) from returns on investments and servicing of finance		**33,962**	38,717
Taxation			
Corporation tax paid		**(8,278)**	(2,319)
Capital expenditure			
Purchase of tangible fixed assets		**(213,461)**	(76,119)
Financing			
Issue of shares to minority shareholders		**-**	-
Net cash inflow from financing		**-**	-
Increase in cash in the period	17,18	**727,281**	781,475

Notes to the financial statements for the period ended 10 March 2003

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.

Accounting policies

The directors have reviewed the group's accounting policies and consider that the financial statements are prepared in accordance with FRS18.

Software costs

Externally purchased and developed software is capitalised. Internally developed software is expensed to the profit and loss account as incurred.

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, over the expected useful lives of the assets concerned. The rates used for this purpose are as follows:

Computer equipment and associated software	50% reducing balance basis
Software	Straight line over 5 years
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.

Foreign currencies

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

Deferred taxation is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred taxation assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date. The company does not discount deferred tax assets and liabilities.

Turnover

Turnover, which excludes value added tax and trade discounts, represents settlement, invoicing and consultancy fees for services provided to telephone operators and carriers. Deferred revenue arises from timing differences caused by invoicing quarterly for work not yet carried out at the year end.

2 Segmental reporting

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

The geographical analysis of turnover is as follows:

	2003	2002
	£	£
UK	**206,163**	179,341
Africa	**144,956**	232,664
Asia	**354,578**	391,765
Europe	**528,708**	1,732,603
North America	**1,477,575**	341,986
Latin America	**361,934**	559,295
Rest of the world	**219,942**	202,676
	3,293,856	3,640,330

3 Net operating expenses

	2003	2002
	£	£
Continuing operations		
Selling costs	**569,034**	652,955
Distribution costs	**1,219,544**	1,437,597
Administrative expenses	**1,224,628**	581,899
	3,013,206	2,672,451

4 Operating profit

Operating profit is stated after charging the following amounts:

	2003	2002
	£	£
Auditors' remuneration		
- audit	**18,500**	17,500
- non audit	**3,408**	13,450
Depreciation on owned tangible fixed assets	**88,427**	50,900
Operating lease charges		
- Land and buildings	**87,337**	71,393
- Other operating leases	**9,707**	10,762

5 Directors' emoluments

	2003	2002
	£	£
Aggregate emoluments	**86,823**	115,500

Included in the above amount is £nil (2002: £nil) relating to contributions to the directors personal pension scheme.

6 Employee information

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

	2003	2002
	Number	Number
By activity		
Selling, distributing and administration	**31**	28

	2003	2002
	£	£
Staff costs (for the above employees)		
Wages and salaries	**911,360**	962,394
Social security costs	**88,286**	101,069
Other pension costs	**26,639**	25,235
	1,026,285	1,088,698

7 Interest payable and similar charges

	2003	2002
	£	£
Interest payable to bank	**662**	2,673
	662	2,673

8 Taxation

(a) Analysis of charge in the period

	2003	2002
	£	£
The charge for taxation is made up as follows:		
Current tax		
UK corporation tax at 30% (2002: 20%) on profits of the period	**10,387**	8,278
Adjustments in respect of previous periods	**(1,192)**	-
Total current tax	**9,195**	8,278
Deferred tax		
Origination of timing differences	**(4,905)**	-
Reversal of timing differences	**217,184**	161,824
Adjustments due to change in tax rate	**(178,847)**	-
Total deferred tax	**33,382**	161,824
Total tax charge/(credit) on profit on ordinary activities	**42,577**	170,102

(b) Factors affecting the tax charge in the period

	2003	2002
	£	£
Profit before tax	**314,612**	1,006,596
Profit multiplied by standard rate of corporation tax in the UK of 30% (2002: 20%)	**94,384**	201,319
Effects of:		
Short term timing differences	**-**	(37,883)
Permanent differences	**133,189**	6,666
Prior period corporation tax adjustment	**(1,192)**	-
Utilisation of losses brought forward	**(217,184)**	(161,824)
Current tax charge for year (note 8(a))	**9,195**	8,278

The deferred tax asset provided is made up as follows:

	2003	2002
	£	£
Excess of capital allowances over depreciation	**32,314**	30,000
Losses	**292,099**	327,795
	324,413	357,795

9 Fixed assets

	Short leasehold property £	Leasehold improvements £	Fixtures and fittings £	Computer equipment and associated software £	Total £
Cost					
At 1 June 2002	20,000	11,480	24,523	258,238	314,241
Additions in the period	-	4,860	7,388	201,213	213,461
At 10 March 2003	**20,000**	**16,340**	**31,911**	**459,451**	**527,702**
Depreciation					
At 1 June 2002	20,000	4,326	8,582	125,431	158,339
Charge for the period	-	1,967	9,552	76,908	88,427
At 10 March 2003	**20,000**	**6,293**	**18,134**	**202,339**	**246,766**
Net book value					
At 10 March 2003	**-**	**10,047**	**13,777**	**257,112**	**280,936**
At 31 May 2002	-	7,154	15,941	132,807	155,902

10 Debtors

	2003 £	2002 £
Trade debtors	**728,051**	630,273
Amounts owed by group undertakings (see below)	**534,475**	1,156,701
Intercompany loan (see below)	**117,105**	82,926
Other debtors	**13,033**	41,069
Prepayments and accrued income	**187,443**	13,516
Deferred tax (see note 8)	**324,413**	357,795
	1,904,520	2,282,280

The above intercompany balance and loan are repayable on demand. Interest is charged at 6 month US LIBOR + 3% per annum on the intercompany loan.

11 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	**207,707**	135,470
UK Corporation tax payable	**9,195**	8,278
Taxation and social security	**31,025**	40,611
Accruals and deferred income	**434,615**	295,663
	682,542	480,022

12 Called up share capital

	2003	2002
	£	£
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**	78,125

13 Reserves

	Share premium account	Profit and loss account
	£	£
At 1 June 2002	2,654,265	167,925
Retained profit for the period	-	272,035
At 31 May 2003	**2,654,265**	**439,960**

14 Reconciliation of movement in shareholders' funds

	2003 £	2002 £
Opening shareholders' funds as previously reported	**2,900,315**	1,544,202
Prior year adjustment – FRS19	**-**	519,61
Opening shareholders' funds as restated	**2,900,315**	2,063,821
Profit after taxation	**272,035**	836,494
Closing shareholders' funds	**3,172,350**	2,900,315

15 Financial commitments

At 10 March 2003 company had annual commitments under non-cancellable operating leases expiring as follows:

	2003 Land and buildings £	2002 Land and buildings £
Within one year	**-**	-
In one to two years	**-**	-
In two to five years	**132,482**	132,482
	132,482	132,482

16 Reconciliation of operating profit to net operating cash flows

	2003 £	2002 £
Operating profit	**280,650**	967,879
Depreciation charges	**88,427**	50,900
Decrease/(increase) in debtors	**344,378**	(250,122)
Increase/(decrease) in creditors	**201,603**	52,539
Cash flow from operating activities	**915,058**	821,196

17 Reconciliation of net cash flows to movement in net funds

	£
Increase in cash in the period	727,281
Change in net funds resulting from cash flow	727,281
Net funds at 1 June 2002	942,155
Net funds at 10 March 2003	**1,669,436**

18 Analysis of net funds

	1 June 2002	Cash flows	**10 March 2003**
	£	£	**£**
Cash at bank and in hand	942,155	727,281	**1,669,436**
	942,155	727,281	**1,669,436**

19 Related parties

Name of related Party	Relationship	Material transactions	Value of transactions
Cibernet Corporation	60% ownership of Cibernet plc	Transfer of debt to Cibernet plc	£214,886
		Foreign Exchange loss on inter-company	£232,868
		Interest payable by Cibernet Corporation on the intercompany balance	£1,899
		Income due to Cibernet plc for customers based in Latin America	£265,353
		Licence fee payable by Cibernet plc	£79,229
		Transfer of loan to Cibernet plc	£37,972
		Recharged capital expenditure	£181,694
		Recharged costs	£266,913
Trans Cibernet Cyprus	20% ownership of Cibernet plc	Foreign Exchange loss on Inter-company	£27,126
Trans Cibernet India	100% owned by Trans Cibernet Cyprus	Loan plus interest	£39,569
		Intercompany trading	Income of £2,705 and expenses of £45,813
Trans Cibernet Ireland	100% owned by Trans Cibernet Cyprus	Exchange of debt from Cibernet Corporation to Cibernet plc	£554

Balances Outstanding at year-end

	2003	2002
	£	£
CIBERNET Corporation	**76,116**	**822,426**
Trans CIBERNET Cyprus	**469,294**	**295,220**
Trans CIBERNET India	**(38,081)**	**9,946**
Trans CIBERNET India – Loan	**117,105**	**82,926**
Trans CIBERNET Ireland	**27,146**	**29,109**

No amounts due from or to related parties have been provided against and no amounts have been written off in the year in respect of amounts due from related parties.

20 Subsequent events

Following the yearend, Cibernet Plc repurchased 5,227 shares for a consideration of £673,885 from Mobile-X Overseas Limited. This resulted in Cibernet Corporation having in effect a 100% stake in Cibernet Plc.

21 Ultimate parent undertaking

Due to its shareholding in the issued share capital of the company, the immediate parent undertaking is Cibernet Corporation, a company incorporated in the United States of America.

Up to the March 10th 2003 the ultimate controlling party, due to its 100% shareholding in the issued share capital of Cibernet Corporation, was the Cellular Telecommunications and Internet Association. After that date control was transferred to CB Holding Inc through it's purchase of Cibernet Corporation.