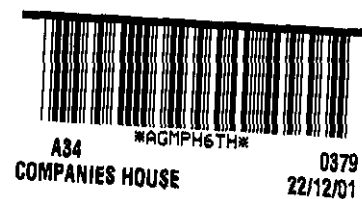


LCC COMMUNICATIONS LIMITED
(FORMERLY LO COST COMMUNICATIONS LIMITED)
ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28TH FEBRUARY 2001



AUDITORS' REPORT TO LCC COMMUNICATIONS LIMITED

UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated financial statements set out on pages 3 to 5 together with the financial statements of LCC Communications Limited for the year ended 28th February 2001 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246(5) and (6) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246(5) and (6) of the Companies Act 1985, and the abbreviated financial statements on pages 3 to 5 are properly prepared in accordance with those provisions.

Other information

On 20th December 2001 we reported, as auditors of LCC Communications Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 28th February 2001, and our audit report was as follows:

We have audited the financial statements on pages 3 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and 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 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.

AUDITORS' REPORT TO LCC COMMUNICATIONS LIMITED

UNDER SECTION 247B OF THE COMPANIES ACT 1985

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 of the financial statements concerning the uncertainty as to the continuation of finance from the directors. In view of the significance of this uncertainty we consider that it should be drawn to your attention but 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 as at 28th February 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Baines Goldston
Chartered Accountants and Registered Auditors
43 - 45 Yarm Lane
Stockton on Tees
TS18 3EA
20th December 2001

LCC COMMUNICATIONS LIMITED

ABBREVIATED BALANCE SHEET

AS AT 28TH FEBRUARY 2001

	Notes	£	2001 £	£	2000 £
Fixed assets	2				
Tangible fixed assets			62,833		80,514
Current assets					
Debtors		129,575		59,676	
Cash at bank and in hand		61		18,909	
		129,636		78,585	
Creditors: amounts falling due within one year		(275,732)		(171,494)	
Net current liabilities			(146,096)		(92,909)
Total assets less current liabilities			(83,263)		(12,395)
Creditors: amounts falling due after more than one year			(100,000)		(106,366)
			(183,263)		(118,761)
Capital and reserves					
Share capital	3		50,000		50,000
Profit and loss account			(233,263)		(168,761)
Shareholders' funds			(183,263)		(118,761)

The abbreviated financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

These abbreviated financial statements were approved by the board on 19/12/01 and signed on its behalf.

Director



LCC COMMUNICATIONS LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28TH FEBRUARY 2001

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention on a going concern basis, in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), and in accordance with applicable accounting standards. The going concern basis is dependent on continued financial support from the directors.

Turnover

Turnover comprises the value of sales excluding value added tax and trade discounts.

Depreciation

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets over their expected useful lives. The rates and periods generally applicable are:

Leasehold property improvements	10% per annum on cost
Motor vehicles	25% per annum on reducing balance
Furniture and equipment	15% per annum on reducing balance
Computer equipment	50% per annum on cost
Telecommunications equipment	33% per annum on cost

Hire purchase and leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at their fair value and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

LCC COMMUNICATIONS LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28TH FEBRUARY 2001

2 Fixed assets

	Tangible fixed assets £	Total £
Cost		
At 29th February 2000	159,137	159,137
Additions	39,331	39,331
At 28th February 2001	198,468	198,468
Depreciation and amortisation		
At 29th February 2000	78,623	78,623
Charge for the year	57,012	57,012
At 28th February 2001	135,635	135,635
Net book value		
At 28th February 2001	62,833	62,833
<i>At 28th February 2000</i>	<i>80,514</i>	<i>80,514</i>

Assets held under finance leases and hire purchase originally cost £30,000 (2000: £30,000) and have a net book value of £4,452 (2000: £14,652). Depreciation charged for the year was £10,200 (2000: £10,228).

3 Share capital

	2001 £	2000 £
Authorised		
50,000 Ordinary shares of £1.00 each	50,000	50,000
	50,000	50,000
Allotted		
50,000 Allotted, called up and fully paid ordinary shares of £1.00 each	50,000	50,000
	50,000	50,000

4 Transactions with directors

During the year the company received loans from directors as follows:

M A Begg, a director. The outstanding amounts were as follows: beginning of year: £(128,381); end of year: £(183,381); maximum during the year: £(183,381).

S R Irwin, a director. The outstanding amounts were as follows: beginning of year: £(50); end of year: £(16,050); maximum during the year: £(16,050).

5 Related parties

Mr. M.A. Begg and Mr. S.R. Irwin are the ultimate controlling parties of the company.