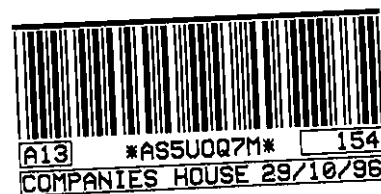


ABBREVIATED FINANCIAL STATEMENTS

XPEDITE SYSTEMS LIMITED

(Registered number 2778084)

31 December 1995



XPEDITE SYSTEMS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the company's affairs at the balance sheet date and of its result for that financial year. 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the company's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Price Waterhouse



**AUDITORS' REPORT TO THE DIRECTORS OF XPEDITE SYSTEMS LIMITED
PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985**

We have examined the abbreviated financial statements on pages 4 to 11 together with the financial statements of Xpedite Systems Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1995.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors' statement on page 4 and whether the abbreviated financial statements have been properly prepared in accordance with that Schedule.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated financial statements have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled under sections 246, 247 and 249 of the Companies Act 1985 to the exemptions conferred by Section A of Part III of Schedule 8 to that Act, in respect of the year ended 31 December 1995 and the abbreviated financial statements on pages 4 to 11 have been properly prepared in accordance with that Schedule.

On 28 June 1996 we reported, as auditors of Xpedite Systems Limited, to the members on the financial statements prepared under Section 226 of the Companies Act 1985 for the year ended 31 December 1995 and our audit report was as follows:

Price Waterhouse



"AUDITORS' REPORT TO THE MEMBERS OF XPEDITE SYSTEMS LIMITED

We have audited the financial statements on pages 5 to 21 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

As described on page 3 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 information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 1995 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985."

PRICE WATERHOUSE

Chartered Accountants
and Registered Auditors

28 June 1996

XPEDITE SYSTEMS LIMITED

COMPANY BALANCE SHEET - 31 DECEMBER 1995

	Notes		1994
FIXED ASSETS			
Investments	2	-	-
Tangible fixed assets	3	<u>1,466,680</u>	<u>627,146</u>
		1,466,680	627,146
CURRENT ASSETS			
Debtors	4	2,010,992	370,748
Cash		<u>396,501</u>	<u>338,460</u>
		2,407,493	709,208
CREDITORS (amount falling due within one year)	5	<u>(2,865,263)</u>	<u>(415,912)</u>
NET CURRENT (LIABILITIES)/ASSETS		(457,770)	293,296
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,008,910</u>	<u>920,442</u>
CREDITORS (amount falling due after more than one year)	5	<u>(3,250,000)</u>	<u>(1,721)</u>
		£(2,241,090)	£918,721
CAPITAL AND RESERVES			
Called up share capital	6	3,749,274	2,225,000
Unissued non-equity share capital	6	1,568,959	-
Profit and loss account - deficit		<u>(1,368,912)</u>	<u>(1,306,279)</u>
		3,949,321	918,721
Goodwill write-off reserve		<u>(6,190,411)</u>	-
TOTAL SHAREHOLDERS' FUNDS		£(2,241,090)	£918,721
Equity interests		(7,716,338)	(1,198,108)
Non-equity interests		<u>5,475,248</u>	<u>2,116,829</u>
		£(2,241,090)	£918,721

The directors have relied on sections 246, 247 and 249 of the Companies Act 1985 as entitling them to deliver abbreviated financial statements on the grounds that the company is entitled to the benefits of those sections as a small company.

D Proctor
DIRECTOR



APPROVED BY THE BOARD
ON 28 JUNE 1996

XPEDITE SYSTEMS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies are set out below.

(1) Turnover

Turnover represents the invoiced value of services provided in the year, excluding Value Added Tax.

(2) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of assets is written off in equal annual instalments over their estimated useful asset lives, which are as follows:

Motor vehicles	3 years
Computers, equipment and furniture	3-5 years

(3) Foreign exchange

Transactions denominated in foreign currencies are converted into sterling at the rate ruling at the transaction date. Assets and liabilities denominated in foreign currencies are included in the balance sheet at the rates prevailing at that date. Any translation differences arising are dealt with in the profit and loss account.

(4) Hire purchase arrangements

Assets held under hire purchase arrangements and their related obligations are recorded at the value of the asset at inception. The amount by which payments exceed the recorded liability are treated as finance charges and are written off over the term of the hire purchase agreement so as to give a constant rate of charge.

Rental costs under operating leases are charged to the profit and loss account in the period in which they are incurred.

(5) Goodwill

Goodwill represents the difference between the value of a business or a company, as represented by the consideration paid, and the fair value of the net assets acquired and is written off to reserves.

XPEDITE SYSTEMS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(6) Investments

Fixed asset investments are stated at cost unless, in the opinion of the directors, there has been a permanent diminution in value, in which case an appropriate provision is made.

(7) Taxation

The charge for taxation is based upon the results for the year and takes into account deferred taxation, calculated on the liability method, which is provided to the extent that the directors consider a liability will crystallise in the foreseeable future.

2 INVESTMENTS

	Purchased <u>goodwill</u>	Shares in subsidiary <u>undertaking</u>	Provision/ write off <u>to reserves</u>	Net book <u>amount</u>
At 1 January 1995	-	-	-	-
Additions	<u>6,190,411</u>	<u>132,461</u>	<u>(6,322,872)</u>	<u>-</u>
At 31 December 1995	<u>£6,190,411</u>	<u>£132,461</u>	<u>£(6,322,872)</u>	<u>-</u>

On 7 July 1995 the company acquired the whole of the issued ordinary share capital of Transmit International Limited, which is registered in and operates in England. Its principal activity is the provision of fax broadcast services. The combination has been accounted for as an acquisition.

XPEDITE SYSTEMS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

2 INVESTMENTS (CONTINUED)

The aggregate book and fair values of the assets acquired were as follows:

	Book value and <u>fair value</u>
Tangible fixed assets	390,548
Debtors	1,237,113
Cash	354,695
Creditors (amounts falling due within one year)	<u>(1,849,895)</u>
Net assets acquired	132,461
<u>Consideration</u>	
Cash	3,364,504
Cumulative redeemable A preference shares issued (Note 6)	1,074,274
Expenses	<u>158,894</u>
	4,597,672
<u>Deferred consideration</u>	
Cash	156,241
Cumulative redeemable A preference shares (Note 6)	<u>1,568,959</u>
	<u>1,725,200</u>
	<u>£6,322,872</u>

On 12 January 1996 a further 909,100 Cumulative redeemable A preference shares were issued as fully paid and £90,900 cash was paid as part of the deferred consideration. Further consideration up to a maximum of £800,000 is payable based on the sales for the six months ended 31 December 1995. This amount is payable by the issue of further Cumulative redeemable A preference shares and cash in broadly similar proportions.

XPEDITE SYSTEMS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

2 INVESTMENTS (CONTINUED)

The business of Transmit International Limited has been transferred to the company and, as a consequence, the directors have treated £6,190,411 of the costs of acquisition as purchased goodwill in the company's own accounts.

All the fixed assets of Transmit International Limited were fully written down and the company ceased to trade in the period following acquisition and, accordingly, the directors have provided in full for the investment in that company's shares.

3 TANGIBLE FIXED ASSETS

	<u>Total</u>
<u>Cost</u>	
At 1 January 1995	823,830
Additions	<u>1,093,675</u>
At 31 December 1995	<u>1,917,505</u>
<u>Depreciation</u>	
At 1 January 1995	196,684
Charge for the year	<u>254,141</u>
At 31 December 1995	<u>450,825</u>
<u>Net book amount</u>	
At 31 December 1995	<u>£1,466,680</u>
At 31 December 1994	<u>£627,146</u>

The net book amount at 31 December 1995 includes £5,798 (1994 £10,436) in respect of assets held under hire purchase arrangements.

4 DEBTORS

There were no debtors falling due after more than one year at 31 December 1995 (1994 £Nil).

XPEDITE SYSTEMS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

5 CREDITORS

A bank loan of £4,000,000 (1994 £Nil) is wholly repayable within five years and is secured by a mortgage over the assets of the company and its subsidiary undertaking. Interest is charged at a fixed annual rate of 8.8%.

Aggregate amounts repayable

Within one year	750,000
Between one and two years	750,000
Between two and five years	<u>2,500,000</u>
	£4,000,000

6 CALLED UP SHARE CAPITAL

	31 December 1995		31 December 1994	
	Number	£	Number	£
<u>Authorised</u>				
Ordinary shares of £1	83,333	83,333	50,000	50,000
A ordinary shares of £1	250,000	250,000	200,000	200,000
Cumulative redeemable preference shares of £1	2,775,000	2,775,000	2,775,000	2,775,000
Cumulative redeemable A preference shares of £1	2,712,094	2,712,094	-	-
Cumulative redeemable B preference shares of £1	<u>6,238,778</u>	<u>6,238,778</u>	-	-
	12,059,205	£12,059,205	3,025,000	£3,025,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Issued and fully paid</u>				
Ordinary shares of £1	50,000	50,000	50,000	50,000
A ordinary shares of £1	250,000	250,000	200,000	200,000
Cumulative redeemable preference shares of £1	2,375,000	2,375,000	1,975,000	1,975,000
Cumulative redeemable A preference shares of £1	1,074,274	1,074,274	-	-
Cumulative redeemable B preference shares of £1	-	-	-	-
	3,749,274	£3,749,274	2,225,000	£2,225,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

XPEDITE SYSTEMS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

6 CALLED UP SHARE CAPITAL (CONTINUED)

During the year the authorised numbers of ordinary and A ordinary shares were increased to 83,333 and 250,000 respectively.

Two new classes of cumulative preference share were created during the year for the acquisition of Transmit International Limited (Note 2). Both classes of shares only have voting rights in relation to variation of class rights or when dividend payments are in arrears.

During the year 400,000 cumulative redeemable preference shares and 50,000 A ordinary shares were issued at par to existing shareholders, as part of the planned financing of the company, for the purchase of fixed assets and the provision of working capital. The cumulative redeemable A preference shares were issued to finance the acquisition as described in Note 2. 1,568,959 cumulative redeemable A preference shares will be issued as part of the deferred consideration. 909,100 shares were issued on 12 January 1996.

The A ordinary and ordinary shares have equal voting rights. None of the cumulative redeemable preference shares have voting rights. The A and B cumulative redeemable preference shares rank *pari passu* with the cumulative redeemable preference shares for capital distribution purposes.

The A ordinary shares rank *pari passu* with the ordinary shares for dividend and in priority to them for capital distribution purposes, but behind the cumulative redeemable preference shares for both.

The cumulative redeemable A preference shares are entitled to receive a dividend at the annual rate of 17.5% of the paid up amount.

The cumulative redeemable B preference shares are entitled to receive a dividend at the annual rate of 15% of the paid up amount. The cumulative redeemable A preference share dividend is to be paid in priority to the cumulative redeemable B preference share dividend and both in priority to the cumulative redeemable preference share dividend.

No dividends were payable in respect of the cumulative redeemable preference shares in respect of accounting periods up to 31 December 1994. Subject to the availability of appropriate distributable reserves, dividends are to be declared payable in respect of subsequent periods at the rate of 10% of the paid up amount, with no dividend payment required until 31 January 1997. The dividend amount in respect of the year ended 31 December 1995 was £224,020 (1994 £141,829).

The unpaid dividend on the A preference shares at 31 December 1995 was £91,166 (1994 £Nil).

XPEDITE SYSTEMS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

7 OPERATING LEASE COMMITMENTS

The company is committed to make the following payments in the year ending 31 December 1996:

	<u>1995</u>		<u>1994</u>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
Leases which expire:				
Within less than two years	£15,555	£23,833	£Nil	£Nil
Within two to five years	£45,385	£7,620	£39,811	£54,816
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8 SUBSEQUENT EVENTS

On 12 January 1996 909,100 Cumulative redeemable A preference shares were issued as part of the acquisition of Transmit International Limited.

On 15 March 1996 the company acquired the whole of the issued share capital of Mablaw 333 Limited, subsequently renamed Connaught Commercial Services Limited on 18 March 1996, for a total consideration of £2,642,346.