

IDT DIRECT IRELAND LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD FROM INCORPORATION
(15 APRIL 2005) TO 31 JULY 2006

IDT DIRECT IRELAND LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2006

COMPANY NUMBER: 276774

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IDT DIRECT IRELAND LIMITED

CORPORATE INFORMATION

Directors	Marc Bodner (USA) (appointed 15 April 2005, resigned 1 August 2006) David Pepper (British) (appointed 15 April 2005, resigned 1 August 2006) Shalom Benaim (British) (appointed 15 April 2005, resigned 1 February 2007) Douglas Mauro (USA) (appointed 15 April 2005, resigned 1 February 2007) Joseph Blass (Israeli) (appointed 15 April 2005, resigned 1 February 2007) Peter A. D. Dubens (British) (appointed 1 February 2007) Michael D. Read (British) (appointed 1 February 2007) Stewart C. Porter (British) (appointed 1 February 2007)
Secretary	David Pepper (appointed 15 April 2005, resigned 1 August 2006) Bradwell Limited (appointed 1 August 2006, resigned 1 February 2007) Stewart Porter (appointed 1 February 2007)
Registered office	Maples and Calder 75 St. Stephen's Green Dublin 2
Business address	Unit 3 Finisklin Business Park Sligo
Auditors	BDO Simpson Xavier Registered Auditors Beaux Lane House Mercer Street Lower Dublin 2
Principal bankers	AIB 26 Stephen Street Sligo
Solicitors	Maples and Calder 75 St. Stephen's Green Dublin 2

IDT DIRECT IRELAND LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period ended 31 July 2006.

1. Review of the development of the business

The company was incorporated on 15 April 2005 and commenced to trade on 22 April 2005.

The company's principal activity is the provision of call centre services to Toucan Residential, a company that provides residential telecommunications services.

The company does not expect any significant change in the nature or extent of its current activities in the foreseeable future.

The results for the period are in line with expectations.

2. Results for the period, dividends and state of affairs

These are set out in the profit and loss account and balance sheet on pages 7 and 8 respectively.

3. Directors and secretary and their interests

The directors who served on the board during the period were as follows:

Directors

Marc Bodner	(appointed 15 April 2005, resigned 1 August 2006)
David Pepper	(appointed 15 April 2005, resigned 1 August 2006)
Shalom Benaim	(appointed 15 April 2005, resigned 1 February 2007)
Douglas Mauro	(appointed 15 April 2005, resigned 1 February 2007)
Joseph Blass	(appointed 15 April 2005, resigned 1 February 2007)

Secretary

David Pepper	(appointed 15 April 2005, resigned 1 August 2006)
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Neither the directors nor the secretary had any interest in the called up share capital of the company at any time during the period.

IDT DIRECT IRELAND LIMITED

DIRECTORS' REPORT (continued)

4. Post balance sheet events

On 03 January 2007 the entire share capital of the company was purchased by Pipex Communications Plc, a company incorporated in England and Wales.

5. Accounting records

The directors are responsible for ensuring that proper books and accounting records are kept by the company as required by Section 202, Companies Act, 1990.

The directors believe that they have complied with this requirement by providing adequate resources to maintain proper books and accounting records including the appointment of personnel with appropriate experience and expertise. The books of account of the company are maintained at IDT House, 44 Featherstone Street, London, EC1Y 8RN.

6. Auditors

The auditors BDO Simpson Xavier, who were appointed during the period, have indicated their willingness to continue in office in accordance with Section 160(2), Companies Act, 1963.

On behalf of the board



M. Read
Director



S. Porter
Director

Date: 08 March 2007

IDT DIRECT IRELAND LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

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 for that year. In preparing those financial statements, the directors are required to:-

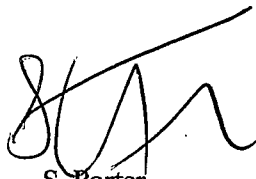
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 Acts, 1963 to 2006 and all Regulations to be construed as one with those Acts. 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.

On behalf of the board



**M. Read
Director**



**S. Porter
Director**

Date: 08 March 2007

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IDT DIRECT IRELAND LIMITED

We have audited the financial statements of IDT Direct Ireland Limited for the period ended 31 July 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies as set out therein.

This report is made solely to the company's members, as a body, in accordance with the Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with the applicable law and the Accounting Standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (GAAP in Ireland), are set out in the statement of Directors' Responsibilities on page 4. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the balance sheet date, there existed a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the company's balance sheet and its profit and loss account are in agreement with the books of account.

We report to the members if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not given and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of opinion

We conducted our audit in accordance with International Standards of Auditing (United Kingdom and Ireland) 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IDT DIRECT IRELAND LIMITED (continued)

Opinion

In our opinion, the financial statements give a true and fair view, (in accordance with GAAP in Ireland), of the state of the company's affairs as at 31 July 2006 and of its loss for the period then ended and have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the Directors' Report on pages 2 and 3 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 8, are less than half of the amount of its called up share capital and, in our opinion, on that basis there did exist at 31 July 2006 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Date: 08 March 2007

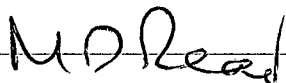

BDO Simpson Xavier
Registered Auditors.

IDT DIRECT IRELAND LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 JULY 2006

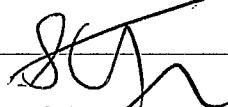
	Notes	2006 €
Revenue – continuing operation	2	1,020,344
Direct costs		(235,739)
Gross profit		784,605
Administrative expenses		(940,048)
Foreign currency translation adjustment		(394)
Interest receivable and similar income		17
Interest payable and similar charges		(445)
Loss on ordinary activities before taxation	3	(156,265)
Taxation		
Corporation tax	5	-
Loss for the financial period		(156,265)
Balance, beginning of period		-
Balance, end of period		(156,265)

There are no recognised gains or losses other than those stated above.

The financial statements were approved by the board on 08 March 2007 and signed on its behalf by:



M. Read
Director



S. Porter
Director

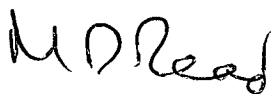
The notes on pages 9 to 12 form part of these financial statements

IDT DIRECT IRELAND LIMITED

BALANCE SHEET AS AT 31 JULY 2006

	Notes	2006 €
Fixed assets		
Tangible assets	6	892,304
		<u>892,304</u>
Current assets		
Debtors and prepayments	7	2,216,583
Cash at bank and in hand		77,880
		<u>2,294,463</u>
Creditors (amounts falling due within one year)	8	(3,343,031)
		<u>(1,048,568)</u>
Net current liabilities		(1,048,568)
		<u>(156,264)</u>
Net assets		(156,264)
		<u>(156,264)</u>
 Represented by		
Capital and reserves		
Called up share capital	9	1
Profit and loss account		(156,265)
		<u>(156,264)</u>
	10	<u>(156,264)</u>

The financial statements were approved by the board on 08 March 2007 and signed on its behalf by:



M. Read
Director



S. Porter
Director

The notes on pages 9 to 12 form part of these financial statements

IDT DIRECT IRELAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2006

1. Significant accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the exemption from the requirement in FRS1, available to members of a group where consolidated financial statements are publicly available, to produce a cash flow statement.

Depreciation

Depreciation is calculated to write off tangible assets over their expected useful economic lives, as follows:

- Leasehold improvement - 10% S.L.
- IT and Office equipment - 33.33% S.L.

Foreign currencies

Monetary assets and liabilities designated in foreign currencies are translated into Euro at the rates of exchange ruling at the balance sheet date, and differences arising are dealt with through the profit and loss account.

Trading activities denominated in foreign currencies are recorded in Euro at the rate of exchange ruling at the beginning of each month.

2. Turnover

	2006 €
UK customer	1,020,344
	<u>1,020,344</u>

3. Profit and loss account

The loss on ordinary activities before taxation is stated after charging the following:

	2006 €
Depreciation	165,326
Auditors' remuneration	10,000
	<u>175,326</u>

IDT DIRECT IRELAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2006 (continued)

4. Employees

	2006 Numbers
Management	4
Administration	1
Call centre	50
	<u>55</u>

Employment costs

	2006 €
Wages and salaries	1,046,648
Social welfare	103,551
	<u>1,150,199</u>

5. Taxation

	2006 €
Current year taxation	
Corporation Tax	-
Prior years	
Corporation Tax	-
	<u>-</u>

IDT DIRECT IRELAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2006 (continued)

6. Tangible assets	Leasehold improvements €	Office equipment €	IT equipment €	Total €
Cost				
At beginning of period	-	-	-	-
Additions	693,400	170,976	193,254	1,057,630
At end of period	<u>693,400</u>	<u>170,976</u>	<u>193,254</u>	<u>1,057,630</u>
Depreciation				
At beginning of period	-	-	-	-
Charge for period	71,881	56,106	37,339	165,326
At end of period	<u>71,881</u>	<u>56,106</u>	<u>37,339</u>	<u>165,326</u>
Net book value 31 July 2006	<u>621,519</u>	<u>114,870</u>	<u>155,915</u>	<u>892,304</u>

7. Debtors	2006 €
Prepayments	1,257,245
VAT to claim	59,287
Corporation tax refund	1,594
Amounts owed from related party	898,457
	<u>2,216,583</u>

8. Creditors (Amounts falling due within one year)	2006 €
Trade creditors	122,980
Accruals	65,768
PAYE/PRSI	46,311
Amounts owed to related parties	3,107,972
	<u>3,343,031</u>

IDT DIRECT IRELAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2006 (continued)

9. Called up share capital	2006
	€
Authorised	
100,000 ordinary shares of €1 each	100,000
	<u> </u>
Allotted, called up and fully paid	
1 ordinary shares of €1 each	1
	<u> </u>

10. Reconciliation of movement in shareholders funds	2006
	€
Issue of share capital	1
Loss for the financial period	(156,265)
	<u> </u>
Balance, end of period	(156,264)
	<u> </u>

11. Related party transactions

The company has taken advantage of the exemption available to members of a group where consolidated financial statements are publicly available, not to report related party transactions.

12. Parent undertaking

During the period, the company was a wholly owned subsidiary undertaking of IDT Dutch Holdings BV, a company registered in The Netherlands. The ultimate parent undertaking was IDT Corporation, a US corporation registered in the State of Delaware.

From 03 January 2007 the company became a wholly owned subsidiary of Pipex Communications Plc, a company incorporated in England and Wales.

13. Contingent liability

A liability may arise to repay, in whole or in part, revenue grants received to date amounting to €1,600,000 if certain events occur as detailed in the grant agreement. In respect of grants paid during the term, created by the grant agreement, the terms of repayment are as follows:

The company's liability for repayment of employment grant monies paid in any year shall terminate five years from the end of that year.

The grant agreement was signed on 16 May 2005.

14. Approval of financial statements

These financial statements were approved by the directors on 08 March 2007.

**IDT Direct Ireland Limited
Non-Statutory Information**

IDT DIRECT IRELAND LIMITED

NON-STATUTORY INFORMATION

	2006
	€
Direct costs	
Circuit costs	97,903
Salaries	1,046,648
Employer's PRSI	103,551
Recruitment	227,637
Employment grant	(1,240,000)
	<u>235,739</u>

	2006
	€
Administrative expenses	
Staff welfare and training	28,474
Repairs	18,553
Insurance	6,366
Advertising and marketing costs	4,857
Rent and rates	283,485
Office expenses	139,593
Professional fees	43,563
Audit fee	10,000
Telecommunications	213,060
Travel, accommodation and entertainment	26,037
Depreciation	165,326
Subscription	734
	<u>940,048</u>