

PNC TELECOM SERVICES LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2005

TUESDAY



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24/07/2007
COMPANIES HOUSE

WENHAM MAJOR LIMITED

Registered Auditors
89 Cornwall Street
Birmingham
B3 3BY

PNC TELECOM SERVICES LIMITED
FINANCIAL STATEMENTS
PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

CONTENTS	PAGE
The directors' report	1
Independent auditor's report to the shareholders	4
Profit and loss account	6
Reconciliation of movements in shareholders' funds	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10

PNC TELECOM SERVICES LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

The directors present their report and the financial statements of the company for the period from 1 June 2005 to 31 December 2005

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company in the period under review was that of provision of telecommunications services

We aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at year end. Our review is consistent with the size and complexity of the business and is written in the context of the risks and uncertainties that we face

The company's activities are organised into the following key divisions

- "07" Number related products and services
- "08" Non Geographic number products and services
- "09" Premium rate products and services

We consider that the key performance indicators for the business are those that communicate the financial performance and strength of the company as a whole, being turnover, gross margin and operating margin. The turnover of the company by division was as follows

	Period to 31 December 2005 £	Year to 31 May 2005 £
"07" Number related products	544,328	1,131,906
"08" Non geographic number products and services	2,115,152	3,803,306
"09" Premium rate products and services	2,476,945	2,565,059
Total sales	5,136,425	7,500,271

"07" Number related products and services

This area of revenue has shown a decline due to improvements in technology and will continue to erode at a similar rate

"08" Non Geographic number related products

This revenue has shown a small increase during the period under review (when pro-rated) and this trend is set to continue

"09" Premium rate number related products

This revenue has grown significantly during the period under review (when pro-rated) due to the company focussing its efforts in attracting new business to this market

Overall gross profit has remained comparable from period to period with a slight decrease from £3,185,261 (42.5%) to £2,160,422 (42.1%). This is to be expected given the relative stability in the mix of services offered

Overall operating result has decreased from a profit of £1,081,180 (14.4%) to a loss of £662,173 (12.9%). This has been caused partly by the reduction of turnover without a corresponding decrease in the fixed cost base. Furthermore, in the current period, £280,845 of exceptional operating costs (year to 31 May 2005 - £Nil) have been incurred in respect of the write-off of setup costs for business ventures that are considered to have no further commercial value. In addition, after a review of the business following changes in directors since the period end, a number of old outstanding debts have been provided for which has adversely affected the operating result

The retention of focus on areas of real opportunity and margin contribution will be the key to success moving forwards

PNC TELECOM SERVICES LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

RESULTS AND DIVIDENDS

The loss for the period amounted to £564,109. The directors do not recommend a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors have overall responsibility for identifying the key risks of the business. The company operates a risk management process to identify such risks. Each risk is then assessed for probability and likelihood of occurrence. Consideration is then given to the effectiveness of existing controls or controls required to manage the risk.

The key risks faced by the company are credit risk and liquidity risk. Credit risk is managed by ongoing review of the financial position of customers and ongoing review of the debtors ledger to identify significant concerns and initiate appropriate action. Liquidity risk is minimised by the use of cash generated from operating activities, the use of bank overdraft facilities and the use of parent company funding.

DIRECTORS

The directors who served the company during the period and subsequently were as follows:

A Rashid	(resigned 6 January 2006)
D L Jones	(resigned 29 March 2006)
N Wiley	(appointed 29 March 2006)
J Sharif	(appointed 28 February 2007)

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

POLICY ON THE PAYMENT OF CREDITORS

It is the company's normal practice to agree payment terms with all its suppliers. Payment is made when it has been confirmed that the goods or services have been provided in accordance with the agreed contractual terms and conditions.

ULTIMATE PARENT COMPANY

The ultimate parent and controlling company as at the period end was Paragon International Limited, a company registered in Antigua, West Indies. Subsequently on 25 April 2006 Curby Holdings Limited, a company registered in the British Virgin Islands, acquired 100% of the share capital of PNC Telecom Services Limited and is therefore the ultimate parent company at the date of this report.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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 that 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 assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PNC TELECOM SERVICES LIMITED

THE DIRECTOR'S REPORT *(continued)*

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

DIRECTORS' RESPONSIBILITIES *(continued)*

In so far as the directors are aware

there is no relevant audit information of which the company's auditor is unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

DONATIONS

During the Period the company made the following contributions

	Period to 31 December 2005	Year to 31 May 2005
	£	£
Charitable	<u>1,002</u>	<u>356</u>

AUDITOR

The auditors changed their name to Wenham Major Limited on 8 February 2007 and accordingly have signed the audit report using their new name

A resolution to re-appoint Wenham Major Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Registered office
Cavallino House
Corsley Heath
Warminster
BA12 7PL

Signed by order of the directors


BARRY KERMODE
Company Secretary

Approved by the directors on 31 May 2007

PNC TELECOM SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PNC TELECOM SERVICES LIMITED

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

We have audited the financial statements of PNC Telecom Services Limited for the Period from 1 June 2005 to 31 December 2005 on pages 5 to 18 which have been prepared on the basis of the accounting policies set out on pages 10 to 11

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 and 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 AUDITOR

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 director's remuneration and other transactions is not disclosed.

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

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK 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 director 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.

PNC TELECOM SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PNC TELECOM SERVICES LIMITED *(continued)*

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

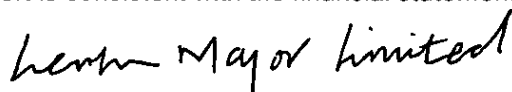
OPINION

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the Period then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Directors' Report is consistent with the financial statements



WENHAM MAJOR LIMITED

Registered Auditors

89 Cornwall Street
Birmingham
B3 3BY

31 May 2007

PNC TELECOM SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

	Note	Period to 31 Dec 05 £	Year to 31 May 05 £
TURNOVER	2	5,136,425	7,500,271
Cost of sales		<u>2,976,003</u>	<u>4,314,910</u>
GROSS PROFIT		2,160,422	3,185,361
Administrative expenses		<u>2,541,750</u>	<u>2,104,181</u>
Exceptional administrative costs	4	<u>280,845</u>	-
Total administrative expenses		<u>2,822,595</u>	<u>2,104,181</u>
OPERATING (LOSS)/PROFIT	3	(662,173)	1,081,180
Loss on disposal of discontinued operations	7	-	(233,032)
Interest payable and similar charges	8	<u>1,065</u>	<u>146,335</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(663,238)	701,813
Tax on (loss)/profit on ordinary activities	9	<u>(99,129)</u>	<u>303,800</u>
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD		(564,109)	398,013
Balance brought forward		<u>(2,339,931)</u>	<u>(2,737,944)</u>
Balance carried forward		<u><u>(2,904,040)</u></u>	<u><u>(2,339,931)</u></u>

All of the activities of the company are classed as continuing

The notes on pages 10 to 18 form part of these financial statements.

PNC TELECOM SERVICES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Period to 31 Dec 05 £	Year to 31 May 05 £
(Loss)/Profit for the financial Period	(564,109)	398,013
Opening shareholders' equity deficit	(1,339,931)	(1,737,944)
Closing shareholders' equity deficit	<u>(1,904,040)</u>	<u>(1,339,931)</u>

The notes on pages 10 to 18 form part of these financial statements.

PNC TELECOM SERVICES LIMITED

BALANCE SHEET

31 DECEMBER 2005

	Note	31 Dec 05 £	£	31 May 05 £	£
FIXED ASSETS					
Tangible assets	10		919,730		746,046
CURRENT ASSETS					
Debtors	11	1,982,065		1,428,430	
Cash at bank and in hand		179,548		230	
		<u>2,161,613</u>		<u>1,428,660</u>	
CREDITORS: Amounts falling due within one year	13	<u>3,325,041</u>		<u>3,514,637</u>	
NET CURRENT LIABILITIES			(1,163,428)		(2,085,977)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(243,698)</u>		<u>(1,339,931)</u>
CREDITORS: Amounts falling due after more than one year	14		1,660,342		—
			<u>(1,904,040)</u>		<u>(1,339,931)</u>
CAPITAL AND RESERVES					
Called-up equity share capital	18		1,000,000		1,000,000
Profit and loss account			<u>(2,904,040)</u>		<u>(2,339,931)</u>
DEFICIT			<u>(1,904,040)</u>		<u>(1,339,931)</u>

These financial statements were approved and signed by the director on 31 May 2007



N WILEY
Director

The notes on pages 10 to 18 form part of these financial statements.

PNC TELECOM SERVICES LIMITED

CASH FLOW STATEMENT

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

	Note	Period to 31 Dec 05 £	£	Year to 31 May 05 £	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	19		(787,235)		359,747
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	19		(1,065)		(146,335)
TAXATION	19		14,233		7,000
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	19		(325,526)		(231,641)
ACQUISITIONS AND DISPOSALS					
Disposal of shares in group undertakings		—		(233,032)	
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS			—		(233,032)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING			(1,099,593)		(244,261)
FINANCING	19		1,674,484		(160,335)
INCREASE/(DECREASE) IN CASH	19		574,891		(404,596)

The notes on pages 10 to 18 form part of these financial statements.

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention

The company's new parent company Curby Holdings Limited has committed to financially support PNC Telecom Services Limited for the foreseeable future. The directors consider that the facilities available to them will be adequate to meet the company's working capital requirements, on this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis

Turnover

Turnover is stated net of VAT. Revenue arises from sales of the right to connect personal numbers, usage of PNC numbers both on the PNC network and the network of the other operators and maintenance and service charges for these numbers. This revenue is recognised at the point of invoicing.

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Network switches	- 10% straight line
Fixtures, fittings and office equipment	- 20% straight line
Motor vehicles	- 25% straight line
Computer and telecoms equipment	- 25% straight line

Leasehold building improvements are depreciated over the period of the lease except where this exceeds five years when a depreciation rate of 20% is used

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception, that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

	Period to 31 Dec 05 £	Year to 31 May 05 £
United Kingdom	<u>5,136,425</u>	<u>7,500,271</u>

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting)

	Period to 31 Dec 05 £	Year to 31 May 05 £
Depreciation of owned fixed assets	148,700	255,195
Depreciation of assets held under hire purchase agreements	3,142	—
Profit on disposal of fixed assets	—	(28,204)
Auditor's remuneration		
- as auditor	10,000	14,500
- for other services	11,000	21,500
Exceptional items (Note 4)	<u>280,845</u>	<u>—</u>

4. EXCEPTIONAL ITEMS

The exceptional items totalling £280,845 arose in respect of the development costs of new business ventures that are now considered to have no further commercial value

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to

	Period to 31 Dec 05	Year to 31 May 05
	No	No
Number of administrative staff	31	22
Number of sales staff	23	9
	<u>54</u>	<u>31</u>

The aggregate payroll costs of the above were

	Period to 31 Dec 05	Year to 31 May 05
	£	£
Wages and salaries	1,095,498	911,049
Social security costs	119,954	79,828
Other pension costs	6,288	3,048
	<u>1,221,740</u>	<u>993,925</u>

6. DIRECTOR'S EMOLUMENTS

The director's aggregate emoluments in respect of qualifying services were

	Period to 31 Dec 05	Year to 31 May 05
	£	£
Emoluments receivable	<u>60,528</u>	<u>157,162</u>

7. LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS

	Period to 31 Dec 05	Year to 31 May 05
	£	£
Disposal of discontinued operations		
Exceptional Items	<u>-</u>	<u>(233,032)</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Period to 31 Dec 05	Year to 31 May 05
	£	£
Finance charges	391	1,877
Other similar charges payable	674	144,458
	<u>1,065</u>	<u>146,335</u>

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

9 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the Period

	Period to 31 Dec 05 £	Year to 31 May 05 £
Current tax		
UK Corporation tax based on the results for the period at 30% (year to 31 May 05 - 30%)	-	83,000
Over provision in prior year	(83,000)	-
Total current tax	(83,000)	83,000
Deferred tax		
Origination and reversal of timing differences	26,951	220,800
Available losses	(43,080)	-
Total deferred tax	(16,129)	220,800
Tax on (loss)/profit on ordinary activities	(99,129)	303,800

(b) Factors affecting current tax charge

	Period to 31 Dec 05 £	Year to 31 May 05 £
(Loss)/profit on ordinary activities before taxation	(663,238)	701,813
Profit/(loss) on ordinary activities by rate of tax	(198,971)	210,544
Expenses not deductible for tax	99,218	99,375
Short term timing differences	-	(28,000)
Depreciation in excess of capital allowances	(26,327)	(67,000)
Utilisation of tax losses	-	(125,800)
Available losses	43,080	-
Small companies relief	-	(6,119)
Total current tax (note 9(a))	(83,000)	83,000

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

10 TANGIBLE FIXED ASSETS

	Improvements to Property £	Fixtures, Fittings & Office Equipment £	Motor Vehicles £	Computer & Telecoms Equipment £	Total £
COST					
At 1 June 2005	331,647	417,446	27,577	2,202,798	2,979,468
Additions	—	—	81,617	243,909	325,526
At 31 December 2005	331,647	417,446	109,194	2,446,707	3,304,994
DEPRECIATION					
At 1 June 2005	327,731	401,963	27,577	1,476,151	2,233,422
Charge for the Period	2,080	3,617	3,142	143,003	151,842
At 31 December 2005	329,811	405,580	30,719	1,619,154	2,385,264
NET BOOK VALUE					
At 31 December 2005	1,836	11,866	78,475	827,553	919,730
At 31 May 2005	3,916	15,483	—	726,647	746,046

Hire purchase agreements

Included within the net book value of £919,730 is £78,475 (31 May 2005 - £Nil) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £3,142 (year to 31 May 2005 - £Nil).

11. DEBTORS

	31 Dec 05 £	31 May 05 £
Trade debtors	1,281,070	1,008,349
Amounts owed by group undertakings	28,019	—
Other debtors	385,087	210,448
Directors current accounts	84,933	28,000
Prepayments and accrued income	125,827	120,633
Deferred taxation (note 12)	77,129	61,000
	1,982,065	1,428,430

Subsequent to the year end, Mr D L Jones, a director at the balance sheet date, left the company. The company has obtained a court judgement against Mr D L Jones ordering the repayment of the current account. The balance on that account at the period end was £84,933 (31 May 2005 £28,000).

12. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	31 Dec 05 £	31 May 05 £
Included in debtors (note 11)	77,129	61,000

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

12. DEFERRED TAXATION *(continued)*

The movement in the deferred taxation account during the period was

	31 Dec 05 £	Year to 31 May 05 £
Balance brought forward	61,000	281,800
Profit and loss account movement arising during the Period	16,129	(220,800)
Balance carried forward	<u>77,129</u>	<u>61,000</u>

The deferred taxation account consists of the tax effect of timing differences in respect of

	31 Dec 05 £	31 May 05 £
Excess of taxation allowances over depreciation on fixed assets	34,049	61,000
Tax losses available	43,080	-
	<u>77,129</u>	<u>61,000</u>

13 CREDITORS: Amounts falling due within one year

	31 Dec 05 £	31 May 05 £
Bank loans and overdrafts	-	395,573
Trade creditors	1,080,170	1,290,334
Amounts owed to group undertakings	1,108,973	299,976
Other creditors including taxation and social security		
Corporation tax	21,233	90,000
Other taxation and social security	259,244	1,241,969
Hire purchase agreements	15,799	1,657
Other creditors	77,642	86,915
	<u>2,563,061</u>	<u>3,406,424</u>
Accruals and deferred income	761,980	108,213
	<u>3,325,041</u>	<u>3,514,637</u>

14. CREDITORS: Amounts falling due after more than one year

	31 Dec 05 £	31 May 05 £
Debenture loans	1,600,000	-
Other creditors		
Hire purchase agreements	60,342	-
	<u>1,660,342</u>	<u>-</u>

15. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	31 Dec 05 £	31 May 05 £
Amounts payable within 1 year	15,799	1,657
Amounts payable within 2 to 5 years	60,342	-
	<u>76,141</u>	<u>1,657</u>

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

16. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below

	31 Dec 05		31 May 05	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 1 year	-	-	139,249	-
Within 2 to 5 years	<u>48,692</u>	<u>11,645</u>	<u>44,000</u>	<u>9,703</u>
	<u>48,692</u>	<u>11,645</u>	<u>183,249</u>	<u>9,703</u>

Operating lease charges in the period (other than plant & machinery) amounted to £35,197 (year to 31 May 2005 £61,500)

17. RELATED PARTY TRANSACTIONS

Transactions during the period and balances with related parties as at the balance sheet date included

Rebecca Garret Media Limited	31 Dec 2005 £	31 May 2005 £
Net recharges	-	87,448
Year end debtor/(creditor)	<u>62,121</u>	<u>87,448</u>
 Paragon International Limited	 31 Dec 2005 £	 31 May 2005 £
Loans received	(808,997)	(299,976)
Year end debtor/(creditor)	<u>(1,108,973)</u>	<u>(299,976)</u>

Mr D L Jones a director of the company during the period was also an officer of Rebecca Garrett Media Limited as at the balance sheet date

Paragon International Limited owned 100% of the issued ordinary share capital of PNC Telecom Services Limited as at the balance sheet date

18. SHARE CAPITAL

Authorised share capital:

	31 Dec 05 £	31 May 05 £
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	31 Dec 05		31 May 05	
	No	£	No	£
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

19 NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Period to 31 Dec 05 £	Year to 31 May 05 £
Operating (loss)/profit	(662,173)	1,081,180
Depreciation	151,842	255,195
Profit on disposal of fixed assets	-	(28,204)
(Increase)/decrease in debtors	(537,506)	1,660,508
Increase/(decrease) in creditors	260,602	(2,608,932)
Net cash inflow from operating activities	<u>(787,235)</u>	<u>359,747</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Period to 31 Dec 05 £	Year to 31 May 05 £
Interest paid	(674)	(144,458)
Interest element of hire purchase	(391)	(1,877)
Net cash outflow from returns on investments and servicing of finance	<u>(1,065)</u>	<u>(146,335)</u>

TAXATION

	Period to 31 Dec 05 £	Year to 31 May 05 £
Taxation	<u>14,233</u>	<u>7,000</u>

CAPITAL EXPENDITURE

	Period to 31 Dec 05 £	Year to 31 May 05 £
Payments to acquire tangible fixed assets	(325,526)	(322,518)
Receipts from sale of fixed assets	-	90,877
Net cash outflow from capital expenditure	<u>(325,526)</u>	<u>(231,641)</u>

FINANCING

	Period to 31 Dec 05 £	Year to 31 May 05 £
Increase in debenture loans	1,600,000	-
Capital element of hire purchase	74,484	(160,335)
Net cash inflow/(outflow) from financing	<u>1,674,484</u>	<u>(160,335)</u>

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JUNE 2005 TO 31 DECEMBER 2005

19. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	31 Dec 05 £	£	31 May 05 £	£
Increase/(decrease) in cash in the period	574,891		(404,596)	
Net cash (inflow) from debenture loans	(1,600,000)		—	
Cash outflow in respect of hire purchase	<u>(74,484)</u>		<u>160,335</u>	
		(1,099,593)		(244,261)
Change in net debt		(1,099,593)		(244,261)
Net debt at 1 June 2005		<u>(397,000)</u>		<u>(152,739)</u>
Net debt at 31 December 2005		<u>(1,496,593)</u>		<u>(397,000)</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jun 2005 £	Cash flows £	At 31 Dec 2005 £
Net cash			
Cash in hand and at bank	230	179,318	179,548
Overdrafts	<u>(395,573)</u>	<u>395,573</u>	<u>—</u>
	<u>(395,343)</u>	<u>574,891</u>	<u>179,548</u>
Debt			
Debt due after 1 year	—	(1,600,000)	(1,600,000)
Hire purchase agreements	<u>(1,657)</u>	<u>(74,484)</u>	<u>(76,141)</u>
	<u>(1,657)</u>	<u>(1,674,484)</u>	<u>(1,676,141)</u>
Net debt	<u>(397,000)</u>	<u>(1,099,593)</u>	<u>(1,496,593)</u>

20. POST BALANCE SHEET EVENTS

On 25 April 2006 Curby Holdings Limited acquired 100% of the share capital of PNC Telecom Services Limited

21. ULTIMATE PARENT COMPANY

The ultimate parent and controlling company as at the period end was Paragon International Limited, a company registered in Antigua, West Indies. Subsequently on 25 April 2006 Curby Holdings Limited, a company registered in the British Virgin Islands, acquired 100% of the share capital of PNC Telecom Services Limited and is therefore the ultimate parent company at the date of this report.