

PNC TELECOM SERVICES LIMITED
FINANCIAL STATEMENTS
31 MAY 2006



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COMPANIES HOUSE

WENHAM MAJOR LIMITED

Registered Auditors
89 Cornwall Street
Birmingham
B3 3BY

PNC TELECOM SERVICES LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

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PNC TELECOM SERVICES LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

The directors present their report and the financial statements of the company for the period from 1 January 2006 to 31 May 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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
- Mobile telephone products

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 May 2006 £	Period to 31 December 2005 £
"07" Number related products and services	502,579	544,328
"08" Non Geographic number products and services	1,478,090	2,115,152
"09" Premium rate products and services	5,702,869	2,476,945
Mobile	6,656,102	0
Total sales	14,339,640	5,136,425

"07" Number related products and services

This area of revenue has shown a marked improvement due to significant new business as a result of a substantial new customer

"08" Non Geographic number related products

This revenue has shown a small decrease during the period under review and this trend is set to continue

"09" Premium rate number related products

This revenue has grown significantly during the period under review due to the company focussing its efforts in attracting and winning new business in this market

Mobile

Since the preparation of the financial statements, the company has performed a strategic review of all mobile based activities and as a result of competitive pressures and margin erosion has withdrawn from this sector of the market

Telecom One Limited acquisition

During the period, the company acquired the trade and assets of Telecom One Limited ("Telecom 1") as disclosed in note 9. The Telecom 1 acquisition will enable the business to increase its revenues from the additional market share that it is available and improve its operational capabilities

PNC TELECOM SERVICES LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW *(continued)*

Overall gross profit has declined from period to period with a decrease from £2,160,422 (42 1%) to £2,028,108 (14 1%) The decrease is due to the change in sales mix in the year, as a number of low-margin mobile telephone sales were made for the first time in the current year

Overall operating loss has increased from a loss of £662,173 (12 9%) to a loss of £1,229,525 (8 6%) The operating margin has improved primarily due to the higher turnover covering a greater proportion of the fixed costs of the business Operating results in the current period have been affected by £303,943 of exceptional operating costs (year to 31 December 2005 - £280,845) which 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 during the period, a number of old outstanding debts have been provided for which has adversely affected the operating result

The directors believe that they should continue to focus on areas of real opportunity and margin contribution together with the reduction of overhead costs

RESULTS AND DIVIDENDS

The loss for the period amounted to £934,604 The director has not recommended 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 mitigated through the use of cash generated from operating activities, the use of bank overdraft facilities and the use of related party funding

DIRECTORS

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

N Wiley	(Appointed 29 March 2006)
A Rashid	(Resigned 6 January 2006)
D L Jones	(Resigned 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

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 period end and at the date of this report

PNC TELECOM SERVICES LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

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.

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 May 2006	Period to 31 December 2005
	£	£
Charitable	-	1,002

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 (continued)

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

We have audited the financial statements of PNC Telecom Services Limited for the period from 1 January 2006 to 31 May 2006 on pages 8 to 21, which have been prepared on the basis of the accounting policies set out on pages 12 to 13

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 directors' 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 JANUARY 2006 TO 31 MAY 2006

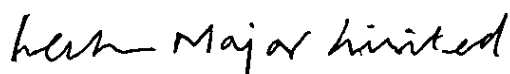
OPINION

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 May 2006 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 JANUARY 2006 TO 31 MAY 2006

	Note	Period from 1 Jan 06 to 31 May 06 £	Period from 1 Jun 05 to 31 Dec 05 £
TURNOVER	2	14,339,640	5,136,425
Cost of sales		<u>12,281,947</u>	<u>2,976,003</u>
GROSS PROFIT		2,057,693	2,160,422
Administrative expenses		<u>2,983,275</u>	<u>2,541,750</u>
Exceptional administrative costs	4	<u>303,943</u>	<u>280,845</u>
Total administrative expenses		<u>3,287,218</u>	<u>2,822,595</u>
OPERATING LOSS	3	(1,229,525)	(662,173)
Interest payable and similar charges	7	<u>38,065</u>	<u>1,065</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,267,590)	(663,238)
Tax on loss on ordinary activities	8	<u>(332,986)</u>	<u>(99,129)</u>
LOSS FOR THE FINANCIAL PERIOD		(934,604)	(564,109)
Balance brought forward		<u>(2,904,040)</u>	<u>(2,339,931)</u>
Balance carried forward		<u>(3,838,644)</u>	<u>(2,904,040)</u>

All of the activities of the company are classed as continuing

The notes on pages 12 to 21 form part of these financial statements.

PNC TELECOM SERVICES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Period from 1 Jan 06 to 31 May 06 £	Period from 1 Jun 05 to 31 Dec 05 £
Loss for the financial period	(934,604)	(564,109)
Opening shareholders' equity deficit	(1,904,040)	(1,339,931)
Closing shareholders' equity deficit	<u>(2,838,644)</u>	<u>(1,904,040)</u>

The notes on pages 12 to 21 form part of these financial statements.

PNC TELECOM SERVICES LIMITED

BALANCE SHEET

31 MAY 2006

	Note	31 May 06 £	£	31 Dec 05 £	£
FIXED ASSETS					
Intangible assets	9		154,800		—
Tangible assets	10		2,030,002		919,730
			<u>2,184,802</u>		<u>919,730</u>
CURRENT ASSETS					
Debtors	11	8,842,997		1,982,065	
Cash at bank and in hand		<u>466,638</u>		<u>179,548</u>	
		9,309,635		2,161,613	
CREDITORS: Amounts falling due within one year	13	<u>10,607,652</u>		<u>3,325,041</u>	
NET CURRENT LIABILITIES			<u>(1,298,017)</u>		<u>(1,163,428)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>886,785</u>		<u>(243,698)</u>
CREDITORS: Amounts falling due after more than one year					
	14		<u>3,725,429</u>		<u>1,660,342</u>
			<u>(2,838,644)</u>		<u>(1,904,040)</u>
CAPITAL AND RESERVES					
Called-up equity share capital	18		1,000,000		1,000,000
Profit and loss account			<u>(3,838,644)</u>		<u>(2,904,040)</u>
DEFICIT			<u>(2,838,644)</u>		<u>(1,904,040)</u>

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



N WILEY
Director

The notes on pages 12 to 21 form part of these financial statements.

PNC TELECOM SERVICES LIMITED

CASH FLOW STATEMENT

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

	Note	Period from 1 Jan 06 to 31 May 06 £	£	Period from 1 Jun 05 to 31 Dec 05 £	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	19		(1,470,721)		(787,235)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	19		(38,065)		(1,065)
TAXATION	19		18,145		14,233
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	19		(1,474,349)		(325,526)
CASH OUTFLOW BEFORE FINANCING			<u>(2,964,990)</u>		<u>(1,099,593)</u>
FINANCING	19		2,065,109		1,674,484
(DECREASE)/INCREASE IN CASH	19		<u>(899,881)</u>		<u>574,891</u>

The notes on pages 12 to 21 form part of these financial statements.

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

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.

On 10 February 2006, PNC Telecom Services Limited acquired the trade and assets of Telecom One Limited, including Telecom One's interconnect agreement with BT. The right to income under such agreements arises on the date at which BT formally recognises the new party to the agreement. PNC became party to the agreement on 1 May 2006. Settlement was reached with Telecom One Limited regarding net income arising between the date of the sale agreement and 1 May 2006. Accordingly the settlement amount of £274,866 has been recognised in the period under review.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

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.

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

1. ACCOUNTING POLICIES *(continued)*

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.

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 from 1 Jan 06 to 31 May 06 £	Period from 1 Jun 05 to 31 Dec 05 £
United Kingdom	<u>14,339,640</u>	<u>5,136,425</u>

3. OPERATING LOSS

Operating loss is stated after charging:

	Period from 1 Jan 06 to 31 May 06 £	Period from 1 Jun 05 to 31 Dec 05 £
Amortisation	5,338	-
Depreciation of owned fixed assets	195,352	148,700
Depreciation of assets held under hire purchase agreements	8,587	3,142
Auditor's remuneration		
- as auditor	15,000	10,000
- for other services	-	11,000
Exceptional items (Note 4)	<u>303,943</u>	<u>280,845</u>

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

4 EXCEPTIONAL ITEMS

The exceptional items totalling £303,943 (period to 31 December 2005 £280,845) arose in respect of development costs of new business ventures that are now considered to have no further commercial value

5. PARTICULARS OF EMPLOYEES

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

	Period from 1 Jan 06 to 31 May 06 No	Period from 1 Jun 05 to 31 Dec 05 No
Number of administrative staff	44	31
Number of sales staff	26	23
	<u>70</u>	<u>54</u>

The aggregate payroll costs of the above were

	Period from 1 Jan 06 to 31 May 06 £	Period from 1 Jun 05 to 31 Dec 05 £
Wages and salaries	1,638,453	1,095,498
Social security costs	116,806	119,954
Other pension costs	4,396	6,288
	<u>1,759,655</u>	<u>1,221,740</u>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	Period from 1 Jan 06 to 31 May 06 £	Period from 1 Jun 05 to 31 Dec 05 £
Emoluments receivable	<u>56,174</u>	<u>60,528</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 1 Jan 06 to 31 May 06 £	Period from 1 Jun 05 to 31 Dec 05 £
Finance charges	1,301	391
Other similar charges payable	36,764	674
	<u>38,065</u>	<u>1,065</u>

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

8 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the Period

	Period to 31 May 06 £	Period to 31 Dec 05 £
Current tax		
UK Corporation tax based on the results for the period at 30% (period to 31 Dec 05 - 30%)	-	-
Over provision in prior year	-	(83,000)
Total current tax	-	(83,000)
Deferred tax		
Origination and reversal of timing differences	126,888	26,951
Available losses	(459,874)	(43,080)
Total deferred tax	(332,986)	(16,129)
Tax on (loss)/profit on ordinary activities	(332,986)	(99,129)

(b) Factors affecting current tax charge

	31 May 06 £	31 Dec 05 £
(Loss)/profit on ordinary activities before taxation	(1,267,590)	(663,238)
Profit/(loss) on ordinary activities by rate of tax	(380,277)	(198,971)
Expenses not deductible for tax	53,697	99,218
Depreciation in excess of capital allowances	(133,293)	(26,327)
Available losses	459,873	43,080
Total current tax (note 9(a))	-	(83,000)

9. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
Additions	160,138
At 31 May 2006	160,138
AMORTISATION	
Charge for the period	5,338
At 31 May 2006	5,338
NET BOOK VALUE	
At 31 May 2006	154,800
At 31 December 2005	-

On 10 February 2006, the company acquired the trade and fixed assets of Telecom One Limited for a total cost of £1,335,131, being consideration of £1,200,000 and directly attributable costs of £135,131. Of the amount paid, £1,174,993 related to the fair value of fixed assets acquired with the balance being goodwill of £160,138.

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

10. TANGIBLE FIXED ASSETS

	Improvements to Property £	Fixtures, Fittings & Office Equipment £	Motor Vehicles £	Computer & Telecoms Equipment £	Total £
COST					
At 1 January 2006	331,647	417,446	109,194	2,446,707	3,304,994
Additions	1,452	2,002	46,997	1,305,432	1,355,883
Disposals	—	—	(44,950)	—	(44,950)
At 31 May 2006	333,099	419,448	111,241	3,752,139	4,615,927
DEPRECIATION					
At 1 January 2006	329,811	405,580	30,719	1,619,154	2,385,264
Charge for the period	1,374	2,282	8,587	191,696	203,939
On disposals	—	—	(3,278)	—	(3,278)
At 31 May 2006	331,185	407,862	36,028	1,810,850	2,585,925
NET BOOK VALUE					
At 31 May 2006	1,914	11,586	75,213	1,941,289	2,030,002
At 31 December 2005	1,836	11,866	78,475	827,553	919,730

Hire purchase agreements

Included within the net book value of £2,030,002 is £75,213 (31 December 2005 - £78,475) 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 £8,587 (period to 31 December 2005 - £3,142).

11. DEBTORS

	31 May 06 £	31 Dec 05 £
Trade debtors	6,603,859	1,281,070
Amounts owed by group undertakings	—	28,019
Other debtors	982,409	385,087
Directors current accounts	157,514	84,933
Prepayments and accrued income	689,100	125,827
Deferred taxation (note 11)	410,115	77,129
	8,842,997	1,982,065

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 director's current account. The balance on that account at the period end was £157,514 (period ending 31 December 2005 - £84,933).

Included within other debtors at the balance sheet date is a claim for repayment of input VAT of £697,613. At the date of signing of the financial statements, HMRC&E have not made the repayment as the claim is subject to input tax repayment verification.

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

12. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	31 May 06 £	31 Dec 05 £
Included in debtors (note 10)	<u>410,115</u>	<u>77,129</u>

The movement in the deferred taxation account during the period was

	Period to 31 May 06 £	Period to 31 Dec 05 £
Balance brought forward	77,129	61,000
Profit and loss account movement arising during the period	<u>332,986</u>	<u>16,129</u>
Balance carried forward	<u>410,115</u>	<u>77,129</u>

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

	31 May 06 £	31 Dec 05 £
Excess of taxation allowances over depreciation on fixed assets	(92,839)	34,049
Tax losses available	<u>502,954</u>	<u>43,080</u>
	<u>410,115</u>	<u>77,129</u>

13 CREDITORS: Amounts falling due within one year

	31 May 06 £	31 Dec 05 £
Bank loans and overdrafts	1,186,971	—
Trade creditors	6,648,312	1,080,170
Amounts owed to group undertakings	20,422	1,108,973
Other creditors including taxation and social security		
Corporation tax	39,378	21,233
Other taxation and social security	427,612	259,244
Hire purchase agreements	15,821	15,799
Other creditors	<u>534,666</u>	<u>77,642</u>
	8,873,182	2,563,061
Accruals and deferred income	<u>1,734,470</u>	<u>761,980</u>
	<u>10,607,652</u>	<u>3,325,041</u>

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

	31 May 06 £	31 Dec 05 £
Debenture loans	3,670,000	1,600,000
Other creditors		
Hire purchase agreements	<u>55,429</u>	<u>60,342</u>
	<u>3,725,429</u>	<u>1,660,342</u>

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

15 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	31 May 06 £	31 Dec 05 £
Amounts payable within 1 year	15,821	15,799
Amounts payable between 2 and 5 years	55,429	60,342
	<u>71,250</u>	<u>76,141</u>

16 COMMITMENTS UNDER OPERATING LEASES

At 31 May 2006 the company had annual commitments under non-cancellable operating leases as set out below

	31 May 06		31 Dec 05	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 1 year	-	-	-	-
Within 2 to 5 years	176,512	11,465	48,692	11,645
	<u>176,512</u>	<u>11,465</u>	<u>48,692</u>	<u>11,645</u>

Operating lease charges in the period (other than plant & machinery) amounted to £67,780 (period to 31 December 2005 £35,197)

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 May 2006 £	31 Dec 2005 £
Net recharges	-	-
Year end debtor	62,121	62,121
Paragon International Limited	31 May 2006 £	31 Dec 2005 £
Loan repayment/(additions)	1,100,000	(808,997)
Year end creditor	(8,973)	(1,108,973)
Woodbine Commercial Limited	31 May 2006 £	31 Dec 2005 £
Loan additions	(2,070,000)	(1,600,000)
Year end creditor	(3,670,000)	(1,600,000)

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. On this basis the company is considered to be a related party.

Paragon International Limited owned 100% of the issued ordinary share capital of PNC Telecom Services Limited until 25 April 2006.

Woodbine Commercial Limited is a related party by virtue of a family connection between the controlling party of that company, and Curby Holdings Limited, the parent company of PNC Telecom Services at the balance sheet date.

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

18. SHARE CAPITAL

Authorised share capital:

	31 May 06 £	31 Dec 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 May 06 No	£	31 Dec 05 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>

19. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Period to 31 May 06 £	Period to 31 Dec 05 £
Operating loss	(1,229,525)	(662,173)
Amortisation	5,338	—
Depreciation	203,939	151,842
Increase in debtors	(6,527,946)	(537,506)
Increase in creditors	6,077,473	260,602
Net cash outflow from operating activities	<u>(1,470,721)</u>	<u>(787,235)</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Period to 31 May 06 £	Period to 31 Dec 05 £
Interest paid	(36,764)	(674)
Interest element of hire purchase	(1,301)	(391)
Net cash outflow from returns on investments and servicing of finance	<u>(38,065)</u>	<u>(1,065)</u>

TAXATION

	Period to 31 May 06 £	Period to 31 Dec 05 £
Taxation	<u>18,145</u>	<u>14,233</u>

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

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

CAPITAL EXPENDITURE

	Period to 31 May 06 £	Period to 31 Dec 05 £
Payments to acquire intangible fixed assets	(160,138)	-
Payments to acquire tangible fixed assets	(1,355,883)	(325,526)
Receipts from sale of fixed assets	41,672	-
Net cash outflow from capital expenditure	<u>(1,474,349)</u>	<u>(325,526)</u>

FINANCING

	Period to 31 May 06 £	Period to 31 Dec 05 £
Increase in debenture loans	2,070,000	1,600,000
Capital element of hire purchase	(4,891)	74,484
Net cash inflow from financing	<u>2,065,109</u>	<u>1,674,484</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	31 May 06 £	31 Dec 05 £
(Decrease)/increase in cash in the period	(899,881)	574,891
Net cash (inflow) from debenture loans	(2,070,000)	(1,600,000)
Cash outflow in respect of hire purchase	<u>4,891</u>	<u>(74,484)</u>
	<u>(2,964,990)</u>	<u>(1,099,593)</u>
Change in net debt	(2,964,990)	(1,099,593)
Net debt at 1 January 2006	(1,496,593)	(397,000)
Net debt at 31 May 2006	<u>(4,461,583)</u>	<u>(1,496,593)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2006 £	Cash flows £	At 31 May 2006 £
Net cash			
Cash in hand and at bank	179,548	287,090	466,638
Overdrafts	-	(1,186,971)	(1,186,971)
	<u>179,548</u>	<u>(899,881)</u>	<u>(720,333)</u>
Debt			
Debt due after 1 year	(1,600,000)	(2,070,000)	(3,670,000)
Hire purchase agreements	(76,141)	4,891	(71,250)
	<u>(1,676,141)</u>	<u>(2,065,109)</u>	<u>(3,741,250)</u>
Net debt	<u>(1,496,593)</u>	<u>(2,964,990)</u>	<u>(4,461,583)</u>

PNC TELECOM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2006 TO 31 MAY 2006

20. ULTIMATE PARENT COMPANY

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 period end