

BROADBAND SERVICES HOLDINGS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2005

COMPANY REGISTRATION NUMBER 04051780



BROADBAND SERVICES HOLDINGS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

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BROADBAND SERVICES HOLDINGS LIMITED
OFFICERS

The board of directors

L. Solomon
J.C. Sparkman
B. Aratani

Company secretary

DWS Secretaries Limited

Registered office

One Fleet Place
London
EC4M 7WS

BROADBAND SERVICES HOLDINGS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2005

The directors present their report and the financial statements of the company for the year ended 31st December 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of a holding company.

On 9th May 2002 Broadband Services International Limited (BSIL), a subsidiary company went in to administration. It was uncertain whether any funds will be available for distribution to shareholders and consequently the company's investment in BSIL was written off at the end 2001. BSIL has now progressed in to liquidation and two small dividends have been paid: in December 2003 of some £826,324 and some £826,324 in January 2005, discussions with the Liquidators indicate that no further material dividends will be payable.

Worldtel (Europe) Limited, a subsidiary company ceased trading with effect from 30th September 2002 and is in the process of completing its affairs in an orderly fashion.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the year were as follows:

L. Solomon
J.C. Sparkman
B. Aratani

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

The directors hold no interest in the share capital of the company or the ultimate holding company which are required to be disclosed under the Companies Act 1985.

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 affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 6 to 7, 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; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

BROADBAND SERVICES HOLDINGS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST DECEMBER 2005

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 Act 1985. The directors 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.

Signed on behalf of the directors



B. Aratani
Director

Approved by the directors on 30th March 2006

BROADBAND SERVICES HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2005

	Note	2005 £	2004 £
TURNOVER		—	—
Administrative expenses			
- (recovery) of inter-company debtor		(826,324)	—
- other administrative expenses		—	1,268
OPERATING PROFIT/(LOSS)	2	<u>826,324</u>	<u>(1,268)</u>
Interest receivable		5,648	13,166
Interest payable and similar charges	4	(2,546,877)	(2,728,618)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,714,905)</u>	<u>(2,716,720)</u>
Tax on loss on ordinary activities	5	—	—
LOSS FOR THE FINANCIAL YEAR		<u><u>(1,714,905)</u></u>	<u><u>(2,716,720)</u></u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 6 to 10 form part of these financial statements.

BROADBAND SERVICES HOLDINGS LIMITED

BALANCE SHEET

31ST DECEMBER 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Investments	6	100	100
CURRENT ASSETS			
DEBTORS RECEIVABLE WITHIN ONE YEAR	8	-	-
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	47,267,112	45,552,207
NET CURRENT LIABILITIES		(47,267,112)	(45,552,207)
TOTAL ASSETS LESS CURRENT LIABILITIES		(47,267,012)	(45,552,107)
CAPITAL AND RESERVES			
Called-up equity share capital	9	1	1
Other reserves	10	10,334,138	10,334,138
Profit and loss account	11	(57,601,151)	(55,886,246)
DEFICIENCY	12	(47,267,012)	(45,552,107)

For the period ending 31st December 2005 the company was entitled to exemption under section 249A(1) of the Companies Act 1985 relating to the audit of the financial statements. Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

The Directors acknowledges his responsibility for :

- i. Ensuring that the company keeps accounting records which comply with section 221; and
- ii. Preparing the accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial period, in accordance with the requirements of section 226 , and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company; The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies.

These financial statements were approved by the directors on the 30th March 2006 and are signed by:



B. Aratani
Director

The notes on pages 6 to 10 form part of these financial statements.

BROADBAND SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

1. ACCOUNTING POLICIES

(i) Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards, subject to the departures referred to below.

Basis of preparation

At 31st December 2006 Broadband Services Holdings Limited had net liabilities of £47,267,012. The ultimate parent company, Broadband Services, Inc., has provided a letter confirming that it will continue to provide financial support to the company for a period of 12 months from the date of signing of the financial statements and will not require repayment of amounts owed to it and its subsidiaries by the company such that the company is unable to effect payment thereof.

In their consideration of whether this level of support is sufficient, the directors have had regard to the activities of the company, which is a non trading company, and have concluded that such support is sufficient to enable the financial statements to be drawn up on a going concern basis

The financial statements do not include any adjustment that would result from a withdrawal of the financial support by Broadband Services, Inc.

Departure from SSAP 20

Under the provisions of SSAP 20 assets and liabilities denominated in foreign currencies are required to be translated into sterling at the rate of exchange ruling at the balance sheet date and the resulting exchange differences are required to be taken into account when arriving at the operating profit.

The directors consider that a revaluation of the loan notes and the balance due to the ultimate parent company, both of which are denominated in US dollars, would not give a true and fair view since there is no prospect of repayment and taking the resulting exchange gain or loss to the profit and loss account would not show an accurate picture of the results for the year.

Consequently the true and fair override has been invoked and the loan notes and balance due to the ultimate parent company have not been restated at 31st December 2005 to account for exchange rate movements.

The combined liability for these three items recorded in the financial statements is £47,208,293. Compliance with SSAP 20 would have resulted in a liability of £37,453,291.

Compliance with SSAP 20 would have resulted in an exchange gain of £9,755,002, thus increasing operating profit by £9,755,002.

(ii) Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

(iii) Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

(iv) Fixed assets

All fixed assets are initially recorded at cost.

BROADBAND SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

1. ACCOUNTING POLICIES *(continued)*

(v) 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 exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

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.

(vi) Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Interest charges on foreign denominated loans are translated into sterling at the average rate of exchange for the period. See note on accounting policies above.

(vii) Investments

Fixed asset investments are shown at cost less provision for impairment.

2. OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2005 £	2004 £
Auditors' remuneration		
- as auditors	-	-
Net loss on foreign currency translation	-	-
Broadband Services International Limited bad debt (recovery).	(826,324)	-

BROADBAND SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

3. PARTICULARS OF EMPLOYEES

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

	2005 No	2004 No
Number of administrative staff	—	—
	<u>—</u>	<u>—</u>

No salaries or wages have been paid to employees, including the directors, during the year.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Interest payable to ultimate parent company and fellow group company	2,546,877	2,727,618
	<u>2,546,877</u>	<u>2,727,618</u>

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2005 £	2004 £
Total current tax	—	—
	<u>—</u>	<u>—</u>

6. INVESTMENTS

	Investment in subsidiary £
COST	
At 1st January 2005 and 31st December 2005	100
	<u>100</u>
NET BOOK VALUE	
At 31st December 2005	100
	<u>100</u>
At 31st December 2004	100
	<u>100</u>

BROADBAND SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

6. INVESTMENTS *(continued)*

In May 2002, Broadband Services International Limited (BSIL) went into administration following the failure and appointment of an administrator to its largest customer earlier in May 2002. The company considers that it will not recover its investment. Investment and advances to 31st December 2001 were written off in the period ended 31st December 2001 and subsequent advances made in the early part of 2002 have been written off in the period ended 31st December 2002. Subsequently £826,324 was recovered in December of 2003 and is reflected in the accounts for 2003, a further dividend of £826,324 was paid in January 2005 and is reflected in these statements, no further material dividends are expected.

The company has investments in the following subsidiaries:

Worldtel (Europe) Limited (100%)

Broadband Services International Limited (100%)

All of the subsidiaries are incorporated in England and Wales.

Worldtel (Europe) Limited provided professional services in telecommunications project management and supervision. This company ceased trading on 30th September 2002.

Broadband Services International Limited provided telecommunications and cable television contractor services specialising in cabling and activation and the provision of highly specialist and technical services. This company went into liquidation in May 2002.

	2005 £	2004 £
Aggregate capital and reserves		
Worldtel (Europe) Limited	89,990	95,434
Loss for the year		
Worldtel (Europe) Limited	(5,444)	(12,798)

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Loan Note payable to fellow group company	19,498,953	18,398,776
Amount due to parent company	602,018	1,087,723
Loan Note payable to parent company	27,107,322	26,012,969
Amount due to subsidiary	47,318	41,239
Accruals and deferred income	11,500	11,500
	<u>47,267,112</u>	<u>45,552,207</u>

Interest accrues on the loan notes at 8% per annum.

8. DEBTORS: RECEIVABLE WITHIN ONE YEAR

	2005 £	2004 £
Amount due from subsidiary	—	—
	<u>—</u>	<u>—</u>

BROADBAND SERVICES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

9. SHARE CAPITAL

Authorised share capital:

	2005 £	2004 £
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2005 No	£	2004 No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

10. OTHER RESERVES

	2005 £	2004 £
Capital redemption reserve	<u>10,334,138</u>	<u>10,334,138</u>

On incorporation of the company, the parent company made a capital contribution of £10,334,138.

11. PROFIT AND LOSS ACCOUNT

	2005 £	2004 £
Balance brought forward	(55,886,246)	(53,169,526)
Accumulated loss for the financial year	<u>(1,714,905)</u>	<u>(2,716,720)</u>
Balance carried forward	<u>(57,601,151)</u>	<u>(55,886,246)</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Loss for the financial year	(1,714,905)	(2,716,720)
Net addition/(reduction) to funds	<u>(1,714,905)</u>	<u>(2,716,720)</u>
Opening shareholders' equity deficit	<u>(45,552,107)</u>	<u>(42,835,387)</u>
Closing shareholders' equity deficit	<u>(47,267,012)</u>	<u>(45,552,107)</u>

13. RELATED PARTY TRANSACTIONS

The company is exempt from disclosing transactions with group companies and subsidiaries on the grounds that the results of those companies are included within the consolidated financial statements of the ultimate parent company.

14. ULTIMATE PARENT COMPANY

The company and its subsidiaries are under the control of its ultimate parent company, Broadband Services, Inc. a company incorporated in the United States of America.

The smallest and largest group in which the results of the company are consolidated is Broadband Services Inc.

BROADBAND SERVICES HOLDINGS LIMITED

MANAGEMENT INFORMATION

YEAR ENDED 31ST DECEMBER 2005

The following page does not form part of the statutory financial statements.

BROADBAND SERVICES HOLDINGS LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2005

	2005		2004
	£	£	£
OVERHEADS			
Legal and professional fees	—		1,268
Auditors remuneration	—		—
Broadband Services International Limited (recovery) bad debt	(826,324)		—
Bank charges	—		—
Foreign currency gains/losses	—		—
	<u>(826,324)</u>		<u>1,268</u>
OPERATING PROFIT/(LOSS)	826,324		(1,268)
Interest receivable	5,648		13,166
	<u>831,972</u>		<u>11,898</u>
Interest payable to ultimate parent and fellow group company	(2,546,877)		(2, 728,618)
LOSS ON ORDINARY ACTIVITIES	<u>(1,714,905)</u>		<u>(2,716,720)</u>