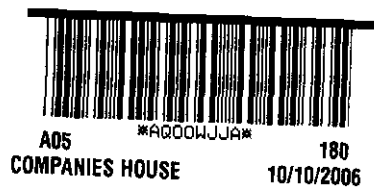


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005
FOR
TRILOGY NETWORKS LIMITED**



TRILOGY NETWORKS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2005**

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TRILOGY NETWORKS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2005

DIRECTORS:	M T Duddy G L Cove
SECRETARY:	M T Duddy
REGISTERED OFFICE:	2 White House Close WATTON AT STONE SG14 3TW
REGISTERED NUMBER:	04291367 (England and Wales)

TRILOGY NETWORKS LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2005**

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

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of the provision of broadband telecoms consultancy and management services.

DIRECTORS

The directors during the period under review were:

M T Duddy

G L Cove

The beneficial interests of the directors holding office on 31 December 2005 in the issued share capital of the company were as follows:

31.12.05

1.1.05

Ordinary 5p shares

M T Duddy

6,354,720

6,354,720

G L Cove

1,000,000

1,000,000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. 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 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.

This report has been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:



.....
M T Duddy - Director

Date:

30/09/2006

TRILOGY NETWORKS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
TURNOVER		94,686	136,576
Cost of sales		<u>0</u>	<u>26,908</u>
GROSS PROFIT		94,686	111,668
Administrative expenses		<u>31,717</u>	<u>93,280</u>
OPERATING PROFIT	2	62,696	18,388
Loans written off		<u>-</u>	<u>-</u>
		62,696	18,388
Interest receivable and similar income		<u>0</u>	<u>38</u>
		62,696	18,426
Interest payable and similar charges		<u>70,720</u>	<u>16,102</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-7,751	2,324
Tax on profit/(loss) on ordinary activities	3	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD AFTER TAXATION		-7,751	2,234
RETAINED PROFIT (DEFICIT) FOR THE YEAR		<u><u>-7,751</u></u>	<u><u>2,234</u></u>

The notes form part of these financial statements

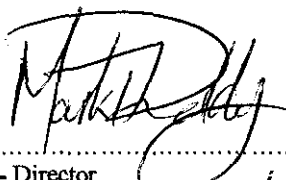
TRILOGY NETWORKS LIMITED

**BALANCE SHEET
31 DECEMBER 2005**

	Notes	2005		2004	
		£	£	£	£
FIXED ASSETS:					
Tangible assets	4	294,159		84,209	
CURRENT ASSETS:					
Debtors	5	1,375		261,352	
CREDITORS: Amounts falling due within one year	6	<u>71,620</u>		<u>89,267</u>	
NET CURRENT ASSETS/(LIABILITIES):			<u>(70,245)</u>		<u>172,085</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			223,913		256,294
CREDITORS: Amounts falling due after more than one year	7		<u>196,133</u>		<u>220,763</u>
			<u>27,780</u>		<u>35,531</u>
CAPITAL AND RESERVES:					
Called up share capital	9		561,220		561,220
Profit and loss account	10		<u>(533,440)</u>		<u>(525,689)</u>
SHAREHOLDERS' FUNDS:			<u>27,780</u>		<u>35,531</u>

- (a) For the year ended 31st December 2005 the company was entitled to exemption under section 249A(1) of the Companies Act 1985;
- (b) Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985;
- (c) The directors acknowledge their responsibility for:
- ensuring the company keeps accounting records which comply with section 221; and
 - preparing 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 year, 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.
- (d) The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:


.....
M T Duddy - Director

Approved by the Board on:

30/9/2006

The notes form part of these financial statements

TRILOGY NETWORKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 20% on cost
Fixtures and fittings	- 25% on cost
Software Licences	- 25% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

2. OPERATING PROFIT/(LOSS)

The operating profit (2005 - operating loss) loss is stated after charging:

	2005	2004
	£	£
Depreciation - owned assets	15,807	38,221
Auditors' remuneration	<u>0</u>	<u>1,500</u>
Directors' emoluments and other benefits etc	<u>7,500</u>	<u>13,500</u>

3. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the period.

TRILOGY NETWORKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

4. TANGIBLE FIXED ASSETS

	Plant and Machinery	Fixtures & fittings	Software Licences	Totals
	£	£	£	£
COST:				
At 1 January 2005	183,340	11,083	0	194,423
Additions/(Disposals) for the year	-49,157	0	274,914	225,757
As at 31 December 2005	134,183	11,083	274,914	420,180
DEPRECIATION:				
At 1 January 2005	103,817	6,397	0	110,214
Charge for the year	14,638	1,169	0	15,807
As at 31 December 2005	118,455	7,566	0	126,021
NET BOOK VALUE:				
At 31 December 2005	15,728	3,517	274,914	294,159
At 31 December 2004	79,523	4,686	0	84,209

**5. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2005 £	2004 £
Other debtors	0	261,352

**6. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2005 £	2004 £
Bank loans and overdrafts	19,314	56,521
Trade creditors	7,664	10,573
Other creditors	34,891	19,693
Directors' current accounts	9,751	2,300
Social security & other taxes	0	0
	71,620	89,267

**7. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	2005 £	2004 £
Repayable by installments		
Other loan	196,133	220,763
Amounts falling due in more than five years:		
Repayable by installments		
Other loan	87,230	117,859

TRILOGY NETWORKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 31 DECEMBER 2005**

8. OPERATING LEASE COMMITMENTS

The following payments are committed to be paid within one year:

	2005 £	2004 £
Expiring:		
Within one year	0	0
Between one and five years	<u>0</u>	<u>16,368</u>
	<u>0</u>	<u>16,368</u>

9. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2005 £	2004 £
20,000,000	Ordinary	5p	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2005 £	2004 £
11,224,400	Ordinary	5p	<u>561,220</u>	<u>561,220</u>

10. RESERVES

As at 1 January 2005	(525,689)
Retained profit for the year	<u>(7,751)</u>
As at 31 December 2005	<u>(533,440)</u>

11. RELATED PARTY DISCLOSURES

Included in the Fixed Assets is the purchase of software licences for £274,914 (in respect of business support and operational support systems) from Trilogy Telecom Ltd. of which M Duddy and G Cove are both directors and shareholders. During the year there was a management charge made to Trilogy Telecom Ltd. of £94,686.