

# **Eurotel Holdings Limited**

Annual report and financial statements

Registered number 5466039

31 March 2006



## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	4
<i>Consolidated profit and loss account</i>	7
Consolidated balance sheet	8
<i>Company balance sheet</i>	9
Consolidated cash flow statement	10
<i>Reconciliations of movements in consolidated shareholders' funds</i>	11
Notes	12

## Directors' report

The directors present their directors' report and the financial statements for the period from incorporation on 27 May 2005 to 31 March 2006.

### Principal activities

The principal activity of the Group during the year was that of selling and maintaining telecommunications equipment and the provision of telephone network services.

### Business review

#### – Performance of the business

Eurotel Holdings Limited was incorporated on 27 May 2005.

On 1 July 2005, the company acquired a 100% interest in the Neville Ward Holdings Group, the main trading company of which is Eurotel Limited.

Turnover for the group for period ended 31 March 2006 was £21.1m with operating profit of £1.6m.

The Directors are confident of the future prospects of the Group.

#### – Principal risks and uncertainties

The main risks for the Group as identified by the Board are:

##### *Pursuit of appropriate strategies*

Control measures include:

- The Board formally reviews and approves the business strategy against the background of market changes and competitors' strategies.

##### *Meeting customers' expectations*

Control measures include:

- Management meeting on a weekly basis to review key areas of service delivery.
- The Board periodically reviews the performance in service delivery.

The principal uncertainty the Group faces is the technological changes in the communications industry. The Group relies on its internal expertise together with the expertise of its suppliers and partners to guide the Board in its decision making.

## Directors' report *(continued)*

### Business review *(continued)*

#### – Key performance indicators

##### *Financial key performance indicators*

	Period ended 31 March 2006 £000
EBITA	2,420
Free cash flow	1,513
Net debt	(16,743)

##### *Revenues*

	Period ended 31 March 2006
Revenues from Network Services	52.2%
Revenues from Equipment Solutions	43.5%
Revenues from Mobile Services	4.3%
	100.0%

##### *Employee data*

	Full time	Part time	Period ended 31 March 2006 Total
Male	202	-	202
Female	102	2	104
	304	2	306

## Directors' report *(continued)*

### Dividends

The directors do not recommend the payment of a final dividend.

### Directors and directors' interests

The directors who held office during the year and their beneficial interests in the share capital of the company at 31 March 2006 were:

		Ordinary shares of £0.01 each 2006
Lord Young of Graffham	Appointed 1 July 2005	36,000
S J Alberga	Appointed 1 July 2005	15,000
Y Kurtzbard	Appointed 1 July 2005	15,000
A P Rex	Appointed 1 July 2005; resigned 9 June 2006	7,500
C Jagusz	Appointed 16 August 2006	-
P A Hudson	Appointed 15 August 2005	-
P H Allingan	Appointed 1 July 2005	7,500
J H Rodmell	Appointed 1 July 2005	7,500
D Dey	Appointed 1 July 2005	1,500

On 9 June 2006 the company bought back and cancelled the shares held by A P Rex.

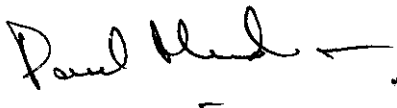
On 5 May 2006 P A Hudson was granted options to acquire 1,500 shares of £0.01 each at an exercise price of £13.40 each. The option is exercisable at the earlier of 15 August 2008 or a change in control of the Company.

On 4 September 2006 C Jagusz was granted options to acquire 2,923 shares of £0.01 each at an exercise price of £13.40 each. The options vest and become exercisable, in tranches, during the period 5 September 2007 to 4 September 2009.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**P A Hudson**  
*Secretary*

Empire House  
Mulcture Hall Road  
Halifax  
West Yorkshire  
HX1 1SP

30 October 2006



## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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;
- state whether applicable UK 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.

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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.



## KPMG LLP

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
United Kingdom

### **Independent auditors' report to the members of Eurotel Holdings Limited**

We have audited the group and parent company financial statements (the "financial statements") of Eurotel Holdings Limited for the period ended 31 March 2006 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) 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 (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 other information in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 Eurotel Holdings Limited *(continued)*

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2006 and of the group's profit 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.

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditor

*30 October* 2006





**Group profit and loss account**  
*for the period ended 31 March 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>
<b>Turnover</b>	<i>1</i>	<b>21,172</b>
Cost of sales		<b>(10,477)</b>
		<hr/>
<b>Gross profit</b>		<b>10,695</b>
Administrative expenses		<b>(9,057)</b>
		<hr/>
<b>Group operating profit</b>		<b>1,638</b>
Interest receivable and similar income	<i>5</i>	<b>48</b>
Interest payable and similar charges	<i>6</i>	<b>(1,159)</b>
		<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>2-6</i>	<b>527</b>
Tax on profit on ordinary activities	<i>7</i>	<b>-</b>
		<hr/>
<b>Profit for the financial period</b>		<b>527</b>
		<hr/>

The result for the year is derived entirely from continuing operations acquired in the period.

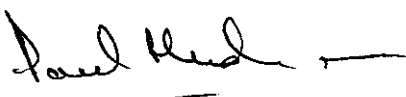
There is no material difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The company has no recognised gains or losses other than those reflected in the profit and loss account.

**Group balance sheet**  
**at 31 March 2006**

	<i>Note</i>	2006 £000	£000
<b>Fixed assets</b>			
Intangible fixed assets	8	18,202	
Tangible fixed assets	9	189	
			18,391
<b>Current assets</b>			
Stocks	11	195	
Debtors	12	4,690	
Cash at bank and in hand		1,053	
		5,938	
<b>Creditors: amounts falling due within one year</b>	13	(6,533)	
<b>Net current liabilities</b>			(595)
<b>Total assets less current liabilities</b>			17,796
<b>Creditors: amounts falling due after more than one year</b>	14		(17,268)
<b>Net assets</b>			528
<b>Capital and reserves</b>			
Called up share capital	16		1
Profit and loss account	17		527
<b>Equity shareholders' funds</b>	18		528

These financial statements were approved by the board of directors on 30 October 2006 and were signed on its behalf by:



**P A Hudson**  
Director

**Company balance sheet**  
*at 31 March 2006*

	<i>Note</i>	2006 £000	2006 £000
<b>Fixed assets</b>			
Investments	<i>10</i>		18,710
<b>Current assets</b>			
Debtors	<i>12</i>	60	
Cash at bank and in hand		382	
		<hr/> 442	
<b>Creditors: amounts falling due within one year</b>	<i>13</i>	<hr/> (3,172)	
<b>Net current liabilities</b>			<hr/> (2,730)
<b>Total assets less current liabilities</b>			<hr/> 15,980
<b>Creditors: amounts falling due after more than one year</b>	<i>14</i>		<hr/> (17,268)
<b>Net assets</b>			<hr/> <hr/> (1,288)
 <b>Capital and reserves</b>			
Called up share capital	<i>16</i>		1
Profit and loss account	<i>17</i>		<hr/> (1,289)
<b>Equity shareholders' funds</b>	<i>18</i>		<hr/> <hr/> (1,288)

These financial statements were approved by the board of directors on 30 October 2006 and were signed on its behalf by:



**P A Hudson**  
*Director*

**Group cash flow statement**  
*for the period ended 31 March 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>
Cash flow from operating activities	19	1,568
Returns on investments and servicing of finance	20	(750)
Taxation		(573)
Capital expenditure and financial investment	20	(44)
Acquisitions and disposals	20	(16,945)
		<hr/>
Cash outflow before financing		(16,744)
<b>Financing</b>	20	17,797
		<hr/>
<b>Increase in cash in the period</b>		<b>1,053</b>
		<hr/> <hr/>

**Reconciliation of net cash flow  
to movement in net debt**

<b>Increase in cash in the period</b>		<b>1,053</b>
Increase in debt and lease financing	20	(17,796)
		<hr/>
Change in net debt resulting from cash flows	21	(16,743)
		<hr/>
<b>Movement in net debt in the period</b>		<b>(16,743)</b>
<b>Net debt at the start of the period</b>		<b>-</b>
		<hr/>
<b>Net debt at the end of the period</b>	21	<b>(16,743)</b>
		<hr/> <hr/>

**Reconciliations of movements in consolidated shareholders' funds**  
*for the period ended 31 March 2006*

	2006 £000
<b>Profit for the period</b>	<b>527</b>
New shares issued	1
	<hr/>
<b>Net addition to shareholders' funds</b>	<b>528</b>
Opening shareholders' funds	-
	<hr/>
<b>Closing shareholders' funds</b>	<b>528</b>
	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

In these financial statements the following new standards have been adopted:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

As provided by Section 230 of the Companies Act 1985, the profit and loss account of the parent undertaking has not been separately presented in the financial statements. The result of the parent undertaking for the year is disclosed in note 18 to the financial statements.

#### *Turnover*

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and discounts.

Income from sales of telephone systems is recognised on completion of the installation of the telephone system at the customer's premises.

Income from network calls sales is recognised at the time the call is made by the customer.

Income from maintenance contracts is recognised on the accruals basis over the period of the contract. The balance relating to the un-expired contracts at the year-end is carried forward as deferred income.

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost less the residual value of tangible fixed assets by equal annual instalments over their estimated useful economic lives as follows:

Fixtures, fittings tools and equipment	-	10-15%
Computer equipment	-	25%
Motor vehicles	-	25%

## Notes (continued)

### 1 Accounting policies (continued)

#### *Goodwill*

Goodwill arising on the acquisition of trade and assets, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which in the opinion of the directors is between 5 and 20 years. Provision is made for any impairment.

Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the FIFO method is used.

#### *Deferred taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Leases and hire purchases contracts*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Hire purchase contracts are treated identically to finance leases.

#### *Pension costs*

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

## Notes (continued)

### 2 Profit on ordinary activities before taxation

	2006 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>	
Depreciation and amounts written off tangible fixed assets	
- owned	124
- held under finance leases and hire purchase contracts	1
Amortisation of goodwill	782
(Profit) on disposal of fixed assets	(8)
Operating lease rentals	
- plant and machinery	431
- other	98
Auditors' remuneration for audit services	
- Group	36
- Company	5
Auditors' remuneration for non-audit services	
- Group	39
- Company	-
	<hr/> <hr/>

### 3 Remuneration of directors

	2006 £000
Directors' emoluments	360
Company contributions to money purchase pension schemes	7
	<hr/> <hr/>
	367

The aggregate of emoluments, pension contributions and amounts receivable under long term incentive schemes of the highest paid director was £119,000.

Retirement benefits are accruing to the following number of directors under:

	Number of directors 2006
Money purchase schemes	3
	<hr/> <hr/>



## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2006
Marketing and sales	172
Technical	87
Administration	47
	<hr/> 306 <hr/>

The aggregate payroll costs of these persons were as follows:

	2006 £000
Wages and salaries	4,912
Social security costs	483
Other pension costs	21
	<hr/> 5,416 <hr/>

### 5 Interest receivable and similar income

	2006 £000
Bank interest	48
	<hr/>

### 6 Interest payable and similar charges

	2006 £000
Bank loans and overdrafts	975
Finance charges payable in respect of finance leases and hire purchase contracts	184
	<hr/> 1,159 <hr/>

## Notes (continued)

### 7 Taxation

#### *Analysis of charge in period*

	2006 £000
Current tax on income for the year	-
Adjustments in respect of prior periods	-
Deferred taxation	-
	<hr/>
Total	-
	<hr/> <hr/>

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2006 £000
<i>Current tax reconciliation</i>	
Profit on ordinary activities before tax	527
	<hr/>
Current tax at 30%	158
<i>Effects of:</i>	
Expenses not deductible for tax purposes	116
Goodwill amortisation	247
Fixed asset timing differences	121
Trading losses utilised	(642)
	<hr/>
Total current tax charge (see above)	-
	<hr/> <hr/>

## Notes (continued)

### 8 Intangible fixed assets

Group	Total £000
<i>Cost</i>	
At 27 May 2005	-
Acquisitions	18,984
	<hr/>
At 31 March 2006	18,984
	<hr/> <hr/>
<i>Amortisation</i>	
At 27 May 2005	-
Charge for period	782
	<hr/>
At 31 March 2006	782
	<hr/> <hr/>
<i>Net book value</i>	
At 31 March 2006	18,202
	<hr/> <hr/>
At 27 May 2005	-
	<hr/> <hr/>

Goodwill arising on the acquisition of trade and assets, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which in the opinion of the directors is between 5 and 20 years. Provision is made for any impairment.

## Notes (continued)

### 9 Tangible fixed assets

Group	Fixtures, fittings, tools and equipment £000	Computer equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>				
At 27 May 2005	-	-	-	-
Acquisitions	332	744	1,776	2,852
Additions	13	43	-	56
Disposals	-	(1)	(1,776)	(1,777)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	345	786	-	1,131
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 27 May 2005	-	-	-	-
Acquisitions	240	578	850	1,668
Charge for period	20	104	1	125
On disposals	-	-	(851)	(851)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	260	682	-	942
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 March 2006	85	104	-	189
	<hr/>	<hr/>	<hr/>	<hr/>
At 27 May 2005	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 10 Fixed asset investments

#### Shares in group undertakings

	2006 £
Cost at 27 May 2005	-
Additions	18,710
	<hr/>
Cost at 31 March 2006	18,710
	<hr/>

The company had the following investments:

	Country of Registration	Class of shares	Proportion of the Nominal value of that class	Retained profit / (loss) for the financial year to 31 March 2006 £000	Net assets at 31 March 2006 £000
Neville Ward Holdings Limited	UK	Ordinary	100%	(1)	-
Eurotel Limited	UK	Ordinary	100%*	3,179	4,120
Eurotel Corporate Services Limited	UK	Ordinary	100%*	-	25
Digital Exchange Maintenance Services Limited	UK	Ordinary	100%*	-	-

\* Held indirectly by the company

The principal activity of Eurotel Holdings Limited is as a holding company.

### 11 Stocks

	Group 2006 £000	Company 2006 £000
Finished goods and goods for resale	195	-
	<hr/>	<hr/>

## Notes (continued)

### 12 Debtors

	Group 2006 £000	Company 2006 £000
Trade debtors	2,502	-
Corporation tax receivable	380	-
Prepayments and accrued income	1,808	60
	<u>4,690</u>	<u>60</u>

### 13 Creditors: amounts falling due within one year

	Group 2006 £000	Company 2006 £000
Bank loans	1,177	1,177
Trade creditors	1,519	6
Amounts owed to group undertakings	-	1,889
Other taxation and social security	565	-
Other creditors	437	-
Accruals	1,452	100
Deferred income	1,383	-
	<u>6,533</u>	<u>3,172</u>

## Notes (continued)

### 14 Creditors: amounts falling due after more than one year

	Group 2006 £000	Company 2006 £000
Bank loans	16,619	16,619
Deferred consideration	649	649
	<u>17,268</u>	<u>17,268</u>

#### Analysis of debt:

	Group 2006 £000	Company 2006 £000
<b>Bank overdraft</b>		
On demand or within one year	-	-
	<u>          </u>	<u>          </u>
<b>Bank Loans</b>		
Within one year	1,177	1,177
Between two and five years	6,081	6,081
Over five years	10,538	10,538
	<u>17,796</u>	<u>17,796</u>

The Group has three principal bank loans:

- A loan of £8,000,000. The loan was taken out on 1 July 2005. Repayments commenced on 31 December 2005 and will continue until 30 June 2010. The loan is secured by fixed and floating charges over the assets of the Group. The loan carries interest at 2.25% above LIBOR.
- A loan of £3,000,000. The loan was taken out on 1 July 2005 and is due for repayment in full on 30 June 2011. The loan is secured by fixed and floating charges over the assets of the Group. The loan carries interest at 2.75% above LIBOR.
- A loan of £7,000,000. The loan was taken out on 1 July 2005 and is repayable on demand. Certain shareholders have provided security for this loan (see note 25). It is the banks' current intention not to require repayment of the capital until 30 June 2011. The loan carries interest at the Investec Bank base rate plus 1%.

## Notes (continued)

### 15 Provisions for liabilities and charges

	Deferred taxation £000
<b>Group</b>	
Balance at 27 May 2005 and at 31 March 2006	-

The amounts provided and the potential liability for deferred taxation are as follows:

	Amount provided £000	2006 Unprovided £000
Accelerated capital allowances	-	-

At 31 March 2006 there was a deferred tax asset relating to accelerated capital allowances of £121,000 which has not been recognised in the financial statements.

During the year there was no movement in provision for deferred tax.

### 16 Called up share capital

	2006 £000
<b>Authorised</b>	
Equity: 150,000 Ordinary shares of £0.01 each	2
	2
<b>Allotted, called up and fully paid</b>	
Equity: 144,000 Ordinary shares of £0.01 each	1
	1

The company was incorporated on 27 May 2005 with an authorised share capital of 15,000 ordinary shares of £0.10 each. On incorporation one share was issued for cash. On 1 July 2005 the issued share capital was increased to 14,400 ordinary shares of £0.10 each, issued at par for cash. On 15 March 2006 the 14,400 issued ordinary shares of £0.10 each and 600 unissued ordinary shares of £0.10 each were subdivided into 150,000 ordinary shares of £0.01 each.



## Notes (continued)

### 17 Reserves

	Group Profit and loss account £000	Company Profit and loss account £000
Balance at 27 May 2005	-	-
Retained profit/(loss) for the period	527	(1,289)
	<hr/>	<hr/>
Balance at 31 March 2006	527	(1,289)
	<hr/> <hr/>	<hr/> <hr/>

### 18 Reconciliation of movements in equity shareholders' funds

	Group £000	Company £000
Profit/(loss) for the period	527	(1,289)
New shares issued	1	1
	<hr/>	<hr/>
Net addition to/(reduction in) equity shareholders' funds/(liabilities)	528	(1,288)
Opening equity shareholders' funds	-	-
	<hr/>	<hr/>
Closing equity shareholders' funds/(liabilities)	528	(1,288)
	<hr/> <hr/>	<hr/> <hr/>

During the period the Company reported a loss of £1,289,000.

## Notes (continued)

### 19 Reconciliation of operating profit to operating cash flows

	2006 Total £000
<b>Group</b>	
Operating profit	1,638
Depreciation, amortisation and impairment charges	907
(Increase)/decrease in stocks	102
(Increase)/decrease in debtors	(45)
Increase/(decrease) in creditors	(1,034)
	<hr/>
<b>Net cash inflow from operating activities</b>	<b>1,568</b> <hr/> <hr/>

### 20 Analysis of cash flows

	2006 £000	2006 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	45	
Interest paid	(791)	
Interest element of finance lease rental payments	(4)	
	<hr/>	<hr/>
		(750)
		<hr/> <hr/>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(56)	
Sale of tangible fixed assets	12	
	<hr/>	<hr/>
		(44)
		<hr/> <hr/>
<b>Acquisitions and disposals</b>		
Purchase of subsidiary undertaking	(18,061)	
Net cash acquired with subsidiary	1,116	
	<hr/>	<hr/>
		(16,945)
		<hr/> <hr/>
<b>Financing</b>		
Issue of ordinary share capital	1	
Debt due within one year:		
New secured loans	1,177	
Repayment of secured loan	(600)	
Debt due after more than one year:		
New secured loans	17,219	
Capital element of finance lease rental payments	(664)	
Proceeds from sale and leaseback	664	
	<hr/>	<hr/>
		17,797
		<hr/> <hr/>

## Notes (continued)

### 21 Analysis of net debt

	At 27 May 2005	Cash flow	Acquisition (excluding cash and overdrafts)	New loans	At 31 March 2006
	£000	£000	£000	£000	£000
Cash at bank and in hand	-	1,053	-	-	1,053
	-	1,053	-	-	1,053
Debt due after one year	-	600	-	(17,219)	(16,619)
Debt due within one year	-	-	-	(1,177)	(1,177)
Finance leases	-	664	(664)	-	-
<b>Total</b>	<b>-</b>	<b>2,317</b>	<b>(664)</b>	<b>(18,396)</b>	<b>(16,743)</b>

### 22 Purchase of subsidiary undertaking

On 1 July 2005, the company acquired a 100% interest in the Neville Ward Holdings Group, the main trading company of which is Eurotel Limited.

The assets and liabilities acquired are shown below:

	£000
<b>Net assets acquired</b>	
Tangible fixed assets	1,184
Stock	297
Debtors	4,261
Cash at bank and in hand	1,116
Creditors due in less than one year	(6,846)
Creditors due in greater than one year	(286)
	(274)
Goodwill on acquisition	18,984
	18,710
<b>Satisfied by</b>	
Cash	18,061
Deferred consideration	649
	18,710

There were no fair value adjustments recorded on acquisition.

## Notes (continued)

### 22 Purchase of subsidiary undertaking (continued)

The subsidiary undertaking acquired during the year contributed £1,924,000 to the Group's net operating cash flows, received £31,000 in respect of net returns on investments and servicing of finance, paid £573,000 in respect of taxation and utilised £56,000 for capital expenditure.

The Neville Ward Holdings Group earned a profit of £3,140,000 in the year ended 31 March 2006 of which £697,000 arose in the period from 1 April 2005 to 30 June 2006.

The summarised profit and loss account for the period from 1 April 2005 to 30 June 2005 is shown below:

	2006 £000
<b>Turnover</b>	6,979
Cost of sales	(3,605)
	<hr/>
<b>Gross profit</b>	3,374
Administrative expenses	(2,676)
	<hr/>
<b>Group operating profit</b>	698
	<hr/>
Interest receivable and similar income	12
Interest payable and similar charges	(16)
	<hr/>
<b>Profit on ordinary activities before taxation</b>	694
Tax on profit on ordinary activities	3
	<hr/>
<b>Profit on ordinary activities after taxation</b>	697
	<hr/>

The Neville Ward Holdings Group had no recognised gains or losses other than those reflected in the profit and loss account.

## Notes (continued)

### 23 Guarantee and financial commitments

#### *Contingent liabilities*

On 1 July 2005 the company entered into a debenture with National Westminster Bank Plc providing the bank with fixed and floating charges over the assets of the company.

On 1 July 2005 the company also entered into an unlimited inter-company composite guarantee to National Westminster Bank Plc in respect of all liabilities to the bank from all other group companies.

At 31 March 2006 the net amount due to the National Westminster Bank Plc under this guarantee was £9,438,000.

#### *Operating leases*

	2006	
	Land and buildings £000	Other £000
Operating leases which expire:		
Within one year	129	88
Between two and five years inclusive	2	590
	<hr/>	<hr/>
	131	678
	<hr/>	<hr/>

### 24 Pension costs

The company operates a defined contribution pension scheme. Contributions are charged directly to the profit and loss account as they accrue. Contributions amounting to £2,000 were payable to the scheme and are included in creditors.

### 25 Related party transactions

Lord Young of Graffham, S J Alberga and Y Kurtzbard are directors of Eurotel Holdings Limited and are also directors of Young Associates Limited. During the year the Group paid fees of £112,500 to Young Associates Limited. In addition these directors have also provided security in respect of £7,000,000 of the Groups' long term bank loans.