Eurotel Holdings Limited

Annual report and financial statements

Registered number 5466039

31 March 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

Principal activities

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

Business review

- **Performance of the business**

  Turnover for the group for year ended 31 March 2007 was £28 8m *(9 months ended 31 March 2006 £21 2m)* with operating profit of £2 2m *(9 months ended 31 March 2006 £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

	Year ended 31 March 2007 £000	Period ended 31 March 2006 £000
EBITA	**3,210**	2,420
Free cash flow	**2,500**	1,053
Net debt	**(13,066)**	(16,743)

Free cash flows is defined as cash flows arising from accounts unencumbered by restrictions on its use for routine trading transactions

Revenues

	Year ended 31 March 2007	Period ended 31 March 2006
Revenues from Network Services	**51 2%**	52 2%
Revenues from Equipment Solutions	**41.3%**	43 5%
Revenues from Mobile Services	**7.5%**	4 3%
	100.0%	100 0%

Employee data

	Full time	Part time	Year ended 31 March 2007 Total	Period ended 31 March 2006 Total
Male	**201**	**-**	**201**	202
Female	**100**	**6**	**106**	104
	301	**6**	**307**	306

Directors' report *(continued)*

Dividends

The directors do not recommend the payment of a final dividend

During the year the company received a dividend of £1,800,000 (2006 nil) from its subsidiary company, Neville Ward Holdings Limited

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 2007 were

		Ordinary shares of £0.01 each 2007	Ordinary shares of £0 01 each 2006
Lord Young of Graffham		**36,000**	36,000
S J Alberga		**15,000**	15,000
Y Kurtzbard		**15,000**	15,000
A P Rex	Resigned 9 June 2006	-	7,500
C Jagusz	Appointed 16 August 2006	-	-
P A Hudson		-	-
P H Allingan		**7,500**	7,500
J H Rodmell		**7,500**	7,500
D Dey		**1,500**	1,500

On 9 June 2006 the company bought back and cancelled the shares held by A P Rex The 7,500 ordinary shares of £0 01 each were purchased for the cash consideration of £17,500

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 options are 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 September 2009

Acquisition

On 3 July 2006 Eurotel Holdings Limited acquired 100% of the share capital of NorthPoint Services Limited for a consideration of 731 ordinary shares of nominal value £0 01 each at a value of £13 40 per share On that date, the entire trade and assets were transferred into Eurotel Limited

Post Balance Sheet event

On 2 April 2007 Eurotel Limited, the main trading company of the Group acquired a 100% interest in Multilink Business Communications Limited

Directors' report *(continued)*

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

27 June 2007

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

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 2007 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 5

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 2007 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

27 June 2007

Consolidated profit and loss account
for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £000	Period ended 31 March 2006 £000
Turnover	*1*	**28,797**	21,172
Cost of sales		**(14,244)**	(10,477)
Gross profit		**14,553**	10,695
Administrative expenses		**(12,325)**	(9,057)
Group operating profit		**2,228**	1,638
Interest receivable and similar income	*5*	**118**	48
Interest payable and similar charges	*6*	**(1,270)**	(1,159)
Profit on ordinary activities before taxation	*2*	**1,076**	527
Tax on profit on ordinary activities	*7*	**(629)**	-
Profit for the financial year		**447**	527

The result for the year is derived entirely from continuing operations

There is no 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

Consolidated balance sheet
at 31 March 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Intangible fixed assets	8	17,224		18,202	
Tangible fixed assets	9	177		189	
			17,401		18,391
Current assets					
Stocks	11	152		195	
Debtors	12	3,767		4,690	
Cash at bank and in hand		3,553		1,053	
		7,472		5,938	
Creditors amounts falling due within one year	13	(8,993)		(6,533)	
Net current liabilities			(1,521)		(595)
Total assets less current liabilities			15,880		17,796
Creditors: amounts falling due after more than one year	14		(14,913)		(17,268)
Net assets			967		528
Capital and reserves					
Called up share capital	16		1		1
Share premium account	18		10		-
Capital redemption reserve	18		-		-
Profit and loss account	17		956		527
Equity shareholders' funds	18		967		528

These financial statements were approved by the board of directors on 27 June 2007 and were signed on its behalf by

P A Hudson
Director

Company balance sheet
at 31 March 2007

		2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Investments	*10*		**18,726**		18,710
Current assets					
Debtors	*12*	**142**		60	
Cash at bank and in hand		**293**		382	
		435		442	
Creditors amounts falling due within one year	*13*	**(5,239)**		(3,172)	
Net current liabilities			**(4,804)**		(2,730)
Total assets less current liabilities			**13,922**		15,980
Creditors· amounts falling due after more than one year	*14*		**(14,913)**		(17,268)
Net assets			**(991)**		(1,288)
Capital and reserves					
Called up share capital	*16*		**1**		1
Share premium account	*18*		**10**		-
Capital redemption reserve	*18*		**-**		-
Profit and loss account	*17*		**(1,002)**		(1,289)
Equity shareholders' funds	*18*		**(991)**		(1,288)

These financial statements were approved by the board of directors on27 June 2007 and were signed on its behalf by

P A Hudson
Director

Group cash flow statement

for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £000	Period ended 31 March 2006 £000
Cash flow from operating activities	*19*	**4,565**	1,568
Returns on investments and servicing of finance	*20*	**(1,044)**	(750)
Taxation		**375**	(573)
Capital expenditure and financial investment	*20*	**(95)**	(44)
Acquisitions and disposals	*20*	**-**	(16,945)
Cash inflow/(outflow) before financing		**3,801**	(16,744)
Financing	*20*	**(1,301)**	17,797
Increase in cash in the year		**2,500**	1,053

Reconciliation of net cash flow to movement in net debt

	Note	Year ended 31 March 2007 £000	Period ended 31 March 2006 £000
Increase in cash in the year		**2,500**	1,053
Decrease/(Increase) in debt and lease financing	*20*	**1,283**	(17,796)
Change in net debt resulting from cash flows	*21*	**3,783**	(16,743)
Other non cash changes		**(106)**	-
Movement in net debt in the year		**3,677**	(16,743)
Net debt at the start of the year		**(16,743)**	-
Net debt at the end of the year	*21*	**(13,066)**	(16,743)

Reconciliations of movements in consolidated shareholders' funds
for the year ended 31 March 2007

	Group Year ended 31 March 2007 £000	Group Period ended 31 March 2006 £000	**Company Year ended 31 March 2007 £000**	Company Period ended 31 March 2006 £000
Profit/(loss) for the year	**447**	527	**(1,495)**	(1,289)
Dividend received	**-**	-	**1,800**	-
New shares issued	**-**	1	**-**	1
Premium on new shares issued	**10**	-	**10**	-
Purchase of own shares	**(18)**	-	**(18)**	-
Net addition to shareholders' funds/(liabilities)	**439**	528	**297**	(1,288)
Opening shareholders' funds/(liabilities)	**528**	-	**(1,288)**	-
Closing shareholders' funds/(liabilities)	**967**	528	**(991)**	(1,288)

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, except as noted below

In these financial statements the new standard FRS 20 'share-based payments' has been adopted for the first time The impact on the financial statements is not material

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

Share based payments

The share option programme allows employees to acquire shares of Eurotel Holdings Limited is recognised as an employee expenses with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

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 polices *(continued)*

Goodwill

Goodwill arising on the acquisition of a company or 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

	Year ended 31 March 2007 £000	Period ended 31 March 2006 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation and amounts written off tangible fixed assets		
- owned	107	124
- held under finance leases and hire purchase contracts	-	1
Amortisation of goodwill	982	782
(Profit) on disposal of fixed assets	-	(8)
Operating lease rentals		
- plant and machinery	715	431
- other	131	98
Audit of these financial statements	5	5
Amounts receivable by auditors and their associates in respect of		
- Audit of financial statements of subsidiaries pursuant to legislation	31	31
- Other services relating to taxation	41	39

3 Remuneration of directors

	Year ended 31 March 2007 £000	Period ended 31 March 2006 £000
Directors' emoluments	496	360
Company contributions to money purchase pension schemes	36	7
	532	367

The aggregate of emoluments and pension contributions of the highest paid director was £127,000 *(period ended 31 March 2006 £119,000)*

Retirement benefits are accruing to the following number of directors under

	Number of directors 2007	2006
Money purchase schemes	4	3

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	
	Year ended 31 March 2007	Period ended 31 March 2006
Marketing and sales	**173**	172
Technical	**77**	87
Administration	**57**	47
	307	306

The aggregate payroll costs of these persons were as follows

	Year ended 31 March 2007 £000	Period ended 31 March 2006 £000
Wages and salaries	**6,789**	4,912
Social security costs	**689**	483
Other pension costs	**49**	21
	7,527	5,416

5 Interest receivable and similar income

	Year ended 31 March 2007 £000	Period ended 31 March 2006 £000
Bank interest	**118**	48

6 Interest payable and similar charges

	Year ended 31 March 2007 £000	Period ended 31 March 2006 £000
Bank loans and overdrafts	**1,270**	975
Finance charges payable in respect of finance leases and hire purchase contracts	**-**	184
	1,270	1,159

Notes *(continued)*

7 Taxation

Analysis of charge in year

	Year ended 31 March 2007 £000	Period ended 31 March 2006 £000
Current tax on income for the year	**629**	-

Factors affecting the tax charge for the current year

The current tax charge for the period is higher *(2006 lower)* than the standard rate of corporation tax in the UK 30% *(2006 30%)* The differences are explained below

	Year ended 31 March 2007 £000	Period ended 31 March 2006 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**1,076**	527
Current tax at 30% *(2006 30%)*	**322**	158
Effects of		
Expenses not deductible for tax purposes	**22**	116
Goodwill amortisation	**295**	247
Fixed asset timing differences	**(10)**	121
Trading losses utilised	**-**	(642)
Total current tax charge (see above)	**629**	-

Notes *(continued)*

8 Intangible fixed assets

Group	**Total £000**
Cost	
At 1 April 2006	18,984
Acquisitions (note 22)	4
At 31 March 2007	18,988
Amortisation	
At 1 April 2006	782
Charge for period	982
At 31 March 2007	1,764
Net book value	
At 31 March 2007	**17,224**
At 31 March 2006	18,202

Goodwill arising on the acquisition of a company or 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	Total £000
Cost			
At 1 April 2006	345	786	1,131
Additions	17	78	95
Acquisitions	-	1	1
At 31 March 2007	362	865	1,227
Depreciation			
At 1 April 2006	260	682	942
Charge for period	28	79	107
Acquisitions	-	1	1
At 31 March 2007	288	762	1,050
Net book value			
At 31 March 2007	**74**	**103**	**177**
At 31 March 2006	85	104	189

Notes *(continued)*

10 Fixed asset investments

Shares in group undertakings

	2007 £	2006 £
Cost at 1 April 2006	**18,710**	-
Additions (note 22)	**16**	18,710
Cost at 31 March 2007	**18,726**	18,710

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 2007 £000**	Net assets at 31 March 2007 £000
Neville Ward Holdings Limited	UK	Ordinary	100%	**-**	**-**
Eurotel Limited	UK	Ordinary	100%*	**975**	**5,095**
Eurotel Corporate Services Limited	UK	Ordinary	100%*	**-**	**25**
Digital Exchange Maintenance Services Limited	UK	Ordinary	100%*	**-**	**-**
Northpoint Services Limited	UK	Ordinary	100%	**(6)**	**12**

* Held indirectly by the company

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

11 Stocks

	Group 2007 £000	**Company 2007 £000**	Group 2006 £000	Company 2006 £000
Finished goods and goods for resale	**152**	**-**	195	-

Notes *(continued)*

12 Debtors

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Trade debtors	1,672	115	2,502	-
Corporation tax receivable	-	-	380	-
Other debtors	-	18	-	-
Prepayments and accrued income	2,095	9	1,808	60
	3,767	142	4,690	60

13 Creditors: amounts falling due within one year

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Bank loans	1,706	1,706	1,177	1,177
Trade creditors	1,810	6	1,519	6
Amounts owed to group undertakings	-	2,654	-	1,889
Corporation tax	629	-	-	-
Other taxation and social security	535	-	565	-
Other creditors	1,058	649	437	-
Accruals	1,609	224	1,452	100
Deferred income	1,646	-	1,383	-
	8,993	5,239	6,533	3,172

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	Group 2007 £000	**Company 2007 £000**	Group 2006 £000	Company 2006 £000
Bank loans	**14,913**	**14,913**	16,619	16,619
Deferred consideration	**-**	**-**	649	649
	14,913	**14,913**	17,268	17,268

Analysis of debt:

	Group 2007 £000	**Company 2007 £000**	Group 2006 £000	Company 2006 £000
Bank Loans				
Within one year	**1,706**	**1,706**	1,177	1,177
Between two and five years	**14,913**	**14,913**	6,081	6,081
Over five years	**-**	**-**	10,538	10,538
	16,619	**16,619**	17,796	17,796

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 26) 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
Group	
Balance at 1 April 2006 and at 31 March 2007	-

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

	2007		2006	
	Amount provided £000	**Unprovided £000**	Amount provided £000	Unprovided £000
Accelerated capital allowances	-	-	-	-

At 31 March 2007 there was a deferred tax asset relating to accelerated capital allowances of £78,524 *(2006 £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

	2007 £000	2006 £000
Authorised		
Equity 150,000 Ordinary shares of £0 01 each	**2**	2
	2	2
Allotted, called up and fully paid		
Equity 137,231 Ordinary shares of £0 01 each	**1**	1
	1	1

On 9 June 2006 the company bought back and cancelled the shares held by A P Rex The 7,500 ordinary shares of £0 01 each were purchased for the cash consideration of £17,500 The transaction resulted in the creation of a Capital Redemption Reserve of £75

On 3 July 2006 the company purchased 100% of the share capital of NorthPoint Services Limited for the consideration of 731 ordinary shares of nominal value £0 01 each at a value of £13 40 per share resulting in the creation of a Share Premium Account of £9,788

Notes *(continued)*

17 Reserves

	Group Profit and loss account £000	Company Profit and loss account £000
Balance at 1 April 2006	527	(1,289)
Purchase of own shares	(18)	(18)
Retained profit for the period	447	305
Balance at 31 March 2007	956	(1,002)

18 Other reserves

	Group and company	
	Share premium £000	Capital redemption £000
At start of year	-	-
Premium on issue of shares	10	-
On Purchase of own shares	-	-
	10	-

19 Reconciliation of operating profit to operating cash flows

	Year ended 31 March 2007 Total £000	Period ended 31 March 2006 Total £000
Group		
Operating profit	2,228	1,638
Depreciation, amortisation and impairment charges	1,089	907
Decrease in stocks	43	102
Decrease/(increase) in debtors	571	(45)
Increase/(decrease) in creditors	634	(1,034)
Net cash inflow from operating activities	4,565	1,568

Notes *(continued)*

20 Analysis of cash flows

	Year ended 31 March 2007		Period ended 31 March 2006	
	£000	£000	£000	£000
Returns on investments and servicing of finance				
Interest received	117		45	
Interest paid	(1,161)		(791)	
Interest element of finance lease rental payments	-		(4)	
		(1,044)		(750)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(95)		(56)	
Sale of tangible fixed assets	-		12	
		(95)		(44)
Acquisitions and disposals				
Purchase of subsidiary undertaking	(6)		(18,061)	
Net cash acquired with subsidiary	6		1,116	
		-		(16,945)
Financing				
Issue of ordinary share capital	-		1	
Purchase of own shares	(18)		-	
Debt due within one year				
New secured loans	-		1,177	
Repayment of secured loan	(1,283)		(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	
		(1,301)		17,797

Notes *(continued)*

21 Analysis of net debt

	At 31 March 2006	Cash flow	Acquisition (excluding cash and overdrafts)	Other non cash changes	At 31 March 2007
	£000	£000	£000	£000	£000
Cash at bank and in hand	1,053	2,500	-	-	3,553
	1,053	2,500	-	-	3,553
Debt due within one year	(1,177)	1,283	-	(1,812)	(1,706)
Debt due after one year	(16,619)	-	-	1,706	(14,913)
Finance leases	-	-	-	-	-
Total	**(16,743)**	**3,783**	-	**(106)**	**(13,066)**

22 Purchase of subsidiary undertaking

On 3 July 2006 the company acquired a 100% interest in NorthPoint Services Limited

The assets and liabilities acquired are shown below

	£000
Net assets acquired	
Tangible fixed assets	-
Debtors	27
Cash at bank and in hand	6
Creditors due in less than one year	(21)
	12
Goodwill on acquisition	4
	16
Satisfied by	
Directly attributable costs	6
Shares	10
	16

There were no fair value adjustments recorded on acquisition

Notes *(continued)*

22 Purchase of subsidiary undertaking *(continued)*

On 3 July 2006 the entire trade and assets were transferred into Eurotel Limited at fair value

From this date the results of Eurotel Limited includes the former trade of NorthPoint Services Limited Following the hive up of those operations the financial reporting systems have been fully integrated such that it is not practicable to accurately determine the post acquisition results Consequently it is not possible to provide an indication of the contribution of NorthPoint Services Limited to the results of the Group for the period although the financial impact on the results for the year is considered not material

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 2007 the net amount due to the National Westminster Bank Plc under this guarantee was £5,911,000 *(2006 £9,438,000)*

Operating leases

	2007		2006	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	-	75	129	88
Between two and five years inclusive	161	592	2	590
	161	**667**	131	678

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 £1,000 *(2006 £2,000)* were payable to the scheme and are included in creditors

25 Post Balance Sheet Events

On 2 April 2007 Eurotel Limited, the main trading company of the Eurotel Holdings Limited Group, acquired a 100% interest in Multilink Business Communications Limited

26 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 £187,500 *(2006 £112,500)* to Young Associates Limited