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PNC TELECOM PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2008

PNC TELECOM PLC

Contents of the Financial Statements for the year ended 31 March 2008

PNC TELECOM PLC

Company Information
for the year ended 31 March 2008

Directors	**J W. Case** **L E.V Knıfton**
Secretary	**International Registrars Limited**
Registered Office	Fınsgate 5 – 7 Cranwood Street London EC1V 9EE
Regıstrars	**Capıta IRG Plc** Bourne House 34 Beckenham Road Kent BR3 4TU
Bankers	**Barclays Bank Plc** 54 Lombard Street London EC3P 3AH
Solicitors	**Pritchard Englefield** 14 New Street London EC2M 4HE
Auditors	**Jeffreys Henry LLP** Fınsgate 5-7 Cranwood Street London EC1V 9EE
Nominated Advisors	**Beaumont Cornish Limited** Fıfth Floor, 10-12 Copthall Avenue London EC2R 7DE
Brokers	**Falcon Securities (UK) Limited** 152/154 Bıshopsgate London EC2N 4AJ
Website	**www.telecom-plc co uk**

PNC TELECOM PLC

Chairman's Statement
for the year ended 31 March 2008

Chairman's statement

The Group made a loss of £52,000 in the year ended 31 March 2008 (2007 loss £664,000)

Your Directors are now focused on the VAT reclaim from HMRC which is entering its final stages

Since the year end we have been dealing in electronic gaming consoles with the majority of turnover being accounted for by sales of Nintendo Wii games consoles

In February the Company acquired the entire issued share capital of Specs and Lenses Limited ("Specs and Lenses"), a newly incorporated company established to develop an internet and retail consumer offering of optical glasses by combining a town centre presence with outlet shopping mall locations, "out of town" superstores and "in town" satellite stores and offering through its website, www specsandlenses co uk Specs and Lenses opened its Factory outlet store in Freeport Braintree and is now looking to open two more to complement this

Our investment in SIM 4 Travel is currently valued at £175,000, at the mid price, as at 26 September 2008

Your Directors are actively looking for other businesses to add to the group to bring in further income

We will keep you informed of any further developments

L E V Knifton

Chairman

30 September 2008

PNC TELECOM PLC

Report of the Directors
for the year ended 31 March 2008

The Directors present their annual report and the audited financial statements for the year ended 31 March 2008

Principal Activities
The principal activity of the company is the export and import of mobile phones and other electrical equipment and the sale of specs and lenses

Business Review and Future Developments
A review of the business and future developments is contained in the Chairman's Statement

Key Performance Indicators
The directors consider the key performance indicators of the company to be its loss for the period of £52,000

Key Risks and Uncertainties
The key risks and uncertainties that currently facing the Company is the possibility that the VAT refund may not be received

Dividend
The Directors resolved that no dividend will be paid for the year ended 31 March 2008

Directors and their interests
The Directors of the Company, all of whom served throughout the year except where stated below were -

J W Case
L E V Knifton

Directors' Interests
The interests of the Directors and persons connected with them in the issued share capital of the Company as notified to the Company were as follows

Directors	**31 March 2008 Ordinary Shares 0.1p each**	**31 March 2007 Ordinary Shares 0.1p each**
J W Case	13,850,000	13,850,000
L E V Knifton	-	-

Report of the Directors (continued ..) for the year ended 31 March 2008

Substantial Interests

The company has been notified of the following persons (other than those referred to in the paragraph above) who hold interests (as defined in Part VI of the Act) in 3 per cent or more of the issued ordinary share capital of the Company at 17 September 2008

	Number of 0.1p Shares	Percentage of Ordinary Share Capital
JIM Nominees Limited	245,596,679	37 6%
Bade Finance Limited	185,000,000	28 3%
Pershing Nominees Limited	73,364,237	11 2%
DSL Client Nominees Limited	19,500,000	3 0%

Save as disclosed above, the Directors are not aware of any other interests that represent or will represent 3 per cent or more of the issued ordinary share capital of the Company

POLICY OF PAYMENT OF CREDITORS

It was the Company's normal practice to agree payments terms with all its suppliers Payment was made when it has been confirmed that the goods or services had been provided in accordance with the agreed contractual terms and conditions Creditor days, represented by the aggregate amount of trade creditors at the year end compared with the aggregate amount invoiced by suppliers in the year, in 2008 were 37 days (2007 – 18 days)

Corporate Governance

The Company is not required to comply with the code of Best Practice as set out in Section 1 of the Combined Code appended to the Listing Rules of the Financial Services Authority as it is listed on AIM All relevant discussions being taken by the full board

Publication of Accounts on Company Website

Financial statements are published on the company's website The maintenance and integrity of the website is the responsibility of the directors The directors' responsibility also extends to the financial statements contained therein

Indemnity of Officers

The Group may purchase and maintain, for any director or officer, insurance against any liability and the Group does maintain appropriate insurance cover against legal action brought against its directors and officers

PNC TELECOM PLC

Report of the Directors (continued. .)
for the year ended 31 March 2008

Statement of Directors' Responsibilities
The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union The financial statements are required by law to give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that Year In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business
- to follow IFRS as adopted by the European Union

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985, and as regards the group financial statements, article 4 of the IAS regulations They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement as to Disclosure of Information to Auditors
So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information

Auditors
The auditors, Jeffreys Henry LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985 in the Annual General Meeting

ON BEHALF OF THE BOARD

L E V Knifton
Company Director
30 September 2008

Report of the Independent Auditors to the Shareholders of PNC TELECOM PLC

We have audited the group and parent company financial statements ("the financial statements") of PNC Telecom Plc which include the consolidated income statement, the consolidated and parent company balance sheets, the consolidated and parent company cashflow statements, consolidated statement of changes in equity for the year ended 31 March 2008 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 for no purpose other than to draw to the attention of the Company's members those matters which we are required to include in an auditor's report addressed to them To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Company and 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
As described in the Statement of Directors' responsibilities, the group's directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union

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 and as regard group financial statements, Article 4 of the ISA Regulation We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements The information given in the Directors' report includes that specific information mentioned in the Chairman's statement that is cross referred from the Review of the Business sections of the directors' report

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements The other information comprises only the Directors' Report, the Chairman's Statement 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Report of the Independent Auditors to the Shareholders of PNC TELECOM PLC (continued)

Emphasis of matter – going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in the accounting policies on page 22 of the financial statements concerning the company's ability to continue as a going concern The Company incurred a net loss of £52,000 for the year ended 31 March 2008 and, at that date, the company's net current assets included a VAT balance recoverable of £1,302,000 These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with International Financial Reporting Standards (IFRS's) as adopted for use in the European Union, of the state of affairs of the Group as at 31 March 2008 and of its loss and cash flows of the Group for the year then ended,

- the parent company financial statements give a true and fair view, in accordance with IFRS's as adopted by the European Union as applied in accordance with provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008,

- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regard the group financial statements, article 4 of the IAS regulation, and

- the information given in the Report of the Directors is consistent with the financial statements

Jeffrey Henry

30 September 2008

Jeffreys Henry LLP
Chartered Accountants
Registered Auditors

Finsgate
5-7 Cranwood Street
London EC1V 9EE

PNC TELECOM PLC

Consolidated Income Statement

For the year ended 31 March 2008

	Notes	31 March 2008 £'000	31 March 2007 £'000
Revenue	**2**	179	959
Cost of Sales		(144)	(855)
Gross Profit		35	104
Operating expenses		(346)	(415)
Operating Loss		(311)	(311)
Other operating income		314	-
Profit/ (Loss) on ordinary activities before interest and tax		3	(311)
Interest receivable and similar income	**4**	96	9
Interest payable	**4**	(151)	(362)
Loss on ordinary activities before tax		(52)	(664)
Tax on loss on ordinary activities	**6**	-	-
Retained Loss for the year	**17**	(52)	(664)
		Pence	**Pence**
Loss per share	**7**	0 02	0 37

There are no other recognised gains or losses in the year

There is no difference between basic and diluted loss per share

All the loss for the year is attributable to the Equity holders of the company

The notes form part of these financial statements

PNC TELECOM PLC

Statement of Changes in Equity for the year ended 31 March 2008

	Share Capital Ordinary shares of 0 1p each £000	Deferred Ordinary Shares of 4.9p each £000	Share Premium £000	Merger Relief Reserve £000	Retained Earnings £000	Total £000
As at 1 April 2007	208	2,346	48,033	-	(50,796)	(209)
Shares issued	445	-	-	-	-	445
Loss after tax for the year	-	-	-	-	(52)	(52)
Arising on acquisition of Subsidiary	-	-	-	324	-	324
Share issue costs	-	-	(20)	-	-	(20)
As at 31 March 2008	653	2,346	48,013	324	(50,848)	488

	Share Capital Ordinary shares of 0 1p each £000	Deferred Ordinary Shares of 4 9p each £000	Share Premium £000	Merger Relief Reserve £000	Retained Earnings £000	Total £000
As at 1 April 2006	163	2,346	48,033	-	(50,132)	410
Shares issued	45	-	-	-	-	45
Loss after tax for the year	-	-	-	-	(664)	(664)
Arising on acquisition of Subsidiary	-	-	-	-	-	-
As at 31 March 2007	208	2,346	48,033	-	(50,796)	(209)

Share capital is the amount subscribed for shares at nominal value

Retained profit represents the cumulative deficit of the Company attributable to equity shareholders

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses Share issue expenses in the year comprise a proportion of the costs incurred in respect of the initial public offering and issue of new shares on the London Stock Exchange's Alternative Investment Market

The notes form part of these financial statements

PNC TELECOM PLC

Consolidated Balance Sheet

As at 31 March 2008

	Note	2008 £'000	2007 £'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	8	74	10
Goodwill	9	429	-
Investments	10	100	100
		603	110
Current Assets			
Inventories	11	18	3
Trade and other receivables	12	1,326	1,289
Cash and cash equivalent	13	191	1
		1,535	1,293
TOTAL ASSETS		£2,138	£1,403
EQUITY AND LIABILITIES			
Share capital	16	2,999	2,554
Share premium accounts	17	48,013	48,033
Merger reserve	17	324	-
Retained earnings	17	(50,848)	(50,796)
TOTAL EQUITY		488	(209)
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings	15	385	475
Non interest bearing		-	-
		385	475
CURRENT LIABILITIES			
Trade and other payables	14	1,265	1,137
		1,265	1,137
TOTAL EQUITY AND LIABILITIES		£2,138	£1,403

The financial statements were approved and authorised for issue by the Board on 30 September 2008 and signed on its behalf by

L E V Knifton

Director

The notes form part of these financial statements

PNC TELECOM PLC

Balance Sheet

As at 31 March 2008

	Note	2008 £'000	2007 £'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	8	9	10
Investments	10	609	100
		618	110
Current Assets			
Inventories	11	3	3
Trade and other receivables	12	1,424	1,289
Cash and cash equivalent	13	91	1
		1,518	1,293
TOTAL ASSETS		£2,136	£1,403
EQUITY AND LIABILITIES			
Share capital	16	2,999	2,554
Share premium accounts	17	48,013	48,033
Merger reserve	17	324	-
Retained earnings	17	(50,842)	(50,796)
TOTAL EQUITY		494	(209)
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings	15	385	475
Non interest bearing		-	-
		385	475
CURRENT LIABILITIES			
Trade and other payables	14	1,257	1,137
		1,257	1,137
TOTAL EQUITY AND LIABILITIES		£2,136	£1,403

The financial statements were approved and authorised for issue by the Board on 30 September 2008 and signed on its behalf by

L.E V Knifton
Director

The notes form part of these financial statements

PNC TELECOM PLC

Consolidated Cash Flow Statement

for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operations	1	254	(1,358)
Finance costs		(151)	(362)
Corporation tax paid		-	-
Net cash from operating activities		103	(1,720)
Cash flows from investing activities			
Acquisition of tangibles		(65)	-
Disposable of tangibles		-	115
Acquisition of subsidiaries	2	-	-
Interest received		2	9
Net cash from investing activities		(63)	124
Cash flows from financing activities			
Hire purchase repayments		-	(125)
Issue of new shares		190	45
Conversion of loans		-	(45)
Repayment of loans		(40)	-
Net cash from financing activities		150	(125)
Increase/(decrease) in cash and cash equivalents		190	(1,721)
Cash and cash equivalents at beginning of year		1	1,721
Cash and cash equivalents at end of year		191	-
Represented by			
Cash at bank		191	1
Bank overdraft		-	(1)
		191	-

The notes form part of these financial statements

PNC TELECOM PLC

Company Cash Flow Statement

for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operations	1	89	(1,358)
Finance costs		(151)	(362)
Corporation tax paid		-	-
Net cash from operating activities		(62)	(1,720)
Cash flows from investing activities			
Acquisition of tangibles		-	-
Disposable of tangibles		-	115
Acquisition of subsidiaries	2	-	-
Interest received		2	9
Net cash from investing activities		2	124
Cash flows from financing activities			
Hire purchase repayments		-	(125)
Issue of new shares		190	45
Conversion of loans		-	(45)
Repayment of loans		(40)	-
Net cash from financing activities		150	(125)
Increase/(decrease) in cash and cash equivalents		90	(1,721)
Cash and cash equivalents at beginning of year		1	1,721
Cash and cash equivalents at end of year		91	-
Represented by			
Cash at bank		91	1
Bank overdraft		-	(1)
		91	-

The notes form part of these financial statements

PNC TELECOM PLC

Notes to the Group Cash Flow Statement for the year ended 31 March 2008

1 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

Group	**2008 £000**	**2007 £000**
Operating loss for the year	(311)	(311)
Adjustments for		
Depreciation of property, plant and equipment	1	20
Other operating income	314	-
Loss on disposal of tangible assets	-	5
Operating cash flows before movements in working capital	4	(286)
(Increase)/Decrease in inventories	(15)	11
(Increase)/Decrease in receivables	(37)	517
(Decrease)/Increase in payables	302	(1,600)
Cash generated from operations	254	(1,358)

Company	**2008 £000**	**2007 £000**
Operating loss for the year	(305)	(311)
Adjustments for		
Depreciation of property, plant and equipment	1	20
Other operating income	314	-
Loss on disposal of tangible assets	-	5
Operating cash flows before movements in working capital	10	(286)
(Increase)/Decrease in inventories	-	11
(Increase)/Decrease in receivables	(41)	517
(Decrease)/Increase in payables	120	(1,600)
Cash generated from operations	89	(1,358)

2 ACQUISITION OF SUBSIDIARY

During the year the Group and Company acquired the shares and net assets of Specs and Lenses Limited, its wholly owned subsidiary, for a total consideration of £508,750 settled by issue of new shares The fair value of the net assets acquired were

	2008 £000
Website	54
Fixtures, fittings and equipment	11
Goodwill	60
Inventory	15
Fair value of net assets acquired	140

PNC TELECOM PLC

Notes to the Financial Statements for the Year Ended 31 March 2008

GENERAL INFORMATION

PNC Telecom Plc is a company incorporated in the United Kingdom under the Companies Act 1985 and quoted on the Alternative Investment Market of the London Stock Exchange The address of the registered office is disclosed on page 1 of the financial statements The principal activity of the Group is described in the Directors Report

1. ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS The financial statements have been prepared under the historical cost convention The principal accounting policies adopted are set out below

The company's financial statements were previously prepared in accordance with United Kingdom Generally Accepted Accounting Principles (GAAP) until 31 March 2007 UK GAAP differs in some areas from IFRS In preparing the Company financial statements, management has considered certain accounting, valuation and consolidation methods applied in the UK GAAP financial statements to comply with IFRS The comparative figures in respect of 2007 were restated to reflect these adjustments, except as described in the accounting policies The effect of the change in accounting standards did not result in any reconciling differences, accordingly no separate note has been provided in these accounts

(a) Standards, amendment and interpretations effective in 2008

IFRS 7, 'Financial instruments Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation, trade and other payables

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2 This standard does not have any impact on the Group's financial statements

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognized in an interim Year on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date This standard does not have any impact on the Group's financial statements

(b) Standards, amendment and interpretations effective in 2008

IFRS 1 (Amendment), First Time Adoption of International Financial Reporting Standards,
IAS 21 (Amendment), Net Investment in a Foreign Operation,
IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intercompany transactions,
IAS 39 (Amendment), The Fair Value Option, and
IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts,

1 ACCOUNTING POLICIES (Continued)

Basis of preparation (continued)

(c) Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting years beginning on or after 1 April 2006 but are not relevant to the Group's operations
IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources,
IFRS 6, Exploration for and Evaluation of Mineral Resources,
IFRIC 4, Determining whether an Arrangement contains a Lease,
IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds, and
IFRIC 6, Liabilities arising from Participating in a Specific Market waste Electrical and Electronic Equipment,

(d) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting years beginning on or after 1 April 2007 but they are not relevant to the Group's operations
IFRS 4, 'Insurance contracts',
IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies',
IFRIC 9, 'Re-assessment of embedded derivatives', and
IFRIC 11, 'IFRS 2 – Group and treasury share transactions'

(e) Interpretations to existing standards that are not yet effective and have not been adopted early by the Group

The following interpretations to existing standards have been published and are mandatory for the Group's accounting years beginning on or after 1 April 2008 or later years but the Group has not adopted them

IFRS 8, 'Operating segments '(effective from 1 January 2009) IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information' The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes The Group will apply IFRS 8 from 1 April 2009 The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker As goodwill is allocated to Groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments Management does not anticipate that this will result in any material impairment to the goodwill balance

1 ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

(f) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting Years beginning on or after 1 April 2008 or later years but are not relevant for the Group's operations

IAS 1 Revised – Presentation of Financial Statements (effective from 1 January 2009) Key changes include, the requirement to aggregate information in the financial statements on the basis of shared characteristics, the introduction of a Statement of Comprehensive Income & changes in titles of some of the financial statements

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009) It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial Year of time to get ready for use or sale) as part of the cost of that asset The option of immediately expensing those borrowing costs will be removed IAS 23 (Amended) is not relevant to the Group as there are no qualifying assets

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008) IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services IFRIC 12 is not relevant to the Group's operations because the Group does not provide for public sector services

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008) IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values IFRIC 13 is not relevant to the Group's operations because the Group does not operate any loyalty programmes

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008) IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset It also explains how the pension asset or liability may be affected by a statutory or contractual minimum-funding requirement IFRIC 14 is not relevant to the Group, as it does not have pension scheme in place

1 ACCOUNTING POLICIES (CONTINUED)

Consolidation

Subsidiaries
Subsidiaries are all entities over which PNC Telecom Plc has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity Subsidiaries are fully consolidated from the date on which control is transferred to PNC Telecom Plc They are de-consolidated from the date that control ceases

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted the Group

Intangible assets

(a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition Goodwill on acquisitions of subsidiaries is included in 'intangible assets' Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses Impairment losses on goodwill are not reversed Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold

Goodwill is allocated to cash-generating units for the purpose of impairment testing The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose The Group allocates goodwill to each business segment in each country in which it operates

(b) Website
Website development costs are valued at cost less accumulated amortisation Amortisation is calculated to write off the cost in equal annual instalments over the estimated useful economic life of 3 years

PNC TELECOM PLC

Notes to the Financial Statements (Continued)
for the Year Ended 31 March 2008

1 ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets
Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date

Property, plant and equipment
Tangible non-current assets are stated at historical cost less depreciation Historical cost includes expenditure that is directly attributable to the acquisition of the items

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably The carrying amount of the replaced part is derecognised All other repairs and maintenance are charged to the income statement during the financial Year in which they are incurred Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Fixtures, fittings and equipment - 15% reducing balance

The asset's residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the income statement When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group

Functional currency translation

i) Functional and presentation currency
The financial statements are presented in Pounds Sterling (£), which is both the Group's presentation and functional currency

1. ACCOUNTING POLICIES (CONTINUED)

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax The tax currently payable is based on the taxable profit for the year Taxable profit differed from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Operating leases
Rental leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

Inventories
Inventories are stated at the lower of cost and net realisable value Cost is determined using the first-in, first-out (FIFO) method The cost of finished goods and work in progress comprises raw materials and other direct costs It excludes borrowing costs Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses

1 ACCOUNTING POLICIES (CONTINUED)

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments is considered indicators that the trade receivable is impaired

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

Financial Instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below Subsequent to initial recognition non-derivative financial instruments are measured as described below

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset Regular way purchases and sales of financial assets are accounted for at trade date, i e the date that the Group commits itself to purchase or sell the asset Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled

Fair values
The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group at the balance sheet date approximated their fair values, due to relatively short term nature of these financial instruments

The Company provides financial guarantees to licensed banks for credit facilities extended to a subsidiary company The fair value of such financial guarantees is not expected to be significantly different as the probability of the subsidiary company defaulting on the credit lines is remote

1. ACCOUNTING POLICIES (CONTINUED)

Share capital
Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the Group to make estimates and assumptions that affect the application of policies and reported amounts Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances Actual results may differ from these estimates The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below

(a) Impairment of goodwill
The Group is required to test, at least annually, whether goodwill has suffered any impairment The recoverable amount is determined based on value in use calculations The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows Actual outcomes could vary

(b) VAT
The VAT debtor is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable When a review for impairment is conducted, the recoverable amount is determined based on current case law

Going concern
HMRC have withheld repayment of VAT and this has necessitated the curtailment of the company's trade of the import and export of mobile phones The Company has taken legal advice and is taking action against HMRC for the repayment of the VAT and loss of income Ongoing overhead costs in the year have been kept to a minimum and been financed by loans from the directors

The directors have undertaken to provide funds for working capital purposes in the next twelve months

Accordingly, the directors believe that it is appropriate to prepare the financial statements on the going concern basis The financial statements do not include any adjustments that would be required if this basis was not appropriate

2 TURNOVER

The Directors consider it prejudicial to disclose the geographical analysis of turnover

3 EMPLOYEES AND DIRECTORS

Directors' remuneration	**2008 £'000**	**2007 £'000**
Salaries and fees	-	10
Pension contributions	-	9
	-	19

	2008 £'000	**2007 £'000**
Staff costs, including Directors		
Wages and salaries	36	41
Social Security costs	3	5
Other pension costs	3	9
	42	55

Please see Note 20 for fees paid to directors

4 NET FINANCE COSTS

	2008 £000	**2007 £000**
Finance income		
Deposit account interest	2	9
Finance costs		
Hire purchase interest	-	12
Other interest	151	350
	151	362
Net finance costs	149	353

5 OPERATING LOSS FOR THE YEAR

The operating loss for the year is stated after charging / (crediting)

	2008 £'000	2007 £'000
Depreciation	1	20
Auditors' remuneration		
- audit fees	10	16
- other fees	1	-
Loss on disposal of motor vehicles	-	5
Recovery from claims against former directors	(314)	31

The analysis of administrative expenses in the consolidated income statement by nature of expense

	2008 £'000	2007 £'000
Employment costs	42	36
Directors fees	-	19
Rent and Rates	6	5
Travelling and entertaining	5	17
Legal and Professional Fees	170	202
Other expenses	123	136
	346	415

Other operating income represents receipts recovered from claims against former directors

6 INCOME TAX EXPENSE

The tax charge on the profit for the year was as follows

	2008 £000	2007 £000
Current tax		
Corporation tax	-	-
	-	-
Deferred tax	-	-
Total	-	-

PNC TELECOM PLC

Notes to the Financial Statements (Continued)
for the year ended 31 March 2008

6 INCOME TAX EXPENSE (CONTINUED)

Loss before tax	(52)	(664)

	2008 £000	2007 £000
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2007 - 30%)	(16)	(199)
Effects of		
Non deductible expenses	-	-
Depreciation add back	-	8
Capital allowance	-	(19)
Tax losses carry forward	16	210
Other tax adjustments	-	-
	-	-
Current tax charge	-	-

The company has trading losses of £748,000 and excess management expenses of £3,045,508 (2007 - £3,045,508) available for carry forward which are subject to agreement with the Inland Revenue

7 EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares

Details of the adjusted earnings per share are set out below

The weighted average number of shares used was	2008 £'000	2007 £'000
Basic	287,442	181,016
Diluted	287,442	181,016

	2008 £'000	2008 pence per share	2007 £'000	2007 pence per share
Basic EPS				
Profit/ (Loss) for the year	(52)	(0 02)p	(664)	(0 37)p
Diluted EPS				
Profit/ (Loss) for the year and loss per share	(52)	(0 02)p	(664)	(0 37)p

8 PROPERTY, PLANT AND EQUIPMENT

Group	Website	Fixtures, Fittings and equipment	Total
	£000	£000	£000
Cost			
At beginning of year	-	16	16
Acquisitions	54	11	65
At end of year	54	27	81
Depreciation			
At beginning of year	-	6	6
Charge for year	-	1	1
At end of year	-	7	7
Net book value			
At 31 March 2008	54	20	74
At 31 March 2007	-	10	10

Company	Website	Fixtures, Fittings and equipment	Total
	£000	£000	£000
Cost			
At beginning and end of year	-	16	16
Depreciation			
At beginning of year	-	6	6
Charge for year	-	1	1
At end of year	-	7	7
Net book value			
At 31 March 2008	-	9	9
At 31 March 2007	-	10	10

The website costs are internally generated

9. Intangible Assets

Goodwill	Cost £'000	Amortisation £'000	Net Book Value £'000
At 1 April 2007	-	-	-
Acquisition of Specs and Lenses Limited	429	-	429
At 31 March 2008	429	-	429

The group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flows forecasts If an indication exists an impairment review is carried out At the period end, there was no indication of impairment of the value of goodwill or of developments costs

The directors have also concluded that no amortization of goodwill is necessary, because its value has been actively maintained since it was acquired

10 FIXED ASSET INVESTMENTS

	Group £000	Company £000
COST		
At 1 April 2007	100	100
Additions	-	509
At 31 March 2008	100	609
CARRYING AMOUNT		
At 31 March 2008	100	609
At 31 March 2007	100	100

(a) The company owns 50 million ordinary shares in Sim4Travel Holdings Limited, a company quoted on Plus Market, and having a cost of £100,000 the value of the investment at the date of the annual report was £175,000 (2007 £625,000)
(b) The company acquired the entire issued share capital of Specs and Lenses Limited on 5 March 2008 for £508,750 by the issue of 185,000,000 shares at 0 275p per share, the company is unquoted but the directors consider that no revaluation is required

Included within these consolidated financial statements is the loss from the subsidiary since the date of acquisition

	2008 £'000
Subsidiary	
Specs and Lenses Limited	(6)

Below are the combined revenues and profit of the enlarged Group from 1 April 2007 to 31 March 2008

	2008 £'000
Revenue	179
Loss for the period	(52)

PNC TELECOM PLC

Notes to the Financial Statements (Continued)
for the year ended 31 March 2008

11 INVENTORIES

GROUP	2008 £'000	2007 £'000
Group		
Finished Goods	18	3
COMPANY		
Financial goods	3	3

The directors consider that the carrying amount of inventories is at fair value

12 TRADE AND OTHER RECEIVABLES

GROUP	2008 £'000	2007 £'000
Due within one year		
Trade receivables	21	5
Other receivables	1,305	1,284
	1,326	1,289

In other debtors, there is an amount of £1 2 million which relates to VAT recoverable HMRC are withholding payments due to the Company along with other mobile phone dealers The Company has taken legal advice and are preparing a case against HMRC for both repayment and loss of income The VAT is considered to be fully recoverable on the basis that even if there was evasion of VAT elsewhere within the chain of transactions the Directors had no knowledge nor should have had such knowledge

The directors consider that the carrying amount of trade and other receivables approximates their fair value

COMPANY	2008 £'000	2007 £'000
Due within one year		
Trade receivables	19	5
Other receivables	1,405	1,284
	1,424	1,289

13 CASH AND CASH EQUIVALENTS

Group	2008 £'000	2007 £'000
Bank current account and cash	120	-
Bank deposit account	71	1
	191	1

Company	2008 £'000	2007 £'000
Bank current account and cash	90	-
Bank deposit account	1	1
	91	1

14 TRADE AND OTHER PAYABLES

GROUP	2008 £'000	2007 £'000
Current		
Financial liabilities – borrowings		
Interest bearing loans and borrowings	-	1
Trade payables	45	14
Other payables	686	735
Social security and other taxes	15	4
Accruals and deferred income	519	383
	1,265	1,137

COMPANY	2008 £'000	2007 £'000
Current		
Financial liabilities – borrowings		
Interest bearing loans and borrowings	-	1
Trade payables	38	14
Other payables	685	735
Social security and other taxes	15	4
Accruals and deferred income	519	383
	1,257	1,137

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing expenses

The directors consider that the carrying amount of trade and other payables approximates their fair value

15 FINANCIAL LIABILITIES

GROUP AND COMPANY	2008 £'000	2007 £'000
Convertible loan (a)	385	425
Convertible loan (b)	-	50
	385	475

The convertible loans 'a' and 'b', are convertible into ordinary shares at 0 1p per share exercisable by 16 February 2012 and 28 April 2012 respectively In addition the loan gives the right to subscribe for ordinary shares at a price of 0 1p each See note 16 for repayments during the year

The Company's financial instruments comprised borrowings, cash and various items such as trade debtors and creditors that arose directly from operations The main purpose of these instruments was to raise finance for operations The Company had not entered into derivative transactions nor did it trade in financial instruments as a matter of policy

Short-term debtors and creditors are excluded from the disclosures which follow

Financial Assets

The only financial asset is cash at bank and in hand At 31 March 2008 the Company had cash at bank of £191,000 (2007 £1,000)

16. CALLED UP SHARE CAPITAL

	2008 No.'000	2007 No.'000	2008 £'000	2007 £'000
Authorised				
Ordinary shares of 0 1p each	1,543,873	1,543,873	1,544	1,544
Deferred Ordinary shares of 4 9p each	48,084	48,084	2,356	2,356
			3,900	3,900
Allotted, called up and fully paid				
Ordinary shares of 0 1p each	653,084	208,084	653	208
Deferred Ordinary shares of 4 9p each	48,084	48,084	2,346	2,346
			2,999	2,554

On 27 May 2007, a further 50,000,000 ordinary shares were issued on conversion of loan notes

On 4 March 2008, 185,000,000 ordinary shares of 0 1p per share were issued to the vendors or Specs and Lenses Limited On 5 March 2008, 210,000,000 ordinary shares of 0 1p per share were placed with shareholders On the same day, £40,000 of convertible loan (a) notes were repaid

The deferred shares do not confer any voting rights

17. RESERVES

GROUP	Retained earnings £000	Share premium £000	Other reserves £000	Totals £000
At 1 April 2007	(50,796)	48,033	-	(2,763)
Loss for the year	(52)	-	-	(52)
Arising on acquisition of Subsidiary	-	-	324	324
Share issue costs	-	(20)	-	(20)
At 31 March 2008	(50,848)	48,013	324	(2,511)

COMPANY	Retained earnings £000	Share premium £000	Other reserves £000	Totals £000
At 1 April 2007	(50,796)	48,033	-	(2,763)
Loss for the year	(46)	-	-	(46)
Arising on acquisition of subsidiary	-	-	324	324
Share issue costs	-	(20)	-	(20)
At 31 March 2008	(50,842)	48,013	324	(2,505)

18 RISK AND SENSITIVITY ANALYSIS

The Group's activities expose it to a variety of financial risks interest rate risk, liquidity risk, capital risk and credit risk The Group's activities also expose it to non-financial risks market risk The Group's overall risk management programme focuses on unpredictability and seeks to minimise the potential adverse effects on the Group's financial performance The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified

Interest rate risk
The Group does not have formal policies on interest rate risk However, the Group's exposure in this area (as at the balance sheet date) was minimal

Liquidity risk
The Group prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of the cash requirements of the company, to manage liquidity risk The directors have considered the risk posed by liquidity and are satisfied that there is sufficient growth and equity in the company

Capital risk
The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital

18 RISK AND SENSITIVITY ANALYSIS (continued)

Market risk
The market may not grow as rapidly as anticipated The Group may lose customers to its competitors The Group's major competitors may have significantly greater financial resources than those available to the company There is no certainty that the company will be able to achieve its projected levels of sales or profitability

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies The Group's credit risk is primarily attributable to its trade The amounts presented in the balance sheet are net of allowance for doubtful receivables An allowance for impairment is made where there is an identified loss event which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flows The Group has no significant concentration of credit risk, with exposure spread over a large number of counter parties and customers

19 LOSS FOR THE PARENT COMPANY

As permitted by section 203 of the Companies Act 1985, the income statements of the parent company is not presented as part of the financial statements

	2008 £000	2007 £000
Loss for the year	46	664

20 RELATED PARTY TRANSACTIONS

During the year, the company paid consultancy fees of £Nil (2007 £4,950) to Fort Knox Property Services, a business owned by a director, Mr Leo Knifton

£65,000 (2007-£115,000) of the convertible loan notes were due to Mr Leo Knifton

During the year, the company paid rent of £14,913 (2007 £2,916) and commissions of £39,500 (2007 £28,890) to Mr Joe Case, a director of the company

£63,000 (2007-£63,000) of the convertible loan notes were due to Mr Joe Case

21 CONTINGENT LIABILITIES AND GUARANTEES

The Directors of PNC have been made aware that Vanguard Plc is being placed into administration This has the effect of potentially creating a liability to PNC for a number of leases on certain properties that were indemnified by Vanguard Plc PNC has taken steps to mitigate these losses by attempting to assign these leases The directors have been advised that there may be several claims that they may make against some of the professionals who handled the original administration of PNC Plc which ended in January 2004

22 CAPITAL COMMITMENTS

There was no capital expenditure contracted for at each of the balance sheet dates but not yet incurred

23 EXPLANATION OF TRANSITION TO IFRS

There have been no adjustments or restatements to the reported financial position, financial performance and cash flows of the Company resulting from the transition to IFRS from UK GAAP with effect from 1 April 2007

24 ULTIMATE CONTROLLING PARTY

PNC Telecom Plc is listed on the AIM At the date of the Annual report in the directors' opinion there is no controlling party