Company Registration No. 02709891
(England and Wales)

PNC TELECOM PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

JEFFREYS HENRY LLP
Chartered Accountants

Finsgate
5-7 Cranwood Street
London EC1V 9EE

CONTENTS

PNC TELECOM PLC

CHAIRMAN'S STATEMENT

The year to 31st March 2006 has seen the company revive its income by trading in the import and export of mobile phones. Unfortunately as you may have seen from recent television and press coverage the VAT department of HMRC are withholding payments (including those due to PNC) along with other innocent mobile phone dealers. PNC has taken legal advice and are preparing a case against HMRC for both repayment and loss of income. It is our intention to recommence trade when we receive repayment.

The directors have not received any remuneration since April and further your board have been scrutinising every aspect of the business to ensure overheads are kept to a minimum.

There have been a number of leases that your board have had to re-negotiate due to Vanguard PLC going into administration. Vanguard bought KJC mobile phones from PNC's administrator in 2003. Your board have been advised that the assignment of some of these leases was incorrect and are now taking legal advice to recover the costs incurred from the professionals who handled the administration.

Your board are attending a mediation hearing on 12th October with the previous Directors in an attempt to reach a settlement in the ongoing legal action against them.

Our investment in SIM 4 Travel is currently valued at £1,750,000 at the bid price as at 28 September 2006.

Your board are looking at a number of other businesses in the mobile field and will keep shareholders informed of any developments.

Leo Knifton

L.E.V. Knifton
Chairman

29 September 2006

DIRECTORS AND ADVISERS

Directors	**J.W. Case** **L.E.V. Knifton**
Secretary	**International Registars Limited**
Registered Office	5 – 7 Cranwood Street London EC1V 9EE
Registrars	**Capita IRG Plc** Bourne House 34 Beckenham Road Kent BR3 4TU
Bankers	**Barclays Bank Plc** 54 Lombard Street London EC3P 3AH
Solicitors	**Stallard Solicitors** Centurion House, 37 Jewry Street, London EC3N 2ER
Auditors	**Jeffreys Henry LLP** Finsgate 5-7 Cranwood Street London EC1V 9EE
Financial Advisers	**Beaumont Cornish Limited** Fifth Floor, 10-12 Copthall Avenue London EC2R 7DE
Brokers	**Falcon Securities (UK) Limited** 152/154 Bishopsgate London EC2N 4AJ

PNC TELECOM PLC

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2006

The Directors present their annual report and the audited financial statements for the year ended 31 March 2006.

Principal Activities

The principal activity of the company is the export and import of mobile phones and other electrical equipment.

Business Review and Future Developments

A review of the business and future developments is contained in the Chairman's Statement.

Dividend

The Directors resolved that no dividend will be paid for the year ended 31 March 2006.

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 2006 Ordinary Shares 0.1p each	31 March 2005 Ordinary Shares 0.1p each
J.W.Case	12,710,000	12,710,000
L.E.V. Knifton	-	-

J.W. Case also held 12,710,000 deferred ordinary shares of 4.9p each at 31 March 2006.

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 25 September 2006.

	Number of 0.1p Shares	Percentage of Ordinary Share Capital
E*Trade Securities Limited	25,440,975	15.14%
JIM Nominees Limited	19,386,679	11.53%
Brewin Nominees (Channel Islands) Limited	13,000,000	7.73%
TD Waterhouse Nominees (Europe) Limited	10,150,880	6.04%
Artillery Nominees Limited	8,471,008	5.04%
VIDACOS Nominees Limited	7,000,000	4.16%
Barclayshare Nominees Limited	5,269,034	3.13%
Redmayne (Nominees) Limited	5,052,500	3.01%

DIRECTORS' REPORT continued

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 2006 were 73 days (2005 – 115 days)

Auditors
In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Jeffreys Henry LLP be re-appointed as auditors will be put to the Annual General Meeting.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

Audit Information
The Directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of the information.

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.

L.E.V. Knifton
Company Director **29 September 2006**

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PNC TELECOM PLC

We have audited the financial statements on pages 6 to 17 of PNC Telecom Plc for the year ended 31 March 2006. These financial statements have been prepared under the historical cost convention and 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 Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 the Directors' remuneration and transactions with the Company is not disclosed.

We read the other information contained in the Annual Report, comprising only the Directors' report and Chairman's statement, and 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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31 March 2006 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Jeffreys Henry LLP
Chartered Accountants
Registered Auditors

29 September 2006
Finsgate
5-7 Cranwood Street
London EC1V 9EE

PNC TELECOM PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006

	Notes	31 March 2006 £'000	31 March 2005 £'000
Turnover	2	25,840	-
Cost of Sales		(24,871)	
Gross Profit		969	-
Operating expenses		(533)	(465)
Operating Profit/ (Loss)		436	(465)
Profit/ (Loss) on ordinary activities before interest and tax		436	(465)
Interest receivable and similar income	4	8	7
Interest payable	5	(297)	
Profit/ (Loss) on ordinary activities before tax		147	(458)
Tax on loss on ordinary activities	6	-	-
Retained Profit/ (Loss) for the year	12	147	(458)
		Pence	Pence
Loss per share	7	0.14	(0.95)
Diluted loss per share	7	0.02	(0.95)

There are no other recognised gains or losses in the year.
There are no acquisitions or discontinued operations in the year.

PNC TELECOM PLC
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH 2006

	2006 £'000	2005 £'000
Profit/(Loss) for the financial year	147	(458)
Conversion of loan notes	100	-
Issue of shares	5	-
Opening shareholders' funds	158	616
Closing shareholders' funds	410	158

PNC TELECOM PLC
BALANCE SHEET

AS AT 31 MARCH 2006

	Note	2006 £'000	2005 £'000
Fixed Assets			
Tangibles	8	150	-
Investments	9	100	
		250	-
Current Assets			
Stock	10	14	-
Debtors: due within one year	11	1,806	45
Cash at bank		1,721	259
		3,541	304
Creditors: Amounts falling due within one year	12	(2,784)	(146)
Net Current Assets		757	158
Total Assets Less Current Liabilities		1,007	158
Creditors: Amounts falling due greater than one year	13	(597)	-
Net Assets		410	158
Capital and Reserves			
Called up share capital	15	2,509	2,404
Share premium account	16	48,033	48,033
Profit and loss account	16	(50,132)	(50,279)
Equity Shareholders' Funds		410	158

The financial statements were approved by the Board on 29 September 2006 and signed on its behalf by:

L.E.V. Knifton
Director

PNC TELECOM PLC
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 £'000	2005 £'000
Net cash inflow/ (outflow) from operating activities	19	1,300	(492)
Returns on investment and servicing of finance	20	(286)	7
Capital Expenditure	20	(154)	-
Financing	20	602	-
Increase / (Decrease) in cash	21	1,462	(485)

PNC TELECOM PLC
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES

Basis of accounting
The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention and in accordance with applicable accounting standards.

Turnover
Turnover represents the amount invoiced for services and product provided (excluding value added tax).

Deferred Taxation
Deferred tax was 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 FRS19.

Pensions
The Company operated a defined contribution scheme for some senior staff members. The pension costs for that scheme represented contributions payable by the Company in the year.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets over the estimated useful economic life subject to the following periods:

Motor Vehicles	-	25% Reducing Balance
Office Equipment	-	15% Reducing Balance

2(a). TURNOVER

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

PNC TELECOM PLC
NOTES TO THE FINANCIAL STATEMENTS
Continued

FOR THE YEAR ENDED 31 MARCH 2006

2(b). PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2006 £'000	2005 £'000
Depreciation	48	-
Auditors' remuneration		
- audit fees	10	7
- other fees	-	7
Recovery from claims against former directors	115	-

3. EMPLOYEES

Directors' remuneration	2006 £'000	2005 £'000
Salaries and fees	100	-
Pension contributions	15	-
	115	-

	2006 £'000	2005 £'000
Staff costs, including Directors		
Wages and salaries	115	-
Social Security costs	14	-
Other pension costs	15	-
	144	-

Please see Note 22 for fees paid to directors.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £'000	2005 £'000
Bank Interest receivable	8	7

5. INTEREST PAYABLE

	2006 £'000	2005 £'000
Other interest payable	294	-
Hire Purchase Interest payable	3	-
	297	-

6. TAXATION

	2006 £'000	2005 £'000
Current tax:		
UK Corporation tax on profits of the period	-	-
Adjustments in respect of prior periods	-	-

Current tax reconciliation	2006 £'000	2005 £'000
Profit/(Loss) on ordinary activities before tax	147	(458)
Theoretical tax at UK corporation tax rate 30% (2004:30%)	44	(137)
Effects of:		
Depreciation	48	-
Capital allowances	(60)	-
Tax losses	(32)	137
Actual current tax charge for period	-	-

The company has excess management expenses of £3,137,000 (2005 - £3,244,00) available for carry forward which are subject to agreement with the Inland Revenue.

7. EARNINGS PER SHARE

The weighted average number of shares used was:	2006 £'000	2005 £'000
Basic	105,865	48,084
Diluted	593,262	48,084

In the diluted EPS calculation, share options with an exercise price of less than the average share price for the year have not been treated as dilutive where to do so would decrease the net loss per share.

	2006 £'000	2006 pence per share	2005 £'000	2005 pence per share
Basic EPS				
Prfofit/ (Loss) for the year	147	0.14p	(458)	(0.95)
Diluted EPS				
Profit/ (Loss) for the year and loss per share	147	0.02p	(458)	(0.95)

FOR THE YEAR ENDED 31 MARCH 2006

8. TANGIBLE FIXED ASSETS

	Fixtures, Fittings and equipment £000	Motor Vehicles £000	Total £000
Cost			
At beginning of year	-	-	-
Additions	16	183	199
At end of year	16	183	199
Depreciation			
At beginning of year	-	-	-
Charge for year	2	47	49
At end of year	2	47	49
Net book value			
At 31 March 2006	**14**	**136**	**150**
At 31 March 2005	-	-	-

9. INVESTMENTS

	Listed Investments £
Cost	
At beginning of year	-
Additions	100
At end of year	100

The company owns 50million ordinary shares in Sim4Travel Holdings Limited, a company quoted on OFEX, the value of the investment at the date of the annual report was £1,750,000.

10. STOCK

	2006 £'000	2005 £'000
Finished Goods	14	-

PNC TELECOM PLC
NOTES TO THE FINANCIAL STATEMENTS
Continued

FOR THE YEAR ENDED 31 MARCH 2006

11. DEBTORS

	2006 £'000	2005 £'000
Due within one year		
Trade debtors	1	-
Other debtors	1,805	45
	1,806	45

In other debtors, there is an amount of £1.8 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.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Net obligations under finance leases	48	-
Trade creditors	93	16
Other creditors	2,391	7
Other taxes and social security costs	20	-
Accruals and deferred income	232	123
	2,784	146

13. **CREDITORS: AMOUNTS FALLING DUE OVER YEAR**

	2006 £'000	2005 £'000
Net obligations under finance leases	77	-
Convertible loan (a)	425	-
Convertible loan (b)	95	-
	597	-

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.

Net Obligations under hire purchase contracts

Repayable within one year	55	-
Repayable within one and five years	88	-
	143	-
Finance charges and interest allocated to future accounting periods	(18)	-
	125	-
Included in liabilities within one year	(48)	-
	77	-

FOR THE YEAR ENDED 31 MARCH 2006

14. FINANCIAL INSTRUMENTS

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. At 31 March 2006 the Company had cash at bank of £1,721,000 (2005-£259,000). This attracts interest at rates that vary with the bank rates and all accounts are held in sterling.

15. SHARE CAPITAL

	2006 No. 000	2005 No. 000	2006 £'000	2005 £'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	153,084	48,084	153	48
Deferred Ordinary shares of 4.9p each	48,084	48,084	2,356	2,356
			2,509	2,404

The deferred shares have a no value.
During the year end the company issued convertible loan notes totalling £620,000 which had been underwritten by the directors. £100,000 of these were converted to 100,00,000 ordinary shares of 0.1p each by the year end.
On 8 February 2006 5,000,000 shares were issued at 0.1p per share.
On 19 May 2006, 5,000,000 ordinary shares were issued at 0.1p per share.

16. RESERVES

	Share premium account £'000	Profit and Loss account £'000
At 1 April 2005	48,033	(50,279)
Retained profit for period	-	147
At 31 March 2006	48,033	(50,132)

FOR THE YEAR ENDED 31 MARCH 2006

17. CONTINGENCIES

Since gaining control of the board on 24 August 2004, the Directors have found that the Company's funds have reduced by over £900,000 since 15 January 2004 (when the Company came out of its administration) to having approximately £100,000. The majority of these payments have been drawn by the previous directors and include alleged compensation payments for loss of office. The current board have secured a repayment of £160,000 and is pursing claims of approximately £500,000 against past directors.
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.

18. CONTROL

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

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Operating profit/(loss)	436	(465)
Working capital movements		
(Increase) in Stock	(14)	-
(Increase) in Debtors	(1,761)	(45)
Increase in Creditors	2,590	18
Depreciation	49	-
Net cash inflow/ (outflow) from operating activities	1,300	(492)

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2006 £'000	2005 £'000
Capital Expenditure		
Payments to acquire tangible fixed assets	(54)	-
Payments to acquire investments	(100)	-
Net cash outflow from capital expenditure	(154)	-
Returns on investments and servicing of finance		
Interest paid	(294)	-
Interest received	8	7
Net cash (outflow)/ inflow for returns on investments and servicing of finance	(286)	7

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (continued)

	2006 £'000	2005 £'000
Financing		
Hire Purchase Repayments	(23)	-
Proceeds from issue of convertible loans	620	-
Proceeds from issue of shares	5	-
Net cash inflow from financing	602	-

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006 £'000	2005 £'000
Increase /(Decrease) in cash in the year	1,462	(485)
Issue of convertible loans	(520)	-
Change in net debt from cash flows (see note 19)	942	(485)
Net funds at 1 April 2005	259	744
Net funds at 31 March 2006	1,201	259

22. RELATED PARTY TRANSACTIONS

During the year, the company paid consultancy fees of £124,500 to Fort Knox Property Services, a business owned by a director, Mr Leo Knifton.
During the year, the company made the following payments to Mr Joe Case, a director of the company:

Lease compensation payment	£12,613
Sales commission	£193,684
Rent	£31,162

Mr Leo Knifton advanced convertible loan notes of £115,000 during the period and this was the balance outstanding at the year end.

Mr Joe Case advanced convertible loan notes of £163,000 during the period and this was the balance outstanding at the year end.