PNC TELECOM PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2009

PNC TELECOM PLC

Contents of the Financial Statements
for the year ended 31 March 2009

	Page
Company Information	1
Chairman's Statement	2
Report of the Directors	3 - 5
Report of the Independent Auditors	6 – 7
Consolidated Income Statement	8
Consolidated Statement of Changes in Equity	9
Consolidated Balance Sheet	10
Company Balance Sheet	11
Consolidated Cash Flow Statement	12
Company Cash Flow Statement	13
Notes to the Cash Flow Statement	14
Notes to the Financial Statements	15 - 35

PNC TELECOM PLC

Company Information
for the year ended 31 March 2009

Directors	**J.W. Case** **L.E.V. Knifton**
Secretary	**International Registrars Limited**
Registered Office	Finsgate 5 – 7 Cranwood Street London EC1V 9EE
Registrars	**Capita IRG Plc** Bourne House 34 Beckenham Road Kent BR3 4TU
Bankers	**Natwest Bank** 1 Princes Street London EC2R 8PA
Solicitors	**Pritchard Englefield** 14 New Street London EC2M 4HE
Auditors	**Jeffreys Henry LLP** Finsgate 5-7 Cranwood Street London EC1V 9EE
Nominated Advisors	**Beaumont Cornish Limited** Second Floor, Bowman House 29 Wilson Street London EC2M 2SJ
Brokers	**Falcon Securities (UK) Limited** 152/154 Bishopsgate London EC2N 4AJ
Website	**www.telecom-plc.co.uk**

PNC TELECOM PLC

Chairman's Statement
for the year ended 31 March 2009

Chairman's statement

The Group made a trading loss of £322,000 in the year ended 31 March 2009 (2008: loss £52,000) and exceptional loss of £610,000 on goodwill, and fixed and current assets in respect of Specs and Lenses net of a release of a provision for property lease and guarantees (see note 5 to the accounts).

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

Whilst we have been dealing in electronic gaming consoles with the majority of turnover being accounted for by sales of Nintendo Wii games consoles, we are now focusing our attention on trading mobile phones as the current market conditions and exchange rates have presented a number of opportunities.

Specs and Lenses have closed their retail operation in Freeport and are selling their stock from an office in Clacton and online.

Our investment in S4T Plc has been fully provided due to uncertainty of recovery of any of the £100,000 investment.

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 2009.

Report of the Directors
for the year ended 31 March 2009

The Directors present their annual report and the audited financial statements for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES
The principal activity of the company is the export and import of mobile phones and other electrical equipment and the sale of spectacles and related 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 operating loss for the year of £322,000.

KEY RISKS AND UNCERTAINTIES
The key risks and uncertainties that are 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 2009.

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 2009 Ordinary Shares 0.1p each	31 March 2008 Ordinary Shares 0.1p each
J.W.Case	13,850,000	13,850,000
L.E.V. Knifton	1,000,000	-

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 29 September 2009.

	Number of 0.01p Shares	Percentage of Ordinary Share Capital
JIM Nominees Limited	356,920,350	28.22%
Bade Finance Limited	185,000,000	14.63%
Brewin Nominees Limited	100,000,000	7.91%
Barclayshare Nominees Limited	53,862,177	4.26%
TD Waterhouse Nominees (Europe)	52,091,358	4.12%
Rock Nominees Ltd	39,300,000	3.11%

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 2009 were 65 days (2008 – 37 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.

FINANCIAL INSTRUMENTS

The group does not have formal policies on interest rate risk or foreign currency risk. The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than pound sterling (£). The Group maintains a natural hedge that minimizes the foreign exchange exposures by matching foreign currency income with foreign currency costs.

The Group does not consider it necessary to enter into foreign exchange contracts in managing its foreign exchange risk resulting from cash flows from transactions denominated in foreign currency, given the nature of the business for the time being.

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.

POST BALANCE SHEET EVENTS
There are no events to report.

GOING CONERN
After making appropriate enquiries, the directors consider that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. This is reflected in note 1 to the financial statements.

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 489 of the Companies Act 2006 in the Annual General Meeting.

ON BEHALF OF THE BOARD:

L.E.V. Knifton

Company Director
30 September 2009

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 2009 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 and 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 23 of the financial statements concerning the company's ability to continue as a going concern. The Group incurred a net loss of £1,078,000 for the year ended 31 March 2009 and, at that date, the Group's net current liabilities included a VAT balance recoverable of £1,248,000, which is the subject of an ongoing dispute (see note 12). 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 Group 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 and the Company as at 31 March 2009 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 2009;

- 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.

30 September 2009

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 2009

	Notes	31 March 2009 £'000	31 March 2008 £'000
Revenue	2	713	179
Cost of Sales		(672)	(144)
Gross Profit		41	35
Operating expenses		(363)	(346)
Operating Loss		(322)	(311)
Exceptional expenses (net)		(610)	-
Other operating income		-	314
Operating Profit (Loss)		(932)	3
Finance income	4	4	96
Finance costs	4	(150)	(151)
Profit/(loss) before tax		(1,078)	(52)
Tax expense	6	-	-
Profit/(Loss) for the year	5	(1,078)	(52)
Attributable to:			
Equity holders of the company		(1,078)	(52)
		Pence	**Pence**
Earnings / (loss) per share			
Basic & Diluted	7	(0.17)	(0.02)

PNC TELECOM PLC

Consolidated Statement of Changes in Equity for the year ended 31 March 2009

	Share Capital		Share	Merger	Retained	
	Ordinary shares of 0.1p each	Deferred Ordinary Shares of 4.9p each	Premium	Relief Reserve	Earnings	Total
	£000	£000	£000	£000	£000	£000
As at 1 April 2008	653	2,346	48,013	324	(50,848)	488
Loss after tax for the year	-	-	-	-	(1,078)	(1,078)
As at 31 March 2009	653	2,346	48,013	324	(51,926)	(590)

	Share Capital		Share	Merger	Retained	
	Ordinary shares of 0.1p each	Deferred Ordinary Shares of 4.9p each	Premium	Relief Reserve	Earnings	Total
	£000	£000	£000	£000	£000	£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 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.

PNC TELECOM PLC

Consolidated Balance Sheet

As at 31 March 2009

	Note	2009 £'000	2008 £'000
ASSETS			
Non-Current Assets			
Goodwill	9	-	429
Investments	10	-	100
Property, plant and equipment	8	8	74
		8	603
Current Assets			
Inventories	11	6	18
Trade and other receivables	12	1,262	1,326
Cash and cash equivalent	13	16	191
		1,284	1,535
CURRENT LIABILITIES			
Trade and other payables	14	(845)	(579)
Financial Liabilities – Borrowings:			
Interest bearing loan	15	(652)	(686)
		(1,497)	1,265
NET CURRENT LIABILITIES		(213)	270
NON CURRENT LIABILITIES			
Non-Interest bearing loans and borrowings	16	(385)	(385)
NET ASSETS (LIABILITIES)		(590)	488
EQUITY AND LIABILITIES			
Called-up Share capital	17	2,999	2,999
Share premium accounts	18	48,013	48,013
Merger reserve	18	324	324
Retained earnings	18	(51,926)	(50,848)
TOTAL SHAREHOLDERS' EQUITY		(590)	488

The financial statements were approved and authorised for issue by the Board on 30 September 2009 and signed on its behalf by:

L.E.V. Knifton
Director

PNC TELECOM PLC

Balance Sheet

As at 31 March 2009

	Note	2009 £'000	2008 £'000
ASSETS			
Non-Current Assets			
Investments	10	-	609
Property, plant and equipment	8	8	9
		8	618
Current Assets			
Inventories	11	3	3
Trade and other receivables	12	1,250	1,424
Cash and cash equivalent	13	3	91
		1,256	1,518
CURRENT LIABILITIES			
Trade and other payables	14	(790)	(571)
Financial liabilities – Borrowings:			
Interest bearing loan	15	(652)	(686)
		(1,442)	(1,257)
Net Current Assets/(Liabilities)		(186)	261
NON CURRENT LIABILITIES			
Loan Interest bearing loans and borrowings	16	(385)	(385)
Net assets liabilities		(563)	494
EQUITY AND LIABILITIES			
Share capital	17	2,999	2,999
Share premium accounts	18	48,013	48,013
Merger reserve	18	324	324
Retained earnings	18	(51,899)	(50,842)
TOTAL EQUITY		(563)	494

The financial statements were approved and authorised for issue by the Board on 30 September 2009 and signed on its behalf by:

L.E.V. Knifton

Director

PNC TELECOM PLC

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Cash flows from operating activities			
Cash generated from (absorbed in) operations	1	(153)	254
Finance costs		-	(151)
Net cash from operating activities		(153)	103
Cash flows from investing activities			
Acquisition of tangibles		(26)	(65)
Interest received		4	2
Net cash from investing activities		(22)	(63)
Cash flows from financing activities			
Issue of new shares		-	190
Repayment of loans		-	(40)
Net cash from financing activities		-	150
Increase/(decrease) in cash and cash equivalents		(175)	190
Cash and cash equivalents at beginning of year		191	1
Cash and cash equivalents at end of year		16	191
Represented by:			
Cash at bank		16	191

The notes form part of these financial statements

PNC TELECOM PLC

Company Cash Flow Statement

for the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Cash flows from operating activities			
Cash generated from (absorbed in) operations	1	(92)	89
Finance costs		-	(151)
Net cash from operating activities		(92)	(62)
Cash flows from investing activities			
Interest received		4	2
Net cash from investing activities		4	2
Cash flows from financing activities			
Issue of new shares		-	190
Repayment of loans		-	(40)
Net cash from financing activities		-	150
Increase/(decrease) in cash and cash equivalents		(88)	90
Cash and cash equivalents at beginning of year		91	1
Cash and cash equivalents at end of year		3	91
Represented by:			
Cash at bank		3	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 2009

1 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

Group	**2009**	**2008**
	£000	**£000**
Operating loss for the year	(322)	(311)
Adjustments for:		
Depreciation of property, plant and equipment	17	1
Other operating income	-	314
Operating cash flows before movements in working capital	(305)	4
(Increase)/Decrease in inventories	(26)	(15)
(Increase)/Decrease in receivables	64	(37)
(Decrease)/Increase in payables	148	302
(Decrease)/Increase in short term loans	(34)	-
Cash generated from operations	(153)	254

Company	**2009**	**2008**
	£000	**£000**
Operating loss for the year	(275)	(305)
Adjustments for:		
Depreciation of property, plant and equipment	1	1
Other operating income	-	314
Operating cash flows before movements in working capital	(274)	10
(Increase)/Decrease in receivables	174	(41)
(Decrease)/Increase in payables	42	120
(Decrease)/Increase in short term loans	(34)	-
Cash generated from operations	(92)	89

Notes to the Financial Statements
for the Year Ended 31 March 2009

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 principle accounting policies adopted are set out below.

(a) Standards, amendment and interpretations effective in 2008

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations:

- IFRIC 12, 'Service concession arrangements';
- IFRIC 13, 'Customer loyalty programmes'; and
- IFRIC 14 IAS 19, 'The limit on a defined asset, minimum funding requirements and their interaction' (effective from 1 January 2008).

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group.

- 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.

  Preparers of financial statements will have the option of presenting income and expense and components of other comprehensive income either in a single statement or in two separate statements (a separate income statement followed by a statement of comprehensive income).

  The new titles for the financial statements (for example 'statement of financial position' instead of balance sheet) will be used in the accounting standards but are not mandatory for use in financial statements.

  The expected impact is still being assessed in detail by management as the IASB is involved in discussions to examine more fundamental questions about the presentation of information in financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

- 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 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 segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- IAS 27(2008) - Consolidated and Separate Financial Statements (effective from 1 July 2009).
- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The company will apply IFRS 2 (Amendment) from 1 January 2009. It may have a material impact on the Group's financial statements depending on the specific circumstances of any share options granted in the future.

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

1. ACCOUNTING POLICIES (CONTINUED)

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent. The Group will apply the IAS 19 (Amendment) from 1 January 2009.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates contracts with group treasury as fair value or cash flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the company will not formally document and test this relationship. When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. The company will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the company's income statement.

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the company's accounts and have therefore not been analysed in detail.

PNC TELECOM PLC

Notes to the Financial Statements
for the year ended 31 March 2009

1. ACCOUNTING POLICIES (CONTINUED)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Group's operations. The following interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant to the Group's operations:

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendments to IFRS 1, 'First-time adoption')(effective from 1 July 2009).
- IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).
- IAS 19 (Amendment), 'Employees benefits' (effective from 1 January 2009).IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IAS 31 (Amendment), 'Interest in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).
- IFRIC 15, 'Agreements for construction of real estate' (effective from 1 January 2009).
- The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 20, 'Financial reporting in hyperinflationary economies', IAS 40, ' Investment property', and IAS 41, 'Agriculture'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.

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.

1. ACCOUNTING POLICIES (CONTINUED)

Consolidation (continued...)

Subsidiaries

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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued...)

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.

ii) Transactions and balances

Foreign currency transactions are translated into the presentational currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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.

1. ACCOUNTING POLICIES (CONTINUED)

Deferred tax (Continued...)

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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued...)

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.

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.

(a) Impairment of intangibles (other than goodwill)
Intangible assets are 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 value in use calculations prepared on the basis of management's assumptions and estimates.

Critical accounting estimates and judgements (Continued...)

(b) Impairment of intangibles (other than goodwill)
Intangible assets are 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 value in use calculations prepared on the basis of management's assumptions and estimates.

(c) Impairment of property, plant and equipment
Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conduced, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.

(d) Depreciation of property, plant and equipment
Depreciation is provided so as to write down the assets to their residual values over their estimated useful lived as set out above. The selection of these residual values and estimated lives requires the exercise of management judgement.

(e) 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.

PNC TELECOM PLC

Notes to the Financial Statements (Continued)
for the year ended 31 March 2009

2 SEGMENTAL ANALYSIS

The Group's primary segment is business segment. The business segment consist of gaming consoles and specs and lenses as shown below:

Segment Results	Gaming Consoles 2009 £000	Specs & Lenses 2009 £000	Total 2009 £000
Revenue	488	225	713
Cost of Sales	(450)	(222)	(672)
Gross Profit	38	3	41
Overheads	(250)	(113)	(363)
	(212)	(110)	(322)
Exceptional costs	(68)	(542)	(610)
Net finance expense			(146)
Loss before taxation			(1,078)
Segment Assets			
Property, plant and equipment	8	-	8
Other assets	1,256	28	1,284
	1,264	28	1,292

3 EMPLOYEES AND DIRECTORS

	2009 £'000	2008 £'000
Staff Costs		
Wages and salaries	27	36
Social Security costs	3	3
Other pension costs	-	3
	30	42

4 NET FINANCE COSTS

	2009 £'000	2008 £'000
Finance income:		
Deposit account interest	1	96
Other interest	3	-
	4	96
Finance costs:		
Other interest	150	151
Net finance costs	146	55

5 OPERATING LOSS FOR THE YEAR

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

	2009 £'000	2008 £'000
Depreciation	17	1
Auditors' remuneration		
- audit fees	23	10
- other fees	5	1
Recovery from claims against former directors	-	(314)

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

	2009 £'000	2008 £'000
Employment costs	46	42
Rent and Rates	92	6
Travelling and entertaining	5	5
Legal and Professional Fees	95	170
Other expenses	100	123
	338	346

Other operating income is a VAT repayment supplement.

The analysis of exceptional expenses (net) for the year was as follows:-		
Impairment of goodwill	429	-
Subsidiary's finished goods provision for obsolescence	38	-
Provision for property lease guarantees no longer required	(32)	-
Impairment of Investments in S4T Plc	100	-
Impairment of tangible fixed assets in Subsidiary	75	-
	610	-

6 INCOME TAX EXPENSE

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

	2009 £000	2008 £000
Current tax:		
Corporation tax	-	-
	-	-
Deferred tax	-	-
Total	-	-
Loss before tax	(1,078)	(52)

	2009 £000	2008 £000
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2008 - 30%)	(323)	(16)
Effects of:		
Non deductible expenses	-	-
Other tax adjustment	323	16
	-	-
Current tax charge	-	-

The company has trading losses of £948,000 (2008: £748,000) and excess management expenses of £3,043,527 (2008 - £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.

7 EARNINGS PER SHARE (continued)...

Details of the adjusted earnings per share are set out below:

The weighted average number of shares used was:	2009 £'000	2008 £'000
Basic	653,084	287,442
Diluted	653,084	287,442

	2009 £'000	2009 pence per share	2008 £'000	2008 pence per share
Basic EPS				
Profit/ (Loss) for the year	(1,078)	(0.17)p	(52)	(0.02)p
Diluted EPS				
Profit/ (Loss) for the year and loss per share	(1,078)	(0.17)p	(52)	(0.02)p

8 PROPERTY, PLANT AND EQUIPMENT

Group

	Website £000	Fixtures, fittings and Equipment £000	Total £000
Cost			
At beginning of year	54	27	81
Acquisitions	5	21	26
At end of year	59	48	107
Depreciation			
At beginning of year	-	7	7
Charge for year	59	33	92
At end of year	59	40	99
Net book value			
At 31 March 2009	-	8	8
At 31 March 2008	54	20	74

8 PROPERTY, PLANT AND EQUIPMENT (Continued...)

Company

	Website £000	Fixtures, fittings and Equipment £000	Total £000
Cost			
At beginning and end of year	-	16	16
Depreciation			
At beginning of year	-	7	7
Charge for year	-	1	1
At end of year	-	8	8
Net book value			
At 31 March 2009	-	8	8
At 31 March 2008	-	9	9

9. Intangible Assets

Goodwill	Cost £'000	Amortisation £'000	Net Book Value £'000
At 1 April 2008	429	-	429
Impairment	-	(429)	(429)
At 31 March 2009	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; the directors have concluded that full amortization of goodwill is necessary, because its value has declined considerably during the year. The subsidiary, Specs and Lenses Limited has closed their operations in Ipswich and Freeport and are selling their stocks through an office in Clacton to minimise costs.

PNC TELECOM PLC

Notes to the Financial Statements (Continued)
for the year ended 31 March 2009

10. FIXED ASSET INVESTMENTS

	Group £000	Company £000
COST		
At 1 April 2008 and 31 March 2009	100	609
IMPAIRMENT		
At 1 April 2008	-	609
Impairment in the year	100	-
	100	609
CARRYING AMOUNT		
At 31 March 2009	-	-
At 31 March 2008	100	609

(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. A full provision has been made of the S4T Plc investment on the basis of the uncertainty of recovery.

(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, as a result of current year's trading, there is no value remaining in this investment.

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

Subsidiary	**2009 £000**	**2008 £000**
Specs and Lenses Limited	(162)	(6)

Below are the combined revenues and profit of the enlarged Group from 1 April 2008 to 31 March 2009:

	2009 £000	**2008 £000**
Revenue	713	179
Impairment in the year	(1,078)	(52)

11 INVENTORIES

GROUP	**2009 £'000**	**2008 £'000**
Group		
Finished Goods	6	18
COMPANY		
Finished Goods	3	3

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

12 TRADE AND OTHER RECEIVABLES

GROUP	2009 £'000	2008 £'000
Due within one year		
Trade receivables	-	21
Other receivables	1,262	1,305
	1,262	1,326

Included 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	2009 £'000	2008 £'000
Due within one year		
Trade receivables	-	19
Other receivables	1,250	1,405
	1,250	1,424

13 CASH AND CASH EQUIVALENTS

Group	2009 £'000	2008 £'000
Bank current account and cash	3	120
Bank deposit account	13	71
	16	191

Company	2009 £'000	2008 £'000
Bank current account and cash	3	90
Bank deposit account	-	1
	3	91

PNC TELECOM PLC

Notes to the Financial Statements (Continued)
for the year ended 31 March 2009

14 TRADE AND OTHER PAYABLES

GROUP	2009 £'000	2008 £'000
Current:		
Trade payables	32	45
Other payables	10	-
Social security and other taxes	31	15
Accruals and deferred income	772	519
	845	579

Included in Accruals and deferred income is an amount of £604,725 relating to Interest on Loan.

COMPANY	2009 £'000	2008 £'000
Current:		
Trade payables	5	38
Other payables	5	-
Social security and other taxes	26	15
Accruals and deferred income	754	518
	790	571

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 - CURRENT

GROUP AND COMPANY	2009 £'000	2008 £'000
Interest bearing loan	652	686

There are no terms for repayment; interest is being accrued at a simple rate of 3% per month.

16. FINANCIAL LIABILITIES – NON-CURRENT

GROUP AND COMPANY	2009 £'000	2008 £'000
Convertible loan	385	385

The convertible loan of £385,000 is split as follows:

£55,000 of the convertible loans are convertible into 1,000 new ordinary shares for each of the £1 of loan note. These loan notes are exercisable by 16 February 2012.

The balances of £330,000 of the convertible loans are convertible into 1,000 new ordinary shares for each £1 of loan note. These loan notes exercisable by 28 April 2012.

PNC TELECOM PLC

Notes to the Financial Statements (Continued)
for the year ended 31 March 2009

16. FINANCIAL LIABILITIES – NON-CURRENT (Continued...)

Subsequent to the year-end, the following conversion took place:

(1) On the 8 July 2008, £50,000 of the April 2012 convertibles were converted into 50,000,000 new ordinary shares.

On the same date, £10,000 of the February 2012 convertibles were converted into 10,000,000 new ordinary shares .

(2) On the 27 July 2009, £40,000 of the April 2012 convertibles were converted into £40,000,000 new ordinary shares.

(3) On the 17 August 2009, £140,000 of the April 2012, convertibles were converted into 140,000,000 new ordinary shares.

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 2009 the Group had cash at bank of £16,000 (2008: £191,000).

17. CALLED UP SHARE CAPITAL

	2009 No.'000	2008 No.'000	2009 £'000	2008 £'000
Authorised:				
Ordinary shares of 0.01p each	1,543,873	1,543,873	154	154
Deferred shares of 0.09p each	1.543,873	1,543,873	1,390	1,390
Deferred 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 0.01p each	653,084	653,084	65	65
Deferred shares of 0.09p each	653,084	653,084	588	588
Deferred shares of 4.9p each	48,084	48,084	2,346	2,346
			2,999	2,999

In October 2008, each of the issued and unissued ordinary share capital of 0.1p has been subdivided into one ordinary share of 0.01p and one deferred share of 0.09p each.

On the 26 June 2009, the company issued 255,000,000 ordinary share to raise a total of £76,500.

On the 8 July 09, the company issued 50,000,000 new ordinary shares in respect of the 28 April 2012 convertible loan notes.

17. CALLED UP SHARE CAPITAL (Continued...)

On the same date, the company issued 10,000,000 new ordinary shares in respect of the 16 February 2012 convertible loan notes.

On the 27 July 09, the company issued 40,000,000 new ordinary shares in respect of the 28th April 2012 convertible loan notes.

On the 17 August 2009, the company issued 140,000,000 new ordinary shares in respect of the 28th April 2012 convertible loan notes.

On the same date, the company issued 16,666,667 new ordinary shares in settlement of an outstanding invoice of £5,000.

On the 28 August 2009, the company issued 100,000,000 new ordinary shares of 0.03p each to raise a total of £30,000 before expenses.

The deferred shares do not confer any voting rights.

18. RESERVES

GROUP	Retained earnings £000	Share premium £000	Other reserves £000	Totals £000
At 1 April 2008	(50,848)	48,013	324	(2,511)
Loss for the year	(1,078)	-	-	(1,078)
At 31 March 2009	(51,926)	48,013	324	(3,589)

COMPANY	Retained earnings £000	Share premium £000	Other reserves £000	Totals £000
At 1 April 2008	(50,842)	48,013	324	(2,505)
Loss for the year	(1,057)	-	-	(1,057)
At 31 March 2009	(51,899)	48,013	324	(3,562)

19. 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.

19. RISK AND SENSITIVITY ANALYSIS (Continued...)

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.

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.

20. LOSS FOR THE PARENT COMPANY

As permitted by section 235 of the Companies Act 1985, the income statements of the parent company is not presented as part of the financial statements.

	2009 £000	2008 £000
Loss for the year	1,057	46

21. CONTINGENT LIABILITIES AND GUARANTEES

The Company has guaranteed a non–cancellable operating lease in respect of its subsidiary at the annual rate of £45,840, which runs out between 2 and 5 years of the year end date.

The Company had a charge, which was created on the 11 June 2008 and registered on the 17 June 2008 in respect of a rent deposit deed of £13,465.50.

22. CAPITAL COMMITMENTS

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

23. RELATED PARTY TRANSACTIONS (Continued...)

During the year, the company paid rent of £20,830 (2008: £14,913) and commissions of £nil (2008: £39,500) to Mr Joe Case, a director of the company.

At the end of the year, the company owed £4,940 (2008: £nil) to Mr Joe cChase

£23,000 (2008: £63,000) of the convertible loan notes were due to Mr Joe Chase.

100,000 (2008: 65,000) of the convertible loan notes were due to Mr Leo Knifton, a director of the company.

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.