

INQUAM TELECOM (HOLDINGS) LIMITED

ABBREVIATED ACCOUNTS

31 DECEMBER 2005

COMPANY REGISTRATION NUMBER 04244115



INQUAM TELECOM (HOLDINGS) LIMITED

ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2005

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INQUAM TELECOM (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE COMPANY

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 2 to 5, together with the financial statements of the company for the year ended 31 December 2005 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITOR

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

OPINION

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act, and the abbreviated accounts on pages 2 to 5 are properly prepared in accordance with those provisions.

OTHER INFORMATION

On 19 September 2006, we reported as auditor to the members of the company on the financial statements prepared under Section 226 of the Companies Act 1985 and our report included the following paragraph:

FUNDAMENTAL UNCERTAINTY

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the justification for these financial statements having been prepared on a going concern basis.

The company can continue trading due to its Compromise Agreement with Ofcom, the industry's regulatory body, in relation to its obligation to pay outstanding legacy licence fees. Without this agreement in place we would not consider the going concern assumption to be acceptable. Even with the Compromise Agreement, there remains some uncertainty over the Company's ability to meet the escalating debt repayments under the Agreement. Details of the circumstances relating to this uncertainty are described in note 1. Our opinion is not qualified in this respect.



Target Consulting Limited
Chartered Accountants & Registered Auditors
Lower Bristol Road
Bath

Dated: 5/10/06

INQUAM TELECOM (HOLDINGS) LIMITED


ABBREVIATED BALANCE SHEET

31 DECEMBER 2005

	Note	2005 £	2004 £
CURRENT ASSETS			
Debtors		1,204,072	129,487
Cash at bank and in hand		765,018	5,079
		<u>1,969,090</u>	<u>134,566</u>
CREDITORS: Amounts falling due within one year		<u>(2,429,931)</u>	<u>(500,093)</u>
NET CURRENT LIABILITIES		(460,841)	(365,527)
TOTAL ASSETS LESS CURRENT LIABILITIES		(460,841)	(365,527)
CREDITORS: Amounts falling due after more than one year		(1,389,134)	(1,518,640)
		<u>(1,849,975)</u>	<u>(1,884,167)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	3	1	1
Profit and loss account		<u>(1,849,976)</u>	<u>(1,884,168)</u>
DEFICIENCY		<u>(1,849,975)</u>	<u>(1,884,167)</u>

These abbreviated accounts have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved by the directors on 2-10-06 and are signed on their behalf by:


Mr A Greaves
 Director

The notes on pages 3 to 5 form part of these abbreviated accounts.

INQUAM TELECOM (HOLDINGS) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Going Concern

The company can continue trading due to its Compromise Agreement with Ofcom, the industry's regulatory body, in relation to its obligation to pay outstanding legacy licence fees. Without this agreement in place we would not consider the going concern assumption to be acceptable. Even with the Compromise Agreement, there remains some uncertainty over the Company's ability to meet the escalating debt repayments under the Agreement.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement, on the grounds that the company is small.

Turnover

The turnover shown in the profit and loss account represents services provided during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

INQUAM TELECOM (HOLDINGS) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2005

2. RELATED PARTY TRANSACTIONS

The company has engaged in transactions with the following related parties during the year:

Inquam Telecom Limited - a 100% subsidiary of Inquam Telecom (Holdings) Limited for part of the year;

Core Communications Services Limited - a company in which Mr A Greaves and Mr R Pullin are directors and shareholders;

Core Technology Limited - a company in which Mr A Greaves is a director and shareholder.

During the year to 31 December 2005 revenue from related parties were as follows:

	2005	2004
	£	£
Inquam Telecom Limited	-	613,800
Core Communication Services Limited	415,573	-

At 31 December 2005 amounts due from related parties were as follows:

	2005	2004
	£	£
Core Communication Services Limited	329,497	-
Core Technology Limited	4,700	-
Inquam Telecom Limited	294	-

During the year to 31 December 2005, purchases from related parties were as follows:

	2005	2004
	£	£
Inquam Telecom Limited	-	613,800
Core Technology Limited	524,100	-
Core Communication Services Limited	1,690,512	-

At 31 December 2005 amounts due to related parties were as follows:

	2005	2004
	£	£
Core Communication Services Limited	1,250,525	-
Core Technology Limited	-	-
Inquam Telecom Limited	17,375	-

On 22 November 2004, a Deed of Release between Inquam Telecom (Holdings) Limited and Inquam Limited, the ultimate holding company and controlling party, was agreed. This deed waived the liability of Inquam Telecom (Holdings) Limited to Inquam Limited and transferred the amounts due by Inquam Telecom (Holdings) Limited from Inquam Telecom Limited, to Inquam Limited. This resulted in the exceptional items, which are detailed in Note 2 to the statutory full accounts.

Also as part of this agreement the entire issued share capital of Inquam Telecom (Holdings) Limited was transferred to Mr A Greaves, a current director of this company, for £1.

INQUAM TELECOM (HOLDINGS) LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2005

3. SHARE CAPITAL

Authorised share capital:

	2005	2004
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>