

Tertio Telecoms Limited

Report and Accounts

31 December 2003



Tertio Telecoms Limited

Registered No. 2325854

DIRECTORS

N Clifford
D K C Gibbon

SECRETARY

D K C Gibbon

AUDITORS

BDO Stoy Hayward LLP
Northside House
69 Tweedy Road
Bromley
Kent BR1 3WA

REGISTERED OFFICE

One Angel Square
Torrens Street
London EC1V 1PL

DIRECTORS' REPORT

The directors present their report and group accounts for the year ended 31 December 2003.

RESULTS AND DIVIDENDS

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend (2002 - £nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The group's principal activity during the year continued to be that of software consultants, systems integrators and designers.

FUTURE DEVELOPMENTS

The directors look forward to the year 2004 with confidence.

RESEARCH AND DEVELOPMENT

Research and development is concentrated on the development of new features for existing products and new products capable of generating greater turnover.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as shown on page 1.

None of the directors had interests in any of the categories of shares at any time during the year.

None of the directors had options to subscribe for any of the categories of share capital at any time during the year.

Interests of Directors in the shares of Tertio Telecoms Group Limited are shown in the accounts of that Company.

AUDITORS

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the board



David Gibbon
Secretary

25 February 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Tertio Telecoms Limited

REPORT OF THE INDEPENDENT AUDITORS to the members of Tertio Telecoms Limited

We have audited the group's financial statements for the year ended 31 December 2003, which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group balance sheet, the company balance sheet and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 directors' remuneration and transactions with the group is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
Bromley

Tertio Telecoms Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

	Notes	2003 £000	2002 £000
TURNOVER			
Continuing operations		10,762	11,459
Discontinued operations		-	2,279
GROUP TURNOVER	2	10,762	13,738
Cost of sales	3	(2,662)	(4,590)
Gross profit		8,100	9,148
Administrative expenses	3	(7,256)	(9,043)
Other operating income	3	114	105
GROUP OPERATING PROFIT / (LOSS)			
Continuing operations		958	633
Discontinued operations		-	(423)
GROUP OPERATING PROFIT	4	958	210
Discontinued operations:			
Profit on sale of operations	5	-	8,210
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		958	8,420
Other interest receivable and similar income	6	77	32
Interest payable and similar charges	7	(1)	(5)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,034	8,447
Taxation on profit on ordinary activities	9	286	(26)
PROFIT FOR THE FINANCIAL YEAR		1,320	8,421

The notes on pages 9 to 19 form part of these accounts.

Tertio Telecoms Limited

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2003

	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
Group profit for the financial year	1,320	8,421
Exchange difference on retranslation of net assets of subsidiary undertaking	10	31
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>1,330</u>	<u>8,452</u>

The notes on pages 9 to 19 form part of these accounts.

Tertio Telecoms Limited

GROUP BALANCE SHEET

at 31 December 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Tangible assets	11	236	363
		<u>236</u>	<u>363</u>
CURRENT ASSETS			
Debtors	13	8,653	8,935
Cash at bank and in hand		3,353	2,110
		<u>12,006</u>	<u>11,045</u>
CREDITORS: amounts falling due within one year	14	(3,925)	(4,419)
		<u>8,081</u>	<u>6,626</u>
NET CURRENT ASSETS			
		<u>8,317</u>	<u>6,989</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>8,317</u>	<u>6,989</u>
CREDITORS: amounts falling due after more than one year	15	-	(2)
		<u>8,317</u>	<u>6,987</u>
CAPITAL AND RESERVES			
Called up share capital	18	157	157
Share premium account	19	1,138	1,138
Other reserves	19	78	78
Profit and loss account	19	6,944	5,614
		<u>8,317</u>	<u>6,987</u>
EQUITY SHAREHOLDERS' FUNDS			
		<u>8,317</u>	<u>6,987</u>

These accounts were approved by the board on 25 February 2004

DKC Gibbon

David Gibbon
Director

The notes on pages 9 to 19 form part of these accounts.

Tertio Telecoms Limited

COMPANY BALANCE SHEET at 31 December 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Tangible assets	11	231	358
Investments	12	16	16
		<u>247</u>	<u>374</u>
CURRENT ASSETS			
Debtors	13	8,798	9,552
Cash at bank and in hand		2,873	935
		<u>11,671</u>	<u>10,487</u>
CREDITORS: amounts falling due within one year	14	(3,717)	(3,978)
		<u>7,954</u>	<u>6,509</u>
NET CURRENT ASSETS			
		<u>8,201</u>	<u>6,883</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	15	-	(2)
		<u>8,201</u>	<u>6,881</u>
CAPITAL AND RESERVES			
Called up share capital	18	157	157
Share premium account	19	1,138	1,138
Other reserves	19	78	78
Profit and loss account	19	6,828	5,508
		<u>8,201</u>	<u>6,881</u>
EQUITY SHAREHOLDERS' FUNDS			
		<u>8,201</u>	<u>6,881</u>

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DKC Gibbon

David Gibbon
Director

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NOTES TO THE ACCOUNTS

at 31 December 2003

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies are:

Basis of consolidation

The group accounts consolidate the accounts of Tertio Telecoms Limited and its subsidiary undertaking drawn up to 31 December 2003 using the acquisition method of accounting. No profit and loss account is presented for Tertio Telecoms Limited as permitted by section 230 of the Companies Act 1985.

Statement of cash flows

Exemption is taken from the requirements of FRS1 "Cash Flow Statements" by virtue of the company being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group, and whose results are included in publicly available group accounts.

Turnover

Turnover in respect of fixed price contracts is recognised as follows:

- i) 90% by reference to the proportion of total contract costs incurred at the balance sheet date;
- ii) 10% is recognised on acceptance by the customer.

Turnover from maintenance contracts is recognised evenly over the term of the contract.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	-	10% pa straight line basis or over term of lease if lower
Computer Hardware	-	33 1/3% pa straight line basis
Computer Software	-	Straight line, over three years or less, depending on nature of software
Fixtures, fittings and equipment	-	20% pa straight line basis

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

NOTES TO THE ACCOUNTS

at 31 December 2003

1. ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments (continued)

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Investments

Fixed asset investments are stated at cost less provision for impairment in value.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Long-term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sale value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Progress payments received in advance are included in creditors as payments on account.

Research and development

Research and development expenditure is written off as incurred.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year, and their balance sheets translated into sterling at the rates of exchange at the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings, and from translating the profit and loss account at an average rate are taken to reserves.

Pensions

The pension costs charged in the accounts represent the contributions payable by the company during the year in accordance with SSAP 24.

Tertio Telecoms Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of fixed price long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of fixed price long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for the contract. Turnover is attributable to one continuing principal activity and the split between turnover, by destination, in the United Kingdom and outside the United Kingdom is shown below.

	<i>Continuing</i>		<i>Discontinued</i>		<i>Total</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
United Kingdom	5,792	6,675	-	2,151	5,792	8,826
Europe	3,442	3,753	-	99	3,442	3,852
Rest of World	1,528	1,031	-	29	1,528	1,060
	<u>10,762</u>	<u>11,459</u>	<u>-</u>	<u>2,279</u>	<u>10,762</u>	<u>13,738</u>

3. COST OF SALES AND OPERATING EXPENSES

	<i>Continuing</i>		<i>Discontinued</i>		<i>Total</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost of sales	2,662	3,168	-	1,422	2,662	4,590
Administrative expenses	7,256	7,763	-	1,280	7,256	9,043
Other operating income	114	105	-	-	114	105
	<u>114</u>	<u>105</u>	<u>-</u>	<u>-</u>	<u>114</u>	<u>105</u>

4. OPERATING PROFIT

This is stated after charging:

	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Auditors' remuneration - audit fees	14	14
- other	14	34
Depreciation of owned fixed assets	208	336
Depreciation of assets held under finance leases and hire purchase contracts	19	37
Operating lease rentals - plant and machinery	34	36
- land and buildings	505	609
Research and development costs	1,748	1,852
Reorganisation Costs	181	359
	<u>181</u>	<u>359</u>

Tertio Telecoms Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

5. EXCEPTIONAL ITEMS AND REORGANISATION COSTS

Work commenced in 2001 on demerging the company into two distinct operating entities, which was completed on 31 May 2002. As part of the demerger, the Service Management Solutions division was sold by Tertio Telecoms Limited for a profit. Costs incurred in this project were borne by Tertio Holdings Limited, the holding company of Tertio Telecoms Limited until the demerger.

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £000	2002 £000
Bank interest	77	32

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £000	2002 £000
Finance charges payable under finance leases and hire purchase contracts	1	5
	1	5

8. EMPLOYEES

Employee costs:

	2003 £000	2002 £000
Wages and salaries	5,292	7,073
Social security costs	631	826
Other pension costs	195	232
	6,118	8,131

The average monthly number of employees (including directors) during the year was as follows:

	2003 No.	2002 No.
Administrative staff	14	16
Operational staff	96	133
	110	149



Tertio Telecoms Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

9. TAXATION

Analysis of charge in period

	2003 £000	2002 £000
<i>Current Tax</i>		
UK corporation tax on profits of the period	34	-
Research & development tax credit received	(322)	
Overseas taxation	14	26
Overseas taxation overprovided in previous years	(12)	-
Tax on profit on ordinary activities	(286)	26

There are no deferred tax balances

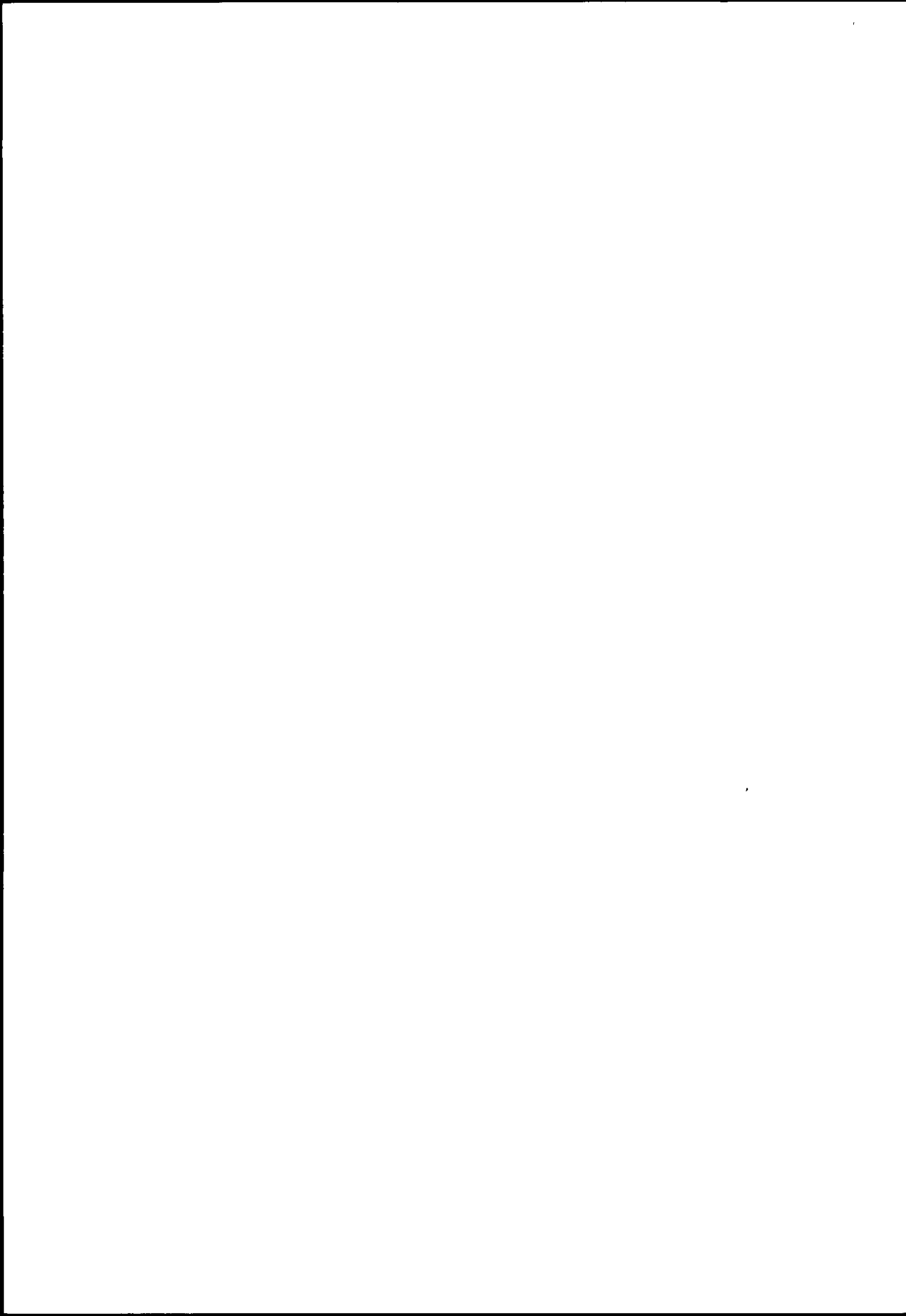
Reconciliation of tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £000	2002 £000
Profit / (loss) on ordinary activities before tax	1,034	8,449
Profit / (loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	310	2,535
Tax effects of:		
Income not subject to UK tax	12	(2,471)
Expenses not deductible for tax purposes	10	5
Depreciation for year in excess of capital allowances	5	6
Higher rate tax on overseas earnings	-	6
Other timing differences	(9)	(9)
Research & Development expenditure	(178)	(46)
Research & development tax credits received	(322)	-
Utilisation of profits brought forward	(95)	-
Overprovision in prior period	(12)	-
Marginal relief	(7)	-
Current tax charge for the year	(286)	26

10. RESULT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

In accordance with the exemption allowed by section 230 (1b) of the Companies Act 1985 the company's profit and loss account has not been shown. The profit dealt with in the accounts of the parent company was £1,320,259 (2002 – £8,383,175).



Tertio Telecoms Limited

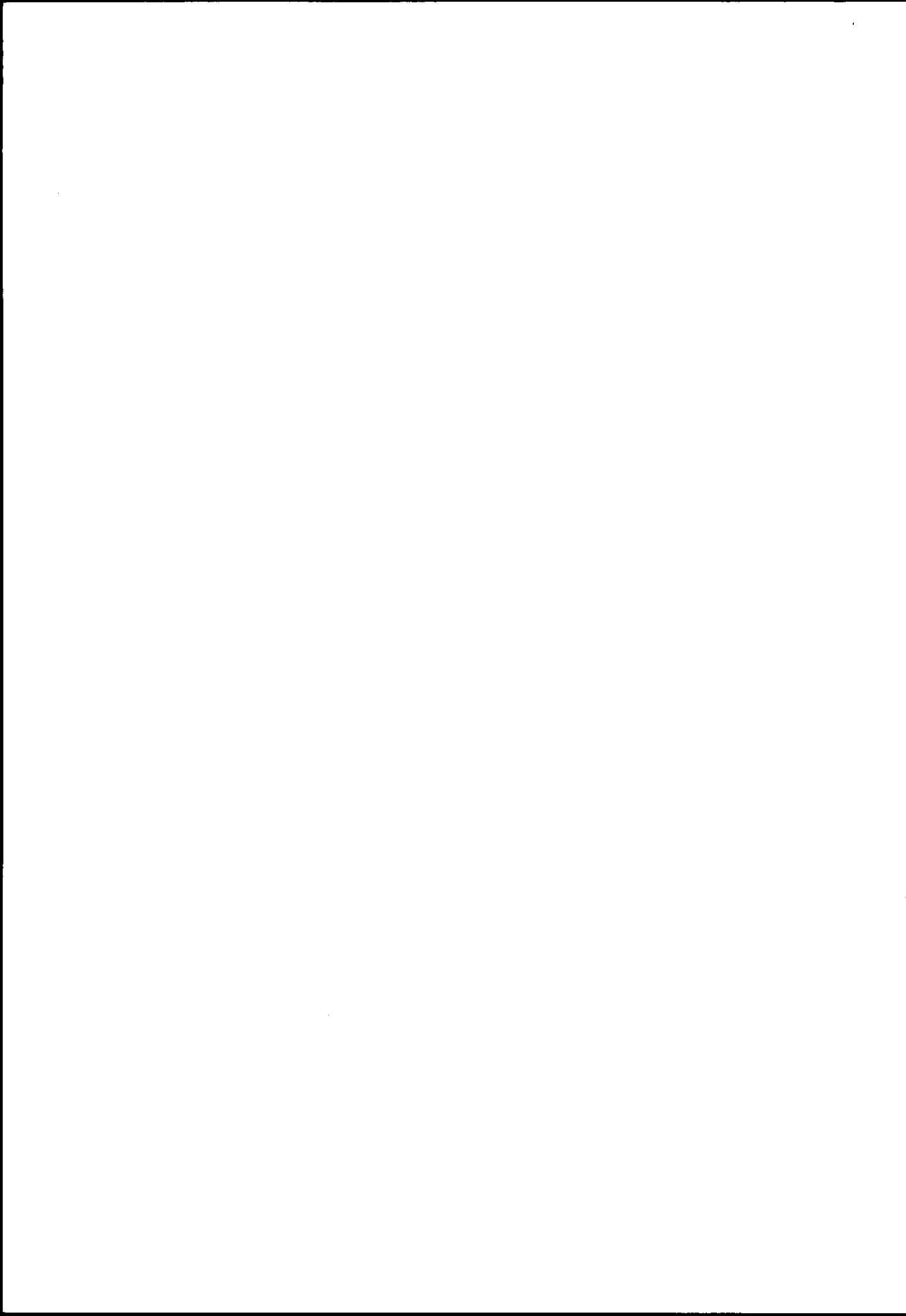
NOTES TO THE ACCOUNTS at 31 December 2003

11. TANGIBLE FIXED ASSETS

Group

	<i>Leasehold improvements £000</i>	<i>Computer hardware and software £000</i>	<i>Fixtures, fittings and equipment £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2003	386	1,282	280	1,948
Additions	1	95	4	100
At 31 December 2003	387	1,377	284	2,048
Depreciation:				
At 1 January 2003	203	1,159	223	1,585
Provided during the year	69	130	28	227
At 31 December 2003	272	1,289	251	1,812
Net book value:				
At 31 December 2003	115	88	33	236
At 1 January 2003	183	123	57	363
<i>Company</i>				
Cost:				
At 1 January 2003	386	1,276	275	1,937
Additions	1	91	1	93
At 31 December 2003	387	1,367	276	2,030
Depreciation:				
At 1 January 2003	203	1,155	221	1,579
Provided during the year	69	125	26	220
At 31 December 2003	272	1,280	247	1,799
Net book value:				
At 31 December 2003	115	87	29	231
At 1 January 2003	183	121	54	358

The net book value of computer hardware and software above (group and company) includes an amount of £nil (2002 - £19,251) in respect of assets held under finance leases and hire purchase contracts.



Tertio Telecoms Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

12. INVESTMENTS

Company

£000

Cost:

At 1 January 2003 and 31 December 2003

16

The investment is not listed.

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Provision of voting rights and shares held</i>	<i>Nature of business</i>
Tertio Telecoms GmbH (formerly Tertio Telecoms Deutschland GmbH)	Germany	Share of €25,000	100%	Software consultants, systems integrators and designers

13. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	1,798	2,490	1,687	2,343
Amounts recoverable on long-term contracts	111	429	111	429
Corporation tax	20	6	14	6
Other debtors	80	56	78	54
Prepayments and accrued income	1,038	339	1,006	316
Amounts owed by group undertakings	5,606	5,615	5,902	6,404
	<u>8,653</u>	<u>8,935</u>	<u>8,798</u>	<u>9,552</u>

All amounts shown under debtors fall due for payment within one year.



NOTES TO THE ACCOUNTS

at 31 December 2003

14. **CREDITORS:** amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Obligations under finance leases and hire purchase contracts	2	15	2	15
Payments on account	343	215	247	43
Trade creditors	178	197	163	188
Current corporation tax	34	31	34	-
Other taxes and social security costs	332	501	264	341
Other creditors	29	28	29	28
Accruals and deferred income	3,007	3,432	2,978	3,363
	<u>3,925</u>	<u>4,419</u>	<u>3,717</u>	<u>3,978</u>

15. **CREDITORS:** amounts falling due after one year

	<i>Group</i>		<i>Company</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Obligations under finance leases and hire purchase contracts	-	2	-	2
	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>

16. **OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS**

Amounts due under finance leases and hire purchase contracts

<i>Group and company</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
Within one year	2	15
In two to five years	-	2
	<u>2</u>	<u>17</u>

17. **PROVISIONS FOR LIABILITIES AND CHARGES**

The Company had no provided or unprovided deferred tax liability at the period end.



Tertio Telecoms Limited

NOTES TO THE ACCOUNTS at 31 December 2003

18. SHARE CAPITAL

	2003	2002	2003	Authorised 2002
	No.	No.	£000	£000
Ordinary shares of 5p each	4,000,000	4,000,000	200	200
New Ordinary shares of 5p each	2,000,000	2,000,000	100	100
Deferred Ordinary shares of 5p each	2,000,000	2,000,000	100	100
Ordinary 'B' shares of £1 each	90,000	90,000	90	90
Ordinary redeemable shares of £1 each	10,000	10,000	10	10
	<u>8,100,000</u>	<u>8,100,000</u>	<u>500</u>	<u>500</u>
	2003	2002	2003	2002
	No.	No.	£000	£000
Ordinary shares of 5p each	1,488,205	1,488,205	74	74
New Ordinary shares of 5p each	180,703	180,703	9	9
Deferred Ordinary shares of 5p each	1,475,104	1,475,104	74	74
Ordinary 'B' shares of £1 each	-	-	-	-
Ordinary redeemable shares of £1 each	-	-	-	-
	<u>3,144,012</u>	<u>3,144,012</u>	<u>157</u>	<u>157</u>

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group	Share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
At 1 January 2002	157	1,138	78	(2,838)	(1,465)
Exchange differences on retranslation of net assets of subsidiary undertaking	-	-	-	31	31
Profit for the year	-	-	-	8,421	8,421
At 1 January 2003	157	1,138	78	5,614	6,987
Exchange differences on retranslation of net assets of subsidiary undertaking	-	-	-	10	10
Profit for the year	-	-	-	1,320	1,320
At 31 December 2003	<u>157</u>	<u>1,138</u>	<u>78</u>	<u>6,944</u>	<u>8,317</u>



NOTES TO THE ACCOUNTS

at 31 December 2003

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES
(continued)

<i>Company</i>	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Other reserves £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2002	157	1,138	78	(2,875)	(1,502)
Profit for the year	-	-	-	8,383	8,383
At 1 January 2003	157	1,138	78	5,508	6,881
Profit for the year	-	-	-	1,320	1,320
At 31 December 2003	157	1,138	78	6,828	8,201

20. PENSION COMMITMENTS

The group makes contributions into employees' individual personal pension schemes. The assets of the employees' personal pension schemes are held separately from those of the company in a series of independently administered funds. The pension cost charge represents contributions payable by the company into the employees' individual personal pension schemes and amounted to £211,045 (2002 - £247,252).

21. OTHER FINANCIAL COMMITMENTS

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as set out below:

<i>Group</i>	<i>Land and buildings</i>		<i>Other</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
within one year	39	-	5	3
in two to five years	318	358	6	6
over five years	140	140	-	-
	497	498	11	9



Tertio Telecoms Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

21. OTHER FINANCIAL COMMITMENTS (continued)

<i>Company</i>	<i>Land and buildings</i>		<i>Other</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
within one year	-	-	5	3
in two to five years	318	324	6	6
over five years	140	140	-	-
	<u>458</u>	<u>464</u>	<u>11</u>	<u>9</u>

22. CAPITAL COMMITMENTS

There were no capital commitments nor authorisations at 31 December 2003 (2002 - nil).

23. ULTIMATE CONTROLLING PARTY

The directors consider the ultimate controlling party to be Tertio Telecoms Group Limited. It has included the company in its group accounts, copies of which are available from its registered office: One Angel Square, Torrens Street, London EC1V 1PL.

24. RELATED PARTY TRANSACTIONS

Exemption has been taken under Section 3(c) of FRS 8 Related Party Transactions from the requirement to disclose transactions with Tertio Telecoms Group Limited.

25. CONTINGENT LIABILITIES

There is an unlimited intercompany guarantee in place between Tertio Telecoms Limited and its parent company, Tertio Telecoms Group Limited.

