Registered No 02020395

TELINDUS LIMITED

Report and Financial Statements

Year ended 31 December 2011

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DIRECTORS
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M Lowther
P Van Der Perren

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DIRECTORS' REPORT (continued)

The directors present their annual report and audited financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

The company is a "manufacturer independent" ICT solutions provider The principal activities of the company are the design, supply, integration and management of multi-vendor network based ICT solutions on a UK and International basis There are no plans to change the company's principal activities

RESULTS AND DIVIDENDS

The company recorded a loss before tax for the year of £1,199,000 (2010 loss of £1,516,000) No dividend was paid or declared in the year (2010 £nil)

REVIEW OF THE BUSINESS

The key financial and other performance indicators for the year ended 31 December 2011 were

	2011 £'000	2010 £'000	Change %
Turnover	61,366	40,868	+50%
Operating Loss	(1,108)	(1,467)	+25%
Gross Profit – Services	4,021	5,959	-33%
Customer Satisfaction (target score 77)	74	78	-5%
Operating Loss per Head £'000	(5 98)	(8 53)	+30%
Operating Cost per Head £'000	94 95	96 08	-1%

2011 was a year of transition for the company The directors recognised the need for significant transformation of the company to a services led organisation delivering higher value propositions to its customers This required significant investment in sales, marketing and a restructuring of the skills and capabilities of the employee base The resulting 50% growth in revenue and the arrest of the losses trend, following the stagnation of the previous two years, is a significant result and in line with the long term business plan

The significant increase in turnover resulted in the company reducing its reported loss before tax to £1 1m (2010 loss of £1 5m)

The overall result was impacted by the inclusion of substantial restructuring costs £604,934 (2010 £118,924), which were incurred as a result of the reorganisation outlined above, further investment in the senior management team and the employees along with increased depreciation charges following a significant investment in spares to cater for the new service contract which went live in January 2011

The company's parent undertaking, Telindus Group NV, has continued in its support to the company with a recapitalisation which took place during the year the details of which are as follows

On the 13 May 2011, at a meeting of the board of directors of the company, the following share recapitalisation was resolved and confirmed with the appropriate consents and waivers from its sole shareholder, Telindus Group NV

- All the Preference shares in issue to be redeemed at par value out of distributable reserves

DIRECTORS' REPORT (continued)

- The A Ordinary shares, B Ordinary shares and C Ordinary shares be consolidated, at par, into one class of New Ordinary shares of 10 pence each and thereafter be further consolidated into shares of one Pound on the basis of One New Ordinary share of £1 for 10 New Ordinary shares of 10 pence

- The share capital of the company was increased by £3,000,000 with the issue of 3,000,000 New Ordinary shares of £1 each to rank pari passu with the existing New Ordinary shares - Telindus Group NV subscribed for all of this new issue for a consideration of £3,000,000

FUTURE DEVELOPMENTS
The investments made in 2011 are yielding results and the directors are committed to continue with the implementation of the company's plans to improve its trading position with the continued support of Belgacom S A

The directors are pleased with progress being made and also with prospects for the future performance of the overall business to be able to deliver value to its customers, shareholders and employees

Principal risks and uncertainties
The company's operations expose it to a variety of financial risks that include competitive risk, liquidity risk, interest rate risk, currency risk and credit risk Given the size of the company, the directors have not deemed it necessary to delegate responsibility for monitoring financial risk management to a sub-committee of the board The policies set by the board of directors are implemented by the company's finance department

Competitive Risk
The company has a portfolio of clients across key sectors of the economy where the procurement of products and services are subject to competitive tender and the results of these processes are uncertain, with decisions based on a combination of financial, commercial and technical criteria In order to manage the risk of these tender processes the company services clients are across multiple sectors (Service Providers, Enterprise and Public Sector) and this diversity along with the security of having pre-negotiated customer framework agreements goes to mitigate the risk

Concentration risk
The company has several key customers which contribute a significant amount of its revenues In order to reduce this reliance, investment has been directed into growing other segments of the company, notably the Enterprise market Whilst this concentration carries risk, the company operates and delivers services at multiple points into these high density customers and therefore seeks to mitigate the risk by further developing a business partnership rather than a customer – supplier relationship

Liquidity risk
The company retains sufficient cash from its operations and has access to a group credit facility the combination of which ensures it has funds available to meet its requirements

Interest rate risk
The company has cash balances of £477,000 (2010 £1,275,000) which earn interest at a variable rate The directors consider the interest rate risk in respect of these cash balances to be at an acceptable level

Currency risk
The company has transactional currency exposures in US Dollars and Euros which arise from sales and purchases in currencies other than its functional currency Potential exposures to foreign currency exchange rate movements are monitored through 12 month rolling cash flow forecasts in all currencies in which the company trades These are reviewed monthly by the management and appropriate actions are taken to manage net open foreign currency positions by the use of derivative financial instruments to reduce exposure to foreign exchange risk

Credit risk
There is a risk of financial loss to the company arising from the failure of the company's customers to meet their financial obligations for the services provided by the company The company manages this situation through credit control procedures and management are of the view that the risk is at an acceptable level

GOING CONCERN

The company participates in the group's centralised treasury and banking arrangements with its parent and fellow subsidiaries

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on pages 3 to 4

Following an assessment of the forecast for 2012, the company's financial position following the re-capitalisation and the continued support of its parent, The company is expected to return to a positive cash flow position from 2012 onwards The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries
The directors, having assessed the responses of the directors of the company's parent Telindus Group NV to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Belgacom S A group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Telindus Group NV, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

DIRECTORS

The directors who served in the year, and subsequent to the year end, are as follows

M Hutchinson	(resigned 13 July 2011)
P Grandelet	(resigned 27 January 2011)
F Coolen	(appointed 8 February 2011, resigned 26 March 2012)
M Lowther	(appointed 13 July 2011)
B Watteeuw	(appointed 13 July 2011)
P Van Der Perren	(appointed 26 March 2012)

PROVISION OF INFORMATION TO THE AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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 company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors and will be proposed for reappointment at the forthcoming annual general meeting in accordance with section 485 of the Companies Act 2006

Approved by the Board and signed on its behalf by

M Lowther

Director

Date 25/05/2012.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT
to the members of Telindus Limited

We have audited the financial statements of Telindus Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 and the 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 auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements
- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Darren Longley FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Southampton, UK
Date 25 May 2012

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2011

	Note	*2011* *£'000*	*2010* *£'000*
TURNOVER	2	61,366	40,868
Cost of sales		(44,908)	(28,150)
GROSS PROFIT		16,458	15,058
Administration expenses		(17,566)	(16,525)
OPERATING LOSS	3	(1,108)	(1,467)
Interest payable	6	(91)	(49)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,199)	(1,516)
Tax charge on loss on ordinary activities	7	-	-
RETAINED LOSS FOR THE YEAR	13	(1,199)	(1,516)

All amounts relate to continuing activities

There are no other gains or losses in either year beyond those recognised in the profit and loss account Accordingly a statement of total recognised gains and losses has not been presented

BALANCE SHEET (Company Registration No 02020395)
at 31 December 2011

	Note	*2011* *£'000*	*2010* *£'000*
FIXED ASSETS			
Tangible assets	8	5,448	5,469
CURRENT ASSETS			
Stocks	9	521	298
Debtors	10		
amounts falling due within one year		24,788	11,228
amounts falling due after more than one year		1,135	97
		25,923	11,325
Cash at bank and in hand		477	1,275
		26,921	12,898
CREDITORS amounts falling due within one year	11	(29,018)	(17,879)
NET CURRENT LIABILITIES		(2,097)	(4,981)
TOTAL ASSETS LESS CURRENT LIABILITIES; BEING NET ASSETS		3,351	488
CAPITAL AND RESERVES			
Equity share capital	12	3,213	213
Share premium	13	1,177	115
Profit and loss account (deficit)/surplus	13	(1,039)	160
SHAREHOLDERS' FUNDS		3,351	488

Approved by the Board

M Lowther

Director

Date 25/05/2012.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2011

1. STATEMENT OF ACCOUNTING POLICIES

Basis of accounting
The principal accounting policies are summarised below They have all been applied consistently throughout the current and prior year

The financial statements of the company are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards

Going concern
The company participates in the group's centralised treasury and banking arrangements with its parent and fellow subsidiaries

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on pages 3 to 4

Following an assessment of the forecast for 2012, the company's financial position following the re-capitalisation and the continued support of its parent, The company is expected to return to a positive cash flow position from 2012 onwards The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors, having assessed the responses of the directors of the company's parent Telindus Group NV to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Belgacom S A group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Telindus Group NV, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Turnover
Turnover represents the amounts receivable, excluding VAT, in respect of goods and services provided to customers throughout the year It is recognised as follows

- Sale of Products – turnover is recognised upon delivery to the customer
- Professional Services (installations, project management, consulting) – turnover is recognised as the services are performed
- Support & Maintenance Services – turnover is recognised over the term of the agreement

On contracts involving a combination of products and services, turnover is recognised separately on each deliverable in accordance with the above policy

Tangible fixed assets
Tangible fixed assets are initially recognised at cost

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value, of each asset over its expected useful life, which are as follows

Leasehold improvements	over the life of the lease
Test & commercial equipment	3 years
Fixtures, fittings, computer equipment, and leasehold improvements	2 -5 years
Maintenance Stock	3 years

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Transactions in foreign currencies are recorded at a standard rate determined monthly or at the contract rate if the transaction is covered by a forward exchange contract Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date, or if appropriate at the forward contract rate

All differences are taken to the profit and loss account

Stocks

Stocks are stated at the lower of cost and net realisable value Cost includes all costs incurred in bringing each product to its present location and condition, as follows

Finished goods - cost of direct materials

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow moving or defective items where appropriate

Pensions

The company operates a defined contribution scheme behalf of some of its directors and employees Otherwise contributions are paid by Telindus Limited into employees' personal pension plans

Contributions in respect of the company scheme and the personal schemes are charged to the profit and loss account in the period in which they are payable Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments on the balance sheet

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred taxation assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the underlying future reversal of the timing differences can be deducted

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted at the balance sheet date

Leasing and hire purchase commitments

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 and has not prepared a cash flow statement, as its cash flows for the year are included in the consolidated cash flow statement of Belgacom S A , a company that at 31 December 2011 was quoted on the Belgian stock exchange, whose financial statements are publicly available

Derivatives

The company uses derivative financial instruments to reduce exposure to foreign exchange risk The company does not hold or issue derivative financial instruments for speculative purposes Any gains or losses arising are dealt with as they arise through the profit & loss account with no hedge accounting performed

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2011

2. TURNOVER

Turnover represents the amount receivable by the company in the ordinary course of business for goods sold and services rendered exclusive of VAT and trade discounts, and is attributable to one continuing activity

An analysis of turnover by geographical market is given below	2011	2010
United Kingdom	58,593	35,756
Europe and rest of world	2,773	5,112
	61,366	40,868

3. OPERATING LOSS

Stated after charging/(crediting)

		2011	*2010*
		£'000	*£'000*
Depreciation of tangible fixed assets - owned assets		2,713	1,504
Fees payable to the Company's auditor for the audit of the Company's annual accounts		22	22
Operating lease rentals	- plant and machinery	279	289
	- land and buildings	354	429
Net (gain)/loss on foreign currency translation		(269)	8
Exceptional cost relating to restructuring		605	119

The auditor did not provide any non-audit services in the year (2010 none)

4. DIRECTORS' EMOLUMENTS

	2011	*2010*
	£'000	*£'000*
Emoluments	230	233
Company contributions paid to money purchase pension schemes	13	12
Compensation for loss of office	132	-

	2011	*2010*
	No	*No*
Members of money purchase pension scheme	2	1

4. DIRECTORS' EMOLUMENTS (CONTINUED)

The amounts in respect of the highest paid director are as follows

	2011	*2010*
	£'000	*£'000*
Emoluments	152	233
Company contributions paid to money purchase pension schemes	7	11

Certain directors of the company are also directors or officers of other companies within the Belgacom S A group and remunerated by other group companies These directors' services to the company do not occupy a significant amount of their time As such these directors do not consider that they receive any remuneration for their incidental services to the company for the years ended 31 December 2011 and 31 December 2010

5. STAFF COSTS

Staff costs (including directors) were as follows

	2011	*2010*
	£'000	*£'000*
Wages and salaries	10,558	8,588
Social security costs	1,201	982
Other pension costs	310	307
	12,069	9,877

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

	2011	*2010*
	No	*No*
Sales	44	17
Administration	141	155
	185	172

6. INTEREST PAYABLE

	2011	*2010*
	£'000	*£'000*
Interest payable on group loans	91	16
Interest payable on bank accounts	-	33
	91	49

7. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) UK corporation tax

	2011	*2010*
	£'000	*£'000*
Tax charge on loss on ordinary activities	-	-

(b) Factors affecting the current tax charge

The tax assessed on the loss on ordinary activities is higher than the standard rate of corporation tax in the UK of 26 5% (2010 28 0%) The differences are reconciled below

	2011	*2010*
	£'000	*£'000*
Loss on ordinary activities before tax	(1,199)	(1,516)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (2010 28 0%)	(318)	(425)
Disallowed expenses and non-taxable income	29	73
Depreciation in excess of capital allowances	(352)	(593)
Other timing differences	(2)	(2)
Unrelieved tax losses carried forward	643	947
Total current tax (note 7(a))	-	-

Deferred tax not recognised in the financial statements is as follows

	2011	*2010*
	£'000	*£'000*
Depreciation in advance of capital allowances	(2,699)	(2,363)
Tax losses	(1,134)	(1,479)
Other timing differences	(8)	(10)
	(3,841)	(3,852)

The deferred tax asset has not been recognised in the financial statements due to the uncertainty as to whether the asset will reverse in the short-term

Finance (No 2) Act 2011 provided for a reduction in the main rate of corporation tax from 26% to 25%, effective from 1 April 2012 The 2012 Budget has proposed reducing the main rate of corporation tax further to 24% effective from 1 April 2012 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014 and are expected to be enacted separately each year, For the year ended 31 December 2011, as the 1% reduction to 25% has been enacted, deferred tax has been calculated at 25%

8. TANGIBLE FIXED ASSETS

	Test Equipment	*Maintenance Stock*	*Computer Equipment*	*Fixtures, fittings, leasehold improvements & Other*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
COST					
At 1 January 2011	761	17,287	1,835	2,257	22,140
Additions	324	2,101	258	72	2,755
Disposals	(433)	(284)	(1,497)	(1,027)	(3,241)
At 31 December 2011	652	19,104	596	1,302	21,654
DEPRECIATION					
At 1 January 2011	633	13,200	1,619	1,219	16,671
Charge for year	195	2,067	173	278	2,713
Disposals	(433)	(221)	(1,497)	(1,027)	(3,178)
At 31 December 2011	395	15,046	295	470	16,206
NET BOOK VALUE					
At 31 December 2011	257	4,058	301	832	5,448
At 31 December 2010	128	4,087	215	1,038	5,469

9. STOCKS

	2011	*2010*
	£'000	*£'000*
Finished goods	521	298
	521	298

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2011

10. DEBTORS: amounts falling due within one year

	2011	*2010*
	£'000	*£'000*
Trade debtors	19,191	5,998
Amounts owed by parent undertaking	233	2,093
Amounts owed by fellow subsidiary undertaking	152	97
Other debtors	170	101
Prepayments and accrued income	5,042	2,938
	24,788	11,227

Amounts falling due after more than one year

	2011	*2010*
	£'000	*£'000*
Prepayments and accrued income	1,135	97
	1,135	97

11. CREDITORS: amounts falling due within one year

	2011	*2010*
	£'000	*£'000*
Trade creditors	8,994	8,549
Amounts owed to parent undertaking	7,537	1,393
Amounts owed to fellow subsidiary undertaking	275	627
Other taxes and social security costs	1,823	367
Other creditors	383	488
Accruals and deferred income	10,006	5,355
Preference shares	-	1,100
	29,018	17,879

12. SHARE CAPITAL

	2011 No	2010 No	2011 £'000	2010 £'000
Issued and fully paid				
A Ordinary shares of 10p each	-	794,350	-	79
B Ordinary shares of 10p each	-	1,126,350	-	113
C Ordinary shares of 10p each	-	205,650	-	21
New ordinary shares of £1 each	212,635	-	213	-
Issued new ordinary shares of £1 each	3,000,000	-	3,000	-
	3,212,635	2,126,350	3,213	213

On the 13 May 2011, at a meeting of the board of directors of the company, the following share recapitalisation was resolved

- The 380,688 Preference shares in issue were redeemed at par value out of distributable reserves
- The A Ordinary shares, B Ordinary shares and C Ordinary shares be consolidated, at par, into one class of 2,126,350 New Ordinary shares of 10 pence each Thereafter the 2,126,350 Ordinary shares be consolidated into shares of one Pound on the basis of One New Ordinary share of £1 for 10 New Ordinary shares of 10 pence
- The share capital of the company was increased by £3,000,000 by the issue of 3,000,000 New Ordinary shares of £1 each to rank pari passu with the existing New Ordinary shares

At the board meeting the company received confirmation from its sole shareholder, Telindus Group NV, that it had

- Waived all rights to receive Preference dividends for both the current financial year and cumulatively to date
- Waived all rights to the redemption of Preference shares and their rights to their conversion of Preference shares to C Ordinary shares
- Consented to the consolidation at par of the A Ordinary shares, B Ordinary shares and C Ordinary shares be consolidated, at par, into one class of 2,126,350 New Ordinary shares of 10 pence each Thereafter the 2,126,350 Ordinary shares be consolidated into shares of one Pound on the basis of One New Ordinary share of £1 for 10 New Ordinary shares of 10 pence
- Offered to subscribe to an additional 3,000,000 New Ordinary shares of £1 each for the consideration of £3,000,000

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £'000	*Share premium £'000*	*Profit and Loss account £'000*	*Total share-holders' funds £'000*
At 1 January 2010	213	115	1,676	2,004
Loss for the year	-	-	(1,516)	(1,516)
At 31 December 2010	213	115	160	488
Share recapitalisation	3,000	-	-	3,000
Redemption of preference shares	-	1,062	-	1,062
Loss for the year	-	-	(1,199)	(1,199)
At 31 December 2011	3,213	1,177	(1,039)	3,351

14. COMMITMENTS

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2011 £'000	*Other 2011 £'000*	*Land and buildings 2010 £'000*	*Other 2010 £'000*
Operating leases which expire				
Within one year	-	31	-	54
In the second to fifth years inclusive	-	227	-	150
In over five years	363	-	327	-
	363	258	327	204

15. PENSION COMMITMENTS

The company operates a defined contribution scheme on behalf of some of its directors and employees Otherwise contributions are paid by the company into employee's personal pension plans

Contributions in respect of the company scheme and the personal schemes are charged to the profit and loss account in the period in which they are payable The unpaid contributions outstanding at the year end, included in other creditors (note 11) are £30,021 (2010 £36,731)

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 from the requirement to disclose transactions with fellow group companies on the grounds that consolidated financial statements of the ultimate parent undertaking, Belgacom S A are publicly available

17. DERIVATIVES

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk The Group does not hold or issue derivative financial instruments for speculative purposes

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, only when the hedged transaction has itself been reflected in the Group's financial statements

	2011	*2010*
	£'000	*£'000*
Fair Value of Forward foreign currency contracts	(24)	(178)

18. CONTINGENT LIABILITIES

A contingent liability existed at 31 December 2011 with respect to an HM Customs & Excise guarantee facility provided by the company's bankers to the amount of £2,000,000

19. PARENT UNDERTAKING & CONTROLLING PARTY

The company's immediate parent undertaking and controlling party to 6 January 2006 was Telindus Group N V , a company then quoted on the Belgian stock exchange

In the directors' opinion, the company's ultimate parent undertaking and controlling party since 6 January 2006 is Belgacom S A , which is incorporated in Belgium Copies of its group financial statements, which include the company, are available from Koning Albert II-laan, 27, 1030 Brussels, Belgium