

Registered number: 4129665

**BT Switzerland Limited
(formerly BT Ignite Limited)**

**Annual Report
for the year ended
31 March 2003**



BT Switzerland Limited
(formerly BT Ignite Limited)

Directors

Mrs Helen Ashton
Mrs Christina Ryan

Secretary

Newgate Street Secretaries Limited

Registered Office

81 Newgate Street
London
EC1A 7AJ

Registered Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

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Report of the directors for the year ended 31 March 2003

The directors submit their annual report and the audited financial statements for the year ended 31 March 2003.

Profits and dividends

The loss before taxation was £2,147,000 (2002 -£ 2,149,000). The charge for taxation was £ nil (2002 - £ nil) which left loss after taxation for the year of £2,147,000 (2002 -£ 2,149,000).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2003 (2002 - £ nil).

Review of activities and future developments

The Company's principal activity is the provision of services to British Telecommunications plc and its subsidiary companies ("the BT group") and the sale of the BT group's products and services in overseas markets. The Company operates in the United Kingdom and through its branches in Norway and Switzerland.

Directors

A list of the current directors is set out on page 1. Mrs H Ashton and Mrs C Ryan were appointed to the board on 18 July 2002 and 25 November 2002 respectively. Mr Prior, Ms Walker and Mr Palmer also served as directors until their resignations on 16 July 2002, 15 July 2002 and 31 October 2002 respectively.

Directors' interests in shares

The interests of the directors, who are not directors of the ultimate holding company, BT Group plc, and their families in the 5p ordinary shares of BT Group plc at 1 April 2002, or date of appointment if later, and at 31 March 2003 are shown below.

	Number of shares	
	1 April 2002 or date of appointment, if later	31 March 2003
Mrs Ashton	-	130 (a)
Mrs Ryan	1,505 (c)	1,505 (a)

- a) Includes 130 shares (2002: nil) and 267 shares (2002: 194) held by Mrs Ashton and Mrs Ryan respectively by BT Employee Share Trustees Limited and/or Halifax Corporate Trustees Limited under the BT Group Employee Share Ownership Scheme.

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Report of the directors for the year ended 31 March 2003

Share options held, granted to, exercised by the directors or which lapsed under one or more of the BT Group share option plans (BT Group Legacy Option Plan, BT Group Global Share Option Plan, BT Group Employee Sharesave Scheme, BT Group International Sharesave Scheme and BT Employee Sharesave Scheme) during the year ended 31 March 2003 were:

Numbers of BT Group plc 5p ordinary shares under option

	1 April 2002 or date of appointment, if later	Granted	Lapsed (b)	Exercised (d)	31 March 2003
Mrs Ashton	8,030	-	-	-	8,030
Mrs Ryan	522	-	-	-	522

- b) May include options under the BT Employee Sharesave Scheme over 25p ordinary shares of British Telecommunications plc. On exercise participants received 5p ordinary shares of BT Group plc on a one for one basis. Options under this Scheme which were not exercised by 14 May 2002 lapsed.

On 31 March 2003 directors had the non-beneficial interests shown below in the following numbers of BT Group plc shares:

- All the directors had an interest in 73,069 shares (2002: 73,069) held in trust by BT Employee Share Trustees Limited for allocation to employees under the BT Employee Share Ownership Scheme.
- All the directors had an interest in 15,876,189 shares (2002: 45,286,908) held in trust by Royal Bank of Scotland (Jersey) Trustees Limited for allocation to employees under the BT Employee Sharesave Schemes.

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**Report of the directors
for the year ended 31 March 2003**

Statement of directors' responsibilities

A statement by the directors of their responsibilities for preparing the financial statements is included on page 5

Close company provision

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company. There has been no change in this respect since the end of the financial year.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 24 March 2003, and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. The auditor will continue in office, an effective resolution to this effect having been passed by the Company on 24 January 2001.

By order of the board



For and on behalf of
Newgate Street Secretaries Limited
Company Secretary 17 March 2004

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**Statement of directors' responsibilities
for preparing the financial statements**

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss and total recognised gains or losses of the Company for that period.

The directors consider that, in preparing the financial statements for the year ended 31 March 2003 on pages 7 to 16, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors also consider that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

The directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The auditors' responsibilities are stated in their report on page 6.

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Independent auditors' report to the members of BT Switzerland Limited

We have audited the financial statements which comprise the profit and loss account, balance sheet, statement of total recognised gains and losses, and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, 18 March 2004

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Profit and loss account
for the year ended 31 March 2003

	Notes	2003	18 December 2000 to 31 March 2002
		£'000	£'000
Turnover	1	4,914	585
Operating costs	2	<u>(6,862)</u>	<u>(2,664)</u>
Operating loss	3	(1,948)	(2,079)
Net interest payable	4	<u>(199)</u>	<u>(70)</u>
Loss on ordinary activities before taxation		(2,147)	(2,149)
Tax on loss on ordinary activities	7	<u>-</u>	<u>-</u>
Retained loss for the year	14	<u><u>(2,147)</u></u>	<u><u>(2,149)</u></u>

The loss on ordinary activities before taxation derives entirely from continuing activities. There were no differences between the results as disclosed in the profit and loss account and the results on an unmodified historic cost basis.

Statement of Total Recognised Gains and Losses
for the year ended 31 March 2003

	Notes	2003	18 December 2000 to 31 March 2002
		£'000	£'000
Loss for the financial year		(2,147)	(2,149)
Currency movement on foreign branch activities		(387)	(16)
Currency translation differences on foreign currency loans hedging foreign branch activities		<u>387</u>	<u>-</u>
Total recognised losses	13	<u><u>(2,147)</u></u>	<u><u>(2,165)</u></u>

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Balance sheet – 31 March 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	8	<u>220</u>	<u>95</u>
Current assets			
Debtors	9	<u>3,468</u>	<u>760</u>
Cash at bank and in hand	10	<u>458</u>	<u>222</u>
Total current assets		<u>3,926</u>	<u>982</u>
Creditors: amounts falling due within one year	11	<u>(8,433)</u>	<u>(3,217)</u>
Net current assets (liabilities)		<u>(4,507)</u>	<u>(2,235)</u>
Total assets less current liabilities		<u>(4,287)</u>	<u>(2,140)</u>
Capital and reserves			
Called up share capital	12	25	25
Profit and loss account	13	<u>(4,312)</u>	<u>(2,165)</u>
Total equity shareholders' deficit	14	<u>(4,287)</u>	<u>(2,140)</u>

These financial statements were approved by the board of directors on 17 March 2004
and were signed on its behalf by H Ashton

Director 

Accounting policies

A summary of the more important accounting policies, which have been applied consistently, is set out below.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and the provisions of the Companies Act 1985.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates. Estimates are used principally when accounting for provision for doubtful debts, depreciation, provisions for liabilities and charges, employee pension schemes and taxes.

I Turnover

Turnover, which excludes value-added tax and other sales taxes, comprises the value of services provided and equipment sales.

II Foreign currencies

Assets and liabilities of foreign branches are translated into sterling at year end exchange rates. The results of foreign branches are translated into sterling at average rates of exchange for the year. Exchange differences arising from the retranslation at year end exchange rates of the net investment in foreign branches are taken to reserves. All other exchange gains or losses are dealt with through the profit and loss account

III Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation.

Depreciation is provided on tangible fixed assets on a straight-line basis from the time they are available for use, so as to write off their costs over their estimated useful lives taking into account any expected residual values. No depreciation is provided on freehold land.

The lives assigned to significant tangible assets are:

	Years
Fittings and equipment	3

Accounting policies

IV Pension schemes

The Company operates a defined contribution pension scheme. The assets are held separately from those of the Company in an independently administered fund. The pension charge in the financial statements represents the contribution payable to the fund.

V Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Full provision is made for deferred taxation in respect of all timing differences that have arisen but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be taxable profits from which the underlying timing differences can be deducted. The Company has not pursued the policy of discounting deferred tax balances.

VI Cash flow statement

The Company is a wholly owned subsidiary of BT Group plc. The cash flows of the Company are included in the consolidated cash flow statement of BT Group plc. Consequently the Company is exempt under the terms of Financial Reporting Standard Number 1 (Revised 1996) from publishing a cash flow statement.

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Notes to the financial statements

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1 Turnover

Turnover relates to trading activities in Europe

2 Operating costs

	2003	18 December 2000 to March 2002
	£'000	£'000
Staff costs (see note 6)	3,421	1,226
Depreciation of tangible fixed assets	75	41
Other operating charges	<u>3,366</u>	<u>1,397</u>
	<u><u>6,862</u></u>	<u><u>2,664</u></u>

3 Operating Loss

Operating loss is stated after charging/(crediting):

	2003	18 December 2000 to March 2002
	£'000	£'000
Depreciation of tangible fixed assets	75	41
Auditor's remuneration for audit services	7	6
Foreign exchange gain	<u>(140)</u>	<u>-</u>

4 Net interest payable

	2003	18 December 2000 to March 2002
	£'000	£'000
Interest payable on loans from group undertakings	202	74
Interest receivable	<u>(3)</u>	<u>(4)</u>
Net interest payable	<u><u>199</u></u>	<u><u>70</u></u>

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5 Directors

Directors' emoluments and pensions

The directors are employed and remunerated as executives of BT Group plc and other group companies in respect of their services to the group as a whole. No emoluments were paid to the directors by the Company in the year ended 31 March 2003 (2002: £nil).

6 Employee information

The average monthly number of persons employed by the Company, including executive directors, during the year was as follows:

	2003 Number	2002 Number
Operations	11	10
Selling, marketing and administration	20	2
	<u>31</u>	<u>12</u>

Employment costs of all employees included above:

	2003 £'000	18 December 2000 to March 2002 £'000
Wages and salaries	3,099	1,135
Social security costs	161	47
Pension costs	161	44
	<u>3,421</u>	<u>1,226</u>

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7 Tax on profit on ordinary activities

	2003	18 December 2000 to March 2002
	£'000	£'000
United Kingdom corporation tax at 30%	-	-
Tax on profit on ordinary activities	-	-

	2003	18 December 2000 to March 2002
	£'000	£'000
Profit on ordinary activities multiplied by standard rate of corporation tax of 30%	(644)	(645)
Excess capital allowances over depreciation	2	2
Other timing differences	36	2
Other non deductible expenses	56	18
Losses surrendered to British Telecommunications plc	550	623
Total current taxation	-	-

The company surrenders all corporation tax losses to its intermediate holding company British Telecommunications plc. Cumulative corporation tax losses surrendered at 31 March 2003 amount to £3,962,849 (2002: £2,075,000). Any future corporation tax charge on the company arising as result of surrendering these tax losses will be met by British Telecommunications plc by way of payments for the surrender of these losses.

The company has no deferred tax liability and expects this to be the case for the foreseeable future. In addition the following movements in deferred tax assets have not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable:

Potential deferred taxation asset	2003 Asset recognised £'000	2003 Total potential asset £'000	2002 Asset recognised £'000	2002 Total potential asset £'000
Tax effects of timing differences due to:				
Excess capital allowances over depreciation	-	3	-	2
Other timing differences	-	38	-	2
Total potential deferred tax asset	-	41	-	4

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8 Tangible fixed assets

	Fixtures and equipment
	£000
Cost	
At 1 April 2002	136
Additions	182
Exchange rate movements	28
	<u>28</u>
At 31 March 2003	<u>346</u>
Depreciation	
At 1 April 2002	(41)
Charge for year	(75)
Exchange rate movements	(10)
	<u>(10)</u>
At 31 March 2003	<u>(126)</u>
Net book value at 31 March 2003	<u>220</u>
Net book value at 31 March 2002	<u>95</u>

9 Debtors

	2003 £'000	2002 £'000
Amounts falling due within one year:		
Trade debtors	1,587	41
Amounts owed by group undertakings	1,382	565
Other debtors	101	77
Accrued income	155	8
Prepayments	243	69
	<u>243</u>	<u>69</u>
Total debtors	<u>3,468</u>	<u>760</u>

10 Cash at bank and in hand

The Company and certain fellow subsidiaries have jointly and severally guaranteed amounts owing to the Company's bankers by the intermediate holding company, British Telecommunications plc. The liability of the Company is limited to the amounts standing to the credit of the Company's accounts with the bank.

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11 Creditors: amounts falling due within one year

	2003	2002
	£'000	£'000
Trade creditors	502	44
Amounts owed to group undertakings	7,692	2,940
Other taxation and social security	106	15
Other creditors	5	41
Accruals	128	177
	<u>128</u>	<u>177</u>
Total creditors falling due within one year	<u>8,433</u>	<u>3,217</u>

12 Called up share capital

	2003	2002
	£'000	£'000
Authorised:		
100,000,000 (2002 - 100,000,000) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid:		
25,001 (2002 -25,001) ordinary shares of £1 each	<u>25</u>	<u>25</u>

13 Reserves

	Profit and loss account £'000
Balance at 1 April 2002	(2,165)
Loss for the financial year	<u>(2,147)</u>
Balance at 31 March 2003	<u>(4,312)</u>

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Notes to the financial statements

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14 Reconciliation of movements in shareholders' funds

	2003	2002
	£'000	£'000
Opening shareholders' funds	(2,140)	-
Loss for the financial year/period	(2,147)	(2,149)
Currency movements on foreign branch activities	(387)	(16)
Currency translation differences on foreign currency loans hedging foreign branch activities	387	-
New share capital issued	-	25
	<hr/>	<hr/>
Closing shareholders' deficit	<u>(4,287)</u>	<u>(2,140)</u>

15 Pension obligations

The pension charge for the year was £161,000 (2002-£44,000) in respect of the defined contribution scheme. There were outstanding contributions of £ 47,000 as at 31 March 2003.

16 Contingent liabilities

Other than as disclosed in note 10, at 31 March 2003 there were no contingent liabilities or guarantees other than those arising in the ordinary course of the Company's business and on these no material losses are anticipated.

17 Controlling entities

The Company is a wholly-owned subsidiary of BT Holdings Limited, which is the immediate controlling entity. The ultimate controlling entity as at 31 March 2003 was BT Group plc.

The parent undertaking of the largest group of companies into which the results of the Company are consolidated is BT Group plc, a company incorporated in Great Britain. Consequently the Company is exempt under the terms of Financial Reporting Standard Number 8 from disclosing details of transactions and balances with BT Group plc, fellow group subsidiaries and associated undertakings, and those deemed under control during the year ended 31 March 2003. Copies of the financial statements of BT Group plc may be obtained from The Assistant Secretary, BT Group plc, 81 Newgate Street, London EC1A 7AJ.

The parent undertaking of the smallest group of companies into which the results of the Company are consolidated is British Telecommunications plc, a company incorporated in Great Britain. Copies of the financial statements of British Telecommunications plc are available from The Secretary, British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ.