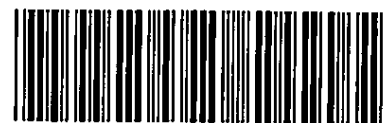


Registered number: 4129665

BT Switzerland Limited

**Annual Report
for the year ended
31 March 2009**

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COMPANIES HOUSE

BT Switzerland Limited

Directors and advisors

Directors

Mrs Helen Ashton
Mrs Christina Ryan

Company Secretary

Newgate Street Secretaries Limited

Registered Office

81 Newgate Street
London
EC1A 7AJ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH

Directors' report for the year ended on 31 March 2009

The directors submit their annual report and the audited financial statements of BT Switzerland Limited (the "Company") for the year ended 31 March 2009. The registered number of the Company is 4129665.

Review of activities and future developments

The Company's principal activity is the provision of services to BT Group plc and its subsidiary companies, and the sale of BT products and services in overseas markets. The directors do not anticipate any change in the foreseeable future.

The Company is incorporated in the UK and operates, via its Zurich branch, in Switzerland.

Review of business

There has been no change in the nature of the Company's business during the year. Turnover has increased by 92%, from £64,478,000 in 2008 to £124,052,000 in 2009. Gross profit has increased by 81%, from £9,678,000 in 2008 to £17,503,000 in 2009, and the gross profit margin has decreased to 14% in 2009 from 15% in 2008. The retained loss for the year has increased by 1%, from £2,463,000 in 2008 to £2,478,000 in 2009, and the net loss margin has decreased to 2% in 2009 from 4% in 2008.

The Company purchased the business and assets of International Network Services GmbH on 1 July 2008, for a cash consideration of CHF446,649.

The directors of BT Group plc (the ultimate controlling entity of the Company) manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of BT Group plc, which include those of the Company, are discussed on pages 29 to 31 of the group's annual report, which does not form part of this report.

The directors of BT Group plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

Profits and dividends

The loss before taxation was £3,699,000 (2008: loss of £3,475,000). The credit for taxation was £1,221,000 (2008: credit of £1,012,000) which left a loss after taxation for the year of £2,478,000 (2008: loss of £2,463,000).

Directors' report for the year ended on 31 March 2009

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2009 (2008: £nil).

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support provided by British Telecommunications plc. Please refer to the accounting policies (page 11) for further detail.

Directors

A list of the current directors is set out on page 1. Both directors held office throughout the year and up to the date of signing of this report.

Statement of directors' responsibilities

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

Post balance sheet events

Details of the post balance sheet events are contained in note 19 of the notes to the financial statements.

Payment of creditors

The Company's standard policy for payment of creditors is 30 days after the date on invoice unless otherwise negotiated. During the year, the average creditor days ratio was 69 days (2008: 44 days).

Auditors and disclosure of information to the auditors

So far as each of the directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Directors' report for the year ended on 31 March 2009

By order of the Board,



Authorised Signatory
for and on behalf of Newgate Street Secretaries Limited
Company Secretary

23 December 2009

Statement of directors' responsibilities for preparing the financial statements

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). The financial statements are required by law to 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 those 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;
- 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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 auditors' report to the members of BT Switzerland Limited

We have audited the financial statements of BT Switzerland Limited for the year ended 31 March 2009, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Directors and Advisors page. 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 judgments 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.

Independent auditors' report to the members of BT Switzerland Limited

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

30 DECEMBER 2009

Profit and loss account for the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Turnover	1	124,052	64,478
Cost of sales		<u>(106,549)</u>	<u>(54,800)</u>
Gross profit		17,503	9,678
Operating costs		<u>(18,837)</u>	<u>(11,470)</u>
Loss on ordinary activities before interest and taxation	2	(1,334)	(1,792)
Net interest payable	3	(2,230)	(1,633)
Other finance charge	18	<u>(135)</u>	<u>(50)</u>
Loss on ordinary activities before taxation		(3,699)	(3,475)
Tax credit on loss on ordinary activities	6	<u>1,221</u>	<u>1,012</u>
Retained loss for the financial year	16	<u><u>(2,478)</u></u>	<u><u>(2,463)</u></u>

The loss on ordinary activities before taxation derives entirely from continuing activities.

There were no material 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 2009

	Notes	2009 £'000	2008 £'000
Retained loss for the financial year	16	(2,478)	(2,463)
Actuarial losses on pension scheme	16	(202)	(1,630)
Movement on deferred tax relating to pension deficit	16	57	456
Effect of reduction in statutory tax rate on opening asset in relation to the pension deficit		-	(4)
Currency translation differences on foreign currency net investments	16	(6,173)	(4,766)
Exchange differences offset against currency translation differences on foreign currency net investments ^(a)	16	<u>6,173</u>	<u>4,766</u>
Total recognised gains and losses relating to the year		(2,623)	(3,641)
Prior period adjustment ^(b)		<u>-</u>	<u>(14)</u>
Total gains and losses recognised since last annual report		<u>(2,623)</u>	<u>(3,655)</u>

(a) The loan from the UK parent to the Zurich branch is denominated in sterling. However, funds are extended to the Zurich branch in Swiss Francs, which gives rise to exchange differences. These exchange differences are offset against the currency translation differences on foreign currency net investments, to the extent that they do not exceed them.

(b) A prior period adjustment to the 2007 comparative figures was recorded in the 2008 financial statements. This was in respect of a £14,000 accounting error relating to the recording of share based payments.

Balance sheet as at 31 March 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Intangible assets	7	2,610	2,698
Tangible assets	8	<u>11,711</u>	<u>9,482</u>
		<u>14,321</u>	<u>12,180</u>
Current assets			
Stocks	9	389	-
Debtors	10	39,338	22,032
Cash at bank and in hand	11	<u>21,492</u>	<u>9,409</u>
		61,219	31,441
Creditors: amounts falling due within one year	12	<u>(98,144)</u>	<u>(62,705)</u>
Net current liabilities		<u>(36,925)</u>	<u>(31,264)</u>
Total assets less current liabilities		(22,604)	(19,084)
Provisions for liabilities and charges	13	<u>(365)</u>	<u>(881)</u>
Net liabilities excluding pension deficit		(22,969)	(19,965)
Pension deficit	18	<u>(664)</u>	<u>(1,153)</u>
Net liabilities including pension deficit	14	<u>(23,633)</u>	<u>(21,118)</u>
Capital and reserves			
Called up share capital	15	25	25
Profit and loss account	16	<u>(23,658)</u>	<u>(21,143)</u>
Total shareholders' deficit	17	<u>(23,633)</u>	<u>(21,118)</u>

The financial statements on pages 8 to 29 were approved by the board of directors on
 23rd December 2009 and were signed on its behalf by

Helmut

Director

H. Ashton

Accounting policies**Basis of accounting**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been consistently applied, are set out below.

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 depreciation, provisions for doubtful debts, provisions for liabilities and charges, employee pension schemes, and taxes.

I Going concern

The directors have satisfied themselves that the Company will continue to have access to financing to meet its requirements for at least the next year, and therefore believe that preparing the accounts on the going concern basis is appropriate.

II Turnover

Turnover, which excludes value-added tax and other sales taxes, comprises the value of services provided and equipment sales. Turnover is recognised when invoiced, or when deferred or accrued in accordance with when the service is provided or the product is delivered.

III Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are dealt with through the profit and loss account.

Exchange gains and losses on foreign currency borrowings used to finance or provide a hedge against investments in foreign undertakings are taken to reserves and reported in the statement of total recognised gains and losses (where applicable).

On consolidation of overseas branches, the assets and liabilities of each branch are translated into sterling at the exchange rate ruling at the balance sheet date. The

Accounting policies

results of each branch are translated into sterling at the average exchange rate for the year. Exchange gains and losses are taken to reserves and reported in the statement of total recognised gains and losses.

IV Taxation

The charge for taxation is based on the profit for the year and takes into account deferred tax.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

V Share based payments

The ultimate parent undertaking, BT Group plc, has a number of employee share schemes and share option plans, as detailed in note 31 in the BT Group plc consolidated financial statements, under which it makes equity settled share based payments to certain employees of the Company. Equity settled share based payments are measured at fair value at the date of grant after taking into account the Company's best estimate of the number of awards expected to vest. For share based payments to employees of the Company, the fair value determined at the date of grant is expensed on a straight line basis together with a corresponding increase in equity over the vesting period.

Fair value is measured using either the Binomial or Monte Carlo model, whichever is the most appropriate.

The Company has taken advantage of the transitional provisions of FRS 20 'Share based payment' in respect of equity settled awards and has applied FRS 20 only to those awards granted after 7 November 2002 that were unvested at 1 April 2006.

Accounting policies

VI Goodwill and intangible assets

The acquisition of the business and assets of an entity gives rise to goodwill. Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair values of that entity's identifiable assets and liabilities.

Goodwill is amortised on a straight line basis over the period for which the value of the underlying business acquired is expected to exceed the value of its identifiable net assets. The life assigned to the goodwill balance is 5 years.

Intangible fixed assets purchased separately from a business are capitalised at their cost. Intangible fixed assets acquired as part of the acquisition of a business are capitalised at fair value, separately from goodwill, if their fair value can be measured reliably on initial recognition.

Intangible fixed assets are amortised on a straight line basis over the period for which the Company expects to derive economic benefit from those assets. The life assigned to the intangible fixed assets is 5 years.

VII Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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
Fixtures and fittings	12
Customer premises equipment	1

VIII Stocks

Stocks mainly comprise items of equipment held for sale or rental and consumable items. They are stated at the lower of cost, including appropriate overheads, and estimated net realisable value, after provisions for obsolescence.

Accounting policies**IX Trade debtors**

Trade debtors are stated in the balance sheet at estimated net realisable value. Net realisable value is the invoiced amount less provision for doubtful receivables. Provisions are made specifically where there is objective evidence of a dispute or an inability to pay. An additional provision is made based on an analysis of balances by age, previous losses experienced and general economic conditions.

X Pensions

The Company operates a pension scheme for its employees which, whilst providing for defined levels of employee and employer contributions, includes a guarantee of a minimum return on investments. From 1 April 2005, the scheme has been accounted for as a defined benefit scheme under FRS 17.

The Company's net obligation in respect of the scheme is calculated by estimating the amount of future benefit that employees have earned in return for their services to date. That benefit is discounted to determine its present value, and the fair value of plan assets is deducted. The discount rate used is equivalent to the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. The net obligation recognised in the balance sheet is the present value of the defined benefit obligation less the fair value of the scheme assets.

The profit and loss account charge is split between an operating charge and a net finance charge. The operating charge reflects the service costs which are spread systematically over the working lives of the employees. The net finance charge relates to the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the scheme, based on conditions prevailing at the start of the year.

Actuarial gains and losses are recognised in full in the period in which they occur and are presented in the statement of total recognised gains and losses. The actuarial valuations are undertaken at intervals of not more than three years.

The Company has adopted the December 2006 amendment to FRS 17 'Retirement benefits' in the financial statements. As a result of this, quoted securities held as plan assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The plan assets as at 31 March 2007 and 31 March 2006 have not been restated as the effect of the change would be immaterial. The disclosure of retirement benefits has also been aligned with International Financial Reporting Standards, IAS 19 'Employee benefits'.

Accounting policies**XI Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

XII 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, whose annual report is publicly available. Consequently, the Company is exempt under the terms of Financial Reporting Standard Number 1 (Revised 1996) from publishing a cash flow statement.

Notes to the financial statements

1 Turnover

Geographical analysis of turnover by customer location:

	2009	2008
	£'000	£'000
UK	9,231	2,599
Switzerland	94,262	49,803
Rest of Europe	276	181
Rest of World	20,283	11,895
	<u>124,052</u>	<u>64,478</u>

2 Operating loss

Operating loss is stated after charging/ (crediting):

	2009	2008
	£'000	£'000
Staff costs (note 5)	22,455	11,925
Auditors' remuneration – audit services	26	24
Amortisation of goodwill	314	121
Amortisation of intangible fixed assets	269	73
Depreciation of tangible fixed assets	3,100	2,169
Net foreign exchange gain	(4,349)	(681)
	<u></u>	<u></u>

3 Net interest payable

	2009	2008
	£'000	£'000
Interest payable on loans from group undertakings	2,291	1,622
Interest payable in respect of bank loans, overdrafts and other loans	89	35
	<u>2,380</u>	<u>1,657</u>
Total interest payable		
Interest receivable from group undertakings	(100)	(24)
Other interest receivable	(50)	-
	<u>(150)</u>	<u>(24)</u>
Total interest receivable		
Net interest payable	<u>2,230</u>	<u>1,633</u>

Notes to the financial statements

4 Directors' emoluments

The directors are employed and remunerated by British Telecommunications plc or other group companies in respect of their services to the BT group as a whole. No emoluments were paid to the directors in respect of their services to the Company in the year ended 31 March 2009 (2008: £nil).

5 Employee information

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

	2009 Number	2008 Number
Operations	76	69
Selling, marketing and administration	<u>139</u>	<u>137</u>
	<u>215</u>	<u>206</u>

Employment costs of all employees included above:

	2009 £'000	2008 £'000
Wages and salaries	19,896	10,415
Social security costs	1,465	821
Pension costs (note 18)	986	612
Share based payments	<u>108</u>	<u>77</u>
	<u>22,455</u>	<u>11,925</u>

Notes to the financial statements

6 Tax credit on loss on ordinary activities

	2009 £'000	2008 £'000
Current tax:		
UK corporation tax at 28% (2008: 30%)	-	-
Payment receivable for losses surrendered	(1,020)	(1,004)
Total current tax	(1,020)	(1,004)
Deferred tax		
Origination and reversal of timing differences ^(c)	44	61
Effect of reduction in statutory tax rate on opening asset	-	(69)
Adjustments in respect of prior years	(245)	-
Total deferred tax (notes 13 and 18)	(201)	(8)
Tax credit on loss on ordinary activities	(1,221)	(1,012)

(c) The £44,000 (2008: £61,000) profit and loss account deferred tax charge is split between a £323,000 (2008: £55,000) credit in respect of depreciation in excess of capital allowances, a £30,000 (2008: £33,000) credit in respect of other short term timing differences and a £397,000 (2008: £149,000) charge in respect of the pension scheme deficit.

The tax credit assessed for the year is lower (2008: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2009 £'000	2008 £'000
Loss on ordinary activities before taxation	(3,699)	(3,475)
Loss on ordinary activities multiplied by standard rate of corporation tax at 28% (2008: 30%)	(1,036)	(1,043)
Effects of:		
Depreciation in excess of capital allowances	323	59
Pension provisions and prepayments	-	(160)
Other timing differences	(366)	36
Non-deductible expenses	29	81
Permanent difference due to share based payments	30	23
Current tax credit	(1,020)	(1,004)

Notes to the financial statements

The Company surrendered all corporation tax losses to its intermediate holding company, British Telecommunications plc. Until 2003, future corporation tax charges on the Company arising as a result of surrendering these tax losses would have been met by British Telecommunications plc by way of payment for the surrender of the cumulative losses. Effective 2004, British Telecommunications plc pays for the surrender of losses in the year the losses are incurred by the Company. There is no expectation of payment for losses surrendered prior to 2004.

No deferred tax has been recognised on the share based payment charge under FRS 20 as all tax deductions arising from the exercise of share options in the UK group of BT will be included in the tax return of BT plc by agreement with HM Revenue and Customs.

7 Intangible fixed assets

	Goodwill	Customer relationships	Total
	£'000	£'000	£'000
Cost			
At 1 April 2008	1,638	1,289	2,927
Goodwill adjustment	21	-	21
Exchange differences	346	266	612
At 31 March 2009	2,005	1,555	3,560
Accumulated amortisation			
At 1 April 2008	(143)	(86)	(229)
Charged in the year	(314)	(269)	(583)
Exchange differences	(78)	(60)	(138)
At 31 March 2009	(535)	(415)	(950)
Net book value at 31 March 2009	1,470	1,140	2,610
Net book value at 31 March 2008	1,495	1,203	2,698

Notes to the financial statements

8 Tangible fixed assets

	Fixtures and equipment £'000
Cost	
At 1 April 2008	19,679
Additions	4,091
Disposals	(3,431)
Transfers	362
Exchange differences	4,216
At 31 March 2009	24,917
Accumulated depreciation	
At 1 April 2008	(10,197)
Charged in the year	(3,100)
Disposals	2,442
Transfers	(127)
Exchange differences	(2,224)
At 31 March 2009	(13,206)
Net book value at 31 March 2009	11,711
Net book value at 31 March 2008	9,482

9 Stocks

	2009 £'000	2008 £'000
Goods for resale	389	-
	389	-

Notes to the financial statements

10 Debtors

	2009 £'000	2008 £'000
Amounts falling due within one year:		
Trade debtors	9,307	5,143
Amounts owed by group undertakings	19,720	7,927
Amounts owed by British Telecommunications plc re group tax relief	1,020	1,004
Other debtors	93	1,440
Accrued income	9,080	6,515
Prepayments	118	3
Total debtors falling due within one year:	39,338	22,032

Included in amounts owed by group undertakings is a £4,694,000 (2008: £27,000) loan to British Telecommunications plc. The loan is interest bearing (closing three month sterling LIBOR rate less 10 basis points), unsecured and repayable within 12 months.

11 Cash at bank and in hand

The Company, certain fellow subsidiaries and parent companies participate in a cash pooling arrangement and have jointly and severally guaranteed amounts owing to the Company's bankers by any participating company. The liability of the Company is limited to the amounts standing to the credit of the Company's accounts with the bank.

12 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	33,902	6,140
Amounts owed to group undertakings	52,926	32,063
Other taxation and social security	1,240	907
Other creditors	4,503	3,308
Accruals	943	12,217
Deferred income	4,630	8,070
Total creditors falling due within one year	98,144	62,705

Included in amounts owed to group undertakings is a £44,520,000 (2008: £31,291,000) loan from British Telecommunications plc. The loan is interest bearing (closing three month sterling LIBOR rate plus 50 basis points), unsecured and repayable within 12 months.

Notes to the financial statements

13 Provisions for liabilities and charges

	Deferred taxation £'000
Balance at 1 April 2008	881
Current year movement	(12)
Adjustments in respect of prior years	(246)
Movement in pension-related deferred tax asset recognised within the pension deficit (note 18)	(340)
Effect of foreign exchange rates in respect of fixed assets	82
	<hr/>
Balance at 31 March 2009	365

Under Financial Reporting Standard Number 19, deferred taxation is provided for in full on certain timing differences. The Company does not discount the provision.

Deferred tax relating to the pension scheme deficit is recognised within the net pension deficit and so is not included in the deferred tax provision. The movement in the deferred tax relating to the pension scheme deficit does have a profit and loss account impact, as set out in note 6.

The deferred taxation charge/ creditor was mainly the result of the tax effect of timing differences as follows:

	2009 £'000	2008 £'000
Excess capital allowances	400	927
Other timing differences	(35)	(46)
	<hr/>	<hr/>
Total provision for deferred taxation	365	881

14 Purchase of business and assets

The Company purchased the business and assets of International Network Services GmbH on 1 July 2008, for a cash consideration of CHF446,649.

Notes to the financial statements

15 Called up share capital

	2009 £'000	2008 £'000
Authorised:		
100,000,000 (2008: 100,000,000) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid:		
25,001 (2008: 25,001) ordinary shares of £1 each	<u>25</u>	<u>25</u>

16 Reserves

	Profit and loss account £'000
Balance at 1 April 2008	(21,143)
Retained loss for the financial year	(2,478)
Share based payments	108
Actuarial losses on pension scheme (note 18)	(202)
Movement on deferred tax relating to pension scheme (note 18)	57
Currency translation differences on foreign currency net investments	(6,173)
Exchange differences offset against currency translation differences on foreign currency net investments ^(d)	<u>6,173</u>
Balance at 31 March 2009	<u>(23,658)</u>

(d) The loan from the UK parent to the Zurich branch is denominated in sterling. However, funds are extended to the Zurich branch in Swiss Francs, which gives rise to exchange differences. These exchange differences are offset against the currency translation differences on foreign currency net investments, to the extent that they do not exceed them.

Notes to the financial statements

17 Reconciliation of movements in shareholders' deficit

	2009 £'000	2008 £'000
Retained loss for the financial year	(2,478)	(2,463)
Share based payments	108	77
Other recognised gains and losses (net)	(145)	(1,178)
Net increase in shareholders' deficit	(2,515)	(3,564)
Opening shareholders' deficit	(21,118)	(17,554)
Closing shareholders' deficit	(23,633)	(21,118)

18 Pension commitments

The Company operates a pension plan in Switzerland for its employees. Upon the adoption of FRS 17, management reviewed the nature of the pension scheme and, as there is a guarantee of a minimum return on investment, concluded that the scheme has some characteristics of a defined benefit scheme. Therefore, from 1 April 2006, the scheme is reported as a defined benefit scheme under FRS 17.

Defined benefit scheme

An actuarial valuation of the pension scheme, using the projected unit basis, was carried out at 31 March 2009 by Exactis AG, independent consulting actuaries. The major assumptions used by the actuary were:

	2009 %	2008 %
Rate of increase in salaries	1.5	1.5
Rate of increase of pensions in payment	0.0	0.0
Discount rate	3.25	3.25
Expected rate of return on assets ^(e)	2.5	2.5
Rate of inflation	1.0	1.0

(e) The rates quoted above are the expected net rates of return after allowance for expenses.

Notes to the financial statements

The mortality assumptions used were as follows:

	2009 years	2008 Years
Longevity at age 65 for current pensioners:		
- Men	17.9	17.9
- Women	21.0	21.0
Longevity at age 65 for future pensioners		
- Men	17.9	17.9
- Women	21.0	21.0

The assets in the scheme and the expected rates of return were:

	Value at 31 December 2009 £'000	Value at 31 December 2008 £'000
Equities	-	-
Bonds	-	-
Other (insurance contract)	21,888	11,995
Total market value of assets	21,888	11,995
Present value of scheme liabilities	(22,810)	(13,596)
Deficit in scheme	(922)	(1,601)
Related deferred tax asset ^(f)	258	448
Net pension deficit	(664)	(1,153)

(f) As per FRS 17 (72), the current tax should follow the relevant item. Therefore tax relating to the service cost, interest cost and expected return on the pension assets has been recognised in the profit and loss account.

The tax relating to the actuarial loss has been recognised in the statement of total recognised gains and losses.

Notes to the financial statements

Reconciliation of present value of scheme liabilities

	2009 £'000	2008 £'000
Present value of scheme liabilities at 1 April	13,596	5,740
Current service cost	986	612
Interest cost	524	262
Actuarial loss	151	391
Contributions by plan participants	5,657	4,844
Benefits paid	(1,770)	(402)
Exchange differences	3,666	2,149
Present value of scheme liabilities at 31 March	22,810	13,596

Sensitivity analysis of scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used is set out below.

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 1%	Decrease by 15.9%
	Decrease by 1%	Increase by 15.2%
Rate of increase in salaries	Increase by 1%	Increase by 3.6%
	Decrease by 1%	Decrease by 3.4%
Rate of increase in pensions in payment	Increase by 1%	Increase by 7.2%
	Decrease by 1%	Not applicable

Reconciliation of fair value of scheme assets

	2009 £'000	2008 £'000
Fair value of scheme assets at 1 April	11,995	5,562
Expected return on plan assets	389	212
Actuarial loss	(51)	(1,239)
Contributions by the employer	2,538	1,195
Contributions by plan participants	5,657	4,844
Benefits paid	(1,770)	(402)
Exchange differences	3,130	1,823
Fair value of scheme assets at 31 March	21,888	11,995

Scheme assets do not include any of the Company's own financial instruments, or any property occupied by the Company.

Notes to the financial statements

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

The actual return on scheme assets in the year was £338,000 (2008: £1,027,000 loss).

Analysis of the amount charged to profit or loss are as follows:

	2009 £'000	2008 £'000
Current service cost	986	612
Expected return on pension scheme assets ^(g)	(389)	(212)
Interest on pension scheme liabilities ^(g)	524	262
	<u>1,121</u>	<u>662</u>

(g) The expected return on pension scheme assets of £389,000 (2008: £212,000) and the interest on pension scheme liabilities of £524,000 (2008: £262,000) are included in 'Other finance charge' in the profit and loss account.

The current service cost of £986,000 (2008: £612,000) is included within operating costs.

Actuarial gains and losses:

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £202,000 (2008: £1,630,000).

Actuarial valuation:

The full actuarial valuation at 31 March 2009 showed a decrease in the deficit from £1,601,000 to £922,000. The total contributions to be made to the scheme by the Company in the year to 31 March 2010 are still to be confirmed.

Notes to the financial statements

Amounts for current and previous four years:

	2009	2008	2007	2006	2005
Plan assets	21,888	11,995	5,562	4,081	3,070
Defined benefit obligation	(22,810)	(13,596)	(5,740)	(4,414)	(3,595)
Deficit	(922)	(1,601)	(178)	(333)	(525)
Difference between expected and actual return on scheme assets:					
Amount £'000	(51)	(1,239)	(144)	6	(113)
Percentage of scheme assets	(0.2)%	(10.3)%	(2.6)%	0.1%	(3.7)%
Experience gains and losses on scheme liabilities:					
Amount £'000	(151)	(391)	(22)	(72)	7
Percentage of the present value of scheme liabilities	(0.7)%	(2.9)%	(0.4)%	(1.6)%	0.2%
Total amount recognised in the statement of total recognised gains and losses:					
Amount £'000	(202)	(1,630)	(166)	(66)	(106)
Percentage of the present value of scheme liabilities	(0.9)%	(12.0)%	(2.9)%	(1.5)%	(2.9)%

19 Post balance sheet events

The Company sold its business and assets to BT Switzerland AG on 17 April 2009, for a consideration of CHF 41,361,734, which comprised 1000 shares of BT Switzerland AG which each had a nominal value of CHF5000.

20 Contingent liabilities

Other than as disclosed in note 11, at 31 March 2009 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.

21 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 2009 was BT Group plc.

Notes to the financial statements

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 England & Wales. 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 2009. 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 England & Wales. Copies of the financial statements of British Telecommunications plc are available from The Secretary, British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ.