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Chairman's Statement

The businesses have been successfully merged and the management team strengthened following the flotation. There were some major issues that affected the Group and its results for the period under review, details of which are set out below. These have now been largely resolved and where appropriate provisions made in these accounts. The Group is now in a strong position to resume its original strategy of developing a successful telecommunications company providing fixed line and mobile solutions to UK and European customers. The financial statements have been prepared using the reverse acquisition accounting method which is fully explained in the notes to the financial statements and incorporate the results of Cellular Holdings Limited from the 23 July 2003 when it commenced trading and the other subsidiaries from 29 October 2003, the date of the reverse takeover.

Results for the Period

Turnover for the period was £63.5m and the group generated an operating profit before goodwill and exceptionals of £606,000. The reverse acquisition method of accounting referred to above gave rise to a charge of £4.5m relating to goodwill as explained more fully in the notes to the accounts. The resulting loss after goodwill write off and exceptional charges is £4.3m. The board has now had an opportunity to assess properly the values of various assets of Roxspur and the constituent companies that came together to make up the group. This has resulted in fair value adjustments and some exceptional charges as shown in the financial statements.

The results for this period have been adversely affected by a number of factors. In particular, there was the distraction caused by the Roxspur pension litigation and the cost of the subsequent settlement of the Betec claim. This, together with the impact of the Customs and Excise attack on the bulk trading market, reduced margins, and the ongoing retention of £2.4m of VAT had a major impact on the Group's results and cash flow. With inadequate working capital available to trade at meaningful levels in the bulk trading market the results for this period fell short of the initial expectation last October when the group came together. Given the much reduced level of profit and cash generated from the bulk trading business and the impact on the balance sheet of the pension settlement and ongoing VAT dispute the board determined it necessary to raise additional capital for the group which led to the recent placing and open offer.

Legacy Issues

The satisfactory settlement of the Betec pension litigation has removed the major uncertainty surrounding TTG Europe. The Consolidated Balance sheet and Profit and Loss account reflect the full impact of this settlement on a discounted basis and although we are yet to reach final agreement with trustees in relation to the other Pension scheme claims your board is confident that any future liabilities are now fully provided. The Group continues to have ongoing lease obligations on both industrial and retail properties inherited through the reverse takeover and other acquisitions. For the most part these are let and income producing although not necessarily covering the full rental outgoing. Your board is actively managing these situations to reduce the group's ongoing commitments. In the meantime liabilities have been carefully assessed and provided for where appropriate.

VAT

We originally anticipated that our appeal against the decision of HM Customs & Excise to withhold repayment to us of monies paid to third parties in respect of input VAT would be heard by the VAT Tribunal in May 2004. The date for the hearing has now been postponed several times to allow the Commissioners of Customs and Excise to prepare their evidence. The leading case in this area is 'Bond House', which HM Customs & Excise is relying on for withholding repayment of the monies. However, the decision in Bond House is due to go before the Court of Appeal later this month and the European Court of Justice in October 2004, and the outcome of these proceedings will prove important in relation to our appeal. In view of this, and the successive postponements of the hearing of our appeal, we have now agreed with Customs and Excise that we will stay our appeal to the Tribunal for six months pending both the UK and European rulings.

Placing and Open offer

The Group successfully raised some £6m net of expenses by means of a placing and open offer of its

shares after the Period end. The effect of this, had it taken place at the period end is set out in the pro-forma balance sheet in note 33 to the financial statements. This has enabled us to recapitalise the business, recommence bulk trading and puts the group on a sound financial footing going forward.

Management and Employees

During the period under review Peter Ryan and Martin Eberhardt, both of whom had been directors of Roxspur for some years, resigned from the board. The management team was strengthened with the appointments to the board of Julian Synett as finance director and Andrew Smith to head up the mobile phone operations. In addition Julia Henderson and myself joined as non-executive directors. I would like to extend my personal thanks to all our employees, who have made a valuable contribution to our performance in an eventful period.

Dividends

The company has negative distributable reserves and accordingly no dividend is proposed for the accounting period under review. Your board is taking advice regarding the possibilities of a court sanctioned capital reconstruction, which would facilitate the payment of dividends when profits and cash flow permit.

Current trading and prospects

Working capital constraints have had a significant impact on our bulk trading business during the first few months of the period. I am pleased to report however that following the placing and open offer the Group started bulk trading again in July and we are gradually building back the level of business in what is traditionally a quiet period during the summer months. Our mobile distribution business in the UK is performing well and as recently announced we have extended this business to Holland where we expect to start generating revenue from September onwards. We will sustain losses in the start up period but are confident that distribution business in Holland will break even month on month by the end of the next financial period and contribute to profit in the following year. As reported in the open offer document the restructuring plan in our Belgium subsidiary has been put into effect and although still loss making this company is performing in line with plan. Product development in the first few months of the year both in the UK and in Benelux will increasingly support the growth of our fixed line business and enable us to meet our targets for the year as a whole. The combination of factors earlier referred to is likely to result in the group reporting a loss for the first half of the year although the Directors remain confident of a good performance in the second half and for the year as a whole. Overall I feel that we can now start to look forward with genuine confidence for the future growth of this business. The support shown by shareholders, as evidenced by the success of the placing and open offer is testament to our original strategy of building our core businesses in fixed line and mobile connections and distribution supported in the short to medium term from a return to bulk mobile phone trading.

Report of the Directors

The directors present their annual report together with consolidated financial statements for the nine months ended 31 March 2004.

Principal activity

TTG Europe plc is the Group's holding company that does not carry out a principal trade. Following the acquisitions in the period, the principal activity of the Group has been the provision of fixed line services and mobile telecommunication products, services and solutions to business customers across Europe.

Review of the business and future developments

Details of the past period's performance and the outlook for the current period are provided in the Chairman's Statement on page 2. The trading results for the period and the Group and Company's financial position at the end of the period are shown in the attached financial statements.

Results and dividends

The Directors do not recommend the payment of a dividend in respect of the period ended 31 March 2004. The loss sustained for the financial period of £4,348,000 will be deducted from reserves.

Share changes

Details of changes to the issued share capital during the period are set out in note 24 to the financial statements.

Directors

The directors and their interests (including their immediate family and trusts) in the ordinary share capital of the Company are shown below:

The following table shows the beneficial interests of the Directors in the ordinary shares of the Company at 31 March 2004 and at 1 July 2003, or their appointment to the Board, if later:

		31 March 2004	1 April 2003 (or appointment date if later)
		Ordinary shares of 1p each Number	Ordinary shares of 10p each Number
M Hanna	(appointed 28 October 2003)	53,264,655*	-
G J Pollard	(appointed 28 October 2003)	-	-
R Sampson	(appointed 28 October 2003)	-	-
J J Synett	(appointed 1 February 2004)	-	-
J A Henderson	(appointed 5 February 2004)	-	-
G Spink	(appointed 5 February 2004)	-	-
A P Smith	(appointed 29 March 2004)	-	-

* Held by British Meditreaan (Holdings) SA indirectly for M&M Trust, of which Michael Hanna is a potential beneficiary.

The following share options in TTG Europe plc were granted to directors who served during the period:

		Number of options					
	At 1 July 2003 or date of appointment	Granted	Exercised	At 31 March 2004	Exercise price	Exercisable from	Expiry date
G J Pollard	-	3,782,626	-	3,782,626	3.125p	29.10.03	29.10.13
M Eberhardt	-	1,276,636	-	1,276,636	3.125p	29.10.03	29.10.13
P H Ryan	-	1,276,636	-	1,276,636	3.125p	29.10.03	29.10.13

There are no performance targets in respect of any of the above options issued to the directors who served during the period. The mid-market price of the shares at the period-end was 6.77p and the range of share prices throughout the period was 8.44p to 2.4p.

Resolutions authorising the Directors to issue options over 103,804,910 shares representing 6.18% of the current issued capital to certain Directors and other senior employees will be proposed at the forthcoming Annual General Meeting. The options will be exercisable on the achievement of certain earnings per share targets.

In accordance with the Company's Articles of Association, all of the Directors, having been appointed since the last General Meeting, retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Charitable and political donations

No charitable and political donations were made during the period.

Supplier payment policy

It is the Group's policy to pay suppliers in accordance with the terms of business agreed with them. The parent company is purely a holding company and does not trade, therefore, there are no creditor days to disclose under Statutory Instrument 1997 No. 571.

Post balance sheet events

Since the period end, the Company has issued 1,200,000,000 ordinary shares of 0.1p each at an issue price of 0.5p per share via a Placing, and 101,207,887 ordinary shares of 0.1p each in an Open Offer to qualifying shareholders at the issue price of 0.5p per share. This has resulted in an increase in issued share capital of £6,016,000, (after costs of £490,000), as shown in the pro-forma post-issue balance sheet presented in note 33.

Auditors

During the period HLB AV Audit plc were appointed auditors of the Group and Company following the resignation of PricewaterhouseCoopers LLP. HLB AV Audit plc have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held on the 28 October 2004.


Julian Synett Company Secretary

15 September 2004

Statement of Directors' Responsibilities

The Directors are required by United Kingdom Company Law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial period and the profit or loss of the Company and of the Group 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and that the financial statements have been prepared on the going concern basis.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which 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 of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters, and accordingly the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the website.

Report of the Remuneration Committee

The remuneration of the Executive Directors is determined by the Remuneration Committee, which consists of the two non-Executive Directors under the chairmanship of Geoff Spink.

The role of the Committee is to determine the terms and conditions of employment of Executive Directors, to approve suitable performance-related criteria for annual and long-term bonuses and to approve the issue of options under the Group's executive share option schemes. The Committee is advised by the Chief Executive, but he is not present for discussions which directly concern him. The Committee is authorised to obtain such outside professional advice and expertise as it considers necessary.

Policy

In framing its remuneration policy, the Committee has given full consideration to Schedule B of the Combined Code. The policy seeks to enhance the Company's performance and to ensure that Executive Directors are fairly and responsibly rewarded for their individual contributions. It considers a number of factors including:

- the basic salaries and benefits available to Executive Directors of comparable companies;
- the need to attract and retain Directors of an appropriate calibre; and
- the need to ensure Executive Directors' commitment to the continued success of the Company by means of appropriate incentive schemes.

Directors' remuneration

The main components of a Director's remuneration are basic salary, annual performance-related bonuses and longer term incentive arrangements. In addition, they are entitled to receive private medical insurance. No bonuses were paid to directors during the period. No Director is involved in deciding his or her own remuneration. The remuneration of the Non-executive Directors is determined by the Board.

Under the terms of their service contracts, all Executive Directors may earn bonuses of up to 100% of their salaries based on targets set annually by the Remuneration Committee. Bonus Schemes have been designed to reflect both the Group's performance and the Executive Director's contribution to it, but bonuses will only be payable if specific performance targets are met. Details of directors' remuneration for the period ended 31 March 2004 is included in note 8 to the financial statements.

Share options

During the period, the shareholders approved the company's new Share Option Scheme. During the period, the Directors granted 3,782,626 share options to Graham Pollard in lieu of certain historical benefits due to him as Chief Executive Officer of Ventelo Nederland. These options are exercisable, at a price of 3.125 pence per share, at any time during the ten years to 29 October 2013.

Former directors Peter Ryan and Martin Eberhardt were also granted share options during the period. Martin Eberhardt was granted 1,276,636 EMI share options, and Peter Ryan was granted 1,276,626 stand-alone share options. All these options are exercisable at a price of 3.125 pence per share, at any time in the ten years to 29 October 2013.

Non-Executive Directors

Non-Executive Directors do not receive any pension or other benefits from the Company. Non-Executive Directors are appointed on renewable agreements that expire at staggered intervals.

On 26 September 2003 Martin Eberhardt ceased to act as Non-Executive Director, and was appointed as Finance Director until his resignation on 8 January 2004. On 29 March 2004 Peter Ryan also stepped down from the board. On 5 February 2004 Julia Henderson and Geoff Spink were appointed to the board as Non-Executive Directors and continue to act in this position since the period end.

Service Agreements

All of the Executive Directors have service contracts with the Company. Currently these contracts may be terminated by the Company giving six months' notice, extending to one year's notice following the Director's first full year of employment. The notice period of all Executive Directors is kept under review by the Remuneration Committee.

The Remuneration Committee reviews any case of early termination individually to ensure that any compensation settlements are appropriate to the circumstances, taking care to ensure that poor performance is not rewarded. The current service contracts may be terminated at any time by making the Executive Directors a payment in lieu of notice.

Corporate Governance

The Board of TTG Europe plc is committed to achieving good standards of corporate governance, integrity and business ethics for all activities. Under the rules of the Alternative Investment Market, the Group is not required to comply with the Combined Code (1998). However, the Directors regard compliance as a benchmark of best practice, and have taken steps to comply with the Combined Code (1998) in so far as it can be applied practically, given the size of the Group and the nature of its operations.

The Board

At 1 July 2003 the Board comprised two Non-executive Directors, including the Chairman. All Directors are required to submit themselves for re-election every three years. From the start of the financial period, until his resignation on 29 March 2004, Peter Ryan acted as Non-Executive Director and Chairman. Martin Eberhardt also acted as Non-Executive Director from 1 July 2003 until the date of the reverse acquisition. On 5 February 2004 Julia Henderson and Geoff Spink were appointed to the board as Non-Executive Directors and continue to act in this position since the period end.

The Board meets at least twelve times a year. Board papers, including a finance report, are circulated to the Board in advance of these meetings, which consider matters specifically reserved for its review and approval. These include setting and monitoring the Group's strategic direction and reviewing operational issues, compliance with covenants and internal control procedures. Professional advice is sought when necessary, and procedures are in place for directors to take independent professional advice if necessary, at the company's expense.

The following committees have been appointed by the Board to deal with the appropriate aspects of the Company's affairs.

Audit Committee

The Audit Committee of the Board is chaired by Mr Spink. The Committee reviews the interim and preliminary announcement of final results prior to their publication and receives reports from the Group's external auditors on matters arising from their audit of the financial statements. The Committee are also responsible for any matters relating to the appointment, resignation or dismissal of the external auditors and their fees. It also keeps under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors.

Remuneration Committee

The Remuneration Committee of the Board is chaired by Mr Spink. The Committee is responsible for determining the Group's policy for executive remuneration and approving the terms and conditions of employment of the Executive Directors. The Committee determines appropriate performance conditions for bonuses and executive share option schemes, and approves the issue of options in accordance with the terms of those schemes.

Relations with Shareholders

The Board is responsible to shareholders for the proper management and control of the Group. The Directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders. Meetings with institutional shareholders take place on a regular basis. Private investors are given notice of the Annual General Meeting where they can put their questions to the Board.

Going Concern

Having reviewed the Company's plans and financial facilities available, the Board has a reasonable expectation that it has adequate resources to continue in existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the Company's accounts.

Internal Controls

The Directors are responsible for ensuring that the Group maintains a sound system of internal control, including suitable monitoring procedures. Any such system can only provide reasonable and not absolute assurance against material misstatement or loss, and the system is designed to manage and not eliminate risk.

Corporate Governance

The Company's internal financial control and monitoring procedures include, but are not limited to:

- Regular Board meetings are held to allow prompt decision making and communication of business issues.
- Treasury and financial policies are monitored by the Board.
- Regular reporting of legal, insurance and accounting developments are made to the Board by the Group Company Secretary.
- The Company maintains strict cash management procedures to optimise funds retained within the Group.
- Major investment decisions are subject to approval by the Board. Independent professional advice is always sought before taking such a decision.



Geoff Spink Chairman
15 September 2004

Independent Auditors' Report

We have audited the financial statements for the nine months ended 31 March 2004, which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company's Balance Sheet, the Consolidated Cash Flow Statement, and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group 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, the Chairman's Statement, the Operating and Financial Review, the Corporate Governance statement, and the Report of the Remuneration Committee. 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.

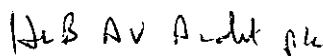
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 and the group's affairs as at 31 March 2004 and of the group's loss for the nine months then ended and have been properly prepared in accordance with the Companies Act 1985.



HLB AV Audit plc
Registered Auditors Manchester
15 September 2004

Financial Calendar 2004/5

Annual report posted to shareholders	September 2004
Annual General Meeting	October 2004
Interim announcement	December 2004
Financial Year End	31 March 2005
Preliminary announcement	June 2005

Annual General Meeting

This year's AGM will be held at the offices of KBC Peel Hunt 62 Threadneedle Street, London EC2R 8HP on the 28 October 2004.

Share price information

The company's share price is published in the Financial Times and is also available on the company's website www.ttg-europe.com.

Crest

The company is registered on the CREST electronic settlement system.

Consolidated Profit and Loss Account

	Notes	Before goodwill amortisation and exceptional items £'000	Goodwill impairment and amortisation £'000	Exceptional items £'000	Total £'000
Turnover	2				
Continuing operations	-	-	-	-	-
Acquisitions		63,520	-	-	63,520
		63,520	-	-	63,520
Cost of sales					
Continuing operations		-	-	-	-
Acquisitions		(57,808)	-	-	(57,808)
		(57,808)	-	-	(57,808)
Gross profit					
Continuing operations		-	-	-	-
Acquisitions		5,712	-	-	5,712
		5,712			5,712
Net operating expenses	3	(5,106)	(4,490)	(412)	(10,008)
Operating profit/(loss)	5				
Continuing operations		(149)	-	-	(149)
Acquisitions		755	(4,490)	(412)	(4,147)
		606	(4,490)	(412)	(4,296)
Net interest payable	6	(47)	-	-	(47)
Profit/(loss) on ordinary activities before taxation		559	(4,490)	(412)	(4,343)
Taxation	9	(5)	-	-	(5)
Profit/(loss) on ordinary activities after taxation		554	(4,490)	(412)	(4,348)
Dividends	10	-	-	-	-
Retained profit/(loss) for the financial period	25	554	(4,490)	(412)	(4,348)
Earnings losses per share	11				
Basic		0.1p	(1.2)p	(0.1)p	(1.2)p
Diluted		0.1p	(1.2)p	(0.1)p	(1.2)p

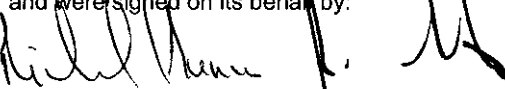
There is no material difference between the profit/(loss) reported above and that calculated on the historical cost basis. The Group has no recognised gains or losses other than the profit/(loss) for the period. The attached notes on pages 18 to 42 form part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2004

		Group 31 March 2004	
	Notes	£'000	£'000
Fixed assets			
Intangible assets	12		889
(excluding goodwill)			
Goodwill	13		
Positive goodwill		3,770	
Negative goodwill		(1,803)	
			1,967
Tangible assets	14		3,119
			5,975
Current assets			
Stocks	16	2,049	
Debtors			
Due within one year	17	18,214	
Due after more than one year	17	1,272	
Bank deposits and cash	18	2,227	
			23,762
Creditors: amounts falling due within one year	19		(21,792)
Net current assets			1,970
Total assets less current liabilities			7,945
Creditors: amounts falling due after more than one year	20		(5,769)
Provisions for liabilities and charges	22		(3,513)
			(1,337)
Capital and reserves			
Called up share capital	24		8,379
Reverse acquisition reserve	25		(5,368)
Profit and loss account	25		(4,348)
Deficit in equity shareholders' funds			(1,337)

The financial statements on pages 13 to 42 were approved by the Board of Directors on 15 September 2004 and were signed on its behalf by:



Michael Hanna
Director

Julian Synett
Director

The attached notes on pages 18 to 42 form part of these financial statements.

Company Balance Sheet

As at 31 March 2004

	Notes	31 March 2004		30 June 2003	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	15	4,635		-	
Tangible assets	14	-		-	
			4,635		-
Current assets					
Stocks	16	-		-	
Debtors	17	1,551		12,058	
Bank deposits and cash	18	1,819		4,874	
			3,370		16,932
Creditors: amounts falling due within one year	19		(32,551)		(44,679)
Net current liabilities			(29,181)		(27,747)
Total assets less current liabilities			(24,546)		(27,747)
Creditors: amounts falling due within one year	20		(1,969)		-
Provisions for liabilities and charges	22		(3,389)		(2,180)
			(29,904)		(29,927)
Capital and reserves					
Called up share capital	24		8,379		5,106
Other reserves	25		22,708		22,708
Profit and loss account	25		(60,991)		(57,741)
Deficit in equity shareholders' funds			(29,904)		(29,927)

The financial statements on pages 13 to 42 were approved by the Board of Directors on 15 September 2004 and were:


Michael Hanna
 Director


Julian Synett
 Director

The attached notes on pages 18 to 42 form part of these financial statements.

Consolidated Cash Flow Statement

For the nine months ended 31 March 2004

	Notes	Group	
		2004 £'000	2004 £'000
Net cash inflow from operating activities	26		374
Returns on investments and servicing of finance			
Interest received		88	
Interest paid		(135)	
Net returns on investment and servicing of finance			(47)
Taxation			
UK corporation tax paid			(233)
Capital expenditure			
Purchase of tangible fixed assets		457	
Purchase of intangible fixed assets		28	
			(485)
Acquisitions and disposals			
Purchase of subsidiary undertakings			(4,778)
Net cash outflow before financing			(5,169)
Financing			
Loans received		4,162	
Loans repaid		(150)	
		4,012	
Decrease in cash in the period			(1,157)

The attached notes on pages 18 to 42 form part of these financial statements.

Reconciliation of the Movements in Shareholders' Funds

For the nine months ended 31 March 2004

	Group 2004 £'000
Loss for the financial period	(4,348)
Dividends	-
	<hr/> (4,348)
Issue of share capital	3,273
Capital adjustment for reverse acquisition accounting	(262)
Net movement in shareholders' funds	<hr/> (1,337)
Equity shareholders' funds at 1 July 2003	-
Deficit on equity shareholders' funds at 31 March 2004	(1,337)

The attached notes on pages 18 to 42 form part of these financial statements.

Notes to the Financial Statements

For the nine months ended 31 March 2004

1. Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention except for the adoption of reverse acquisition accounting, described below, which constitutes a true and fair override departure from United Kingdom accounting standards.

The principal accounting policies of the Group are set out below:

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see note 15) drawn up to 31 March 2004. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting except for the reverse takeover transaction detailed below.

On 29 October 2003 the company, then named Roxspur plc, became the legal parent company of Cellular Holdings Limited in a share-for-share transaction. Due to the relative values of the companies, the former Cellular Holdings Limited shareholders became the majority shareholders with 86.5% of the enlarged share capital. Further, the Company's continuing operations and executive management are those of Cellular Holdings Limited and its subsidiary undertakings. Accordingly, the substance of the combination was that Cellular Holdings Limited acquired Roxspur plc in a reverse acquisition. As part of the business combination, Roxspur plc changed its name to TTG Europe plc and its accounting reference date to 31 March 2004.

Under the requirements of the Companies Act 1985, FRS 6 and FRS 7, it would normally be necessary for the Company's consolidated accounts to follow the legal form of the business combination. In that case, the pre-combination results would be those of Roxspur plc and its subsidiary undertakings, which would exclude Cellular Holdings Limited. Cellular Holdings Limited would then be brought into the group from 29 October 2003. However, this would portray the combination as an acquisition of Cellular Holdings Limited by Roxspur plc and would, in the opinion of the directors, fail to give a true and fair view of the substance of the business combination. Accordingly, the directors have adopted reverse acquisition accounting as the basis of consolidation in order to give a true and fair view.

In invoking the true and fair override the directors note that reverse acquisition accounting is endorsed under International Accounting Standard 22 and that the Urgent Issues Task Force of the UK's Accounting Standards Board considered the subject and concluded that there are instances where it is right and proper to invoke the true and fair override in such a way.

As a consequence of applying reverse acquisition accounting, the results for the period ended 31 March 2004 comprise the results of Cellular Holdings Limited for that period, its subsidiary undertakings from their dates of acquisition, plus those of Roxspur plc from 29 October 2003, the date of the reverse acquisition to 31 March 2004.

There are no comparative consolidated figures presented for the Group, as in the prior period, Cellular Holdings Limited did not have any subsidiary undertakings.

The figures in the balance sheet for the Parent Company are those of TTG Europe plc (formerly Roxspur plc) for the 9 month period ended 31 March 2004, the comparatives being for the year ended 30 June 2003.

The effects on the consolidated financial information of adopting reverse acquisition accounting, rather than the legal form, are widespread. However, the following table indicates the principal effect on the composition of reserves:

	Reverse Acquisition Accounting (as disclosed) £'000	Normal Acquisition Accounting £'000	Impact of Reverse Acquisition Accounting £'000
Called up share capital	8,379	8,379	-
Merger reserve	-	17,477	(17,477)
Other reserve	-	22,708	(22,708)
Reverse acquisition reserve	(5,368)	-	(5,368)
Profit and loss reserve	(4,348)	(28,336)	23,988
Equity shareholders' funds	(1,337)	20,228	(21,565)

Transactions and balances between subsidiary undertakings have been eliminated; no profit is taken on sales between subsidiary undertakings until the products are sold to customers outside the group.

Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of businesses acquired. Goodwill is amortised through the profit and loss account in equal instalments over its useful life up to a maximum of twenty years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Negative goodwill

Negative goodwill represents the difference between the deemed consideration for the acquisitions of Phone Direct Holdings Limited (and subsidiaries) and Ventelo Holding BV (and subsidiaries) and the fair values of their identifiable assets and liabilities at the date of acquisition. Negative goodwill is written back to the profit and loss account on realisation.

Intangible assets - databases

Purchased databases are stated at their cost less amortisation. Amortisation is provided to write off the cost less estimated residual values over the estimated useful lives of 10 years.

Turnover

Turnover, which excludes Value Added Tax and is net of trade discounts, represents amounts derived from the provision of goods and services to customers during the period.

Investments in subsidiary undertakings

The cost of investment in subsidiary undertakings is recorded at the aggregate of the nominal value of shares issued in connection with the acquisition, cash paid and any further costs incidental to its acquisition, less provision for diminution in value of that investment.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation

Depreciation is provided on all tangible fixed assets to write off the cost of each asset over its expected useful life on a straight line or reducing balance basis. The principal annual rates used for this purpose are:

Plant and machinery	25% reducing balance
Overseas equipment	10 years straight line
Fixtures and fittings	25% reducing balance
Computers	3 years straight line
Motor vehicles	25% straight line

Stocks

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

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the term of the lease. Leasing arrangements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright.

Pension costs

Financial Reporting Standard 17 Retirement benefits ("FRS 17") was issued in 2001 and is effective for accounting periods ending on or after 22 June 2001. As permitted by the transitional arrangements of FRS 17 the Group has opted to defer implementation of this standard and the disclosures required under those transitional arrangements are discussed in note 23.

The Group operates money purchase schemes only, and is in the process of winding-up several closed defined benefit schemes. Contributions to money purchase schemes are charged to the profit and loss account in the period in which they are incurred.

Property provisions

Provision is made for the future rental and related costs of leasehold property where it is vacant or surplus to the Group's requirements, the sublease is not coterminous with the Group's lease commitment or the leasehold property has been sublet at a loss, to the extent that a net cost to the Group is anticipated.

Foreign currencies

Assets and liabilities of subsidiaries in foreign currencies are translated into Sterling at rates of exchange ruling at the end of the financial period and the results of foreign subsidiaries are translated at the average rate of exchange for the period. Other foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Financial instruments

The Group does not use derivative instruments or any financial instruments to hedge financial assets or liabilities. All financial assets and liabilities are carried at the lower of cost and net realisable value. Provision is made for diminution in value when appropriate. Interest payable/receivable is charged/credited to the profit and loss account in the period to which it relates.

2. Segmental analysis

During the financial period the Group operated in one class of business, being the telecommunications services sector. The analysis by geographical area and by key product type of the Group's turnover is:

31 March 2004		
	By destination £'000	By origin £'000
Turnover		
UK	30,208	35,696
Western Europe	33,312	27,824
	63,520	63,520

	2004 £'000
Turnover by product type	
Bulk	45,311
Fixed line	9,906
Mobile connection and distribution	8,303
	63,520

3. Operating expenses

	Before goodwill amortisation and exceptional items £'000	Goodwill impairment and amortisation £'000	Exceptional items £'000	Total £'000
Continuing operations				
Distribution costs	-	-	-	-
Administrative expenses	(149)	-	-	(149)
Continuing operating expenses	(149)	-	-	(149)
Acquisitions				
Distribution costs	(65)	-	-	(65)
Administrative expenses	(4,892)	(4,490)	(412)	(9,794)
Acquisitions operating expenses	(4,957)	(4,490)	(412)	(9,859)
Total operating expenses	(5,106)	(4,490)	(412)	(10,008)

4. Exceptional costs

	2004 £'000
Property costs and provisions	8
VAT recovery costs	176
Restructuring costs	112
Redundancy	46
Compensation for loss of office	70

Property costs and provisions

Property costs and provisions relate to the difference arising on property leases on former Roxspur plc properties which have been sublet at levels below that which the Group are committed to paying the landlord.

VAT recovery costs

This relates to the one-off legal and professional costs in relation to the recovery of £2,400,000 of input VAT from Customs & Excise.

Restructuring costs

These are the incremental costs associated with restructuring the mobile connections and wholesale bulk trading businesses following the acquisitions made in the period. A Board decision was made at the period end that the Group would undertake a restructuring process to improve efficiencies.

Redundancy

Redundancy costs of £46,000 arose on the acquisition of Ventelo Holding BV by Cellular Holdings Limited.

Compensation for loss of office

The exceptional cost of £70,000 relates to the payments made to Mr M Eberhardt on his retirement from office.

5. Operating loss

	2004
	£'000
The operating loss is stated after charging:	
Auditors' remuneration	
– audit services (including £10,000 for the Company)	92
– non-audit services	11
Depreciation – owned assets	423
Impairment of intangible fixed assets	32
Impairment of goodwill	4,423
Amortisation of goodwill	164
Release of negative goodwill	(97)
Foreign exchange loss	11
Operating lease rentals	
– hire of other assets	851

In addition to the above, fees of £29,000 were paid to the auditors in relation to the acquisitions during the period and included as part of the cost of investment in subsidiaries shown in Note 29.

6. Net interest payable

	2004
	£'000
Payable:	
On bank loans and overdrafts repayable within five years not by instalments	135
Less: interest receivable:	(88)
	47

7. Staff costs and employee numbers

	2004
	£'000
Wages and salaries	2,487
Social security costs	274
Other pension costs	31

2,792

The average number of employees, including Executive Directors, during the period was made up as follows:

	2004
Sales and marketing	57
Administration	45
Executive directors	5
Other staff	19
	126

8. Directors' emoluments

Remuneration in respect of Directors who served throughout the year was as follows:

	Salary	Benefits	Fees	Consultancy	Total
	£'000	£'000	£'000	£'000	£'000
M Hanna	83	-	-	-	83
G J Pollard	54	-	-	-	54
R Sampson	11	-	-	-	11
J J Synett	25	1	-	-	26
J A Henderson	-	-	2	-	2
G Spink	-	-	4	-	4
A P Smith	-	-	-	-	-
M Eberhardt	100	-	6	85	191
P H Ryan	-	-	28	24	52
Total	273	1	40	109	423

Included in Mr M Eberhardt's salary of £100,000 is £70,000 relating to compensation for loss of office.

During the period, contributions were paid to money purchase schemes for no directors, and none of the directors are accruing benefits under any of the Group's pension schemes.

9. Taxation

	2004 £'000
United Kingdom corporation tax at 30%	-
Adjustment in respect of prior periods	-
Foreign tax	5

Total current tax (see below)	5
Deferred tax	-
Tax charge on loss on ordinary activities	5

The tax assessed for the period is higher than the standard rate of corporation tax in the United Kingdom of 30%.

The differences are explained as follows:

	2004 £'000
Loss on ordinary activities before taxation	(4,343)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 30%	(1,303)
Effect of:	
Non deductible expenses	154
Capital allowances in excess of depreciation	(3)
Goodwill amortisation	1,347
Tax losses utilised	(69)
Tax losses carried forward	147
Other tax adjustments and timing differences	(268)
Current tax charge (see above)	5

10. Dividends

No dividends were proposed or paid in the period.

11. (Loss) per share

Basic (loss) per share

The calculation of the undiluted loss per share of (1.2)p is based on the loss on ordinary activities after taxation of £4,348,000 and the weighted average number of ordinary shares in issue of 378,262,622. The weighted average number of ordinary shares for the period ended 31 March 2004 assumes that the 327,197,168 ordinary shares issued in relation to the reverse acquisition existed prior to the transaction.

Diluted (loss) per share

The loss attributable to ordinary shareholders and the weighted average number of shares for the purpose of calculating diluted (loss) per share are identical to those used for basic (loss) per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 14 "Earnings per share".

Adjusted earnings per share

The adjusted earnings per share of 0.1p per share is based on earnings before exceptional costs and is calculated on the profit after taxation of £554,000 (i.e. after adjusting for goodwill amortisation and impairment costs of £4,490,000 and other exceptional costs of £412,000) the adjusted numbers have been provided in order that the effect of the exceptional items on reported earnings can be fully appreciated.

12. Intangible fixed assets

Group	Databases £'000
Cost	
On acquisition	949
Additions	28
At 31 March 2004	977
Amortisation	
On acquisitions	56
Charge for the period	32
At 31 March 2004	88
Net book value:	
At 31 March 2004	889

Purchased databases are being amortised over their useful economic lives of 10 years on a straight line basis from the original date of acquisition.

13. Goodwill

Group	Negative goodwill £'000	Positive goodwill £'000	Total £'000
Cost			
Additions	(2,357)	8,814	6,457
At 31 March 2004	(2,357)	8,814	6,457
Amortisation			
Write back/(impairment) on acquisitions	457	(4,880)	(4,423)
Credit charge for the period	97	(164)	(67)
At 31 March 2004	554	(5,044)	(4,490)
Net book value:			
At 31 March 2004	(1,803)	3,770	1,967

Additions to goodwill arising on consolidation, and the credit/(charge) for the period relate to acquisitions as detailed in note 29.

Goodwill on acquisition of subsidiary undertakings is being amortised as follows:

Negative goodwill arising on the Phone Direct Group acquisition of £893,000 is being amortised over a period to offset the amortisation of the intangible asset to which it relates. During the period, a release of £32,000 arises to offset the amortisation charge against the databases acquired, shown in note 12.

Negative goodwill arising on the Ventelo Group acquisition of £1,007,000 is being amortised over a period to offset the goodwill charge on the telecommunications switches acquired with the Ventelo Group, which are being depreciated over a period to 2010. A release of £65,000 arises in the period.

Goodwill arising on the reverse acquisition of TTG Europe plc has been written off to the profit and loss account at the date of the acquisition as described in note 29.

Goodwill arising on the Anglia acquisition is being amortised over 10 years on a straight line basis.

14. Tangible fixed assets

Group	Plant and machinery	Office equipment	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Acquisitions	15,045	3,181	911	73	19,210
Additions	178	102	177	-	457
At 31 March 2004	15,223	3,283	1,088	73	19,667
Depreciation					
Acquisitions	12,596	2,664	843	22	16,125
Charge for the period	312	58	45	8	423
At 31 March 2004	12,908	2,722	888	30	16,548
Net book value:					
At 31 March	2,315	561	200	43	3,119

The company has no fixed assets (30 June 2003 - £nil).

15. Fixed asset investments

Company	Shares in subsidiary undertakings £'000
Cost	
At 1 July 2003	72,807

Additions	4,635
At 31 March 2004	77,442
Provisions for diminution in value	
At 1 July 2003 and 31 March 2004	72,807
Net book values:	
At 31 March 2004	4,635
At 30 June 2003	-

The Directors consider that to give full particulars of all subsidiaries would lead to a statement of excessive length. The Company had a direct and indirect interest at 31 March 2004 in the issued share capital of the following principal subsidiary undertakings. All holdings are in ordinary shares:

Name of subsidiary undertaking	Proportion of voting rights and shares held (%)	Business
Incorporated in England		
Cellular Holdings Limited	100	Intermediate holding company
Anglia Telecom Centres Limited	100	Mobile telephony distribution
Phone Direct Limited	100	Distribution and wholesale of mobile handsets
Cityphone International Limited	100	Exporting of mobile phones
Roxspur Management Services Limited	100	Management services
Incorporation in Belgium		
Ventelo Belgium	100	Mobile and fixed voice, data and internet sales
Incorporated in Holland		
Ventelo Nederland BV	100	Mobile and fixed voice, data and internet sales
Ventelo Holding BV	100	Intermediate holding company

16. Stocks

	Group		Company
	2004	2004	2003
	£'000	£'000	£'000
Finished goods for resale	2,049	-	-

17. Debtors

	Group 2004 £'000	2004 £'000	Company 2003 £'000
Amounts due within one year:			
Trade debtors	13,006	-	-
Prepayments and accrued income	821	43	124
Amounts owed by subsidiary undertakings	-	-	11,873
Deferred tax asset	38	-	-
Other debtors	4,349	236	61
	18,214	279	12,058
Amounts due after more than one year:			
Deferred tax asset	1,272	1,272	-
	19,486	1,551	12,058

Included in other debtors is input VAT of £2,400,000 which is currently being disputed with Customs & Excise. This is explained in more detail in the Chairman's Statement.

The deferred tax asset of £1,272,000 relates to the tax relief the Group and Company will be entitled to when the pension scheme settlement payments are made. This relief is available to the Group to set off against taxable profits in the periods in which the pension creditor and provisions are paid.

18. Cash at bank and in hand

	Group 2004 £'000	2004 £'000	Company 2003 £'000
Unrestricted money	1,477	1,069	4,124
Restricted money (see below)	750	750	750
	2,227	1,819	4,874

Pursuant to the agreement for the sale of RM&C and Horstmann, £750,000 is held to the Company's order by solicitors for the settlement of pension liabilities arising under s75 Pensions Act 1995 and for which provision is made in the accounts. This balance is included within the total of cash at bank and in hand, although it is restricted in its use.

19. Creditors: Amounts falling due within one year

	Group	Company	
	2004	2004	2003
	£'000	£'000	£'000
Bank overdraft	3,384	573	-
Bank loan	612	-	-
Trade creditors	10,262	510	33
Other taxation and social security	413	-	-
Corporation tax	1,395	-	-
Pension scheme settlement (see note 23)	1,000	1,000	-
Other creditors	103	68	-
Deferred consideration	1,405	-	-
Accruals	3,218	44	95
Amounts owed to subsidiary undertakings	-	30,356	44,551
	21,792	32,551	44,679

The deferred consideration arose on the acquisition of Anglia Telecom. Of the amounts shown as due within one year £705,000 has been paid since the balance sheet date, and a further £700,000 is due at the end of October 2004. A further £400,000 is due in April 2006, and included in creditors greater than one year (see note 20).

The deferred consideration is dependent on certain gross profit levels being achieved by Anglia Telecom in the period post acquisition. The directors have accrued for the maximum amount payable, which is considered to be the fair value of the cost of acquisition. Details of securities in place are given in note 21.

20. Creditors: Amounts falling due after more than one year

	Group	Company	
	2004	2004	2003
	£'000	£'000	£'000
Bank loans	3,400	-	-
Deferred consideration (see note 19)	400	-	-
Pension settlement (see note 23)	1,969	1,969	-
	5,769	1,969	-

Analysis of debt maturity:

	Group	Company	
	2004	2004	2003
	£'000	£'000	£'000
Amounts payable:			
In one year or less or on demand	6,401	1,573	-
Between 1 and 2 years	5,469	969	-
Between 2 and 5 years	300	1,000	-
	12,170	3,542	-

Less: Amounts included in current liabilities:

Bank overdraft	(3,384)	(573)	-
Bank loan	(612)	-	-
Pension scheme settlement	(1,000)	(1,000)	-
Deferred consideration	(1,405)	-	-
Long term liabilities	5,769	1,969	-

Details of all financial liabilities are given in note 21.

21. Financial instruments

(a) Policy

The Group's financial instruments comprise bank borrowings, some cash and liquid resources and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. Furthermore, the Group does not undertake any hedging of its financial instruments.

The main risks arising from the Group's financial instruments are foreign currency risk in respect of £167,000 held in Euros, and the net investment in the overseas subsidiaries that trade in Euros. The Board reviews and agrees the policy for managing this risk as summarised below.

Foreign Currency Risk

The Group has two overseas subsidiaries which operate in the European Community and whose revenues and expenses are primarily denominated in Euros. The Group net investment in this subsidiary was not hedged by the use of foreign currency borrowings.

Property Provision

The Group's provision of £384,000 for commitments on vacant leasehold properties meets the definition of financial liabilities. They are discounted at an annual interest rate of 5% and are discussed further in Note 22. The disclosures in the remainder of this note exclude short term debtors and creditors (other than short term borrowings).

(b) Bank Borrowing and Facilities

The Group has a UK overdraft facility of £3,100,000 (including £100,000 Business Visa facility), which bears interest at 2% above base rate. At the period end, the companies covered by this facility had a combined net overdraft of £1,723,000 (excluding £750,000 of restricted monies explained below).

The Group's overseas subsidiary, Ventelo Nederland B.V. has been granted a 1,100,000 overdraft/draw-down facility which is in place until 1 October 2004. This facility bears interest at 1.0% above the Dutch bank base rate. The Group has two bank loans in place: a loan facility of £2,350,000 which bears interest at a rate of 4% over the Bank Base Rate; and a term loan of £1,650,000 which bears interest at 2% over Bank Base Rate. The loan facility is subject to review in July 2005 and is not repayable before that date; the term loan is repayable quarterly until October 2006.

The bank loans and overdraft are secured by a fixed and floating charge over the non-dormant UK subsidiaries of the Group, and each such company has granted a debenture (including fixed and floating charges) in favour of the Bank. There are also cross guarantees in place between all UK holding and trading companies within the Group.

(c) Interest Rate and Financial Assets

Fixed rate financial assets comprise £1,750,000 of sterling cash deposits. They are fixed for variable periods and the weighted average fixed rate was 3.8%. In addition cash of £310,000 was held on current account and was not earning interest.

(d) Currency Exposures

All financial assets and liabilities are Sterling denominated, except for cash balances of £167,000 held in Euros.

(e) Fair Value

There is no material difference between the fair value and the book value of financial liabilities.

22. Provisions for liabilities and charges

Group	Pensions provisions	Vacant leasehold provision	Total
	£'000	£'000	£'000
Taken on with acquisition of subsidiaries	3,170	384	3,554
Charged/(released) in the period	428	-	428
Reclassify to creditors amounts falling due after more than one year	(469)	-	(469)
At 31 March 2004	3,129	384	3,513

Company	Pensions provisions	Vacant leasehold provision	Total
	£'000	£'000	£'000
Net provision at 1 July 2003	1,700	480	2,180
Charged/(released) in the period	1,898	(153)	1,745
Reclassify to creditors amounts falling due after more than one year	(469)	-	(469)
Utilised in the period	-	(67)	(67)
At 31 March 2004	3,129	260	3,389

The Group and Company pension provision represents the estimated cost of winding up the Group and Company's pension schemes. This is discussed further in note 23. The Group's vacant property provision comprises three properties in the UK, which were previously used by Roxspur plc's subsidiary companies, and three properties in the UK previously occupied by Phone Direct Limited. Provision has been made for the residual lease commitments after taking account the existing sub-tenant arrangements and on-going negotiations. In determining the provision, the cash flows have been discounted using an appropriate rate. £68,000 of the Group provision will be utilised in the next year (company: £42,000), £228,000 in years 2 to 5 (company: £172,000), and the balance of £88,000 over the remaining 5 to 9 years (company: £46,000). The Company vacant leasehold provision purely relates to the three properties previously occupied by Roxspur plc's subsidiary companies in prior years.

Deferred taxation

The Group and Company had no liability to deferred taxation as at 31 March 2004 (2003: £nil). The Group has an unprovided deferred tax asset of £7,542,000 (Company: £6,541,000). This asset has not been recognised in the Group accounts since the directors do not expect to realise this in the forthcoming financial year. There is a deferred tax asset of £1,272,000 arising on the pension scheme settlements due to the timing differences between the provision of the liability and the Group being eligible to take the tax deduction, as disclosed in note 17.

23. Pensions and similar obligations

The total pension cost charged to the profit and loss account for the period was £31,000, this is in respect of contributions to ongoing money purchase schemes. There were no contributions to the Group's defined benefit schemes as these are all in the process of being wound up. FRS 17 information has not been

obtained for any of the Group's defined benefit schemes because the maximum scheme liability has been fully determined for each scheme, and, as explained below, arrangements are being reached to settle all outstanding scheme liabilities. The Directors have reached an agreed settlement with the Trustees of the BETEC Retirement Benefits Plan, as described below, which has been fully provided in the accounts. The Directors are also in the advanced stages of negotiation with the Trustees of the CT Platon Managed Pension Plan, the Brearly Group Defined Benefit Scheme and the Horstmann Group Pension Schemes to agree a settlement of the scheme liabilities. A total of £1.85m is provided for these settlements, in respect of which £750,000 is held in an escrow account pending final determination and settlement of the liabilities.

BETEC Retirement Benefits Plan

A settlement was reached with the Trustees of the Scheme on 4 March 2004, and the scheme liability has been agreed. The Group has agreed to settle the scheme deficit by way of an initial payment of £1,000,000 in cash by 1 July 2004, and a further £1,500,000 to be paid over five years in equal instalments. A final £1,500,000 is payable in equal instalments over five years subject to the Group achieving minimum profit targets. In determining the total provision for the pension scheme settlements, the cash outflows have been discounted using an appropriate rate. If by 1 July 2009 any of the contingent instalments remain unpaid, the Trustees will have the right to either extend the payment term for a further three years, or require the Group to issue to the Trustees up to £1,000,000 worth of ordinary shares in the Group at a price of 9p per share. In relation to these shares, TTG has agreed certain anti-dilutive protections for the Trustees in the event of a capital re-organisation or analogous event.

24. Share capital

Authorised	2004		2003	
	Number	£'000	Number	£'000
Ordinary shares of 10p each	-	-	75,000,000	7,500
Ordinary shares of 1p each	540,410,914	5,404	-	-
Deferred ordinary shares of 9p each	51,065,454	4,596	-	-
		10,000		7,500

Issued	2004		2003	
	Number	£'000	Number	£'000
	-	-	51,065,454	5,106
Ordinary shares of 10p each				
Ordinary shares of 1p each	378,262,622	3,783	-	-
Deferred ordinary shares of 9p each	51,065,454	4,596	-	-
		8,379		5,106

On 29 October 2003, each of the issued ordinary shares of 10p were sub-divided such that every one ordinary share became one new ordinary share of 1p and one deferred share of 9p. Each unissued ordinary share was subdivided into 10 new unissued ordinary shares of 1p each.

On 29 October 2003, the company issued 327,197,168 ordinary shares of 1p each in respect of the reverse acquisition of Cellular Holdings Limited. Furthermore, the authorised share capital was increased by 33 percent to £10,000,000.

The deferred shares do not confer on the holder any right to receive notice of or to attend or vote at any general meeting of the company. The holders of the deferred shares will not be entitled to any dividend or any other distribution, and on winding-up or otherwise, the holders will be entitled to receive only the amount paid up (or credited as paid up) on each share, but only after the ordinary shareholders have been paid.

Since the period end the following additional transactions have taken place:

The company has carried out a Capital Reorganisation whereby:

- I) Each of the existing issued deferred shares of 9p each were divided into 10 deferred shares of 0.9p each;
- II) Each existing issued ordinary share of 1p each have been sub-divided into one new ordinary share of .1p each and one deferred share of 0.9p each.
- III) Each authorised unissued ordinary share of 1p each have been divided into 10 ordinary shares of 0.1p each; and
- V) The authorised share capital of the Company has been increased from £10,000,000 to £11,000,254.

On 18 June 2004, the company issued 1,200,000,000 ordinary shares of 0.1p each at an issue price of 0.5p share via a Placing.

On 27 July 2004, the company issued 101,207,887 ordinary shares of 0.1p each in an Open Offer to qualifying shareholders at the issue price of 0.5p per share.

25. Reserves

Group			Other reserve £'000	Profit and loss account £'000
Reverse acquisition capital adjustment			(5,368)	-
Retained loss for the period			-	(4,348)
At 31 March 2004			(5,368)	(4,348)
Company	Special reserve £'000	Second special reserve £'000	Total £'000	Profit and loss account £'000
At 1 July 2003	4,273	18,435	22,708	(57,741)
Issue of shares	-	-	-	-
Retained loss for the period	-	-	-	(3,250)
At 31 March 2004	4,273	18,435	22,708	(60,991)

The special reserve arose upon the cancellation of deferred shares. The court order allowed that an amount equal to the amount of the deficit in the Company's profit and loss account should be re-credited to distributable reserves.

The second special reserve arose on the cancellation of the share premium on 29 January 1999. The High Court order allowed that this reserve, together with the existing special reserve may be applied on consolidation against the goodwill write off reserve. This second special reserve is non distributable. The cumulative goodwill written off to reserves in respect of acquisitions is £nil (2003: £nil).

The Company has taken advantage of the exemption from presenting its own profit and loss account as permitted by section 230 of the Companies Act 1985. The loss for the period dealt with in the profit and loss account of the parent company was £3,250,000 (2003: loss of £700,000).

26. Reconciliation of operating loss to operating cash flows

	Group 2004 £'000
Operating loss	(4,296)
Depreciation	423
Amortisation of intangible fixed assets	32
Amortisation and impairment of goodwill	4,490
Increase in stock	(380)
Decrease in debtors	2,689
Decrease in creditors	(2,543)
Increase in provisions	(41)
Net cash inflow from operating activities	374

27. Reconciliation of net cash flow to movement in net debt

	Group 2004 £'000
Decrease in cash in the period	(1,157)
Cash inflow from borrowings	(4,012)
Net debt at 31 March 2004	(5,169)

28. Analysis of changes in net debt

	At 1 July 2003 £'000	Cash flow £'000	Acquisitions £'000	Non - cash £'000	At 31 March 2004 £'000
Cash at bank and in hand	-	(3,304)	5,531	-	2,227
Overdraft	-	(2,451)	(933)	-	(3,384)
	-	(5,755)	4,598	-	(1,157)
Debt:					
Debt falling due within one year	-	(612)	-	-	(612)
Debt falling due after one year	-	(3,400)	-	-	(3,400)
	-	(9,767)	4,598	-	(5,169)

29. Acquisitions

On 15 July 2003, Cellular Holdings Limited acquired the entire issued share capital of Phone Direct Holdings Limited, and its subsidiaries Phone Direct Limited, Cityphone International Limited, Cityphone Wholesale Limited and Phone Direct International Limited, together "the Phone Direct Group" for consideration of £2,700,000 comprising cash of £1,800,000 (for the A share capital) and 900,000 ordinary shares (for the B share capital) in Cellular Holdings Limited. Negative goodwill arising on the acquisition and the fair value of the net assets acquired are set out in the following table:

Phone Direct Group acquisition		Fair value adjustments		
	Book value on acquisition £'000	Accounting policy changes £'000	Other adjustments £'000	Fair value £'000
NET ASSETS ACQUIRED				
Intangible fixed assets	893	-	-	893
Tangible fixed assets	242	(129)	(12)	(101)
Net current liabilities	6,325	-	(1,820)	(4,505)
Cash at bank and in hand	(925)	-	-	(925)
Provisions	-	-	(124)	(124)
	6,535	(129)	(1,956)	4,450
Negative Goodwill				(1,350)
Consideration				3,100

Analysis of consideration:

Loan stock	1,800
Shares	900
Cost incurred	400
	3100

Fair value adjustments:

The accounting policy change of £129,000 relates to the revaluation of leasehold improvements in line with the Group policy where the leasehold premises are no longer occupied by the Group.

The significant items included within other adjustments are write-downs of debtors and accrued income to their recoverable amount (£937,000); an adjustment to the carrying value of stock and inter-company balances (£421,000); various provisions for onerous property leases on vacated premises and associated property expenses (£219,000); a correction to irrecoverable VAT (£250,000) and the removal of a lease incorrectly classified as a sale (£129,000).

Of the negative goodwill arising on the acquisition of £1,350,000, £457,000 has been released to the profit and loss account in the period, as shown in note 13. The remaining £893,000 is being released and offset against the amortisation charge of the databases, which are amortised over 10 years on a straight line basis.

The profit and loss accounts of Phone Direct Limited and Cityphone International Limited, the material trading subsidiaries of the Phone Direct Group for the period from 1 April 2003 to 15 July 2003, and the year ended 31 March 2003 are summarised below:

Phone Direct Limited	Period to 15 July 2003 £'000	Year to 31 March 2003 £'000
Turnover	29,222	95,642
Interest	(493)	2,735
Operating (loss)/profit	(7)	(1)
Taxation	185	(364)
Exceptional items	(386)	
Net profit after taxation	(701)	2,370

Cityphone International Limited	Period to 15 July 2003 £'000	Year to 31 March 2003 £'000
Turnover	27,400	35,163
Interest	73	154
Operating profit	-	1
Taxation	13	79
Net profit after taxation	86	234

On 31 July 2003, Phone Direct Limited, a subsidiary of Cellular Holdings Limited, entered into an agreement whereby a loan of £1,000,000 owed to Phone Direct Limited by British Meditran Holdings (SA) was assigned to Ventelo Holding BV in exchange for a 50% interest in the issued share capital of Ventelo Holding BV.

On 29 October 2003, Cellular Holdings Limited acquired the remaining 50% of the issued share capital of Ventelo Holding BV for consideration of 175,000 ordinary shares in Cellular Holdings Limited. Acquisition costs of £600,000 were incurred. Ventelo Holding BV is consolidated from 29 October 2003, the date when control passed to Cellular Holdings Limited. Negative Goodwill arising on the acquisition and the fair value of the net assets acquired are set out in the following table:

Ventelo Holding BV acquisition	Fair value adjustments		
Book value on acquisition £'000	Accounting policy changes £'000	Other adjustments £'000	Fair value £'000
NET ASSETS ACQUIRED			
Tangible fixed assets	2,887	-	2,887
Net current liabilities	(933)	-	(933)
Cash at bank and in hand	828	-	828
	2,782	-	2,782
Negative Goodwill			(1,007)
Consideration			1,775
Analysis of consideration:			
Loan assignment			1,000
Shares			175
Costs incurred			600
			1,775

The profit and loss accounts of the Ventelo Group for the period from 1 January 2003 to 29 October 2003, and the year ended 31 December 2002 are summarised below:

Ventelo Group	Ventelo Group Period to 29 October 2003	Ventelo Belgium Year to 31 December 2002	Ventelo Nederland Year to 31 December 2002
	£'000	£'000	£'000
Turnover	25,805	3,467	19,377
Operating profit	(681)	(885)	(1,725)
Interest	(6)	(80)	87
Taxation	-	6	-
Exceptional items	(96)	2,659	(3,337)
Net (loss)/profit after tax	(783)	1,700	(4,975)

On 29 October 2003, Cellular Holdings Limited acquired the entire issued share capital of Anglia Telecom Centres Limited (formerly Anglia Telecom Centres plc), for cash consideration of £6,601,000, and acquisition costs of £450,000. Goodwill arising on the acquisition and the fair value of the net assets acquired are set out in the following table:

Anglia Telecom Centres Limited acquisition	Book value on acquisition £'000	Accounting policy changes £'000	Fair value adjustments Other adjustments £'000	Fair value £'000
NET ASSETS ACQUIRED				
Tangible fixed assets	97	-	-	97
Net current assets	3,028	-	-	3,028
Cash at bank and in hand	(8)	-	-	(8)
	3,117	-	-	3,117
Goodwill				3,934
Consideration				7,051
Analysis of consideration:				
Cash on completion				4,796
Deferred consideration				1,805
Costs incurred				450
				7,051

The profit and loss accounts of Anglia Telecom Centres Limited for the period from 1 April 2003 to 29 October 2003, and the year ended 31 March 2003 are summarised below:

Anglia Telecom Centres Limited	Period to 29 October 2003 £'000	Year to 31 March 2003 £'000
Turnover	12,674	24,625

Operating (loss)/profit	(1090)	500
Profit on disposal of fixed assets	-	9
Interest	(87)	110
Taxation	331	(193)
Net (loss)/profit after taxation	(846)	426

On 29 October 2003, Cellular Holdings Limited completed the reverse acquisition of the then named Roxspur plc for consideration of £2,106,000, reflecting the fair value of the 51,065,464 shares acquired having a market value of 4.125p at the date of acquisition, and acquisition costs of £2,030,000. Goodwill arising on the reverse acquisition and the fair value of the net assets acquired are set out in the following table:

TTG Europe plc reverse acquisition

	Fair value adjustments			
	Book value on acquisition	Accounting policy changes	Other adjustments	Fair value
	£'000	£'000	£'000	£'000
NET ASSETS ACQUIRED				
Net current assets/(liabilities)	549	-	(2,566)	(2,017)
Cash at bank and in hand	4,703	-	-	4,703
Provisions	(2,873)	-	(557)	(3,430)
	2,379	-	(3,123)	(744)
Goodwill				4,880
Consideration				4,136

Analysis of consideration:

Fair value of shares acquired	2,106
Costs incurred	2,030
	4,136

Fair value adjustments

The other adjustments arising on the acquisition includes £3,309,000 of additional costs relating to the various pension schemes in the process of being settled, and other credit adjustments of £186,000 which together total £3,123,000 as shown above.

The goodwill of £4,880,000 has been written off in full in the period ended 31 March 2004 because Roxspur plc has no continuing business and therefore the goodwill has no intrinsic value.

The profit and loss accounts of TTG Europe plc (formerly Roxspur plc) for the period from 1 July 2003 to 29 October 2003 and the year ended 30 June 2003 are summarised below:

Period to 29 October	Year to 30 June
-------------------------	--------------------

TTG Europe plc (formerly Roxspur plc)

	2003	2003
	£'000	£'000
Turnover	-	-
Operating profit	(10)	(864)
Interest	3	164
Taxation	-	-
Exceptional items	(3,012)	-
Net (loss) after taxation	(3019)	(700)

Summary fair value table of acquisitions in the year

Acquisitions in the year	Book value on acquisition £'000	Fair value adjustments		Fair value £'000
		Accounting policy changes £'000	Other adjustments £'000	
NET ASSETS ACQUIRED				
Intangible fixed assets	893	-	-	893
Tangible fixed assets	3,226	(129)	(12)	3,085
Net current assets	8,969	-	(4,386)	4,583
Cash at bank and in hand	4,598	-	-	4,598
Provisions	(2,873)	-	(681)	(3,554)
	14,813	(129)	(5,079)	9,605

Goodwill before write-offs (see note 13) 6,457

16,062

Consideration

Analysis of consideration:

Fair value of TTG Europe plc shares acquired	2,106
Cash on completion	4,796
Deferred consideration	1,805
Loan assignment	1,000
Loan stock	1,800
Shares	1,075
Costs incurred	3,480
	16,062

Summary of fair value adjustments

**2004
£'000**

Reduction in value of recoverable debtors	937
Correction in carrying value of stock and group balances	421
Pension costs and provisions	3,309
Property provisions for onerous leases	219

Capitalised lease written off	129
Irrecoverable VAT written off	250
Reclassification of income	129
Other adjustments	(186)
	5,208

30. Financial commitments

At 31 March 2004 the Group was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2005:

	Land & Buildings
	2004
	£'000
Within one year	48
Between two and five years	526
After five years	653
	1,227

The Group have sub-tenancy agreements in place for eight previously occupied premises, the rent income expected to be earned on these premises during the forthcoming financial year totals £611,000.

The Group had no contracted capital commitments at 31 March 2004.

31. Related party transactions

Advantage has been taken of the exemption conferred by FRS 8 to subsidiary undertakings, 90 per cent or more of whose voting rights are controlled within the group, not to disclose transactions with other group companies.

Transactions with directors

At the period-end Mr M Hanna owed the Group £6,000 on his non-interest bearing loan account. The maximum amount he owed the Group during the period was £8,000, and the loan account has been repaid in full since the period-end.

Other related party transactions

The payment for the 50% acquisition of Ventelo Holding BV by Phone Direct Limited was satisfied by the assignment of a £1,000,000 loan due from British Meditrean (Holdings) SA, a company incorporated in Switzerland, which Mr M Hanna is a beneficiary of.

The loan of £1,000,000 owed to Ventelo Holding BV by British Meditrean (Holdings) SA was subsequently written off in their books.

At the period end, Phone Direct Limited was owed £554,000, being the balance of amounts loaned to British Meditrean (Holdings) SA. by Phone Direct Limited during the period.

During the period from July 2003 to the period end, the Group companies have traded with the following other related parties:

Related party and nature of the relationship to TTG Europe plc and subsidiaries:

	Nature of transaction	Value of transactions in the period	Amount owed to/(by) TTG Europe plc at 31.3.04
		£'000	£'000
Cellfone Distribution Limited – a company owned by Mr A Dugard, a then major shareholder of TTG Europe plc	Purchases Sales	367 44	218
WAP Store – a company in which a member of Mr M Hanna's immediate family has a controlling interest	Purchases Sales	151 122	330
Creative View – a company owned by two members of Mr M Hanna's immediate family	Purchases Sales	51 -	(1)

32. Share options

The Roxspur 1996 Share Option Scheme terminated on completion of the take-over, and the Company adopted a new Enterprise Management Incentive Scheme (the "EMI scheme") and The Telecommunications Group plc 2003 Share Option Scheme (the "2003 scheme") in addition to several stand-alone share option agreements.

During the period, the company issued stand-alone share options over 6,335,898 ordinary shares to certain employees, including 1,276,636 EMI share options to former directors. These options are exercisable at a price of 3.125 pence per share. An additional 1,276,626 share options were also issued to former directors under stand-alone schemes at an exercise price of 3.125p per share.

In addition, Graham Pollard has been issued stand-alone EMI share options in lieu of certain historical benefits owed to him as Chief Executive Officer of Ventelo Nederland of 3,782,626 ordinary shares at an exercise price of 3.125 pence per share.

All these options issued in the current period have a ten-year exercise period terminating on 29 October 2013.

For the nine months ended 31 March 2004

33. Pro-forma balance sheet

As explained in note 24, the company has carried out a capital re-organisation post period end with the issue of 1,301,207,887 ordinary shares of 0.1p per share at an issue price of 0.5p per share. After deducting issue costs of £490,000 (excluding VAT), there has been an overall net increase in the net assets of the Company and Group of £6,016,000. Had this capital reorganisation occurred at 31 March 2004, the summarised balance sheet of the Group would have been presented as:

	31 March 2004	
	£'000	£'000
Fixed assets		
Intangible assets	2,856	
Tangible assets	3,119	
		5,975
Current assets		29,778
Creditors: amounts falling due within year		(21,792)
Net current assets		7,986
Total assets less current liabilities		13,961
Creditors: amounts falling due within year		(5,769)
Provisions for liabilities and charges		(3,513)
Net assets		4,679
Capital and reserves		
Called up share capital		9,680
Reverse acquisition reserve		(5,368)
Share premium account		4,715
Profit and loss account		(4,348)
Equity shareholders' funds		4,679

Board of Directors

Geoff Spink	Non-executive Chairman
Michael Hanna	Group Chief Executive Officer
Julian Synett	Group Financial Director
Graham Pollard	Group Sales and Commercial Director
Andrew Smith	Group Director Mobile Distribution
Ross Sampson	Group Marketing Director
Julia Henderson	Non-executive Director
Julian Synett	Company Secretary

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