

T-Systems Limited

Registered No 01668706

T-Systems Limited

Report and Financial Statements

31 December 2006

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COMPANIES HOUSE

T-Systems Limited

Registered No 01668706

Director

Jan van der Merwe

Secretary

J J L D'Silva

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

Natwest
Carlyle House
Carlyle Road
Cambridge
CB4 3DH

Solicitors

Kimbell & Co
352 Silbury Boulevard
Milton Keynes
Buckinghamshire
MK9 2HJ

Registered office

Euston Tower
286 Euston Road
London
NW1 3DP

Director's report

The director presents his report and financial statements for the year ended 31 December 2006

Results and dividends

The loss after tax for the year amounted to £3,299,906 (2005 profit of £9,160,656) The director does not recommend the payment of any dividends

Principal activities and review of the business

The principal activities of the company are in the fields of computer services and telecommunication services

The company's key financial and other performance indicators during the year were as follows

	2006 £	2005 £	Change %
Turnover	125,152,325	142,875,940	-12%
Operating (loss)/profit	(1,176,790)	10,946,176	-111%
(Loss)/Profit after tax	(3,299,906)	9,160,655	-136%
Capital investment	16,265,000	11,350,000	43%
Average Headcount	360	340	6%

The loss for the year amounted to £3,299,906 This loss was due in the main to losses arising on a key customer contract

Turnover for 2007 is expected to be significantly higher than that achieved in 2006 This increase in turnover is attributable to new business won, the acquisition of Gedas United Kingdom Limited and a greater share of the customers' budgets on existing contracts

Principal risks and uncertainties

- *Financial risk management* - The company's operations expose it to a variety of financial risks including credit risk and liquidity risk Specific business risks are properly monitored and reported as they arise Where a risk exposure is identified, suitable counteractions will be implemented to mitigate the risk The risk management system is a vital part of the overall company governance system
- *Credit risk* - The company's policies are aimed at minimising credit risk from customers, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures Details of the company's debtors are shown in Note 11 to the financial statements
- *Liquidity risk* - The company has the capability of maintaining debt finance to ensure that the company has sufficient funds for operations The Deutsche Telekom Group will support future operations approved by the Board with additional financing on strictly commercial terms as appropriate

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through staff forums, development programs and other company events

Director's report

Political and charitable contributions

As part of the company's commitment to the communities in which it operates, contributions totalling £5,703 (2005 £4,383) were made during the year to charities

The company made no political contributions in the year (2005 Nil)

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with

At 31 December 2006, the company had an average of 36 days (2005 41 days) purchases outstanding in trade creditors

Events since the balance sheet date

On 1 January 2007, T-Systems Limited acquired the entire share capital of Gedas United Kingdom Limited, a fellow subsidiary, for a cash consideration of £7,504,000. The trade, assets and liabilities will be transferred to T-Systems Limited in a phased approach

Director

The director who served the company during the year was as follows

Jan van der Merwe

There are no director's interests requiring disclosure under the Companies Act 1985

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the board



Director

10 April 2007

Statement of director's responsibilities in respect of 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to 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 T-Systems Limited

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 22. These financial statements have been prepared under 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 director and auditors

The director's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's 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).

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 director's 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 director's remuneration and other transactions is not disclosed.

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

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.

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.

Independent auditors' report
to the members of T-Systems Limited (continued)

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 December 2006 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 director's report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

10 April 2007

Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover	2	125,152,325	142,875,940
Cost of sales		(119,543,554)	(126,130,668)
Gross profit		5,608,771	16,745,272
Administrative expenses		(6,785,561)	(5,799,096)
Operating (loss)/profit	3	(1,176,790)	10,946,176
Loss on disposal of tangible fixed assets		(435,739)	(89,670)
(Loss)/Profit on ordinary activities before interest and taxation		(1,612,529)	10,856,506
Interest receivable	6	301,010	1,136,604
Interest payable and similar charges	7	(1,988,387)	(2,832,455)
(Loss)/Profit on ordinary activities before taxation		(3,299,906)	9,160,655
Tax on (loss)/profit on ordinary activities	8	—	—
(Loss)/Profit for the financial year	19	(3,299,906)	9,160,655

The results of the company reported above relate entirely to continuing operations


Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £3,299,906 attributable to the shareholders for the year ended 31 December 2006 (2005 Profit of £9,160,655)

Balance sheet

at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible assets	9	1,723,034	2,721,736
Tangible assets	10	51,942,014	57,400,381
		<u>53,665,048</u>	<u>60,122,117</u>
Current assets			
Debtors	11	46,678,895	46,819,257
Cash at bank and in hand		1,205,877	2,943,791
		<u>47,884,772</u>	<u>49,763,048</u>
Creditors amounts falling due within one year	12	(61,456,241)	(32,842,085)
Net current (liabilities)/assets		<u>(13,571,469)</u>	<u>16,920,963</u>
Total assets less current liabilities		<u>40,093,579</u>	<u>77,043,080</u>
Creditors amounts falling due after more than one year	13	–	(34,521,452)
Provisions for liabilities and charges			
Provisions for liabilities and charges	15	(1,077,857)	(206,000)
Net assets		<u>39,015,722</u>	<u>42,315,628</u>
Capital and reserves			
Called up share capital	18	550,001	550,001
Share premium	19	14,999,999	14,999,999
Other reserves	19	53,454,502	53,454,502
Profit and loss account	19	(29,988,780)	(26,688,874)
Equity shareholders' funds	19	<u>39,015,722</u>	<u>42,315,628</u>


Director

10 April 2007

Notes to the financial statements

at 31 December 2006

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Cash flow statement

The director has taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements

Intangible assets

Intangible assets relate to software licences. They are capitalised at cost and stated at cost less amortisation

Amortisation is provided in order to write off the cost on a straight line basis over the estimated useful economic life, subject to a maximum of 20 years

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Fixed assets

All fixed assets are initially recorded at cost

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

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows

Plant and machinery	-	20% to 33%
Telecom equipment	-	10% to 20%
Office equipment	-	10% to 20%
Software	-	Over the life of the contract and up to seven years

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,

Notes to the financial statements

at 31 December 2006

1. Accounting policies (continued)

- deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods

Rendering of services

Revenue from computing and telecommunication services is recognised in the same period in which the service is performed

Interest income

Revenue is recognised as interest accrues

Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments

Operating lease agreements

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

Pension costs

The company is a member of the group pension plan with an insurance company and makes contributions into employee accounts on a money purchase basis. The assets in the scheme are held separately from

Notes to the financial statements

at 31 December 2006

those of the company in an independently administered fund. The amount charged in the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Share-based payments

The cost of cash-settled transaction is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit or loss for the period.

Notes to the financial statements

at 31 December 2006

2. Turnover

Turnover is stated net of value added tax and arises wholly from the company's principal activity

An analysis of turnover by geographical market is given below

	2006 £	2005 £
United Kingdom	102,703,161	117,374,805
Germany	21,854,895	24,882,310
United States of America	521,304	536,474
Other Europe	72,965	82,351
	<u>125,152,325</u>	<u>142,875,940</u>

3. Operating profit

This is stated after charging/(crediting)

	2006 £	2005 £
Auditors' remuneration - audit services	61,777	48,551
- non-audit services	6,058	23,995
	<u>67,835</u>	<u>72,546</u>
Depreciation of owned fixed assets	18,663,444	20,108,836
Depreciation of assets held under finance leases	-	921,386
	<u>18,663,444</u>	<u>21,030,222</u>
Amortisation	1,608,615	1,122,014
Total depreciation and amortisation	<u>20,272,059</u>	<u>22,152,236</u>
Net profit on foreign currency translation	<u>(93,143)</u>	<u>(8,978)</u>
Operating leases - land and buildings	623,015	480,626
- other	404,592	891,126
	<u>1,027,607</u>	<u>1,371,752</u>

4. Staff costs

	2006 £	2005 £
Wages and salaries	20,253,336	18,319,103
Social security costs	2,585,235	2,735,535
Other pension costs (note 14)	884,228	699,162
	<u>23,722,799</u>	<u>21,753,800</u>

Notes to the financial statements

at 31 December 2006

The monthly average number of employees during the year was as follows

	2006 No	2005 No
Management	6	6
Production	270	244
Administration	57	56
Sales	27	34
	<u>360</u>	<u>340</u>

5. Director's emoluments

	2006 £	2005 £
Emoluments	<u>212,892</u>	<u>270,823</u>
Company contributions paid to money purchase pension scheme	<u>10,435</u>	<u>5,810</u>

6. Interest receivable

	2006 £	2005 £
Interest from group companies	301,010	1,018,659
Other interest receivable	–	117,945
	<u>301,010</u>	<u>1,136,604</u>

7. Interest payable and similar charges

	2006 £	2005 £
Finance charges payable under finance leases	–	77,581
Interest payable to other fellow group undertakings	1,880,479	2,754,874
Other interest payable	107,908	–
	<u>1,988,387</u>	<u>2,832,455</u>

8. Tax

(a) Analysis of tax charge in the year

	2006 £	2005 £
Current tax		
UK corporation tax on profits of the year	–	–
Tax on (loss)/profit on ordinary activities	<u>–</u>	<u>–</u>

Notes to the financial statements

at 31 December 2006

8. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%)

The differences are reconciled below

	2006 £	2005 £
(Loss)/Profit on ordinary activities before taxation	(3,299,906)	9,160,655
(Loss)/Profit on ordinary activities at standard rate of tax of 30% (2005 30%)	(989,972)	2,748,197
Expenses not deductible for tax purposes	61,249	37,330
Deferred gain on plant and machinery	–	(28,519)
Depreciation in advance of capital allowances	856,549	783,576
Tax losses carried forward	–	(3,546,019)
Short term timing differences	72,174	5,435
Total current tax	–	–

Deferred tax

The deferred taxation asset not recognised in the financial statements is as follows

	2006 £	2005 £
Capital allowances in advance of depreciation	8,661,900	(1,508,368)
Tax losses available	–	9,027,880
Other timing differences	117,369	46,108
	<u>8,779,269</u>	<u>7,565,620</u>

(c) Factors that may affect future tax charges

The deferred taxation asset has not been recognised as there is insufficient evidence that the asset will be recoverable. The asset will be recoverable once the company generates taxable profits.

Notes to the financial statements

at 31 December 2006

9. Intangible fixed assets

	<i>Licenses</i> £
Cost	
At 1 January 2006	4,192,869
Additions	193,485
Reclassification	416,428
At 31 December 2006	<u>4,802,782</u>
Amortisation	
At 1 January 2006	1,471,133
Provided during the year	1,267,544
Reclassification	341,071
At 31 December 2006	<u>3,079,748</u>
Net book value	
At 31 December 2006	<u>1,723,034</u>
At 1 January 2006	<u>2,721,736</u>

10 Tangible fixed assets

	<i>Software</i> £	<i>Plant & Machinery</i> £	<i>Telecom equipment</i> £	<i>Office equipment</i> £	<i>Assets in the course of construction</i> £	<i>Total</i> £
Cost						
At 1 January 2006	5,851,940	78,395,969	14,901,793	40,522,140	2,894,171	142,566,013
Additions	–	–	–	–	16,229,923	16,229,923
Disposals	–	(372,788)	(7,695)	(4,402,700)	–	(4,783,183)
Transfers	734,218	15,528,858	1,418,453	909,924	(18,591,453)	–
Reclassification to intangible fixed assets	(416,428)	–	–	–	–	(416,428)
At 31 December 2006	<u>6,169,730</u>	<u>93,552,039</u>	<u>16,312,551</u>	<u>37,029,364</u>	<u>532,641</u>	<u>153,596,325</u>
Depreciation						
At 1 January 2006	3,354,153	64,800,915	6,076,369	10,934,195	–	85,165,632
Provided in the year	1,819,957	7,250,144	2,236,195	7,698,219	–	19,004,515
Disposals	–	(279,599)	(3,300)	(1,891,866)	–	(2,174,765)
Reclassification to intangible fixed assets	(341,071)	–	–	–	–	(341,071)
At 31 December 2006	<u>4,833,039</u>	<u>71,771,460</u>	<u>8,309,264</u>	<u>16,740,548</u>	<u>–</u>	<u>101,654,311</u>
Net book value						
At 31 December 2006	<u>1,336,691</u>	<u>21,780,579</u>	<u>8,003,287</u>	<u>20,288,816</u>	<u>532,641</u>	<u>51,942,014</u>
At 1 January 2006	<u>2,497,787</u>	<u>13,595,054</u>	<u>8,825,424</u>	<u>29,587,945</u>	<u>2,894,171</u>	<u>57,400,381</u>

Notes to the financial statements

at 31 December 2006

11. Debtors

	2006 £	2005 £
Trade debtors	4,997,173	6,922,858
Amounts owed by group undertakings	31,391,455	32,994,474
Other debtors	110,680	503,424
Prepayments and accrued income	10,179,587	6,398,501
	<u>46,678,895</u>	<u>46,819,257</u>

12. Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	1,049,391	2,346,359
Amounts owed to group undertakings	45,686,907	14,318,050
Other taxation and social security	1,476,008	2,774,469
Accruals and deferred income	13,203,935	13,403,207
Other creditors	40,000	-
	<u>61,456,241</u>	<u>32,842,085</u>

Within amounts owed to group undertakings are loans from Deutsche Telekom International Finance B V of £19,000,000 and Deutsche Telekom Aktiengesellschaft of £16,500,000, maturing on 4 December 2007 and 1 August 2007 respectively

The rate of interest payable on the Deutsche Telekom International Finance B V loan is 5.285% per annum and on the Deutsche Telekom Aktiengesellschaft loan is 0.164% above the 3 month GBP LIROR

13. Creditors: amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to group undertakings	-	34,521,452
	<u>-</u>	<u>34,521,452</u>

14. Pensions

The company is a member of a group staff pension plan with an insurance company and makes contributions into employee's accounts on a money purchase basis. The employer's pension cost for the year is set out in note 4 to the accounts. Included within accruals are outstanding pension contributions of £0 (2005 £nil)

15. Provisions for liabilities and charges

	Onerous Lease Provision £	Asset retirement obligations £	Total £
At 1 January 2006	-	206,000	206,000
Arising during the year	757,857	114,000	871,857
At 31 December 2006	<u>757,857</u>	<u>320,000</u>	<u>1,077,857</u>

Notes to the financial statements

at 31 December 2006

Onerous Lease Provision

A provision is recognised for lease costs associated with vacated premises. T-Systems Limited has operating lease commitments in respect of this property expiring on 31 March 2009.

Asset Retirement Obligations

A provision is recognised for the costs to return leased premises to their original state and condition on the termination of the respective leases. Commitments in respect of these asset retirement obligations are due after one year.

16. Commitments under operating leases

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below:

	2006		2005	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire				
Within one year	71,194	102,022	–	380,116
In two to five years	–	228,668	–	184,865
In over five years	1,002,166	–	480,626	–
	<u>1,073,360</u>	<u>330,690</u>	<u>480,626</u>	<u>564,981</u>

17 Related party transactions

The group has taken advantage of the exemption from disclosing related party transactions with fellow group members under FRS8 on the grounds that the group is wholly owned by Deutsche Telekom AG whose consolidated accounts are publicly available.

18. Share capital

	2006		2005	
	<i>No</i>	£	<i>No</i>	£
<i>Authorised, allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>550,001</u>	<u>550,001</u>	<u>550,001</u>	<u>550,001</u>

19. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Share premium</i>	<i>Capital contribution reserve</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£	£	£
At 1 January 2005	550,001	14,999,999	53,454,502	(35,849,529)	33,154,973
Profit for the year	–	–	–	9,160,655	9,160,655
At 31 December 2005	<u>550,001</u>	<u>14,999,999</u>	<u>53,454,502</u>	<u>(26,688,874)</u>	<u>42,315,628</u>
Loss for the year	–	–	–	(3,299,906)	(3,299,906)
At 31 December 2006	<u>550,001</u>	<u>14,999,999</u>	<u>53,454,502</u>	<u>(29,988,780)</u>	<u>39,015,722</u>

Notes to the financial statements

at 31 December 2006

20. Ultimate parent company

The company is controlled and wholly owned by T-Systems Enterprise Services GmbH (formally T-Systems International GmbH) at 31 December 2006. The T-Systems Group is the smallest group in which the results of the company are consolidated for statutory purposes. Deutsche Telekom Aktiengesellschaft is the company's ultimate parent company. Deutsche Telekom Aktiengesellschaft is incorporated in Germany and heads the largest group in which the results of the company are consolidated for statutory purposes. The consolidated accounts of Deutsche Telekom Aktiengesellschaft are available to the public and may be obtained from Friedrich-Ebert-Allee 140, 53113 Bonn, Germany.

21. Share based payments

In the 2004 financial year, Deutsche Telekom Aktiengesellschaft introduced its first Mid-Term Incentive Plan (MTIP) to ensure competitive total compensation for the members of the Board of Management, senior executives of the Deutsche Telekom Group, and other beneficiaries mainly from the United States and United Kingdom. The MTIP is a global, Group-wide compensation instrument for Deutsche Telekom Aktiengesellschaft and other participating Group entities that promotes mid and long-term value creation in the Group, and therefore aligns the interests of management and shareholders.

The MTIP is a cash-based plan pegged to two equally weighted share-based performance parameters – one absolute and one relative. If both performance targets are achieved, then the total amount earmarked as an award to the beneficiaries by the respective employers is paid out, if one performance target is achieved, 50 percent of the amount is paid out, and if neither performance target is achieved, no payment is made.

The income recognised for cash settled share-based payments in respect of employee services received during the year to 31 December 2006 is £75,415 (2005: £69,981 expense).

The carrying amount of the liability relating to the cash-settled share-based payments at 31 December 2006 is £14,777 (2005: £97,941). No cash settled share-based payments had vested at 31 December 2006.

22. Post Balance Sheet Events

On 1 January 2007, T-Systems Limited acquired the entire share capital of Geda United Kingdom Limited, a fellow subsidiary, for a cash consideration of £7,504,000. The trade, assets and liabilities will be transferred to T-Systems Limited in a phased approach.