Registered No 01668706

T-Systems Limited

Report and Financial Statements

31 December 2010

Registered No 01668706

Directors
Sam Kingston
John Palmer
Christian Falter
Peter Row

Secretary
J J L D'Silva

Auditors
Ernst & Young LLP
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Luton
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Euston Tower
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Director's report

The directors present their report and financial statements for the year ended 31 December 2010

Results and dividends

The loss after tax for the year amounted to £9,966,172 (2009 loss of £23,565,966) The directors do 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

	2010	*2009*	*Change*
	£	*£*	*%*
Turnover	368,914,677	330,567,696	11 6%
Operating loss	(1,386,738)	(16,856,604)	(91 8)%
Loss after tax	(9,966,172)	(23,565,966)	(57 7)%
Capital investment	31,066,971	30,764,544	1 0%
Average Headcount	942	875	7 7%

Turnover has increased during 2010 mainly as a result of the commencement of delivery on contracts with BP and TUI Travel Plc, continued development of the Shell contract, and additional work done on behalf of the parent company in providing local access connections The operating loss has decreased significantly in 2010, as a result of the continuing programme of cost savings and certain restructuring activities, principally within the delivery areas These developments, taken together, have increased in the gross profit percentage to 4 76% (2009 0 74%)

The loss after tax has decreased broadly in line with the decrease in the operating loss reduction

Capital investment remains at a similar level to 2009 in order to support the continued growth of the business

Average headcount increased in 2010 for a second year running, due to the additional work carried out (which is reflected in the increased turnover above), and a reduction in contractors

Principal risks and uncertainties

- *Risk management* - The company's operations expose it to a variety of risks including delivery risk, credit risk and liquidity risk Specific business risks are properly monitored and reported as they arise Where a risk exposure is identified, suitable counteractions are implemented to mitigate the risk The risk management system is a vital part of the overall company governance system

- *Delivery risk* – The Company operates a series of long term contracts which expose it to changes in technology and shifts in customer business circumstances over the lifetime of the contracts Technology risks are managed through working closely with the T-Systems group as a whole to make the UK operations an integral part of the global delivery function of the group, thereby being able to provide services to UK customers from the most appropriate point of production Changes in Customer business circumstances are managed through working closely with customers to understand their requirements and amend contracts to suit their needs as they develop

- *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

Director's report

Principal risks and uncertainties (continued)

- *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

- *Cash flow risk* – The company manages the risk of exposure to variability in cash flows, such as foreign exchange fluctuation, by use of derivatives as explained below

- *Use of derivatives* – The company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any payments in a foreign currency

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

Political and charitable contributions

During the year the company made charitable donations totalling £696 (2009 £50) to worldwide charities

The company made no political contributions in the year (2009 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 2010, the company had an average of 44 days (2009 46 days) purchases outstanding in trade creditors

Future Developments

On 16 December 2010 the Company agreed to restructure an existing IT infrastructure contract with a major customer to reflect their changing commercial priorities and ensure best value for both companies The new arrangements will involve the transfer of around 130 employees from the Company to alternative suppliers when they take on responsibility for delivering the relevant services The revenues arising from this contract will reduce significantly during 2011

New contracts with significant delivery requirements within the UK are currently being negotiated at both Company and Group level

The net of these new customer requirements set against the reduction of the existing major contract is likely to result in continued turnover growth during 2011

Registered No 01668706

Director's report

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to price, credit, liquidity and cash flow risk are described in the Business Review on pages 3 and 4

The company has considerable financial resources available to it being part of the larger T-Systems Group (ultimately Deutsche Telekom Aktiengesellschaft), together with long-term contracts with a number of customers and suppliers across different geographic areas and industries As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The ultimate parent undertaking has given the necessary assurances such that sufficient resources will be made available for the foreseeable future so that the company can meet its liabilities as and when they fall due After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Directors of the Company

The directors during the year and thereafter were as follows

Sam Kingston	
John Palmer	
Christian Falter	
Peter Row	Appointed 23 February 2010
Martin Driver	Appointed 23 February 2010, Resigned 31 January 2011

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

The auditors for the year ended 31 December 2010 were Ernst & Young LLP

Ernst & Young LLP have announced their intention not to seek re-appointment as the company's auditors at the next Annual General Meeting, following a change in auditor at the parent company level

A resolution will be put to the shareholders at the company's Annual General Meeting to approve the appointment of PricewaterhouseCoopers LLP as the company's auditors

By order of the board

J J L D'Silva
Company Secretary

21 APRIL 2011

Statement of director's responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

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

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

Independent auditors' report
to the members of T-Systems Lımıted

We have audıted the financıal statements of T-Systems Lımıted for the year ended 31 December 2010 whıch comprıse the Profit and Loss Account, Statement of Total Recognısed Gaıns and Losses, Balance Sheet and the related notes 1 to 22 The financıal reportıng framework that has been applıed ın theır preparatıon ıs applıcable law and Unıted Kıngdom Accountıng Standards (Unıted Kıngdom Generally Accepted Accountıng Practıce)

Thıs report ıs made solely to the company's members, as a body, ın accordance wıth Chapter 3 of Part 16 of the Companıes Act 2006 Our audıt work has been undertaken so that we mıght state to the company's members those matters we are requıred to state to them ın an audıtors' report and for no other purpose To the fullest extent permıtted by law, we do not accept or assume responsıbılıty to anyone other than the company and the company's members as a body, for our audıt work, for thıs report, or for the opınıons we have formed

Respective responsıbılıties of dırectors and auditors
As explaıned more fully ın the Dırectors' Responsıbılıtıes Statement set out on page 6, the dırectors are responsıble for the preparatıon of the financıal statements and for beıng satısfied that they gıve a true and faır vıew Our responsıbılıty ıs to audıt the financıal statements ın accordance wıth applıcable law and Internatıonal Standaı ds on Audıtıng (UK and Ireland) Those standards requıre us to comply wıth the Audıtıng Practıces Board's (APB's) Ethıcal Standards for Audıtors

Scope of the audit of the financıal statements
An audıt ınvolves obtaınıng evıdence about the amounts and dısclosures ın the financıal statements suffıcıent to gıve reasonable assurance that the financıal statements are free from materıal mısstatement, whether caused by fraud or error Thıs ıncludes an assessment of whether the accountıng polıcıes are approprıate to the company's cırcumstances and have been consıstently applıed and adequately dısclosed, the reasonableness of sıgnıficant accountıng estımates made by the dırectors, and the overall presentatıon of the financıal statements

Opinion on financial statements
In our opınıon the financıal statements

- gıve a true and faır vıew of the state of the company's affaırs as at 31 December 2010 and of ıts loss for the year then ended,
- have been properly prepared ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce, and
- have been prepared ın accordance wıth the requırements of the Companıes Act 2006

Opınıon on other matters prescrıbed by the Companıes Act 2006
In our opınıon the ınformatıon gıven ın the Dırectors' Report for the financıal year for whıch the financıal statements are prepared ıs consıstent wıth the financıal statements

Independent auditors' report

to the members of T-Systems Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Juliet Thomas, Senior Statutory Auditor
For and on behalf of Ernst & Young LLP
Statutory Auditor
Luton

26 April 2011

Profit and loss account
for the year ended 31 December 2010

	Notes	2010 £	2009 £
Turnover	2	368,914,677	330,567,696
Cost of sales		(351,345,798)	(328,112,939)
Gross profit		17,568,879	2,454,757
Administrative expenses		(18,955,617)	(19,311,361)
Operating loss	3	(1,386,738)	(16,856,604)
Loss on disposal of fixed assets		(3,381,245)	(1,296,573)
Loss on ordinary activities before interest, taxation and investment income		(4,767,983)	(18,153,177)
Interest receivable	6	175,271	39,814
Interest payable and similar charges	7	(5,260,257)	(7,630,358)
Dividends received		-	2,445,470
Loss on ordinary activities before taxation		(9,852,969)	(23,298,251)
Tax on loss on ordinary activities	8	(113,203)	(267,715)
Loss for the financial year	20	(9,966,172)	(23,565,966)

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

Statement of total recognised gains and losses
for the year ended 31 December 2010

	Notes	2010 £	2009 £
Loss for the financial year		(9,966,172)	(23,565,966)
Actuarial loss on pension scheme	15	(138,742)	(237,442)
Movement on deferred tax relating to pension scheme	8	37,460	66,484
Total recognised losses relating to the year		(10,067,454)	(23,736,924)

Balance sheet
at 31 December 2010

	Notes	2010 £	2009 £
Fixed assets			
Intangible assets	9	9,672,303	10,521,022
Tangible assets	10	85,924,498	88,228,767
		95,596,801	98,749,789
Current assets			
Debtors			
Amounts falling due within one year	11	143,026,527	86,523,610
Cash at bank and in hand		53,228,448	24,098,236
		196,254,975	110,621,846
Creditors amounts falling due within one year	12	(168,684,428)	(102,630,009)
Net current assets		27,570,547	7,991,837
Total assets less current liabilities		123,167,348	106,741,626
Creditors amounts falling due after more than one year	13	(102,991,647)	(104,000,000)
Provisions for liabilities and charges	16	(2,575,552)	(2,879,253)
Net assets/(liabilities) excluding pension surplus		17,600,149	(137,627)
Defined benefit pension surplus	15	405,629	210,859
Net assets		18,005,778	73,232
Capital and reserves			
Called up share capital	19	550,001	550,001
Share premium	20	14,999,999	14,999,999
Other reserves	20	148,954,502	120,954,502
Profit and loss account	20	(146,498,724)	(136,431,270)
Equity shareholders' funds	20	18,005,778	73,232

John Palmer
Director

21 APRIL 2011

Company Registered No 01668706

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Basis of preparation

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

Fundamental Accounting Concept

The accounts have been prepared on the going concern basis because the ultimate parent undertaking has given the necessary assurances such that sufficient resources will be made available for the foreseeable future so that the company can meet its liabilities as and when they fall due

Cash flow statement

The directors have 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

Goodwill

Positive goodwill arising on acquisitions is capitalised as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 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 value may not be recoverable

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure

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

Notes to the financial statements
at 31 December 2010

1. Accounting policies (continued)

Fixed assets
All fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses Such cost includes costs directly attributable to making the asset capable of operating as intended Borrowing costs attributable to assets under construction are recognised as an expense when incurred

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	-	2 to 12 years
Telecom equipment	-	2 to 12 years
Office equipment	-	2 to 23 years
Software	-	Over the life of the contract and up to seven years

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

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,

- 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

Notes to the financial statements
at 31 December 2010

1. Accounting policies (continued)

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 despatch of the goods

Rendering of services
Revenue from computing and telecommunication services is recognised in line with the stage of completion of an individual customer contract Usually revenue is recognised on a straight line basis where this is representative of the stage of completion Amounts relating to more than one period are deferred and recognised over the relevant delivery period Unrecognised contract revenue is included as deferred income in the balance sheet

Where a contract contains several elements, the individual elements are accounted for separately where appropriate .

Interest income
Revenue is recognised as interest accrues

Dividend income
Revenue is recognised when the company's right to receive payment is established

Foreign currencies
Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate

All differences are taken to the profit and loss account

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 a 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 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

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Defined benefit scheme

All retirement benefits are accounted for in accordance with FRS 17 'Retirement Benefits'

The company operates a defined benefit scheme comprising two separate sections The scheme is closed to new members

Independent actuaries prepare valuations of the defined benefit scheme at least every three years and in accordance with their recommendations the company makes contributions over the expected working life of the employees

These triennial valuations are updated each year to meet the accounting requirements of FRS 17 The valuations are prepared using the projected unit credit method The regular service cost of providing retirement benefits to employees during the year is charged to operating profit in the year The full cost of providing amendments to benefits in respect of past service is also charged to operating profit in the year A credit representing the expected return on the assets of the scheme during the year is included within other finance income This is based on the market value of the assets of the scheme at the start of the financial year

A charge representing the expected increase in the liabilities of the scheme during the year is included within other finance charge This arises from the liabilities of the scheme being one year closer to payment Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences arising from changes in assumptions

Share-based payments

The cost of cash-settled transactions 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

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as separate asset, but only when the reimbursement is virtually certain The expense relating to any provision is presented in the profit and loss account net of any reimbursement If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate

Notes to the financial statements
at 31 December 2010

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

	2010	2009
	£	£
United Kingdom	302,229,483	268,520,668
Germany	62,579,708	49,002,672
Other Europe	3,968,358	12,823,861
United States of America	137,128	206,955
Other Regions	-	13,540
	368,914,677	330,567,696

3. Operating loss

This is stated after charging/(crediting)

		2010	2009
		£	£
Auditors' remuneration	- audit of the financial statements	80,000	107,939
	- non-audit services – taxation	-	-
		80,000	107,939
Depreciation of owned fixed assets		29,373,381	43,952,868
Amortisation		1,460,235	1,277,982
Total depreciation and amortisation		30,833,616	45,230,850
Net loss/(gain) on foreign currency translation		2,994,427	(662,010)
Operating leases rentals	- land and buildings	5,666,746	6,117,738
	- other	609,506	491,016
		6,276,252	6,608,754

4 Staff costs

	2010	2009
	£	£
Wages and salaries	61,410,927	51,903,202
Social security costs	7,297,649	6,934,878
Other pension costs (note 15)	4,599,668	4,176,930
	73,308,244	63,015,010

Notes to the financial statements
at 31 December 2010

4. Staff costs (continued)

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

	2010 No	2009 No
Management	8	8
Production	687	621
Administration	89	87
Sales	158	159
	942	875

5. Director's emoluments

	2010 £	2009 £
Emoluments	1,822,855	1,127,326
Company contributions paid to money purchase pension scheme	93,050	76,536

Highest paid director

Total amount of emoluments and amounts (excluding shares) payable to the highest paid director in 2010 was £707,948 (2009 £487,806)

6. Interest receivable

	2010 £	2009 £
Interest receivable from other fellow group undertakings	32,150	27,814
Net finance income related to defined benefit pension	143,121	12,000
	175,271	39,814

7. Interest payable and similar charges

	2010 £	2009 £
Interest payable to other fellow group undertakings	5,872,135	7,177,382
Loan interest written back	(1,008,353)	-
Other interest payable	396,475	452,976
	5,260,257	7,630,358

Notes to the financial statements

at 31 December 2010

8. Tax

(a) Tax on loss on ordinary activities

	2010 £	2009 £
Current Tax		
UK corporation tax on loss for the year	–	–
Total Current Tax	–	–
Deferred Tax		
Movement on the deferred tax liability of the defined benefit pension scheme	(75,743)	(19,720)
Deferred tax relating to the pension scheme recognised in STRGL	(37,460)	(66,484)
Adjustment in respect of prior year	-	(181,511)
Total Deferred Tax	(113,203)	(267,715)
Tax on loss on ordinary activities	(113,203)	(267,715)

(b) Factors affecting current tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (28%)

The differences are reconciled below

	2010 £	2009 £
Loss on ordinary activities before taxation	(9,852,969)	(23,298,251)
Loss on ordinary activities at standard rate of tax of 28% (2009 28%)	(2,758,831)	(6,523,510)
Expenses not deductible for tax purposes	106,736	211,716
Depreciation in advance of capital allowances	2,245,802	6,926,687
Short term timing differences	406,293	69,839
Dividend income from associates	-	(684,732)
Total current tax	–	-

(c) Factors that may affect future tax charges

The deferred taxation asset in relation to the company's capital allowances in advance of depreciation, tax losses and other timing differences has not been recognised as there is insufficient evidence that the asset will be recoverable The asset will become recoverable once the company generates taxable profits

Notes to the financial statements
at 31 December 2010

8. Tax (continued)

(d) Deferred tax

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

	2010 £	2009 £
Capital allowances in advance of depreciation	34,084,097	32,636,167
Other timing differences	47,983	238,188
	34,132,080	32,874,355

The deferred tax included in the balance sheet is as follows

	2010 £	2009 £
Included in defined benefit pension asset (Note 15)	(157,744)	(82,001)

It has been announced that the corporation tax rate in the UK will be reduced from 28% to 27% with effect from 1 April 2011, and then by a further 1% each year down to 24% from April 2014 Finance Act (No 2) 2010 introduced the legislation to reduce the rate to 27% from 1 April 2011 and as this change in rate was substantively enacted by the balance sheet date the group is required to reflect the new rate in the deferred tax balances at 25 September 2010 and the balances are therefore stated at 27%

9 Intangible fixed assets

	Goodwill £	Licenses £	Total £
Cost			
At 1 January 2010	7,504,000	10,480,739	17,984,739
Additions	-	185,760	185,760
Transfers from assets under construction	-	425,756	425,756
At 31 December 2010	7,504,000	11,092,255	18,596,255
Amortisation			
At 1 January 2010	312,667	7,151,050	7,463,717
Provided during the year	750,399	709,836	1,460,235
At 31 December 2010	1,063,066	7,860,886	8,923,952
Net book value			
At 31 December 2010	6,440,934	3,231,369	9,672,303
At 1 January 2010	7,191,333	3,329,689	10,521,022

Licences

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

Goodwill

Goodwill relates to the acquisition of Gedas United Kingdom Limited It is being amortised over the directors' estimate of its useful economic life of 10 years

Notes to the financial statements
at 31 December 2010

10. Tangible fixed assets

	Software	*Plant & Machinery*	*Telecom equipment*	*Office equipment*	*Assets in the course of construction*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
Cost						
At 1 January 2010	16,966,570	223,999,371	15,943,419	43,775,268	16,433,725	317,118,353
Additions	123,543	15,466,010	33,236	304,090	14,954,333	30,881,212
Transfers	3,724,878	11,218,403	82,961	1,320,332	(16,774,024)	(427,450)
Disposals	(2,047,487)	(3,484,848)	(448,820)	(103,771)	-	(6,084,926)
At 31 December 2010	18,767,504	247,198,936	15,610,796	45,295,919	14,614,034	341,487,189
Depreciation						
At 1 January 2010	16,025,220	165,508,014	10,550,328	36,806,024	-	228,889,586
Provided in the year	2,064,627	24,630,605	1,217,230	1,460,919	-	29,373,381
Disposals	(568,746)	(1,875,390)	(187,620)	(68,520)	-	(2,700,276)
At 31 December 2010	17,521,101	188,263,229	11,579,938	38,198,423	-	255,562,691
Net book value						
At 31 December 2010	1,246,403	58,935,707	4,030,858	7,097,496	14,614,034	85,924,498
At 1 January 2010	941,350	58,491,357	5,393,091	6,969,244	16,433,725	88,228,767

The company has reviewed the estimated useful lives of its fixed assets in accordance with Financial Reporting Standard 15 and as a result the depreciation charge of the company for the current financial year end has been reduced by £1,531,433 (2009 -£nil)

11 Debtors

	2010	*2009*
	£	*£*
Trade debtors	46,280,905	21,918,407
Amounts owed by group undertakings	56,759,802	51,091,279
Other debtors	290,188	110,317
Prepayments and accrued income	39,695,632	13,403,607
	143,026,527	86,523,610

Notes to the financial statements
at 31 December 2010

12. **Creditors:** amounts falling due within one year

	2010 £	2009 £
Trade creditors	6,678,472	1,260,921
Amounts owed to group undertakings	59,785,827	47,692,923
Other taxation and social security	16,161,359	9,375,089
Accruals and deferred income	85,531,357	43,822,063
Other creditors	527,413	479,013
	168,684,428	102,630,009

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

	2010 £	2009 £
Loan from group undertaking (Note 14)	102,991,647	104,000,000
	102,991,647	104,000,000

14. Loans

	2010 £	2009 £
Wholly repayable within five years	102,991,647	104,000,000
	102,991,647	104,000,000

Loans repayable included within amounts owed to group undertakings are loans from Deutsche Telekom International Finance B V

The rate of interest payable on the loans is 5 7% and 3 month Libor +0 91% on the principal amounts of £80m and £17 753m respectively
The terms of repayment for both loans are the nominal amount of the loan and the accrued interest thereon, at a date not less than 12 months after the balance sheet date
Due to the strong year end cash position, the Company elected to repay the loan of £17 753m on 6 January 2011

Notes to the financial statements
at 31 December 2010

15. Pensions

The company operates both defined benefit and money purchase arrangements for ıts employees and dırectors whıch are sectıons of the T-Systems Ltd Pensıon Scheme The Scheme ıs funded and ıs admınıstered by professıonal pensıon admınıstrators Capıta Hartstead Lımıted

(a) Defined contrıbutıon sectıon

The company's contrıbutıons to the money purchase sectıon durıng the year amounted to £3,890,103 (2009 £3,262,690) There were outstandıng contrıbutıons at the balance sheet date of £418,294 (2009 £357,251)

(b) Defined benefit sectıon

The T-Systems Lımıted Pensıon Scheme comprıses of two sectıons

- the Volkswagen sectıon, and
- the T-Systems sectıon

There was a complete actuarıal valuatıon of the scheme as at 31st December 2007, thıs has been rolled forward to 31st December 2010 allowıng for cash flows and changes ın market condıtıons

The defined benefit sectıon of the scheme ıs closed to new members The age profile of the actıve membershıp ıs rısıng, and under the projected unıt method the current servıce cost wıll ıncrease as the membeı s of the scheme approach retırement

The financıal assumptıons used to calculate scheme lıabılıtıes under FRS 17 are as follows

Valuatıon method	**Projected Unit**	Projected Unıt
	2010	2009
Dıscount rate	**5.6% p.a.**	5 9% p a
Inflatıon rate	**3.5% p.a.**	3 5% p a
Increases to pensıons		
- Pre Aprıl 1997 dıscretıonary	**3.3% p.a.**	3 3% p a
- Aprıl 1997 – September 2005 (LPI 5%)	**3 3% p a.**	3 3% p a
- Post October 2005 (LPI 2 5%)	**2 2% p.a**	2 2% p a
Salary ıncreases	**4.0% p.a.**	4 0% p a

	2010	2009
Expected returns on scheme assets		
- Equıtıes (UK and Overseas)	**7.4% p a.**	7 8% p a
- Fıxed ınterest bonds	**3 9% p.a.**	4 3% p a
- Corporate bonds	**5.2% p.a.**	5 5% p a

Notes to the financial statements
at 31 December 2010

15. Pensions (continued)

The assets in the scheme at 31 December 2010 were

	2010 £'000	2009 £'000	2008 £'000
Equities (UK and Overseas)	**14,865**	12,793	10,692
Bonds	**9,725**	8,422	6,953
Cash/Other	**151**	170	203
Total market value of assets	**24,741**	21,385	17,848
Present value of scheme liabilities	**24,177**	21,092	17,626
Surplus in the scheme	564	293	222
Related deferred tax liability	**(158)**	(82)	(62)
Net pension surplus	406	211	160

The following amounts have been recognised in the profit and loss account

	2010 £'000	2009 £'000	2008 £'000
Current Service cost	**809**	606	1,331
Total charge to operating profit	**809**	606	1,331
Expected return on pension scheme assets	**1,435**	1,124	1,160
Interest on pension liabilities	**(1,292)**	(1,112)	(1,193)
Net interest charged to interest receivable/(payable)	**143**	12	(33)

Notes to the financial statements
at 31 December 2010

15 Pensions (continued)

The following amounts have been recognised in the statement of total recognised gains and losses

	2010	2009	2008
	£'000	£'000	£'000
Actual return less expected return on pension scheme assets	**1,464**	1,728	(3,468)
Expected losses arising on scheme liabilities	**(37)**	(16)	(758)
Changes in assumptions underlying the present value of scheme liabilities	**(1,566)**	(1,949)	5,875
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	**(139)**	(237)	1,649

Movements in the pension surplus/(deficit) (excluding deferred tax) during the year

	2010	2009	2008
	£'000	£'000	£'000
At 1 January	**293**	222	(1,987)
Current service costs	**(809)**	(606)	(1,331)
Employer contributions	**1,076**	902	1,924
Other finance credit/(charge)	**143**	12	(33)
Actuarial (losses)/gains	**(139)**	(237)	1,649
At 31 December	**564**	293	222

Notes to the financial statements
at 31 December 2010

15 Pensions (continued)

Details of experience gains and losses for the year to 31 December

	2010	2009	2008
Difference between the actual and expected return on scheme assets (£'000)	**1,464**	1,728	(3,468)
Percentage of scheme assets at end of year	**6%**	8%	20%
Experience losses on scheme liabilities (£'000)	**(37)**	(16)	(758)
Percentage of the present value of scheme liabilities	**0%**	0%	4%
Actuarial (losses)/gains recognised in the STRGL (£'000)	**(139)**	(237)	1,649
Percentage of the present value of scheme liabilities	**0%**	1%	9%

16. Provisions for liabilities and charges

	Rationalisation Costs Provision	*Asset Retirement Obligations*	*Total*
	£	£	£
At 1 January 2010	475,000	2,404,253	2,879,253
Arising during the year	-	171,299	171,299
Utilised in the year	(475,000)	-	(475,000)
At 31 December 2010	-	2,575,552	2,575,552

Rationalisation Provision
The rationalisation provision was utilised during the year as a result of the settlement of costs due on a property lease

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

Notes to the financial statements
at 31 December 2010

17. Commitments under operating leases

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	*2010 Other*	*Land and buildings*	*2009 Other*
	£	*£*	*£*	*£*
Operating leases which expire				
Within one year	16,536	88,415	527,370	102,462
In two to five years	4,331,848	530,293	3,877,981	402,699
In over five years	2,544,878	-	2,444,421	–
	6,893,262	618,708	6,849,772	505,161

18. Related party transactions

The company 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

19. Share capital

		2010		*2009*
	No	*£*	*No*	*£*
Authorised, allotted, called up and fully paid				
Ordinary shares of £1 each	550,001	550,001	550,001	550,001

Notes to the financial statements
at 31 December 2010

20. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	*Share premium* £	*Capital contribution reserve* £	*Profit and loss account* £	*Total shareholders' funds* £
At 1 January 2009	550,001	14,999,999	98,454,502	(112,694,346)	1,310,156
Capital contribution	–	–	22,500,000	–	22,500,000
Other recognised gains and losses	–	–	–	(170,958)	(170,958)
Loss for the year	–	–	–	(23,565,966)	(23,565,966)
At 31 December 2009	550,001	14,999,999	120,954,502	(136,431,270)	73,232
At 1 January 2010	550,001	14,999,999	120,954,502	(136,431,270)	73,232
Capital contribution	–	–	28,000,000	–	28,000,000
Other recognised gains and losses	–	–	–	(101,282)	(101,282)
Loss for the year	–	–	–	(9,966,172)	(9,966,172)
At 31 December 2010	550,001	14,999,999	148,954,502	(146,498,724)	18,005,778

21. Ultimate parent company

The company is controlled and wholly owned by T-Systems International GmbH at 31 December 2010 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

22. 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 carrying amount of the liability relating to the cash-settled share-based payments at 31 December 2010 is £133,378 (2009 £130,546) No cash settled share-based payments had vested at 31 December 2010