

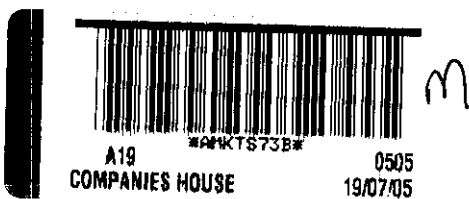
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ICSTIS LIMITED
(Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED
31 MARCH 2005

Company Number: 2398515

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Directors

Sir P North CBE, QC
 M Symes
 S Armson
 E Stallibrass
 N Higham
 S Nathan
 S. Locke
 J Scampion
 M Tully

Company Secretary

M A Austin

Registered Office

1st Floor
 Clove Building
 4 Maguire Street
 London SE1 2NQ

Bankers

HSBC
 20 Eastcheap
 London EC3M 1ED

Auditors

Littlejohn Frazer
 Chartered Accountants
 and Registered Auditors
 1 Park Place
 Canary Wharf
 London E14 4HJ

Solicitors

Bates, Wells & Braithwaite
 Cheapside House
 138 Cheapside
 London EC2V 6BB

The Directors have pleasure in presenting their Report together with the Financial Statements for the 15 months ended 31 March 2005.

Results

The Company is non-profit making.

Review of the Business

The principal activity of the Company during the period was to provide administrative support to the Independent Committee for the Supervision of Standards of Telephone Information Services (ICSTIS) which supervises the code of practice relating to premium rate telephone services. The Company is funded by Network Operators and service providers. The accounting policy adopted for the recognition of income received is described in the Notes to the Financial Statements.

During the period, the Company also received income from administrative charges levied on service providers found to be in breach of the code, to recover the costs associated with handling the relevant complaint, from fines imposed on service providers found to be in breach of the code and from the Live Conversation Services Compensation Fund on the basis that all agreed costs incurred by the Company will be reimbursed.

In the 15 months to 31 March 2005 income from fines totaled some £2,179,994 (2003 £395,600) and as a result income from the levy for the period reduced.

Future Developments

The Company continues to operate in the above capacities in the current year.

Directors

The Directors, who served during the period, all of whom are members of the ICSTIS Committee are as follows:

Sir P North CBE, QC

N Higham

J Simpson

(resigned 31 May 2004)

S Nathan

M Symes

S Armson

E Stallibrass

S Locke

(appointed 1 January 2004)

J Scampion

(appointed 16 June 2004)

M Tully

(appointed 14 June 2004)

Each current Director has undertaken to guarantee the liabilities of ICSTIS Limited to the extent of £1.

Registered Office

The Registered Office was changed to 1st Floor, Clove Building, 4 Maguire Street, London SE1 2NQ on 19 January 2004.

Change of Accounting Date

During 2004 the Company changed its accounting reference date to 31 March and these accounts have therefore been drawn up for the 15 months ended 31 March 2005

Auditors

A resolution proposing the reappointment of Littlejohn Frazer as the Company's auditors will be put to the Annual General Meeting.

By Order of the Board

M A Austin



Secretary

26 May 2005

Company law requires the Directors to prepare Financial Statements for each financial year which 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 year. In preparing those 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 United Kingdom 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 maintaining proper accounting records which 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 ICSTIS Limited

We have audited the Financial Statements of ICSTIS Limited for the period ended 31 March 2005 which comprise the Profit and Loss Account, the Balance Sheet and the 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 auditor's 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

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

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 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. 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.

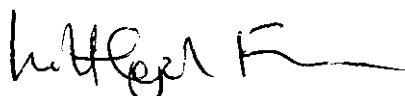
Basis of Opinion

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 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.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of the Company's affairs as at 31 March 2005 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Littlejohn Frazer

Chartered Accountants
and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

26 May 2005

	Note	Period ended 31.3.2005	Year ended 31.12.2003
Turnover		3,766,743	2,365,594
Administrative expenses		3,871,687	2,388,296
		<hr/>	<hr/>
Operating Loss	2	(104,944)	(22,702)
Interest receivable	5	129,561	26,659
		<hr/>	<hr/>
Profit on Ordinary Activities before Taxation		24,617	3,957
Tax on profit on ordinary activities	6	(24,617)	(3,957)
		<hr/>	<hr/>
Profit on Ordinary Activities after Taxation		-	-
Revenue Reserve brought forward		-	-
		<hr/>	<hr/>
Revenue Reserve carried forward		£ -	£ -
		<hr/>	<hr/>

All turnover is derived from continued operations.

The Company had no recognized gains or losses other than the result on ordinary activities after taxation stated above.

There is no material difference between the reported result for 2005 and 2003 and the result for those periods as restated on an historical cost basis.

The Accounting Policies and Notes on pages 8 to 12 form part of these Financial Statements.

ICSTIS LIMITED

BALANCE SHEET
At 31 March 2005

	Note	At 31 March 2005	At 31 December 2003
Tangible Fixed Assets	7	365,252	290,851
Investments	8	1	-
Current Assets			
Debtors	9	830,033	634,840
Cash at bank and in hand		4,070,222	1,504,022
		<u>4,900,255</u>	<u>2,138,862</u>
Creditors: due within one year	10	4,390,508	2,429,713
		<u>4,390,508</u>	<u>2,429,713</u>
Net Current Assets/(liabilities)		<u>509,747</u>	<u>(290,851)</u>
Total Assets less Current Liabilities		<u>875,000</u>	<u>£ -</u>
Creditors: amounts falling due after more than one year	11	(875,000)	-
		<u>£ -</u>	<u>£ -</u>

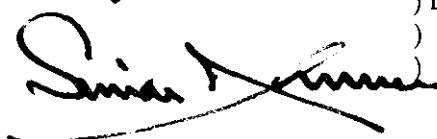
Approved by the Board on 26 May 2005.

Sir P North CBE, QC



) Directors

S Armson



The Accounting Policies and Notes on pages 8 to 12 form part of these Financial Statements.

Basis of Accounting

The Financial Statements are prepared under the historical cost basis of accounting and comply with applicable Accounting Standards.

Turnover

Turnover represents amounts invoiced to third parties excluding VAT, as adjusted for "income received in advance" as described below.

Recognition of Income

Income received in respect of services provided to the Live Conversation Services Compensation Fund is on the basis of costs incurred so that ICSTIS Limited will recover full costs with no profit.

Income received from the Network Operators is on the basis of a levy on income from Premium Rate services. The levy is set at the beginning of each year, based on budgeted expenditure so as to reimburse ICSTIS Limited for costs incurred. Although the levy is collected from Network Operators in most cases this will be charged onwards by them to the relevant service provider.

An adjustment is made at the year-end to reflect any difference between the income received and costs incurred during the year and the resulting balance is reflected in trade debtors or income received in advance, as appropriate.

Where a difference does arise between the level of income received from Network Operators and the costs incurred by ICSTIS Limited in any year, this is taken into account in setting the levy for the ensuing year so as to ensure that ICSTIS Limited continues to recover its costs.

Income received from administrative charges levied is on the basis of invoices issued in the period.

Income received from fines is on the basis of fines received during the period.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates to write off the cost or valuation of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

Fixtures and fittings	- 3 - 5 years
Office equipment	- 3 - 5 years
Computer equipment	- 3 - 5 years

Pension Contributions

The Company operates a defined contribution pension scheme for some of its employees. The funds of the scheme are administered by Trustees and are separate from the Company. Contributions are paid by the Company and employees. The pension charge represents contributions payable by the Company for the period. The Company's liability is limited to the amounts of the contribution.

Leasing Commitments

Rentals paid under operating leases are charged to the Profit and Loss Account as incurred.

Group Financial Statements

The Company is exempt from the requirement to prepare group financial statements by virtue of Section 248 of the Companies Act 1985. These financial statements therefore present information about the Company as an individual undertaking and not of its group.

1. Turnover and Pre-tax Profit

All of the turnover arose within the United Kingdom and was attributable to the following activities:

	Period ended 31.3.2005	Year ended 31.12.2003
Levy on premium rate telephone services	1,447,952	1,877,734
Administration of the live conversation services compensation fund	(5,928)	9,185
Administrative charges	110,321	52,283
Fines	2,179,994	395,660
Credit charges to networks	746	-
Other	33,658	30,732
	<u>£3,766,743</u>	<u>£2,365,594</u>

2. Operating Loss

This loss (which is covered by interest receivable) is stated after charging:

Directors' remuneration	£ 228,899	£ 167,991
Auditors' remuneration - audit services	£ 3,500	£ 3,500
- other services	£ 17,767	£ 24,125
Depreciation	£ 182,750	£ 119,541
Operating leases	£ 245,916	£ 159,487
	<u>£ 678,832</u>	<u>£ 474,644</u>

3. Staff Costs (including Directors)

Wages and salaries	1,996,960	1,146,155
Social security costs	179,293	109,485
Pension contributions	97,110	57,236
	<u>£2,273,363</u>	<u>£1,312,876</u>

Average number of employees during the period

	No.	No.
Committee - part-time	9	9
Secretariat	44	38
Appeals body - part-time	5	5
Adjudicator - part-time	1	1
	<u>59</u>	<u>53</u>

Staff costs and staff numbers information include amounts relating to the Independent Appeals Body, members of which are employed by ICSTIS for administrative purposes only. This body acts entirely independently of the company. ICSTIS cannot exercise any influence over the decisions reached by that body.

	Period ended 31.3.2005	Year ended 31.12.2003
4. Directors' Remuneration		
Aggregate emoluments	220,649	161,391
Company pension contributions	8,250	6,600
	<u>£228,899</u>	<u>£167,991</u>

Retirement benefits are accruing for one Director under a defined contribution arrangement (year ended 31 December 2003 - one)

5. Interest Receivable

Bank interest	£129,561	£26,659
	<u>£129,561</u>	<u>£26,659</u>

6. Taxation

Analysis of Charge in Period

Current tax:

UK corporation tax on profits of the period	24,617	3,957
Adjustments in respect of previous periods	-	-
	<u>£24,617</u>	<u>£3,957</u>

Tax on profit on ordinary activities	£24,617	£3,957
	<u>£24,617</u>	<u>£3,957</u>

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (19%) (year ended 31 December 2003 - 19%). The differences are explained below:

Profit on ordinary activities before tax	£24,617	£3,957
	<u>£24,617</u>	<u>£3,957</u>

Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (year ended 31 December 2003 - 19%)	4,677	752
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Effects of:

Permanent differences	19,940	3,205
	<u>19,940</u>	<u>3,205</u>

Current tax charge for period	£24,617	£3,957
	<u>£24,617</u>	<u>£3,957</u>

ICSTIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Tangible Fixed Assets

	Fixtures & fittings	Office equipment	Computer equipment	Total
Cost				
At 1 January 2004	191,543	135,596	254,494	581,633
Additions	67,109	72,842	117,299	257,250
Disposals	-	(180)	(70,719)	(70,899)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	258,652	208,258	301,074	767,984
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated Depreciation				
At 1 January 2004	27,364	84,177	179,241	290,782
Charge for the period	48,184	52,529	82,037	182,750
Disposals		(81)	(70,719)	(70,800)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	75,548	136,625	190,559	402,732
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31 March 2005	£183,104	£71,633	£110,515	£365,252
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	£164,179	£51,419	£75,253	£290,851
	<hr/>	<hr/>	<hr/>	<hr/>

8. Investments

31.03.05

31.12.03

Investments in Group Companies

£1

£ -

The Company owns 100% of the issued share capital of IMCB Limited, a Company registered in England and operating as a Mobile Content Regulator.

The Company was incorporated on 9 August 2004 and commenced trading on 7 February 2005.

9. Debtors

	Period ended 31.3.2005	Year ended 31.12.2003
Trade debtors	710,897	602,166
Other debtors and prepayments	119,136	32,674
	<hr/>	<hr/>
	£830,033	£634,840
	<hr/>	<hr/>

10. Creditors: amounts falling due within one year

Trade creditors	187,203	658,838
Accruals	67,430	161,981
Other tax and social security costs	85,771	26,356
Income received in advance	3,537,008	1,090,684
Working capital funding	474,995	474,995
Corporation tax payable	24,617	3,957
Other creditors	13,484	12,902
	<hr/>	<hr/>
	£4,390,508	£2,429,713
	<hr/>	<hr/>

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

	31.3.05	31.12.03
Working capital funding	£875,000	£-
	<u> </u>	<u> </u>

12. Obligations under Operating Leases

The minimum lease payments to which the Company is committed under non-cancellable operating leases for the coming year are:

	Period ended 31 March 2005		Year ended 31 December 2003	
	Land and buildings	Other	Land and buildings	Other
On leases expiring				
In less than one year	-	9,532	-	-
Between two and five years	-	-	-	9,723
After five years	200,360	-	187,530	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	£200,360	£9,532	£187,530	£9,723
	<u> </u>	<u> </u>	<u> </u>	<u> </u>