

A/14462

ICSTIS LIMITED
(Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003



Company Number: 2398515

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Directors

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

Company Secretary

M A Fahy

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 year ended 31 December 2003.

Results

The Company is non-profit making.

Review of the Business

The principal activity of the Company during the year 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. The accounting policy adopted for the recognition of income received is described in the Notes to the Financial Statements.

During the year, 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.

Future Developments

The Company continues to operate in the above capacities in 2004.

Directors

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

Sir P North CBE, QC

N Higham

K Markus

(resigned - 31st December 2003)

J Simpson

Baroness Gould of Potternewton

(resigned - 31st December 2003)

S Nathan

M Symes

S Armson

E Stallibrass

S Locke

(Appointed 1st January 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.

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 Fahy

Secretary

29 April 2004

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 year ended 31 December 2003 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 December 2003 and of its result for the year 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

29 April 2004

	Note	2003	2002
Turnover		2,365,594	1,911,937
Administrative expenses		2,388,296	1,929,314
		<hr/>	<hr/>
Operating Loss	2	(22,702)	(17,377)
Interest receivable	5	26,659	19,961
		<hr/>	<hr/>
Profit on Ordinary Activities before Taxation		3,957	2,584
Tax on profit on ordinary activities	6	(3,957)	(2,584)
		<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 2003 and 2002 and the result for those years as restated on an historical cost basis.


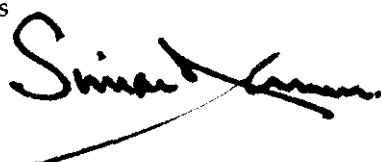
The Accounting Policies and Notes on pages 8 to 12 form part of these Financial Statements.

	Note	2003	2002
Tangible Fixed Assets	7	290,851	84,343
Current Assets			
Debtors	8	634,840	396,080
Cash at bank and in hand		1,504,022	685,156
		<u>2,138,862</u>	<u>1,081,236</u>
Creditors: due within one year	9	2,429,713	1,165,579
Net Current Liabilities		<u>(290,851)</u>	<u>(84,343)</u>
Total Assets less Current Liabilities		<u>£ -</u>	<u>£ -</u>

Approved by the Board on 29 April 2004.

Sir P North CBE, QC

S Armson

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) Directors
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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.

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 year.

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

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	- 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 year. 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.

1. Turnover and Pre-tax Profit

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

	2003	2002
Levy on premium rate telephone services	1,877,734	1,437,434
Administration of the live conversation services compensation fund	9,185	4,367
Administrative charges	52,283	57,518
Fines	395,660	396,008
Other	30,732	16,610
	<u>£2,365,594</u>	<u>£1,911,937</u>

2. Operating Loss

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

Directors' remuneration	£ 167,991	£ 152,097
Auditors' remuneration - audit services	£ 3,500	£ 3,250
- other services	£ 24,125	£ 13,583
Depreciation	£ 119,541	£ 69,193
Operating leases	£ 187,530	£ 147,000
	<u>£ 402,687</u>	<u>£ 335,023</u>

3. Staff Costs (including Directors)

Wages and salaries	1,146,155	996,116
Social security costs	109,485	88,857
Pension contributions	57,236	45,167
	<u>£1,312,876</u>	<u>£1,130,140</u>

Average number of employees during the year	No.	No.
Committee	9	9
Secretariat	38	34
Appeals body - part-time	5	5
Adjudicator - part-time	1	1
	<u>53</u>	<u>49</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.

4. Directors' Remuneration	2003	2002
Aggregate emoluments	161,391	145,497
Company pension contributions	6,600	6,600
	<u>£167,991</u>	<u>£152,097</u>

Retirement benefits are accruing for one Director under a defined contribution arrangement (2002 - one)

5. Interest Receivable

Bank interest	<u>£26,659</u>	<u>£19,961</u>
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6. Taxation

Analysis of Charge in Period

Current tax:

UK corporation tax on profits of the period	3,957	2,582
Adjustments in respect of previous periods	-	2
	<u>£3,957</u>	<u>£2,584</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%) (2002 - 20%). The differences are explained below:

	2003	2002
Profit on ordinary activities before tax	<u>£3,957</u>	<u>£2,584</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2002 - 20%)	752	517
Effects of:		
Permanent differences	<u>3,205</u>	<u>2,065</u>
Current tax charge for period	<u>£3,957</u>	<u>£2,582</u>

7. **Tangible Fixed Assets**

	Fixtures & fittings	Office equipment	Computer equipment	Total
Cost				
At 1 January 2003	2,600	98,760	189,277	290,637
Additions	191,543	55,692	78,815	326,050
Disposals	(2,600)	(18,856)	(13,598)	(35,054)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	191,543	135,596	254,494	581,633
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated Depreciation				
At 1 January 2003	2,600	70,459	133,235	206,294
Charge for the year	27,364	32,573	59,604	119,541
Disposals	(2,600)	(18,855)	(13,598)	(35,053)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	27,364	84,177	179,241	290,782
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31 December 2003	£164,179	£51,419	£75,253	£290,851
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	£ -	£28,301	£56,042	£84,343
	<hr/>	<hr/>	<hr/>	<hr/>

8. **Debtors**

	2003	2002
Trade debtors	602,166	317,775
Other debtors and prepayments	32,674	78,305
	<hr/>	<hr/>
	£634,840	£396,080
	<hr/>	<hr/>

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

Trade creditors	658,838	59,834
Accruals	161,981	108,734
Other tax and social security costs	26,356	41,431
Income received in advance	1,090,684	462,545
Working capital funding	474,995	474,995
Corporation tax payable	3,957	2,582
Other creditors	12,902	15,458
	<hr/>	<hr/>
	£2,429,713	£1,165,579
	<hr/>	<hr/>

10. Obligations under Operating Leases

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

	2003		2002	
	Land and buildings	Other	Land and buildings	Other
On leases expiring				
Between two and five years	-	9,723	147,000	-
After five years	187,530	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£187,530	£9,723	£147,000	-
	<hr/>	<hr/>	<hr/>	<hr/>