

Company Registration No. 04226697

Onetel Telecommunications Limited

Report and Financial Statements

For the year ended 31 March 2010

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Onetel Telecommunications Limited
Report and financial statements 2010

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

Onetel Telecommunications Limited

Report and financial statements 2010

Officers and professional advisers

Directors

T Clarke	(appointed 20 September 2010)
R Clarkson	(appointed 20 September 2010)
D Harding	(appointed 20 September 2010)
D Goldie	(appointed 20 September 2010)
N Langstaff	(resigned 21 January 2010)
T S Morris	(resigned 20 September 2010)
A Stirling	(appointed 20 September 2010)
R Taylor	(resigned 20 November 2009)

Secretaries

T S Morris	
S Marshall	(appointed 20 November 2009)

Registered office

11 Evesham Street
London
W11 4AR

Bankers

Deutsche Bank AG
1 Great Winchester Street
London
EC2N 2DB

HSBC Bank PLC
Level 19
8 Canada Square
London
E14 5HQ

Auditors

Deloitte LLP
Chartered Accountants
London, United Kingdom

Onetel Telecommunications Limited

Directors' report

The Directors present their annual report on the affairs of the Company, together with the audited financial statements and auditors' report for the year ended 31 March 2010

Business review and principal activity

During the year the Company was a wholly owned subsidiary of TalkTalk Telecom Holdings Limited (formerly 'The Carphone Warehouse Group PLC'), and operated as part of the group's UK Fixed Line division. On 26 March 2010 the UK Fixed Line division demerged from the group as TalkTalk Telecom Group PLC and from 29 March 2010 was separately listed on the London Stock Exchange. The results of the Company are included in the consolidated financial statements of TalkTalk Telecom Holdings Limited for the year ended 24 March 2010.

The principal activity of the Company continues to be the provision of fixed line telecommunication services in the UK. TalkTalk Telecom Holdings Limited managed its operations divisionally. For this reason, the Company's Directors believe that further key performance indicators (in addition to the results review below) for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Residential division, which includes the Company, is discussed in the consolidated financial statements of TalkTalk Telecom Holdings Limited for the year ended 24 March 2010, which does not form part of this Report.

The Directors believe that the consumer market for fixed line telecommunication services will continue to grow and drive the continued expansion of the business.

Results

The profit for the financial year was £11,750,000 (2009 – £10,436,000)

Dividends

The Directors do not recommend the payment of a dividend for the year (2009 - £nil)

Risk management

Funding for all subsidiaries of TalkTalk Telecom Holdings Limited (and subsequently TalkTalk Telecom Group PLC), including Onetel Telecommunications Limited, is arranged centrally. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the main financial risks the Directors consider relevant to this Company are credit risk, liquidity risk and interest rate risk. Credit risk is mitigated by the Company's credit control policies and the group regularly monitors interest rate risk and does not trade or speculate in any derivative financial instruments.

Going concern

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 financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

Principal risks and uncertainties

The Company was a wholly owned subsidiary of TalkTalk Telecom Holdings Limited up to 26 March 2010, and operated as part of the group's UK Fixed Line division. The principal risks and uncertainties relating to the Residential division, which includes the Company, are discussed in the consolidated financial statements of TalkTalk Telecom Holdings Limited for the year ended 24 March 2010, which does not form part of this Report.

Onetel Telecommunications Limited

Directors' report

Directors

The Directors who served throughout the year, except as noted, and subsequently are shown on page 1

Environment

A full analysis of the environmental, social and community issues relating to the Company and, where relevant, the industry in which it operates are described in the consolidated financial statements for TalkTalk Telecom Holdings Limited for the year ended 24 March 2010, which does not form part of this Report. As a subsidiary entity, the Company operates in accordance with the policies of those of TalkTalk Telecom Holdings Limited.

Donations

No charitable or political donations were made in the current or previous year.

Statement regarding the disclosure of information to auditors

Each of the persons who is a director at the date of the approval of this report confirms that

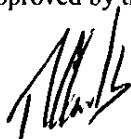
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by



R Clarkson
Director

30 November 2010

11 Evesham Street,
London,
W11 4AR

Onetel Telecommunications Limited

Statement of Directors' responsibilities

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). 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 year. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 adequate 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 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 Onetel Telecommunications Limited

We have audited the financial statements of Onetel Telecommunications Limited for the year ended 31 March 2010 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

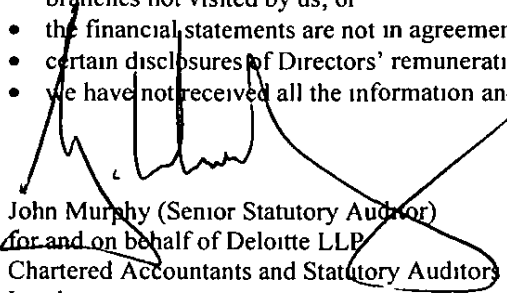
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.


John Murphy (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London
United Kingdom

1 December 2010

Onetel Telecommunications Limited

Profit and loss account

For the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Turnover	2	53,412	81,215
Cost of sales		(24,035)	(41,324)
Gross profit		<u>29,377</u>	<u>39,891</u>
Operating expenses		(17,998)	(34,067)
Operating profit		<u>11,379</u>	<u>5,824</u>
Net interest (payable) receivable	3	(659)	5,292
Profit on ordinary activities before taxation	4	<u>10,720</u>	<u>11,116</u>
Tax on profit on ordinary activities	7	1,030	(680)
Profit for the financial year	16	<u><u>11,750</u></u>	<u><u>10,436</u></u>

All results for both years arise from continuing activities

There are no other gains or losses recognised in either year other than those shown in the profit and loss account, accordingly no statement of total recognised gains and losses has been presented

Onetel Telecommunications Limited

Balance Sheet As at 31 March 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	8	-	-
Tangible assets	9	-	-
		<u>-</u>	<u>-</u>
Current assets			
Debtors	11	12,249	59,561
Cash at bank and in hand		53,857	-
		<u>66,106</u>	<u>59,561</u>
Creditors: amounts falling due within one year	12	<u>(50,090)</u>	<u>(55,183)</u>
Net current assets		<u>16,016</u>	<u>4,378</u>
Total assets less current liabilities		<u>16,016</u>	<u>4,378</u>
Provisions for liabilities and charges	13	<u>(2,778)</u>	<u>(2,890)</u>
Net assets		<u>13,238</u>	<u>1,488</u>
Capital and reserves			
Called-up share capital	15	25,000	25,000
Profit and loss account	16	(11,762)	(23,512)
Total shareholder's funds	17	<u>13,238</u>	<u>1,488</u>

These financial statements were approved by the Board of Directors on 30 November 2010 and signed on its behalf by



R Clarkson
Director

Onetel Telecommunications Limited

Notes to the accounts For the year ended 31 March 2010

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and prior year.

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report.

The Directors, in their consideration of going concern, have reviewed the Company's future cash forecasts and revenue projections, which they believe are based on prudent market data, and past experience. The Directors are of the opinion that the Company's forecast and projections, which both reflect the current uncertain economic outlook and take account of reasonably possible changes in trading performance, show that the Company should be able to operate within its current facilities. In arriving at their conclusion that the Company has adequate financial resources, the Directors were mindful that the Company has a robust policy towards liquidity and cash flow management and that it is financed by retained profits and equity.

Based on the above the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future and consequently the Directors continue to adopt the going concern basis in the preparation of the financial statements.

Cash flow statement

The Company has taken advantage of the exemption under FRS1 not to prepare a cash flow statement on the grounds that for the financial year being reported on, the results of Onetel Telecommunications Limited were included within the consolidated results of TalkTalk Telecom Holdings Limited, a company registered in England and Wales, that had prepared consolidated accounts that are publicly available.

Turnover

Turnover is stated net of VAT and other sales related taxes, and comprises revenue generated from the provision of fixed and mobile line telecommunications services. All such revenue is recognised as it falls due.

Cost of sales

Cost of sales include line rental and carrier costs for delivery of customer calls to their final destination.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected life, as follows:

Telecommunications equipment	5 to 7 years
Fixtures, fittings and computer equipment	5 years

Goodwill

Purchased goodwill, which represents the excess of consideration over the net assets acquired, has been capitalised and is written off on a straight-line basis over a period of up to 20 years. A provision is made for any impairment.

Onetel Telecommunications Limited

Notes to the accounts (continued) For the year ended 31 March 2010

1 Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

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 that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception

- Deferred tax assets are recognised only to the extent that the Directors consider 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 a non-discounted basis with the tax rates that are expected to apply in the years in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies

Cash and cash equivalents

Bank accounts are part of a notional pooling mechanism whereby each bank only monitors net aggregate borrowings against group overdraft limits thus allowing subsidiary companies to borrow on overdraft or to deposit surplus cash via their own bank accounts. Interest is charged on overdrawn balances and paid on surplus cash at intercompany rates of Base Rate plus 3.75% for overdrafts and Base Rate with no margin for surplus cash balances

Subscriber acquisition costs

Subscriber acquisition costs, being the direct third party costs of recruiting and retaining new customers are taken to the profit and loss account as incurred

Foreign currencies

Transactions in foreign currencies are recorded at the 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

Onetel Telecommunications Limited

Notes to the accounts (continued) For the year ended 31 March 2010

2 Turnover

Turnover is wholly attributable to the principal activity of the Company, and originated in the United Kingdom

3. Interest (payable) receivable

	2010 £'000	2009 £'000
Intercompany loan interest (payable) receivable	(659)	5,292

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following

	2010 £'000	2009 £'000
Amortisation of goodwill	-	16,821
Auditors' remuneration (for the audit of the Company's accounts)	-	52

The audit fee of £52,000 was borne by another Group company in the current year and not recharged. No fees were paid to auditors in respect of non-audit work in either year.

5. Employee costs

The Company did not have any employees during the year ended 31 March 2010 (2009 - nil)

6 Directors' remuneration

None of the Directors received any remuneration in the year for services to the Company (2009 - £nil)

Onetel Telecommunications Limited

Notes to the accounts (continued) For the year ended 31 March 2010

7. Tax on profit on ordinary activities

The tax charge comprises

	2010 £'000	2009 £'000
Deferred tax:		
Origination and reversal of timing differences	-	1,031
Adjustments in respect of prior years	(1,030)	(351)
Total deferred tax	(1,030)	680
Tax (credit) charge on profit on ordinary activities	(1,030)	680

The difference between the total current tax of £nil (2009 - £nil) and the amount calculated by applying the standard rate of UK corporation tax of 28% (2009 - 28%) to the profit before taxation is as follows

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	10,720	11,116
Profit on ordinary activities before tax at standard UK corporation tax rate of 28 % (2009 - 28%)	3,002	3,112
Effects of		
- items attracting no tax relief or liability	-	4,711
- group relief	(3,002)	(6,758)
- change in accounting policy	-	(34)
- differences between capital allowances and depreciation	-	(1,031)
	-	-

No payment was made for tax losses surrendered to other group companies

Tax assets and liabilities at 31 March 2010 do not take into account the impact of the proposed reduction in the UK statutory rate of corporation tax from 28 per cent to 24 per cent at the rate of 1 per cent per year for the four years from 1 April 2011 as announced in the June 2010 Budget, as the relevant legislation was not substantively enacted at the balance sheet date

8. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 April 2009 and 31 March 2010	56,280
Amortisation	
At 1 April 2009 and 31 March 2010	(56,280)
Net book value	-
At 31 March 2009 and 31 March 2010	-

Goodwill represents the goodwill generated on the acquisition of Onetel plc by the Company

Onetel Telecommunications Limited

Notes to the accounts (continued) For the year ended 31 March 2010

9 Tangible fixed assets

	Telecommunications equipment £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1 April 2009	31,394	23,707	55,101
Disposals	(31,394)	(23,707)	(55,101)
	<hr/>	<hr/>	<hr/>
At 31 March 2010	-	-	-
Depreciation			
At 1 April 2009	(31,394)	(23,707)	(55,101)
Disposals	31,394	23,707	55,101
	<hr/>	<hr/>	<hr/>
At 31 March 2010	-	-	-
Net book value			
At 31 March 2009 and 31 March 2010	-	-	-
	<hr/>	<hr/>	<hr/>

10. Investments

At 31 March 2010 the Company had a £2 (2009 - £2) investment in Ratebuster Limited, a company incorporated in England and Wales and engaged in the provision of Telecoms services. The investment represents 100% of the allotted ordinary share capital.

Onetel Telecommunications Limited

Notes to the accounts (continued) For the year ended 31 March 2010

11 Debtors

	2010 £'000	2009 £'000
Trade debtors	1,900	2,527
Amounts due from group undertakings	2,870	50,215
Other Taxes and social security	-	146
Deferred tax asset (see note 14)	5,885	4,855
Prepayments and accrued income	1,526	1,785
Other debtors	68	33
	<u>12,249</u>	<u>59,561</u>

Interest on intercompany funding is calculated at a rate of 1m-LIBOR plus 3.75%, intercompany deposits receive interest at a rate of 1m-LIBOR with no margin. Interest is either paid or capitalised monthly as appropriate. Where they exist, currency balances are calculated at similar rates.

Interest is not charged on balances arising between group companies as a result of intercompany trading, such balances are settled regularly in line with agreed terms of trade, usually through the group's netting system, within 30 to 60 days.

12. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank loans and overdrafts	7,334	25,604
Amounts owed to group undertakings	36,878	20,427
Amounts owed to related parties	158	286
Other creditors	5,169	7,580
Accruals and deferred income	551	1,286
	<u>50,090</u>	<u>55,183</u>

Interest on intercompany funding is calculated at a rate of 1m-LIBOR plus 3.75%, intercompany deposits receive interest at a rate of 1m-LIBOR with no margin. Interest is either paid or capitalised monthly as appropriate. Where they exist, currency balances are calculated at similar rates.

Interest is not charged on balances arising between group companies as a result of intercompany trading, such balances are settled regularly in line with agreed terms of trade, usually through the group's netting system, within 30 to 60 days.

Onetel Telecommunications Limited

Notes to the accounts (continued) For the year ended 31 March 2010

13. Provisions for liabilities and charges

	Reorganisation £'000
As at 1 April 2009	2,890
Utilisation of provision	(112)
As at 31 March 2010	<u>2,778</u>

Reorganisation provisions are typically expected to be utilised over the 12 to 24 months following the announcement of the reorganisation

14. Deferred taxation

The deferred tax asset is analysed as follows

	Timing difference in respect of capital allowances and depreciation £'000	Other timing differences £'000	Total £'000
At 1 April 2009	4,124	731	4,855
Credited to profit and loss account	1,030	-	1,030
At 31 March 2010	<u>5,154</u>	<u>731</u>	<u>5,885</u>

15. Called-up share capital

	2010 £'000	2009 £'000
Authorised:		
50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Called-up, allotted and fully paid:		
25,000,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

16. Profit and loss account

	£'000
At 1 April 2009	(23,512)
Profit for the financial year	11,750
At 31 March 2010	<u>(11,762)</u>

Onetel Telecommunications Limited

Notes to the accounts (continued) For the year ended 31 March 2010

17 Reconciliation of movement in shareholder's funds

	2010 £'000	2009 £'000
Profit for the financial year	11,750	10,436
Net movement in shareholder's funds	11,750	10,436
Opening shareholder's funds/(deficit)	1,488	(8,948)
Closing shareholder's funds	13,238	1,488

19. Ultimate parent undertaking and controlling party

The Company was a wholly owned subsidiary of TalkTalk Telecom Holdings Limited prior to the demerger of its UK Fixed Line division to TalkTalk Telecom Group PLC on 26 March 2010. The full year results of the Company were included in the consolidated financial statements of TalkTalk Telecom Holdings Limited for the year ended 24 March 2010.

Subsequent to the demerger, the ultimate parent company and controlling party is TalkTalk Telecom Group PLC, a Company incorporated in England and Wales.

The principal place of business of TalkTalk Telecom Holdings Limited is at 11 Evesham Street, London, W11 4AR. The consolidated accounts of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

The largest point of consolidation of the Company is within TalkTalk Telecom Holdings Limited.

20. Related party transactions

The Company has taken advantage of the exemption under FRS 8 "Related Party Disclosures" for related party transactions with other group companies and with Directors who are also group Directors, as 100% of the voting rights are controlled within the group. TalkTalk Telecom Holdings Limited, the ultimate parent Company prior to the demerger of its UK Fixed Line division to TalkTalk Telecom Group PLC on 24 March 2010 has prepared consolidated accounts which include the results of the Company for the year and are available to the public.

At the end of the year, the Company had an amount payable to a related party, The Carphone Warehouse Limited amounting to £157,769 (2009 £285,859). Directors and major shareholders of the Company's ultimate parent are considered to have significant influence over The Carphone Warehouse Limited. The balance relates to the pass through of costs by The Carphone Warehouse Limited with no mark-up. The balance is non interest bearing and repayable upon demand to the lender.

21 Post balance sheet events

In June 2010 the Budget it was announced that the UK Statutory Corporation Taxation rate would decrease from 28% to 24% at the rate of 1% per year for the four years from 1 April 2011. On 27 July 2010 the relevant legislation for the first 1% reduction was substantively enacted. The impact of this change on the Company is that the value of the deferred taxation asset held at 31 March 2010 will decrease, this will be reflected in the Report and Financial Statements for the year ended 31 March 2011.