

Company Registration No. 04226697

Onetel Telecommunications Limited

**Report and Financial Statements
For the year ended 31 March 2011**

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Onetel Telecommunications Limited
Report and financial statements 2011

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Onetel Telecommunications Limited

Report and financial statements 2011

Officers and professional advisers

Directors

T S Morris (resigned 20 September 2010)
A Stirling (appointed 20 September 2010)
D M Harding (appointed 20 September 2010)
D Goldie (appointed 20 September 2010)
T Clarke (appointed 20 September 2010)
R Clarkson (appointed 20 September 2010)

Secretaries

T S Morris
S Marshall (resigned 30 April 2011)

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

Auditor

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 auditor's report for the year ended 31 March 2011

Principal activities

The company disposed of its trade and assets on the 1 July 2011. The Directors do not expect the Company to trade going forward.

Business review

The performance of the Group, which includes the Company, is discussed in the Annual Report 2011 of TalkTalk Telecom Group PLC, which does not form part of this Report. 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 Directors believe that the consumer market for fixed line telecommunication services will continue to grow and drive the continued expansion of the Company's business.

Disposal of Trade and Assets

On 1 July 2011 the Company disposed of its trade and assets at net book value to TalkTalk Telecom Limited (note 19).

Results and financial position

The profit for the financial year was £5,877,000 (2010 – £11,750,000). On 1 April 2010 the Company acquired the trade and assets of Ratebuster Limited, its subsidiary undertaking and Telco Global Limited, another Group company, for consideration of £19,271,000. Further details are given in note 3.

The net assets of the entity are £19,115,000 (2010 – £13,238,000) as per Balance Sheet on page 8.

Dividends

The Directors do not recommend the payment of a dividend for the year (2010 – £nil).

Risk management

Funding for all subsidiaries of TalkTalk Telecom Group PLC, including the Company, 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

As part of a group reorganisation the directors intend to dissolve the company, consequently as required by FRS 18 the financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the company's assets to net realisable value.

Principal risks and uncertainties

The principal risks and uncertainties relating to the Company are discussed in the Annual Report 2011 of TalkTalk Telecom Group PLC, which does not form part of this 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 Annual Report 2011 of TalkTalk Telecom Group PLC, 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 Group PLC.

Onetel Telecommunications Limited

Directors' report (continued)

Donations

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

Statement regarding the disclosure of information to the auditor

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

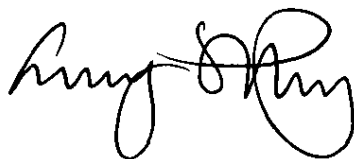
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that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

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

Auditor

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting

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



A Stirling
Director

4 November 2011
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 period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 auditor's report to the members of Onetel Telecommunications Limited

We have audited the financial statements of Onetel Telecommunications Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19. 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 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 auditor

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 and express an opinion on 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 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.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Emphasis of matter – financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

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 2011 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

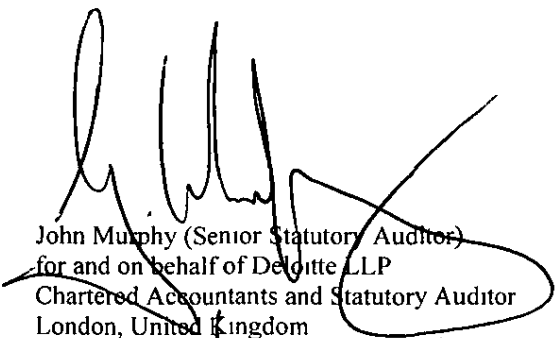
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Onetel Telecommunications 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



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

7 November 2011

Onetel Telecommunications Limited

Profit and loss account

For the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Turnover	2	41,077	53,412
Cost of sales		(21,304)	(24,035)
Gross profit		19,773	29,377
Operating expenses		(14,246)	(17,998)
Operating profit	5	5,527	11,379
Net interest payable and similar charges	4	142	(659)
Dividend income received from subsidiary		680	-
Profit on ordinary activities before taxation		6,349	10,720
Tax on profit on ordinary activities	8	(472)	1,030
Profit for the financial year	15	5,877	11,750

The accompanying notes on pages 9 to 16 form an integral part of the financial statements

The Company ceased trading on 1 July 2011. During the prior year, the results arose from continuing operations.

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

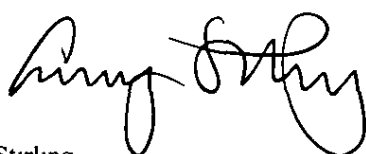
Balance sheet

As at 31 March 2011

	Note	2011 £'000	2010 £'000
Current assets			
Debtors	10	11,880	12,249
Cash at bank and in hand		52,096	53,857
		<u>63,976</u>	<u>66,106</u>
Creditors amounts falling due within one year	11	<u>(42,083)</u>	<u>(50,090)</u>
Net current assets		<u>21,893</u>	<u>16,016</u>
Total assets less current liabilities		<u>21,893</u>	<u>16,016</u>
Provisions for liabilities and charges	12	<u>(2,778)</u>	<u>(2,778)</u>
Net assets		<u><u>19,115</u></u>	<u><u>13,238</u></u>
Capital and reserves			
Called-up share capital	14	25,000	25,000
Profit and loss account	15	<u>(5,885)</u>	<u>(11,762)</u>
Total shareholder's funds	16	<u><u>19,115</u></u>	<u><u>13,238</u></u>

These financial statements were approved by the Board of Directors on behalf by

4 November 2011 and signed on its



A Stirling
Director

Onetel Telecommunications Limited

Notes to the accounts

For the year ended 31 March 2011

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 and going concern

The financial statements are prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention. As part of a group reorganisation the directors intend to dissolve the company, consequently as required by FRS 18 the financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the company's assets to net realisable value. The financial statements do not include any provision for the future costs of terminating the business of the company except to the extent that such were committed at the balance sheet date.

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 Group PLC, a company registered in England and Wales, that has 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 line telecommunications services. All such revenue is recognised as it falls due.

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 periods 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.

Onetel Telecommunications Limited

Notes to the accounts (continued)

For the year ended 31 March 2011

1 Accounting policies (continued)

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.

Investments

Investments in subsidiary undertakings are included in the balance sheet at cost, less any provision for impairment.

Provisions

A provision is recognised if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Onetel Telecommunications Limited

Notes to the accounts (continued) For the year ended 31 March 2011

2. Turnover

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

3. Acquisitions

On 1 April 2010 the Company acquired the trade and assets of Ratebuster Limited, its subsidiary undertaking, for consideration of £680,000

On 1 April 2010 the Company also acquired the trade and assets of Telco Global Limited, another Group company, for consideration of £18,591,000

The results of the acquired trade from the date of acquisition are shown under acquisitions in the table below

	Existing operations £'000	Acquisitions Ratebuster £'000	Acquisitions Telco Global £'000	Total £'000
Turnover	32,913	932	7,232	41,077
Cost of sales	(16,197)	(378)	(4,729)	(21,304)
Gross profit	16,716	554	2,503	19,773
Operating expenses	(12,839)	(11)	(1,396)	(14,246)
Operating profit	3,877	543	1,107	5,527

The net assets acquired from Ratebuster Limited and Telco Global Limited are set out below

	Ratebuster £'000	Telco Global £'000	Total £'000
Current assets			
Amounts due from group undertakings	807	18,635	19,442
Trade debtors	-	1,118	1,118
Cash at bank	-	4,700	4,700
Deferred tax asset	-	142	142
Total assets	807	24,595	25,402
Creditors			
Amounts due to group undertakings	(127)	(4,007)	(4,134)
VAT Payable	-	(553)	(553)
Accruals and deferred income	-	(1,444)	(1,444)
Total liabilities	(127)	(6,004)	(6,131)
Net assets	680	18,591	19,271

Onetel Telecommunications Limited

Notes to the accounts (continued) For the year ended 31 March 2011

4. Net interest payable and similar charges

	2011 £'000	2010 £'000
Intercompany loan interest payable	142	(659)

5 Profit on ordinary activities before taxation

The auditor remuneration of £27,000 (2010 £54,000) was borne by another group company in the current and prior year, and not recharged

6. Employee costs

The Company did not have any employees during the year ended 31 March 2011 (2010 £nil)

7. Directors' remuneration

None of the Directors received any remuneration in the year for services to the Company (2010 £nil)

8. Tax on profit on ordinary activities

The tax charge comprises

	2011 £'000	2010 £'000
Current tax:		
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax:		
Adjustments in respect of prior years	45	(1,030)
Adjustments in respect of prior years – impact of change in UK tax	427	
Total deferred tax	472	(1,030)
Total tax charge (credit) on profit on ordinary activities	472	(1,030)

The difference between the total current tax charge of £nil (2010 - £nil) and the amount calculated by applying the standard rate of UK corporation tax of 28% (2010 - 28%) to the profit before taxation is as follows

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	6,349	10,720
Profit on ordinary activities before tax at standard UK corporation tax rate of 28 % (2010 – 28%)	1,778	3,002
Effects of		
- group relief	(1,588)	(3,002)
- items attracting no tax relief or liability	(190)	-
	-	-

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

Onetel Telecommunications Limited

Notes to the accounts (continued) For the year ended 31 March 2011

8. Tax on profit on ordinary activities (continued)

During the year two reductions in the UK Statutory rate of Corporation tax were enacted bringing the rate down from 28% to 26%. Accordingly this reduced rate has been reflected in the calculation of deferred tax

9. Investments

On 31 March 2011 the Company sold 100% of the ordinary share capital of Ratebuster Limited for £2 to TalkTalk Corporate Limited, another group company

10 Debtors

	2011 £'000	2010 £'000
Trade debtors	2,626	1,900
Amounts due from group undertakings	2,503	2,870
Deferred tax asset (see note 13)	5,555	5,885
Prepayments and accrued income	1,191	1,526
Other debtors	5	68
	<u>11,880</u>	<u>12,249</u>

Interest on intercompany funding is calculated at Bank of England base rate plus 3.75%, intercompany deposits receive interest at Bank of England base rate 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 2011

11. Creditors amounts falling due within one year

	2011 £'000	2010 £'000
Bank loans and overdrafts	274	7,334
Amounts owed to group undertakings	35,717	36,878
Amounts owed to related parties	-	158
Other creditors	4,773	5,169
Accruals and deferred income	1,319	551
	<u>42,083</u>	<u>50,090</u>

Interest on intercompany funding is calculated at Bank of England base rate plus 3.75%, intercompany deposits receive interest at Bank of England base rate 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. Provisions for liabilities and charges

	Reorganisation £'000
At 1 April 2010	2,778
Charged to profit and loss account	-
At 31 March 2011	<u>2,778</u>

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

13. Deferred taxation

The deferred tax asset is analysed as follows

	Timing difference in respect of capital allowances and depreciation £'000	Other £'000	Total £'000
At 1 April 2010	5,154	731	5,885
Acquisition of business	129	13	142
Debit to profit and loss account	(377)	(95)	(472)
At 31 March 2011	<u>4,906</u>	<u>649</u>	<u>5,555</u>

Onetel Telecommunications Limited

Notes to the accounts (continued) For the year ended 31 March 2011

14. Called-up share capital

	2011 £'000	2010 £'000
Authorised:		
50,000,000 ordinary shares of £1 each	50,000	50,000
Called-up, allotted and fully paid:		
25,000,000 ordinary shares of £1 each	25,000	25,000

15. Profit and loss account

	£'000
At 1 April 2010	(11,762)
Profit for the financial year	5,877
At 31 March 2011	(5,885)

16. Reconciliation of movement in shareholder's funds

	2011 £'000	2010 £'000
Profit for the financial year	5,877	11,750
Net movement in shareholder's funds	5,877	11,750
Opening shareholder's funds	13,238	1,488
Closing shareholder's funds	19,115	13,238

17. Ultimate parent undertaking and controlling party

The Company was a wholly owned subsidiary of TalkTalk Telecom Group PLC, a company incorporated in England and Wales. The full year results of the Company were included in the Annual Report 2011 of TalkTalk Telecom Group PLC.

The principal place of business of TalkTalk Telecom Group PLC 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 smallest and largest point of consolidation of the Company is within TalkTalk Telecom Group PLC.

18. 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 Group PLC, the ultimate parent Company has prepared consolidated accounts which include the results of the Company for the year and are available to the public.

Onetel Telecommunications Limited

Notes to the accounts (continued) **For the year ended 31 March 2011**

19. Post balance sheet events

On 30 June 2011, the Company disposed of certain trade and assets relating to its international prepay and Instant Dial Around ("IDA") business to New Call Telecom Limited ("New Call") for consideration of £3,210,000

On 1 July 2011, the Company entered into an agreement with TalkTalk Telecom Limited, another group company, to dispose of the trade and the assets of the Company relating to its Consumer business for consideration of £7,781,000. There is no gain or loss on this disposal.