Company Registration No. 04226697

Onetel Telecommunications Limited

Report and Financial Statements

For the year ended 31 March 2009

Onetel Telecommunications Limited

Report and financial statements 2009

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Officers and professional advisers

Directors

R Taylor (resigned 25 November 2009)
T S Morris
N Langstaff

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

Auditors

Deloitte LLP
Chartered Accountants
London, United Kingdom

Onetel Telecommunications Limited

Directors' report

The Directors present their report and audited accounts of Onetel Telecommunications Limited (the "Company") for the year ended 31 March 2009.

Business review and principal activities

The Company is a wholly owned subsidiary of The Carphone Warehouse Group PLC, and operates as part of the group's UK Fixed Line division.

The principal activity of the Company continues to be the provision of fixed line telecommunication services in the UK. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The Carphone Warehouse Group PLC manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Telecoms division, which includes the Company, is discussed in the group's Annual Report, which does not form part of this Report.

The Directors note that the customer base of the company is contracting, the impact on revenue has been considered and the business is forecast to remain profitable.

Results

The profit for the financial period was £10,436,000 (2008 - £19,645,000 (as restated)).

Dividends

The Directors do not recommend the payment of a final dividend (2008 - £nil).

Risk management

Funding for all subsidiaries of The Carphone Warehouse Group PLC, including Onetel Telecommunications Limited, is arranged centrally. The Company does not use derivatives to manage its financial risks. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the main financial risk the Directors consider relevant to this Company is credit risk. This risk is mitigated by the Company's credit control policies.

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 the Statement of accounting policies in the financial statements.

Principal risks and uncertainties

The company is part of the fixed line telecommunication services operations of The Carphone Warehouse Group PLC. The principal risks and uncertainties relating to the Telecoms division, which includes the Company, are discussed in the group's Annual Report, which does not form part of this Report.

Directors

The Directors who served throughout the period and subsequently are shown on page 1.

Environment

A full analysis of the key regulatory and social risks of the industry in which The Carphone Warehouse Group PLC operates is described in the group's Annual Report, which does not form part of this Report. As a subsidiary entity, the Company operates in accordance with group policies.

Onetel Telecommunications Limited

Directors' report (continued)

Donations

The Company did not make any charitable or political donations in the year (2008 - £nil).

Statement regarding the disclosure of information to auditors

In accordance with s234ZA of the Companies Act 1985, each Director confirms that:

i. so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and

ii. the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Deloitte & Touche LLP changed their name to Deloitte LLP on 1 December 2008. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

T S Morris
Director
20 January 2010

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). The financial statements are required by law to 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 judgements and 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 proper accounting records that 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 1985. They are also responsible for the system of internal control, 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 (the "Company") for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 19. These financial statements have been prepared under 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 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgements 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
20 January 2010

Onetel Telecommunications Limited

Profit and loss account
For the year ended 31 March 2009

	Note	2009 £'000	* Restated 2008 £'000
Turnover	2	81,215	135,978
Cost of sales		(41,324)	(79,503)
Gross profit		39,891	56,475
Administration expenses		(34,067)	(38,072)
Operating profit	3	5,824	18,403
Net interest receivable	6	5,292	3,032
Profit on ordinary activities before tax		11,116	21,435
Tax on profit on ordinary activities	7	(680)	(1,790)
Profit for the financial period	15	10,436	19,645

All results arise from continuing activities.

* Prior year results have also been restated to reflect a change in the Company's accounting policy for subscriber acquisition costs, which are now expensed as incurred (refer note 17).

Onetel Telecommunications Limited

Balance sheet
As at 31 March 2009

	Note	2009 £'000	* Restated 2008 £'000
Fixed assets			
Intangible assets	8	-	16,821
Tangible assets	9	-	-
Investments	10	-	-
		-	16,821
Current assets			
Debtors	11	59,561	162,222
Cash at bank and in hand		-	2,041
		59,561	164,263
Creditors: amounts falling due within one year	12	(55,183)	(186,510)
Net current assets/(liabilities)		4,378	(22,247)
Total assets less current liabilities		4,378	(5,426)
Provisions for liabilities and charges	13	(2,890)	(3,522)
Net assets/(liabilities)		1,488	(8,948)
Capital and reserves			
Called-up share capital	14	25,000	25,000
Profit and loss account	15	(23,512)	(33,948)
Total shareholder's funds/(deficit)	16	1,488	(8,948)

* Prior year results have been restated to reflect a change in the Company's accounting policy for subscriber acquisition costs, which are now expensed as incurred (refer note 17).

The financial statements were approved by the board of Directors on 20 January 2010 and signed on its behalf by:

T S Morris
Director

Onetel Telecommunications Limited

Statement of total recognised gains and losses
As at 31 March 2009

	2009 £'000	2008 £'000
Profit for the financial year	10,436	19,645
Total recognised gains and losses relating to the year	10,436	19,645
Prior year adjustments (as explained in note 17)	(122)	
Total gains and losses recognised since last financial statements	10,314	

1. **Accounting policies**

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

Basis of preparation

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

The Company has taken advantage of the exemption conferred by section 228 of the Companies Act 1985 not to produce consolidated financial statements as it is a wholly owned subsidiary of The Carphone Warehouse Group PLC which prepares consolidated accounts that include a consolidated cash flow statement, including the results of the Company for the period, that are publicly available. The Company is therefore also exempt from the requirement of FRS1 to prepare a cash flow statement.

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 on pages 2-3.

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.

Changes in accounting policies – subscriber acquisition costs

Subscriber acquisition costs comprise the direct third-party costs of recruiting and retaining customers, net of incentives from network operators and provision for in-contract churn. In prior years these costs were capitalised and amortised over the minimum subscription period. The Company has changed its policy to expense these costs in operating expenses as the costs are incurred. Having undertaken a comprehensive review of the accounting policies of other businesses operating in the telecommunications sector, the Directors believe that the change in policy will provide greater comparability with such businesses and will therefore provide reliable and more relevant information to shareholders and other users of the financial statements. In accordance with FRS3 'Reporting Financial Performance' comparative information has been restated to reflect this change in policy, as detailed in note 17.

Turnover

Turnover is stated net of VAT and other sales related taxes and comprises revenues generated from the provision of fixed and mobile telecommunication services. All telecommunications revenue is recognised as it is earned over the life of the relevant customers.

Cost of sales

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

1. **Accounting policies (continued)**

Intangible fixed assets

Goodwill arising on the acquisition of a business is included in the balance sheet at cost, less accumulated amortisation and any provisions for impairment. On the acquisition of a subsidiary undertaking (including unincorporated businesses), joint venture or associate, fair values are attributed to the assets and liabilities acquired. Goodwill, which represents the difference between the purchase consideration and the fair values of those net assets, is capitalised and amortised on a straight-line basis over a period which represents the Directors' estimate of its useful economic life.

Intangible assets arising on the acquisition of a customer base are included in the balance sheet at cost, less accumulated amortisation and any provisions for impairment. Customer bases are amortised over a period appropriate to the specific customer base.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost, less accumulated depreciation and any provisions for impairment. Externally sourced software and related software development expenditure is capitalized within tangible fixed assets.

Assets are depreciated on a straight-line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives. The depreciation periods for the principal categories of assets are as follows:

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

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.

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.

2. **Turnover**

Turnover all originates in the UK and is wholly attributable to the principal activity of the Company.

Notes to the accounts (continued)
For the year ended 31 March 2009

3. Operating profit

	2009 £'000	2008 £'000
Operating profit is stated after charging:		
Amortisation:		
- goodwill	16,821	16,821
- customer bases	-	250

The audit fee of £52,000 (2008: £119,000) in the current year was borne by a fellow group company. No fees were paid to the Company's auditors or affiliated entities, relating to non-audit services, during the year (2008: £nil).

4. Employee costs

The Company did not have any employees during the year ended 31 March 2009 (2008: nil).

5. Directors' remuneration

None of the Directors received any remuneration in the year for services to the Company (2008 - £nil). The Company paid no pension contributions on the Directors' behalf (2008 - £nil).

6. Interest receivable

	2009 £'000	2008 £'000
Interest receivable from group undertakings	5,292	3,032

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Notes to the accounts (continued)
For the year ended 31 March 2009

7. Tax on profit on ordinary activities

a) Analysis of tax charge in the period	2009 £'000	*Restated 2008 £'000
The tax charge comprises:		
Deferred tax		
- origination and reversal of timing differences	1,031	2,110
- adjustment in respect of prior periods	(351)	(320)
Total deferred tax	680	1,790
Total tax on profit on ordinary activities	680	1,790

The differences between the total current tax of £nil (2008 - £nil) and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	£'000	£'000
Profit on ordinary activities before tax	11,116	21,435
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2008 - 30%)	3,112	6,430
Effects of:		
- items attracting no tax relief or liability	4,711	5,121
- difference between capital allowances and depreciation	(1,031)	(1,715)
- group relief	(6,758)	(9,873)
- change in accounting policy	(34)	37
	-	-

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

* Prior year results have also been restated to reflect a change in the Company's accounting policy for subscriber acquisition costs, which are now expensed as incurred (refer note 17).

Onetel Telecommunications Limited

Notes to the accounts (continued)
For the year ended 31 March 2009

8. Intangible fixed assets

	Customer base £'000	Goodwill £'000	Total £'000
Cost			
At 1 April 2008 and 31 March 2009	3,249	56,280	59,529
Amortisation			
At 1 April 2008	(3,249)	(39,459)	(42,708)
Charge for the period	-	(16,821)	(16,821)
At 31 March 2009	(3,249)	(56,280)	(59,529)
Net book value			
At 31 March 2009	-	-	-
At 31 March 2008	-	16,821	16,821

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

The customer base represents the transfer of the Telco Global Limited (a fellow The Carphone Warehouse Group PLC subsidiary) residential customer base. The customer base was amortised over the average life of the customer of 13 months.

9. Tangible fixed assets

	Telecommunications equipment £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1 April 2008 and 31 March 2009	31,394	23,707	55,101
Depreciation			
At 1 April 2008 and 31 March 2009	(31,394)	(23,707)	(55,101)
Net book value			
At 31 March 2009 and 31 March 2008	-	-	-

10. Investments

OneTel Telecommunications Limited has a £2 (2008 - £2) investment in the below company:

Name	Country of incorporation or registration	Nature of business	Proportion
Ratebuster Limited	Great Britain	Telecom services	Ordinary,100%

Notes to the accounts (continued)
For the year ended 31 March 2009

11. Debtors

	2009 £'000	*Restated 2008 £'000
Trade debtors	2,527	4,154
Amounts owed by group undertakings	50,215	148,748
Other debtors	33	652
Prepayments and accrued income	1,785	2,987
Other taxation and social security	146	146
Deferred tax asset (see below)	4,855	5,535
	59,561	162,222

*Prior year results have also been restated to reflect a change in the Company's accounting policy for subscriber acquisition costs, which are now expensed as incurred (refer note 17).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. All inter-company trading balances are settled in accordance with the terms of trade agreed between the parties.

Deferred tax asset comprised the following balances at the period end:

	Depreciation in excess of accelerated capital allowances £'000	Reorganisation provision £'000	Total £'000
At 1 April 2008	4,804	731	5,535
Origination and reversal of timing differences	(1,031)	-	(1,031)
Adjustment in respect of prior periods	351	-	351
Charge to profit and loss account	(680)	-	(680)
At 31 March 2009	4,124	731	4,855

12. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank loans and overdrafts	25,604	-
Amounts owed to group undertakings	20,427	175,067
Amounts owed to related parties	286	-
Other creditors	7,580	5,814
Accruals and deferred income	1,286	5,629
	55,183	186,510

Interest on related party loans is charged at sterling LIBOR +1%. Amounts owed to group undertakings are repayment upon demand. All inter-company trading balances are settled in accordance with the terms of trade agreed between the parties.

13. Provisions for liabilities and charges

	Reorganisation £'000
As at 1 April 2008	3,522
Utilisation of provision	(632)
As at 31 March 2009	2,890

In December 2005 as a result of the purchase of the Company by The Carphone Warehouse Group PLC, a provision of £13.8 million was made for reorganisation costs. During the year £0.6 million of this provision was utilised.

14. Called-up share capital

	2009 £'000	2008 £'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 2008 as previously stated	(33,826)
Prior year adjustment (see note 17)	(122)
At 1 April 2008 as restated	(33,948)
Profit for the financial period	10,436
At 31 March 2009	(23,512)

16. Reconciliation of movements in shareholder's funds/(deficit)

	2009 £'000	2008 £'000
Profit for the financial period	10,436	19,645
Net movement in shareholder's funds	10,436	19,645
Opening shareholder's deficit as previously stated	(8,826)	(28,593)
Prior year adjustment (see note 1)	(122)	-
Opening shareholder's deficit as restated	(8,948)	(28,593)
Closing shareholder's funds/(deficit)	1,488	(8,948)

17. Changes in accounting policy

The Company policy for accounting for subscriber acquisition costs was changed during the year. In prior years these costs were capitalised and amortised over the minimum subscription period. These costs are now expensed as operating expenses as the costs are incurred. Having undertaken a comprehensive review of the accounting policies of other businesses operating in the telecommunications sector, the Directors believe that the change in policy will provide greater comparability with such businesses and will therefore provide reliable and more relevant information to shareholders and other users of the financial statements. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

	As previously reported £'000	Change in accounting policy £'000	Restated £'000
Profit and loss account			
Administration expenses	(37,950)	(122)	(38,072)
Profit for the financial year	19,767	(122)	19,645
Balance sheet			
Debtors	162,344	(122)	162,222
Net liabilities	(8,826)	(122)	(8,948)

18. Parent undertaking and controlling party

The immediate parent company is TalkTalk Group Limited. The ultimate parent company and controlling party is The Carphone Warehouse Group PLC, a company registered in England and Wales.

The only group of which the Company is a member and for which group financial statements are drawn up is that headed by The Carphone Warehouse Group PLC, whose principal place of business is at 1 Portal Way, London, W3 6RS. The consolidated accounts of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

19. 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 more than 90% of the voting rights are controlled within the group. The ultimate parent company, The Carphone Warehouse Group PLC, has prepared consolidated accounts which include the results of the Company for the period and are available to the public.

At the end of the year, the Company had an amount payable to The Carphone Warehouse Limited amounting to £285,859 (2008: £3,272,129). 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.

20. Post balance sheet events

On 14 August 2009 The Carphone Warehouse Group PLC transferred its entire shareholding in the company to TalkTalk Group Limited, another group company.