Company Registration No. 04226697

Onetel Telecommunications Limited

Report and Financial Statements

For the year ended 31 March 2008

Onetel Telecommunications Limited

Report and financial statements 2008

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Onetel Telecommunications Limited

Report and financial statements 2008

Officers and professional advisers

Directors

R Taylor
T S Morris
N Langstaff
R Smelt (resigned 7 November 2007)

Secretary

T S Morris

Registered office

1 Portal Way
London
W3 6RS

Bankers

Deutsche Bank AG
1 Great Winchester Street
London
EC2N 2DB

Auditors

Deloitte LLP
Chartered Accountants
London, United Kingdom

Directors' report

The directors present their report and audited accounts of Onetel Telecommunications Limited (the "company") for the year ended 31 March 2008.

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 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 UK Fixed Line division, which includes the company, is discussed in the group's Annual Report, which does not form part of this Report.

Results

The profit for the financial period was £19,767,000 (2007 - £42,254,000).

Dividends

The directors do not recommend the payment of a final dividend (2007 - £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.

Principal risks and uncertainties

Onetel 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, except as noted, 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.

Donations

The company did not make any charitable or political donations in the year (2007 - £22,400 charitable donation).

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 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
19 December 2008

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 2008 which comprise the profit and loss account, the balance sheet 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 2008 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
19 December 2008

Onetel Telecommunications Limited

Profit and loss account
For the year ended 31 March 2008

	Note	Year ended 31 March 2008 £'000	16 months ended 31 March 2007 £'000
Turnover	2	135,978	325,587
Cost of sales		(79,503)	(189,198)
Gross profit		56,475	136,389
Administration expenses	8	(37,950)	(83,130)
Operating profit	3	18,525	53,259
Profit on disposal of customer base		-	1,478
Reorganisation costs	8	-	(13,838)
Net interest receivable / (payable)	6	3,032	(5,970)
Profit on ordinary activities before tax		21,557	34,929
Tax on profit on ordinary activities	7	(1,790)	7,325
Profit for the financial period	16	19,767	42,254

Results for the previous period include exceptional costs of £24,804, as detailed in note 8.

There are no recognised gains or losses in either period other than the profit for the period, accordingly no separate statement of total recognised gains and losses is presented. All results arise from continuing activities.

Onetel Telecommunications Limited

Balance sheet
As at 31 March 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	9	16,821	33,892
Tangible assets	10	-	-
Investments	11	-	-
		16,821	33,892
Current assets			
Debtors	12	162,344	85,922
Cash at bank and in hand		2,041	5,700
		164,385	91,622
Creditors: amounts falling due within one year	13	(186,510)	(149,949)
Net current liabilities		(22,125)	(58,327)
Total assets less current liabilities		(5,304)	(24,435)
Provisions for liabilities and charges	14	(3,522)	(4,158)
Net liabilities		(8,826)	(28,593)
Capital and reserves			
Called-up share capital	15	25,000	25,000
Profit and loss account	16	(33,826)	(53,593)
Total shareholders' deficit	17	(8,826)	(28,593)

The financial statements were approved by the board of directors on 19 December 2008 and signed on its behalf by:

T S Morris
Director

Notes to the accounts (continued)
For the year ended 31 March 2008

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.

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.

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 capitalised 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, net of incentives from network operators and provision for in-contract churn, are capitalised and amortised over the minimum subscription period. The subscriber acquisition costs are recorded in current assets as debtors. Subscriber acquisition costs for customers with no minimum subscription commitment are taken to the profit and loss account as incurred.

Onetel Telecommunications Limited

Notes to the accounts (continued)
For the year ended 31 March 2008

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 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.

3. **Operating profit**

	Year ended 31 March 2008 £'000	16 months ended 31 March 2007 £'000
Operating profit is stated after charging (crediting):		
Amortisation:		
- goodwill	16,821	4,849
- customer bases	250	2,999
Depreciation:		
- owned assets	-	5,528
Auditors' remuneration:		
- audit of the company's annual accounts	-	48
Profit on disposal of fixed assets	-	(180)

Auditors' remuneration for the audit of the company's annual accounts of £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.

Notes to the accounts (continued)
For the year ended 31 March 2008

4. Employee costs

The average monthly number of employees (including executive directors) was:

By activity	Year ended 31 March 2008 Number	16 months ended 31 March 2007 Number
Customer relationship and service delivery	-	336
Administration	-	73
	-	409

Their aggregate remuneration comprised:

	Year ended 31 March 2008 £'000	16 months ended 31 March 2007 £'000
Wages and salaries	-	20,439
Social security costs	-	2,742
Pension and retirement benefits costs	-	346
Employee share schemes	-	805
	-	24,332
Exceptional items:		
Pension costs	-	3,176
Redundancy costs	-	6,434
	-	33,942

On 1 April 2007 all employees of the company and their associated costs and benefits were subsequently transferred to TalkTalk Telecom Limited.

Under a new intercompany agreement with TalkTalk Telecom Limited, the company is recharged for central services which include services now provided by the employees that were transferred.

5. Directors' remuneration

None of the directors received any remuneration in the year for services to the company (2007 - £nil). The company paid no pension contributions on the directors' behalf (2007 - £nil).

6. Net interest receivable / (payable) and similar charges

	Year ended 31 March 2008 £'000	16 months ended 31 March 2007 £'000
Bank loans and overdrafts	-	(113)
Interest receivable from / (payable to) group undertakings	3,032	(5,857)
	3,032	(5,970)

7. Tax on profit on ordinary activities

a) Analysis of tax charge / (credit) in the period	Year ended 31 March 2008 £'000	16 months ended 31 March 2007 £'000
The tax charge (credit) comprises:		
Deferred tax		
- origination and reversal of timing differences	2,110	(4,011)
- adjustment in respect of prior periods	(320)	(3,314)
Total deferred tax	1,790	(7,325)
Total tax on profit on ordinary activities	1,790	(7,325)

The differences between the total current tax of £nil (2007 - £nil) and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	Year ended 31 March 2008 £'000	16 months ended 31 March 2007 £'000
Profit on ordinary activities before tax	21,557	34,929
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2007 - 30%)	6,467	10,479
Effects of:		
- items attracting no tax relief or liability	5,121	1,678
- other timing differences	-	329
- difference between capital allowances and depreciation	(1,715)	3,754
- utilisation of tax losses	-	(72)
- non-taxable intercompany debt forgiveness	-	(3,570)
- group relief	(9,873)	(12,155)
- non-taxable profit on disposal of customer bases	-	(443)
	-	-

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

8. Exceptional items

The following exceptional items were recorded in the previous financial period:

	16 months ended 31 March 2007 £'000
Fixed asset impairment	(17,378)
Intercompany debt forgiveness	11,900
Pension expenses	(3,176)
Bad debt expenses	(1,982)
Stock impairments	(330)
Administrative expenses	(10,966)
Redundancy and retention	(6,434)
Network and system migration	(4,337)
Onerous contracts	(1,769)
Other reorganisation and restructuring	(1,298)
Reorganisation Costs	(13,838)

A provision for reorganisation costs was created in December 2005 for £13.8m. Of this, £3.5m remains as at 31 March 2008 (refer note 14).

The fixed asset impairment reflects the write down of fixed assets to the lower of carrying amount and recoverable amount subsequent to the acquisition of the company by The Carphone Warehouse Group PLC. As part of the pre-acquisition reorganisation amounts due by the company to its parent company, Centrica plc, were forgiven. In addition, as part of the acquisition, one off payments were required to be made by the company to both the company's employees who transferred from the Centrica plc defined benefit scheme to The Carphone Warehouse Group PLC defined contribution scheme and Centrica plc in respect of employees who remained employed by Centrica plc and who were close to pensionable age.

The bad debt expense reflects the re-estimation of the bad debt provision in line with the methodology applied by The Carphone Warehouse Group PLC.

Stock impairment reflects the write off of stock that was not rebranded on acquisition and was not useable in the business.

Redundancy and retention expenses include the costs of staff redundancies and retention bonuses. Systems and network migration costs relate to the costs of migrating and integrating the customers of the company onto The Carphone Warehouse Group PLC systems and networks.

Onerous contracts relate to onerous marketing and network support costs.

Onetel Telecommunications Limited

Notes to the accounts (continued)
For the year ended 31 March 2008

9. Intangible fixed assets

	Customer base £'000	Goodwill £'000	Total £'000
Cost			
At 1 April 2007 and 31 March 2008	3,249	56,280	59,529
Amortisation			
At 1 April 2007	(2,999)	(22,638)	(25,637)
Charge for the period	(250)	(16,821)	(17,071)
At 31 March 2008	(3,249)	(39,459)	(42,708)
Net book value			
At 31 March 2008	-	16,821	16,821
At 31 March 2007	250	33,642	33,892

Goodwill represents the goodwill generated on the acquisition of Onetel plc by the company. The remaining balance of the asset is amortised over the period of 2 years.

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 is being amortised over the average life of the customer of 13 months.

10. Tangible fixed assets

	Telecommunications equipment £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1 April 2007 and 31 March 2008	31,394	23,707	55,101
Depreciation			
At 1 April 2007 and 31 March 2008	(31,394)	(23,707)	(55,101)
Net book value			
At 31 March 2007 and 31 March 2008	-	-	-

11. Investments

OneTel Telecommunications Limited has a £1 (2007 - £1) investment in the below company:

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

12. Debtors

	2008 £'000	2007 £'000
Trade debtors	4,154	3,557
Amounts owed by group undertakings	148,748	65,830
Other debtors	652	561
Prepayments and accrued income	2,987	8,507
Other taxation and social security	146	142
Subscriber acquisition costs	122	-
Deferred tax asset (see below)	5,535	7,325
	162,344	85,922

Amounts owed by group undertakings of £36,316,000 included within the above balance earn interest at a rate of GBP-LIBOR less 0.50%. Amounts owed by group undertakings are repayable on demand.

Deferred taxation comprised the following balances at the period end.

	Depreciation in excess of accelerated capital allowances £'000	Reorganisation provision £'000	Total £'000
At 1 April 2007	6,909	416	7,325
Origination and reversal of timing differences	(1,715)	-	(1,715)
Adjustment in respect of prior periods	(47)	367	320
Change in tax rate	(343)	(52)	(395)
Charge to profit and loss account	(2,105)	315	(1,790)
At 31 March 2008	4,804	731	5,535

13. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	-	4,965
Bank overdraft	-	1,351
Amounts owed to group undertakings	175,067	117,936
Other creditors	5,814	5,874
Accruals and deferred income	5,629	19,823
	186,510	149,949

14. Provisions for liabilities and charges

	Reorganisation £'000
As at 1 April 2007	4,158
Utilisation of provision	(636)
As at 31 March 2008	3,522

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. The provision is expected to be utilised within one year.

15. Called-up share capital

	2008 £'000	2007 £'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

16. Profit and loss account

	£'000
At 1 April 2007	(53,593)
Profit for the financial period	19,767
At 31 March 2008	(33,826)

17. Reconciliation of movements in shareholder's deficit

	2008 £'000	2007 £'000
Profit for the financial period	19,767	42,254
Net cost of share-based payments	-	805
Net movement in shareholders' deficit	19,767	43,059
Opening shareholders' deficit	(28,593)	(71,652)
Closing shareholders' deficit	(8,826)	(28,593)

18. Parent undertaking and controlling party

The immediate and 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.