

Company Registration No. 02303859

**TALKTALK SERVICES LIMITED
(FORMERLY REDNET LIMITED)**

Report and Financial Statements

For the year ended 31 March 2010

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TALKTALK SERVICES LIMITED (FORMERLY REDNET LIMITED)

Report and financial statements 2010

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TALKTALK SERVICES LIMITED (FORMERLY REDNET LIMITED)

Report and financial statements 2010

Officers and professional advisors

Directors

N J Langstaff (resigned 21 January 2010)
J Thomas (appointed 25 January 2010, resigned 2 July 2010)
T S Morris
A Stirling (appointed 20 September 2010)

Secretaries

T S Morris
S Marshall (appointed 20 November 2009)
S Kazeneh (resigned 20 November 2009)

Registered office

11 Evesham Street
London
W11 4AR

Bankers

HSBC Bank Plc
8 Canada Square
London E14 5HQ

Auditors

Deloitte LLP
Chartered Accountants
Reading, United Kingdom

TALKTALK SERVICES LIMITED (FORMERLY REDNET 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. On 31 August 2010 the Company changed its name to TalkTalk Services Limited.

Business review and principal activities

The Company is no longer engaged in trading activities. It is the Directors' intention to liquidate the company within the next 12 months and as such the accounts have been prepared on a non going concern basis. The Company was transferred from Opal Business Solutions Limited to TalkTalk Corporate Limited, another group company, on 18 January 2010 for consideration of £30,000.

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 were included in the consolidated financial statements of TalkTalk Telecom Holdings Limited for the year ended 24 March 2010.

Going concern

As the company has ceased to trade, the financial statements have been prepared on a basis other than that of a going concern. The Directors do not currently expect the company to resume trading in the foreseeable future.

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

Results

There was no profit or loss in the current financial year (2009 – £136,000).

Dividends

The Directors paid a dividend of £3,640,000 in the year (2009 – £nil).

Risk management

Funding for all subsidiaries of TalkTalk Telecom Holdings Limited (and subsequently TalkTalk Telecom Group PLC), including TalkTalk Services 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 is 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.

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 Corporate 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.

Directors

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

Donations

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

TALKTALK SERVICES LIMITED (FORMERLY REDNET LIMITED)

Directors' report

Statement regarding the disclosure of information to auditors

Each of the persons who are 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 on



T Morris
Director
30 November 2010
11 Evesham Street, London, W11 4AR

TALKTALK SERVICES LIMITED (FORMERLY REDNET 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 TalkTalk Services Limited (formerly Rednet Limited)

We have audited the financial statements of TalkTalk Services Limited for the year ended 31 March 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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.



Jason Davies (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading, United Kingdom
1 December 2010

TALKTALK SERVICES LIMITED (FORMERLY REDNET LIMITED)

Profit and loss account

For the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Administrative expenses		-	(329)
Operating loss		-	(329)
Other income		-	-
Net interest receivable and similar charges	2	-	193
Loss on ordinary activities before taxation	3	-	(136)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation	11	-	(136)

All results for both years arise from continuing activities

There is no material difference between the profit and loss account as presented and the historic cost equivalent

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 prepared

TALKTALK SERVICES LIMITED (FORMERLY REDNET LIMITED)

Balance sheet As at 31 March 2010

	Note	2010 £'000	2009 £'000
Current assets			
Debtors	8	30	3,670
Creditors: amounts falling due within one year	9	-	(329)
Net assets		<u>30</u>	<u>3,341</u>
Capital and reserves			
Called-up share capital	10	30	30
Profit and loss account	11	-	3,311
Total shareholders' funds	12	<u>30</u>	<u>3,341</u>

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



T Morris
Director

TALKTALK SERVICES LIMITED (FORMERLY REDNET LIMITED)

Notes to the financial statements 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 accounts have been prepared on a non going concern basis as it is the expectation of the Directors that the company will be liquidated within the next 12 months.

The company is no longer engaged in trading activities.

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 TalkTalk Services 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.

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 held at HSBC or Barclays Bank 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.

Dividends

Final dividend distributions are recognised as a liability in the financial information in the year in which they are approved by the relevant shareholders. Interim dividends are recognised in the year in which they are paid.

TALKTALK SERVICES LIMITED (FORMERLY REDNET LIMITED)

Notes to the financial statements (Continued) For the year ended 31 March 2010

2. NET INTEREST RECEIVABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
Interest receivable on intercompany balance	-	193

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

In the current and prior year, auditors' remuneration of £2,000 was borne by another group company and not recharged

4. EMPLOYEE COSTS

The Company had no employees during the current or prior year

5. DIRECTORS' REMUNERATION

None of the Directors' received any remuneration from the Company for the current or prior year. The Directors are also directors of other group companies and were paid by other group companies

6. TAX ON LOSS ON ORDINARY ACTIVITIES

There was no current or deferred tax charge in either the current or prior year

The difference between the current tax of £nil (2009 – £nil) and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	-	(136)
Loss on ordinary activities before tax at standard UK corporation tax rate of 28% (2009 – 28%)	-	(38)
Effects of - tax losses surrendered within the group	-	38
Current tax charge for year	-	-

TALKTALK SERVICES LIMITED (FORMERLY REDNET LIMITED)

Notes to the financial statements (Continued) For the year ended 31 March 2010

7. DIVIDENDS

	2010 £'000	2009 £'000
Interim dividends for the year ended 31 March 2010 of £121.33 per share	3,640	-

8. DEBTORS

	2010 £'000	2009 £'000
Amounts due from group undertakings	30	3,670

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.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Amounts due to group undertakings	-	329

10. CALLED-UP SHARE CAPITAL

	2010 £'000	2009 £'000
Authorised:		
46,667 'A' ordinary shares of £1 each	47	47
3,333 'B' ordinary shares of £1 each	3	3
	50	50
Called-up, allotted and fully paid		
30,000 'A' ordinary shares of £1 each	30	30

'B' ordinary shares are non-voting but otherwise rank pari-passu with 'A' ordinary shares.

11. RESERVES

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2009	30	3,311	3,341
Capital contribution	-	329	329
Dividends paid on equity shares	-	(3,640)	(3,640)
At 31 March 2010	30	-	30

TALKTALK SERVICES LIMITED (FORMERLY REDNET LIMITED)

Notes to the financial statements (Continued) For the year ended 31 March 2010

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
Profit (loss) for the financial year	-	(136)
Capital contribution	329	-
Dividends paid on equity shares	(3,640)	-
Net movement in shareholders' funds	(3,311)	(136)
Opening shareholders' funds	3,341	3,477
Closing shareholders' funds	30	3,341

13. PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is TalkTalk Corporate Limited, a company incorporated in England and Wales

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

14. 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 separation of its telecoms business to TalkTalk Telecom Group PLC on 26 March 2010 has prepared consolidated accounts which include the results of the Company for the year and are available to the public.