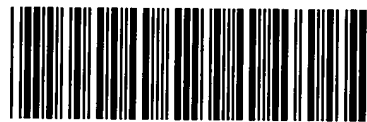


BLINKBOX ENTERTAINMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 28 FEBRUARY 2015

Registered Number: 05829251

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BLINKBOX ENTERTAINMENT LIMITED

COMPANY INFORMATION

DIRECTORS

T Harrison (appointed 7 January 2015)
D Harding (appointed 7 January 2015)
C Brocklesby (resigned 7 January 2015)
M Comish (resigned 7 January 2015)
J Easterbrook (resigned 7 January 2015)
A Letts (resigned 7 January 2015)
J Lloyd (resigned 7 January 2015)
I Torrens (appointed 7 January 2015)

COMPANY SECRETARY

T Morris

REGISTERED NUMBER

05829251

REGISTERED OFFICE

11 Evesham Street
London
United Kingdom
W11 4AR

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Advisors
10 Bricket Road
St. Albans
AL1 3JX

ACCOUNTANTS

Kreston Reeves
Chartered Accountants
Third Floor
24 Chiswell Street
EC1Y 4YX

BLINKBOX ENTERTAINMENT LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2015

The Directors present their Strategic Report of Blinkbox Entertainment Limited (“the Company”) for the period ended 28 February 2015.

Review of the business

The principal activity of the Company is the digital distribution of video programming to internet connected devices.

The results for the period illustrate the continued investment by Blinkbox in the development of its customer offering to build upon its market position as a leading digital movie and TV service in the UK.

Over the last 12 months the business has continued to develop new product features and continued to offer increasing amounts of programming content to enhance the customer viewing experience. It has also continued to run successful above the line marketing campaigns helping to achieve strong double digit growth in its core retail business.

Following a decision by the former parent Tesco to dispose of its non-core businesses, the Company was acquired by TalkTalk Group Limited (“TalkTalk”) on 7 January 2015. This was accompanied by a change in the strategic direction of the Company to better align with the strategic goals of TalkTalk. As a result, the Company's assets have been subject to an impairment review with a resulting impairment charge of £17m relating to tangible and intangible fixed assets. In addition, further charges of £5m have been recorded in relation to redundancy costs and provisions for onerous contracts. Accordingly, total exceptional costs of £22m have been recorded during the period.

There has been no significant change in the nature or level of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

Results and dividends

The results for the period show a pre-tax loss of £46.2m (2014:£29.5m) and sales of £9.3m (2014:£6.3m). The company had a net liability position of £0.4m (2014: £56.7m) as at 28 February 2015.

No interim dividend has been paid in respect of the period ended 28 February 2015. The Directors do not recommend payment of a dividend for the period ended 28 February 2015 (2014: £Nil).

Principal risks and uncertainties

The company operates in a growing and undeveloped market. Challenges may come in continuing to attract consumers away from physical DVD consumption towards online, digital consumption.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the TalkTalk Telecom Group PLC (the “Group”) and are not managed separately. Accordingly, the principle risks and uncertainties of the Group, which include the Company, are discussed on pages 17 and 18 of the TalkTalk Telecom Group PLC Annual Report for the period ending 31 March 2015 which does not form part of this Report.

Key performance indicators (KPI's)

Given the straightforward nature of the business the Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

The development, performance and position of the operations of the TalkTalk Telecom Group PLC (the “Group”), which includes the Company, is discussed on pages 11 to 14 of the Group's Annual Report which does not form part of this Report.

BLINKBOX ENTERTAINMENT LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

Principal risks and uncertainties

Funding for all subsidiaries of the Group, 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. Liquidity risk is monitored by a central treasury function through regularly assessing the Group's short-term working capital and long-term funding requirements.

In addition to the above financial risks, there are other risks and uncertainties affecting the Company. These are discussed in the 2015 Annual Report of the Group, which does not form part of this report

On behalf of the Board

Date: 24/09/15



Iain Torrens

Director

Binkbox Entertainment Limited

Registered Number: 05829251

Registered Office: 11 Evesham Street
London
W11 4AR

BLINKBOX ENTERTAINMENT LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2015

The Directors present their Report and the audited financial statements of Blinkbox Entertainment Limited (the "Company") for the period ended 28 February 2015. (Prior period ended 23 February 2014).

Future outlook

The Company's future developments form a part of the Group's long-term strategy, which is discussed in the Group's Annual Report for the period ended 31 March 2015, which does not form part of this Report.

Going concern

It is the current intention of the Company's ultimate parent undertaking to continue to finance the Company so as to enable it to meet its liabilities as they fall due and to carry on its business without any significant curtailment of operations for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Research and development

The Company undertakes research and development into products, information technology and systems for customers. The research and development spend for the period ended 28 February 2015 was £8,535,088 (2014: £9,722,148).

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the period and remain in force at the date of this report.

Employees

The Company depends on the skills and commitment of its employees in order to achieve its objectives.

The Company's selection, training, development and promotion policies ensure equal opportunities for all employees regardless of factors such as gender, marital status, race, age, sexual preference and orientation, colour, creed, ethnic origin, religion or belief, or disability. All decisions are based on merit.

Internal communications are designed to ensure that employees are well informed about the business.

The Company had 155 employees on average during the period ended 28 February 2015 (2014: 140).

Dividends

The Directors do not recommend the payment of a dividend for the period (2014: £Nil).

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 2015 Annual Report of the Group, which do not form part of this report. As a subsidiary, the Company operates in accordance with the policies of the Group.

BLINKBOX ENTERTAINMENT LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

Directors and their interests

The following Directors served during the period and up to the date of signing the financial statements.

T Harrison (appointed 7 January 2015)
D Harding (appointed 7 January 2015)
C Brocklesby (resigned 7 January 2015)
M Comish (resigned 7 January 2015)
J Easterbrook (resigned 7 January 2015)
A Letts (resigned 7 January 2015)
J Lloyd (resigned 7 January 2015)
I Torrens (appointed 7 January 2015)

None of the Directors had any disclosable interests in the Company during this period.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' 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 prepared 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 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;
- 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BLINKBOX ENTERTAINMENT LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

Disclosure of information to auditors

Each Director who is a Director of the Company at the date of approval of this Annual 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
- he/she has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The independent auditors of the Company, PricewaterhouseCoopers LLP, are proposed for reappointment.

On behalf of the Board

Date: 24/09/15



Iain Torrens
Director
Blinkbox Entertainment Limited
Registered Number: 05829251
Registered Office: 11 Evesham Street
London
W11 4AR

BLINKBOX ENTERTAINMENT LIMITED

Independent Auditors' Report to the Members of Blinkbox Entertainment Limited

Report on the financial statements

Our opinion

In our opinion, Blinkbox Entertainment Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 28 February 2015 and of its loss for the 53 week period (the "period") 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.

What we have audited

Blinkbox Entertainment Limited's financial statements comprise:

- the Balance sheet as at 28 February 2015;
- the Profit and Loss account for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

BLINKBOX ENTERTAINMENT LIMITED

Independent Auditors' Report to the Members of Blinkbox Entertainment Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Reports and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Deshan Karunaratne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

24 September 2015

BLINKBOX ENTERTAINMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 28 FEBRUARY 2015

	Notes	53 weeks ended 28 February 2015 £	52 weeks to 23 February 2014 £
Turnover		9,297,293	6,332,326
Cost of sales		(9,260,858)	(9,608,675)
Gross profit / (loss)		36,435	(3,276,349)
Administrative expenses – Normal		(22,554,686)	(24,809,942)
Administrative Expenses - Exceptional	2	(21,956,108)	-
Operating loss	3	(44,474,359)	(28,086,291)
Interest payable and similar charges	6	(1,761,956)	(1,420,313)
Loss on ordinary activities before taxation		(46,236,315)	(29,506,604)
Tax credit/(charge) on loss on ordinary activities	7	817,282	(845,508)
Loss for the financial period	18	(45,419,033)	(30,352,112)

There are no recognised gains or losses other than those shown in the Profit and Loss Account above.

There are no material differences between the loss on ordinary activities before taxation and the loss for the period stated above and their historical cost equivalents.

All operations are continuing for the financial period.

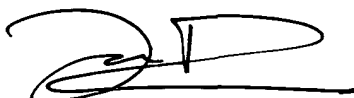
The notes on pages 12 to 23 form part of these financial statements.

BLINKBOX ENTERTAINMENT LIMITED

BALANCE SHEET AS AT 28 FEBRUARY 2015

		28 February 2015 £	23 February 2014 £
	Notes		
Fixed assets			
Intangible assets	8	4,975,195	15,895,880
Tangible assets	9	2,222,459	2,931,890
		7,197,654	18,827,770
Current assets			
Debtors	10	3,200,176	7,802,500
Cash at bank and in hand		4,436,572	8,566,698
		7,636,748	16,369,198
Creditors: amounts falling due within one year	11	(14,350,414)	(18,278,165)
Net current liabilities		(6,713,666)	(1,908,967)
Total assets less current liabilities		483,998	16,918,803
Creditors: amounts falling due after more than one year	12	(69,845)	(72,971,661)
Other provisions	13	(816,341)	-
Deferred tax		-	(681,013)
Net liabilities		(402,198)	(56,733,871)
Capital and reserves			
Called up share capital	16	101,801,044	50,338
Share premium account	17	13,498,450	13,498,450
Profit and Loss account	17	(115,701,692)	(70,282,659)
Total shareholders' deficit		(402,198)	(56,733,871)

The financial statements and notes on pages 10 to 23 were approved by the Board of Directors on 24/09/15 and were signed on its behalf by:



Iain Torrens
Director
Blinkbox Entertainment Limited
Registered Number: 05829251

BLINKBOX ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements are prepared on the going concern basis, in accordance with applicable United Kingdom accounting standards, under the historical cost convention and in accordance with the Companies Act 2006. The Company's principal accounting policies have been applied consistently during the period.

Going concern

The Company's ultimate parent undertaking has confirmed that it will continue to finance the Company so as to enable it to meet its liabilities as they fall due and to carry on its business without any significant curtailment of operations for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Cash flow statement

The Company is a wholly owned subsidiary of TalkTalk Telecom Group PLC and is included in the consolidated financial statements of TalkTalk Telecom Group PLC which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 "Cash Flow Statements".

Tangible fixed assets and capitalised interest

Tangible fixed assets are carried at historic purchase cost less accumulated depreciation. They include amounts in respect of interest paid on funds specifically related to the financing of assets and other costs incurred in bringing the asset to its working condition for its intended use. Interest is capitalised on a gross basis.

Financial liabilities

Financial liabilities are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Profit and Loss Account over the period of the borrowings using the effective interest method. Preference shares which are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in the Profit and Loss Account as an interest expense.

Finance costs

Finance costs directly attributable to the acquisition or construction of qualifying assets are capitalised. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use and from which future economic benefits are expected to arise. All other borrowing costs are recognised in the Profit and Loss Account on an accruals basis.

BLINKBOX ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

1. ACCOUNTING POLICIES (continued)

Depreciation

Depreciation is provided to write off costs or valuation of tangible fixed assets less their residuals on a straight-line basis over the anticipated useful economic lives of the assets.

The following depreciation rates were applied for the Company and are consistent with the prior period:

- Leasehold properties with less than 40 years unexpired are depreciated by equal annual instalments over the unexpired period of the lease.
- Computer hardware, software fixtures and fittings and cycle to work – at rates varying from 14% to 33%.

Foreign currencies

Transactions in foreign currencies are translated into pounds sterling at the exchange rate on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into pounds sterling at the exchange rates prevailing at the Balance Sheet date. All foreign exchange differences are taken to the Profit and Loss Account for the period.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as a lessee

Assets held under finance leases are recognised as tangible fixed assets of the Company at their fair value or if lower at the present value of the minimum lease payments each determined at the inception of the lease. The corresponding liability is included in the Balance Sheet as a finance obligation. Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Profit and Loss Account.

Rentals payable under operating leases are charged to the Profit and Loss Account on a straight line basis over the term of the relevant lease.

Provisions

Provisions for onerous leases are recognised when the Company believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

Intangible assets

Intangible assets relate to costs incurred for IT development staff and includes both full time employees and contracting staff. Intangible assets are stated at cost less accumulated depreciation and impairment charges.

Development Expenditure : Over the useful economic life of 7 years

Impairment of fixed assets and goodwill

At each balance sheet date the Company reviews the carrying amounts of the fixed assets and intangible assets to determine whether there is any need for impairment in accordance with FRS 11 "Impairment of Fixed Assets and Goodwill". Any impairment is recognised in the Profit and Loss Account in the period in which it occurs.

BLINKBOX ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

1. ACCOUNTING POLICIES (continued)

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. The contributions payable to the fund and the balance outstanding at 28 February 2015 is disclosed in note 19 to the financial statements.

Turnover

Turnover represents revenue recognised by the company in respect of the digital distribution of video programming exclusive of Value Added Tax and trade discounts.

Core revenue streams are advertising, where revenue is recognised over the relevant campaign period, and retail sales, which is recognised at the time of transaction.

Current taxation

The amount included in the Profit and Loss Account is based on the profit or loss on ordinary activities before taxation and is calculated at current local tax rates, taking into account timing differences and the likelihood of realisation of deferred tax assets and liabilities.

Group relief on taxation

The Company may receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the Profit and Loss Account.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date and which could give rise to an obligation to pay more or less taxation in the future. Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it is regarded as 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 at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the Balance Sheet date.

BLINKBOX ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

2. EXCEPTIONAL ITEMS

	53 weeks ended 28 Feb 2015 £	52 weeks to 23 Feb 2014 £
Exceptional items		
Impairment of intangible assets (note 8)	16,601,206	-
Impairment of tangible assets (note 9)	193,751	-
Onerous contract charge (note 13)	3,778,967	-
Redundancy costs – wages, salaries and social security	1,382,184	-
	21,956,108	-

Impairment, onerous contract charges and redundancy costs were incurred in the period as a result of aligning the Company's strategic goals to those of the new parent undertaking.

3. OPERATING LOSS

Operating loss is stated after charging:

	53 weeks ended 28 Feb 2015 £	52 weeks to 23 Feb 2014 £
Amortisation of intangible assets (note 8)	2,854,567	2,028,874
Depreciation of tangible fixed assets (note 9)		
- owned assets	796,677	653,521
Operating lease charges		
- land and buildings	701,495	484,035
Research and development credit – current period	-	101,795
Research and development credit – prior period adjustment	(84,334)	-
Services provided by the Company's auditor		
Fees payable for the audit	28,500	21,000
Exceptional items (note 2)	21,956,108	-

4. EMPLOYMENT COSTS

Wages and salaries	10,344,571	9,284,296
Social security costs	1,384,768	1,163,334
Other pension costs	388,988	107,301
Staff costs	12,118,327	10,554,931

Included within employment costs are £1,214,573 of wages and salaries and £167,611 of social security costs in relation to redundancy costs (2014: nil).

The average number of UK employees (excluding directors) during the period ended 28 February 2015 was 155 (2014: 140) and the average of full time equivalents was 155 (2014: 140).

BLINKBOX ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

5. DIRECTORS' EMOLUMENTS

	53 weeks ended 28 Feb 2015 £	52 weeks to 23 Feb 2014 £
Aggregate emoluments	1,047,293	1,116,448

Retirement benefits accrued for 1 Director (2014: 1 Director) during the period under a defined benefit scheme until the company was acquired by TalkTalk Telecom Group PLC in January 2015.

The total value of contributions to a defined contributions scheme on behalf of all Directors of the Company during the period ended 28 February 2015 was £45,415 (2014: £59,492). No compensation was paid to Directors for loss of office or retirement during the period ended 28 February 2015 (2014: Nil).

Highest paid Director

	53 weeks ended 28 Feb 2015 £	52 weeks to 23 Feb 2014 £
Total aggregate emoluments	735,362	508,141

6. INTEREST PAYABLE AND SIMILAR CHARGES

	53 weeks ended 28 Feb 2015 £	52 weeks to 23 Feb 2014 £
Interest payable on loans from group undertakings	1,755,613	1,410,297
Finance lease interest	6,343	10,016
Interest payable and similar charges	1,761,956	1,420,313

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	53 weeks ended 28 Feb 2015 £	52 weeks to 23 Feb 2014 £
UK corporation tax on profit for the period	-	164,495
Adjustments in respect of previous periods	(136,269)	-
Deferred tax:		
Origination and reversal of timing differences	-	681,013
Adjustment in respect of prior period	(681,013)	-
Tax (credit)/charge for the period	(817,282)	845,508

BLINKBOX ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

7. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Factors that have affected the tax charge

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the company's losses for this accounting period are taxed at an effective rate of 21.2%.

The tax assessed for the period is higher (2014: higher) than the blended rate of corporation tax in the UK of 21.2% (2014: 23.1%). The differences are explained below:

	53 weeks ended 28 Feb 2015 £	52 weeks to 23 Feb 2014 £
Loss on ordinary activities before taxation	(46,236,315)	(29,506,604)
Loss on ordinary activities multiplied by blended rate in the UK 21.2% (2014: 23.1%)	(9,802,099)	(6,816,026)
Effects of:		
Expenses not deductible for tax purposes	4,068,260	(21,431)
Accelerated capital allowances and other timing differences	89,180	139,659
Adjustment for research and development relief	-	(1,776,444)
Group relief surrendered without payment	5,319,897	8,498,737
R&D expenditure credit adjustment	-	140,000
Trading loss carried forward	324,762	-
Current tax charge for the financial period	-	164,495

On 2 July 2013, a reduction in the UK Statutory rate of Corporation tax was substantively enacted, bringing the rate down to 21% effective from 1 April 2014 and to 20% from 1 April 2015. The UK government has announced it intends to further reduce the rate of corporation tax to 19% with effect from 1 April 2017 and to 18% from 1 April 2020. As this legislation was not substantively enacted by 31 March 2015, the impact of the anticipated change is not reflected in the tax provisions reported in these financial statements. The impact of any anticipated rate changes would be to reduce any deferred tax asset calculated at 20% to 19%.

BLINKBOX ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

8. INTANGIBLE ASSETS

	Website development £
Cost	
At 23 February 2014	18,656,112
Additions	8,535,088
Impairment	(16,601,206)
At 28 February 2015	10,589,994
Provision for amortisation	
At 23 February 2014	2,760,232
Amortisation charge	2,854,567
At 28 February 2015	5,614,799
Net book value	
At 28 February 2015	4,975,195
At 23 February 2014	15,895,880

Capitalised website development costs are amortised over 7 years as the estimated Useful Economic Life.

Following an impairment review of the Company's intangible assets, an impairment charge of £16,601,206 (2014: £nil) has been recorded in respect of the Website Development asset. This impairment charge has been recognised in the Profit and Loss Account (see note 2).

The impairment charge mainly relates to the assessment of the fair value of the Company's intangible assets following its acquisition by TalkTalk Group Limited. The recoverable amount of the assets represents the expected future returns in line with the Group's five year plan. It has been calculated using the value in use basis derived from cashflow projections based on the Company's latest approved business plan, discounted at the Group's WACC and adjusted as appropriate for business specific factors to give a pre-tax rate of 9%. The carrying value was impaired to the extent that it was above the recoverable amount.

BLINKBOX ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

9. TANGIBLE ASSETS

	Cycle to work	Leasehold Property	Computer hardware	Fixtures and Fittings	Computer software	Total
	£	£	£	£	£	£
Cost						
At 23 February 2014	8,707	2,258,026	1,813,439	280,054	105,313	4,465,539
Additions at cost	6,766	82,888	186,081	7,788	-	283,523
Disposals	(1,457)	-	-	(2,322)	-	(3,779)
Impairment	-	(193,751)	-	-	-	(193,751)
At 28 February 2015	14,016	2,147,163	1,999,520	285,520	105,313	4,551,532
Accumulated depreciation						
At 23 February 2014	5,580	271,109	1,014,162	153,014	89,784	1,533,649
Charge for the period	7,185	252,121	475,240	46,602	15,529	796,677
Disposals	(624)	-	-	(629)	-	(1,253)
At 28 February 2015	12,141	523,230	1,489,402	198,987	105,313	2,329,073
Net book value						
At 28 February 2015	1,875	1,623,933	510,118	86,533	-	2,222,459
At 23 February 2014	3,127	1,986,917	799,277	127,040	15,529	2,931,890

Following an impairment review of the company's tangible fixed assets an impairment charge of £193,751 (2014: Nil) has been recorded in respect of Leasehold Property no longer occupied. The impairment charge has been recognised in the Profit and Loss Account (see note 2). The impairment relates to the build costs of head office space no longer required and therefore creates no future economic value to the company.

10. DEBTORS

	2015 £	2014 £
Trade debtors	1,104,071	578,616
Amounts owed by group undertakings	-	3,219,442
Called up share capital not paid	96	96
Other debtors	1,408,564	3,324,721
Prepayments and accrued income	687,445	679,625
	3,200,176	7,802,500

Included within amounts owed by group undertakings are amounts that are unsecured, have no fixed date of repayment and are repayable on demand.

Included within other debtors is an amount of £157,541 (2014: £2,557,408) relating to licencing costs.

BLINKBOX ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

11. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Trade creditors	4,885,957	3,132,519
Amounts owed to group undertakings	-	1,048,906
Finance leases (note 15)	33,604	96,393
Other taxation and social security	230,727	465,435
Other creditors	207,900	630,317
Accruals and deferred income	8,992,226	12,904,595
	14,350,414	18,278,165

Included within accruals and deferred income is an amount of £Nil (2014:£77,624) relating to intercompany accruals.

12. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £	2014 £
Accruals and deferred income	69,845	610,768
Amounts owed to group undertakings	-	72,327,289
Finance leases (note 15)	-	33,604
	69,845	72,971,661

13. PROVISIONS FOR LIABILITIES

	2015 £	2014 £
At beginning of the period	-	-
Additions:		
Onerous contracts	3,778,967	-
Dilapidations	105,746	-
Utilised during the period:		
Onerous contracts	(3,068,372)	-
Total	816,341	-

The onerous contracts provision primarily relates to contractual minimum revenue guarantees which the Company no longer expects to achieve. As such a provision has been entered to recognise the onerous element of the contract. The contract is due to expire eighteen months from the period end.

A provision has been included in respect of leasehold property dilapidations relating to the company's office premises.

BLINKBOX ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

14. DEFERRED TAXATION

	2015 £	2014 £
At beginning of period	(681,013)	-
Origination and reversal of timing differences	-	(681,013)
Adjustment in respect of prior period	681,013	-
Deferred tax asset/(liability)	-	(681,013)

	2015 £	2014 £
Excess of capital allowances over depreciation	92,366	86,748
Trade losses carried forward	884,273	2,276,438
Other short term timing differences	(995,039)	(3,167,392)
Tax withheld on Research and Development Above the Line Credit	18,400	123,193
Deferred tax asset/(liability)	-	(681,013)

At 28 February 2015, the Company had an unrecognised deferred tax asset of £1,378,000 (2014: nil). This relates to accelerated capital allowances of £92k, tax losses of £2,258k and other timing differences of (£972k). It is not appropriate to recognise this deferred tax asset due to uncertainty over future trading profits

15. LEASING COMMITMENTS

Finance lease commitments – Company as lessee

Future minimum lease payments under finance leases are as follows:

	2015 £	2014 £
Gross rental obligations	33,881	135,522
Less future finance charges	(277)	(5,526)
Present value of minimum lease payments	33,604	129,996
Analysed as:		
Within one year	33,604	96,392
Between two and five years	-	33,604
	33,604	129,996

The Company has finance leases for various items of plant, equipment, fixtures and fittings. There are also a small number of buildings which are held under finance leases. The fair value of the Company's lease obligations approximate to their carrying value.

BLINKBOX ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)

Operating lease commitments – Company as a lessee

Annual commitments payable under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2015	2014	2015	2014
Expiring	£	£	£	£
Within one year	-	-	-	95,987
Between two and five years	282,127	282,127	-	-
	282,127	282,127	-	95,987

Operating lease payments represent rentals payable by the Company for its office properties and IT software. The leases have varying terms, purchase options, escalation clauses and renewal rights.

16. CALLED UP SHARE CAPITAL

	2015	2014
	£	£
Allotted, called up and fully paid:		
101,754,085,057 Ordinary shares of £0.001 each (2014: 3,379,327)	101,754,085	3,379
2,032,984 'A' Preference shares of £0.001 each (2014: 2,032,984)	2,033	2,033
5,133,197 'B' Preference shares of £0.001 each (2014: 5,133,197)	5,133	5,133
4,574,111 'C' Preference shares of £0.001 each (2014: 4,574,111)	4,574	4,574
27,503,644 'D' Preference shares of £0.001 each (2014: 27,503,644)	27,504	27,504
7,715,000 Super Ordinary shares of £0.001 each (2014: 7,715,000)	7,715	7,715
	101,801,044	50,338

During the period 101,750,705,730 Ordinary shares were issued at £0.001 per share due to converting loans issued from the former parent company to equity immediately prior to acquisition by TalkTalk.

The 'A', 'B', 'C', and 'D' Preference shares carry a fixed cumulative preferential dividend rate of 6 per cent per annum on the issue price per share and shall accrue annually from the original issue date and shall be compounded annually on 31 December. The Preferences shares are convertible into Ordinary shares at the entitlement of the preference shareholders and carry a preferential return on a return of capital in accordance with the Articles of Association.

The above dividends, which are payable out of the profits available for distribution, are payable upon the occurrence of certain events as prescribed in the company's Articles of Association, unless each of the Investee Directors, as defined in the Articles, agree otherwise.

Due to the conditions prescribed in the Articles of Association regarding the payment of these dividends, the ability of the Investee Directors to agree otherwise to the payment of the dividends and the unavailability of distributable profits these dividends have not been accrued in these financial statements.

The Super Ordinary shares carry no right to a dividend or other income distribution. The Super Ordinary shares carry a preferential right on a return of capital in accordance with an order of priority as set out in the Company's Articles of Association.

BLINKBOX ENTERTAINMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2015 (continued)****17. RESERVES**

	Share Premium Account £	Profit and Loss Account £
As at 23 February 2014	13,498,450	(70,282,659)
Loss for the financial period	-	(45,419,033)
As at 28 February 2015	13,498,450	(115,701,692)

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT AS AT 28 FEBRUARY 2015

	2015 £	2014 £
Loss for the financial period	(45,419,033)	(30,352,112)
Ordinary share capital issued	101,750,706	-
Opening shareholders' deficit	(56,733,871)	(26,381,759)
Closing shareholders' deficit	(402,198)	(56,733,871)

19. PENSIONS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £191,643 (2014: £107,301). The balance outstanding as at 28 February 2015 was £Nil (2014: £41,348).

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate and ultimate parent undertaking and controlling party is TalkTalk Telecom Group PLC, a company registered in England and Wales, having acquired the entire share capital of the company on 7 January 2015.

TalkTalk Telecom Group PLC is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 March 2015. The consolidated financial statements of TalkTalk Telecom Group PLC are available from 11 Evesham Street, London, W11 4AR.

21. RELATED PARTY TRANSACTIONS

Transactions with other subsidiary companies within the Group are not disclosed as the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 "Related Party Disclosures", as the consolidated financial statements of TalkTalk Telecom Group PLC, in which the Company is included, are available at the address noted in note 20.