Symphony Telecom Limited

Financial Statements

Year ended 31 March 2008

Company Registration No. 3252692

CONTENTS

Symphony Telecom Limited
DIRECTORS REPORT
For the year ended 31 March 2008

The Directors submit their report and the audited financial statements of Symphony Telecom Limited ("STL") ("the Company") for the year ended 31 March 2008.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was the provision of telecommunication services.

100% of the share capital of the Company is owned by Symphony Telecom Holdings Limited.

REVIEW OF BUSINESS

Turnover for the year of £7,902,626 (2007: £15,751,783) decreased by £7,849,157. The principal reason for the reduction in turnover is that the Company only traded for six months during the year, as from 1 October 2007 the trade of STL was transferred to Redstone Communications Limited, a fellow group company. During the year the Company underwent restructuring with one off costs associated with office relocation and staff redundancies of £93,717.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties within the Company include the competitive nature of the market in which it operates, and the impact of the heavy regulation under Ofcom.

The objectives of STL are to support its trading activities and minimise adverse effects of fluctuations in market conditions on reported profitability and on cash flows.

FINANCIAL RISK MANAGEMENT

The Company's principal financial risk is credit risk, which following the transfer of trade during the year arises from outstanding receivables with its joint ventures and group subsidiaries. The credit position of the joint venture entities are regularly monitored with appropriate action taken by management in the event of a breach of credit limit.

The Redstone plc Group has banking facilities in place which are secured through fixed and floating charges over the Company and all property and assets of the Redstone plc group, of which the Company is a member.

The Redstone Group is forecasting that it should be able to operate within the level of its banking facilities. However, given the change in the macro economic climate, the group felt it prudent to enter into negotiations with its bankers to ensure that its facilities and covenants are appropriate if there are any further downturns. It has received a positive response from its bankers, has agreed outline terms and expects to conclude a revised facility agreement within the next few weeks.

RESULTS AND DIVIDENDS

The profit for the year was £655,851 (2007: profit £146,956). No dividends were paid during the year (2007: £1.0 million).

KEY PERFORMANCE INDICATORS

The Company is a member of the Redstone plc group which the Directors manage on a divisional basis. For this reason the Company Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group is included in the Group's annual report, copies of which are publicly available from Companies House.

DIRECTORS

The following directors held office during the year and up to the date of signing the financial statements:

T Perks
M Balaam

PAYMENTS TO CREDITORS

The Company has a variety of payment terms with its suppliers. The Company agrees payment terms with its suppliers when it enters into binding purchase contracts for the supply of goods and services. Its suppliers are, in that way, made aware of these terms. The Company seeks to abide by these payment terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At 31 March 2008 the were no trade creditors remaining in the balance sheet as a result of the transfer of trade of STL to Redstone Communications Limited. There were no trade creditors shown in the balance sheet at 31 March 2008.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

Symphony Telecom Limited
DIRECTORS REPORT
For the year ended 31 March 2008

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 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

As far as the Directors are aware there is no information relevant to the audit of which the Company's auditors are unaware and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any such relevant information and to establish that the Company's auditors are aware of that information.

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

T Perks
Director
28 January 2009.

Symphony Telecom Limited
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYMPHONY TELECOM LIMITED
For the year ended 31 March 2008

We have audited the financial statements of Symphony Telecom Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 judgments 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28 January 2009

Symphony Telecom Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2008

	Note	2008 £	2007 £
TURNOVER	2	7,902,626	15,751,783
Cost of sales		(6,210,514)	(10,232,734)
Gross profit		1,692,112	5,519,049
Net administrative expenses before exceptional items	3	(597,950)	(2,751,331)
Exceptional items	3	(93,717)	(913,516)
Net administrative expenses	3	(691,667)	(3,664,847)
Selling and distribution costs	3	(349,631)	(1,726,683)
OPERATING PROFIT		650,814	127,519
Net interest receivable	6	5,037	19,437
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	655,851	146,956
Taxation	7	-	-
PROFIT FOR THE YEAR	16,17	655,851	146,956

The results for the year arise from the Company's operations all of which have now been discontinued following the transfer of trade to Redstone Communications Limited on 1 October 2007.

The Company has no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

Symphony Telecom Limited
BALANCE SHEET
As at 31 March 2008

	Note	2008 £	Restated 2007 £
FIXED ASSETS			
Tangible assets	9	-	102,934
Investments	10	314,813	314,813
		314,813	417,747
CURRENT ASSETS			
Stocks	11	-	10,070
Debtors	12	1,401,823	3,396,370
Cash at bank and in hand		-	1,314,272
		1,401,823	4,720,712
CREDITORS: amounts falling due within one year	13	(74,964)	(4,152,638)
NET CURRENT ASSETS		1,326,859	568,074
TOTAL ASSETS LESS CURRENT LIABILITIES		1,641,672	985,821
NET ASSETS		1,641,672	985,821
CAPITAL AND RESERVES			
Called up share capital	15	50,100	50,100
Profit and loss account	16	1,591,572	935,721
TOTAL EQUITY SHAREHOLDERS' FUNDS	17	1,641,672	985,821

The financial statements on pages 8 to 18 were approved by the Board on 28 January 2009 and signed on its behalf by:

T Perks
Director

1) ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared on the going concern basis and under the historical cost convention in accordance with The Companies Act 1985 and applicable Accounting Standards in the United Kingdom.

The principal accounting policies adopted by the Company and applied consistently throughout the year, are described below.

GOING CONCERN

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Redstone plc. The directors have received confirmation that Redstone plc intend to support the company for at least one year after these financial statements are signed.

The Redstone Group is forecasting that it should be able to operate within the level of its banking facilities. However, given the change in the macro economic climate, the group felt it prudent to enter into negotiations with its bankers to ensure that its facilities and covenants are appropriate if there are any further downturns. It has received a positive response from its bankers, has agreed outline terms and expects to conclude a revised facility agreement within the next few weeks.

TANGIBLE FIXED ASSETS
Tangible fixed assets are stated at cost or fair value on acquisition less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life by equal instalments, as follows:

Motor vehicles	over 3 years
Fixtures, fittings and equipment	over 3 years

The carrying value of tangible fixed assets is reviewed when there is an indication of impairment and any reduction in value is charged to the profit and loss account.

INVESTMENTS
Long-term investments, held as fixed assets, are stated at cost less provision for any impairment in value.

STOCK
Stock is stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

DEFERRED TAXATION
Deferred taxation 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 tax or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

PENSIONS
The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. Contributions payable are charged in the profit and loss account in the year in which they are incurred.

REVENUE RECOGNITION
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales duty. The following specific recognition criteria must also be met before revenue is recognised:

Telephony
Revenues from telephony network services, both inbound and outbound, are recognised in the month in which they are consumed by the customer.

Pre-paid phone cards
Revenues from the sale of pre-paid phone cards are deferred and recognised on consumption of minutes or when the card has expired.

Internet protocol solutions (IP solutions)
IP solutions revenues comprise the sale of goods and rendering of services. Revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery.

Maintenance and subscriptions
Revenues relating to contracted maintenance and subscription agreements are recognised evenly over the period of the agreement.

SELLING COSTS
Commissions paid to agents and other distributors based on revenue or profit share arrangements are recorded in administrative expenses and accrued in line with the related revenue or profit.

RELATED PARTY TRANSACTIONS
The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Redstone plc, whose accounts are publicly available.

CASH FLOW STATEMENT

The Company is a wholly owned subsidiary of Symphony Telecom Holdings Limited which is owned by Redstone plc. The cash flows of the Company are included in the consolidated cash flow statement of Redstone plc which are publicly available. Consequently the Company is exempt under the terms of FRS1 (revised) "Cash flow statements" (revised 1996) from publishing a cash flow statement.

CONSOLIDATION

The Company is a wholly-owned subsidiary of Symphony Telecom Holdings Limited and is included in the consolidated financial statements of Redstone plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 228 of the Companies Act 1985.

DIVIDENDS

Dividends proposed after the balance sheet date are not recorded in the balance sheet as a liability as there is no obligation at the balance sheet date.

EXCEPTIONAL ITEMS

The company classifies as exceptional, items that are considered to be one-off, incremental, and usually arise from corporate transactions and related restructuring. In respect of redundancy, staff costs are classified as exceptional from the end of the consultation period. Items classified as exceptional in the year include aborted transaction costs.

2) TURNOVER

The Company's turnover was all derived from its principal activity. All sales were made in the United Kingdom.

3) NET OPERATING EXPENSES

	2008 £	2007 £
Administrative expenses before exceptionals	597,950	2,751,331
Exceptional items	93,717	913,516
Administrative expenses	691,667	3,664,847
Selling and distribution costs	349,631	1,726,683
	1,041,298	5,391,530

The exceptional items relate to redundancy costs following the integration of STL into the Redstone group.

4) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2008 £	2007 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors remuneration – audit services	37,500	31,500
Depreciation of owned tangible fixed assets	58,861	177,203
Provision of tangible fixed assets	-	120,000
Operating lease rentals:		
Plant and machinery	-	-
Other	4,911	29,939

5) EMPLOYEES' AND DIRECTORS' EMOLUMENTS

The average monthly number of persons (including directors) employed by the Company during the year was:

	2008	2007
Customer services	14	49
Admin and management	9	12
	23	61

During 2008 there were no employees of Symphony Telecom Limited as a result of previous restructuring. The services have been delivered and supported by resource from other Redstone entities.

Staff costs for the above persons:	2008 £	2007 £
Wages and salaries	589,757	2,146,900
Long term incentive plan	-	169,482
Social security costs	59,368	287,367
	649,125	2,603,749

There are no outstanding or prepaid pension costs at the year end.

DIRECTORS' REMUNERATION	2008 £	2007 £
Aggregate emoluments	-	855,932

The Directors' remuneration is borne in full by Redstone Communications Limited, and no emoluments were received for services as a director of Symphony Telecom Limited.

6) NET INTEREST RECEIVABLE

	2008 £	2007 £
Bank interest receivable	5,037	19,807
Bank interest payable	-	(370)
Net interest receivable	5,037	19,437

7) TAXATION

	2008 £	2007 £
UK corporation tax at 30% (2007: 30%)	-	-

At 31 March 2008 the Company had accumulated UK tax losses available to offset against future trading profits. No deferred tax asset has been recognised in respect of these losses.

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2008 £	2007 £
Profit on activities before taxation	655,851	146,956
Profit on ordinary activities multiplied by the standard rate in the UK of 30% (2007: 30%)	196,755	44,087
Effect of non-deductible expenses	-	-
Effect of depreciation on excess of capital allowances	(17,624)	8,764
Effect of group relief and utilisation of losses brought forward	(179,131)	(52,851)
Tax charge for the period	-	-

8) DIVIDENDS

	2008	2007
Dividends	-	1,000,000

The above dividends were paid during the year to Symphony Telecom Holding Limited.

9) TANGIBLE ASSETS

	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
1 April 2007	29,495	1,422,864	1,452,359
Additions	-	27,962	27,962
Transfer	(29,495)	(1,450,826)	(1,480,321)
31 March 2008	-	-	-
Depreciation			
1 April 2007	29,495	1,319,930	1,349,425
Charged in the year	-	58,861	58,861
Transfer	(29,495)	(1,378,791)	(1,408,286)
31 March 2008	-	-	-
Net book value			
31 March 2008	-	-	-
31 March 2007	-	102,934	102,934

10) INVESTMENTS

	£
Shares in subsidiary undertakings:	
31 March 2007 & 31 March 2008	314,813

During the year ended 31 March 2007 the Company disposed of its Irish operation, 'Telenet Communications Limited' resulting in disposal of investments of £1,200.

The Company holds more than 10% of the equity of the following undertakings:

	Country of Incorporation	Proportion of nominal value of voting shares held
Network Billing Services Limited*	England and Wales	50%
Open-Link Technology Limited*	England and Wales	50%
Unitel Network Services Limited*	England and Wales	50%
Network Business Call Limited*	England and Wales	50%
NT Independent Networks Limited*	England and Wales	50%
Lloyd Network Services Limited*	Northern Ireland	50%
BDR Networks Limited*	England and Wales	50%
IP Integration Network Services Limited*	England and Wales	50%

* companies considered to be subsidiaries on the basis of dominant influence.

The Company also holds 100% of the issued share capital of eight and 50% of one non-trading or dormant entities not shown above.

All companies operate principally in their country of incorporation and their principal activity is the provision of telecommunications services.

The Directors reviewed the carrying value of investments in the balance sheet against the recoverable amounts based on a value in use calculation. In the opinion of the Directors there is no impairment of investments in the year.

The directors believe that the book value of investments is supported by their underlying net assets.

11) STOCKS

	2008 £	2007 £
Finished goods and goods for resale	-	10,070

12) DEBTORS

	2008 £	2007 £
Trade debtors	-	958,056
Amounts owed by group companies	734,657	583,290
Amounts owed by joint ventures	667,166	633,273
Other debtors	-	121,836
Prepayments and accrued income	-	1,099,915
	1,401,823	3,396,370

Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment date. The classification of prior year balances has been amended for consistency with the presentation adopted in the current year.

13) CREDITORS: Amounts falling due within one year

	2008 £	2007 £
Trade creditors	-	741,868
Amounts owed to joint ventures	74,964	83,495
Amounts owed to group companies		1,167,077
Corporation tax	-	5,193
Other taxation and social security costs	-	445,821
Other creditors	-	19,391
Accruals and deferred income	-	1,689,793
	74,964	4,152,638

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment. The classification of prior year balances has been amended for consistency with the presentation adopted in the current year.

14) DEFERRED TAX

	2008 £	2007 £
Total unprovided amounts of deferred tax are as follows:		
Depreciation in excess of capital allowances	-	84,894
Tax losses carried forward	2,315,314	2,230,420
Unprovided deferred tax asset	2,315,314	2,315,314

No deferred tax asset has been recognised as the Directors do not believe it more likely than not that asset will be recoverable.

15) SHARE CAPITAL

	2008 £	2007 £
Authorised:		
1,000 (2007: 1,000) ordinary shares of £1 each	1,000	1,000
50,000 (2007: 50,000) ordinary 'B' shares of £1 each	50,000	50,000
	51,000	51,000
Allotted, issued and fully paid		
100 (2007: 100) ordinary shares of £1 each	100	100
50,000 (2007: 50,000) ordinary 'B' shares of £1 each	50,000	50,000
	50,100	50,100

Profits declared for distribution shall be available only to the holders of the ordinary shares. On a return of assets the holders of 'B' ordinary shares rank first in the repayment of the nominal value of the 'B' ordinary shares. Any surplus after the repayment of the holders of 'B' ordinary shares is distributable equally between the ordinary and 'B' ordinary shares. The 'B' ordinary shares do not carry any voting rights.

16) RESERVES

	Profit and loss account £
1 April 2007	935,721
Profit for the year	655,851
31 March 2008	1,591,572

17) RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2008 £	2007 £
Opening equity shareholders' funds	985,821	1,838,865
Dividends	-	(1,000,000)
Profit for the year	655,851	146,956
Closing equity shareholders' funds	1,641,672	985,821

18) RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption conferred by FRS 8 that transactions between Group companies do not need to be disclosed.

Joint venture partners

Symphony Telecom Limited held a 50% interest in a number of joint ventures (note 10). The transactions and balances relating to these joint ventures are summarised below:

	£
Amounts receivable from joint ventures at 1 April 2007	549,778
Invoices in respect of JV charges paid by Symphony	915,761
Management fees	318,425
Net cash movements	(1,225,170)
Sundry items	33,408
Amounts receivable from joint ventures at 31 March 2008	**592,202**

19) ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a wholly owned subsidiary of Symphony Telecom Holdings Limited and the Company's ultimate parent Company is Redstone plc which is registered in England and Wales. Redstone plc is the parent undertaking of the smallest and largest group to consolidate the results of Symphony Telecom Limited. Group financial statements for Redstone plc, are available from the Company Secretary, Redstone plc, 80 Great Eastern Street, London, EC2A 3RS.

20) CONTINGENT LIABILITIES

The Redstone plc Group has banking facilities in place which are secured through charges over the property and assets of the Group, of which the Company is a member. The company is contingently liable for cross guarantees entered into in connection with the Group's banking facility, under which an amount of £26.6m was drawn down at 31 March 2008.