

**Registered number: 4682530**

**RBT (Connect) Limited**

**Directors' report and financial statements  
for the year ended  
31 March 2011**

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# **RBT (Connect) Limited**

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## **Directors and advisors**

### **Directors**

Mr C Apsey  
Mr D Bell  
Cllr R McNeely  
Cllr W Sangster  
Mr C Anderson

### **Company secretary**

Newgate Street Secretaries Limited

### **Registered office**

81 Newgate Street  
London  
EC1A 7AJ

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

**Directors' report for the year ended 31 March 2011**

The directors submit their report and the audited financial statements of RBT (Connect) Limited (the "Company") for the year ended 31 March 2011. The registered number of the Company is 4682530.

**Principal activities and future developments**

The Company was incorporated on 28 February 2003 as a joint enterprise between British Telecommunications plc and Rotherham Metropolitan Borough Council ('RMBC') for the purpose of providing certain services to RMBC and to third parties.

The Company's principal activity is the provision of information, communications, telecommunications and other services. As a result of a strategic review, the Company is currently undertaking a review of the future activities of the business and in particular the scope of services provided to RMBC. The accounts for the Company have been prepared on a going concern basis, pending the completion of this strategic review.

In the opinion of the Directors, there would be no material differences between the financial statements for the year ended 31 March 2011 as presented and those prepared on a break-up basis.

On 17 April 2003, RBT (Connect) Limited entered into an agreement with RMBC for the provision of services in the following areas:

- information, communications and technology,
- processing of council tax transactions and benefit payments,
- human resources and payroll,
- procurement, and
- the establishment and operation of a customer contact centre known as "Rotherham Connect"

On 23 May 2008, the Company entered into a contract amendment with Rotherham Metropolitan Borough Council to change the terms and conditions of the original service provision agreement (dated 17 April 2003). Under the terms of the contract amendment the Company will continue to provide the above services.

Under the terms of the contract amendments, the impact of the changes has been accounted for in these financial statements.

**Principal risks and uncertainties**

The directors of BT Group plc (the ultimate controlling entity of the Company) manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of BT Group plc, which include

those of the company, are discussed on pages 39 to 43 of the group's annual report, which does not form part of this report

## **Directors' report for the year ended 31 March 2011**

### **Key performance indicators ("KPIs")**

The directors of BT Group plc manage the group's operations on a divisional basis. For this reason, the Company's 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 of the Company.

### **Results and dividends**

The profit on ordinary activities before taxation was £51,000 (2010: £41,000). The tax on profit on ordinary activities was £14,000 (2010: £11,000) which left a profit after taxation for the financial year of £37,000 (2010: £30,000).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2011 (2010: £nil).

### **Directors**

A list of the current directors as at 31 March 2011 is set out on page 1. Mr W Sangster was appointed as a director on 21 April 2011. Mr I Willcox resigned as a director on 23 April 2010 and Mr C Anderson was appointed as a director on the same date. The remaining directors held office throughout the year and up to the date of signing of this report.

### **Statement of directors' responsibilities**

A statement by the directors of their responsibilities for preparing the financial statements is included on page 4. Auditors and disclosure of information to the auditors.

### **Disclosure of information to auditors**

So far as each of the directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

By order of the Board,



Authorised signatory

For and on behalf of Newgate Street Secretaries Limited

**Company secretary**

8th December 2011

**Statement of directors' responsibilities**

The directors are responsible for preparing the 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 those 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.

**Independent auditors' report to the members of RBT (Connect) Limited**

We have audited the financial statements of RBT (Connect) Limited for the year ended 31 March 2011, which comprise the profit and loss account, the balance sheet, the cash flow statement, the accounting policies and the related notes. 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).

**Respective responsibilities of directors and auditors**

As explained more fully in the statement directors' responsibilities, set out on page 4, 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). 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.

**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. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**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 2011 and of its profit and cash flows for the year then ended,

**Independent auditors' report to the members of RBT (Connect) Limited**

- 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

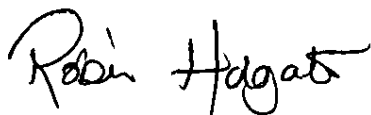
**Opinion on other matter prescribed by the Companies Act 2006**

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



Robin Holgate (Senior Statutory Auditor)

**For and on behalf of PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

London

13 December 2011

**Profit and loss account for the year ended 31 March 2011**

	Notes	2011 £'000	2010 £'000
<b>Turnover</b>	1	30,294	30,534
Administrative expenses		<u>(30,243)</u>	<u>(30,493 )</u>
<b>Profit on ordinary activities before taxation</b>	2	51	41
Tax on profit on ordinary activities	5	<u>(14)</u>	<u>(11)</u>
<b>Profit for the financial year</b>	13	<u>37</u>	<u>30</u>

The profit on ordinary activities before taxation derives entirely from continuing activities

Other than the profit for the financial year, there have been no recognised gains or losses during either 2011 or 2010, and therefore no separate statement of total recognised gains and losses has been presented

There were no material differences between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis

## Balance sheet as at 31 March 2011

	Notes	2011 £'000	2010 £'000
<b>Current assets</b>			
Debtors	9	8,576	13,821
Cash at bank and in hand	10	<u>3,320</u>	<u>2,175</u>
		11,896	15,996
<b>Creditors: amounts falling due within one year</b>	11	<u>(11,785)</u>	<u>(15,922)</u>
<b>Net current assets</b>		<u>111</u>	<u>74</u>
<b>Net assets</b>		<u>111</u>	<u>74</u>
<b>Capital and reserves</b>			
Called up share capital	12	10	10
Profit and loss account	13	<u>101</u>	<u>64</u>
<b>Total shareholders' funds</b>	14	<u>111</u>	<u>74</u>

The financial statements on pages 7 to 16 were approved by the Board of directors on 6<sup>th</sup> December 2011 and were signed on its behalf by



Mr C Anderson  
Director

8<sup>th</sup> December 2011

**Cash flow statement for the year ended 31 March 2011**

	Notes	2011 £'000	2010 £'000
Net cash inflow(outflow) from operating activities	6	1,156	(15,751)
Taxation		(11)	26
Increase / (decrease) in cash	7	<u>1,145</u>	<u>(15,725)</u>

**Accounting policies****Basis of accounting**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been consistently applied, are set out below.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting year. Actual results could differ from those estimates. Estimates are used principally when accounting for provisions for doubtful debts, provisions for liabilities and charges and taxes.

**Turnover**

Turnover, which excludes value-added tax and other sales taxes, comprises the value of services provided and equipment sales. Turnover relates to one activity being the provision of information, communications and technology services. Turnover from long-term contracts is recognised as the services are performed in accordance with the contract.

**Operating costs**

Operating costs represent expenses incurred in the normal course of business and management fees paid to fellow subsidiary undertakings. All operating costs are recognised when incurred.

**Taxation**

The current tax charge is based on the profit for the financial year and takes into account deferred tax.

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

A net deferred tax asset is recognised 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 an undiscounted basis.

**Accounting policies (continued)****Trade debtors**

Trade debtors are stated in the balance sheet at estimated net realisable value. Net realisable value is the invoiced amount less provision for doubtful receivables.

Provisions are made specifically where there is objective evidence of a dispute or an inability to pay. An additional provision is made based on an analysis of balances by age, previous losses experienced and general economic conditions.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**RBT (Connect) Limited**  
**Notes to the financial statements**

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**1 Turnover**

Turnover is derived from services provided within the United Kingdom

**2 Profit on ordinary activities before taxation**

Operating profit is stated after charging

	2011 £'000	2010 £'000
Auditors' remuneration	<u>8</u>	<u>8</u>

**3 Directors' emoluments**

The directors, apart from Cllr R McNeely and Cllr A Sangster, are employed and remunerated by British Telecommunications plc or other group companies in respect of their services to the BT group as a whole. Cllr R McNeely and Cllr A Sangster are representatives of Rotherham MBC and are remunerated by Rotherham MBC.

No emoluments were paid to the directors in respect of their services to the Company in the year ended 31 March 2011 (2010: £nil).

**4 Employee information**

The average monthly number of persons employed by the Company during the year was nil (2010: nil). Services are performed by employees seconded from Rotherham MBC and BT Group companies.

**5 Tax on profit on ordinary activities**

	2011 £'000	2010 £'000
<b>Current tax:</b>		
UK corporation	14	11
Total current tax	<u>14</u>	<u>11</u>
Tax on profit on ordinary activities	<u>14</u>	<u>11</u>

The tax assessed for the year is 28% (2010: 28%), equal to the standard rate of corporation tax in the UK. The differences are explained below.

**RBT (Connect) Limited**  
**Notes to the financial statements**

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	2011 £'000	2010 £'000
<b>Profit on ordinary activities before taxation</b>	<u>51</u>	<u>41</u>
Profit on ordinary activities multiplied by standard rate of corporation tax at 28% (2010 28%)	14	11
<b>Total current tax charge</b>	<u>14</u>	<u>11</u>

**6 Net cash inflow / outflow from operating activities**

	2011 £'000	2010 £'000
Operating profit	51	41
Decrease (increase) in debtors	5,245	(9,061)
Decrease in creditors	(4,140)	(6,679)
<b>Net cash inflow (outflow) from operating activities</b>	<u>1,156</u>	<u>(15,699)</u>

**7 Reconciliation of net cash flow to movement on net funds**

	2011 £'000	2010 £'000
<b>Increase/decrease) in cash in the year</b>	<u>1,145</u>	<u>(15,725)</u>
Movement in net funds in the year	1,145	(15,725)
Net funds at 1 April	2,175	17,900
<b>Net funds at 31 March</b>	<u>3,320</u>	<u>2,175</u>

**8 Analysis of changes in net funds**

Cash	At 1 April 2010 £'000	Cash flows £'000	At 31 March 2011 £'000
Cash at bank and in hand	2 175	1,145	3 320

**RBT (Connect) Limited**  
**Notes to the financial statements**

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**9 Debtors**

	2011 £'000	2010 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	2,983	4,356
Amounts owed by group undertakings	4,728	8,306
Prepayments	323	273
Accrued income	542	886
<b>Total debtors</b>	<u>8,576</u>	<u>13,821</u>

**10 Cash at bank and in hand**

The Company, certain fellow subsidiaries and parent companies participate in a cash pooling arrangement and have jointly and severally guaranteed amounts owing to the Company's bankers by any participating company. The liability of the Company is limited to the amounts standing to the credit of the Company's accounts with the bank.

**11 Creditors: amounts falling due within one year**

	2011 £'000	2010 £'000
Trade creditors	1,980	4,099
Amounts owed to group undertakings	7,309	9,767
Corporation taxes	14	11
Other taxation and social security	747	615
Other creditors	7	7
Accruals	1,674	1,242
Deferred income	54	181
	<u>11,785</u>	<u>15,922</u>

Amounts due to group undertakings are unsecured (2010 unsecured), interest free (2010 interest free) and have no fixed date of repayment (2010 no fixed date).

**12 Called up share capital**

	2011 £'000	2010 £'000
<b>Allotted and fully paid</b>		
1,990 (2010 1,990) "A" ordinary shares of £1 each	2	2
8,010 (2010 8,010) "B" ordinary shares of £1 each	8	8
	<u>10</u>	<u>10</u>

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**Notes to the financial statements**

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In the event of a winding up, the assets of the Company available for distribution to shareholders after payment of all other debts and liabilities, will be distributed between the "A" and "B" ordinary shareholders in accordance with a formula given in the Company's articles of association

**13 Profit and loss account**

	<b>Profit and loss account £'000</b>
Balance at 1 April 2010	64
Profit for the financial year	37
<b>Balance at 31 March 2011</b>	<b><u>101</u></b>

**14 Reconciliation of movements in shareholders' funds**

	<b>2011 £'000</b>	<b>2010 £'000</b>
Profit for the financial year	<u>37</u>	<u>30</u>
Net addition to shareholders' funds	37	30
Opening shareholders' funds	<u>74</u>	<u>44</u>
<b>Closing shareholders' funds</b>	<b><u>111</u></b>	<b><u>74</u></b>

**15 Contingent liabilities**

Other than as disclosed in note 10, at 31 March 2011 there were no contingent liabilities or guarantees other than those arising in the ordinary course of the Company's business and on these no material losses are anticipated

**16 Controlling entities**

The Company is an 80.1% (2010: 80.1%) owned subsidiary of British Telecommunications plc, which is the immediate controlling entity. The ultimate controlling entity as at 31 March 2011 was BT Group plc. The remaining 19.9% (2010: 19.9%) of the subsidiary is owned by Rotherham Metropolitan Borough Council.

The parent undertaking of the smallest group of companies into which the results of the Company are consolidated is British Telecommunications plc, a company incorporated in

**RBT (Connect) Limited**  
**Notes to the financial statements**

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England & Wales Copies of the financial statements of British Telecommunications plc are available from The Secretary, British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ

**17 Related party transactions**

The Company incurred management fees of £8,467,000 (2010 £7,904,000) to British Telecommunications plc during the year ended 31 March 2011. At 31 March 2011, creditors include balances of £7,309,000 (2010 £9,767,000) payable to British Telecommunications plc for management fees and debtors include balances of £4,728,000 (2010 £8,306,000) owed by British Telecommunications plc.

The Company recognised revenue of £30,234,000 (2010 £30,543,000) from RMBC, holder of 1,990 "A" ordinary shares. The Company also incurred expenses of £21,680,000 (2010 £22,558,000) to RMBC. The expenditure related to the reimbursement of staff and other costs incurred by RMBC on behalf of the Company.

As at 31 March 2011, debtors include balances of £3,133,000 (2010 £4,303,000) and creditors include balances of £1,986,000 (2010 £4,105,000) owing from/to RMBC.