

Registered number: 4682530

RBT (Connect) Limited

**Annual Report
for the year ended
31 March 2010**

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Directors and advisors

Directors

Mr C Apsey
Mr I Willcox (resigned 23/04/10)
Mr D Bell
Mrs R McNeely
Mr W Sangster (resigned 25/2/10)
Mr C Anderson (appointed 23/04/10)

Company Secretary

Newgate Street Secretaries Limited

Registered Office

81 Newgate Street
London
EC1A 7AJ

Independent Auditors

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

Directors' report for the year ended 31 March 2010

The directors submit their annual report and the audited financial statements of RBT (Connect) Limited (the "Company") for the year ended 31 March 2010. The registered number of the Company is 4682530.

Review of 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. The directors do not anticipate any change in the foreseeable future.

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 36 to 37 of the group's annual report, which does not form part of this report.

Directors' report for the year ended 31 March 2010

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.

Profits and dividends

The profit before taxation was £41,000 (2009 £25,000). The charge for taxation was £11,000 (2009 £25,000) which left a profit after taxation for the year of £30,000 (2009 £nil).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2010 (2009 £nil).

Directors

A list of the current directors as at 31 March 2010 is set out on page 1. Mr W Sangster served as a director until he resigned on 25 February 2010. On 23 April 2010 Mr I Willcox resigned as a director and Mr C Anderson was appointed as a director. The remaining directors held office throughout the year and up to the date of signing of this report.

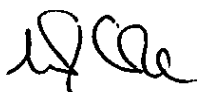
Statement of directors' responsibilities

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.

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

27 AUGUST 2010

Statement of directors' responsibilities for preparing 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 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, 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

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 2010, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein. 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 Directors' Responsibilities Statement, 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 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

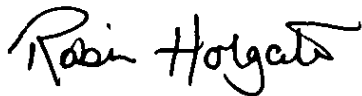
Opinion on other matter prescribed by the Companies Act 2006

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

2 SEPTEMBER 2010

Profit and loss account for the year ended 31 March 2010

| | Notes | 2010 £'000 | 2009 £'000 |
|--|-------|-----------------|-----------------|
| Turnover | 1 | 30,534 | 30,136 |
| Operating costs | 2 | <u>(30,493)</u> | <u>(30,111)</u> |
| Profit on ordinary activities before taxation | | 41 | 25 |
| Tax on profit on ordinary activities | 5 | <u>(11)</u> | <u>(25)</u> |
| Retained profit for the financial year | 13 | <u>30</u> | <u>-</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 other recognised gains or losses during either 2010 or 2009, 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 historic cost basis

Balance sheet as at 31 March 2010

| | Notes | 2010 £'000 | 2009 £'000 |
|---|-------|------------------|------------------|
| Current assets | | | |
| Debtors | 9 | 13,821 | 4,761 |
| Cash at bank and in hand | 10 | 2,175 | 17,900 |
| | | <u>15,996</u> | <u>22,661</u> |
| Creditors: amounts falling due within one year | 11 | <u>(15,922)</u> | <u>(22,617)</u> |
| Net current assets | | <u>74</u> | <u>44</u> |
| Total assets less current liabilities | | <u>74</u> | <u>44</u> |
| Net assets | | <u>74</u> | <u>44</u> |
| Capital and reserves | | | |
| Called up share capital | 12 | 10 | 10 |
| Profit and loss account | 13 | <u>64</u> | <u>34</u> |
| Total shareholders' funds | 14 | <u><u>74</u></u> | <u><u>44</u></u> |

The financial statements on pages 7 to 16 were approved by the board of directors on
26 August 2010 and were signed on its behalf by



Mr D Bell
 Director

Cash flow statement for the year ended 31 March 2010

| | Notes | 2010 £'000 | 2009 £'000 |
|---|-------|-----------------|---------------|
| Net cash (outflow) inflow from operating activities | 6 | (15,751) | 9,854 |
| Taxation | | 26 | (-) |
| (Decrease) / Increase in cash | 7 | <u>(15,725)</u> | <u>9,854</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 period. 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 charge for taxation is based on the profit for the 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.

Accounting policies (continued)**Taxation (continued)**

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.

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) Ltd
Notes to the financial statements

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1 Turnover

Turnover is derived from services provided within the United Kingdom

2 Operating profit

Operating profit is stated after charging

| | 2010 £'000 | 2009 £'000 |
|------------------------|-----------------------------|-----------------------------|
| Auditors' remuneration | <u>8</u> | <u>8</u> |

3 Directors' emoluments

The directors, apart from Mr W Sangster (resigned 25/2/2010) and Mrs R McNeely, are employed and remunerated by British Telecommunications plc or other group companies in respect of their services to the BT group as a whole. Mr W Sangster and Mrs R McNeely 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 2010 (2009: £nil).

4 Employee information

The average monthly number of persons employed by the Company during the year was nil (2009 - nil). Services are performed by employees seconded from Rotherham MBC and BT Group companies.

RBT (Connect) Ltd
Notes to the financial statements

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5 Tax on profit / (loss) on ordinary activities

| | 2010 £'000 | 2009 £'000 |
|--|-----------------------------|-----------------------------|
| Current tax: | | |
| UK corporation tax at 28% (2009 – 28%) | 11 | 25 |
| Total current tax | <u>11</u> | <u>25</u> |
| Tax on profit / (loss) on ordinary activities | <u>11</u> | <u>25</u> |

The tax assessed in 2009 was higher than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2010 £'000 | 2009 £'000 |
|--|-----------------------------|-----------------------------|
| Profit on ordinary activities before taxation | <u>41</u> | <u>25</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax at 28% (2009 – 28%) | 11 | 7 |
| Effects of: | | |
| Expenses not deductible for tax | - | 84 |
| Group relief received for no charge | (-) | (66) |
| Current tax charge | <u>11</u> | <u>25</u> |

The Company received tax losses from another group company for no consideration.

The standard rate of Corporation Tax in the UK is 28% (2009: 28%). Accordingly, the company's profits for this accounting period are taxed at an effective rate of 28% and will be taxed at 28% in future.

6 Net cash inflow from operating activities

| | 2010 £'000 | 2009 £'000 |
|--|-----------------------------|-----------------------------|
| Operating profit | 41 | 25 |
| (Increase) decrease in debtors | (9,061) | 1,421 |
| (Decrease) increase in creditors | (6,679) | 8,408 |
| Tax paid | <u>(26)</u> | <u>-</u> |
| Net cash (outflow) inflow from operating activities | <u>(15,725)</u> | <u>9,854</u> |

RBT (Connect) Ltd
Notes to the financial statements

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7 Reconciliation of net cash flow to movement on net debt

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| (Decrease)/increase in cash in the year | (15,725) | 9,854 |
| Movement in net debt in the year | (15,725) | 9,854 |
| Net debt at 1 April | 17,900 | 8,046 |
| Net cash at 31 March | 2,175 | 17,900 |

8 Analysis of net funds

| Cash | At 1 April 2009 £'000 | Cash flows £'000 | At 31 March 2010 £'000 |
|--------------------------|-----------------------------|---------------------|------------------------------|
| Cash at bank and in hand | 17,900 | (15,725) | 2,175 |

9 Debtors

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | 4,356 | 1,646 |
| Amounts owed by group undertakings | 8,306 | - |
| Prepayments | 273 | - |
| Accrued income | 886 | 3,115 |
| Total debtors | 13,821 | 4,761 |

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.

At 31 March 2010, cash balances with banks included £nil (2009: £nil) cash deposits that was subject to the contractual restrictions regarding the distribution in favour of the Company's shareholders.

RBT (Connect) Ltd
Notes to the financial statements

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11 Creditors: amounts falling due within one year

| | 2010 | 2009 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade creditors | 4,099 | 1,830 |
| Amounts owed to group undertakings | 9,767 | 18,388 |
| Corporation taxes | 11 | 26 |
| Other taxation and social security | 615 | 349 |
| Other creditors | 7 | 7 |
| Accruals | 1,242 | 1,278 |
| Deferred income | 181 | 739 |
| | <u>15,922</u> | <u>22,617</u> |

Amounts due to group undertakings are unsecured (2009 unsecured), interest free (2009 interest free) and have no fixed date of repayment (2009 no fixed date)

12 Called up share capital

| | 2010 | 2009 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Authorised | | |
| 199,000 (2009 199,000) "A" ordinary shares of £1 each | 199 | 199 |
| 801,000 (2009 801,000) "B" ordinary shares of £1 each | 801 | 801 |
| | <u>1,000</u> | <u>1,000</u> |
| Allotted, called up and fully paid | | |
| 1,990 (2009 1,990) "A" ordinary shares of £1 each | 2 | 2 |
| 8,010 (2009 8,010) "B" ordinary shares of £1 each | 8 | 8 |
| | <u>10</u> | <u>10</u> |

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 Reserves

| | Profit and loss account |
|--|--------------------------------|
| | £'000 |
| Balance at 1 April 2009 | 44 |
| Retained profit for the financial year | <u>30</u> |
| Balance at 31 March 2010 | <u>74</u> |

RBT (Connect) Ltd
Notes to the financial statements

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14 Reconciliation of movements in shareholders' funds

| | 2010 £'000 | 2009 £'000 |
|--|------------------|------------------|
| Retained profit for the financial year | <u>30</u> | <u>-</u> |
| Net addition to shareholders' funds | 30 | - |
| Opening shareholders' funds | <u>44</u> | <u>44</u> |
| Closing shareholders' funds | <u><u>74</u></u> | <u><u>44</u></u> |

15 Contingent liabilities

Other than as disclosed in note 10, at 31 March 2010 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% (2009 80.1%) owned subsidiary of British Telecommunications plc, which is the immediate controlling entity. The ultimate controlling entity as at 31 March 2010 was BT Group plc. The remaining 19.9% (2009 19.9%) of the subsidiary is owned by Rotherham Metropolitan Borough Council.

17 Related party transactions

The Company incurred management fees of £7,904,000 (2009 £8,801,000) to British Telecommunications plc during the year ended 31 March 2010. At 31 March 2010, creditors include balances of £9,767,000 (2009 £18,388,000) payable to British Telecommunications plc for management fees and debtors include balances of £8,306,000 (2009 £nil) owed by British Telecommunications plc.

The Company recognised revenue of £30,543,000 (2009 £30,018,000) from RMBC, holder of 1,990 "A" ordinary shares. The Company also incurred expenses of £22,558,000 (2009 £21,309,000) 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 2010, debtors include balances of £4,303,000 (2009 £1,636,000) and creditors include balances of £4,105,000 (2009 £1,837,000) owing from/to RMBC.