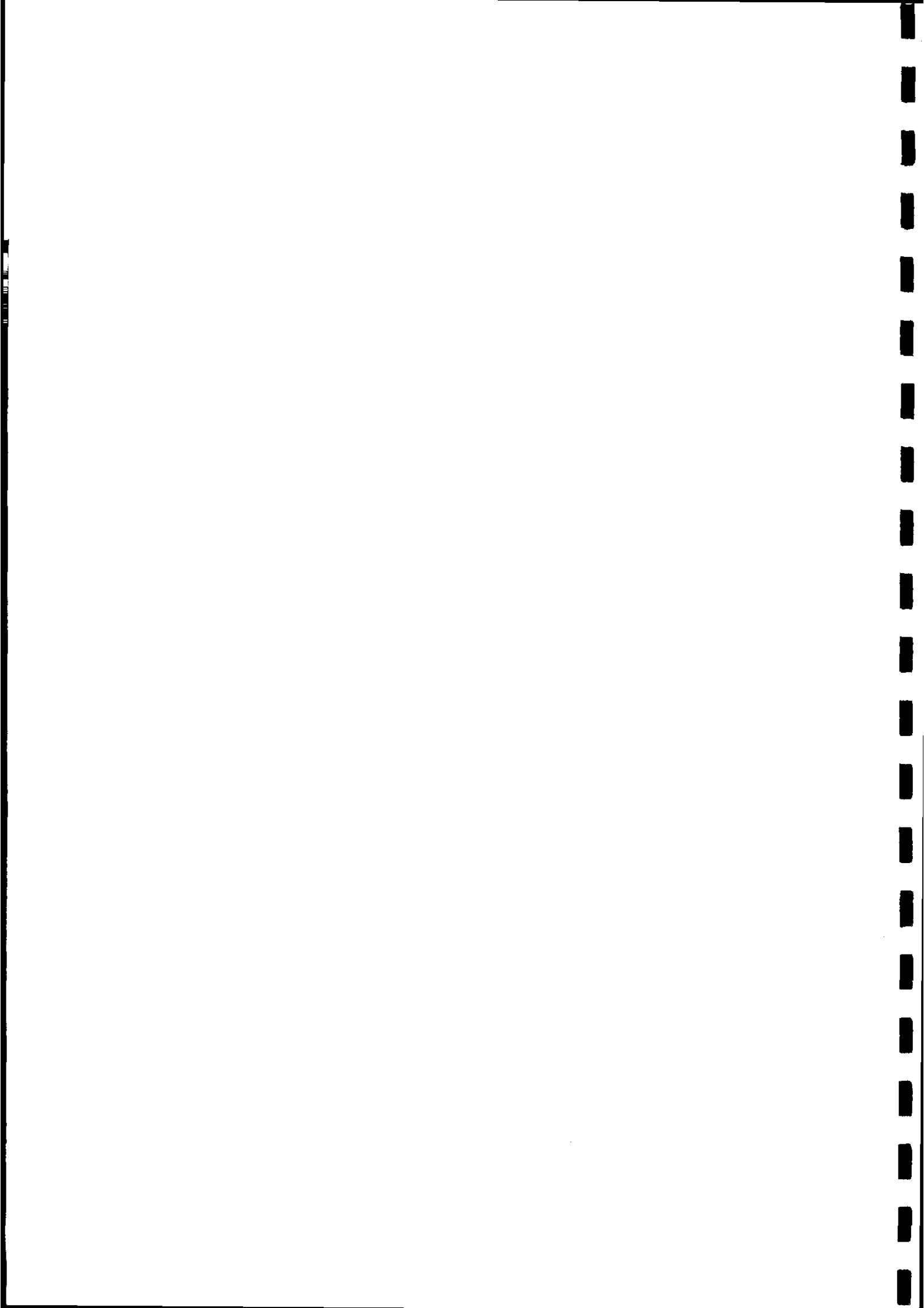


BT Cellnet Limited
(formerly Telecom Securicor Cellular Radio Limited)
Annual report
for the year ended 31 March 2000

Registered no: 1743099





BT Cellnet Limited
(formerly Telecom Securicor Cellular Radio Limited)

1

Directors

Mr N J Eldred
Mr A W Longden
Mr S J Prior

Secretary and registered office

Mr N J Eldred

260 Bath Road
Slough
SL1 4DX

Registered auditors

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6RH



Report of the directors for the year ended 31 March 2000

The directors submit their annual report and the audited financial statements for the year ended 31 March 2000.

Profits and dividends

Profit before taxation was £51,166,000 (1999: £115,651,000). The charge for taxation was £9,881,000 (1999: £37,756,000) which left profit after taxation for the year of £41,285,000 (1999: £77,895,000).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2000 (1999: £nil).

Review of activities

The Company operates a cellular communications network and sells network airtime services to service providers and to its customer bases, trading as "BT Cellnet". The Company continues to develop and expand its cellular communications network and the sale of its services.

The network operates under a licence granted by the Department of Trade and Industry on 22 March 1994 under the Telecommunications Act 1984. This licence replaced one originally granted in 1985.

Acquisitions

During the year ended 31 March 2000, the Company acquired the remaining 74% of DX Communications Limited it did not already own for £19.7 million. This was funded through cash and loan notes – see note 14 for details.

Post Balance Sheet events

On 11 April 2000, the Company paid £45 million to acquire the remaining 60% of The Mobile Phone Stores Limited.

On 28 June 2000, the Company disposed of its 40% shareholding in Cellular Operations Limited for £4.5m. Additional contingent consideration of up to £6.5m may be received by the Company on 31 July 2001 depending on the level of connections made post year-end.

The Company discontinued analogue cellular services following approval from OfTel on 1 October 2000.

Change of company name

The company name was changed from Telecom Securicor Cellular Radio Limited to BT Cellnet Limited on 1 November 2000.

Report of the directors for the year ended 31 March 2000

MMC referral

In the accounts for the year ended 31 March 1999, the Company stated that it believed the impact of the changes to the interconnection charges resulting from the Monopolies and Mergers Commission investigation into call charges to mobile phones would not be significant to the Company's financial results. The Company confirms that the actual impact of the changes has not been significant to its financial position.

Directors

A list of current directors is set out on page 1. Messrs. Eldred, Longden and Prior were appointed to the Board and Messrs. Davenport, Green, Warner, Erskine and Wilson resigned from the Board with effect from 23 February 2000. Mr M Bett resigned from the Board on 13 December 1999. Messrs. Griffiths, Norton, Pack, Shirtcliffe and Wiggs resigned from the Board with effect from 11 November 1999.

Directors' interests in shares

At 31 March 2000 and the date of appointment, 23 February 2000, the only interests of the directors, who are not directors of the ultimate holding company, in the ordinary shares of the ultimate holding company and as shown in the register maintained by the Company in accordance with Section 325 of the Companies Act 1985, were as follows:

**Ordinary shares of 25p each in
British Telecommunications plc**

	31 March 2000	at date of appointment
N Eldred	1,343	1,337
A W Longden (a)	52,185	52,185
S J Prior	4,564	4,564

- (a) Includes 5,963 (at date of appointment: 5,963) shares held by Mr Longden under the BT Executive Share Plan ("the ESP")

In addition to the above, contingent awards and non-beneficial interests in shares held under BT share plans were:

1. Under the ESP, Mr Longden has been granted contingent awards of 65,485 (at date of appointment: 65,387) shares. Full entitlement to these shares at the end of a five-year period is dependent upon the BT group meeting a pre-determined corporate performance measure and the continued employment of participants by the BT group.
2. As at 31 March 2000, Mr Longden had a non-beneficial interest in 5,903,526 (at date of appointment: 5,629,621) shares held in trust by Ilford Trustees (Jersey) Limited for allocation to participating employees under the ESP.

Report of the directors for the year ended 31 March 2000

3. Mr Longden has also been granted contingent awards totalling 4,411 (at date of appointment: 4,404) shares under the BT Deferred Bonus Plan ("DBP"). Entitlement to these shares at the end of a three-year period is dependent upon the continued employment of the participant by the BT Group.
4. Under the BT Performance Share Plan ("PSP") Mr Prior and Mr Eldred have also been granted contingent awards of 2,406 (at date of appointment: 2,403) and 3,547 (at date of appointment: 3,542) shares respectively. The vesting of awards under the PSP is subject to BT meeting a pre-determined performance target. If that target is met and the participant is still employed by the BT group, the awards will vest within two years of the end of a three-year cycle (which may be extended up to five years).
5. As at 31 March 2000 Mr Prior, Mr Eldred and Mr Longden each had a non-beneficial interest in 13,388,542 (at date of appointment: 1,317,675) shares held in trust by Ilford Trustees (Jersey) Limited for allocation to employees under either the PSP or the DBP.
6. At 31 March 2000, the directors had a non-beneficial interest in 78,454 shares (at date of appointment: 53,912) purchased by BT Employee Shares Trustees Limited for allocation to employees under the BT Share Ownership Scheme.

Share options held, granted to, or exercised by the directors under the BT Employee Sharesave scheme, over the ordinary shares of British Telecommunications plc, during the year ended 31 March 2000 were:

Employee Sharesave Scheme				
	at date of appointment	Granted	Exercised	31 March 2000
Mr Eldred	2,588	-	-	2,588
Mr Prior	2,591	-	-	2,591
Mr Longden	4,805	-	-	4,805

Statement of directors' responsibilities

A statement by the directors of their responsibilities for preparing the financial statements is included on page 6.

Research and development

The Company has incurred research and development expenditure of £6,657,565 (1999: £1,042,000) in order to improve the competitive position of its network services.

Policy on the payment of suppliers

The Company's policy is to use its purchasing power fairly and to pay promptly and as agreed. The Company has a variety of payment terms with its suppliers. The terms for payments for purchases under major contracts are settled when agreeing the other terms negotiated with the

Report of the directors for the year ended 31 March 2000

individual suppliers. It is the Company's policy to make payments for other purchases within thirty working days of the invoice date, provided that the relevant invoice is presented to the Company in a timely fashion and is complete. The Company's payment terms are printed on the Company's standard purchase order forms or, where appropriate, specified in individual contracts agreed with suppliers. It is the Company's policy to abide by the terms of payment.

Employees

The Company remains committed to providing equal opportunities for all its people and follows the BT Cellnet Equal Opportunities policy.

Employee communications continued to play an important role in keeping all Company people fully informed about the challenges and opportunities facing the Company. The Company conducts an annual employee attitude survey using independent assessors.

Disabled employees

The Company gives full consideration to application for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Close company provision

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company. There has been no change in this respect since the end of the financial year.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors of the Company will be proposed at the Annual General Meeting.

By order of the board

Mr N J Eldred
Secretary

Statement of directors' responsibilities

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss and total recognised gains or losses of the Company for that period.

The directors consider that, in preparing the financial statements for the year ended 31 March 2000 on pages 8 to 22, the Company has used appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The accounting policies have been applied consistently. The directors also consider that all accounting standards which they consider to be applicable have been followed and confirm that the financial statements have been prepared on the going concern basis.

The directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The auditors' responsibilities are stated in their report on page 7.

Report of the auditors to the members of BT Cellnet Limited (formerly Telecom Securicor Cellular Radio Limited)

7

We have audited the financial statements on pages 8 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 6, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the Company's affairs at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

15 December

2000

BT Cellnet Limited
(formerly Telecom Securicor Cellular Radio Limited)

8

Profit and loss account for the year ended 31 March 2000

	Note	2000 £'000	1999 £'000
Turnover	1	2,097,387	1,410,950
Cost of sales		(1,186,764)	(632,988)
Exceptional item: impairment loss	3	<u>(38,562)</u>	<u>-</u>
Gross profit		872,061	777,962
Selling and administrative expenses		(765,880)	(620,373)
Exceptional item: migration costs	3	<u>(8,624)</u>	<u>-</u>
Operating profit	2	97,557	157,589
Interest receivable and similar income	4	1,104	7,677
Income from fixed asset investments		1,000	400
Interest payable and similar charges	5	<u>(48,495)</u>	<u>(50,015)</u>
Profit on ordinary activities before taxation		51,166	115,651
Tax on profit on ordinary activities	8	<u>(9,881)</u>	<u>(37,756)</u>
Profit for the financial year	18	<u>41,285</u>	<u>77,895</u>

Turnover and operating profit derive entirely from continuing activities. Other than the profit for the financial year, there have been no other recognised gains or losses during 2000 or 1999.

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

Balance sheet at 31 March 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	9	1,494,941	1,289,688
Investments	10	<u>215,205</u>	<u>201,602</u>
Total fixed assets		1,710,146	1,491,290
Current assets			
Stocks	11	6,783	7,184
Debtors: amounts falling due after more than one year	12	500	500
Debtors: amounts falling due within one year	13	725,589	385,902
Cash at bank and in hand		<u>-</u>	<u>34,668</u>
Total current assets		732,872	428,254
Creditors: amounts falling due within one year	14	<u>(1,602,873)</u>	<u>(1,084,910)</u>
Net current liabilities		<u>(870,001)</u>	<u>(656,656)</u>
Total assets less current liabilities		<u>840,145</u>	<u>834,634</u>
Creditors: amounts falling due after more than one year	15	200,425	245,477
Provisions for liabilities and charges			
Deferred taxation	16	119,548	110,270
Capital and reserves			
Called up share capital	17	10,000	10,000
Profit and loss account	18	<u>510,172</u>	<u>468,887</u>
Total equity shareholders' funds	19	<u>520,172</u>	<u>478,887</u>
Capital Employed		<u>840,145</u>	<u>834,634</u>

The financial statements were approved by the board of directors on 13 December 2000 and were signed on its behalf by:



Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently, is set out below.

Basis of accounting

These financial statements present information about the Company as an individual undertaking, and not about its group. The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare and deliver group accounts.

Cash flow statement

The Company is a wholly owned subsidiary of British Telecommunications plc. The cash flows of the Company are included in the consolidated cash flow statement of British Telecommunications plc. Consequently the Company is exempt under the terms of Financial Reporting Standard Number 1 (Revised 1996) from publishing a cash flow statement.

Turnover and cost of sales

Turnover, which excludes value added tax, comprises the value of services provided. Payments to other network operators for handling outgoing calls are included within cost of sales.

Research and development

All expenditure on research and development is written off as incurred.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition, less accumulated depreciation.

Depreciation is provided for on the straight line basis over the estimated useful life of the assets concerned. The principal annual rates used are:

	%
Cellular network equipment	10
Plant and machinery	20-40
Fixtures, fittings, tools and equipment	10-20
Personal computers	50

Leasehold improvements are depreciated on a straight line basis over the remaining period of the lease at the time the improvements are made.

Accounting policies

Fixed asset investments

Investments in subsidiary and associated undertakings are stated at cost less amounts written off.

Leased assets

Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership are treated as if the asset had been purchased outright. Equipment leased under finance leases principally represents the exchanges and base stations which form the analogue cellular radio system. The assets are included in fixed assets and the capital element of the related rental obligations is shown as obligations under finance leases.

The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. The equipment is depreciated over the shorter of the lease term and the estimated useful life of the asset.

Rentals in respect of operating leases, under which substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account as incurred.

Stocks

Stocks are stated at the lower of cost or net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Provision is made for taxation deferred by timing differences only to the extent that the timing differences are expected to reverse in the foreseeable future.

Pension costs

The majority of people working in the Company are members of the BT Pension Scheme. British Telecommunications plc ("BT") operates this defined benefit pension scheme for its employees which is independent of its finances.

The cost of providing pensions is charged against profits over employees' remaining working lives with the scheme using the projected unit method. Variations from this regular cost are allocated over the average remaining service lives of current employees.

Actuarial valuations of the scheme are carried out, as determined by the trustees, at intervals of not more than three years. The most recent valuation was carried out at 31 December 1999.

The rates of contribution payable and the pension cost are determined on the advice of the actuaries having regard to the results of the valuations.

Accounting policies

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Notes to the financial statements

1 Turnover

The directors consider that the Company has only one business segment, namely that of providing a cellular communications network and related services. The Company's operations are based in the United Kingdom.

2 Operating profit

Operating profit is stated after charging:

	2000 £'000	1999 £'000
Auditors' remuneration: Audit services	194	146
Non audit services	521	966
Research and development	6,658	1,042
Hire of plant and equipment	546	431
Operating lease rentals in respect of land and buildings	30,824	24,479
Operating lease rentals in respect of motor vehicles and plant and equipment	3,917	3,892
Depreciation of owned tangible fixed assets	178,902	120,967
Depreciation of tangible fixed assets held under finance lease (Note 3)	44,718	64,613
Loss on disposal of fixed assets	-	1,433

3 Operating exceptional item

Included in the results for the year is an exceptional charge of £47,186,000 relating to the write-off of the analogue network as follows:

	£'000
Depreciation	38,562
Selling and administrative expenses	8,624
	<u>47,186</u>

The tax charge is reduced by £14,156,000 as a consequence of the costs relating to the write-off to the analogue network.

4 Interest receivable and similar income

	2000 £'000	1999 £'000
Holding company and fellow subsidiaries	536	7,464
Due from associated undertakings	-	69
Bank interest receivable	568	144
	<u>1,104</u>	<u>7,677</u>

Notes to the financial statements

5 Interest payable and similar charges

	2000 £'000	1999 £'000
Interest on finance lease obligations	13,688	20,714
Holding company and fellow subsidiaries	27,003	25,877
Due to associated undertakings	-	54
Bank interest	-	1,779
Other interest payable	7,804	1,591
	<u>48,495</u>	<u>50,015</u>

6 Directors' emoluments

	2000 £	1999 £
Emoluments	<u>-</u>	<u>242,150</u>

At 31 March 2000, no director was accruing retirement benefits under a defined benefit scheme in respect of his services to the Company (1999: 1).

Included in emoluments above are the following amounts paid to the highest paid director:

	2000 £	1999 £
Emoluments	<u>-</u>	<u>234,650</u>

During the year ended 31 March 2000, the Company became a wholly-owned subsidiary of BT. The directors are employees of British Telecommunications plc and other group companies and are remunerated for their services to the group as a whole.

7 Employee information

The average monthly number of employees employed by, or on secondment to, the Company during the year was 2,365 (1999: 1,809). The vast majority are employed by BT and the employment costs of these seconded persons have been charged directly to the Company. The aggregate remuneration was as follows:

	2000 £'000	1999 £'000
Wages and salaries	75,242	53,821
Social security costs	7,103	4,562
Pension costs	5,557	4,563
	<u>87,902</u>	<u>62,946</u>

Notes to the financial statements

7 Employee information (continued)

The average monthly number of employees during the year was made up as follows:

	2000	1999
	No.	No.
Technology	1,104	955
Customer operations	570	387
Administration	<u>691</u>	<u>467</u>
	<u><u>2,365</u></u>	<u><u>1,809</u></u>

8 Taxation on profit on ordinary activities

	2000	1999
	£'000	£'000
Tax on profit on ordinary activities:		
United Kingdom corporation tax at 30% (1999: 31%)		
Current	-	1,171
Deferred	17,507	37,054
Under/(over) provision in respect of prior years		
Current	603	(390)
Deferred	<u>(8,229)</u>	<u>(79)</u>
Total tax on profit on ordinary activities	<u><u>9,881</u></u>	<u><u>37,756</u></u>

The Company had unrelieved tax losses for the year ended 31 March 2000, a proportion of which was surrendered to British Telecommunications plc, which has undertaken to meet the Company's corresponding tax liability in later years. Corporation tax losses surrendered at 31 March 2000 amounted to £17,006,000 (1999:Nil).

Notes to the financial statements

9 Tangible fixed assets

	(a) Land and buildings £'000	(b) Plant and machinery £'000	Total £'000
Cost			
At 1 April 1999	27,758	2,223,582	2,251,340
Additions	29,051	435,087	464,138
Transfers from group companies	-	3,295	3,295
Disposals	-	(14,533)	(14,533)
At 31 March 2000	56,809	2,647,431	2,704,240
Depreciation			
At 1 April 1999	8,544	953,108	961,652
Charge for the year (c)	2,259	259,921	262,180
Transfers from group companies	-	-	-
Disposals	-	(14,533)	(14,533)
At 31 March 2000	10,803	1,198,496	1,209,299
Net book value at 31 March 2000	46,006	1,448,935	1,494,941
Net book value at 31 March 1999	19,214	1,270,474	1,289,688

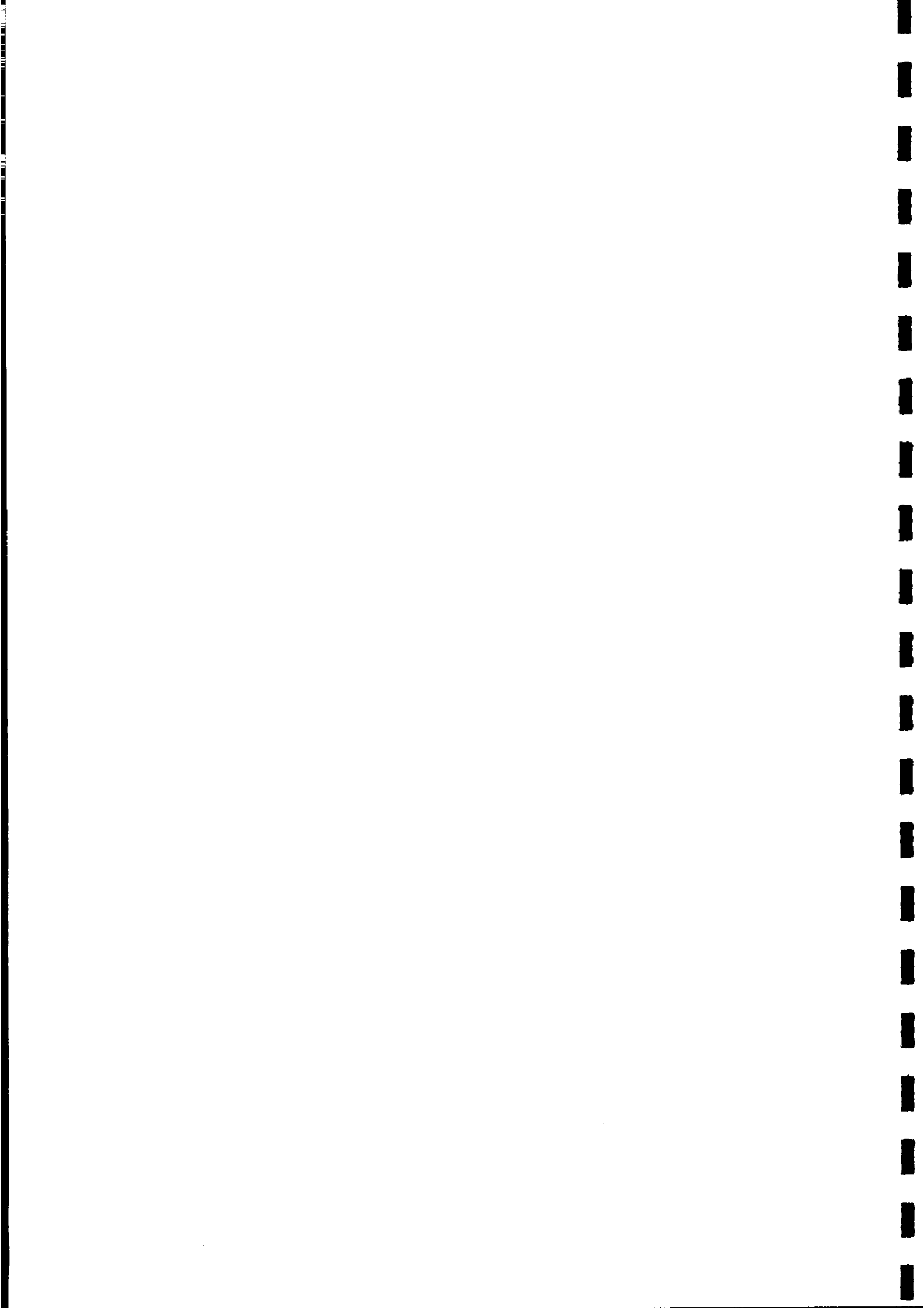
- (a) The net book value of land and buildings comprises short term leasehold improvements.
- (b) Part of the group's cellular radio network is developed by Cellular Radio Limited, also a subsidiary of BT, and then leased to the Company under finance leases (notes 14 and 15). Details of items leased under finance leases included within plant and machinery were as follows:

	2000 £'000	1999 £'000
Depreciation charge for the year	100,525	64,613
Net book value at 31 March	-	100,525

- (c) The charge for the year includes an impairment loss of £38,562,000.

10 Fixed asset investments

	Investment in subsidiary undertakings £'000	Investment in associates £'000	Total £'000
Cost			
Balance at 1 April 1999	131,191	70,411	201,602
Additions	22,953	-	22,953
Disposals	-	(7,749)	(7,749)
Deferred consideration	-	(1,601)	(1,601)
Balance at 31 March 2000	154,144	61,061	215,205



Notes to the financial statements

10 Fixed asset investments (continued)

On 3 September 1999 the Company acquired the remaining 74% of the share capital in DX Communications Limited through a series of transactions. Prior to the acquisition of the remaining 74%, DX Communications Limited disposed of investments in several subsidiary undertakings. The additional acquisition consideration of £19,772,000 was funded through a combination of cash and an issue of loan notes (see note 14). A deferred consideration provision, relating to the original acquisition of the 26% stake, has been off-set against the cost of the acquisition of the remaining 74%.

In the opinion of the directors, the aggregate value of the assets consisting of shares in, and amounts owing from, its subsidiary undertakings was not less than the amount at which these assets were included in the balance sheet.

Brief details of the principal operating subsidiaries are as follows:

Name	Activity	Percentage of allotted capital owned
Lumina Ltd (a)	Communication related services & products provider	100% ordinary
DX Communications Ltd (a)	Retailer of mobile telephones	100% ordinary

(a) held through intermediary holding company

The principal country of operation of the above undertakings is the United Kingdom.

Brief details of principal associated undertakings are as follows:

Name of undertaking	Description and number of shares held	Proportion of nominal value of ordinary shares held/share of undertaking
Cellular Operations Limited (a)	60,000 ordinary £1	40%
Mobile Phone Stores (b)	4,000 ordinary B £1	40%
The Link Stores Limited	40 ordinary B 50p	40%

The principal country of operation of the above undertakings is the United Kingdom. All of the associated companies are retailers of mobile telephones.

(a) Disposed on 28 June 2000.

(b) After 31 March 2000, the Company acquired the remaining 60% of The Mobile Phone Stores Limited for a total consideration of £45 million.

11 Stocks

	2000 £'000	1999 £'000
Goods for resale	<u>6,783</u>	<u>7,184</u>

Notes to the financial statements

12 Debtors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Other loans receivable	500	500
	<u>500</u>	<u>500</u>

13 Debtors: amounts falling due within one year

	2000 £'000	1999 £'000
Trade debtors	160,111	79,029
Other debtors	1,500	893
Accrued income and prepayments	48,603	14,967
Corporation tax receivable	794	-
VAT receivable	5,933	15,011
Due by holding company and fellow subsidiaries	429,029	241,406
Due by associated undertakings	63,817	17,641
Loans receivable from associated undertakings	7,375	7,632
Due by subsidiary undertakings	8,427	9,323
	<u>725,589</u>	<u>385,902</u>

14 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Bank overdraft	9,523	-
Trade creditors	134,979	11,248
Loans	98,699	90,754
Due to fellow subsidiary undertaking under finance leases (note 15)	37,989	62,008
Due to holding company and fellow subsidiaries	848,425	602,561
Accruals and deferred consideration	470,434	304,693
Corporation tax payable	-	3,337
Other taxation and social security	2,824	10,309
	<u>1,602,873</u>	<u>1,084,910</u>

Accruals and deferred consideration includes £10,401,710 (1999: £13,795,000) deferred consideration for the purchase of associated undertakings.

Included in loans, is loan stock of £84,049,000 (1999: £89,654,000) issued for the purchase of Lumina Limited (formerly Martin Dawes Telecommunications Limited). Loan stock A £69,314,000 is to be repaid at par on the 30 June 2006 together with accrued interest (at 0.5% above the base lending rate of Barclays Bank plc) up to and including that date. Stockholders are entitled to require the Company to redeem, in full or in part, the loan stock on any date after 29 September 1999. Loan stock B £14,735,000 is to be repaid at par on the 30 June 2006 together with accrued interest (at 1.5% above the base lending rate of Barclays Bank plc until 17 September 1999 and thereafter at 0.5% above the base lending rate of Barclays Bank plc)

Notes to the financial statements

14 Creditors: amounts falling due within one year (continued)

up to and including 30 June 2006.

In September 1999, the Company issued loan stock of £14,400,000 in order to fund the acquisition of the remaining shares in DX Communications Limited. This loan stock is interest-bearing at LIBOR and repayable on 2 September 2009 at par. Stockholders are entitled to require the company to redeem, in full or in part, the loan stock on any date after 2 March 2000.

15 Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Due to holding company and fellow subsidiaries	150,000	150,000
Obligations to fellow subsidiary undertaking under finance leases	47,401	81,682
Deferred consideration	3,024	13,795
	<u>200,425</u>	<u>245,477</u>

The maturity of the deferred consideration and amounts owed to the holding company is as follows:

	2000 £'000	1999 £'000
Amounts falling due		
Between one and two years	992	10,771
Between two and five years	152,032	153,024
	<u>153,024</u>	<u>163,795</u>

Payments are due under finance leases in respect of fixed assets leased at 31 March 2000 as follows:

	2000 £'000	1999 £'000
In one year or less	45,079	74,012
Between one and two years	26,523	45,079
Between two and five years	28,597	53,587
In five years or more	-	1,534
	<u>100,199</u>	<u>174,212</u>
Less: amount representing future interest payments	<u>(14,809)</u>	<u>(30,522)</u>
Principal amounts outstanding	85,390	143,690
Less: principal amount payable within one year included in obligations under finance leases (note 14)	<u>(37,989)</u>	<u>(62,008)</u>
Amount payable after more than one year	<u>47,401</u>	<u>81,682</u>

Notes to the financial statements

16 Provisions for liabilities and charges

Deferred taxation

Analysis of provision made and the total potential liability:

	2000		1999	
	Total potential liability £'000	Provision made £'000	Total Potential Liability £'000	Provision made £'000
Tax effects of timing differences due to:				
Excess of tax allowances over depreciation	159,372	159,372	127,612	127,612
Other	(28,567)	(28,567)	(17,342)	(17,342)
Tax effects of losses carried forward	(6,155)	(6,155)	-	-
	<u>124,650</u>	<u>124,650</u>	<u>110,270</u>	<u>110,270</u>
Tax effects of losses surrendered	(5,102)	(5,102)	-	-
	<u>119,548</u>	<u>119,548</u>	<u>110,270</u>	<u>110,270</u>

Other timing differences arose principally on leased assets.

The movement on the provision for deferred taxation is as follows:

	2000 £'000	1999 £'000
At 1 April	110,270	73,295
Profit and loss account	<u>9,278</u>	<u>36,975</u>
At 31 March	<u>119,548</u>	<u>110,270</u>

17 Share capital

	2000 £'000	1999 £'000
Authorised		
10,000,000 (1999: 10,000,000) ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called-up and fully paid		
10,000,000 (1999: 10,000,000) ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

18 Profit and loss

	2000 £'000	1999 £'000
At 1 April	468,887	390,992
Profit for the financial year	<u>41,285</u>	<u>77,895</u>
At 31 March	<u>510,172</u>	<u>468,887</u>

Notes to the financial statements

19 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit for the financial year	41,285	77,895
Opening shareholders' funds	<u>478,887</u>	<u>400,992</u>
Closing shareholders' funds	<u>520,172</u>	<u>478,887</u>

20 Financial commitments

	2000 £'000	1999 £'000
Capital expenditure contracted for, but not provided in the accounts	<u>52,636</u>	<u>100,926</u>

Pensions

The substantial majority of people working in the Company are members of BT's pension scheme.

BT levies a charge on the Company in respect of the employers' pension contributions. The pension charge for the year so levied was £5,557,244 (1999: £4,563,000). Pension costs totalling £nil (1999: £691,694) were payable at the year end to BT. Refer to BT's financial statements (see note 22) for further information on BT's main pension scheme.

Lease commitments

On 31 March 2000 the Company had annual commitments under operating leases as follows:

	2000 £'000	1999 £'000
Land and buildings		
Expiring within one year	1,179	961
Expiring between two to five years inclusive	9,539	7,779
Expiring thereafter	26,115	21,297
Motor vehicles and plant and equipment		
Expiring within one year	395	911
Expiring between two to five years inclusive	<u>2,788</u>	<u>2,392</u>
	<u>40,016</u>	<u>33,340</u>

The comparative figures for motor vehicles and plant and equipment have been restated.

Notes to the financial statements

21 Contingent liabilities

There were no contingent liabilities or guarantees arising in the ordinary course of the group's business and, on these, no material losses are anticipated.

22 Controlling entities

The Company's immediate holding company is Cellnet Networks Limited. The ultimate holding company is British Telecommunications plc.

The Company became a wholly-owned subsidiary of BT on 10 November 1999. The results of the Company are included in the consolidated financial statements of British Telecommunications plc. Consequently the Company is exempt under the terms of Financial Reporting Standard Number 8 from disclosing details of transactions and balances with British Telecommunications plc, fellow subsidiaries and associated undertakings.

Copies of the ultimate holding company's financial statements may be obtained from The Secretary, British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ.