

**Registered number: 1942212**

**Transcomm plc**

**Annual Report  
for the year ended  
31 March 2006**



**Directors**

D Bowen  
JWA Fox  
DE Hughes  
CK Patel  
T J B Shaw

**Secretary**

Newgate Street Secretaries Limited

**Registered Office**

81 Newgate Street  
London  
EC1A 7AJ

**Registered Auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

**Report of the directors for the year ended 31 March 2006**

The directors submit their annual report and the audited financial statements for the year ended 31 March 2006.

**Profits and dividends**

The profit before taxation was £11,934,000 (2005: £182,000). The charge for taxation was £207,000 (2005: £nil) which left a profit after taxation for the year of £11,727,000 (2005: £182,000).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2006 (2005: £nil).

**Review of activities and future developments**

The Company's principal activity during the period was that of an intermediate holding company in the BT Group.

On 6 May 2006, Transcomm plc transferred 100% of its share holding in Transcomm UK Limited to British Telecommunications plc for consideration of £17,000,000 realising a profit on disposal of £11,241,000.

**Directors**

A list of the current directors is set out on page 1. The following directors were appointed to the board during the year under review; T J B Shaw (28 April 2005), D Bowen and CK Patel (8 February 2006), DE Hughes, MDG Sheard and RR Thomerson (8 March 2006), JWA Fox (3 April 2006). The following also served as directors until resigning; VA Haynes (28 April 2005), JM Furmston (1 August 2005), AW Hunt (6 September 2005) K McNulty (28 February 2006), R K Modi (3 April 2006), M D G Sheard (appointed 08 March 2006; resigned 10 July 2006) and RR Thomerson (appointed 08 March 2006; resigned 12 July 2006).

**Directors' interests in shares**

The interests of the directors, who are not directors of the ultimate holding company, BT Group plc, and their families in the 5p ordinary shares of BT Group plc at 1 April 2005, or date of appointment if later, and at 31 March 2006 are shown below.

	<b>Number of shares</b>	
	1 April 2005 or date of appointment, if later	31 March 2006
D M Bowen	819	819
D E Hughes	488	488
R K Modi	700	1,652
C K Patel	3,094	3,104
T J B Shaw	3,380	3,536
M D G Sheard	1,532	1,576
R R Thomerson	9,550	9,550

## Report of the directors for the year ended 31 March 2006

- a) Includes 488, 488, 520, 488, 1,576 and 976 shares (date of appointment 488, 488, 510, 432, 1,532 and 976) awarded to DM Bowen, DE Hughes, CK Patel, TJB Shaw, MDG Sheard and RR Thomerson respectively and 520 (2005: 439) shares awarded to RK Modi under the BT Group Employee Share Investment Plan.

Share options held, granted to, exercised by the directors or which lapsed under one or more of the BT Group share option plans (BT Group Legacy Option Plan, BT Group Global Share Option Plan, BT Group Employee Sharesave Scheme, BT Group International Sharesave Scheme) during the year ended 31 March 2006 were:

### Numbers of BT Group plc 5p ordinary shares under option

	1 April 2005 or date of appointment, if later	Granted	Lapsed	Exercised	31 March 2006
D M Bowen	26,437	Nil	1,490	Nil	24,947
D E Hughes	237,661	Nil	Nil	Nil	237,661
R K Modi	15,098	986	Nil	Nil	16,084
C K Patel	112,808	Nil	Nil	Nil	112,808
T J B Shaw	42,250	Nil	Nil	Nil	42,250
M D G Sheard	4,277	Nil	Nil	Nil	4,277
R R Thomerson	192,810	Nil	Nil	Nil	192,810

Directors also had the following contingent awards under one or more of the BT Group Deferred Bonus Plan, BT Group Incentive Share Plan, BT Group Retention Share Plan.

### Number of BT Group plc 5p ordinary shares

	1 April 2005 or date of appointment, if later	31 March 2006
DE Hughes	83,010	83,010
CK Patel	42,169	43,013

On 31 March 2006 the directors each had non-beneficial interests in the following numbers of BT Group plc shares:

- All the Directors, as potential beneficiaries, had a non-beneficial interest in 24,809,976 shares (2005: 27,733,138) held in trust by Ilford Trustees (Jersey) Limited for allocation to employees under the employee share schemes.
- All the Directors had a non-beneficial interest in 50,342 shares (2004: 139,029) held by Halifax Corporate Trustees Limited for allocation to employee under the BT Group Employee Share Investment Plan

## **Report of the directors for the year ended 31 March 2006**

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

A statement by the directors of their responsibilities for preparing the financial statements is included on page 5.

### **Auditors and Disclosure of information to the auditors**

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, will continue in office, an elective resolution to this effect having been passed by the Company on 17 August 1998.

**By order of the Board,**



DM Bowen

**Director**

11 October 2006

**Statement of directors' responsibilities for preparing the financial statements**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss and total recognised gains or losses of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2006 and that applicable accounting standards have been followed.

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 auditors' responsibilities are stated in their report on pages 6 and 7.

**Independent auditors' report to the members of Transcomm plc**

We have audited the financial statements of Transcomm plc for the year ended 31 March 2006 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is 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 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**

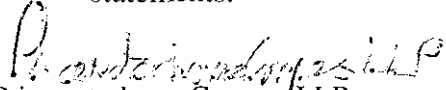
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London 25 October 2006



**Profit and loss account for the year ended 31 March 2006**

	<i>Notes</i>	<b>31 March 2006 £'000</b>	<b>31 March 2005 £'000</b>
Administration expenses		9	182
<b>Operating profit/(loss)</b>		(9)	182
Profit on disposal of Investment		11,241	-
<b>Profit on ordinary activities before interest and taxation</b>	2	11,232	182
Net interest receivable	3	702	-
<b>Profit/(loss) on ordinary activities before taxation</b>		11,934	182
Tax on profit on ordinary activities	4	(207)	-
<b>Profit for the financial year</b>		<u>11,727</u>	<u>182</u>

Other than the profit for the financial year, there have been no other recognised gains or losses during either 2006 or 2005.

All figures relate to continuing operations. There is no material difference between profit on the historical cost basis and that described in the profit and loss account.

# Transcomm plc

9

## Balance Sheet – 31 March 2006

	Notes	31 March 2006	31 March 2005
		£'000	£'000
<b>Fixed assets</b>			
Investment in subsidiaries	6	460	6,219
		<u>460</u>	<u>6,219</u>
<b>Current assets</b>			
Debtors	7	22,549	4,883
Cash at bank and in hand		6	4
		<u>22,555</u>	<u>4,887</u>
<b>Creditors:</b> amounts falling due within one Year	8	(210)	(28)
Net current assets		<u>22,345</u>	<u>4,859</u>
<b>Total assets less current liabilities</b>		22,805	11,078
<b>Creditors:</b> amounts falling due after more than one year	9	(460)	(460)
<b>Net assets</b>		<u>22,345</u>	<u>10,618</u>
Capital and reserves			
Called up share capital	10	5,261	5,261
Share premium account	11	17,238	17,238
Merger reserve	11	4,412	4,412
Profit and loss account	11	(4,566)	(16,293)
<b>Total equity shareholders' funds</b>	12	<u>22,345</u>	<u>10,618</u>

These financial statements on pages 8 to 14 were approved by the board of directors on 11 October 2006 and were signed on its behalf by:



DM Bowen  
Director

The notes on pages 10 to 14 form part of these financial statements  
Auditors' report pages 6 and 7

**1 Accounting policies**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies 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 bad and doubtful debts, provisions for liabilities and charges, and taxes.

The company has adopted FRS 17, 'Retirement benefits', FRS21, 'Events after the balance sheet date', and FRS 25, 'Financial instruments: Disclosure and Presentation' in these financial statements. The adoption of FRS 17 and 21 and the presentation requirement of FRS 25 have no material effect on the financial statements.

**Investments**

Investments are carried at cost less provision for impairment. Investments are tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future cash flows from the investment.

**Taxation**

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Full provision is made for deferred taxation in respect of all timing differences that have arisen but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. The Company has not pursued the policy of discounting deferred tax balances.

**Related Party Transactions**

As the company is a wholly owned subsidiary of British Telecommunications plc incorporated in the United Kingdom, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

The consolidated financial statements of British Telecommunications plc, within which this company is included, can be obtained from the address given in note 11.

# Transcomm plc

11

## 2 Operating profit

	31 March 2006 £'000	31 March 2005 £'000
Profit / (loss) on ordinary activities before taxation is stated after charging or (crediting):		
Write-back of over provision in prior years	-	(183)
Depreciation of tangible fixed assets:-		
Write back of subsidiary undertaking	-	350
Write off of investment in subsidiary undertaking	-	(319)
Auditor's remuneration and expenses:		
-Audit	3	3
-Non Audit	-	11
Profit on disposal of investment	11,241	-

## 3 Interest Receivable

	31 March 2006 £'000	31 March 2005 £'000
Amounts receivable from ultimate controlling entity	702	-
Total tax on profit on ordinary activities	702	-

## 4 Tax on profit on ordinary activities

	31 March 2006 £'000	31 March 2005 £'000
UK Corporation tax		
Corporation tax charge at 30%	207	-
Total tax on profit on ordinary activities	207	-

	31 March 2006 £'000	31 March 2005 £'000
<b>Factors affecting the current tax charge for the period</b>		
Profit on ordinary activities before tax	11,935	182
Tax charge at 30% thereon	3,581	54
Non-deductible depreciation, amortisation and impairment		96
Excess depreciation over capital allowances	(2)	
Losses brought forward utilised in current period		(150)
Profit on disposal of investments	(3,372)	-
Current tax charge for the period	207	-

Factors that may affect future tax charge

A deferred tax asset of £1.0 million (2005: £1.1 million) has not been recognised in respect of losses carried forward as there is insufficient evidence that the asset will be recovered.

## 5 Remuneration of directors

The directors are employed and remunerated as executives of British Telecommunications plc and other group companies in respect of their services to the group as a whole. No emoluments were paid to the directors in respect of their services to the company in the year ended 31 March 2006.

All directors and staff involved with the Company's activities during the 12 months ended 31 March 2006 were employed by British Telecommunications plc.

## 6 Investment in subsidiaries

	<b>Subsidiary undertakings £'000</b>
<b>Cost</b>	
At 31 March 2005	15,698
Disposal of Investment during the year	(5,759)
At 31 March 2006	<u>9,939</u>
<b>Provision</b>	
At 1 January 2005	9,479
Provided in year	-
At 31 March 2006	<u>9,479</u>
<b>Net book value</b>	
At 31 March 2006	<u>460</u>

### Principal subsidiary undertakings

Transcomm plc had at 31 March 2006 the following subsidiary undertakings;

Name	Activity	Percentage Shareholding %	Type of Shareholding
Company 3195851 Limited	Dormant	100	Ordinary
Playsafe Monitoring Limited	Dormant	100	Ordinary
Tardis Telecommunications Limited	Dormant	100	Ordinary
Twenty First Century Limited	Dormant	100	Ordinary

# Transcomm plc

13

## 7 Debtors

	31 March 2006	31 March 2005
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Intra group debtors	22,549	5
	<u>22,549</u>	<u>5</u>
<b>Amounts falling due after one year:</b>		
Amount owed by subsidiary undertakings	-	4,878
	<u>22,549</u>	<u>4,883</u>

## 8 Creditors: amounts falling due within one year

	31 March 2006	31 March 2005
	£'000	£'000
Other taxes and social security	207	25
Accruals and deferred income	3	3
	<u>210</u>	<u>28</u>

## 9 Creditors: amounts falling due after more than one year

	31 March 2006 £'000	31 March 2005
Amounts owed to subsidiary undertakings	460	460
	<u>460</u>	<u>460</u>

## 10 Called up share capital

	31 March 2006		31 March 2005	
	Number	£	Number	£
<i>Authorised</i>				
Equity: Ordinary shares of 5p each	<u>150,000,000</u>	<u>7,500,000</u>	<u>150,000,000</u>	<u>7,500,000</u>
<i>Allotted, Called Up and fully paid</i>				
Equity: Ordinary shares of 5p each	<u>105,220,434</u>	<u>5,261,022</u>	<u>105,220,434</u>	<u>5,261,022</u>

**11 Reserves**

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 31 March 2005	17,238	4,412	(16,293)
Retained profit for the financial period	-	-	11,727
31 March 2006	<u>17,238</u>	<u>4,412</u>	<u>(4,566)</u>

**12 Reconciliation of movement in shareholders funds**

	31 March 2006	31 March 2005
	£	£
Retained profit/loss for the financial period	11,727	182
Other adjustment	-	(13)
Employee share options exercised during the period	-	164
Net addition/(reduction) to Shareholders' funds	<u>11,727</u>	<u>333</u>
Opening shareholders' funds	<u>10,618</u>	<u>10,285</u>
Closing shareholders' funds	<u>22,345</u>	<u>10,618</u>

**13 Controlling entities**

The Company is a wholly owned subsidiary of British Telecommunications plc, which is the immediate controlling entity. The ultimate controlling entity as at 31 March 2006 was BT Group plc.

The parent undertaking of the largest group of companies into which the results of the Company are consolidated is BT Group plc, a company incorporated in Great Britain. Consequently the Company is exempt under the terms of Financial Reporting Standard Number 8 from disclosing details of transactions and balances with BT Group plc, fellow group subsidiaries and associated undertakings, and those deemed under control during the year ended 31 March 2006. Copies of the financial statements of BT Group plc may be obtained from The Assistant Secretary, BT Group plc, 81 Newgate Street, London EC1A 7AJ.

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