

Directors and advisers

Directors

Sir Michael Bett CBE
Mr H Ford
Dr E A Hough
Mr C C Shirtcliffe
Mr C S Taylor
Mr M D J Tilley
Mr R S W H Wiggs
Mr D A Wilson

Chairman
Managing Director

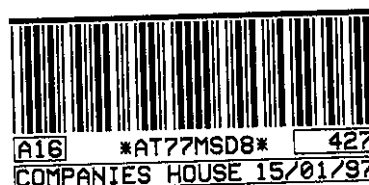
Secretary and registered office

Mr N J Eldred

260 Bath Road
Slough
SL1 4DX

Registered auditors

Coopers & Lybrand
1 Embankment Place
London
WC2N 6NN



**Directors' report
for the year ended 31 March 1996**

The directors submit their annual report and the audited financial statements of the company, Cellnet Group Limited, and the group, which includes its subsidiary undertakings for the year ended 31 March 1996.

Profits and dividends

Profit before taxation was £183,286,000 (1995: £154,863,000). The charge for taxation was £64,591,000 (1995: £54,348,000) which left profit after taxation for the year of £118,695,000 (1995: £100,515,000).

The directors of Cellnet Group Limited recommend a final dividend in respect of the year ended 31 March 1996 amounting to £35,609,000 (1995: £50,257,000).

Review of activities

The company, as the holding company for the Cellnet group of companies, acts as the joint venture company between British Telecommunications plc ("BT") and Securicor Technology Investments Limited. The company is a holding company to oversee the activities of its subsidiaries which provide services in the cellular telephone market. Further details of these subsidiaries' activities are set out in note 12.

Telecom Securicor Cellular Radio Limited ("TSCR"), one of the company's subsidiaries, operates and provides a cellular communications network 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. TSCR will continue to develop and expand this cellular communications network.

The company will continue in its role as a holding company.

Directors

A list of current directors, all of whom served throughout the year, is set out on page 1.

Directors' interests in shares

At 31 March 1996 and 1 April 1995 the only interests of the directors in the ordinary shares of the ultimate holding company, British Telecommunications plc, and as shown on 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 1996	1 April 1995
Sir Michael Bett CBE	26,100	22,442
Mr C S Taylor	4,649 (a)	4,447 (a)
Mr M D J Tilley	2,608	2,550
Mr D A Wilson	834	786
Dr E A Hough	900	-
Mr H Ford	2,251 (b)	-

BT Long Term Remuneration Plan

- (a) Includes 4,295 (1995: 4,151) shares held by Ilford Trustees (Jersey) Limited as bare nominee for Mr Taylor under the BT Long Term Remuneration Plan ("the Plan").
- (b) Includes 2,251 shares held by Ilford Trustees (Jersey) Limited as bare nominee for Mr Ford under the Plan.

Under the Plan, participants have been provisionally awarded ordinary shares of British Telecommunications plc as follows:

	1 April 1995	Total number of award shares		
		Awarded	Dividends Reinvested	31 March 1996
Mr C S Taylor	34,725	14,788	1,907	51,420
Mr H Ford	-	18,485	367	18,852
Mr D A Wilson	-	4,928	98	5,026
Mr M D J Tilley	-	4,436	88	4,524

Full entitlement to these shares at the end of a five year period is dependent upon BT meeting a pre-determined corporate performance measure and continued employment of the participants by the BT Group.

Mr Taylor, Mr Ford, Mr Wilson and Mr Tilley had a non-beneficial interest in 1,501,908 (1995 : 699,127) shares held in trust for allocation to participating employees under the Plan.

In common with other eligible individual shareholders, the directors and members of their families may be entitled to a share bonus from HM Government, under its public offer of British Telecommunications plc shares in 1993, up to a maximum bonus of 100 shares.

In addition to the above, the share options held, granted to, or exercised by the directors under the British Telecommunications plc Employee Sharesave and Share Option Schemes, over the ordinary shares of 25p each in British Telecommunications plc, during the year ended 31 March 1996 were:

	1 April 1995	Share Option Scheme		31 March 1996
		Granted	Exercised	
Sir Michael Bett CBE	106,681	-	-	106,681
Mr H Ford	116,280	-	-	116,280
Mr C S Taylor	102,710	-	-	102,710
Mr D A Wilson	51,050	-	-	51,050
Mr M D J Tilley	10,460	-	-	10,460

	1 April 1995	Employee Sharesave Scheme		31 March 1996
		Granted	Exercised	
Mr H Ford	5,637	-	-	5,637
Mr C S Taylor	4,610	-	-	4,610
Mr D A Wilson	5,058	-	-	5,058
Mr M D J Tilley	7,355	-	-	7,355

Transactions with directors

None of the directors had a material interest in any contract of significance to which the company was a party or made a transaction, arrangement or agreement within the provisions of Schedule 6 to the Companies Act 1985, during the year ended 31 March 1996.

Research and development

The group has incurred research and development expenditure of £831,000 (1995: £1,582,000) in order to improve the competitive position of TSCR's network services.

Policy on the payment of suppliers

The Cellnet group of companies' policy is to use its purchasing power fairly and to pay promptly and as agreed. The group 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 individual suppliers. It is the group'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 group's payment terms are printed on standard purchase order forms or, where appropriate, specified in individual contracts agreed with suppliers. It is the group's policy to abide by the terms of payment.

Employees

The substantial majority of people working for the company are employed by British Telecommunications plc ("BT").

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

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

Disabled employees

The group 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 group'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 provisions

So far as the directors are aware, 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 Coopers & Lybrand as the company's auditors will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'N. J. Eldred', written in a cursive style.

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 and the group as at the end of the financial year and of the profit or loss and total recognised gains or losses of the group for that period.

The directors consider that, in preparing the financial statements for the year ended 31 March 1996 on pages 9 to 25, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. 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 group and to prevent and detect fraud and other irregularities.

The auditors' responsibilities are stated in their report on page 8.

Report of the auditors to the members of Cellnet Group Limited

We have audited the financial statements on pages 9 to 25.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

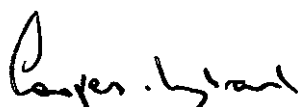
Basis of opinion

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 affairs of the company and the group at 31 March 1996 and of the profit, total recognised gains and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand

Chartered Accountants and Registered Auditors
London

5 June 1996

**Consolidated profit and loss account
for the year ended 31 March 1996**

	Notes	1996 £'000	1995 £'000
Turnover	2	919,290	685,303
Cost of sales		(301,167)	(201,375)
Gross profit		618,123	483,928
Selling and administrative expenses		(387,357)	(283,508)
Operating profit	3	230,766	200,420
Interest receivable and similar income		728	1,005
Interest payable and similar charges	4	(48,208)	(46,562)
Profit on ordinary activities before taxation		183,286	154,863
Taxation	7	(64,591)	(54,348)
Profit on ordinary activities after taxation		118,695	100,515
Dividends	8	(35,609)	(50,257)
Retained profit for the year		83,086	50,258
Statement of retained profits			
At 1 April		229,200	178,942
Retained profit for the financial year		83,086	50,258
At 31 March		312,286	229,200

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

The above results are stated on the historical cost basis.

There were no discontinued activities in either period.

The notes on pages 13 to 25 form part of these financial statements.

Auditors' report page 8.

Balance sheets at 31 March 1996

	Notes	Group 1996 £'000	1995 £'000	Company 1996 £'000	1995 £'000
Fixed assets					
Intangible assets	10	12,233	18,820	-	-
Tangible assets	11	839,068	725,531	-	-
Investments	12	-	-	29,200	29,200
		<u>851,301</u>	<u>744,351</u>	<u>29,200</u>	<u>29,200</u>
Current assets					
Stocks	13	9,307	2,686	-	-
Debtors: amounts falling due after one year	14	1,212	3,087	-	-
Debtors: amounts falling due within one year	15	191,306	159,100	36,055	50,675
Cash at bank and in hand		63,487	34,189	14	14
		<u>265,312</u>	<u>199,062</u>	<u>36,069</u>	<u>50,689</u>
Creditors: amounts falling due within one year	16	(484,729)	(351,081)	(35,622)	(50,257)
Net current (liabilities)/assets		<u>(219,417)</u>	<u>(152,019)</u>	<u>447</u>	<u>432</u>
Total assets less current liabilities		<u>631,884</u>	<u>592,332</u>	<u>29,647</u>	<u>29,632</u>
Financed by:					
Creditors: amounts falling due after more than one year	17	267,381	330,946	-	-
Provisions for liabilities and charges	18	42,217	22,186	-	1
Capital and reserves					
Called up share capital	19	10,000	10,000	10,000	10,000
Profit and loss account		312,286	229,200	19,647	19,631
Equity shareholders' funds	20	<u>322,286</u>	<u>239,200</u>	<u>29,647</u>	<u>29,631</u>
		<u>631,884</u>	<u>592,332</u>	<u>29,647</u>	<u>29,632</u>

The financial statements were approved by the board of directors on 5th June 1996 and were signed on its behalf by:

Sir Michael Bett

Mr RSWH Wiggs

} Directors

The notes on pages 13 to 25 form part of these financial statements.
Auditors' report page 8.

Consolidated cash flow statement for the year ended 31 March 1996

	1996 £'000	1995 £'000
Net cash inflow from operating activities	442,345	422,536
Returns on investments and servicing of finance		
Interest received	708	1,522
Interest paid on finance leases	(43,325)	(46,562)
Other interest paid	(3,596)	-
Dividends paid	(50,257)	(46,518)
Net cash outflow from returns on investments and servicing of finance	(96,470)	(91,558)
Taxation		
Taxation paid	(39,088)	(31,174)
Investing activities		
Payments to acquire intangible fixed assets	(919)	(19,886)
Payments to acquire tangible fixed assets	(229,150)	(208,812)
Receipts from sale of tangible fixed assets	235	-
Net cash outflow from investing activities	(229,834)	(228,698)
Net cash inflow before financing	76,953	71,106
Financing		
Repayment of principal under finance leases	(64,048)	(62,941)
Net cash outflow from financing	(64,048)	(62,941)
Increase in cash and cash equivalents	12,905	8,165

The notes on pages 13 to 25 form part of these financial statements.

Auditors' report page 8.

Reconciliation of operating profit to net cash inflow from operating activities

	1996 £'000	1995 £'000
Operating activities		
Operating profit	230,766	200,420
Depreciation of tangible fixed assets	116,801	86,614
Amortisation of intangible fixed assets	7,506	1,501
Loss on sale of tangible fixed assets	312	-
Assets written off	-	8,891
Increase in stocks	(6,621)	(2,686)
Decrease in long term debtors	1,875	17,353
(Increase)/decrease in debtors due in less than one year	(35,868)	8,588
Increase in creditors	127,574	101,855
	<u>442,345</u>	<u>422,536</u>
Net cash inflow from operating activities		

Cash and cash equivalents

	1996 £'000	Change in year £'000	1995 £'000	Change in year £'000	1994 £'000
Cash at bank and in hand	63,487	29,298	34,189	8,356	25,833
Bank overdraft	(16,665)	(16,393)	(272)	(191)	(81)
	<u>46,822</u>	<u>12,905</u>	<u>33,917</u>	<u>8,165</u>	<u>25,752</u>

Analysis of changes in financing during the year

	1996 £'000	1995 £'000
Finance lease obligations		
At 1 April	400,184	418,418
Inception of finance lease contracts	1,736	44,707
Repayments of principal on finance leases	(64,048)	(62,941)
	<u>337,872</u>	<u>400,184</u>
At 31 March		

Notes to the financial statements for the year ended 31 March 1996

Principal accounting policies

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

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 March 1996. Intra-group sales and profits are eliminated fully on consolidation.

Where a subsidiary is acquired by the issue of share capital the investment is shown in the accounts of the holding company as the nominal value of the shares issued.

Turnover and cost of sales

Turnover, which excludes value added tax, represents the value of services provided.

Payment to other network operators for handling outgoing calls are included within cost of sales.

Research and development

Development expenditure on certain specific projects is included in debtors as deferred revenue expenditure. These costs are written off to the profit and loss account, once the project is brought into operation, over the shorter of the expected useful life of the projects or three years.

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

Intangible fixed assets

Purchased subscriber bases have been capitalised at their cost to the group and are amortised over the shorter of three years and their expected life on a straight line basis.

1 Principal accounting policies (continued)

Tangible fixed assets

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

Provision for depreciation is made so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:-

	%
Plant and machinery	20-33
Fixtures, fittings, tools and equipment	10-25
Cellular network equipment	10

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

Leased assets

Equipment leased under finance leases principally represents the exchanges and base stations which form the analogue cellular radio system. Equipment acquired under finance leases, which transfer to the lessee substantially all benefits and risks of ownership, and the capital element of the related rental obligations are included in the balance sheet. The interest element of rental obligations 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 incurred in bringing each product to its present location and condition, and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. 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.

1 Principal accounting policies (continued)

Pension costs

The substantial majority of people working in the group are employees of British Telecommunications plc and are members of its pension scheme. British Telecommunications plc operates a defined benefit pension scheme, which is independent of its finances, for the substantial majority of its employees. Actuarial valuations of the scheme are carried out as determined by the trustees at intervals of not more than three years, the rates of contribution payable and the pension cost being determined on the advice of the actuaries having regard to the results of these valuations. Contributions are based on pension scheme costs across the BT group as a whole. The most recent actuarial valuation was at 31 December 1993.

2 Turnover

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

3 Operating profit

Operating profit is stated after charging:

	1996 £'000	1995 £'000
Auditors' remuneration: Audit services	101	86
Non audit services	159	338
Research and development	831	1,582
Hire of plant and equipment	362	458
Operating lease rentals in respect of land and buildings	18,718	14,627
Operating lease rentals in respect of motor vehicles and plant and equipment	2,277	2,855
Depreciation of owned tangible fixed assets	49,739	21,604
Depreciation of tangible fixed assets held under finance leases	67,062	65,010
Amortisation of intangible fixed assets	7,506	1,501
Amortisation of deferred revenue expenditure	2,285	2,285
Lease termination cost	-	4,251
Loss on disposal of tangible fixed assets	312	-
	<u> </u>	<u> </u>

Auditors' remuneration for audit services for Cellnet Group Limited (the holding company) was £6,000 (1995 : £5,000).

4 Interest payable and similar charges

	1996	1995
	£'000	£'000
Interest payable to group undertakings:		
Interest on finance lease obligations	43,268	46,562
Interest on other group borrowings	4,940	-
	<u>48,208</u>	<u>46,562</u>

5 Directors' emoluments

The total emoluments of the directors of the company for the year ended 31 March 1996, including pension contributions, were £241,537 (1995: £190,582).

Details of directors' emoluments, excluding pension arrangements, were as follows:

	1996	1995
	£	£
Chairman	15,000	2,500
The highest paid director	210,862	136,853
Other directors:	1996	1995
	Number	Number
Range of remuneration of other directors:		
£0 to £5,000	6	10
£35,001 to £40,000	-	1

With the exception of Mr H Ford, the directors' services to this group were of a non-executive nature and their emoluments were paid by, and were deemed to be wholly attributable to, their services to British Telecommunications plc or Securicor Group plc. Accordingly the above details only include the emoluments in respect of the above named director, together with the fee received by the Chairman.

6 Employee information

The average number of employees employed by, or on secondment to, the company and its subsidiaries during the year was 1,092 (1995: 1,077). The majority are employed by British Telecommunications plc and the employment costs of these seconded persons have been charged directly to the group. The aggregate remuneration was as follows:

	1996 £'000	1995 £'000
Wages and salaries	36,351	35,800
Social security costs	4,030	3,125
Other pension costs	1,507	1,927
	<u>41,888</u>	<u>40,852</u>

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

	1996 No.	1995 No.
Technology	664	662
Customer operations	276	287
Administration	152	128
	<u>1,092</u>	<u>1,077</u>

7 Taxation on profit on ordinary activities

	1996 £'000	1995 £'000
Tax on profit on ordinary activities:		
United Kingdom corporation tax at 33%		
Current	44,164	37,204
Deferred	19,986	16,623
Under/(over) provision in respect of prior years:		
Current	396	(269)
Deferred	45	790
	<u>64,591</u>	<u>54,348</u>

7 Taxation on profit on ordinary activities (continued)

The tax charges for the years to 31 March 1996 and 31 March 1995 are increased as a result of expenditure which is permanently disallowable for tax purposes.

8 Dividends

	1996 £'000	1995 £'000
Final proposed	<u>35,609</u>	<u>50,257</u>

9 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account is not presented in these financial statements. Of the profit for the financial year, profit on ordinary activities after taxation of £35,625,000 (1995: £50,378,000) is dealt with in the financial statements of the company.

10 Intangible fixed assets

Group

Subscriber bases	Cost £'000	Amortisation £'000	Net £'000
At 31 March 1995	20,321	1,501	18,820
Additions	919	-	919
Charge for the year	-	7,506	(7,506)
At 31 March 1996	<u>21,240</u>	<u>9,007</u>	<u>12,233</u>

11 Tangible fixed assets

Group	Land and buildings (a) £'000	Plant and machinery (b) £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 31 March 1995	12,438	1,090,853	9,850	1,113,141
Additions	3,100	223,971	2,079	229,150
Transfers from BT Cellular Radio Limited	-	1,736	-	1,736
Disposals	-	(513)	(569)	(1,082)
At 31 March 1996	15,538	1,316,047	11,360	1,342,945
Depreciation				
At 31 March 1995	2,350	381,041	4,219	387,610
Charge for the year	1,180	113,888	1,733	116,801
Disposals	-	(277)	(257)	(534)
At 31 March 1996	3,530	494,652	5,695	503,877
Net book value at 31 March 1996	12,008	821,395	5,665	839,068
Net book value at 31 March 1995	10,088	709,812	5,631	725,531

- (a) At 31 March 1996 the net book value of land and buildings comprised short term leasehold improvements.
- (b) Part of the group's cellular radio network is developed by BT Cellular Radio Limited, also a subsidiary of British Telecommunications plc, and then leased to the group under finance leases (notes 16 and 17). Details of items leased under finance leases included within plant and machinery were as follows:

	1996 £'000	1995 £'000
Depreciation charge for the year	67,062	65,010
Net book value at 31 March	287,917	353,475

12 Fixed asset investments

Company	1996 £'000	1995 £'000
Investments in subsidiary companies	<u>29,200</u>	<u>29,200</u>

Brief details of the principal subsidiary companies at 31 March 1996, all of which are incorporated in the United Kingdom, are as follows:

Name	Activity	Interest in allotted capital
Call Connections Limited (a)	Provision of a cellular service principally re-selling the Telecom Securicor Cellular Radio's airtime services	100% ordinary 100% preference
Cellnet Networks Limited	Holding company	100% ordinary
Cellnet Services Limited	Holding company	100% ordinary
Cellnet Solutions Limited (a)	Provision of value added services	100% ordinary
Cellnet Transactions Limited (a)	Provision of administration facilities to cellular service providers	100% ordinary 100% preference
Telecom Securicor Cellular Radio Limited (a)	Operation and provision of a cellular communications network	100% ordinary

(a) Held through intermediate holding company

13 Stocks

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Goods for resale	<u>9,307</u>	<u>2,686</u>	<u>-</u>	<u>-</u>

14 Debtors: amounts falling due after one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Loans	1,212	915	-	-
Deferred revenue expenditure	-	2,172	-	-
	<u>1,212</u>	<u>3,087</u>	<u>-</u>	<u>-</u>
	<u><u>1,212</u></u>	<u><u>3,087</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

15 Debtors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Trade debtors	96,044	76,865	-	-
Amounts owed by group undertakings:				
Holding company and fellow subsidiaries	70,726	59,685	446	415
Other debtors	768	801	-	-
Accrued income and prepayments	10,141	3,974	-	-
Dividends receivable from subsidiary companies	-	-	35,609	50,257
Deferred revenue expenditure	2,285	2,396	-	-
Advance corporation tax recoverable	8,902	12,564	-	-
Other taxation and social security	2,440	2,815	-	-
Group relief recoverable	-	-	-	3
	<u>191,306</u>	<u>159,100</u>	<u>36,055</u>	<u>50,675</u>
	<u><u>191,306</u></u>	<u><u>159,100</u></u>	<u><u>36,055</u></u>	<u><u>50,675</u></u>

16 Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Bank overdraft	16,665	272	-	-
Trade creditors	9,828	10,409	-	-
Amounts owed to group undertakings:				
Obligations to fellow subsidiary undertaking under finance leases	70,491	69,238	-	-
Other amounts due to holding company and fellow subsidiaries	150,146	87,114	-	-
Other creditors	-	1,496	-	-
Accruals and deferred income	161,957	94,073	-	-
Corporation tax payable	40,033	38,222	13	-
Dividends payable	35,609	50,257	35,609	50,257
	<u>484,729</u>	<u>351,081</u>	<u>35,622</u>	<u>50,257</u>

17 Creditors: amounts falling due after more than one year

Group	1996	1995
	£'000	£'000
Obligations to fellow subsidiary undertaking under finance leases	<u>267,381</u>	<u>330,946</u>

Payments are due under finance leases in respect of fixed assets leased at 31 March 1996 as follows:

	1996	1995
	£'000	£'000
In one year or less	101,899	107,252
Between one and two years	93,379	101,633
Between two and five years	202,968	250,657
In five years or more	53,894	97,255
	<u>452,140</u>	<u>556,797</u>
Less: amount representing future interest payments	(114,268)	(156,613)
Principal amounts outstanding	337,872	400,184
Less: principal amount payable within one year included in obligations under finance leases (note 16)	(70,491)	(69,238)
Amount payable after more than one year	<u>267,381</u>	<u>330,946</u>

18 Provisions for liabilities and charges

Deferred taxation

Analysis of provision made and the total potential liability:

Group	1996		1995	
	Provision made	Total potential liability	Provision made	Total potential liability
	£'000	£'000	£'000	£'000
Tax effects of timing differences due to:				
Excess of tax allowances over depreciation	61,148	61,148	38,447	38,447
Other	(18,931)	(18,931)	(16,261)	(16,261)
	<u>42,217</u>	<u>42,217</u>	<u>22,186</u>	<u>22,186</u>

Other timing differences arose principally on leased assets.

There is no unprovided deferred taxation in the company.

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

	Group £'000	Company £'000
At 1 April 1995	22,186	1
Transferred from/(to) the profit and loss account	20,031	(1)
	<u>42,217</u>	<u>-</u>
At 31 March 1996	<u>42,217</u>	<u>-</u>

19 Share capital

	1996 £'000	1995 £'000
Authorised:		
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 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

20 Reconciliation of movements in shareholders' funds

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Profit for the financial year after taxation	118,695	100,515	35,625	50,378
Dividends	(35,609)	(50,257)	(35,609)	(50,257)
	<hr/>	<hr/>	<hr/>	<hr/>
	83,086	50,258	16	121
Opening shareholders' funds	239,200	188,942	29,631	29,510
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	322,286	239,200	29,647	29,631
	<hr/>	<hr/>	<hr/>	<hr/>

21 Financial commitments

	1996	1995
	£'000	£'000
Contracts placed for capital expenditure not provided for in the accounts	24,800	64,146
	<hr/>	<hr/>

Pensions

The substantial majority of people working in the group are employees of British Telecommunications plc and are members of the main pension scheme operated by that company in whose financial statements the results of the latest actuarial valuation, as at 31 December 1993, has been summarised.

British Telecommunications plc levies a charge on the group in respect of the employers' pension contributions. The pension charge for the year so levied was £1,507,000 (1995: £1,927,000). Pension costs totalling £2,039,000 (1995: £532,000) were payable at the year end to BT.

21 Financial commitments (continued)

Lease commitments

On 31 March 1996 the group had annual commitments under operating leases as follows:

	1996	1995
	£'000	£'000
Land and buildings		
Expiring within one year	394	698
Expiring between two to five years inclusive	2,200	2,088
Expiring thereafter	15,744	11,252
Motor vehicles and plant and equipment		
Expiring within one year	1,145	871
Expiring between two to five years inclusive	1,152	1,282
	<u>20,635</u>	<u>16,191</u>

22 Contingent liabilities

At 31 March 1996 there were no contingent liabilities or guarantees other than those arising in the ordinary course of the group's business and, on these, no material losses are anticipated.

23 Ultimate holding company

The company's ultimate holding company is British Telecommunications plc, a company incorporated in the United Kingdom. Copies of the ultimate holding company's accounts may be obtained from The Secretary, British Telecommunications plc, 81 Newgate Street, London, EC1A 7AJ.