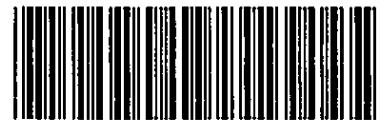


**Registered number: 3801456**

**New Cellular Holdings plc**

**Annual Report and Financial Statements  
For the year ended  
31 March 2011**

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# **New Cellular Holdings plc**

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## **Directors and advisers**

### **Directors**

MP Genikis

MJ Cole

### **Company Secretary**

Newgate Street Secretaries Limited

### **Registered Office**

81 Newgate Street

London

EC1A 7AJ

### **Independent Auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Erskine House

68-73 Queen Street

Edinburgh

EH2 4NH

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

The directors submit their annual report and the audited financial statements of New Cellular Holdings plc (the "Company") for the year ended 31 March 2011. The registered number of the Company is 3801456.

The directors' report has been prepared in accordance with the special provision of Part 15 of the Companies Act 2006 relating to small companies.

### **Review of activities and future developments**

The Company's principal activity is to act as an investment holding company within the British Telecommunications plc group of companies. The directors do not anticipate any change in the foreseeable future.

### **Principal risks and uncertainties**

The directors of BT Group plc (the ultimate controlling entity of the Company) manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of BT Group plc, which include those of the company, are discussed on pages 39 to 43 of the group's annual report which does not form part of this report.

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

The directors of BT Group plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

### **Results and dividends**

The profit before taxation was £59,609,000 (2010 - £30,994,000). The charge for taxation was £16,690,000 (2010 - £8,678,000) which left a profit after taxation for the year of £42,919,000 (2010 - £22,316,000).

The directors have declared an interim dividend amounting to £40,000,000 (2010 - £99,646,000). The directors do not propose to pay a final dividend (2010 - £nil).

### **Directors**

A list of the current directors is set out on page 1. JC Challis served as a director from 1 July 2010 until he resigned on 31 March 2011. J Sasse served as a director until she resigned on 1

**Directors' report for the year ended 31 March 2011 (continued)**

July 2010 All the remaining directors held office throughout the year and up to the date of signing 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  
31 August 2011

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of New Cellular Holdings plc**

We have audited the financial statements of New Cellular Holdings plc for the year ended 31 March 2011, which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the New Cellular Holdings plc directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit 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 New Cellular Holdings plc  
(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

*Martin Cowie*

**Martin Cowie (Senior Statutory Auditor)**  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh

*31 August 2011*

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

	Notes	2011 '000	2010 £'000
Administrative expenses		<u>(4)</u>	<u>(4)</u>
Operating loss	1	(4)	(4)
Interest receivable	2	59,613	30,998
<b>Profit on ordinary activities before taxation</b>		<u>59,609</u>	<u>30,994</u>
Tax on profit on ordinary activities	5	<u>(16,690)</u>	<u>(8,678)</u>
<b>Profit for the financial year</b>	10	<u>42,919</u>	<u>22,316</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 2011 or 2010

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 as at 31 March 2011**

	Notes	2011 £'000	2010 £'000
<b>Current assets</b>			
Debtors	7	3,284,660	3,273,729
<b>Creditors: amounts falling due within one year</b>	8	(16,694)	(8,682)
		<hr/>	<hr/>
<b>Net assets</b>		<b>3,267,966</b>	<b>3,265,047</b>
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	9	30,691	30,691
Capital redemption reserve	10	50	50
Other reserves	10	2,989,309	2,989,309
Profit and loss account	10	247,916	244,997
		<hr/>	<hr/>
<b>Total shareholders' funds</b>	11	<b>3,267,966</b>	<b>3,265,047</b>
		<hr/>	<hr/>

The financial statements on pages 7 to 14 were approved by the board of directors on 31 August 2011 and were signed on its behalf by



**MJ Cole**  
Director

## **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 investment impairment, provisions for liabilities and charges, and taxes.

### **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.

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.

### **Cash flow statement**

The Company is a wholly-owned subsidiary of BT Group plc. The cash flows of the Company are included in the consolidated cash flow statement of BT Group plc, whose annual report is publicly available. Consequently the Company is exempt under the terms of Financial Reporting Standard Number 1 (Revised 1996) from publishing a cash flow statement.

**Accounting policies (continued)**

**Dividend distribution**

Interim and Final dividends are recognised when they are paid

**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.

**Notes to the financial statements****1 Operating loss**

Operating loss is stated after charging

	2011 £'000	2010 £'000
Auditors' remuneration for audit services	<u>4</u>	<u>4</u>

**2 Interest receivable**

Interest receivable includes £59,613,000 (2010 £30,998,000) from group undertakings

**3 Directors' emoluments**

The directors are employed and remunerated by British Telecommunications plc or other group companies in respect of their services to the BT 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 2011 (2010 £nil).

**4 Employee information**

The average monthly number of persons employed by the Company during the year was nil (2010 nil).

## Notes to the financial statements (continued)

**5 Tax on profit on ordinary activities**

	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
<b>Current Tax</b>		
UK corporation tax at 28% (2010: 28%)	<u>16,690</u>	<u>8,678</u>

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

	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
Profit on ordinary activities before taxation	<u>59,609</u>	<u>30,994</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010: 28%)	<u>16,690</u>	<u>8,678</u>
<b>Current tax charge</b>	<u>16,690</u>	<u>8,678</u>

**6 Dividends**

	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
<b>Equity – Ordinary</b>		
Interim dividend of £0.065 per share (2010: £0.16) paid on 1 March 2011	<u>40,000</u>	<u>99,646</u>
	<u>40,000</u>	<u>99,646</u>

**7 Debtors**

	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	<u>3,284,660</u>	<u>3,273,729</u>

**Notes to the financial statements (continued)**

An amount owed by group undertakings includes an interest bearing loan facility of £3,284,660,000 (2010 £3,266,811,000) to British Telecommunications plc. The loan is repayable within 12 months and attracts interest at 12 month GBP LIBOR plus 200 basis points

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

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Corporation taxes	16,690	8,678
Accruals	4	4
	<u>16,694</u>	<u>8,682</u>

**9 Called up share capital**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted, called up and fully paid:</b>		
613,826,365 (2010 613,826,365) "B" ordinary shares of 5p each	<u>30,691</u>	<u>30,691</u>

**10 Reserves**

	<b>Capital redemption reserve</b>	<b>Other reserves</b>	<b>Profit and loss account</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2010	50	2,989,309	244,997
Dividends	-	-	(40,000)
Retained profit for the financial year	-	-	42,919
<b>Balance at 31 March 2011</b>	<u>50</u>	<u>2,989,309</u>	<u>247,916</u>

**11 Reconciliation of movements in shareholder' funds**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	42,919	22,316
Dividends	<u>(40,000)</u>	<u>(99,646)</u>
Net addition/ (reduction) to shareholders' funds	2,919	(77,330)
Opening shareholders' funds	<u>3,265,047</u>	<u>3,342,377</u>
Closing shareholders' funds	<u>3,267,966</u>	<u>3,265,047</u>

**Notes to the financial statements (continued)**

**12 Contingent liabilities**

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

**13 Controlling entities**

The Company is a wholly owned subsidiary of British Telecommunications plc, which is its immediate controlling entity. The ultimate controlling entity as at 31 March 2011 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 England and Wales. 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 2011. Copies of the financial statements of BT Group plc may be obtained from The 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.