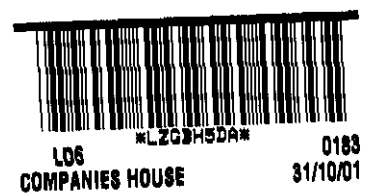


Registered number: 3801456

New Cellular Holdings plc

**Annual Report
for the year ended
31 March 2001**



Directors

A W Longden
S J Prior

Secretary

Newgate Street Secretaries Limited

Registered Office

81 Newgate Street
London
EC1A 7AJ

Registered Auditors

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6RH

New Cellular Holdings plc
Report of the directors
for the year ended 31 March 2001

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The directors submit their annual report and the audited financial statements for the year ended 31 March 2001.

Profits and dividends

The loss before taxation was £8,941k (2000: £3,045k loss). The credit for taxation was £3,581k (2000: £nil), which left a loss after taxation for the year of £5,360k (2000: £3,045k loss).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2001 (2000: preference share dividend of £20).

Review of activities

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

Post balance sheet events

Subsequent to the year end, the Company sold its interest in O2 Limited (formerly Cellnet Group Limited) for its balance sheet value of £3,150 million.

Subsequent to the year end interest payable on loans from group undertakings charged in the years ending 31 March 2000, 31 March 2001 and up to 31 July 2001 was waived. This will result in a credit to profit before tax of £15,062k for the year ended 31 March 2002.

Directors

A list of the current directors is set out on page 1. Mr N Eldred was appointed to the Board on 3 May 2000 and resigned on 13 July 2001. Mr Bramwell and Mr Burgess also served until they resigned on 3 May 2000 and 30 October 2000 respectively.

Directors' interests in shares

At 31 March 2001 and 1 April 2000, or at date of appointment if later, 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

New Cellular Holdings plc
Report of the directors
for the year ended 31 March 2001

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British Telecommunications plc

		31 March 2001	1 April 2000 or date of appointment if later
Mr N Eldred	(a)	1,462	1,337
Mr A W Longden	(b)	58,637	52,185
Mr S J Prior		4,765	4,564

a) at date of appointment

b) Includes 4,870 (2000: 5,963) shares held by Mr Longden under the BT Executive Share Plan ("ESP"), formerly known as the BT Long Term Remuneration Plan.

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

1. Under the ESP, Mr Longden has been granted contingent awards of 60,293 (2000: 65,485) 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. At 31 March 2001, Mr Longden had a non-beneficial interest in 5,348,245 (2000: 5,903,526) shares held in trust by Ilford Trustees (Jersey) Limited for allocation to participating employees under the ESP.
3. Under the BT Deferred Bonus Plan ("DBP") Mr Longden has been granted contingent awards of 7,942 (2000: 4,695) shares. 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 Eldred and Mr Prior have been granted contingent awards of 3,642 (2000: 3,547) 2,470 (2000: 2,406) shares. 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. Mr Eldred, Mr Longden and Mr Prior have also been granted contingent awards totalling 8,180, 16,007 and 1,510 shares respectively under the Incentive Share Plan ("ISP"), which was established during the year. Full entitlement to these shares at the end of a three-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.
6. At 31 March 2001 the directors each had a non-beneficial interest in 3,631,148 (2000: 13,388,542) shares held in trust by Ilford Trustees (Jersey) Limited, which are for allocation to employees under the PSP or DBP.

New Cellular Holdings plc
Report of the directors
for the year ended 31 March 2001

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7. At 31 March 2001 the directors each had a non-beneficial interest in 10,165,409 shares held in trust by Ilford Trustees (Jersey) Limited, which are for allocation to employees under the ISP or RSP.
8. At 31 March 2001 the directors each had a non-beneficial interest in 97,578 (2000: 78,454) shares 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, Share Option and Global Option schemes, over the ordinary shares of British Telecommunications plc, during the year ended 31 March 2001 were:

Employee Sharesave Scheme				
	1 April 2000 or date of appointment if later	Granted	Exercised	31 March 2001
Mr N Eldred (a)	2,588	464	-	3,052
Mr A W Longden	4,805	-	-	4,805
Mr S J Prior	2,591	-	965	1,626

(a) At date of appointment

Statement of directors' responsibilities

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

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 period.

Auditors

The auditors, PricewaterhouseCoopers, will continue in office, an elective resolution to this effect having been passed by the Company on 10 March 2000.

By order of the Board

K. Silvenwood
 Authorised Signatory

for and on behalf of Newgate Street Secretaries Limited
 Company Secretary

29th October 2001

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

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 2001 on pages 7 to 12, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors also consider that all applicable accounting standards 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 at any time 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 6.

Report of the auditors to the members of New Cellular Holdings plc

We have audited the financial statements on pages 7 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 5, 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 audit 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 2001 and of its loss for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London 30th October 2001

New Cellular Holdings plc

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Profit and loss account for the year ended 31 March 2001

	Notes	Year ended 31 March 2001 £'000	6 July 1999 to 31 March 2000 £'000
Administrative expenses	1	(5)	(59)
Operating loss		(5)	(59)
Interest payable	2	(8,936)	(2,986)
Loss on ordinary activities before taxation		(8,941)	(3,045)
Tax on loss on ordinary activities	3	3,581	-
Retained loss for the financial year	9	(5,360)	(3,045)

Loss on ordinary activities before taxation derives entirely from continuing activities.

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

Statement of total recognised gains and losses for the year ended 31 March 2001

	Year ended 31 March 2001 £'000	6 July 1999 to 31 March 2001 £'000
Loss for the financial year	(5,360)	(3,045)
Dividend in specie received net of transfer of investment in Securicor plc	-	2,283,418
Total recognised gains in the year	(5,360)	2,280,373

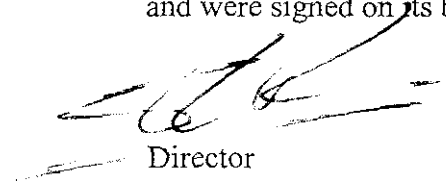
New Cellular Holdings plc

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Balance sheet - 31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Investments	6	<u>3,150,000</u>	<u>3,150,000</u>
Creditors: amounts falling due within one year	7	<u>(138,355)</u>	<u>(132,995)</u>
Net current assets		<u>(138,355)</u>	<u>(132,995)</u>
Total assets less current liabilities		<u>3,011,645</u>	<u>3,017,005</u>
Capital and reserves			
Called up share capital	8	30,691	30,691
Capital redemption reserve	9	50	50
Other reserves	9	2,989,309	2,989,309
Profit and loss account	9	(8,405)	(3,045)
Total equity shareholders' funds	9	<u>3,011,645</u>	<u>3,017,005</u>

These financial statements were approved by the board of directors on 29th October 2001 and were signed on its behalf by


Director

Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The 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 requirements to prepare and deliver group accounts.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

I Investments

Investments are stated at cost less provisions for impairment.

II Taxation

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

III 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.

Notes to the financial statements – 31 March 2001

1 Administration expenses

Administrative expenses include:

	2001 £'000	2000 £'000
Auditors' remuneration for audit services	<u>5</u>	<u>8</u>

2 Interest payable

	2001 £'000	2000 £'000
Interest payable on loans from group undertakings	<u>(8,936)</u>	<u>(2,986)</u>

Subsequent to the year end total interest payable on loans from group undertakings charged in the years ending 31 March 2000, 31 March 2001 and up to 31 July 2001 was waived. This will result in a credit to profit before tax of £15,062k for the year ended 31 March 2002.

3 Tax on loss on ordinary activities

	2001 £'000	2000 £'000
Payment by ultimate holding company for current year losses surrendered	(2,682)	-
Under-provision in respect of payment by ultimate holding company for prior year losses surrendered	(899)	-
Total	<u>(3,581)</u>	<u>-</u>

4 Directors' emoluments

No emoluments were paid in the year ended 31 March 2001 to the directors of New Cellular Holdings plc (31 March 2000: £nil). The directors at 31 March 2001 are employees of British Telecommunications plc and are remunerated for their services to the group as a whole.

Notes to the financial statements – 31 March 2001

5 Employee information

The average monthly number of persons employed by the Company, including executive directors, during the year was nil (2000: nil).

6 Fixed asset investments

	Associated undertakings Shares £'000
Cost and net book value At 31 March 2001 and 31 March 2000	<u>3,150,000</u>

Brief details of the associated undertaking were as follows:

Name	Activity	Percentage of allotted capital owned	Country of registration or incorporation (and operations)
O2 Limited (formerly Cellnet Group Limited) (a)	Mobile cellular telephone system provider and operator	40%	United Kingdom

- (a) The investment is held through the Company's interest in 100% of the ordinary share capital of BT Wireless Investments Limited (formerly New Securicor Technology Investments Limited), which held the investment in O2 Limited (formerly Cellnet Group Limited) as trust property under deeds of bare trust for the Company.

Subsequent to the year end, the Company sold its interest in O2 Limited for its balance sheet value of £3,150 million.

7 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Amounts owed to group undertakings	138,350	132,986
Accruals	<u>5</u>	<u>9</u>
	<u>138,355</u>	<u>132,995</u>

Notes to the financial statements – 31 March 2001

8	Called up share capital	2001 £'000	2000 £'000
Authorised:			
	800,000,000 "B" ordinary shares of 5p each	<u>40,000</u>	<u>40,000</u>
Allotted, called up and fully paid:			
	613,826,365 "B" ordinary shares of 5p each	<u>30,691</u>	<u>30,691</u>

9 Reconciliation of movement in shareholders funds

	Share capital	Capital redemption reserve	Other reserves (a)	Profit and loss account	Total 2000
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2000	30,691	50	2,989,309	(3,045)	3,017,005
Loss for the financial year	-	-	-	(5,360)	(5,360)
Balance at 31 March 2001	<u>30,691</u>	<u>50</u>	<u>2,989,309</u>	<u>(8,405)</u>	<u>3,011,645</u>

(a) Other reserves are regarded as undistributable.

10 Controlling entities

The Company is a wholly owned subsidiary of British Telecommunications plc, which is also the ultimate holding company.

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.