

Registered number: 4129665

BT Ignite Limited

**Annual Report
for the period from incorporation,
18 December 2000 to 31 March 2002**



BT Ignite Limited

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Directors

Mrs Helen Ashton
Mrs Christina Ryan

Secretary

Newgate Street Secretaries Limited

Registered Office

81 Newgate Street
London
EC1A 7AJ

Registered Auditors

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6RH

**Report of the directors
for the period from incorporation, 18 December 2000 to 31 March 2002**

The directors submit their annual report and the audited financial statements for the period from incorporation, 18 December 2000 to 31 March 2002.

Profits and dividends

The loss before taxation for the period was £2,149,000. The charge for taxation was £ nil which left loss after taxation for the period of £2,149,000.

The directors do not recommend the payment of a dividend in respect of the period from incorporation, 18 December 2000 to 31 March 2002.

Review of activities

The Company's principal activity is the provision of services to British Telecommunications plc and its subsidiary companies ("the BT group") and the sale of the BT group's products and services in overseas markets. The Company operates in the United Kingdom and through its branches in Norway and Switzerland.

Directors

A list of the current directors is set out on page 1. Mrs H Ashton was appointed to the board on 18 July 2002 and Mrs Christina Ryan was appointed to the board on 25 November 2002.

Mr Stephen Prior and Ms Katherine Walker were appointed on 18 December 2000. Mr Prior resigned on 16 July 2002 and Mrs Walker resigned on 15 July 2002. Mr Raymond Palmer was appointed on 24 January 2001 and resigned on 31 October 2002.

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 31 March 2002 and the 25p ordinary shares of British Telecommunications plc at 18 December 2000, or date of appointment if later, are shown below:

		No. of Shares
		31 March 2002 (a)
		18 December 2000 (b)
Mr R A Palmer	5,760	419 (c)
Mr S J Prior	9,073	6,191
Ms K A Walker	5,230	907

Report of the directors for the period from incorporation, 18 December 2000 to 31 March 2002

- (a) 5p ordinary shares of BT Group plc.
- (b) 25p ordinary shares of British Telecommunications plc
- (c) Date of appointment.

In addition the directors had the following contingent awards and/or options under BT Group share plans:-

	31 March 2002 (a)	18 December 2000 (b)
BT Group Deferred Bonus Plan		
(formerly the BT Deferred Bonus Plan) (c)		
Mr S J Prior	1,866	Nil
BT Group Incentive Share Plan		
(formerly the BT Incentive Share Plan) (c)		
Mr R A Palmer	8,278	2,631 (e)
Mr S J Prior	6,351	1,490
Ms K A Walker	4,748	759
BT Group Legacy Option Plan		
(formerly the BT Share Option Scheme) (d)		
Mr R A Palmer	4,556	3,452 (e)
BT Employee Sharesave Scheme		
Mr R A Palmer	1,705	4,762 (e)
BT Group Employee Sharesave Scheme		
Mr R A Palmer	2,178	Nil
Ms K A Walker	4,357	Nil

- (a) 5p ordinary shares of BT Group plc.
- (b) 25p ordinary shares of British Telecommunications plc.
- (c) The demerger of mmO2 plc from British Telecommunications plc ("BT") resulted in the Trustees receiving one BT Group plc share and one mmO2 plc share for every BT share held. The Trustee sold the mmO2 plc shares and purchased further BT Group plc shares. The value of the awards was based on the average combined share price of BT Group plc and mmO2 plc shares over the 20 dealing days following the demerger on 19 November 2001.
- (d) Prior to the demerger of mmO2 plc from British Telecommunications plc, options under the BT Share Option Scheme were surrendered by participants. Those options were replaced by options over BT Group plc shares which were granted on 17 December 2001 under the BT Group Legacy Option Plan. The value of the options was determined by averaging the combined share price of the BT Group plc and mmO2 plc shares over the 20 dealing days following the demerger on 19 November 2001.
- (e) Date of appointment.

**Report of the directors
for the period from incorporation, 18 December 2000 to 31 March 2002**

On 31 March 2002 the directors each had a non-beneficial interest in 73,069 (2001: 97,578) BT Group plc shares purchased by BT Employee Share Trustees Limited for allocation to employees under the BT Employee Share Ownership Scheme and 24,571,130 (2001: 19,144,802) BT Group plc shares held in trust by Ilford Trustees (Jersey) Limited for allocation to employees under employee share schemes. Before the demerger of mmO2 plc from British Telecommunications plc ("BT") on 19 November 2001 interests were in the 25p ordinary shares of BT. Mr Palmer and Ms Walker also had a non-beneficial interest in 45,286,908 (2001: nil) BT Group plc shares held in trust by Royal Bank of Scotland Trustees (Jersey) Limited for allocation to employees under the BT Employee Sharesave Schemes.

Share options held, granted to, or exercised by the directors under the BT Employee Sharesave, BT Group Employee Sharesave, BT Share Option, BT Global Share Option and BT Group Legacy Option schemes during the year ended 31 March 2002 were:

	18 December 2000 (a)	Granted	Exercised	Lapsed	31 March 2002
Mr R A Palmer	8,214 (d)	540 (a) 2,178 (b)	3,597 (a)		1,705 (a) 6,734 (b)(c)
Mr S J Prior	1,626	183 (a)	1,438 (a)	371 (a)	Nil
Ms K A Walker	4,183	474 (a) 4,357 (b)	2,877 (a)	1,780 (a)	4,357 (b)

(a) 25p ordinary shares of British Telecommunications plc.

(b) 5p ordinary shares of BT Group plc.

(c) Grant of option on 17 December 2001 over 5p ordinary shares of BT Group plc under the BT Group Legacy Option Plan. This option replaced options held under the BT Share Option Scheme and/or the BT Global Share Option Plan, which were surrendered by participants prior to the demerger of mmO2 plc from British Telecommunications plc. The value of the options was determined by averaging the combined share price of the BT Group plc and mmO2 plc shares over the 20 dealing days following the demerger on 19 November 2001.

(d) Date of appointment

**Report of the directors
for the period from incorporation, 18 December 2000 to 31 March 2002**

Statement of directors' responsibilities

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

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.

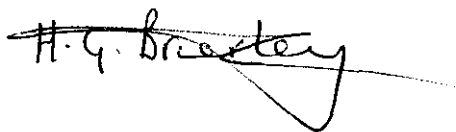
Post balance sheet events

The immediate holding company, Ignite Solutions Limited, was put into liquidation and transferred its share in the company to BT Holdings Limited on 27 September 2002.

Auditors

The auditors, PricewaterhouseCoopers, will continue in office, an elective resolution to this effect having been passed by the Company on 24 January 2001.

By order of the Board

A handwritten signature in black ink, appearing to read 'H. G. Braxton', with a long horizontal line extending to the right.

Authorised Signatory
for and on behalf of Newgate Street Secretaries Limited
Company Secretary

16 / 01 / 2003

**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 period from 18 December 2000 to 31 March 2002 on pages 8 to 16, 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 7.

Independent auditors' report to the members of BT Ignite Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members 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 in to 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 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. The other information comprises only the directors' report.

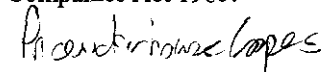
Basis of audit opinion

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 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

16 January 2003

**Profit and loss account
for the period from 18 December 2000 to 31 March 2002**

	Notes	2002 £'000
Turnover	1	585
Operating costs	2	<u>(2,664)</u>
Operating loss	3	(2,079)
Net interest payable	4	<u>(70)</u>
Loss on ordinary activities before taxation		(2,149)
Tax on profit on ordinary activities	7	<u>-</u>
Retained loss for the period		<u><u>(2,149)</u></u>

Turnover and operating loss derive entirely from continuing activities.

**Statement of total recognised gains and losses
for the period from 18 December 2000 to 31 March 2002**

	Note	2002 £'000
Loss for the period		(2,149)
Currency movements on foreign branch activities		<u>(16)</u>
Total recognised losses	13	<u><u>(2,165)</u></u>

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

BT Ignite Limited
Balance sheet – 31 March 2002

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	Notes	2002 £'000
Fixed assets		
Tangible assets	8	<u>95</u>
Current assets		
Debtors	9	<div style="border: 1px solid black; padding: 2px;">760</div>
Cash at bank and in hand	10	<div style="border: 1px solid black; padding: 2px;">222</div>
Total current assets		982
Creditors: amounts falling due within one year	11	<u>(3,217)</u>
Net current liabilities		<u>(2,235)</u>
Total assets less current liabilities		<u>(2,140)</u>
 Capital and reserves		
Called up share capital	12	<div style="border: 1px solid black; padding: 2px;">25</div>
Profit and loss account	13	<div style="border: 1px solid black; padding: 2px;">(2,165)</div>
Total equity shareholders' funds	14	<u>(2,140)</u>

These financial statements were approved by the board of directors on 15 January 2003 and were signed on its behalf by

C Ryan

Director

Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and the provisions of the Companies Act 1985

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

I Turnover

Turnover, which excludes value-added tax and other sales taxes, comprises the value of services provided and equipment sales.

II Foreign currencies

The Company translates amounts in foreign currencies under the closing rate method whereby assets and liabilities expressed in foreign currencies are translated to sterling at rates of exchange ruling at the end of the financial period. The results of foreign branches are translated at the average rate of exchange for the whole period. Differences on exchange arising from the retranslation of the opening net investment in branches, and from the translation of the results of those branches at average rate, are taken to reserves.

All other differences on exchange are dealt with in the profit and loss account.

III Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation.

Depreciation is provided on tangible fixed assets on a straight-line basis from the time they are available for use, so as to write off their costs over their estimated useful lives taking into account any expected residual values. No depreciation is provided on freehold land.

The lives assigned to significant tangible assets are:

	Years
Fittings and equipment	3

Accounting policies**IV Pension Scheme**

The Company operates a defined contribution pension scheme. The assets are held separately from those of the Company in an independently administered fund. The pension charge in the financial statements represents the contribution payable to the fund.

V Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. The Company has adopted FRS19 during the 2002 financial year. 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 than likely they will be recovered.

VI 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. 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**1 Turnover**

Turnover relates to trading activities in Europe.

2 Operating costs

	2002 £'000
Staff costs (see note 6)	1,226
Depreciation of tangible fixed assets	41
Other operating charges	<u>1,397</u>
Total operating costs	<u>2,664</u>

3 Operating loss

Operating loss is stated after charging:

	2002 £'000
Depreciation of tangible fixed assets	41
Auditors' remuneration for audit services	<u>6</u>

4 Net interest payable

	2002 £'000
Interest payable on loans from group undertakings	74
Interest receivable	<u>(4)</u>
Net interest payable	<u>70</u>

Interest receivable includes £nil from group undertakings.

Notes to the financial statements**5 Directors****Directors' emoluments**

The directors are employed and remunerated as executives of BT Group plc and other group companies in respect of their services to the group as a whole. No emoluments were paid to the directors by the Company in the period from 18 December 2000 to 31 March 2002.

6 Employee information

The average monthly number of persons employed by the Company, including executive directors, during the period from 18 December 2000 to 31 March 2002, was as follows:

	2002 Number
Operations	10
Selling, marketing and administration	<u>2</u>
	<u>12</u>

Employment costs of all employees included above:

	2002 £'000
Wages and salaries	1,135
Social security costs	47
Pension costs	<u>44</u>
	<u>1,226</u>

Notes to the financial statements

7 Tax on profit on ordinary activities

	2002 £'000
United Kingdom corporation tax at 30%	-
Tax on profit on ordinary activities	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(645)
Deferred tax movement not recognised	4
Other non-deductible expenses	18
Group relief not paid	623
Tax on profit on ordinary activities	-

The Company surrenders all corporation tax losses to its intermediate holding company British Telecommunications plc. Cumulative corporation tax losses surrendered at 31 March 2002 amount to £2,075,000. Any future corporation tax charge on the Company arising as a result of surrendering these losses will be met by British Telecommunications plc by way of payment for the surrender of these losses.

Potential deferred taxation asset

	2002 Asset recognised £'000	2002 Total potential asset £'000
Tax effects of timing differences due to:		
Accelerated capital allowances	-	2
Bad debt provision	-	2
Total potential deferred taxation asset	-	4

8 Tangible fixed assets

	Fixtures and equipment £'000
Cost	
At 18 December 2000	-
Additions	136
At 31 March 2002	136
Depreciation	
At 18 December 2000	-
Charge for period	(41)
At 31 March 2002	(41)
Net book value at 31 March 2002	95

Notes to the financial statements

9 Debtors

	2002 £'000
Amounts falling due within one year:	
Trade debtors	41
Amounts owed by group undertakings	565
Other debtors	77
Accrued income	8
Prepayments	69
	<hr/>
Total debtors	760 <hr/>

10 Cash at bank and in hand

The Company and certain fellow subsidiaries have jointly and severally guaranteed amounts owing to the Company's bankers by the intermediate holding company, British Telecommunications plc. The liability of the Company is limited to the amounts standing to the credit of the Company's accounts with the bank.

11 Creditors: amounts falling due within one year

	2002 £'000
Trade creditors	44
Amounts owed to group undertakings	2,940
Other taxation and social security	15
Other creditors	41
Accruals	177
	<hr/>
Total creditors falling due within one year	3,217 <hr/>

12 Called up share capital

	2002 £'000
Authorised:	
100,000,000 ordinary shares of £1 each	100,000 <hr/>
Allotted, called up and fully paid:	
25,001 ordinary shares of £1 each	25 <hr/>

Notes to the financial statements

13 Reserves

	Profit and loss account £'000
Retained loss for the financial period	(2,149)
Currency translation differences on foreign currency net investment	<u>(16)</u>
Balance at 31 March 2002	<u><u>(2,165)</u></u>

14 Reconciliation of movements in shareholders' funds

	2002 £'000
Loss for the financial period	(2,149)
Currency movements on foreign branch activities	(16)
New share capital issued	<u>25</u>
Closing shareholders' funds	<u><u>(2,140)</u></u>

15 Contingent liabilities

At 31 March 2002 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.

16 Controlling entities

The Company is a wholly-owned subsidiary of BT Holdings Limited, which is the immediate controlling entity. The ultimate controlling entity as at 31 March 2002 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 2002. 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 Great Britain. Copies of the financial statements of British Telecommunications plc are available from The Secretary, British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ.