

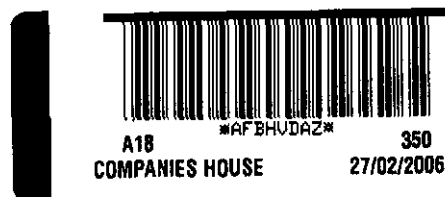
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Collingwood Limited

**Annual Report and Financial Statements
for the year ended 31 March 2005**



Collingwood Limited

1

Directors

H G Brierley
M P Genikis
J W A Fox

Secretary

Bedell Secretaries Limited

Registered Office

26 New Street
St Helier
Jersey
JE2 3RA

Registered Auditors

PricewaterhouseCoopers CI LLP
Twenty Two Colomberie
St Helier
Jersey
JE1 4XA

Report of the directors for the year ended 31 March 2005

The directors submit their annual report and the audited financial statements for the year ended 31 March 2005.

Profits and dividends

The profit before taxation was £37,666,161 (2004: £ 19,228,404). The charge for taxation was £11,304,021 (2004: £5,768,889) which left profit after taxation for the year of £26,362,140 (2004: £13,459,515).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2005 (2004 - £nil). Preference dividends are payable from 15 December 2005 as explained in Note 10 and Note 13 to these Financial Statements.

Review of activities and future developments

The Company's principal activity is to act as an investment holding company within the BT Group plc group of companies either directly or through wholly owned companies. The directors do not anticipate any change in the foreseeable future.

Directors

A list of the current directors is set out on page 1. All the directors held office throughout the financial year under review.

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 2004, or date of appointment if later, and at 31 March 2005 are shown below.

	Number of shares	
	1 April 2004 or date of appointment, if later	31 March 2005(a)
HG Brierley	316	439
JWA Fox	9,873	11,135
MP Genikis	905	1,021

a) Includes 439, 2,916, and 432 (2004: 316, 1,964, and 316) shares awarded to Ms Brierley, Mr Fox and Mr Genikis respectively under the BT Group Employee Share Investment Plan.

Report of the directors for the year ended 31 March 2005

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 2005 were:

Numbers of BT Group plc 5p ordinary shares under option

	1 April 2004 or date of appointment, if later	Granted	Lapsed	Exercised	31 March 2005
HG Brierley	22,108	9,287	1,490	Nil	29,905
JWA Fox	171,596	59,636	10,340	Nil	220,892
MP Genikis	45,907	13,477	Nil	Nil	59,384

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 2004 or date of appointment, if later	31 March 2005
HG Brierley	Nil	2,709
JWA Fox	16,172	41,469
MP Genikis	Nil	6,229

On 31 March 2005 the directors each had non-beneficial interests in the following numbers of BT Group plc shares:

- All the Directors, as potential beneficiary, had a non-beneficial interest in 27,733,138 (2004: 30,463,435) shares 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 139,029 (2004: 141,864) shares held in trust by Halifax Corporate Trustees Limited for participants in the BT Group Employee Share Investment Plan.

Statement of directors' responsibilities

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

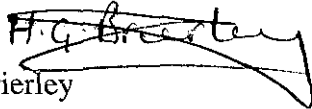
Post balance sheet events

Details of the post balance sheet events are contained in Note 13 of the Notes to the Financial Statements.

Report of the directors for the year ended 31 March 2005

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 October 2004, PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers CI LLP as auditors. A resolution to reappoint PricewaterhouseCoopers CI LLP as auditors to the company will be proposed at the annual general meeting.

A handwritten signature in black ink, appearing to read 'H.G. Brierley', written over a horizontal line.

HG Brierley
Director

8 February 2006

**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 year.

The directors consider that, in preparing the financial statements for the year ended 31 March 2005 on pages 7 to 14, 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 (Jersey) Law 1991.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLLINGWOOD LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet 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 Jersey law and United Kingdom accounting standards are set out in the statement of directors' responsibilities on page 5.

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 report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Article 110 of the Companies (Jersey) Law 1991 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 have been properly prepared in accordance with the Companies (Jersey) Law 1991. 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, or if we have not received all the information and explanations we require for our audit.

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 2005 and of its profit for the year then ended in accordance with United Kingdom accounting standards and have been properly prepared in accordance with the Companies (Jersey) Law 1991.



PricewaterhouseCoopers CI LLP

Chartered Accountants
Jersey, Channel Islands

8 February 2006

Profit and loss account for the year ended 31 March 2005

	Notes	Year to 31 March 2005 £'000	Year to 31 March 2004 £'000
Operating costs	1	(24)	(10)
Interest receivable	2	37,690	19,238
Profit on ordinary activities before taxation		37,666	19,228
Tax on profit on ordinary activities	5	(11,304)	(5,769)
Profit on ordinary activities after taxation		26,362	13,459
Retained profit for the year	11	26,362	13,459

All items dealt with in arriving at the net profit on ordinary activities relate to continuing activities.

Other than the profit for the financial year, there have been no other recognised gains or losses during either 2005 or 2004.

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

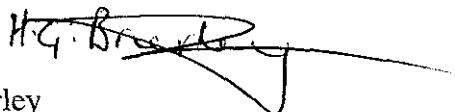
Balance sheet – as at 31 March 2005

	Notes	2005 £'000	2004 £'000
Current assets			
Current Asset investments	6	500,000	-
Debtors	7	605,246	744,880
Cash at bank and in hand	8	666	341
Total current assets		1,105,912	745,221
Creditors: amounts falling due within one year	9	(17,103)	(5,774)
Net current assets		1,088,809	739,447
Total assets less current liabilities		1,088,809	739,447
Capital and reserves			
Called up share capital	10	1,049	726
Share premium account	11	1,047,953	725,276
Profit and loss account	11	39,807	13,445
Total shareholders' funds	12	1,088,809	739,447

Total shareholders' funds is analysed as follows:

Equity shareholders' funds	753,551	739,447
Non-equity shareholders' funds	335,258	-
Total shareholders' funds	1,088,809	739,447

These financial statements on pages 7 to 14 were approved by the board of directors on 8 February 2006 and were signed on its behalf by



HG Brierley
Director

Accounting policies

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

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 provision for doubtful debts, provisions for liabilities and charges and taxes.

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

I Interest receivable

Interest receivable arises on loans to group undertakings and bank deposits and is accounted for on an accruals basis.

II 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.

III 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.

IV Related party disclosures

The company has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose transactions with entities that are part of the BT Group plc.

Notes to the financial statements

1 Operating profit

Operating profit is stated after charging:

	2005 £'000	2004 £'000
Auditors' remuneration:		
- Audit	<u>4</u>	<u>5</u>

2 Interest receivable

	2005 £'000	2004 £'000
Interest receivable	<u>37,690</u>	<u>19,238</u>

Interest receivable includes £37,690,282 (2004 - £19,227,785) 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 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 2005 (2004: £nil).

4 Employee information

The average monthly number of persons employed by the Company, including executive directors, during the year was nil (2004: nil).

5 Tax on profit on ordinary activities

Jersey taxation

The Company has been granted tax-exempt status by the Comptroller of Tax in Jersey and consequently, it incurs an annual fee of £600 (2004: £600).

UK taxation

The Company is centrally and effectively managed and controlled within the UK and is therefore UK tax resident.

The Company is liable to UK corporation tax at 30% on its taxable profits. The tax charge for the current year is £11,304,021 which reconciles to the theoretical tax charges as follows :-

Notes to the financial statements

5 Tax on profit on ordinary activities (continued)

	2005 £'000	2004 £'000
Profit on ordinary activities multiplied by standard rate of corporation tax at 30%	11,304	5,769
Tax on profit on ordinary activities	<u>11,304</u>	<u>5,769</u>

6 Current asset investments

	2005 £'000	2004 £'000
Preference shares investments	<u>500,000</u>	-
	<u>500,000</u>	-

On 15 March 2005, the Company invested £500 million in a structured investment managed by Deutsche Bank. The investment comprised 1,000 class "A" £1 redeemable preference shares in DB Anton Limited issued at a premium of £499,999 per share.

On 13 May 2005, the Company disposed of its beneficial interest in the shares to British Telecommunications plc for £503,966,305.

7 Debtors

	2005 £'000	2004 £'000
Amounts owed by group undertakings	281,484	744,879
Other debtors	1,085	1
Share premium debtors	<u>322,677</u>	-
Total debtors falling due within one year	<u>605,246</u>	<u>744,880</u>

The amounts owed by group undertakings are amounts due from BT Holdings Limited, a fellow group undertaking. The interest charged on the is based on the 3 month sterling LIBOR rate on the applicable rate setting dates (being 15 February, 15 May, 15 August and 15 November) plus 50 basis points. The loan which is unsecured and repayable on 31 March 2008, was issued as part of a borrowing programme with the overall facility being £1,000 million.

On 15 March 2005, BT Holdings repaid £500 million of the loan and the Company used the funds for another investment (see Note 6 above).

Notes to the financial statements

8 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.

9 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Amounts owed to Group undertakings	5,795	-
Corporation tax	11,304	5,769
Accruals	4	5
	<u>17,103</u>	<u>5,774</u>

Amounts owed to group undertakings include a loan of £5,768,521 (2004: £nil) from British Telecommunications plc, a fellow group undertaking. The interest charged on the loan is based on the 3 month sterling LIBOR rate on the applicable rate setting dates (being 15 February, 15 May, 15 August and 15 November) plus 50 basis points. The loan is unsecured and repayable on 5 April 2006.

10 Called up share capital

	2005 £'000	2004 £'000
Authorised:		
775,000 (2004 – 775,000) ordinary shares of £1 each	775	775
325,000 (2004 – nil) unclassified shares of £1 each	325	-
	<u>1,100</u>	<u>775</u>
Issued, called up and fully paid:		
726,004 (2004 – 726,004) ordinary shares of £1 each	726	726
323,000 (2004 – nil) redeemable preference shares of £1 each	323	-
	<u>1,049</u>	<u>726</u>

On 7 April 2004, the Company issued 323,000 £1 preference shares to UBS AG, London Branch. Under the terms of the Subscription Agreement, UBS AG subscribed for 323,000 fully paid preference shares at a premium of £999 per share equating to a total issue amount of £323,000,000. UBS AG fully settled the nominal value of the shares. The remaining outstanding share premium was due and paid on 15 December 2005.

The 323,000 preference shares were subsequently acquired by BT Newgate Investments Limited who later transferred them to British Telecommunications plc. On 27 May 2005, the shares were transferred to Cegetel Holdings II B.V, a fellow group company.

Notes to the financial statements

10 Called up share capital (continued)

The preference shares are due for redemption, at par, on 30 April 2009. The preference shareholders are entitled to receive notice of Annual General Meetings of the Company and attend and vote thereat. Each preference holder is entitled to one vote.

Under the terms of the Subscription Agreement, the preference shares are entitled to receive a fixed cumulative preferential dividend at the rate of 5,500% of the par value (£55 per share) on a quarterly basis. The dividend only accrues from such date that the Directors shall determine and notify to the holders of the Preference Shares being a date not later than 15 December 2005 (see Note 13). There is no penalty for late payment of the dividend.

In the event of winding up, preference shares rank higher than ordinary shares and are entitled to receive the nominal value and premium paid up plus any unpaid dividends prior to the winding up and any surplus assets available following distribution of the nominal value and premium paid up to ordinary shareholders rateably distributed between the preference shareholders and ordinary shareholders on the basis of the aggregate amounts of nominal value and premium paid up by both classes of shareholders prior to the winding up.

11 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2004	725,276	13,445	738,721
New share capital issued	322,677	-	322,677
Retained profit for the financial year	-	26,362	26,362
Balance at 31 March 2005	<u>1,047,953</u>	<u>39,807</u>	<u>1,087,760</u>

12 Reconciliation of movements in shareholder's funds

	2005 £'000	2004 £'000
Profit for the financial year	26,362	13,459
New share capital issued	<u>323,000</u>	<u>-</u>
Net addition to shareholder's funds	349,362	13,459
Opening shareholder's funds	<u>739,447</u>	<u>725,988</u>
Closing shareholder's funds	<u>1,088,809</u>	<u>739,447</u>

Notes to the financial statements**13 Post balance sheet events**

On 13 May 2005, the Company approved the transfer of ownership of its entire issued preference share capital from BT Newgate Investments Limited to British Telecommunications plc.

On 27 May 2005, the Company approved the transfer of ownership of its entire issued preference share capital from British Telecommunications plc to Cegetel Holdings II B.V, a fellow group undertaking.

On 15 December 2005, the Company redeemed 318,000 preference shares at a premium of £999 per share for total consideration of £318 million.

On 22 December 2005, the Directors approved the payment of preference dividends for the period from 15 December 2005. On 31 December 2005, An amount of £12,055 was paid for the period from 15 December to 31 December 2005.

14 Contingent liabilities

At 31 March 2005 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. Details of guarantees provided by the company are shown in note 8.

15 Controlling entities

The Company is a subsidiary of BT Holdings Limited, which is the immediate controlling entity. The ultimate controlling entity as at 31 March 2005 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 & 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 2005. 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 & Wales. Copies of the financial statements of British Telecommunications plc are available from The Secretary, British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ.