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Registered number: 82559

Collingwood Limited

**Annual Report
for the year ended
31 March 2006**



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Collingwood Limited

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Directors

Ms HG Brierley
Mr JWA Fox
Mr MP Genikis

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 2006

The directors submit their annual report and the audited financial statements for the year ended 31 March 2006.

Profits and dividends

The profit before taxation was £34,681,000 (2005: £37,666,000). The charge for taxation was £9,582,000 (2005: £11,304,000) which left profit after taxation for the year of £25,099,000 (2005: £26,362,000).

The directors do not recommend the payment of an ordinary share dividend in respect of the year ended 31 March 2006 (2005 - £nil). Preference dividends are payable from 15 December 2005 as explained in Note 2 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.

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 page 20 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.

Directors

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

Report of the directors for the year ended 31 March 2006

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 2005, or date of appointment if later, and at 31 March 2006 are shown below.

	Number of shares	
	1 April 2005 or date of appointment, if later	31 March 2006 (a)
HG Brierley	439	520
JWA Fox	11,135	17,525
MP Genikis	1,021	1,077

a) Includes 520, 3,836 and 488 (2005: 439, 2,916 and 432) shares awarded to Ms Brierley, Mr Fox and Mr Genikis respectively under the BT Group Employee Share Investment Plan.

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 2006 were:

Numbers of BT Group plc 5p ordinary shares under option

	1 April 2005 or date of appointment, if later	Granted	Lapsed	Exercised	31 March 2006
HG Brierley	29,905	986	Nil	Nil	30,891
JWA Fox	220,892	Nil	Nil	Nil	220,892
MP Genikis	59,384	Nil	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 2005 or date of appointment, if later	31 March 2006
HG Brierley	2,709	9,182
JWA Fox	41,469	71,882
MP Genikis	6,229	18,401

Report of the directors for the year ended 31 March 2006

Directors' interests in shares (continued)

On 31 March 2006 the directors each had non-beneficial interests in the following numbers of BT Group plc shares:

- All the directors had a non-beneficial interest in 24,699,017 (2005: 27,733,138) 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 50,342 (2005: 139,029) shares held in trust by Halifax Corporate Trustees Limited for allocation to employees under the BT Group Employee Share Investment Plan.

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 CI LLP, will continue in office, an elective resolution to this effect having been passed by the Company on 8 February 2006.



H G Brierley
Director
8 January 2007

**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 confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2006 and that applicable accounting standards have been followed.

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 Company financial statements (the "financial statements") of Collingwood Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing. 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 into 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 (Jersey) Law 1991. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

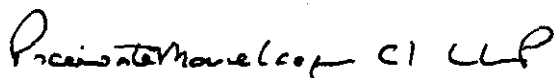
We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2006 and of the profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands

15 January 2007

Profit and loss account for the year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Operating costs	1	(66)	(24)
Net interest receivable	2	31,866	37,690
Profit on disposal of investments	3	2,881	-
Profit on ordinary activities before taxation		34,681	37,666
Tax on profit on ordinary activities	6	(9,582)	(11,304)
Profit on ordinary activities after taxation		25,099	26,362
Retained profit for the year	13	25,099	26,362

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 2006 or 2005.

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

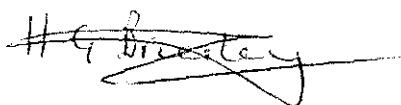
Balance sheet as at 31 March 2006

	Notes	2006 £'000	2005 £'000
Current assets			
Current Asset investments	7	-	500,000
Debtors	8	804,916	605,246
Cash at bank and in hand	9	649	666
Total current assets		805,565	1,105,912
Creditors: amounts falling due within one year	10	(9,657)	(17,103)
Net current assets		795,908	1,088,809
Creditors: amounts falling due after more than one year	11	(5,000)	-
Net assets		790,908	1,088,809
Capital and reserves			
Called up share capital	12	726	1,049
Share premium account	13	725,276	1,047,953
Capital redemption reserve	13	318	-
Profit and loss account	13	64,588	39,807
Total shareholders' funds	14	790,908	1,088,809

Total shareholders' funds is analysed as follows:

Equity shareholders' funds	790,908	753,551
Non-equity shareholders' funds	-	335,258
Total shareholders' funds	790,908	1,088,809

These financial statements on pages 7 to 16 were approved by the board of directors on 8 January 2007 and were signed on its behalf by



H G 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.

Accounting policies

V Changes in accounting policy

The Company has adopted Financial Reporting Standard Number 25 (FRS 25) 'Financial instruments: Disclosure and presentation'. The adoption of this standard represents a change in accounting policy. The Company has taken advantage of the exemptions available in FRS 25 from the requirements to restate comparative information. Further details are provided in notes 2 and 11 to the financial statements.

Notes to the financial statements

1 Operating profit

Operating profit is stated after charging:

	2006 £'000	2005 £'000
Auditors' remuneration	4	4
Other operating expenses	62	20
	<u>66</u>	<u>24</u>

2 Net interest receivable

	2006 £'000	2005 £'000
Interest receivable from group undertakings	31,919	37,690
Interest receivable from bank	26	
Preference dividends payable	(79)	-
	<u>31,866</u>	<u>37,690</u>

FRS 25 has resulted in some disclosure changes with preference shares being reclassified as liabilities and the repositioning of the preference share dividends into interest costs. See also note 11.

On 27 May 2005, the 323,000 preference shares (issued at a premium of £999 per share) were transferred from BT Newgate investments Limited to Cegetel Holdings II B.V, a fellow group company, via British Telecommunications plc, an intermediate parent company. On 15 December 2005, the Company redeemed 318,000 preference shares at a premium of £999 per share for total consideration of £318 million.

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 that Directors shall determine and notify to the holders of the Preference Shares being a date not later than 15 December 2005. There is no penalty for late payment of the dividend.

Notes to the financial statements**2 Net interest receivable (continued)**

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.

Preference share dividends for the financial year were as follow:

	Date	£'000
15 December 2005 to 31 December 2005	Paid 30 December 2005	12
1 January 2006 to 31 March 2006	Accrued at 31 March 2006	67
		<hr/> <hr/> 79

3 Profit on disposal of investments

On 13 May 2005, the Company disposed of its beneficial interest in the £1 redeemable preference shares in DB Anton Limited shares to British Telecommunications plc for £503,966,000. The profit on disposal was £2,881,000.

4 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 2006 (2005: £nil).

5 Employee information

The average monthly number of persons employed by the Company during the year was nil (2005: nil).

6 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 (2005: £600).

UK taxation

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

Notes to the financial statements

6 Tax on profit on ordinary activities (continued)

The Company is liable to UK corporation tax at 30% on its taxable profits. The tax charge for the current year is £9,582,000 (2005: £11,304,000) which reconciles to the theoretical tax charges as follows:-

	2006 £'000	2005 £'000
Profit on ordinary activities multiplied by standard rate of corporation tax at 30%	10,404	11,304
Effects of:		
Preference share dividends	24	-
Non taxable income	(864)	-
Expenses incurred for which there is no tax effect	18	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>9,582</u>	<u>11,304</u>

7 Current asset investments

	2006 £'000	2005 £'000
Preference shares investments	-	500,000
	<hr/>	<hr/>
	<u>-</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.

8 Debtors

	2006 £'000	2005 £'000
Amounts owed by group undertakings	804,916	281,484
Other debtors	-	1,085
Share premium debtors	-	322,677
	<hr/>	<hr/>
	<u>804,916</u>	<u>605,246</u>

Notes to the financial statements

8 Debtors (continued)

The amounts owed by group undertakings include a loan (£225,652,000) plus accrued interest due from BT Holdings Limited, a fellow group undertaking and another loan (£491,539,000) plus accrued interest due from British Telecommunications plc, an intermediate parent company.

The interest charged on the BT Holdings Limited 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, 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.

The interest charged on the British Telecommunications plc 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) less 10 basis points. The loan was unsecured and repayable on 31 May 2006.

9 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.

10 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed to Group undertakings	-	5,795
Corporation tax	9,582	11,304
Preference share dividends	67	
Accruals	8	4
	<u>9,657</u>	<u>17,103</u>

11 Creditors: amounts falling due after more than one year

	2006 £'000	2005 £'000
5,000 (2005 – 323,000) redeemable preference shares of £1 each	5	-
Preference share premium	4,995	-
	<u>5,000</u>	<u>-</u>

Notes to the financial statements

11 Creditors: amounts falling due after more than one year

The preference share capital and share premium were disclosed as equity in 2005 (see notes 12 and 13). The Company has taken advantage of the exemptions available in FRS 25 from the requirements to restate comparative information.

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

Further details of the preference shares are disclosed in note 2.

12 Called up share capital

	2006 £'000	2005 £'000
Authorised:		
775,000 (2005 – 775,000) ordinary shares of £1 each	775	775
325,000 (2005 – nil) unclassified shares of £1 each	-	325
	<u>775</u>	<u>1,100</u>
Issued, called up and fully paid:		
726,004 (2005 – 726,004) ordinary shares of £1 each	726	726
Nil (2005 – 323,000) redeemable preference shares of £1 each	-	323
	<u>726</u>	<u>1,049</u>

The preference shares are disclosed within creditors due after more than one year (see note 11). The Company has taken advantage of the exemptions available in FRS 25 from the requirement to restate comparative information.

13 Reserves

	Capital Redemption Reserve £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2005	-	1,047,953	39,807	1,087,760
FRS 25 adjustment	-	(4,995)	-	(4,995)
Redemption of preference shares	318	(317,682)	(318)	(317,682)
Retained profit for the financial year	-	-	25,099	25,099
Balance at 31 March 2006	<u>318</u>	<u>725,276</u>	<u>64,588</u>	<u>790,182</u>

Notes to the financial statements

14 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the financial year	25,099	26,362
FRS 25 adjustment	(5,000)	-
Redemption of preference shares	(318,000)	-
New share capital issued	<u>-</u>	<u>323,000</u>
Net addition to shareholders' funds	(297,901)	349,362
Opening shareholders' funds	<u>1,088,809</u>	<u>739,447</u>
Closing shareholders' funds	<u><u>790,908</u></u>	<u><u>1,088,809</u></u>

15 Contingent liabilities

At 31 March 2006 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 9.

16 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 2006 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 2006. 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.