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Registered number: 82559

**Collingwood Limited**

**Annual Report and Financial Statements  
for the year ended 31 March 2004**



# **Collingwood Limited**

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## **Directors**

H G Brierley  
M P Genikis  
J W A Fox

## **Secretary**

Bedell Cristin Secretaries Limited

## **Registered Office**

26 New Street  
St Helier  
Jersey  
JE2 3RA

## **Registered Auditors**

PricewaterhouseCoopers  
Twenty Two Colomberie  
St Helier  
Jersey  
JE1 4XA

**Report of the directors  
for the year ended 31 March 2004**

The directors submit their annual report and the audited financial statements for the year ended 31 March 2004.

**Profits and dividends**

The profit before taxation was £19,228,404 (2003: loss £14,000). The charge for taxation was £5,768,889 (2003: £nil) which left a profit after taxation for the year of £13,459,515 (2003: loss £14,000).

The directors do not recommend the payment of a dividend in respect of the period ended 31 March 2004.

**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. Mr Longden served as a director until 24 October 2003 when he resigned. On 25 October 2003, Mr Genikis was appointed to the Board. The remainder of the directors served through out the period 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 2003, or date of appointment if later, and at 31 March 2004 are shown below.

	<b>Number of shares</b>	
	1 April 2003 or date of appointment, if later	31 March 2004
H G Brierley	130	316
J W A Fox	7,391	9,873
M P Genikis	905	905

- a) Includes 316, 2,030 and 382 (2003: 130, 1,118 and 382) shares held for Miss Brierley, Mr Fox and Mr Genikis respectively by BT Employee Share Trustees Limited and/or Halifax Corporate Trustees Limited under the BT Group Employee Share Ownership Scheme and/or 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 and BT Group International Sharesave Scheme) during the year ended 31 March 2004 were:

**Report of the directors  
for the year ended 31 March 2004**

**Numbers of BT Group plc 5p ordinary shares under option**

	1 April 2003 or date of appointment, if later	Granted	Lapsed	Exercised	31 March 2004
H G Brierley	1,490	20,618	Nil	Nil	22,108
J W A Fox	78,621	100,566	7,591	Nil	171,596
M P Genikis	45,907	Nil	Nil	Nil	45,907

Directors also had the following contingent awards under one or more of the BT Executive Share Plan, BT Group Deferred Bonus Plan, BT Group Incentive Share Plan, BT Group Retention Share Plan, BT Deferred Bonus Plan, BT Incentive Share Plan and BT Retention Share Plan:

**Number of BT Group plc 5p ordinary shares**

	1 April 2003 or date of appointment, if later	31 March 2004
J W A Fox	18,378	16,172

On 31 March 2004 the directors each had non-beneficial interests in the following numbers of BT Group plc shares:

- Mr Fox had an interest in 30,463,435 (2003: 31,719,402) shares held in trust by Ilford Trustees (Jersey) Limited for allocation to employees under the employee share schemes.
- All the Directors had an interest in 141,864 (2003: 19,822) shares held in trust by Halifax Corporate Trustees Limited for allocation to employees under the BT Group Employee Share Investment Plan.

**Report of the directors  
for the year ended 31 March 2004**

**Statement of directors' responsibilities**

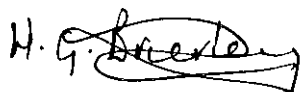
A statement by the directors of their responsibilities for preparing the financial statements is included on page 5.

**Post balance sheet events**

Details of the post balance sheet events are contained in Note 12 of the Notes to the Financial Statements.

**Auditors**

A resolution to reappoint PricewaterhouseCoopers 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', with a stylized flourish at the end.

Director

7 January 2005

**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 2004 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.

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.

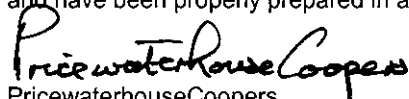
### Basis of audit opinion

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 2004 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  
Chartered Accountants  
Jersey, Channel Islands

14 January 2005

**Profit and loss account  
for the year ended 31 March 2004**

	Notes	Year to 31 March 2004 £'000	20 March 2002 to 31 March 2003 £'000
Operating costs	1	(10)	(22)
Interest receivable	2	19,238	8
<b>Profit / (loss) on ordinary activities before taxation</b>		19,228	(14)
Tax on profit on ordinary activities	5	(5,769)	(-)
<b>Profit / (loss) on ordinary activities after taxation</b>		13,459	(14)
<b>Retained profit / (loss) for the year / period</b>	10	13,459	(14)

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 2004 or 2003.

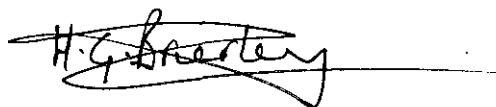
There were no differences between the results as disclosed in the profit and loss account and the results on an unmodified historic cost basis.



## Balance sheet – 31 March 2004

	Notes	2004 £'000	2003 £'000
<b>Current assets</b>			
Debtors	6	744,880	725,652
Cash at bank and in hand	7	341	339
<b>Total current assets</b>		745,221	725,991
<b>Creditors: amounts falling due within one year</b>	8	(5,774)	(3)
<b>Net current assets</b>		739,447	725,988
<b>Total assets less current liabilities</b>		739,447	725,988
<b>Capital and reserves</b>			
Called up share capital	9	726	726
Share premium account	10	725,276	725,276
Profit and loss account	10	13,445	(14)
<b>Total shareholders' funds</b>	11	739,447	725,988

These financial statements were approved by the board of directors on 7 January 2005 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 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.

**III 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.

**II 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:

	2004 £'000	2003 £'000
Auditors' remuneration:		
- Audit	<u>5</u>	<u>4</u>

**2 Interest receivable**

	2004 £'000	2003 £'000
Interest receivable	<u>19,238</u>	<u>8</u>

Interest receivable includes £19,227,785 (2003 - £nil) 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 2004 (2003: £nil).

**4 Employee information**

The average monthly number of persons employed by the Company, including executive directors, during the year was nil (2003: 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 (2003: £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 £5,768,889 which reconciles to the theoretical tax charges as follows :-

## Notes to the financial statements

## 5 Tax on profit on ordinary activities (continued)

	2004 £'000	2003 £'000
Profit on ordinary activities multiplied by standard rate of corporation tax at 30%	5,769	(4)
Losses surrendered to British Telecommunications plc	-	4
Tax on profit on ordinary activities	5,769	-

## 6 Debtors

	2004 £'000	2003 £'000
Amounts owed by group undertakings	744,879	312,066
Prepayments	1	-
Share premium debtors	-	413,586
<b>Total debtors falling due within one year</b>	<b>744,880</b>	<b>725,652</b>

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 demand, was issued as part of a borrowing programme with the overall facility being £1,000 million.

## 7 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.

## Notes to the financial statements

## 8 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Corporation tax	5,769	-
Accruals	5	3
	<u>5,774</u>	<u>3</u>

## 9 Called up share capital

	2004 £'000	2003 £'000
<b>Authorised:</b>		
775,000 (2003 – 775,000) ordinary shares of £1 each	775	775
	<u>775</u>	<u>775</u>
<b>Issued, called up and fully paid:</b>		
726,004 (2003 – 726,004) ordinary shares of £1 each	726	726
	<u>726</u>	<u>726</u>

## 10 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2003	725,276	(14)	725,262
Retained profit for the financial year	-	13,459	13,459
Balance at 31 March 2004	<u>725,276</u>	<u>13,445</u>	<u>738,721</u>

## 11 Reconciliation of movements in shareholder's funds

	2004 £'000	2003 £'000
Profit (loss) for the financial year / period	13,459	(14)
New share capital issued	-	726,002
Net addition to shareholder's funds	13,459	725,988
Opening shareholder's funds	725,988	-
Closing shareholder's funds	<u>739,447</u>	<u>725,988</u>

**Notes to the financial statements****12 Post balance sheet events**

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 have fully settled the nominal value of the shares. The remaining outstanding share premium is due on 15 December 2005.

The 323,000 preference shares were subsequently acquired by BT Newgate Investments Limited.

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. At the date these financial statements were approved by the Board, no such notification had been provided and no consequently no accrual has been made in these financial statements. 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.

**13 Contingent liabilities**

At 31 March 2004 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.

**14 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 2004 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 2004. Copies of the financial statements of BT Group plc may be

**Notes to the financial statements**

**14 Controlling entities (continued)**

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 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.