

Registered number: 3801456

New Cellular Holdings plc

**Annual Report
for the year ended
31 March 2004**



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Directors

M P Genikis

S J Prior

Secretary

Newgate Street Secretaries Limited

Registered Office

81 Newgate Street

London

EC1A 7AJ

Registered Auditors

PricewaterhouseCoopers LLP

1 Embankment Place

London

WC2N 6RH

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 loss before taxation was £3,000 (2003: loss £4,000). The credit for taxation was £1,000 (2003: £nil), which left a loss after taxation for the year of £2,000 (2003: loss £4,000).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2004 (2003: £nil).

Review of activities and future developments

The Company's principal activity is to act as an investment company within the British Telecommunications plc ("BT") group of 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. M P Genikis was appointed to the board on 25 October 2003. The remainder directors held office throughout the financial year under review. A W Longden also served as directors until he resigned on 24 October 2003.

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.

	Number of shares	
	1 April 2003 or date of appointment, if later	31 March 2004
M P Genikis	905	905
S J Prior	9,583	9,769

- a) Includes 382 and 382 (date of appointment 382 and 2003: 281) shares held for Mr Genikis and Mr Prior 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:

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
M P Genikis	45,907	Nil	Nil	Nil	45,907
S J Prior	31,891	100,251	Nil	Nil	132,142

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
S J Prior	12,194	9,179

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

- Mr Prior 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 152,310 (2003: 19,822) shares held in trust by Halifax Corporate Trustees Limited for allocation to employees under 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.

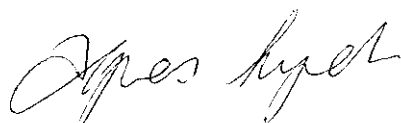
Close company provision

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 auditor, PricewaterhouseCoopers LLP, will continue in office, an elective resolution to this effect having been passed by the Company on 10 March 2001.

By order of the Board



Authorised Signatory
for and on behalf of Newgate Street Secretaries Limited
Company Secretary
13 September 2004

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

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss and total recognised gains or losses of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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 ending 31 March 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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. They are also responsible safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The auditors' responsibilities are stated in their report on page 6.

Independent auditors' report to the members of New Cellular Holdings plc

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 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 report, including the opinion, has been prepared for and only for the company's members as a body 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 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 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.

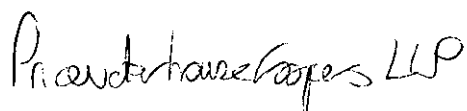
Basis of audit opinion

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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London 14 September 2004

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

	Notes	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Administrative expenses	1	(3)	(4)
Operating Loss on ordinary activities before taxation		<hr/> (3)	<hr/> (4)
Tax on loss on ordinary activities	4	<hr/> 1	<hr/> -
Retained loss for the financial year	8	<hr/> <hr/> (2)	<hr/> <hr/> (4)

The loss on ordinary activities before taxation derives entirely from continuing activities.

Other than the loss for the financial year, there have been no other recognised 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 - as at 31 March 2004

	Notes	2004 £'000	2003 £'000
Current assets			
Debtors	5	3,023,564	3,023,565
Creditors: amounts falling due within one year	6	(9)	(8)
Net current assets		<u>3,023,555</u>	<u>3,023,557</u>
Total assets less current liabilities		<u>3,023,555</u>	<u>3,023,557</u>
Capital and reserves			
Called up share capital	7	30,691	30,691
Capital redemption reserve	8	50	50
Other reserves	8	2,989,309	2,989,309
Profit and loss account	8	3,505	3,507
Total equity shareholders' funds	8	<u>3,023,555</u>	<u>3,023,557</u>

These financial statements were approved by the board of directors on 13 September 2004 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 and the provisions of the Companies Act 1985.

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 requirement to prepare and deliver group accounts.

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 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 there will be taxable profits from which the underlying timing differences can be deducted. The Company has not pursued the policy of discounting deferred tax balances.

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.

Notes to the financial statements – 31 March 2004

1 Administration expenses

Administrative expenses include:

	2004 £'000	2003 £'000
Auditors' remuneration for audit services	<u>5</u>	<u>4</u>

The current year auditor remuneration includes an adjustment in respect of the under provision of audit fees in prior years of £2,000.

2 Directors' emoluments

The directors are employed and remunerated as executives of British Telecommunications plc and 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).

3 Employee information

The average monthly number of persons employed by the Company, including executive directors, during the year was nil (2003: nil).

4 Tax on loss on ordinary activities

	2004 £'000	2003 £'000
Current Tax:		
United Kingdom corporation tax at 30%		
Payment receivable for losses surrendered	<u>(1)</u>	<u>-</u>
Effects of:		
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(1)	(1)
Losses surrendered to British Telecommunications plc	<u>-</u>	<u>1</u>
Current year tax credit for the financial year	<u>(1)</u>	<u>-</u>

The Company surrendered all corporation tax losses to its intermediate holding company British Telecommunications plc. Until 2003 future corporation tax charges on the Company arising as a result of surrendering these tax losses would have been met by British Telecommunications plc by way of payment for the surrender of the cumulative losses. Effective 2004, British Telecommunications plc pays for the surrender of losses in the year the losses are incurred by the Company. There is no expectation of payment for losses surrendered prior to 2004.

Notes to the financial statements – 31 March 2004

5 Debtors

	2004 £'000	2003 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	3,023,564	3,023,565

6 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Accruals	9	8

7 Called up share capital

	2004 £'000	2003 £'000
Authorised:		
800,000,000(2003: 800,000,000)		
"B"ordinary shares of 5p each	40,000	40,000
Allotted, called up and fully paid:		
613,826,365 (2003: 613,826,365) "B"		
ordinary shares of 5p each	30,691	30,691

8 Reserves

	Share capital	Capital redemption reserve	Other reserves (a)	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2003	30,691	50	2,989,309	3,507	3,023,557
Loss for the financial year	-	-	-	(2)	(2)
Balance at 31 March 2004	30,691	50	2,989,309	3,505	3,023,555

(a) Other reserves are regarded as un-distributable external to BT Group plc.

Notes to the financial statements – 31 March 2004

9 Reconciliation of movements in shareholder's funds

	2004 £'000	2003 £'000
Loss for the financial year	(2)	(4)
Net decrease in shareholder's funds	<u>(2)</u>	<u>(4)</u>
Opening shareholder's funds	3,023,557	3,023,561
Closing shareholder's funds	<u>3,023,555</u>	<u>3,023,557</u>

10 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.

11 Controlling entities

The Company is a wholly owned subsidiary of British Telecommunications plc, 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 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.