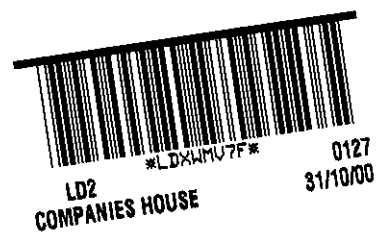


New Cellular Holdings plc

**Annual Report
for the period from incorporation on
6 July 1999 to 31 March 2000**



Directors

A W Longden
S J Prior
N Eldred

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 on 6 July 1999 to 31 March 2000**

The directors submit their annual report and the audited financial statements for the period from incorporation on 6 July 1999 to 31 March 2000.

Profits and dividends

The company made a loss of £3,045,012 for the period and paid a preference share dividend of £20 resulting in a retained loss of £3,045,032.

The directors do not recommend the payment of any further dividends in respect of the period ended 31 March 2000.

Review of activities

The Company was incorporated on 6 July 1999 as Launchmarket plc. The Company's name was changed to New Cellular Holdings plc on 16 September 1999.

The Company was part of the Securicor group up until 10 November 1999, when it was acquired by British Telecommunications plc ("BT").

The Company's principal activity is to act as an investment holding company within the BT group of companies. The directors do not anticipate any changes in the Company's principal activity in the foreseeable future.

Directors

A list of the current directors is set out on page 1. Mr N J Eldred was appointed to the Board on 3 May 2000. Mr A W Longden and Mr S J Prior were appointed to the Board on 10 November 1999. Mr P N Bramwell was appointed to the Board on 10 November 1999 and resigned on 3 May 2000. Mr N E Edwards and Mr C C Shirtcliffe were appointed to the Board on 3 September 1999 and resigned on 10 November 1999. Instant Companies Limited and Swift Incorporations Limited were appointed to the Board on 6 July 1999 and resigned on 11 August 1999. Ms C Wilson and Mr S Youdale were appointed to the Board on 11 August 1999 and resigned on 3 September 1999.

Directors' interests in shares

At 31 March 2000 and 6 July 1999, or date of appointment if later, the only interests of the directors, who are not directors of the ultimate holding company, in the ordinary shares of the ultimate holding company and as shown in the register maintained by the Company in accordance with Section 325 of the Companies Act 1985, were as follows:

**Report of the directors
for the period from incorporation on 6 July 1999 to 31 March 2000**

Ordinary shares of 25p each in British
Telecommunications plc

	31 March 2000	6 July 1999 or date of appointment if later
P N Bramwell	-	-
A W Longden (a) (b)	52,185	54,898
S J Prior (a)	4,564	5,232

(a) At the date of appointment

(b) Includes 5,963 (at date of appointment: 5,926) shares held by Mr Longden under the BT Executive Share Plan ("the ESP") formerly known as the BT Long Term Remuneration Plan.

In addition to the above, contingent awards and non-beneficial interest in shares held under BT share plans were:

1. Under the ESP, Mr Longden has been granted contingent awards of 65,485 (at date of appointment: 65,021) shares. Full entitlement to these shares at the end of a five-year period is dependent upon the BT Group meeting a pre-determined corporate performance measure and the continued employment of participants by the BT Group.
2. At 31 March 2000, Mr Longden had a non-beneficial interest in 5,903,526 (at date of appointment: 5,629,621) shares held in trust by Ilford Trustees (Jersey) Limited for allocation to participating employees under the ESP.
3. Mr Longden and Mr Bramwell had also been granted contingent awards totalling 4,411 (at date of appointment: 4,379) and 3,319 (at the date of appointment: 3,297) shares respectively under the BT Deferred Bonus Plan ("the DBP"), which was established in 1998. Entitlement to these shares at the end of a three-year period is dependent upon the continued employment of the participant by the BT Group.
4. Under the BT Performance Share Plan ("PSP") Mr Prior and Mr Bramwell had also been granted contingent awards of 2,406 (at date of appointment: 2,390) and 4,257 (at the date of appointment: 4,227) shares respectively. The vesting of awards under the PSP is subject to BT meeting a pre-determined performance target. If that target is met and the participant is still employed by the BT Group, the awards will vest within two years of the end of a three-year cycle (which may be extended up to five years).
5. At 31 March 2000 Mr Prior, Mr Longden and Mr Bramwell each had a non-beneficial interest in 1,388,542 (at date of appointment: 1,317,675) shares held in trust by Ilford Trustees (Jersey) Limited for allocation to employees under either the PSP or the DBP.

Report of the directors**for the period from incorporation on 6 July 1999 to 31 March 2000**

6. At 31 March 2000, the directors each had a non-beneficial interest in 78,454 (at date of appointment: 53,912) shares purchased by BT Employee Shares Trustees Limited for allocation to employees under the BT Share Ownership Scheme.

Share options held, granted to, or exercised by the directors under the BT Employee Sharesave and Share Option schemes, over the ordinary shares of British Telecommunications plc, during the year ended 31 March 2000 were:

Employee Sharesave Scheme

	6 July 1999 or date of appointment if later	Granted	Exercised	31 March 2000
P N Bramwell	-	-	-	-
A W Longden (a)	4,805	-	-	4,805
S J Prior (a)	2,591	-	-	2,591

(a) At the date of appointment

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 auditors, PricewaterhouseCoopers, will continue in office, an elective resolution to this effect having been passed by the Company on 10 March 2000.

By order of the Board

Authorised Signatory



for and on behalf of Newgate Street Secretaries Limited
Company Secretary

27 October 2000

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

The directors are required by law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period 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 ended 31 March 2000 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 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 6.

Report of the auditors to the members of New Cellular Holdings plc

We have audited the financial statements on pages 7 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 5, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

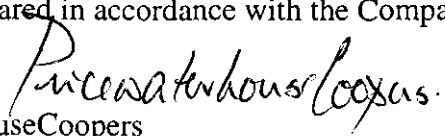
Basis of audit opinion

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 2000 and of its loss for the financial period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

31 October 2000

New Cellular Holdings plc

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Profit and loss account for the period 6 July 1999 to 31 March 2000

	Notes	6 July 1999 to 31 March 2000 £'000
Administrative expenses	1	<u>(59)</u>
Operating loss		(59)
Interest payable	2	<u>(2,986)</u>
Loss on ordinary activities before taxation		(3,045)
Tax on loss on ordinary activities	3	<u>-</u>
Loss on ordinary activities after taxation		(3,045)
Preference dividends paid		<u>-</u>
Retained loss for the financial period	9	<u><u>(3,045)</u></u>

Loss on ordinary activities before taxation derives entirely from continuing activities.

Statement of total recognised gains and losses for the period 6 July 1999 to 31 March 2000

	Notes	6 July 1999 to 31 March 2000 £'000
Loss for the financial period		(3,045)
Dividend in specie received net of transfer of investment in Securicor plc	9	<u>2,283,418</u>
Total recognised gains in the period		<u><u>2,280,373</u></u>

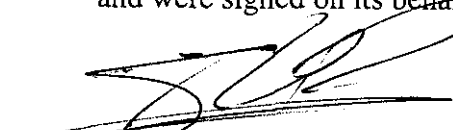
New Cellular Holdings plc

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Balance sheet - 31 March 2000

	Notes	2000 £'000
Fixed assets		
Investments	6	<u>3,150,000</u>
Creditors: amounts falling due within one year	7	<u>(132,995)</u>
Net current assets		<u>(132,995)</u>
Total assets less current liabilities		<u><u>3,017,005</u></u>
Capital and reserves		
Called up share capital	8	30,691
Share premium	9	-
Capital redemption reserve	9	50
Other reserves	9	2,989,309
Profit and loss account	9	(3,045)
Total equity shareholders' funds	9	<u><u>3,017,005</u></u>

These financial statements were approved by the board of directors on 27 October 2000 and were signed on its behalf by SJ Prior



Director

Accounting policies

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

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 requirements to prepare and deliver group accounts.

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

I Investments

Investments are stated at cost less amounts written off.

II Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation. Provision is made for deferred taxation only to the extent that timing differences are expected to reverse in the foreseeable future.

III Cash flow statement

The Company is a wholly owned subsidiary of British Telecommunications plc. The cash flows of the Company are included in the consolidated cash flow statement of British Telecommunications 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 2000**1 Administration expenses**

Administrative expenses include:

2000
£'000

Auditors' remuneration for audit services

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2 Interest payable

Interest payable relates to loans from group undertakings.

3 Tax on loss on ordinary activities

The Company surrenders all corporation tax losses to its ultimate holding company British Telecommunications plc. Cumulative corporation tax losses surrendered at 31 March 2000 amount to £3 million. Any future corporation tax charge on the Company arising as a result of surrendering these tax losses will be met by the ultimate holding company by way of payment for the surrender of these losses.

4 Directors' emoluments

No emoluments were paid in the period ended 31 March 2000 to the directors of New Cellular Holdings plc. The directors at 31 March 2000 are employees of British Telecommunications plc and are remunerated for their services to the group as a whole. Certain former directors were employees of the Securicor group and were remunerated for their services to that group as a whole.

5 Employee information

The average monthly number of persons employed by the Company, including executive directors, during the period was nil.

Notes to the financial statements – 31 March 2000

6 Fixed asset investments

On 10 November 1999, 40% of the share capital of Cellnet Group Limited, a company incorporated in the United Kingdom, was transferred to the Company as part of the reorganisation of the Securicor group (see note 9). The investment is held through the Company's interest in 100% of the share capital of New Securicor Technology Investments Limited, which holds the investment in Cellnet Group Limited as trust property under deeds of bare trust for the Company.

7 Creditors: amounts falling due within one year

	2000 £'000
Amounts owed to group undertakings	132,986
Accruals	9
	<u>132,995</u>

Notes to the financial statements – 31 March 2000

8	Called up share capital	2000
		£'000
	Authorised:	
	800,000,000 "B"ordinary shares of 5p each	<u>40,000</u>
	Allotted, called up and fully paid:	
	613,826,365 "B" ordinary shares of 5p each	<u>30,691</u>

Upon incorporation the authorised share capital of the company was £100,000 divided into 100,000 ordinary shares of £1 each. 2 ordinary shares were issued and allotted at par but were unpaid.

By an Ordinary Resolution of the Company on 3 September 1999, the authorised share capital was altered by the redesignation of 50,000 of the ordinary shares of £1 each into 50,000 redeemable preference shares of £1 each, which were issued and allotted at par for cash.

By an Ordinary Resolution of the Company on 10 September 1999, the 50,000 redeemable preference shares were redeemed out of the distributable profits of the Company and the shares were subsequently redesignated as ordinary shares of £1 each.

By an Ordinary Resolution of the Company on 11 October 1999, the authorised share capital of the Company was increased to £80,000,000 divided into 800,000,000 'A' ordinary shares of 5 pence each and 800,000,000 'B' ordinary shares of 5 pence each. 613,826,345 'A' ordinary shares and 613,826,345 'B' ordinary shares were issued and allotted at a premium of £675,200,000.

The share capital of the company was reduced from £80,000,000 divided into 800,000,000 'A' ordinary shares and 800,000,000 'B' ordinary shares to £40,000,000 divided into 800,000,000 'B' ordinary shares of 5 pence each. A special resolution of the company and order of the court to effect the share capital reduction was made effective on 10 November 1999.

Notes to the financial statements – 31 March 2000

9 Reconciliation of movement in shareholders funds

On 10 November 1999 the company entered into the following transactions as part a restructuring of the Securicor plc group:

- i) The Company issued 613,826,345 'A' ordinary shares and 613,826,345 'B' ordinary shares of 5p each with a total premium of £675,200,000 in return for 100% of the share capital of Securicor plc.
- ii) The Company acquired additional shares in Securicor plc for cash consideration of £130,000,000.
- iii) The Company received a dividend in specie from Securicor plc consisting of 40% of the share capital of Cellnet Group Limited valued at £3,150,000,000.
- iv) Having obtained court approval the Company transferred its investment in Securicor plc to New Securicor plc by way of a capital reduction through the cancellation of its 'A' ordinary shares which were held by New Securicor plc.

Notes to the financial statements – 31 March 2000

9 Reconciliation of movement in shareholders funds (cont.)

	Share capital	Share premium	Capital redemption reserve	Other reserves	Profit and loss account	Total 2000
	£'000	£'000	£'000	£'000	£'000	£'000
Loss for the financial period					(3,045)	(3,045)
Preference dividends paid					-	-
Capital contribution					50	50
New share capital issued	61,432	675,200				736,632
Redemption of preference shares	(50)		50		(50)	(50)
Capital reduction	(30,691)	(675,200)		705,891		-
Dividend in specie received net of transfer of investment in Securicor plc				2,283,418		2,283,418
Balance at 31 March 2000	30,691	-	50	2,989,309	(3,045)	3,017,005
Net increase in shareholders' funds						3,017,005
Opening shareholders' funds						-
Closing shareholders' funds						3,017,005

(a) Other reserves comprise the credit arising on the reduction of share capital (see note 8) and the dividend in specie received from Securicor plc being the excess of the value of shares in Cellnet Group Limited over the carrying value of the Company's investment in Securicor plc. Other reserves are regarded as undistributable.

10 Controlling entities

On 10 November 1999 the Company became a wholly owned subsidiary of British Telecommunications plc, which is also the ultimate holding company.

The results of the Company are included in the consolidated financial statements of British Telecommunications plc. Consequently the Company is exempt under the terms of Financial Reporting Standard Number 8 from disclosing details of transactions and balances with British Telecommunications plc, fellow subsidiaries and associated undertakings.

Copies of the ultimate holding company's financial statements may be obtained from The Secretary, British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ.