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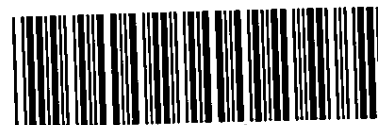
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Collingwood Limited

**Annual Report
for the year ended
31 March 2007**

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COMPANIES HOUSE

Collingwood Limited

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Directors

Ms HG Brierley
Mr G Parry
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 2007

The directors submit their annual report and the audited financial statements for the year ended 31 March 2007

Profits and dividends

The profit before taxation was £37,120,000 (2006 £34,681,000) The charge for taxation was £11,218,000 (2006 £9,582,000) which left profit after taxation for the year of £25,902,000 (2006 £25,099,000)

The directors do not recommend the payment of an ordinary share dividend in respect of the year ended 31 March 2007 (2006 - £nil) Preference dividends are payable 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 27 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 Mr G Parry was appointed to the board on 21 May 2007 Mr JWA Fox served as a director until he resigned on 21 May 2007 The remaining directors held office throughout the financial year under review and up to the date of this report

Report of the directors for the year ended 31 March 2007

Statement of directors' responsibilities

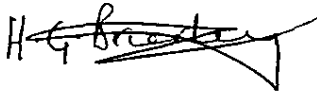
A statement by the directors of their responsibilities for preparing the financial statements is included on page 4

Auditors and Disclosure of information to the 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, have expressed their willingness to continue in office, an elective resolution to this effect having been passed by the Company on 8 February 2006

By order of the Board,



Director
6 February 2008

Statement of directors' responsibilities for preparing the financial statements

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or 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 ended 31 March 2007 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.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The auditors' responsibilities are stated in their report on pages 5 and 6.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLLINGWOOD LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Collingwood Limited which comprise the balance sheet as of 31 March 2007 and the profit and loss account, for the year then ended and a summary of significant accounting policies and other explanatory notes

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with United Kingdom Accounting Standards and with the requirements of Jersey law. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 March 2007, and of its financial performance for the year then ended in accordance with United Kingdom Accounting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law, 1991.

Report on other legal and regulatory requirements

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 report of the directors.

In our opinion the information given in the directors' report is consistent with the financial statements.

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.


PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands

25 February 2008

Profit and loss account for the year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Operating costs	1	(7)	(66)
Net interest receivable	2	37,127	31,866
Profit on disposal of investments	3	-	2,881
		<hr/>	<hr/>
Profit on ordinary activities before taxation		37,120	34,681
Tax on profit on ordinary activities	6	(11,218)	(9,582)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		25,902	25,099
		<hr/>	<hr/>
Retained profit for the year	11	<u>25,902</u>	<u>25,099</u>

The profit on ordinary activities before taxation derives entirely from continuing activities

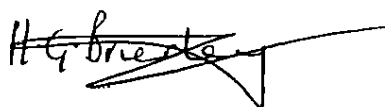
Other than the profit for the financial year, there have been no other recognised gains or losses during either 2007 or 2006

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 2007

	Notes	2007 £'000	2006 £'000
Current assets			
Debtors	7	833,100	804,916
Cash at bank and in hand		-	649
Total current assets		<u>833,100</u>	<u>805,565</u>
Creditors, amounts falling due within one year	8	<u>(11,290)</u>	<u>(9,657)</u>
Net current assets		821,810	795,908
Creditors: amounts falling due after more than one year	9	<u>(5,000)</u>	<u>(5,000)</u>
Net assets		<u>816,810</u>	<u>790,908</u>
Capital and reserves			
Called up share capital	10	726	726
Share premium account	11	725,276	725,276
Capital redemption reserve	11	318	318
Profit and loss account	11	90,490	64,588
Total equity shareholders' funds	12	<u>816,810</u>	<u>790,908</u>

These financial statements on pages 7 to 15 were approved by the board of directors on 6 February 2008 and were signed on its behalf by



Director

Notes to the financial statements

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

	2007 £'000	2006 £'000
Auditors' remuneration	6	4
Other operating expenses	1	62
	<u>7</u>	<u>66</u>

2 Net interest receivable

	2007 £'000	2006 £'000
Interest receivable from group undertakings	37,379	31,919
Interest receivable from bank	20	26
Preference dividends payable	<u>(272)</u>	<u>(79)</u>
	<u>37,127</u>	<u>31,866</u>

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 the Directors shall determine and notify to the holders of the Preference Shares. 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.

Notes to the financial statements

2 Net interest receivable (continued)

Preference share dividends for the financial year were as follow

	Date	£'000
1 April 2006 to 31 December 2006	Paid 31 October 2006	205
1 January 2007 to 31 March 2007	Accrued at 31 March 2007	67
		272

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. There was no profit on disposal of investments for the year ended 31 March 2007.

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 2007 (2006: £nil).

5 Employee information

The average monthly number of persons employed by the Company during the year was nil (2006: 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 (2006: £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 £11,217,635 (2006 £9,582,000) which reconciles to the theoretical tax charges as follows.

	2007 £'000	2006 £'000
Profit on ordinary activities multiplied by standard rate of corporation tax at 30%	11,136	10,404
Effects of		
Preference share dividends	82	24
Non taxable income	-	(864)
Expenses incurred for which there is no tax effect	-	18
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>11,218</u>	<u>9,582</u>

7 Debtors

	2007 £'000	2006 £'000
Amounts owed by group undertakings	<hr/> 833,100	<hr/> 804,916
	<hr/> <u>833,100</u>	<hr/> <u>804,916</u>

The amounts owed by group undertakings include a loan (£225,652,000) plus accrued interest due from BT Holdings Limited, the immediate parent company and another loan (£506,108,000) plus accrued interest due from BT Group Investments Limited, a fellow group undertaking

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 is unsecured and repayable on 31 March 2008

The interest charged on the BT Group Investments 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) less 10 basis points. The loan was unsecured and repayable on 4 April 2007

Notes to the financial statements

8 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Corporation tax	11,218	9,582
Preference share dividends	66	67
Accruals	6	8
	<u>11,290</u>	<u>9,657</u>

9 Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
5,000 (2006 5,000) redeemable preference shares of £1 each	5	5
Preference share premium	4,995	4,995
	<u>5,000</u>	<u>5,000</u>

10 Called up share capital

	2007 £'000	2006 £'000
Authorised:		
775,000 (2006 775,000) ordinary shares of £1 each	775	775
	<u>775</u>	<u>775</u>
Issued, called up and fully paid:		
726,004 (2006 726,004) ordinary shares of £1 each	726	726
	<u>726</u>	<u>726</u>

The preference shares are disclosed within creditors due after more than one year (see note 9)

Notes to the financial statements

11 Reserves

	Capital Redemption Reserve £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2006	318	725,276	64,588	790,182
Retained profit for the financial year	-	-	25,902	25,902
Balance at 31 March 2007	<u>318</u>	<u>725,276</u>	<u>90,490</u>	<u>816,084</u>

12 Reconciliation of movements in equity shareholders' funds

	2007 £'000	2006 £'000
Profit for the financial year	25,902	25,099
FRS 25 adjustment	-	(5,000)
Redemption of preference shares	-	(318,000)
Net addition to equity shareholders' funds	<u>25,902</u>	<u>(297,901)</u>
Opening equity shareholders' funds	<u>790,908</u>	<u>1,088,809</u>
Closing equity shareholders' funds	<u>816,810</u>	<u>790,908</u>

13 Contingent liabilities

At 31 March 2007 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

Notes to the financial statements

14 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 2007 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 2007. 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.