

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

BRITEL FUND TRUSTEES LIMITED

31 DECEMBER 2005



Registered No. 1687153

BRITEL FUND TRUSTEES LIMITED**DIRECTORS' REPORT**

Directors: Sir Tim Chessells
C C Hartridge-Price
H Marchant
A Watson (retired 31 January 2006)
M Anson (appointed 1 February 2006)

Secretary: C C Hartridge-Price

Registered Office: Lloyds Chambers, 1 Portsoken Street, London E1 8HZ

ACCOUNTS

The directors present their annual report and audited financial statements for the year ended 31 December 2005.

ACTIVITIES

The company acts as a custodian trustee to the BT Pension Scheme. The company has legal title to various investments, but does not disclose such investments on the grounds of their being held in a fiduciary capacity for the BT Pension Scheme. No change in the company's activities is anticipated.

DIRECTORS

The directors of the company throughout the year ended 31 December 2005 were those listed above (with the exception of M Anson), together with A Watson who resigned on 31 January 2006.

H Marchant and M Anson retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

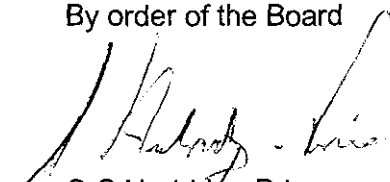
DIRECTORS' INTERESTS

The directors have had no interests in the shares of the company or any group company throughout the year.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution proposing their appointment will be submitted to the forthcoming annual general meeting.

By order of the Board



C C Hartridge-Price
Secretary

BRITEL FUND TRUSTEES LIMITED**DIRECTORS' STATEMENT OF RESPONSIBILITIES**

United Kingdom company law requires the directors 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 of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BRITEL FUND TRUSTEES LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITEL FUND TRUSTEES LIMITED**

We have audited the financial statements of Britel Fund Trustees Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework 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 with the company is not disclosed.

We read the directors' report for the above year 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

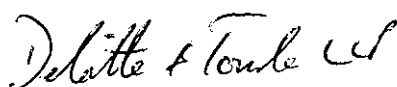
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

BRITEL FUND TRUSTEES LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITEL FUND TRUSTEES LIMITED****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 December 2005 and of its result for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

Date: 16 May 2006

BRITEL FUND TRUSTEES LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

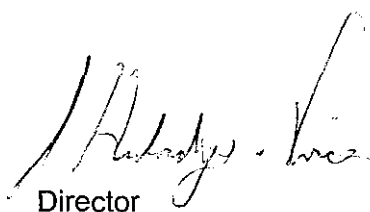
	Note	2005 £000	2004 £000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Taxation on profit on ordinary activities	5	-	-
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE YEAR		-	-
		<hr/>	<hr/>

There are no recognised gains or losses or movements in reserves in either current or prior years other than those shown above. Accordingly no statement of total recognised gains and losses is required. All transactions are derived from continuing operations.

BRITEL FUND TRUSTEES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Investments	6	102	102
CURRENT ASSETS			
Debtors - amounts due from parent undertaking	7	100,953	100,853
CREDITORS - amounts falling due within one year	8	<u>(1,054)</u>	<u>(954)</u>
NET CURRENT ASSETS		99,899	99,899
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>100,001</u>	<u>100,001</u>
CAPITAL AND RESERVES			
Called up share capital	9	<u>100,001</u>	<u>100,001</u>
EQUITY SHAREHOLDERS' FUNDS		<u>100,001</u>	<u>100,001</u>



Director

Approved by the Board of Directors on 26 April 2006

BRITEL FUND TRUSTEES LIMITED**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005****1. ACCOUNTING POLICIES****a) Accounting convention**

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

b) Cash flow statement

Under FRS1 Cash Flow Statements (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a 90% subsidiary undertaking of the BT Pension Scheme.

c) Deferred tax

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

d) Shareholders' funds

There has been no movement in shareholders' funds and therefore no reconciliation of movement in shareholders' funds is included in these financial statements.

e) Investments

Investments are valued at cost less impaired investments.

2. AUDIT FEES

The auditors' remuneration for the years ended 31 December 2005 and 31 December 2004 was borne by the BT Pension Scheme.

3. EMPLOYEES

The company had no employees during the year (2004 – nil).

4. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the company during the year (2004 – £nil).

BRITEL FUND TRUSTEES LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

5. TAXATION

	2005 £000	2004 £000
<i>Analysis of tax charge in the period</i>		
Current tax:		
Corporation tax - tax on imputed interest income	952	852
Contribution to tax charge by parent undertaking	(952)	(852)
Total current tax charge	<u>-</u>	<u>-</u>

6. INVESTMENTS

	Subsidiary undertakings £
At 1 January 2005 and 31 December 2005	<u>102</u>

Investments are stated at cost. No provision for any impairment has been made.

The subsidiary undertakings, all incorporated in Great Britain, at 31 December 2005 were:

	Nature of Business	Proportion of ordinary shares held
BriTel Fund Nominees Limited	Nominee shareholder	100%
BriTel (MAM) Nominees Limited	Nominee shareholder	100%

The company has taken advantage of Section 248 of the Companies Act 1985 as a small group not to prepare group accounts.

The company's financial statements present information about it as an individual undertaking and not about its group.

7. DEBTORS

	2005 £	2004 £
Amount due from immediate parent undertaking	<u>100,953</u>	<u>100,853</u>

8. CREDITORS – Amounts falling due within one year

	2005 £	2004 £
Amounts owed to subsidiary undertakings	102	102
Tax payable	952	852
	<u>1,054</u>	<u>954</u>

BRITEL FUND TRUSTEES LIMITED**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)****9. CALLED UP SHARE CAPITAL**

	2005 £	2004 £
Authorised:		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted, and called up:	2	2
2 ordinary shares of £1 each fully paid		
249,998 ordinary shares of £1 each	<u>99,999</u>	<u>99,999</u>
40p called up and paid	<u>100,001</u>	<u>100,001</u>

10. ULTIMATE CONTROLLING PARTY

The directors regard the BT Pension Scheme as the company's immediate and ultimate parent and controlling party. It is also the parent of the smallest and largest group of which Britel Fund Trustees Limited is a member to prepare group accounts. Copies of these accounts may be obtained at Lloyds Chambers, 1 Portsoken Street, London E1 8HZ.

11. RELATED PARTY TRANSACTIONS

The company had the following balances with BT Pension Scheme, the company's parent controlling party:

	2005 £	2004 £
Due to the company at 31 December	<u>100,001</u>	<u>10,001</u>

Tax arising in respect of imputed interest on the receivable balance is borne by BT Pension Scheme.