FLUIDIGM CORP
Form 8-K
September 13, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8 K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934
Date of Report (Date of earliest event reported)
September 7, 2016

FLUIDIGM CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	001-34180	77-0513190
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

7000 Shoreline Court, Suite 100
South San Francisco, California 94080
(Address of principal executive offices, including zip code)
(650) 266-6000
(Registrant’s telephone number, including area code)
(Former name or former address, if changed since last report)
Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):
[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 – Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On September 7, 2016, Marc Unger, our Executive Vice President, Research and Development and Marketing, indicated his decision to take an approximately 10-week leave of absence from Fluidigm Corporation (the "Company") commencing October 1, 2016. The Company and Dr. Unger intend to enter into a part-time consulting engagement, commencing in December 2016 following Dr. Unger's leave, and are currently in discussions regarding the terms of the leave and such consulting or other arrangement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FLUIDIGM CORPORATION

Date: September 13, 2016 By: /s/ Nicholas Khadder
Nicholas Khadder
General Counsel and Secretary

#150; 5 5
Tax recognised in other comprehensive income
(164) (164)
Net purchase of treasury shares
(63) (63)
Cancellation of treasury shares
797 797

At 1 April 2009
(1,109) 563 5 844 998 1,301
Exchange differences
(119) (119)
Net fair value loss on cash flow hedges
(1,067) (1,067)
Recognised in income and expense in the year
496 496
Reclassified and reported in non current assets
(4) (4)
Gains on available-for-sale investments
7 7
Tax recognised in other comprehensive income
159 (20) 139
Net issue of treasury shares
4 4

At 31 March 2010
(1,105) 147 12 705 998 757

[a] The treasury shares reserve is used to hold BT Group plc shares purchased by the group. During 2010 the company purchased nil (2009: 142,608,225, 2008: 539,657,691) of its own shares of 5p each, representing nil% (2009: 2%, 2008: 6%) of the called-up share capital, for consideration (including transaction costs) of £nil (2009: £189m, 2008: £1,626m). In addition, 8,320,766 shares (2009: 90,626,518, 2008: 53,250,144) were issued from treasury to satisfy obligations under employee share schemes and executive share awards at a cost of £4m (2009: £126m, 2008: £97m), and nil treasury shares (2009 and 2008: 250,000,000) were cancelled at a cost of £nil (2009: £797m, 2008: £570m). At 31 March 2010, 400,906,119 shares (2009: 409,226,885, 2008: 607,285,178) with an aggregate nominal value of £20m (2009: £20m, 2008: £30m) were held as treasury shares at cost.

[b]

The cash flow reserve is used to record the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

[c] The available-for-sale reserve is used to record the cumulative fair value gains and losses on available-for-sale financial assets. The cumulative gains and losses are recycled to the income statement on disposal of the assets. The gross gain in the year amounted to £7m (2009: £5m, 2008: £nil).

[d] The translation reserve is used to record cumulative translation differences on the assets and liabilities of foreign operations. The cumulative translation differences are recycled to the income statement on disposal of the foreign operation.

[e] The merger reserve arose on the group reorganisation that occurred in November 2001 and represented the difference between

the nominal value of shares in the new parent company, BT Group plc, and the aggregate of the share capital, share premium account and capital redemption reserve of the prior parent company, British Telecommunications plc.

26. Related party transactions

Key management personnel comprise executive and non-executive directors and members of the *Operating Committee*. Key management personnel compensation is shown in the table below:

Year ended 31 March	**2010** £m	2009[a] £m	2008[a] £m
Salaries and short-term benefits	10.3	8.4	8.3
Termination benefits	0.1	2.4	
Post employment benefits	1.8	2.3	1.0
Share-based payments	2.6	3.6	5.0
	14.8	**16.7**	**14.3**

[a] Restated to include the Chairman and non-executive directors.

More detailed information concerning directors remuneration, shareholdings, pension entitlements, share options and other long-term incentive plans is shown in the audited part of the Report on Directors Remuneration (pages 73 to 77), which forms part of the consolidated financial statements.

Amounts paid to the group s retirement benefit plans are set out in note 29. There were a number of transactions during the year between the company and its subsidiary undertakings, which are eliminated on consolidation and therefore not disclosed.

During 2010, the group purchased services in the normal course of business and on an arm s length basis from its principal associate, Tech Mahindra Limited. The net value of services purchased was £301m (2009: £296m, 2008: £305m) and the amount outstanding and payable for services at 31 March 2010 was £65m (2009: £89m, 2008: £125m). In addition in 2010 a cash payment of £127m was made to Tech Mahindra Limited for the renegotiation of certain supply contracts as part of the rationalisation of procurement channels within BT Global Services. In 2008, a cash payment of £55m was received from Tech Mahindra Limited, which was recognised as income in 2008 (£28m) and 2009 (£27m).

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Financial commitments and contingent liabilities

Capital expenditure contracted for at the balance sheet date but not yet incurred was as follows:	2010 £m	2009 £m
Property, plant and equipment	368	414
Computer software	15	37
Total	**383**	**451**

Future minimum operating lease payments for the group were as follows:	2010 £m	2009 £m
Payable in the year ending 31 March:		
2010		484
2011	494	455
2012	460	430
2013	431	403
2014	400	377
2015	375	356
Thereafter	5,527	5,499
Total future minimum operating lease payments	**7,687**	**8,004**

Operating lease commitments were mainly in respect of land and buildings which arose from a sale and operating leaseback transaction in a prior period. Leases have an average term of 22 years (2009: 23 years) and rentals are fixed for an average of 22 years (2009: 23 years).

At 31 March 2010, other than as disclosed below, there were no contingent liabilities or guarantees other than those arising in the ordinary course of the group s business and on these no material losses are anticipated. The group has insurance cover to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of its operations. Otherwise, the group generally carries its own risks.

The group has provided guarantees relating to certain leases entered into by O_2 UK Limited prior to its demerger with O_2 on 19 November 2001. O_2 plc has given BT a counter indemnity for these guarantees. The maximum exposure was US$132m as at 31 March 2010 (2009: US$110m), approximately £87m (2009: £77m), although this could increase by a further US$304m (2009: US$399m), approximately £200m (2009: £278m), in the event of credit default in respect of amounts used to defease future lease obligations. The guarantee lasts until O_2 UK Limited has discharged all its obligations, which is expected to be when the lease ends on 30 January 2017.

We do not believe that there is any single current court action that would have a material adverse effect on the financial position or operations of the group. However the aggregate volume and value of legal actions to which the group is party has increased significantly during 2010.

There have been criminal proceedings in Italy against 21 defendants, including a former BT employee, in connection with the Italian UMTS (universal mobile telecommunication system) auction in 2000. Blu, in which BT held a minority interest, participated in that auction process. On 20 July 2005, the former BT employee was found not culpable of the fraud charge brought by the Rome Public Prosecutor. All the other defendants were also acquitted. The Public Prosecutor has appealed the court s decision. The appeal was unsuccessful and no damages follow.

The European Commission formally investigated the way the UK Government set the rates payable on BT s infrastructure and those paid by Kingston Communications, and whether or not the UK Government complied with

European Community Treaty rules on state aid. The Commission concluded in October 2006 that no state aid had been granted. The Commission s decision was appealed. Judgement on the appeal has not yet been given but we continue to believe that any allegation of state aid is groundless and that the appeal will not succeed.

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FINANCIAL STATEMENTS **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

28. Acquisitions

There were no acquisitions made in 2010. A summary of the acquisitions made in 2009 is set out below.

Year ended 31 March 2009	BT Global Services £m	BT Retail £m	Other £m	Total £m
Fair value of consideration	13	98	75	186
Less: fair value of net assets acquired	3	24	28	55
Goodwill arising	**10**	**74**	**47**	**131**
Consideration:				
Cash	13	98	65	176
Deferred consideration			10	10
Total	**13**	**98**	**75**	**186**
The outflow of cash and cash equivalents was as follows:				
Cash consideration	13	98	65	176
Less: cash acquired	1	3	5	9
	12	**95**	**60**	**167**

BT Global Services

During 2009 the group acquired 100% of Stemmer GmbH and SND GmbH. The purchase consideration was £13m. The net assets acquired and the goodwill arising were as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Receivables	6		6
Cash and cash equivalents	1		1
Payables	(4)		(4)
Net assets acquired	**3**		**3**
Goodwill			**10**
Total consideration			**13**

During 2010 the determination of fair values has been finalised. No adjustments have been made to the balances previously reported.

BT Retail

During 2009 the group acquired 100% of the issued share capital of Wire One Holdings Inc and Ufindus Ltd for a total consideration of £98m. The combined net assets acquired in these transactions and the goodwill arising were as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Intangible assets	2	21	23
Property, plant and equipment	2		2
Receivables	20	(1)	19
Cash and cash equivalents	3		3
Payables	(22)	(1)	(23)
Net assets acquired	**5**	**19**	**24**
Goodwill			**74**
Total consideration			**98**

Intangible assets recognised in respect of these acquisitions comprised customer relationships, brand names and proprietary technology. Goodwill arising on these acquisitions principally related to anticipated cost and revenue synergies and the assembled workforce. During 2010 the determination of fair values has been finalised. No adjustments have been made to the balances previously reported.

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FINANCIAL STATEMENTS **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

28. Acquisitions continued

Other

During 2009 the group acquired 100% of the issued share capital of Moorhouse Consulting and Ribbit Corporation, for a total consideration of £75m including £10m of deferred, contingent consideration. The combined net assets acquired in these transactions and the goodwill arising were as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Intangible assets		25	25
Receivables	2		2
Cash and cash equivalents	5		5
Payables	(4)		(4)
Net assets acquired	**3**	**25**	**28**
Goodwill			**47**
Total consideration			**75**

Intangible assets recognised in respect of these acquisitions comprised internally developed technology. Goodwill on the acquisitions principally related to cost savings and other synergies. During 2010 the determination of fair values has been finalised and adjustments have been made to the balances previously reported. Prior year balances have not been restated as the amount is not significant to the group.

29. Retirement benefit plans

Background

The group offers retirement benefit plans to its employees. The group s main scheme, the BT Pension Scheme (BTPS), is a defined benefit scheme. This scheme has been closed to new entrants since 31 March 2001 when it was replaced by a defined contribution scheme, the BT Retirement Plan (BTRP) which was closed on 31 March 2009. On 1 April 2009 BT set up the BT Retirement Saving Scheme, a contract based defined contribution arrangement, to which BTRP members were invited to transfer their accumulated assets. The total pension cost of the group for 2010, included within staff costs, was £304m (2009: £544m, 2008: £626m). The total cost associated with the group s defined benefit pension schemes for 2010 was £206m (2009: £459m, 2008: £576m).

Defined contribution schemes

The income statement charge in respect of defined contribution schemes represents the contribution payable by the group based upon a fixed percentage of employees pay. The total pension cost for 2010 in respect of the group s main defined contribution scheme was £66m (2009: £47m, 2008: £37m) and £6m (2009: £4m, 2008: £3m) of contributions were outstanding at 31 March 2010.

Defined benefit schemes

BT Pension Scheme Trustees Limited administers and manages the scheme on behalf of the members in accordance with the terms of the Trust Deed of the scheme and relevant legislation. Under the terms of the Trust Deed of the BTPS, there are nine Trustee directors appointed by the group, five of which appointments are made with the agreement of the relevant trade unions, including the Chairman of the Trustee. Four Trustee directors, other than the Chairman, are appointed by BT on the nomination of the relevant trade unions. Two of the Trustee directors will normally hold senior positions within the group, and two will normally hold (or have held) senior positions in commerce or industry. Subject to there being an appropriately qualified candidate, there should be at least one current pensioner or deferred pensioner of the BTPS as one of the Trustee directors. Trustee directors are appointed for a three year term, but are then eligible for re-appointment.

Measurement of scheme assets and liabilities IAS 19

Scheme assets are measured at the bid market value at the balance sheet date. The liabilities of the BTPS are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. Estimated future cash flows are discounted at the current rate of return on high quality corporate bonds of an equivalent term to the liability. Actuarial gains and losses are recognised in full in the year in which they occur in the statement of comprehensive income.

IAS 19 requires that the discount rate used be determined by reference to market yields at the reporting date on high quality corporate bonds. The currency and term of these should be consistent with the currency and estimated term of the pension obligations. The discount rate has been assessed by reference to the duration of the BTPS s liabilities and by reference to the published iBoxx index of Sterling corporate bonds of duration greater than 15 years and investment grade AA and above. Allowance is made where the constituent bonds in the published index have been re-rated or new issues made.

The rate of inflation influences the assumptions for salary and pension increase. This has been assessed by reference to yields on long-term fixed and index-linked Government bonds and has regard to Bank of England published inflationary expectations. Salary increases are assumed to be in line with inflation.

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Retirement benefit plans continued

The financial assumptions used to measure the net pension obligation of the BTPS under IAS 19 at 31 March 2010 are as follows:

	Real rates (per annum)			Nominal rates (per annum)		
	2010	2009	2008	**2010**	2009	2008
At 31 March	%	%	%	%	%	%
Rate used to discount liabilities	1.83	3.84	3.24	5.50	6.85	6.85
Average future increases in wages and salaries			0.75[a]	3.60	2.90	4.28[a]
Average increase in pensions in payment and deferred pensions				3.60	2.90	3.50
Inflation average increase in retail price index	n/a	n/a	n/a	3.60	2.90	3.50

[a] There is a short-term reduction in the real salary growth assumption to 0.5% for the first three years.

The assumptions about life expectancy have regard to information published by the UK actuarial profession s Continuous Mortality Investigation Bureau. However, due to the size of the membership of the BTPS (333,000 members at 31 December 2009) it is considered appropriate for the life expectancy assumptions adopted to take in to account the actual membership experience. Allowance is also made for future improvements in mortality. The BTPS actuary undertakes formal reviews of the membership experience every three years. The IAS 19 life expectancy assumptions reflect the 2008 triennial funding valuation basis.

The average life expectancy assumptions, after retirement at 60 years of age, are as follows:

	2010 Number of years	2009 Number of years
Male in lower pay bracket	25.2	24.8
Male in higher pay bracket	27.4	27.1
Female	28.1	27.7
Future improvement every 10 years	1.1	1.0

Amounts recognised in respect of defined benefit schemes

The net pension obligation is set out below:

	2010	2009
	Present value	Present value

At 31 March	Assets £m	Present value of liabilities £m	Obligation £m	Assets £m	Present value of liabilities £m	Obligation £m
BTPS	35,278	(43,018)	(7,740)	29,227	(33,070)	(3,843)
Other schemes[a]	151	(275)	(124)	126	(256)	(130)
	35,429	**(43,293)**	**(7,864)**	**29,353**	**(33,326)**	**(3,973)**
Deferred tax asset			2,193			1,103
Net pension obligation			**(5,671)**			**(2,870)**

[a] Included in the present value of liabilities of other schemes is £54m (2009: £52m) related to unfunded schemes.

Amounts recognised in the income statement in respect of the group s pension schemes were as follows:

Year ended 31 March	**2010** £m	2009 £m	2008 £m
Current service cost (including defined contribution schemes)	304	544	626
Total operating charge	304	544	626
Expected return on pension scheme assets	(1,932)	(2,621)	(2,448)
Interest expense on pension scheme liabilities	2,211	2,308	2,028
Net finance expense (income)	**279**	**(313)**	**(420)**
Total recognised in the income statement	**583**	**231**	**206**

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Retirement benefit plans continued

The present value of the obligation is derived from long-term cash flow projections and is thus inherently uncertain. The benefits payable by the BTPS are expected to be paid as follows:

Forecast benefits payable by the BTPS at 31 March 2010 (£m)

An analysis of actuarial gains and losses and the actual return on plan assets is shown below:

Year ended 31 March	**2010** £m	2009 £m	2008 £m
Actuarial (loss) gain recognised in the year	(4,324)	(7,037)	2,621
Cumulative actuarial (losses) gains	(4,915)	(591)	6,446
Actual return on plan assets	7,089	(6,830)	(124)

Changes in the present value of the defined benefit pension obligation are as follows:

Year ended 31 March	**2010** £m	2009 £m
Opening defined benefit pension obligation	(33,326)	(34,669)
Current service cost	(206)	(459)
Interest expense	(2,211)	(2,308)
Contributions by employees	(15)	(18)
Actuarial (loss) gain	(9,481)	2,414
Business combinations		(4)
Benefits paid	1,948	1,741
Exchange differences	(2)	(23)
Closing defined benefit pension obligation	**(43,293)**	**(33,326)**

Changes in the fair value of plan assets are as follows:

Year ended 31 March	**2010** £m	2009 £m
Opening fair value of plan assets	29,353	37,448
Expected return	1,932	2,621
Actuarial gain (loss)	5,157	(9,451)
Regular contributions by employer	391	441
Deficiency contributions by employer	525	
Contributions by employees	15	18
Benefits paid	(1,948)	(1,741)
Exchange differences	4	17
Closing fair value of plan assets	**35,429**	**29,353**

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Retirement benefit plans continued

The BTPS assets are invested in UK and overseas equities, UK and overseas properties, fixed interest and index-linked securities, alternative assets, deposits and short-term investments. At 31 March 2010 and 31 March 2009, the scheme s assets did not include any ordinary shares of the company. However, the scheme held £52m (2009: £65m) of bonds and £6m (2009: £5m) of index-linked notes issued by the group. The group occupies four (2009: two) properties owned by the BTPS on which an annual rental of £0.2m is payable (2009: £0.1m).

The Trustee s main investment objective is to ensure that over the long-term, and after allowing for all future income, the BTPS will always have sufficient liquid resources to meet the cost of benefit payments to be made as they fall due. The strategic allocation of assets between different classes of investment is reviewed regularly and is a key factor in the Trustee s investment policy. The targets set reflect the Trustee s views on the appropriate balance to be struck between seeking high returns and incurring risk, and on the extent to which the assets should be distributed to match its liabilities. The targets are a long-term aim to be achieved over a period as and when favourable opportunities arise. Current market conditions and trends are continuously assessed and short-term tactical shifts in asset allocation may be made around the long-term strategic target, for example, by using stock index future contracts.

The BTPS uses financial instruments to manage interest rate risk, liquidity risk and foreign currency risk. Exposure to interest rate fluctuations on its borrowings and deposits is managed by using interest rate swaps. Liquidity risk is managed by maintaining a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. The BTPS has significant investments overseas, as a result of which the value of the scheme s assets can be significantly affected by movements in foreign currencies against Sterling. A portion of the exposure to foreign currencies embedded in the overseas assets is hedged back into Sterling to remove some of the currency risk.

The assumptions for the expected long-term rate of return and the fair values of the assets of the BTPS at 31 March were:

	At 31 March 2010				At 31 March 2009			
	Expected long-term rate of return (per annum) %	£bn	Asset fair value %	Target %	Expected long-term rate of return (per annum) %	£bn	Asset fair value %	Target %
UK equities	8.5	3.6	10	11	8.5	3.2	11	11
Non-UK equities	8.5	7.5	21	22	8.5	5.9	20	22
Fixed-interest securities	5.0	5.9	17	20	5.9	6.6	22	20
Index-linked securities	4.2	5.8	16	15	4.0	4.4	15	15
Property	7.7	3.8	11	12	7.0	3.2	11	12
Alternative assets	6.9	5.9	17	20	7.0	5.2	18	20
Cash and other	4.2	2.8	8		3.5	0.8	3	
	6.5	**35.3**	**100**	**100**	**6.7**	**29.3**	**100**	**100**

The assumption for the expected return on scheme assets is a weighted average based on the assumed expected return for each asset class and the proportions held of each asset class at the beginning of the year. The expected returns on fixed interest and index-linked securities are based on the gross redemption yields at the start of the year. Expected returns on equities, property and alternative asset classes are based on a combination of an estimate of the risk premium above yields on government bonds, consensus economic forecasts of future returns and historical returns. Alternative asset classes include commodities, hedge funds, private equity, infrastructure and credit opportunities. The long-term expected rate of return on investments does not affect the level of the obligation but does affect the expected return on pension scheme assets within the net finance expense.

The history of experience gains and losses are as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligation	(43,293)	(33,326)	(34,669)	(38,779)	(38,187)
Fair value of plan assets	35,429	29,353	37,448	38,390	35,640
Net pension (obligation) asset	(7,864)	(3,973)	2,779	(389)	(2,547)
Experience adjustment on defined benefit obligation gain (loss)	1,632	(238)	(22)	190	(527)
Percentage of the present value of the defined benefit obligation	3.8%	0.7%	0.1%	0.5%	1.4%
Experience adjustment on plan assets gain (loss)	5,157	(9,451)	(2,572)	993	4,855
Percentage of the plan assets	14.6%	32.2%	6.9%	2.6%	13.6%

The group expects to contribute approximately £669m to the BTPS in 2011, including deficiency contributions of £525m.

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
29. Retirement benefit plans continued
Sensitivity analysis of the principal assumptions used to measure BTPS liabilities

The assumed discount rate, life expectancy and salary increases all have a significant effect on the measurement of scheme liabilities. The following table shows the sensitivity of the valuation of the pension obligations, and of the prospective 2011 income statement charge, to changes in these assumptions:

	Decrease (increase) in liability £bn	Decrease (increase) in service cost £m	Decrease (increase) in net finance expense £m
0.25 percentage point increase to:			
discount rate	1.6	15	(15)
salary increases	(0.2)		(15)
Additional 1 year increase to life expectancy	(1.0)	(10)	(55)
0.1 percentage point increase in expected return on assets			35

The sensitivities relating to the discount rate, inflation rate and expected return on assets in respect of the pension cost elements in the income statement are shown for information only. The amounts that will be recognised in the income statement in 2011 are derived from market conditions at 1 April 2010. Subsequent changes in market conditions will have no effect on the income statement in 2011 and will be reflected as actuarial gains and losses in the Statement of comprehensive income.

Funding valuation and future funding obligations

A triennial valuation is carried out for the independent Trustee by a professionally qualified independent actuary, using the projected unit credit method. The purpose of the valuation is to design a funding plan to ensure that present and future contributions should be sufficient to meet future liabilities. The funding valuation is based on prudent assumptions and is performed at 31 December as this is the financial year end of the BTPS.

The valuation basis for funding purposes is broadly as follows:

4 scheme assets are valued at market value at the valuation date; and

4 scheme liabilities are measured using a projected unit credit method and discounted to their present value.

The outcome of the latest triennial actuarial funding valuation at 31 December 2008 was announced on 11 February 2010, together with the agreement between BT and the Trustee of the BTPS to a recovery plan to make good the £9.0bn funding deficit. Whilst the valuation and the recovery plan have been agreed with the Trustee, they are currently under review by the Pensions Regulator. However, the Pensions Regulator s initial view is that they have substantial concerns with certain features of the agreement. BT and the Trustee continue to work with the Pensions Regulator to help them complete their detailed review. The Pensions Regulator has indicated it will discuss its position with us once they have completed their review. Accordingly, as matters stand, it is uncertain as to whether the Pensions Regulator will take any further action. This uncertainty is outside of our control. Since the valuation date the scheme s assets have increased by £4.1bn and the Trustee estimates that if the funding valuation was performed at 31 December 2009 the deficit would have been about £7.5bn on this prudent valuation basis.

The last two triennial valuations were determined using the following long-term assumptions:

	Real rates (per annum)		Nominal rates (per annum)	
	2008	2005	2008	2005

	valuation %	valuation %	valuation %	valuation %
Discount rate				
Pre retirement liabilities	3.65	3.06	6.76	5.84
Post retirement liabilities	2.15	1.79	5.21	4.54
Average increase in retail price index			3.00	2.70
Average future increases in wages and salaries		0.75	3.00	3.47
Average increase in pensions			3.00	2.70

At 31 December 2008 the assets of the BTPS had a market value of £31.2bn (2005: £34.4bn) and were sufficient to cover 77.6% (2005: 90.9%) of the benefits accrued by that date. This represented a funding deficit of £9.0bn compared with £3.4bn at 31 December 2005. The funding valuation uses prudent assumptions. In the three years ended 31 December 2008, the decline in the market value of assets combined with longer life expectancy assumptions significantly increased the funding deficit, although the impact on the liabilities was reduced by the higher discount rate and favourable experience compared to other actuarial assumptions used at 31 December 2005.

Following the agreement of the valuation the ordinary contributions rate reduced to 13.6% of pensionable salaries (including employee contributions) from 19.5%, reflecting the implementation of benefit changes with effect from 1 April 2009, following the UK pensions review. In addition, the group will make deficit payments of £525m per annum for the first three years of the 17 year recovery plan, the first payment of which was made in December 2009. The payment in the fourth year will be £583m, then increasing at 3% per annum. The payments in years four to 17 are equivalent to £533m per annum in real terms. Under the 2005 valuation deficit contributions were £280m per annum for 10 years. In 2010, the group made regular contributions of £384m (2009: £433m) and deficit contributions of £525m. No deficit contributions were made in 2009 as they were paid in advance during 2008.

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Retirement benefit plans continued

Other features of the legal agreements with the Trustee for BT providing support to the scheme are:

4 In the event that cumulative shareholder distributions exceed cumulative total pension contributions over the three year period to 31 December 2011, then BT will make additional matching contributions to the scheme. Total pension contributions (including regular contributions) are expected to be approximately £2.4bn over the three financial years.

4 In the event that BT generates net cash proceeds greater than £1bn from disposals and acquisitions in any 12 month period to 31 December 2011 then BT will make additional contributions to the scheme equal to one third of those net cash proceeds.

4 A negative pledge that provides comfort to the scheme that future creditors will not be granted superior security to the scheme in excess of a £1.5bn threshold.

The intention is for there to be sufficient assets in the scheme to pay pensions now and in the future. Without any further contribution from the company, it is estimated that at 31 December 2008, the assets of the scheme would have been sufficient to provide around 57% of the members benefits with an insurance company.

If the group were to become insolvent, however, there are a number of additional protections available to members. Firstly, there is the Crown Guarantee which was granted when the group was privatised in 1984. The scope and extent of the Crown Guarantee is being confirmed by the Trustee through the courts. This applies, on a winding up of the group, as a minimum to pension entitlements for anyone who joined the scheme before 6 August 1984, and to payments to beneficiaries of such persons. Secondly, the Pension Protection Fund (PPF) may take over the scheme and pay certain benefits to members. There are limits on the amounts paid by the PPF and this would not give exactly the same benefits as those provided by the scheme.

Under the terms of the Trust Deed that governs the BTPS, the group is required to have a funding plan that should address the deficit over a maximum period of 20 years. The BTPS was closed to new entrants on 31 March 2001 and the age profile of active members will consequently increase. Under the projected unit credit method, the current service cost, as a proportion of the active members pensionable salaries, is expected to increase as the members of the scheme approach retirement. Despite the scheme being closed to new entrants, the projected payment profile extends over more than 60 years.

30. Share-based payments

The total charge recognised in 2010 in respect of share-based payments was £71m (2009: £141m, 2008: £73m).

The company has an employee share investment plan and savings-related share option plans for its employees and those of participating subsidiaries, further share option plans for selected employees and an employee stock purchase plan for employees in the United States. It also has several share plans for executives. All share-based payment plans are equity settled and details of these plans and an analysis of the total charge by type of award is set out below.

Year ended 31 March	**2010** £m	2009[a] £m	2008[a] £m
Employee Sharesave Plan	25	107	29
Allshare International	2	2	2
Employee Stock Purchase Plan	1		1
Incentive Share Plan	29	18	26
Deferred Bonus Plan	13	12	12
Retention Share Plan	1	2	3
	71	**141**	**73**

[a] Restated for the adoption of the amendment to IFRS 2 Share-based payment vesting conditions and cancellations . See page 94.

Share options

BT Group Employee Sharesave Plans

There is an HMRC approved savings related share option plan, under which employees save on a monthly basis, over a three or five-year period, towards the purchase of shares at a fixed price determined when the option is granted. This price is usually set at a 20% discount to the market price for five year plans and 10% for three year plans. The options must be exercised within six months of maturity of the savings contract, otherwise they lapse. Similar plans operate for BT s overseas employees.

Employee Stock Purchase Plan

The BT Group Employee Stock Purchase Plan (ESPP), for employees in the US, enables participants to purchase American Depositary Shares (ADSs) quarterly at a price which is 85% of the fair market price of an ADS at the end of each quarterly purchase period.

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Share-based payments continued

The following are legacy option plans which are no longer operated by the group:

BT Group Global Share Option Plan (GSOP)

The options granted in previous years were exercisable on the third anniversary of the date of grant, subject to continued employment and meeting corporate performance targets. Options must be exercised within ten years of the grant date.

BT Group Legacy Option Plan (GLOP)

On the demerger of 0_2, BT s share option plans ceased to operate and were replaced by similar BT Group Employee Sharesave plans and the BT Group GSOP. The BT GLOP was launched on 17 December 2001 following the scheme of arrangement and demerger of 0_2 in November 2001, and is therefore outside the scope of IFRS 2. The options were exercisable subject to continued employment and meeting corporate performance targets. Options must be exercised within 10 years of the original grant date.

Share plans

Employee Share Investment Plan (ESIP)

The ESIP is an HMRC approved plan. It allows BT employees to buy shares with contributions of up to £1,500 per tax year out of gross pay (directshare) and allows BT to provide free shares to UK employees which are held in trust for at least three years (allshare). In 2008, allshare was replaced by free broadband for all BT employees in the UK. Employees outside the UK continue to receive awards of shares where practicable, otherwise they will receive awards equivalent to the value of free shares.

During 2010, 13.7m directshare shares (2009: 10.7m directshare shares), were purchased by the Trustee of the ESIP on behalf of 19,730 (2009: 20,384) employees at a total cost of £15.0m (2009: £16.4m). A further 1.0m shares (2009: 3.3m shares) were purchased by the Trustee through dividend reinvestment on behalf of 20,120 (2009: 21,782) allshare and directshare employee participants. At 31 March 2010 79.2m shares (2009: 75.9m shares) were held in trust on behalf of 68,444 participants (2009: 76,678).

Incentive Share Plan, Retention Share Plan and Deferred Bonus Plan

Under the BT Group Incentive Share Plan (ISP), participants are only entitled to these shares in full at the end of a three-year period if the company has met the relevant pre-determined corporate performance measure and if the participants are still employed by the group. In 2010, the corporate performance measure for the ISP was amended. For all ISP awards made in 2010, 50% of each share award is linked to a total shareholder return target (TSR) for a revised comparator group of companies from the beginning of the relevant performance period and the remaining 50% is linked to a three year cumulative free cash flow measure. The revised comparator group contains European telecommunications companies and companies which are either similar in size or market capitalisation and/or have a similar business mix and spread to BT. For ISP awards in prior periods, a single corporate performance measure was used, being BT s TSR measured against a comparator group of companies from the European telecommunications sector.

Under the BT Group Retention Share Plan (RSP), the length of retention period before awards vest is flexible. Awards may vest annually in tranches. The shares are transferred at the end of a specified period, only if the employee is still employed by the group.

Under the BT Group Deferred Bonus Plan (DBP) awards are granted annually to selected employees of the group. Shares in the company are transferred to participants at the end of three years if they continue to be employed by the group throughout that period.

In accordance with the terms of the ISP, RSP and DBP, dividends or dividend equivalents earned on shares during the conditional periods are reinvested in company shares for the potential benefit of the participants.

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30. Share-based payments continued
Share option plans
Activity relating to share options during 2010, 2009 and 2008 is shown below.

	Employee Sharesave			GSOP and GLOP		
	2010	2009	2008	**2010**	2009	2008
Movement in the number of share options:	millions	millions	millions	millions	millions	millions
Outstanding at the beginning of the year	136	281	272	42	46	103
Granted	490	339	54			
Forfeited	(44)	(390)	(15)	(4)	(3)	(10)
Exercised	(1)	(80)	(28)		(1)	(14)
Expired	(47)	(14)	(2)			(33)
Outstanding at the end of the year	**534**	**136**	**281**	**38**	**42**	**46**
Exercisable at the end of the year	**1**	**1**	**2**	**38**	**42**	**46**
Weighted average exercise price:						
Outstanding at the beginning of the year	160p	180p	165p	256p	257p	227p
Granted	63p	135p	269p			
Forfeited	107p	153p	208p	263p	199p	251p
Exercised	125p	155p	188p		196p	198p
Expired	150p	178p	179p			199p
Outstanding at the end of the year	**76p**	**160p**	**180p**	**255p**	**256p**	**257p**
Exercisable at the end of the year	**163p**	**195p**	**158p**	**255p**	**256p**	**257p**

The weighted average share price for options exercised during the year was 136p (2009: 180p, 2008: 293p). The following table summarises information relating to options outstanding and exercisable under all share option plans at 31 March 2010, together with their exercise prices and dates:

Normal dates of vesting and exercise (based on calendar years)	Exercise price per share	Number of outstanding options millions	Number of exercisable options millions
BT Group Employee Sharesave Plans			
2010	171p 294p	16	1
2011	137p 208p	12	
2012	68p 262p	143	
2013	185p	8	
2014	61p 111p	355	

Total			**534**	**1**
BT Group Legacy Option Plan				
2001-2011	318p	648p	8	8
Total			**8**	**8**
BT Group Global Share Option Plan				
2004-2014	176p	199.5p	24	24
2005-2015	179p	263p	6	6
Total			**30**	**30**
Total options			**572**	**39**

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Share-based payments continued

The options outstanding under all share option plans at 31 March 2010, have weighted average remaining contractual lives as follows:

	Employee Sharesave			GSOP and GLOP			
Range of exercise prices	Weighted average exercise price	Number of outstanding options millions	Weighted average contractual remaining life	Range of exercise prices	Weighted average exercise price	Number of outstanding options millions	Weighted average contractual remaining life
61p 68p	63p	465	48 months				
100p 199p	143p	57	32 months	150p-317p	198p	30	52 months
200p 300p	242p	12	26 months	318p-650p	424p	8	8 months
Total		**534**				**38**	

Executive share plans

Movements in executive share plans during 2010 are shown below:

	Millions of shares			
	ISP	DBP	RSP	Total
At 1 April 2009	75.2	15.5	1.5	92.2
Awards granted	50.0	4.5	0.3	54.8
Awards vested		(5.0)	(0.6)	(5.6)
Awards lapsed	(28.4)	(1.1)		(29.5)
Dividend shares reinvested	2.4	0.4		2.8
At 31 March 2010	**99.2**	**14.3**	**1.2**	**114.7**

At 31 March 2010 1.1m shares (2009: 1.3m) were held in trust and 113.6m shares (2009: 90.9m) were held in treasury for executive share plans.

Fair value

The following table summarises the fair values and key assumptions used for grants made under the Employee Sharesave plans and ISP in 2010, 2009 and 2008.

	2010		2009		2008	
Year ended 31 March	Employee Sharesave	ISP	Employee Sharesave	ISP	Employee Sharesave	ISP
Weighted average fair value	14p	106p	27p	47p	71p	182p
	80p	131p	152p	199p	329p	306p

Weighted average share price								
Weighted average exercise price		63p			135p		269p	
Expected dividend yield	5.7%	6.4%	6.5%	4.6%	6.4%	4.9%	5.5%	5.5%
Risk free rates	2.2%	2.8%	2.5%	2.1%	5.5%	5.2%	5.8%	5.8%
Expected volatility	26.9%	30.7%	38.5%	20.7%	28.4%	23.3%	22.0%	18.0%

Employee Sharesave grants, under the BT Group Employee Sharesave and the BT Group International Employee Sharesave option plans, are valued using a Binomial option pricing model. Awards under the ISP are valued using Monte Carlo simulations. TSRs were generated for BT and the comparator group at the end of the three year performance period, using each company s volatility and dividend yield, as well as the cross correlation between pairs of stocks.

Volatility has been determined by reference to BT s historical volatility which is expected to reflect the BT share price in the future. An expected life of three months after vesting date is assumed for Employee Sharesave options and for all other awards the expected life is equal to the vesting period. The risk free interest rate is based on the UK gilt curve in effect at the time of the grant, for the expected life of the option or award.

The fair values for the RSP and DBP were determined using the market price of the shares at the date of grant. The weighted average share price for RSP awards granted in 2010 was 104p (2009: 151p, 2008: 310p). The weighted average share price for DBP awards granted in 2010 was 131p (2009: 203p, 2008: 319p).

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31. Audit and non-audit services

The following fees for audit and non-audit services were paid or are payable to the company s auditors, PricewaterhouseCoopers LLP, for the three years ended 31 March 2010.

Year ended 31 March	**2010** £000	2009 £000	2008 £000
Audit services			
Fees payable to the company s auditor and its associates for the audit of parent company and consolidated financial statements	2,585	2,831	2,990
Non-audit services			
Fees payable to the company s auditor and its associates for other services:			
The audit of the company s subsidiaries pursuant to legislation[a]	4,732	4,675	3,848
Other services pursuant to legislation[a]	867	1,211	1,590
Tax services	792	1,247	727
Services relating to corporate finance transactions[b]		32	549
All other services	941	887	527
	9,917	**10,883**	**10,231**

[a] These services are audit services as defined by the Public Company Accounting Oversight Board AU Section 550 (PCAOB AU Section 550).

[b] These services are audit related services as defined by the PCAOB AU Section 550.

Audit services represents fees payable for services in relation to the audit of the parent company and the consolidated financial statements and also includes fees for reports under section 404 of the US Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley).

The audit of the company s subsidiaries pursuant to legislation represents fees payable for services in relation to the audit of the financial statements of subsidiary companies.

Other services pursuant to legislation represents fees payable for services in relation to other statutory filings or engagements that are required to be carried out by the appointed auditor. In particular, this includes fees for audit reports issued on the group s regulatory financial statements.

Tax services represents fees payable for tax compliance and advisory services.

Services relating to corporate finance transactions represent fees payable in relation to due diligence work completed on acquisitions and disposals.

All other services represents fees payable for non regulatory reporting on internal controls and other advice on accounting or financial matters.

The audit fee of the company was £41,000 (2009: £41,000, 2008: £40,000).

In order to maintain the independence of the external auditors, the Board has determined policies as to what non audit services can be provided by the company s external auditors and the approval processes related to them. Under those policies, work of a consultancy nature will not be offered to the external auditors unless there are clear efficiencies and value-added benefits to the company.

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial instruments and risk management

The group issues or holds financial instruments mainly to finance its operations; to finance corporate transactions such as dividends, share buy backs and acquisitions; for the temporary investment of short-term funds; and to manage the currency and interest rate risks arising from its operations and from its sources of finance. In addition, various financial instruments, for example trade receivables and trade payables, arise directly from the group s operations.

Funding and exposure management

The group finances its operations primarily by a mixture of issued share capital, retained profits, deferred taxation and long-term and short-term borrowing. The group borrows in the major long-term bond markets in major currencies and typically, but not exclusively, these markets provide the most cost effective means of long-term borrowing. The group uses derivative financial instruments primarily to manage its exposure to changes in interest and foreign exchange rates against these borrowings. The derivatives used for this purpose are principally interest rate swaps, cross currency swaps and forward currency contracts. The group also uses forward currency contracts to hedge some of its currency exposures arising from funding its overseas operations, acquisitions, overseas assets, liabilities and forward purchase commitments. The group does not hold or issue derivative financial instruments for trading purposes. All transactions in derivative financial instruments are undertaken to manage the risks arising from underlying business activities.

Treasury operations

The group has a centralised treasury operation whose primary role is to manage liquidity, funding, investments and counterparty credit risk arising from transactions with financial institutions. This treasury operation also manages the group s market risk exposures, including risks arising from volatility in currency and interest rates. The treasury operation acts as a central bank to members of the group providing central deposit taking, funding and foreign exchange management services. Funding and deposit taking is usually provided in the functional currency of the relevant entity. The treasury operation is not a profit centre and its objective is to manage financial risk at optimum cost.

Treasury policy

The Board sets the policy for the group s treasury operation and its activities are subject to a set of controls commensurate with the magnitude of the borrowings and investments and group wide exposures under its management. The Board has delegated its authority to operate these polices to a series of panels that are responsible for the management of key treasury risks and operations. Appointment to and removal from the key panels requires approval from two of the Chairman, the Chief Executive or the Group Finance Director. The key policies defined by the Board are highlighted in each of the sections below.

The financial risk management of exposures arising from trading related financial instruments, primarily trade receivables and trade payables, is through a series of policies and procedures set at a group and line of business level. Line of business management apply these policies and procedures and perform review processes to assess and manage financial risk exposures arising from these financial instruments.

There has been no change in the nature of the group s risk profile between 31 March 2010 and the date of approval of these financial statements.

Capital management

The objective of the group s capital management policy is to reduce net debt whilst investing in the business, supporting the pension scheme and delivering progressive dividends. In order to meet this objective, the group may issue or repay debt, issue new shares, repurchase shares, or adjust the amount of dividends paid to shareholders. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the group. The Board regularly reviews the capital structure. No changes were made to the group s objectives and processes during 2010 and 2009.

The group s capital structure consists of net debt, committed facilities and shareholders equity (excluding the cash flow reserve). The following analysis summarises the components which the group manages as capital:

	2010	2009	2008
At 31 March	£m	£m	£m

Total parent shareholders (deficit) equity (excluding cash flow reserve)	(2,797)	(421)	5,252
Net debt	9,283	10,361	9,460
Committed facilities	1,500	2,300	2,335
Total capital	**7,986**	**12,240**	**17,047**

Interest rate risk management

Management policy

The group has interest bearing financial assets and financial liabilities which may expose the group to either cash flow or fair value volatility. The group s policy, as prescribed by the Board, is to ensure that at least 70% of net debt is at fixed rates. Short-term interest rate management is delegated to the treasury operation whilst long-term interest rate management decisions require further approval from the Group Finance Director, Director Treasury, Tax and Risk Management or the Treasurer who have been delegated such authority by the Board.

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
32. Financial instruments and risk management continued
Hedging strategy
In order to manage the group s interest rate mix profile, the group has entered into swap agreements with commercial banks and other institutions to vary the amounts and periods for which interest rates on borrowings are fixed. Under cross currency swaps, the group agrees with other parties to exchange, at specified intervals, US Dollar and Euro fixed rates into either fixed or floating Sterling interest amounts calculated by reference to an agreed notional principal amount. Under Sterling interest rate swaps, the group agrees with other parties to exchange, at specified intervals, the differences between fixed rate and floating rate Sterling interest amounts calculated by reference to an agreed notional principal amount. The group uses a combination of these derivatives to primarily fix its interest rates.

The majority of the group s long-term borrowings have been, and are, subject to fixed Sterling interest rates after applying the impact of hedging instruments. Outstanding currency and interest rate swaps at 31 March 2010 are detailed in the Hedging activities and Other derivatives sections below.

At 31 March 2010 the group s fixed floating interest rate profile, after hedging, on gross debt was 91:9 (2009: 87:13).

Sensitivities
The group is exposed to volatility in the income statement and shareholders equity arising from changes in interest rates. To demonstrate this volatility, management have concluded that a 100 basis point increase (2009: 100 basis point increase) in interest rates and parallel shift in yield curves across Sterling, US Dollar and Euro currencies is a reasonable benchmark for performing a sensitivity analysis. All adjustments to interest rates for the impacted financial instruments are assumed to take effect from the respective balance sheet date.

After the impact of hedging, the group s main exposure to interest rate volatility in the income statement arises from fair value movements on derivatives not in hedging relationships and on variable rate borrowings and investments which are largely influenced by Sterling interest rates. Trade payables, trade receivables and other financial instruments do not present a material exposure to interest rate volatility. With all other factors remaining constant and based on the composition of net debt at 31 March 2010, a 100 basis point increase (2009 and 2008: 100 basis point increase) in Sterling interest rates would decrease the group s annual net finance expense by approximately £17m (2009: £5m, 2008: £5m).

The group s main exposure to interest rate volatility within shareholders equity, as defined in IFRS 7, arises from fair value movements on derivatives held in the cash flow reserve. The derivatives have an underlying interest rate exposure to Sterling, Euro and US Dollar rates. With all other factors remaining constant and based on the composition of derivatives included in the cash flow reserve at the balance sheet date, a 100 basis point increase (2009 and 2008: 100 basis point increase) in interest rates in each of the currencies would impact equity, before tax, as detailed below:

At 31 March	**2010** £m Charge (credit)	2009 £m Charge (credit)	2008 £m Charge (credit)
Sterling interest rates	496	550	470
US Dollar interest rates	(392)	(538)	(347)
Euro interest rates	(134)	(149)	(90)

The impact as a result of a 100 basis point decrease in interest rates would have broadly the same impact in the opposite direction.

The long-term debt instruments which the group issued in December 2000 and February 2001 both contained covenants providing that if the BT Group credit rating were downgraded below A3 in the case of Moody s or below A in the case of Standard & Poor s (S&P), additional interest would accrue from the next coupon period at a rate of

0.25 percentage points for each ratings category adjustment by each ratings agency. In February 2010 S&P downgraded BT s credit rating to BBB . Prior to this in March 2009, Moody s and S&P downgraded BT s credit rating to Baa2 and BBB, respectively. Based on the total debt of £4.4bn outstanding on these instruments at 31 March 2010, the group s finance expense would increase/decrease by approximately £9m in the year ending 31 March 2011 if BT s credit rating were to be downgraded/upgraded respectively by one credit rating category by both agencies below a long-term debt rating of Baa2/BBB .

In addition, the group s 600m 2014 bond issued in June 2009 would attract an additional 1.25 percentage points for a downgrade by one credit rating category by both Moody s and S&P below Baa3/BBB , respectively. This would result in an additional finance expense of £5m in the year ending 31 March 2011.

Foreign exchange risk management

Management policy

The purpose of the group s foreign currency hedging activities is to protect the group from the risk that the eventual net inflows and net outflows will be adversely affected by changes in exchange rates. The Board s policy for foreign exchange risk management defines the types of transactions which should normally be covered, including significant operational, funding and currency interest exposures, and the period over which cover should extend for the different types of transactions. Short-term foreign exchange management is delegated to the treasury operation whilst long-term foreign exchange management decisions require further approval from the Group Finance Director, Director Treasury, Tax and Risk Management or the Treasurer who have been delegated such authority by the Board. The policy delegates authority to the Director Treasury, Tax and Risk Management to take positions of up to £100m and for the Group Finance Director to take positions of up to £1bn.

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
32. Financial instruments and risk management continued
Exposure and hedging

A significant proportion of the group s current revenue is invoiced in Sterling, and a significant element of its operations and costs arise within the UK. The group s overseas operations generally trade and are funded in their functional currency which limits their exposure to foreign exchange volatility. The group s foreign currency borrowings, which totalled £9.4bn at 31 March 2010 (2009: £9.9bn), are used to finance its operations and have been predominantly swapped into Sterling using cross currency swaps. The group also enters into forward currency contracts to hedge foreign currency investments, interest expense, capital purchases and purchase and sale commitments on a selective basis. The commitments hedged are principally denominated in US Dollar, Euro and Asia Pacific region currencies. As a result, the group s exposure to foreign currency arises mainly on its non UK subsidiary investments and on residual currency trading flows.

Sensitivities

After hedging, with all other factors remaining constant and based on the composition of assets and liabilities at the balance sheet date, the group s exposure to foreign exchange volatility in the income statement from a 10% strengthening/weakening in Sterling against other currencies would result in a credit/charge respectively of approximately £26m (2009: approximately £20m).

The group s main exposure to foreign exchange volatility within shareholders equity (excluding translation exposures) arises from fair value movements on derivatives held in the cash flow reserve. The majority of foreign exchange fluctuations in the cash flow reserve are recycled immediately to the income statement to match the hedged item and therefore the group s exposure to foreign exchange fluctuations in equity would be insignificant in both 2010 and 2009.

Outstanding cross currency swaps at 31 March 2010 are detailed in the Hedging activities and Other derivatives sections below.

Credit risk management

Treasury management policy

The group s exposure to credit risk arises from financial assets transacted by the treasury operation (primarily derivatives, investments, cash and cash equivalents) and from its trading related receivables. For treasury related balances, the Board s defined policy restricts exposure to any one counterparty by setting credit limits based on the credit quality as defined by Moody s and Standard and Poor s and by defining the types of financial instruments which may be transacted. The minimum credit ratings permitted with counterparties are A3/A for long-term and P1/A1 for short-term investments. The treasury operation continuously reviews the limits applied to counterparties and will adjust the limit according to the nature and credit standing of the counterparty up to the maximum allowable limit set by the Board. Management review significant utilisations on a regular basis to determine the adjustments required, if any, and actively manage any exposures which may arise. Where multiple transactions are undertaken with a single counterparty, or group of related counterparties, the group may enter into netting arrangements to reduce the group s exposure to credit risk. The group makes use of standard International Swaps and Derivative Association (ISDA) documentation. In addition, where possible the group will seek a combination of a legal right of set off and net settlement. The group also seeks collateral or other security where it is considered necessary. The treasury operation regularly reviews the credit limits applied when investing with counterparties in response to market conditions and continues to monitor their credit quality and actively manage any exposures which arise.

Exposures

The maximum credit risk exposure of the group s financial assets at the balance sheet date are as follows:

At 31 March	**2010** £m	2009 £m	2008 £m
Derivative financial assets	1,700	2,700	387
Investments	470	218	471

Trade and other receivables[a]	2,947	3,101	3,193
Cash and cash equivalents	1,452	1,300	1,435
Total	**6,569**	**7,319**	**5,486**

[a] The carrying amount excludes £749m (2009: £1,084m, 2008: £1,256m) of current and £336m (2009: £322m, 2008: £854m) of non current trade and other receivables which relate to non financial assets.

Note 19 discloses the credit concentration and credit quality of derivative financial assets. The majority of these derivatives are in designated cash flow hedges. With all other factors remaining constant and based on the composition of net derivative financial assets at 31 March 2010, a 100 basis point shift in yield curves across each of the ratings categories within which these derivative financial assets are classified would change their carrying values and impact equity, before tax, as follows:

At 31 March 2010	Impact of 100 basis point increase £m	Impact of 100 basis point decrease £m
Moody s/S&P credit rating		
Aa2/AA	(3)	4
Aa3/AA	(26)	30
A1/A+	(89)	104
A2/A	(102)	122
	(220)	**260**

The credit quality of other treasury related financial assets is disclosed in notes 10 and 14.

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial instruments and risk management continued

Operational management policy

The group s credit policy for trading related financial assets is applied and managed by each of the lines of business to ensure compliance. The policy requires that the creditworthiness and financial strength of customers is assessed at inception and on an ongoing basis. Payment terms are set in accordance with industry standards. The group will also enhance credit protection when appropriate, taking into consideration the customer s exposure to the group, by applying processes which include netting and off setting, and requesting securities such as deposits, guarantees and letters of credit. The group takes proactive steps to minimise the impact of adverse market conditions on trading related financial assets. The concentration of credit risk for trading balances of the group is provided in note 17 which analyses outstanding balances by line of business and reflects the nature of customers in each line of business.

Liquidity risk management

Management policy

The group ensures its liquidity is maintained by entering into short, medium and long-term Financial instruments to support operational and other funding requirements. On at least an annual basis the Board reviews and approves the maximum long-term funding of the group and on an ongoing basis considers any related matters. Short and medium-term requirements are regularly reviewed and managed by the treasury operation within the parameters of the policies set by the Board.

The group s liquidity and funding management process includes projecting cash flows and considering the level of liquid assets in relation thereto, monitoring balance sheet liquidity and maintaining a diverse range of funding sources and back up facilities. The Board reviews forecasts, including cash flow forecasts, on a quarterly basis. The treasury operation reviews cash flows more frequently to assess the short and medium-term requirements. These assessments ensure the group responds to possible future cash constraints in a timely manner. Liquid assets surplus to the immediate operating requirements of the group are generally invested and managed by the treasury operation. Requests from group companies for operating finance are met whenever possible from central resources.

Liquidity position

At 31 March	**2010** £m	2009 £m	2008 £m
Net debt	9,283	10,361	9,460

During 2010, the group s net debt decreased from £10.4bn to £9.3bn primarily driven by higher free cash flow partially offset by the pension deficit payment of £525m in December 2010. During 2010, debt amounting to £1bn matured consisting of £0.7bn of commercial paper and £0.3bn of long-term debt. This was offset by new issuance of a 600m bond at 6.125% repayable in 2014 which was swapped into £520m at a fixed semi-annual rate of 6.8%. During 2009, the group s net debt increased from £9.5bn to £10.4bn primarily driven by lower free cash flow being exceeded by dividend and share buy back payments. During 2009, debt amounting to £0.9bn matured consisting of bank notes and Sterling floating notes. This was offset by new issuances of £1.5bn mainly consisting of a 1bn bond at 6.5% repayable in 2015, which was swapped into £0.8bn at an average annualised Sterling interest rate of 7.7%, and commercial paper. In addition, investments of £0.3bn matured.

During 2010 and 2009 the group issued commercial paper and held cash, cash equivalents and current asset investments in order to manage short-term liquidity requirements. At 31 March 2010 the group had an undrawn committed borrowing facility of £1.5bn (2009: £1.5bn). The facility is available for the period to January 2013. The group had an additional undrawn committed borrowing facility of £900m which expired in March 2010.

Refinancing risk is managed by limiting the amount of borrowing that matures within any specified period and having appropriate strategies in place to manage refinancing needs as they arise. The group has two significant term debt maturities during the 2011 financial year. In December 2010 the group s US Dollar 8.625% note matures with a principal of $2,883m (£1,742m at swapped rates) and in February 2011 a Euro 7.375% note matures with a principal of 1,125m (£758m at swapped rates). The group has built up significant liquidity in anticipation of these maturities which, alongside cash flows generated from operations and the group s financing strategy, will fund this requirement. In May 2010, the group entered into a £650m two-year facility arrangement. There are no term debt maturities in the 2012 financial year. At 31 March 2010, the group s credit rating was BBB with stable outlook with S&P and Baa2 with negative outlook with Moody s respectively (2009: BBB with stable outlook/Baa2 with negative outlook).

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial instruments and risk management continued

The group s remaining contractually agreed cash flows, including interest, associated with financial liabilities based on undiscounted cash flows are as follows:

Outflow (inflow)[d]	Carrying amount £m	Within one year, or on demand £m	Between one and two years £m	Between two and three years £m	Between three and four years £m	Between four and five years £m	After five years £m
At 31 March 2010							
Loans and borrowings	12,791						
Principal		2,937	18	1,763	11	1,213	6,523
Interest		833	581	581	484	484	4,016
Trade and other payables[a]	4,672	4,672					
Provisions[b]	255	61	37	30	26	45	143
Derivative financial instrument liabilities analysed based on earliest payment date[c]							
Net settled	662	450	78	185	65	(215)	745
Gross settled	37						
Outflow		1,081					
Inflow		(1,074)					
Total		**8,960**	**714**	**2,559**	**586**	**1,527**	**11,427**
Derivative financial instrument liabilities analysed based on holding instrument to maturity							
Net settled	662	193	92	93	92	93	745
Gross settled	37						
Outflow		424	20	20	20	20	577
Inflow		(413)	(21)	(21)	(21)	(21)	(577)

Outflow (inflow)[d]	Carrying amount £m	Within one year, or on demand £m	Between one and two years £m	Between two and three years £m	Between three and four years £m	Between four and five years £m	After five years £m
At 31 March 2009							
Loans and borrowings	13,907						
Principal		1,227	3,098	10	1,829	14	7,412

Interest		906	900	649	650	550	5,333
Trade and other payables[a]	5,354	5,354					
Provisions[b]	166	59	17	15	13	8	119
Derivative financial instrument liabilities analysed based on earliest payment date[c]							
Net settled	762	244	338	28	50	19	30
Gross settled	5						
Outflow		414	113				
Inflow		(409)	(113)				
Total		**7,795**	**4,353**	**702**	**2,542**	**591**	**12,894**
Derivative financial instrument liabilities analysed based on holding instrument to maturity							
Net settled	762	117	117	60	60	60	634
Gross settled	5						
Outflow		414	113				
Inflow		(409)	(113)				

[a] The carrying amount excludes £1,859m (2009: £1,861m) of current and £804m (2009: £794m) of non current trade and other payables which relate to non financial liabilities.

[b] The carrying amount excludes £73m (2009: £195m) of current and £513m (2009: £359m) of non current provisions which relate to non financial liabilities.

[c] Certain derivative financial instrument liabilities

contain break clauses whereby either the group or bank counterparty can terminate the swap on certain dates and the mark to market position is settled in cash.

d Foreign currency related cash flows were translated at the closing rate as at the relevant reporting date. Future variable interest rate cash flows were calculated using the most recent rate applied at the relevant balance sheet date.

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial instruments and risk management continued

Price risk management

The group has limited exposure to price risk.

Hedging activities

The group had outstanding hedging activities as at 31 March 2010 as follows:

Hedged item	Hedging instruments	Hedge type	Notional principal £m	Derivative fair value[b] Asset £m	Derivative fair value[b] Liability £m	Remaining term of hedging instruments	Weighted average interest rate	Period over which forecast transaction arises
Euro and US Dollar denominated borrowings[a]	Interest rate swaps	Cash flow	2,913		361	9 months to 21 years	Sterling receivable at 0.8% Sterling payable at 5.9%	
	Cross currency swaps	Cash flow	7,612	1,571	30	9 months to 21 years	Euro receivable at 6.1% US Dollar receivable at 7.6% Sterling payable at 6.3%	
Sterling denominated borrowings[a]	Interest rate swaps	Fair value	500		6	19 years	Sterling receivable at 5.8% Sterling payable at 2.2%	

Euro and US Dollar step up interest on currency denominated borrowings[a]	Forward currency contracts	Cash flow	247	16		3 to 9 months rolling basis		21 years
Currency exposures on overseas purchases principally US Dollar and Asia Pacific currencies	Forward currency contracts	Cash flow	161		4	1 month rolling basis		12 months
Purchase of US Dollar denominated retail devices	Forward currency contracts	Cash flow	180	7		1 to 9 months		

[a] See note 18.
[b] See note 19.

The group had outstanding hedging activities as at 31 March 2009 as follows:

Hedged item	Hedging instruments	Hedge type	Notional principal £m	Derivative fair value[b] Asset £m	Derivative fair value[b] Liability £m	Remaining term of hedging instruments	Weighted average interest rate of hedging instruments	Period over which forecast transaction arises
Euro and US Dollar denominated borrowings[a]	Interest rate swaps	Cash flow	2,913		446	2 to 22 years	Sterling receivable at 3.0% Sterling payable at 5.9%	
	Cross currency swaps	Cash flow and fair value	7,227	2,559	1	5 months to 22 years	Euro receivable at 6.0% US Dollar receivable	

							at 7.7% Sterling payable at 7.2%
Euro and US Dollar step up interest on currency denominated borrowings[a]	Forward currency contracts	Cash flow	223	9	3 to 5 months rolling basis	22 years	
Euro and US Dollar commercial paper[a]	Forward currency contracts	Cash flow	490	17	Less than 3 months rolling basis		
Purchase of US Dollar denominated fixed assets	Forward currency contracts	Cash flow	48		Less than 1 month	4 years	
Euro deferred consideration on acquisition	Forward currency contracts	Cash flow	50	1	Less than 5 months		

[a] See note 18.

[b] See note 19.

Other derivatives

At 31 March 2010, the group held certain foreign currency forward and interest rate swap contracts which were not in hedging relationships in accordance with IAS 39. Foreign currency forward contracts were economically hedging operational purchases and sales and had a notional principal amount of £189m for purchases of currency (2009: £533m) and had a maturity period of under one month (2009: under nine months). Interest rate swaps not in hedging relationships under IAS 39 had a notional principal amount of £1.9bn (2009: £1.9bn) and mature between 2014 and 2030 (2009: 2014 and 2030). The interest receivable under these swap contracts is at a weighted average rate of 4.2% (2009: 6%) and interest payable is at a weighted average rate of 5.8% (2009: 7.6%). The volatility arising from these swaps is recognised through the income statement but is limited due to a natural offset in their fair value movements. In 2009 the group entered into credit default swap contracts to economically hedge part of its US Dollar denominated derivative financial assets, which had a notional principal of $90m. These derivatives matured in 2010.

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial instruments and risk management continued

Fair value of financial instruments

The table below discloses the carrying amounts and fair values of all of the group s financial instruments which are not carried at an amount which approximates to their fair value on the balance sheet at 31 March 2010, 2009 and 2008. The carrying amounts are included in the group balance sheet under the indicated headings. The fair values of listed investments were estimated based on quoted market prices for those investments. The carrying amount of the short-term deposits and investments approximated to their fair values due to the short maturity of the investments held. The carrying amount of trade receivables and payables approximated to their fair values due to the short maturity of the amounts receivable and payable. The fair value of the group s bonds, debentures, notes, finance leases and other long-term borrowings has been estimated on the basis of quoted market prices for the same or similar issues with the same maturities where they existed, and on calculations of the present value of future cash flows using the appropriate discount rates in effect at the balance sheet dates, where market prices of similar issues did not exist. The fair value of the group s outstanding swaps and foreign exchange contracts were the estimated amounts, calculated using discounted cash flow models taking into account market rates of interest and foreign exchange at the balance sheet date.

		Carrying amount				Fair value
	2010	2009	2008	**2010**	2009	2008
At 31 March	£m	£m	£m	£m	£m	£m
Financial liabilities						
Listed bonds, debentures and notes	12,157	12,189	9,298	13,304	11,384	9,436
Finance leases	304	332	320	343	366	347
Other loans and borrowings	330	1,386	1,724	354	1,338	1,690

The table below shows certain financial assets and financial liabilities that have been measured at fair value, analysed by the level of valuation method. The three levels of valuation methodology used are:

4 Level 1 uses quoted prices in active markets for identical assets or liabilities

4 Level 2 uses inputs for the asset or liability other than quoted prices, that are observable either directly or indirectly

4 Level 3 uses inputs for the asset or liability that are not based on observable market data such as internal models or other valuation methods.

	Level 1	Level 2	Level 3	Total
At 31 March 2010	£m	£m	£m	£m
Financial assets at fair value				
Non current and current derivative financial assets				
Derivatives designated as accounting hedges		1,594		1,594
Other derivatives		106		106
Total current and non current derivative financial assets (note 19)		1,700		1,700
Available-for-sale financial assets				
Non current and current investments				
Liquid investments		258		258

Other investments	20		12	32
Total non current and current investments (note 14)	20	258	12	290
Total financial assets at fair value	**20**	**1,958**	**12**	**1,990**
Financial liabilities at fair value				
Current and non current derivative financial liabilities				
Derivatives designated as accounting hedges		401		401
Other derivatives		298		298
Total current and non current financial liabilities (note 19)		699		699
Total financial liabilities at fair value		**699**		**699**

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FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial instruments and risk management continued

Movements in 2010 for financial instruments measured using Level 3 valuation methods are presented below:

	Other investments £m
At 1 April 2009	11
Additions	3
Disposals	(2)
At 31 March 2010	**12**

There were no losses recognised in the income statement in respect of Level 3 assets held at 31 March 2010.

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FINANCIAL STATEMENTS

REPORT OF THE INDEPENDENT AUDITORS PARENT COMPANY FINANCIAL STATEMENTS

We have audited the parent company financial statements of BT Group plc for the year ended 31 March 2010 which comprise the BT Group plc company balance sheet, the BT Group plc company reconciliation of movement in equity shareholders funds, the related notes and the BT Group plc accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors responsibilities set out on page 84, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

4 give a true and fair view of the state of the company s affairs as at 31 March 2010;

4 have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

4 have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

4 the part of the Report on directors remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and

4 the information given in the Report of the directors for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

4 adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

4 the parent company financial statements and the part of the Report on directors remuneration to be audited are not in agreement with the accounting records and returns; or

4 certain disclosures of directors remuneration specified by law are not made; or

4 we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of BT Group plc for the year ended 31 March 2010.

Philip Rivett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
12 May 2010

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FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF BT GROUP PLC

BT Group plc accounting policies

(i) Accounting basis

As used in these financial statements and associated notes, the term company refers to BT Group plc. These separate financial statements of the company are presented as required by the Companies Act 2006. The separate financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

The financial statements are prepared on a going concern basis and under the historical cost convention as modified by the revaluation of certain financial instruments at fair value.

As permitted by Section 408(3) of the Companies Act 2006, the company s profit and loss account has not been presented.

The BT Group plc consolidated financial statements for the year ended 31 March 2010 contain a consolidated statement of cash flows. Consequently, the company has taken advantage of the exemption in FRS 1, Cash Flow Statements , not to present its own cash flow statement.

The BT Group plc consolidated financial statements for the year ended 31 March 2010 contain related party disclosures. Consequently, the company has taken advantage of the exemption in FRS 8, Related Party Disclosures , not to disclose transactions with other members of the BT Group.

The BT Group plc consolidated financial statements for the year ended 31 March 2010 contain financial instrument disclosures which comply with FRS 29, Financial Instruments: Disclosures . Consequently, the company is exempted from the disclosure requirements of FRS 29 in respect of its financial instruments.

(ii) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable.

(iii) Taxation

Full provision is made for deferred taxation on all timing differences which have arisen but not reversed at 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 sufficient taxable profits from which the underlying timing differences can be deducted. The deferred tax balances are not discounted.

(iv) Dividends

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the company s shareholders. Interim dividends are recognised when they are paid; final dividends when authorised in general meetings by shareholders.

(v) Share capital

Ordinary shares are classified as equity. Repurchased shares of the company are recorded in the balance sheet as treasury shares and presented as a deduction from shareholders equity at cost.

(vi) Cash

Cash includes cash in hand and bank deposits repayable on demand.

(vii) Share-based payments

The company does not incur a charge for share-based payments. However, the issuance by the company of share options and awards to employees of its subsidiaries represents additional capital contributions to its subsidiaries. An addition to the company s investment in subsidiaries is recorded with a corresponding increase in equity shareholders funds. The additional capital contribution is determined based on the fair value of options and awards at the date of grant and is recognised over the vesting period.

The company has adopted the amendment to FRS 20 (IFRS 2) Share-based payment Vesting Conditions and Cancellations with effect from 1 April 2009. The amendment requires retrospective adjustment and therefore prior period comparatives have been restated. This has resulted in an increase of £110m in the carrying value of investments in subsidiary undertakings in the year ended 31 March 2009. A corresponding increase to equity shareholders funds representing the additional capital contribution has also been recognised.

Other information

(i) Dividends

The Board recommends that a final dividend in respect of the year ended 31 March 2010 of 4.6p will be paid to shareholders on 6 September 2010, taking the full year proposed dividend in respect of the 2010 financial year to 6.9p (2009: 6.5p). This dividend is subject to shareholder approval at the Annual General Meeting and therefore the liability of approximately £356m (2009: £85m) has not been included in these financial statements.

(ii) Employees

The executive directors and the Chairman of BT Group plc were the only employees of the company during 2010. The costs relating to qualifying services provided to the company s principal subsidiary, British Telecommunications plc, are recharged to that company.

(iii) Audit fees

The audit fee in respect of the parent company was £41,000 (2009: £41,000). Fees payable to PricewaterhouseCoopers LLP for non-audit services to the company are not required to be disclosed as they are included within note 31 to the consolidated financial statements of BT Group plc.

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FINANCIAL STATEMENTS FINANCIAL STATEMENTS OF BT GROUP PLC
BT Group plc company balance sheet

At 31 March	**2010** £m	2009[e] £m
Fixed assets		
Investments in subsidiary undertakings[a]	10,349	10,278
Total fixed assets	**10,349**	**10,278**
Current assets		
Debtors[b]		142
Cash at bank and in hand	11	13
Total current assets	**11**	**155**
Creditors: amounts falling due within one year[c]	186	65
Net current (liabilities) assets	**(175)**	**90**
Total assets less current liabilities	**10,174**	**10,368**
Capital and reserves		
Called up share capital	408	408
Share premium account	62	62
Capital redemption reserve	27	27
Treasury shares reserve	(1,105)	(1,109)
Profit and loss account	10,782	10,980
Total equity shareholders funds[d]	**10,174**	**10,368**

[a] Throughout 2010, the company held a 100% investment in BT Group Investments Limited, a company registered in England and Wales. The change to

investments in subsidiary undertakings relates to additional capital contributions in respect of share-based payments of £71m in 2010 (2009: £141m).

[b] Debtors consists of amounts owed by subsidiary undertakings of £nil (2009: £142m).

[c] Creditors consists of amounts owed to subsidiary undertakings of £166m (2009: £15m) and other creditors of £20m (2009: £50m).

[d] The movements in total equity shareholders funds shown on page 148.

[e] Restated. See page 146.

The financial statements of the company on pages 146 to 149 were approved by the Board of the directors on 12 May 2010 and were signed on its behalf by

Sir Michael Rake
Chairman
Ian Livingston
Chief Executive
Tony Chanmugam
Group Finance Director

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FINANCIAL STATEMENTS FINANCIAL STATEMENTS OF BT GROUP PLC
BT Group plc company reconciliation of movement in equity shareholders funds

	Share capital[a] £m	Share premium account £m	Capital redemption reserve £m	Treasury reserve[b] £m	Profit and loss account[b,c] £m	Total £m
At 1 April 2008	420	62	15	(1,843)	12,356	11,010
Profit for the financial year					502	502
Dividends paid					(1,222)	(1,222)
Change in accounting policy for adoption of the amendment to FRS 20 (see page 6)					110	110
Capital contribution in respect of share-based payment					31	31
Net purchase of treasury shares				(63)		(63)
Cancellation of shares	(12)		12	797	(797)	
At 1 April 2009	408	62	27	(1,109)	10,980	10,368
Loss for the financial year					(6)	(6)
Dividends paid					(263)	(263)
Capital contribution in respect of share-based payment					71	71
Net issue of treasury shares				4		4
At 31 March 2010	**408**	**62**	**27**	**(1,105)**	**10,782**	**10,174**

[a] The authorised share capital of the company up to 1 October 2009 was £13,463m, representing 269,260,253,468 ordinary shares of 5p each. The allotted, called up and fully paid ordinary share capital of the company at 31 March 2010 was £408m (2009: £408m), representing

8,151,227,027 ordinary shares of 5p each (2009: 8,151,227,029).

[b] During 2010, the company repurchased nil (2009: 142,608,225) of its own shares of 5p each, nil % (2009: 2%) of the called-up share capital, for consideration (including transaction costs) of £nil (2009: £189m). In addition, 8,320,766 shares (2009: 90,626,518) were issued from treasury to satisfy obligations under employee share schemes and executive share awards at a cost of £4m (2009: £126m), and nil treasury shares (2009: 250,000,000) were cancelled at a cost of £nil (2009: £797m). At 31 March 2010, 400,906,119 shares (2009: 409,226,885) with an aggregate nominal value of £20m (2009: £20m) were held as treasury shares

at cost.

c The loss for the financial year, dealt with in the profit and loss account of the company after taking into account dividends received from subsidiary undertakings, was £6m (2009: profit of £502m). As permitted by Section 408(3) of the Companies Act 2006, no profit and loss account of the company is presented.

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FINANCIAL STATEMENTS

SUBSIDIARY UNDERTAKINGS AND ASSOCIATE

The tables below give brief details of the group s principal[a] operating subsidiaries[b] and associate at 31 March 2010. All subsidiaries are unlisted and held through an intermediate holding company, unless otherwise stated. No subsidiaries are excluded from the group consolidation.

Subsidiary undertakings	Activity	Group interest in allotted capital[c]	Country of operation[d]
British Telecommunications plc	Communications related services and products provider	100% ordinary	UK
BT Americas Inc[d]	Communications related services, systems integration and products provider	100% common	International
BT Australasia Pty Limited	Communications related services and products provider	100% ordinary 100% preference	Australia
BT Centre Nominee 2 Limited	Property holding company	100% ordinary	UK
BT Communications do Brasil Limitada	Communications related services, technology consulting and products provider	100% ordinary	Brazil
BT Communications Ireland Limited	Telecommunications service provider	100% ordinary	Ireland
BT Conferencing Inc	Audio, video and web collaboration services provider	100% common	US
BT Conferencing Video Inc	Audio, video and web collaboration services provider	100% common	US
BT Convergent Solutions Limited	Communications related services and products provider	100% ordinary	UK
BT Engage IT Limited	IT solutions provider	100% ordinary	UK
BT ESPANA, Compania de Servicios Globales de Telecommunicaciones, SA	Communications related services and products provider	100% ordinary	Spain
BT Fleet Limited	Fleet management company	100% ordinary	UK
BT France SA	Communications related services, systems integration and	100% ordinary	France

	products provider		
BT Frontline Pte Ltd	Communications related services and products provider	100% ordinary	Singapore
BT (Germany) GmbH & Co oHG	Communications related services and products provider	100% ordinary	Germany
BT Global Communications India Private Limited	Communications related services	100% ordinary	India
BT Global Services Limited	International telecommunications network systems provider	100% ordinary	UK
BT Holdings Limited	Investment holding company	100% ordinary	UK
BT Hong Kong Limited	Communications related services and products provider	100% ordinary 100% preference	Hong Kong
BT INS Inc	Information telecommunications consulting and software solutions provider	100% common	US
BT Italia SpA	Communications related services and products provider	98.6% ordinary	Italy
BT Limited	International telecommunications network systems provider	100% ordinary	International
BT Nederland NV	Communications related services and products provider	100% ordinary	Netherlands
BT Payment Services Limited	Payment services provider	100% ordinary	UK
BT Professional Services Nederland BV	Systems integration and application development	100% ordinary	Netherlands
BT Services SA	Technology consulting and engineering services	100% ordinary	France
BT Singapore Pte Ltd	Communications related services and products provider	100% ordinary	Singapore
BT US Investments Limited[b]	Investment holding company	100% ordinary	Jersey
Communications Global Network Services Limited[d]	Communications related services and products provider	100% ordinary	International
Communications Networking Services (UK)	Communications related services and products provider	100% ordinary	UK

dabs.com plc	Technology equipment retailer	100% ordinary	UK
Infonet Services Corporation	Global managed network service provider	100% common	US
Infonet USA Corporation	Global managed network service provider	100% common	US
Plusnet plc	Broadband service provider	100% ordinary	UK
Radianz Americas Inc	Global managed network service provider	100% preference 100% common	US

[a] The group comprises a large number of entities and it is not practical to include all of them in this list. The list therefore includes only those entities that have a significant impact on the revenue, profit or assets of the group. A full list of subsidiaries, joint ventures and associates will be annexed to the company s next annual return filed with the Registrar of Companies.

[b] The principal operating subsidiaries (listed above) have a reporting date of 31 March, except for BT US Investments Limited which has a reporting date of 31 October in order to meet its corporate

objectives.

[c] The proportion of voting rights held corresponds to the aggregate interest percentage held by the holding company and subsidiary undertakings.

[d] All overseas undertakings are incorporated in their country of operations. Subsidiary undertakings operating internationally are all incorporated in England and Wales, except BT Americas Inc and Communications Global Network Services Limited which are incorporated in the US and Bermuda, respectively.

Associate	Activity	Share capital Issued[e]	Percentage owned[f]	Country of operation[g]
Tech Mahindra Limited	Global systems integrator and business transformation consultancy provider	122,320,114	30.9%	India

[e] Issued share capital comprises ordinary or common shares

unless otherwise stated.

[f] Held through an intermediate holding company.

[g] Incorporated in the country of operation.

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FINANCIAL STATEMENTS
QUARTERLY ANALYSIS OF REVENUE AND PROFIT

		Unaudited				
		1st	2nd	3rd	4th	Total
Year ended 31 March 2010	**Quarters**	£m	£m	£m	£m	£m
Revenue		5,235	5,070	5,198	5,356	**20,859**
Other operating income		79	93	80	128	**380**
Operating costs		(4,767)	(4,613)	(4,805)	(4,931)	**(19,116)**
Operating profit		547	550	473	553	**2,123**
Net finance expense		(283)	(284)	(292)	(299)	**(1,158)**
Share of post tax profits of associates and joint ventures		8	9	28	9	**54**
Loss on disposal of associate					(12)	**(12)**
Profit before taxation		272	275	209	251	**1,007**
Taxation		(58)	153	(31)	(42)	**22**
Profit for the period		214	428	178	209	**1,029**
Basic earnings per share		2.8p	5.5p	2.3p	2.7p	**13.3p**
Diluted earnings per share		2.7p	5.4p	2.2p	2.6p	**12.9p**
Profit before specific items and taxation		313	370	339	434	**1,456**
Adjusted basic earnings per share[a]		3.8p	4.3p	4.1p	5.0p	**17.3p**

		Unaudited				
		1st	2nd	3rd	4th	Total[b]
Year ended 31 March 2009	Quarters	£m	£m	£m	£m	£m
Revenue		5,177	5,303	5,437	5,473	**21,390**
Other operating income		90	107	71	71	**339**
Operating costs		(4,641)	(4,762)	(5,299)	(6,726)	**(21,428)**
Operating profit (loss)		626	648	209	(1,182)	**301**
Net finance expense		(130)	(159)	(180)	(151)	**(620)**
Share of post tax profits of associates and joint ventures		1	5	52	17	**75**
(Loss) profit before taxation		497	494	81	(1,316)	**(244)**
Taxation		(115)	(116)	(19)	303	**53**
(Loss) profit for the period		382	378	62	(1,013)	**(191)**
Basic (loss) earnings per share		4.9p	4.9p	0.8p	(13.1)p	**(2.5)p**

Diluted (loss) earnings per share	4.8p	4.9p	0.8p	(13.0)p	**(2.5)p**
Profit (loss) before specific items and taxation	524	532	45	(973)	**128**
Adjusted basic earnings per share[a]	4.4p	4.5p	2.7p	2.4p	**14.1p**

		Unaudited				
		1st	2nd	3rd	4th	Total[b]
Year ended 31 March 2008	Quarters	£m	£m	£m	£m	£m
Revenue		5,033	5,095	5,154	5,422	**20,704**
Other operating income		66	73	74	136	**349**
Operating costs		(4,441)	(4,647)	(4,646)	(4,963)	**(18,697)**
Operating profit		658	521	582	595	**2,356**
Net finance expense		(55)	(92)	(134)	(97)	**(378)**
Share of post tax losses of associates and joint ventures		(3)	(3)	(2)	(3)	**(11)**
Profit (loss) on disposal of associate			9	1	(1)	**9**
Profit before taxation		600	435	447	494	**1,976**
Taxation		8	(96)	(82)	(68)	**(238)**
Profit for the period		608	339	365	426	**1,738**
Basic earnings per share		7.4p	4.2p	4.5p	5.4p	**21.5p**
Diluted earnings per share		7.2p	4.1p	4.4p	5.3p	**21.1p**
Profit before specific items and taxation		650	617	581	658	**2,506**
Adjusted basic earnings per share[a]		5.0p	4.8p	4.8p	5.5p	**20.2p**

[a] Adjusted results refer to the amounts before BT Global Services contract and financial review charges in 2009, specific items and net interest on pensions.

[b] Restated. See page 94.

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FINANCIAL STATEMENTS
SELECTED FINANCIAL DATA
Summary group income statement

Year ended 31 March	**2010** £m	2009[a] £m	2008[a] £m	2007[a] £m	2006[a] £m
Revenue					
Adjusted[b]	20,911	21,431	20,704	20,223	19,514
Specific items	(52)				
Contract and financial review charges		(41)			
	20,859	**21,390**	**20,704**	**20,223**	**19,514**
Other operating income					
Adjusted[b]	378	352	359	236	227
Specific items	2	(13)	(10)	(3)	
	380	**339**	**349**	**233**	**227**
Operating costs					
Adjusted[b]	(18,689)	(19,435)	(18,168)	(17,746)	(17,108)
Specific items	(427)	(395)	(529)	(169)	(138)
Contract and financial review charges		(1,598)			
	(19,116)	**(21,428)**	**(18,697)**	**(17,915)**	**(17,246)**
Operating profit					
Adjusted[b]	2,600	2,348	2,895	2,713	2,633
Specific items	(477)	(408)	(539)	(172)	(138)
Contract and financial review charges		(1,639)			
	2,123	**301**	**2,356**	**2,541**	**2,495**
Net finance expense					
Adjusted[b]	(890)	(933)	(798)	(653)	(726)
Specific items	11			139	
Net interest on pensions	(279)	313	420	420	254
	(1,158)	**(620)**	**(378)**	**(94)**	**(472)**
Share of post tax profits (losses) of associates and joint ventures					
Adjusted[b]	25	39	(11)	15	16
Specific items	29	36			
	54	**75**	**(11)**	**15**	**16**
(Loss) profit on disposal of associates and joint ventures - specific items[a]	**(12)**		**9**	**22**	**1**
Profit (loss) before taxation					
Adjusted[b]	1,735	1,454	2,086	2,075	1,923
Specific items	(449)	(372)	(530)	(11)	(137)

Contract and financial review charges		(1,639)			
Net interest on pensions	(279)	313	420	420	254
	1,007	**(244)**	**1,976**	**2,484**	**2,040**
Taxation					
Adjusted[b]	(398)	(361)	(455)	(485)	(457)
Specific items	342	43	343	979	41
Contract and financial review charges		459			
Net interest on pensions	78	(88)	(126)	(126)	(76)
	22	**53**	**(238)**	**368**	**(492)**
Profit (loss) for the year					
Adjusted[b]	1,337	1,093	1,631	1,590	1,466
Specific items	(107)	(329)	(187)	968	(96)
Contract and financial review charges		(1,180)			
Net interest on pensions	(201)	225	294	294	178
	1,029	**(191)**	**1,738**	**2,852**	**1,548**
Basic earnings (loss) per share					
Adjusted[b]	17.3p	14.1p	20.2p	19.1p	17.4p
Specific items	(1.4)p	(4.3)p	(2.4)p	11.7p	(1.1)p
Contract and financial review charges		(15.3)p			
Net interest on pensions	(2.6)p	3.0p	3.7p	3.6p	2.1p
Total basic (loss) earnings per share	**13.3p**	**(2.5)p**	**21.5p**	**34.4p**	**18.4p**

[a] Restated. See page 94.

[b] Adjusted revenue, adjusted other operating income, adjusted operating costs, adjusted operating profit, adjusted net finance expense, adjusted share of post tax profits (losses) of associates and joint ventures, adjusted (loss) profit on disposal of

associates and joint ventures, adjusted profit (loss) before taxation, adjusted taxation credit (charge), adjusted profit (loss) for the year and adjusted basic earnings (loss) per share are non-GAAP measures provided in addition to the disclosure requirements defined under IFRS. The rationale for using non-GAAP measures is explained on pages 54 to 56.

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FINANCIAL STATEMENTS SELECTED FINANCIAL DATA

Summary group income statement continued

Year ended 31 March	**2010**	2009[a]	2008[a]	2007[a]	2006[a]
Average number of shares used in basic earnings per share (millions)	7,740	7,724	8,066	8,293	8,422
Average number of shares used in diluted earnings per share (millions)	7,988	7,771	8,223	8,479	8,537
Basic earnings (loss) per share	13.3p	(2.5)p	21.5p	34.4p	18.4p
Diluted earnings (loss) per share	12.9p	(2.5)p	21.1p	33.6p	18.1p
Dividends per share[b]	6.9p	6.5p	15.8p	15.1p	11.9p
Dividends per share, cents[b,c]	10.5c	9.3c	31.4c	29.7c	20.7c

[a] Restated. See page 94.

[b] Dividends per share represents the dividend paid and proposed in respect of the relevant financial year. Under IFRS, dividends are recognised as a deduction from shareholders equity when they are paid.

[c] Based on actual dividends paid and/or year end exchange rate on proposed dividends.

Summary group cash flow statement

Year ended 31 March	**2010** £m	2009 £m	2008 £m	2007 £m	2006 £m
Net cash inflow from operating activities	4,825	4,706	5,486	5,210	5,387
Net cash (outflow) inflow from investing activities	(2,775)	(2,954)	(3,664)	(2,778)	214
Net cash used in financing activities	(1,714)	(1,865)	(1,430)	(2,898)	(5,278)
Effect of exchange rate changes on cash and cash equivalents	(7)	54	25	(35)	

Net increase (decrease) in cash and cash equivalents	**329**	**(59)**	**417**	**(501)**	**323**
Cash and cash equivalents at the start of the year	1,115	1,174	757	1,258	935
Cash and cash equivalents at the end of the year	**1,444**	**1,115**	**1,174**	**757**	**1,258**

Summary group balance sheet

At 31 March	**2010** £m	2009[a] £m	2008[a] £m	2007[a] £m	2006[a] £m
Intangible assets	3,672	3,788	3,355	2,584	1,908
Property, plant and equipment	14,856	15,405	15,307	14,997	15,222
Retirement benefit asset			2,887		
Other non current assets	3,867	4,154	1,286	780	1,175
	22,395	**23,347**	**22,835**	**18,361**	**18,305**
Current assets less current liabilities	(4,135)	(3,141)	(2,978)	(3,746)	(3,052)
Total assets less current liabilities	**18,260**	**20,206**	**19,857**	**14,615**	**15,253**
Non current loans and other borrowings	(9,522)	(12,365)	(9,818)	(6,387)	(7,995)
Retirement benefit obligations	(7,864)	(3,973)	(108)	(389)	(2,547)
Other non current liabilities	(3,500)	(3,699)	(4,499)	(3,567)	(3,104)
Total assets less liabilities	**(2,626)**	**169**	**5,432**	**4,272**	**1,607**
Called up share capital	408	408	420	432	432
Share premium account	62	62	62	31	7
Capital redemption reserve	27	27	15	2	2
Other reserves	757	1,301	(527)	88	364
Retained (loss) earnings	(3,904)	(1,656)	5,439	3,685	750
Total parent shareholders (deficit) equity	**(2,650)**	**142**	**5,409**	**4,238**	**1,555**
Minority interests	24	27	23	34	52
Total (deficit) equity	**(2,626)**	**169**	**5,432**	**4,272**	**1,607**

[a] Restated. See page 94.

Other selected financial data

	2010 £m	2009[a] £m	2008[a] £m	2007[a] £m	2006[a] £m
Adjusted EBITDA[b]	**5,639**	5,238	5,784	5,633	5,517
Free cash flow[c]	**1,933**	737	1,823	1,874	1,612

Net debt[d]	**9,283**	10,361	9,460	7,914	7,534

[a] Restated. See page 94.

[b] Adjusted EBITDA is stated before specific items and BT Global Services contract and financial review charges in 2009 and is defined on page 55.

[c] Free cash flow is defined on page 55.

[d] Net debt is defined on page 56.

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FINANCIAL STATEMENTS
FINANCIAL STATISTICS

Year ended 31 March	**2010**	2009[a]	2008[a]	2007[a]	2006[a]
Financial ratios					
Adjusted basic earnings per share[b] pence	17.3	14.1	20.2	19.1	17.4
Reported basic (loss) earnings per share pence	13.3	(2.5)	21.5	34.4	18.4
Adjusted return on capital employed[b, c] (unaudited)	16.0	14.5	17.7	17.6	18.1
Reported return on capital employed[c] (unaudited)	13.3	2.3	14.4	16.5	17.1
Adjusted interest cover before net pension interest[d] times (unaudited)	2.9	2.5	3.6	4.2	3.6
Reported interest cover[e] times (unaudited)	0.3	0.5	6.2	27.0	5.3

Year ended 31 March	**2010** £m	2009 £m	2008 £m	2007 £m	2006 £m
Expenditure on research and development					
Research and development expense	444	590	532	378	326
Amortisation of internally developed computer software	733	431	325	314	161
Total	**1,177**	**1,021**	**857**	**692**	**487**

Year ended 31 March	**2010** £m	2009 £m	2008 £m	2007 £m	2006 £m
Capital expenditure					
Plant and equipment					
Transmission equipment	902	1,067	1,117	1,209	1,429
Exchange equipment	29	44	83	118	80
Other network equipment	753	899	1,060	854	727
Computers and office equipment	115	140	181	149	138
Motor vehicles and other	662	912	876	877	715
Land and buildings	29	23	33	61	68
	2,490	**3,085**	**3,350**	**3,268**	**3,157**
Increase (decrease) in engineering stores	43	3	(11)	(21)	(15)
Total capital expenditure	**2,553**	**3,088**	**3,339**	**3,247**	**3,142**
(Decrease) increase in payables	(24)	(6)	(24)	51	(202)
Cash outflow on capital expenditure	**2,509**	**3,082**	**3,315**	**3,298**	**2,940**

[a] Restated. See page 94.

[b] Adjusted results refer to the results before specific items, the BT Global Services contract and financial review charges in 2009, and net interest on pensions.

[c] The ratio is based on profit before taxation and net finance expense to average capital employed. Capital employed is represented by total assets less current liabilities (excluding corporation tax, current borrowings, derivative financial liabilities and finance lease creditors) less deferred tax assets, retirement benefit asset, cash and cash equivalents, derivative financial assets and investments.

[d] The number of times net finance expense before net pension

interest and specific items is covered by adjusted operating profit.

[e] The number of times reported net finance expense is covered by reported operating profit.

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FINANCIAL STATEMENTS
OPERATIONAL STATISTICS

All values (000) unless otherwise stated. Year ended 31 March	**2010**	2009	Unaudited 2008	2007	2006
BT Global Services					
12 month rolling[a] order intake (£m)	6,631	7,917[a]	7,835[a]	9,101[a]	8,787[a]
BT Retail					
BT s retail share of broadband[b] installed base	35%	34%	35%	34%	33%
BT Vision installed base	467	423	214		
Call minutes (bn)					
Non geographic	11.86	14.73	19.18	25.03	34.66
Geographic	37.31	42.06	46.84	51.92	58.35
Total	49.17	56.79	66.02	76.95	93.01
Active consumer lines[c]	11,113	11,789	12,600	13,634	14,587
Average annual revenue per consumer user (ARPU)[d] (£)	309	287	274	262	251
BT Group					
Total employees[e]	97.8	107.0	111.9	106.2	104.4
Broadband lines (UK)					
BT Retail	5,132	4,757	4,402	3,659	2,668
BT Wholesale (external)	2,926	3,305	3,983	5,168	5,092
Openreach	6,620	5,750	4,300	1,910	356
Total broadband lines	14,678	13,812	12,685	10,737	8,116
Exchange lines (UK)					
Consumer	13,051	14,514	15,793	16,636	17,912
Business	5,367	5,992	6,750	7,264	7,797
External WLR lines	6,028	5,647	4,666	4,227	2,874
Total exchange lines	24,446	26,153	27,209	28,127	28,583

[a] Restated for impact of customer account moves.

See page 101.

[b] DSL and LLU.

[c] Active consumer lines represents the number of lines over which BT is the call provider (excluding Northern Ireland but including Plusnet in 2010).

[d] Rolling 12 month consumer revenue, less mobile POLOs, divided by average number of primary lines.

[e] The numbers disclosed include both full-time and part-time employees.

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ADDITIONAL INFORMATION

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ADDITIONAL INFORMATION
INFORMATION FOR SHAREHOLDERS
Cautionary statement regarding forward-looking statements

Certain statements in this annual report are forward-looking and are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements include, without limitation, those concerning: revenue; operating cost savings; adjusted EBITDA after leaver costs; free cash flow; payments to the BTPS; net debt; investment in operating expenditure; enhancing our TV offering; capital expenditure; progressive dividends; growth of, and opportunities available in, the communications industry and BT s positioning to take advantage of those opportunities; expectations regarding competition, market shares, prices and growth; expectations regarding the convergence of technologies; growth opportunities in networked IT services, the TV market, broadband and mobility; BT s network development and fibre roll-out; opportunities in BT Global Services; plans for the launch of new products and services; network performance and quality; the impact of regulatory initiatives and decisions on operations, including the regulation of the UK fixed wholesale and retail businesses and the impact of the Undertakings to Ofcom under the Enterprise Act; BT s possible or assumed future results of operations and/or those of its associates and joint ventures; capital expenditure and investment plans; adequacy of capital; financing plans and refinancing requirements; demand for and access to broadband and the promotion of broadband by third-party service providers; and those preceded by, followed by, or that include the words aims , believes , expects , anticipates , intends , will , should or similar expressions.

Although BT believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to: material adverse changes in economic conditions in the markets served by BT; future regulatory actions and conditions in its operating areas, including competition from others; selection by BT of the appropriate trading and marketing models for its products and services; technological innovations, including the cost of developing new products, networks and solutions and the need to increase expenditures for improving the quality of service; the anticipated benefits and advantages of new technologies, products and services not being realised; developments in the convergence of technologies; prolonged adverse weather conditions resulting in a material increase in overtime, staff or other costs; the timing of entry and profitability of BT in certain communications markets; significant changes in market shares for BT and its principal products and services; fluctuations in foreign currency exchange rates and interest rates; the underlying assumptions and estimates made in respect of major customer contracts proving unreliable; the aims of the BT Global Services restructuring programme not being achieved; the outcome of the Pensions Regulator s review; and general financial market conditions affecting BT s performance and ability to raise finance. Certain of these factors are discussed in more detail elsewhere in this annual report including, without limitation, in **Our risks** on pages 36 to 37. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

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ADDITIONAL INFORMATION INFORMATION FOR SHAREHOLDERS

Stock exchange listings

The principal listing of BT Group s ordinary shares is on the London Stock Exchange. Trading on the London Stock Exchange is under the symbol BT.A . American Depositary Shares (ADSs), each representing ten ordinary shares, have been issued by JPMorgan Chase Bank, as Depositary for the American Depositary Receipts (ADRs) evidencing the ADSs, and are listed on the New York Stock Exchange. ADSs also trade, but are not listed, on the London Stock Exchange. Trading on the New York Stock Exchange is under the symbol BT .

Share and ADS prices

	Pence per ordinary share		US$ per ADS	
	High pence	Low pence	High US$	Low US$
Financial years ended 31 March				
2006	235.00	196.50	41.71	35.34
2007	321.75	209.25	62.96	37.08
2008	336.75	205.50	68.55	40.86
2009	235.50	71.40	46.20	9.80
2010	149.60	79.70	25.14	11.64
Financial year ended 31 March 2009				
1 April 30 June 2008	235.50	198.40	46.20	39.47
1 July 30 September 2008	217.50	158.90	42.60	27.67
1 October 31 December 2008	167.60	110.00	29.11	16.98
1 January 31 March 2009	143.30	71.40	21.31	9.80
Financial year ended 31 March 2010				
1 April 30 June 2009	105.60	79.70	17.27	11.64
1 July 30 September 2009	141.45	100.35	22.95	16.22
1 October 31 December 2009	149.60	128.50	25.14	20.47
1 January 31 March 2010	146.90	113.50	24.00	17.00
Months				
November 2009	149.60	131.30	25.14	21.35
December 2009	144.60	135.00	23.94	21.74
January 2010	146.90	135.00	24.00	21.74
February 2010	136.50	114.90	21.85	17.53
March 2010	126.40	113.50	19.15	17.00
April 2010	134.20	122.30	20.58	18.65
1 May 7 May 2010	126.70	109.90	19.29	16.19

The prices are the highest and lowest closing middle market prices for BT ordinary shares, as derived from the Daily Official List of the London Stock Exchange and the highest and lowest closing sales prices of ADSs, as reported on the New York Stock Exchange composite tape.

Fluctuations in the exchange rate between Sterling and the US Dollar affect the US Dollar equivalent of the Sterling price of the company s ordinary shares on the London Stock Exchange and, as a result, are likely to affect the market price of the ADSs on the New York Stock Exchange.

Background

BT Group plc is a public limited company registered in England and Wales and listed on the London and New York stock exchanges. It was incorporated in England and Wales on 30 March 2001 as Newgate Telecommunications Limited with the registered number 4190816. Its registered office address is 81 Newgate Street, London EC1A 7AJ. The company changed its name to BT Group plc on 11 September 2001. Following the demerger of O_2 in November 2001, the continuing activities of BT were transferred to BT Group plc.

British Telecommunications plc is a wholly owned subsidiary of BT Group plc and encompasses virtually all the businesses and assets of the BT group. The successor to the statutory corporation British Telecommunications, it was incorporated in England and Wales as a public limited company, wholly owned by the UK Government, as a result of the Telecommunications Act 1984. Between November 1984 and July 1993, the UK Government sold all of its shareholding in British Telecommunications plc in three public offerings.

Capital gains tax

The rights issue in June 2001 and the demerger of O_2 in November 2001 adjusted the value, for capital gains tax (CGT) purposes, of BT shares.

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ADDITIONAL INFORMATION INFORMATION FOR SHAREHOLDERS

Rights issue

An explanatory note on the effects of the rights issue on the CGT position relating to BT shareholdings is available from the Shareholder Helpline (see page 167).

Demerger of O_2 CGT calculation

The confirmed official opening prices for BT Group and O_2 shares on 19 November 2001 following the demerger were 285.75p and 82.75p, respectively. This means that, of the total (combined) value of 368.50p, 77.544% is attributable to BT Group and 22.456% to O_2. Accordingly, for CGT calculations, the base cost of BT Group shares and O_2 shares is calculated by multiplying the acquisition cost of a BT shareholding by 77.544% and 22.456%, respectively.

Analysis of shareholdings at 31 March 2010

			Ordinary shares of 5p each	
Range	Number of holdings	Percentage of total (%)	No. of shares held millions	Percentage of total (%)
1 399	438,089	38.54	92	1.13
400 799	312,685	27.49	175	2.15
800 1,599	223,916	19.70	250	3.07
1,600 9,999	155,753	13.70	463	5.68
10,000 99,999	5,367	0.47	97	1.19
100,000 999,999	602	0.05	219	2.69
1,000,000 4,999,999	287	0.03	646	7.92
5,000,000 and above[a,b,c,d]	190	0.02	6,209	76.17
Total[e]	1,136,889	100.00	8,151	100.00

[a] 9m shares were held in trust by Ilford Trustees (Jersey) Limited for allocation to employees under the employee share plans.

[b] Under the BT Group Employee Share Investment Plan, 79.2m shares were held in trust on behalf of 68,444

participants who were beneficially entitled to the shares. 236m shares were held in the corporate nominee BT Group EasyShare on behalf of 105,102 beneficial owners.

[c] 134m shares were represented by ADSs. An analysis by size of holding is not available for this holding.

[d] 398m shares were held as treasury shares.

[e] 12.43% of the shares were in 1,120,540 individual holdings, of which 95,883 were joint holdings, and 87.57% of the shares were in 16,349 institutional holdings.

As far as the company is aware, the company is not directly or indirectly owned or controlled by another corporation or by the UK Government or any other foreign government or by any other natural or legal person severally or jointly. There are no arrangements known to the company, the operation of which may at a subsequent date result in a change in control of the company.

The company s major shareholders do not have different voting rights to those of other shareholders.

At 7 May 2010, there were 8,151,227,029 ordinary shares outstanding, including 397,312,949 shares held as treasury shares. At the same date, approximately 12.8m ADSs (equivalent to 128m ordinary shares, or approximately 1.6% of the total number of ordinary shares outstanding on that date) were outstanding and were held by 2,208 record holders of ADRs.

At 31 March 2010, there were 3,668 shareholders with a US address on the register of shareholders who in total hold 0.03% of the ordinary shares of the company.

Dividends

A final dividend in respect of the year ended 31 March 2009 was paid on 7 September 2009 to shareholders on the register on 14 August 2009, and an interim dividend in respect of the year ended 31 March 2010 was paid on 8 February 2010 to shareholders on the register on 29 December 2009. The final proposed dividend in respect of the year ended 31 March 2010, if approved by shareholders, will be paid on 6 September 2010 to shareholders on the register on 13 August 2010.

The dividends paid or payable on BT shares and ADSs for the last five financial years are shown in the following table. The dividends on the ordinary shares exclude the associated tax credit. The amounts shown are not those that were actually paid to holders of ADSs. For the tax treatment of dividends paid, see **Taxation of dividends** on page 164. Dividends have been translated from Sterling into US Dollars using exchange rates prevailing on the date the ordinary dividends were paid.

	per ordinary share			per ADS			per ADS		
	Interim	Final	Total	Interim	Final	Total	Interim	Final	Total
Financial years ended 31 March	pence	pence	pence	£	£	£	US$	US$	US$
2006	4.30	7.60	11.90	0.430	0.760	1.190	0.747	1.415	2.162
2007	5.10	10.00	15.10	0.510	1.000	1.510	0.991	1.972	2.963
2008	5.40	10.40	15.80	0.540	1.040	1.580	1.030	1.833	2.863
2009	5.40	1.10	6.50	0.540	0.110	0.650	0.765	0.161	0.926
2010	2.30	4.60	6.90	0.230	0.460	0.690	0.339	[a]	[a]

[a] Qualifying holders of ADSs on record as of 13 August 2010 are entitled to receive the final dividend which will be paid to ADS holders on 14 September 2010, subject to approval at the AGM. The US Dollar amount of the final dividend of 46.0 pence per ADS to be paid to holders of ADSs will be based on the exchange rate in effect on 6 September 2010, the date of payment to holders of ordinary shares.

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As dividends paid by the company are in Sterling, exchange rate fluctuations will affect the US Dollar amounts received by holders of ADSs on conversion by the Depositary of such cash dividends.

Dividend mandate

Any shareholder wishing dividends to be paid directly into a bank or building society account should contact the Shareholder Helpline (see page 167). Dividends paid in this way will be paid through the Bankers Automated Clearing System (BACS). Alternatively, a form may be downloaded from the Dividends page of our website at **www.bt.com/investorcentre**

Dividend investment plan

Under the Dividend investment plan, cash from participants dividends is used to buy further BT shares in the market. Shareholders could elect to receive additional shares in lieu of a cash dividend for the following dividends:

	Date paid	Price per share pence
2006 interim	13 February 2006	214.50
2006 final	11 September 2006	250.98
2007 interim	12 February 2007	320.54
2007 final	17 September 2007	316.21
2008 interim	11 February 2008	232.08
2008 final	15 September 2008	174.38
2009 interim	9 February 2009	107.04
2009 final	7 September 2009	133.34
2010 interim	8 February 2010	131.67

Global Invest Direct

Details of the direct purchase plan run by the ADR Depositary, JPMorgan Chase Bank, Global Invest Direct, including reinvestment of dividends, are available from JPMorgan Chase Bank on +1 800 428 4237 (toll free within the US), or on written request to the ADR Depositary.

Total shareholder return

Total shareholder return (TSR) is the measure of the returns that a company has generated for its shareholders, reflecting share price movements and assuming reinvestment of dividends. BT s TSR for the 2010 financial year was positive 62.4%, compared with the FTSE 100 TSR which was positive 50.4% and the FTSEurofirst 300 Telco Index TSR which was positive 27.9%. BT s TSR improvement in the 2010 financial year is mainly due to the recovery of the share price during 2010, from a closing price of 71.4p in March 2009. Over the last five financial years, BT s TSR was negative 20.7% compared with the FTSE 100 TSR of positive 39.5% and the FTSEurofirst 300 Telco Index TSR of positive 15.0%. In the period between the demerger on 19 November 2001 and 31 March 2010, BT s TSR was negative 34.2%, compared with the FTSE 100 TSR of positive 44.6% and the FTSEurofirst 300 Telco Index TSR of negative 5.5%.

BT s total shareholder return (TSR) performance vs the FTSE 100 and FTSEurofirst 300 Telco Index
over the five financial years to 31 March 2010

BT s total shareholder return (TSR) performance vs the FTSE 100 and FTSEurofirst 300 Telco Index
since demerger

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Results announcements

Expected announcements of results:

Results for the 2011 financial year	Date[a]
1st quarter	29 July 2010
2nd quarter and half year	11 November 2010
3rd quarter and nine months	February 2011
4th quarter and full year	May 2011
2011 Annual Report published	May 2011

[a] Dates may be subject to change.

Individual savings accounts (ISAs)

Information about investing in BT shares through an ISA may be obtained from Halifax Share Dealing Limited, 1 Lovell Park Road, West Yorkshire, Leeds LS1 1NS (telephone: 08457 22 55 25). ISAs are also offered by other organisations.

ShareGift

The charity ShareGift specialises in accepting small numbers of shares as donations. Further information about ShareGift may be obtained by telephoning 020 7930 3737 or from **www.ShareGift.org** or alternatively, from the Shareholder Helpline (see page 167).

Unclaimed Assets Register

BT, along with many other leading UK companies, subscribes to Experian s Unclaimed Assets Register (UAR), a register of individuals owed unclaimed financial assets such as shareholdings and dividends. UAR provides members of the public with a search device to trace lost assets. For further information visit **www.uar.co.uk** or telephone 0870 241 1713.

Exchange rates

BT publishes its consolidated financial statements expressed in Sterling. The following tables detail certain information concerning the exchange rates between Sterling and US Dollars based on the noon buying rate in New York City for cable transfers in Sterling as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate).

Year ended 31 March	**2010**	2009	2008	2007	2006
Period end	1.52	1.43	1.99	1.97	1.74
Average[a]	1.55	1.70	2.01	1.91	1.78
High	1.64	2.00	2.11	1.99	1.92
Low	1.49	1.37	1.94	1.74	1.71

[a] The average of the Noon

Buying Rates in effect on the last day of each month during the relevant period.

					Month
	April	March	February	January	December	November
	2010	**2010**	**2010**	**2010**	**2009**	**2009**
High	1.55	1.53	1.60	1.64	1.66	1.68
Low	1.52	1.49	1.52	1.59	1.59	1.64

On 7 May 2010, the most recent practicable date for this Annual Report, the Noon Buying Rate was US$1.47 to £1.00.

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Articles of Association (Articles)

The following is a summary of the principal provisions of BT s Articles, a copy of which has been filed with the Registrar of Companies. A holder of shares and a shareholder is, in either case, the person entered on the company s register of members as the holder of the relevant shares. Shareholders can choose whether their shares are to be evidenced by share certificates (ie in certificated form) or held in electronic (ie uncertificated) form in CREST (the electronic settlement system in the UK).

At the AGM held on 15 July 2009, shareholders voted to adopt new Articles of Association with effect from October 2009, largely to take account of changes in UK company law brought about by the Companies Act 2006 (2006 Act). Under that Act, the Memorandum of Association serves a more limited role as historical evidence of the formation of the company. Since October 2009, the provisions in relation to objects in BT s Memorandum are deemed to form part of BT s Articles, and have been deleted from those Articles because of shareholders passing a resolution to this effect at the AGM. Under the 2006 Act, BT s objects are unrestricted.

(a) Voting rights

Subject to the restrictions described below, on a show of hands, every shareholder present in person or by proxy at any general meeting has one vote and, on a poll, every shareholder present in person or by proxy has one vote for each share which they hold.

Voting at any meeting of shareholders is by a show of hands unless a poll is demanded by the chairman of the meeting or by at least five shareholders at the meeting who are entitled to vote (or their proxies), or by one or more shareholders at the meeting who are entitled to vote (or their proxies) and who have, between them, at least 10% of the total votes of all shareholders who have the right to vote at the meeting.

No person is, unless the Board decide otherwise, entitled to attend or vote at any general meeting or to exercise any other right conferred by being a shareholder if they or any person appearing to be interested in those shares has been sent a notice under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and they or any interested person has failed to supply to the company the information requested within 14 days after delivery of that notice. These restrictions end seven days after the earlier of the date the shareholder complies with the request satisfactorily or the company receives notice that there has been an approved transfer of the shares.

(b) Variation of rights

Whenever the share capital of the company is split into different classes of shares, the special rights attached to any of those classes can be varied or withdrawn either:

(i) with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class; or

(ii) with the consent in writing of the holders of at least 75% in nominal value of the issued shares of that class.

At any separate meeting, the necessary quorum is two persons holding or representing by proxy not less than one-third in nominal amount of the issued shares of the class in question (but at any adjourned meeting, any person holding shares of the class or his proxy is a quorum).

The company can issue new shares and attach any rights and restrictions to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally.

(c) Changes in capital

The company may by ordinary resolution:

(i) divide all or any of its share capital into shares with a smaller nominal value; and

(ii) consolidate and divide all or part of its share capital into shares of a larger nominal value.

The company may also:

(i) buy back its own shares; and

(ii) by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

(d) Dividends

The company s shareholders can declare dividends by passing an ordinary resolution provided that no dividend can exceed the amount recommended by the directors. Dividends must be paid out of profits available for distribution. If the directors consider that the profits of the company justify such payments, they can pay interim dividends on any class of shares of the amounts and on the dates and for the periods they decide. Fixed dividends will be paid on any class of shares on the dates stated for the payments of those dividends.

The directors can offer ordinary shareholders the right to choose to receive new ordinary shares, which are credited as fully paid, instead of some or all of their cash dividend. Before they can do this, the company s shareholders must have passed an ordinary resolution authorising the directors to make this offer.

Any dividend which has not been claimed for ten years after it was declared or became due for payment will be forfeited and will belong to the company.

ADDITIONAL INFORMATION INFORMATION FOR SHAREHOLDERS

(e) Distribution of assets on winding up

If the company is wound up (whether the liquidation is voluntary, under supervision of the court or by the court) the liquidator can, with the authority of a special resolution passed by the shareholders, divide among the shareholders all or any part of the assets of the company. This applies whether the assets consist of property of one kind or different kinds. For this purpose, the liquidator can place whatever value the liquidator considers fair on any property and decide how the division is carried out between shareholders or different groups of shareholders. The liquidator can also, with the same authority, transfer any assets to trustees upon any trusts for the benefit of shareholders which the liquidator decides. The liquidation of the company can then be finalised and the company dissolved. No past or present shareholder can be compelled to accept any shares or other property under the Articles which could give that shareholder a liability.

(f) Transfer of shares

Certificated shares of the company may be transferred in writing either by an instrument of transfer in the usual standard form or in another form approved by the Board. The transfer form must be signed or made effective by or on behalf of the person making the transfer. The person making the transfer will be treated as continuing to be the holder of the shares transferred until the name of the person to whom the shares are being transferred is entered in the register of members of the company.

The Board may refuse to register any transfer of any share held in certificated form:

(i) which is in favour of more than four joint holders; or

(ii) unless the transfer form to be registered is properly stamped to show payment of any applicable stamp duty and delivered to the company s registered office or any other place the Board decide. The transfer must have with it the share certificate for the shares to be transferred; any other evidence which the Board ask for to prove that the person wanting to make the transfer is entitled to do this; and if the transfer form is executed by another person on behalf of the person making the transfer, evidence of the authority of that person to do so.

Transfers of uncertificated shares must be carried out using a relevant system (as defined in the Uncertificated Securities Regulations 2001 (the Regulations)). The Board can refuse to register a transfer of an uncertificated share in the circumstances stated in the Regulations.

If the Board decide not to register a transfer of a share, the Board must notify the person to whom that share was to be transferred giving reasons for their decision. This must be done as soon as possible and no later than two months after the company receives the transfer or instruction from the operator of the relevant system.

(g) Untraced shareholders

BT may sell any shares after advertising its intention and waiting for three months if the shares have been in issue for at least ten years, during that period at least three dividends have become payable on them and have not been cashed and BT has not heard from the shareholder or any person entitled to the dividends by transmission. The net sale proceeds belong to BT, but it must pay those proceeds to the former shareholder or the person entitled to them by transmission if that shareholder, or that other person, asks for them.

(h) General meetings of shareholders

Every year the company must hold an annual general meeting. The Board can call a general meeting at any time and, under general law, must call one on a shareholders requisition. At least 21 clear days written notice must be given for every annual general meeting. For every other general meeting, at least 14 clear days written notice must be given. The Board can specify in the notice of meeting a time by which a person must be entered on the register of shareholders in order to have the right to attend or vote at the meeting. The time specified must not be more than 48 hours before the time fixed for the meeting.

(i) Limitations on rights of non-resident or foreign shareholders

The only limitation imposed by the Articles on the rights of non-resident or foreign shareholders is that a shareholder whose registered address is outside the UK and who wishes to receive notices of meetings of shareholders or documents from BT must give the company an address within the UK to which they may be sent.

(j) Directors

Directors remuneration

Excluding remuneration referred to below, each director will be paid such fee for his services as the Board decide, not exceeding £65,000 a year and increasing by the percentage increase of the retail prices index (as defined by Section 833(2) Income and Corporation Taxes Act 1988) for any 12 month period beginning 1 April 1999 or an anniversary of that date. The company may by ordinary resolution decide on a higher sum. This resolution can increase the fee paid to all or any directors either permanently or for a particular period. The directors may be paid their expenses properly incurred in connection with the business of the company.

The Board can award extra fees to a director who holds an executive position; acts as chairman or deputy chairman; serves on a Board committee at the request of the Board; or performs any other services which the Board consider extend beyond the ordinary duties of a director.

The directors may grant pensions or other benefits to, among others, any director or former director or persons connected with them. However, BT can only provide these benefits to any director or former director who has not been an employee or held any other office or executive position in the company or any of its subsidiary undertakings, or to relations or dependants of, or people connected to, those directors or former directors, if the shareholders approve this by passing an ordinary resolution.

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Directors votes

A director need not be a shareholder, but a director who is not a shareholder can still attend and speak at shareholders meetings.

Unless the Articles say otherwise, a director cannot vote on a resolution about a contract in which the director has an interest (this will also apply to interests of a person connected with the director).

If the legislation allows, a director can vote and be counted in the quorum on a resolution concerning a contract:

(i) in which the director has an interest of which the director is not aware; or which cannot reasonably be regarded as likely to give rise to a conflict of interest;

(ii) in which the director has an interest only because the director is a holder of shares, debentures or other securities of BT, or by reason of any other interest in or through BT;

(iii) which involves the giving of any security, guarantee or indemnity to the director or any other person for money lent or obligations incurred by the director or by any other person at the request of or for the benefit of BT or the benefit of any of its subsidiary undertakings; or a debt or other obligation which is owed by BT or any of its subsidiary undertakings to that other person if the director has taken responsibility for all or any part of that debt or obligation by giving a guarantee, security or indemnity;

(iv) where BT or any of its subsidiary undertakings is offering any shares, debentures or other securities for subscription or purchase to which the director is or may be entitled to participate as a holder of BT securities; or where the director will be involved in the underwriting or sub-underwriting;

(v) relating to any other company in which the director has an interest, directly or indirectly (including holding a position in that company) or is a shareholder, creditor, employee or otherwise involved in that company. These rights do not apply if the director owns one per cent or more of that company or of the voting rights in that company;

(vi) relating to an arrangement for the benefit of BT employees or former BT employees or any of BT s subsidiary undertakings which only gives the directors the same benefits that are generally given to the employees or former employees to whom the arrangement relates;

(vii) relating to BT buying or renewing insurance for any liability for the benefit of directors or for the benefit of persons who include directors;

(viii) relating to the giving of indemnities in favour of directors;

(ix) relating to the funding of expenditure by any director or directors: on defending criminal, civil or regulatory proceedings or actions against the director or the directors; in connection with an application to the court for relief; or on defending the director or the directors in any regulatory investigations; or which enables any director or directors to avoid incurring expenditure as described in this paragraph; and

(x) in which the director s interest, or the interest of directors generally, has been authorised by an ordinary resolution.

Subject to the relevant legislation, the shareholders can by passing an ordinary resolution ratify any particular contract carried out in breach of those provisions.

Directors appointment and retirement

Under BT s Articles there must be at least two directors, who manage the business of the company. The shareholders can vary this minimum and/or decide a maximum by ordinary resolution. The Board and the shareholders (by ordinary resolution) may appoint a person who is willing to be elected as a director, either to fill a vacancy or as an additional director.

At every annual general meeting, any director who was elected or last re-elected a director at or before the annual general meeting held in the third year before the current year, must retire by rotation. Any director appointed by the directors automatically retires at the next following annual general meeting. A retiring director is eligible for re-election.

In addition to any power of removal under the 2006 Act, the shareholders can pass an ordinary resolution to remove a director, even though his or her time in office has not ended. They can elect a person to replace that director subject to the Articles, by passing an ordinary resolution. A person so appointed is subject to retirement by rotation when the director replaced would have been due to retire.

Directors borrowing powers

To the extent that the legislation and the Articles allow, the Board can exercise all the powers of the company to borrow money, to mortgage or charge its business, property and assets (present and future) and to issue debentures and other securities, and give security either outright or as collateral security for any debt, liability or obligation of the company or another person. The Board must limit the borrowings of the company and exercise all the company s voting and other rights or powers of control exercisable by the company in relation to its subsidiary undertakings so as to ensure that the aggregate amount of all borrowings by the group outstanding, net of amounts borrowed intra-group among other things, at any time does not exceed £35bn. These borrowing powers may only be varied by amending the Articles.

(k) Sinking fund, liability to further calls and change of control

BT s shares are not subject to any sinking fund provision under the Articles or as a matter of the laws of England and Wales. No shareholder is currently liable to make additional contributions of capital in respect of BT s ordinary shares in the future. There are no provisions in the Articles or of corporate legislation in England and Wales that would delay, defer or prevent a change of control.

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(l) Disclosure of interests in shares

Under the Financial Services and Markets Act 2000 and the UK Disclosure and Transparency Rules there is a statutory obligation on a person who acquires or ceases to have a notifiable interest in the relevant share capital of a public company like BT to notify the company of that fact. The disclosure threshold is 3%. These Rules also deal with the disclosure by persons of interests in shares or debentures of companies in which they are directors and certain associated companies. Under Section 793 of the 2006 Act (referred to in (a) above), BT may ascertain the persons who are or have within the last three years been interested in its shares and the nature of those interests. The UK City Code on Takeovers and Mergers also imposes strict disclosure requirements with regard to dealings in the securities of an offeror or offeree company on all parties to a takeover and also on their respective associates during the course of an offer period.

Material contracts

Excluding contracts entered into in the ordinary course of business, no contracts have been entered into in the two years preceding the date of this document by BT or another member of the group which are, or may be, material to the group or contain a provision under which a member of the group has an obligation or entitlement which is, or may be, material to BT or such other member of the group.

Taxation (US Holders)

This is a summary only of the principal US federal income tax and UK tax consequences of the ownership and disposition of ordinary shares or ADSs by US Holders (as defined below) who hold their ordinary shares or ADSs as capital assets. It does not address all aspects of US federal income taxation and does not address aspects that may be relevant to persons who are subject to special provisions of US federal income tax law, including US expatriates, insurance companies, tax-exempt organisations, banks, regulated investment companies, financial institutions, securities broker-dealers, traders in securities who elect a mark-to-market method of accounting, persons subject to alternative minimum tax, investors that directly, indirectly or by attribution own 10% or more of the outstanding share capital or voting power of BT, persons holding their ordinary shares or ADSs as part of a straddle, hedging transaction or conversion transaction, persons who acquired their ordinary shares or ADSs pursuant to the exercise of options or otherwise as compensation, or persons whose functional currency is not the US Dollar, amongst others. Those holders may be subject to US federal income tax consequences different from those set forth below.

For the purposes of this summary, a US Holder is a beneficial owner of ordinary shares or ADSs that, for US federal income tax purposes, is: a citizen or individual resident of the United States, a corporation (or other entity taxable as a corporation for US federal income tax purposes) created or organised in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to US federal income taxation regardless of its source, or a trust if a US court can exercise primary supervision over the administration of the trust and one or more US persons are authorised to control all substantial decisions of the trust. If a partnership holds ordinary shares or ADSs, the US tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that holds ordinary shares or ADSs is urged to consult its own tax advisor regarding the specific tax consequences of owning and disposing of the ordinary shares or ADSs.

In particular, this summary is based on (i) current UK tax law and the practice of Her Majesty s Revenue & Customs (HMRC) and US law and US Internal Revenue Service (IRS) practice, including the Internal Revenue Code of 1986, as amended, existing and proposed Treasury regulations, rulings, judicial decisions and administrative practice, all as currently in effect and available, (ii) the United Kingdom United States Convention relating to estate and gift taxes, and (iii) the United Kingdom United States Tax Convention that entered into force on 31 March 2003 and the protocol thereto (the Convention), all as in effect on the date of this annual report, all of which are subject to change or changes in interpretation, possibly with retroactive effect.

US Holders should consult their own tax advisors as to the applicability of the Convention and the consequences under UK, US federal, state and local, and other laws, of the ownership and disposition of ordinary shares or ADSs.

Taxation of dividends

Under current UK tax law, BT will not be required to withhold tax at source from dividend payments it makes. Unless a US Holder of ordinary shares or ADSs is resident in or ordinarily resident for UK tax purposes in the United

Kingdom or unless a US Holder of ordinary shares or ADSs carries on a trade, profession or vocation in the United Kingdom through a branch or agency, or, in the case of a company, a permanent establishment in the United Kingdom, the holder should not be liable for UK tax on dividends received in respect of ordinary shares and/or ADSs.

For US federal income tax purposes, a distribution will be treated as ordinary dividend income. The amount of the distribution includible in gross income of a US Holder will be the US Dollar value of the distribution calculated by reference to the spot rate in effect on the date the distribution is actually or constructively received by a US Holder of ordinary shares, or by the Depositary, in the case of ADSs. A US Holder who converts Sterling into US Dollars on the date of receipt generally should not recognise any exchange gain or loss. A US Holder who does not convert Sterling into US Dollars on the date of receipt generally will have a tax basis in the British pounds equal to their US Dollar value on such date. Foreign currency gain or loss, if any, recognised by the US Holder on a subsequent conversion or other disposition of Sterling generally will be US source ordinary income or loss. Dividends paid by BT to a US Holder will not be eligible for the US dividends received deduction that may otherwise be available to corporate shareholders.

For purposes of calculating the foreign tax credit limitation, dividends paid on the ordinary shares or ADSs will be treated as income from sources outside the United States and generally will constitute passive income . The rules relating to the determination of the foreign tax credit are very complex. US Holders who do not elect to claim a credit with respect to any foreign taxes paid in a given taxable year may instead claim a deduction for foreign taxes paid. A deduction does not reduce US federal income tax on a dollar for dollar basis like a tax credit. The deduction, however, is not subject to the limitations applicable to foreign credits.

There will be no right to any UK tax credit or to any payment from HMRC in respect of any tax credit on dividends paid on ordinary shares or ADSs.

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Certain US Holders (including individuals) are eligible for reduced rates of US federal income tax (currently at a maximum rate of 15%) in respect of qualified dividend income received in taxable years beginning before 1 January 2011. For this purpose, qualified dividend income generally includes dividends paid by a non-US corporation if, among other things, the US Holders meet certain minimum holding periods and the non-US corporation satisfies certain requirements, including that either (i) the shares or ADSs with respect to which the dividend has been paid are readily tradeable on an established securities market in the United States, or (ii) the non-US corporation is eligible for the benefits of a comprehensive US income tax treaty (such as the Convention) which provides for the exchange of information. BT currently believes that dividends paid with respect to its ordinary shares and ADSs should constitute qualified dividend income for US federal income tax purposes. Each individual US Holder of ordinary shares or ADSs is urged to consult his own tax advisor regarding the availability to him of the reduced dividend tax rate in light of his own particular situation and regarding the computations of his foreign tax credit limitation with respect to any qualified dividend income paid by BT to him, as applicable.

Taxation of capital gains

Unless a US Holder of ordinary shares or ADSs is resident in or ordinarily resident for United Kingdom tax purposes in the United Kingdom or unless a US Holder of ordinary shares or ADSs carries on a trade, profession, or vocation in the United Kingdom through a branch, agency, or in the case of a company, a permanent establishment in the UK, and the ordinary shares and/or ADSs have been used, held, or acquired for the purposes of that trade, profession or vocation the holder should not be liable for UK tax on capital gains on a disposal of ordinary shares and/or ADSs.

A US Holder who is an individual and who has ceased to be resident or ordinarily resident for tax purposes in the United Kingdom on or after 17 March 1998 or who falls to be regarded as resident outside the United Kingdom for the purposes of any double tax treaty (Treaty non-resident) on or after 16 March 2005 and continues to not be resident or ordinarily resident in the United Kingdom or continues to be Treaty non-resident for a period of less than five years of assessment and who disposes of his ordinary shares or ADSs during that period may also be liable on his return to the United Kingdom to UK tax on capital gains, subject to any available exemption or relief, even though he is not resident or ordinarily resident in the United Kingdom or is Treaty non-resident at the time of disposal.

For US federal income tax purposes, a US Holder generally will recognise capital gain or loss on the sale, exchange or other disposition of ordinary shares or ADSs in an amount equal to the difference between the US Dollar value of the amount realised on the disposition and the US Holder s adjusted tax basis (determined in US Dollars) in the ordinary shares or ADSs. Such gain or loss generally will be US source gain or loss, and will be treated as long-term capital gain or loss if the ordinary shares have been held for more than one year at the time of disposition. Long-term capital gains recognised by an individual US Holder generally are subject to US federal income tax at preferential rates. The deductibility of capital losses is subject to significant limitations.

A US Holder s tax basis in an ordinary share will generally be its US Dollar cost. The US Dollar cost of an ordinary share purchased with foreign currency will generally be the US dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of ordinary shares traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects). Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. The amount realised on a sale or other disposition of ordinary shares for an amount in foreign currency will be the US Dollar value of this amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US Dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of ordinary shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Passive foreign investment company status

A non-US corporation will be classified as a passive foreign investment company for US federal income tax purposes (a PFIC) for any taxable year if at least 75% of its gross income consists of passive income or at least 50% of the average value of its assets consist of assets that produce, or are held for the production of, passive income. BT currently believes that it did not qualify as a PFIC for the tax year ending 31 March 2010. If BT were to become a PFIC for any tax year, US Holders would suffer adverse tax consequences. These consequences may include having gains realised on the disposition of ordinary shares or ADSs treated as ordinary income rather than capital gains and being subject to punitive interest charges on certain dividends and on the proceeds of the sale or other disposition of the ordinary shares or ADSs. Furthermore, dividends paid by BT would not be qualified dividend income which may be eligible for reduced rates of taxation as described above. US Holders should consult their own tax advisors regarding the potential application of the PFIC rules to BT.

US information reporting and backup withholding

Dividends paid on and proceeds received from the sale, exchange or other disposition of ordinary shares or ADSs may be subject to information reporting to the IRS and backup withholding at a current rate of 28% (which rate may be subject to change). Certain exempt recipients (such as corporations) are not subject to these information reporting requirements. Backup withholding will not apply, however, to a US Holder who provides a correct taxpayer identification number or certificate of foreign status and makes any other required certification or who is otherwise exempt. Persons that are US persons for US federal income tax purposes who are required to establish their exempt status generally must furnish IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Holders that are not United States persons for US federal income tax purposes generally will not be subject to US information reporting or backup withholding. However, such holders may be required to provide certification of non-US status in connection with payments received in the United States or through certain US-related financial intermediaries.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder s US federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

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ADDITIONAL INFORMATION INFORMATION FOR SHAREHOLDERS

UK stamp duty

A transfer of or an agreement to transfer an ordinary share will generally be subject to UK stamp duty or UK stamp duty reserve tax (SDRT) at 0.5% of the amount or value of any consideration provided rounded up (in the case of stamp duty) to the nearest £5. SDRT is generally the liability of the purchaser. It is customarily also the purchaser who pays UK stamp duty. A transfer of an ordinary share to, or to a nominee for, a person whose business is or includes the provision of clearance services or to, or to a nominee or agent of, a person whose business is or includes issuing depositary receipts gives rise to a 1.5% charge to stamp duty or SDRT of either the amount of the consideration provided or the value of the share issued rounded up (in the case of stamp duty) to the nearest £5. No UK stamp duty will be payable on the transfer of an ADS (assuming it is not registered in the UK), provided that the transfer documents are executed and always retained outside the UK.

Transfers of ordinary shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money s worth, in which case a liability to SDRT will arise, usually at the rate of 0.5% of the value of the consideration. Paperless transfers of ordinary shares within CREST are generally liable to SDRT at the rate of 0.5% of the value of the consideration. CREST is obliged to collect SDRT from the purchaser of the shares on relevant transactions settled within the system.

UK inheritance and gift taxes in connection with ordinary shares and/or ADSs

The rules and scope of domicile are complex and action should not be taken without advice specific to the individual s circumstances. A lifetime gift or a transfer on death of ordinary shares and/or ADSs by an individual holder, who is US domiciled (for the purposes of the UK/US Estate and Gift Tax Convention) and who is not a UK national (as defined in the Convention) will not generally be subject to UK inheritance tax if the gift is subject to US federal gift or US estate tax unless the tax is not paid.

Limitations affecting security holders

There are no government laws, decrees, regulations, or other legislation of the United Kingdom which have a material effect on the import or export of capital, including the availability of cash and cash equivalents for use by the company except as otherwise described in Taxation (US Holders).

There are no limitations under the laws of the United Kingdom restricting the right of non-residents to hold or to vote shares in the company.

Documents on display

All reports and other information that BT files with the US Securities and Exchange Commission (SEC) may be inspected at the SEC s public reference facilities at Room 1580, 100 F Street, NE Washington, DC, 20549, US. These reports may be accessed via the SEC s website at **www.sec.gov**

Publications

BT produces a series of reports on the company s financial, compliance, social and environmental performance. Most of these reports (as well as the EAB Annual Report on BT s compliance with the Undertakings), are available to shareholders on request and can be accessed at **www.bt.com/aboutbt**. More detailed disclosures on BT s implementation of social, ethical and environmental policies and procedures are available online through our independently verified sustainability report at **www.bt.com/betterworld**

Document	Publication date
Summary financial statement & Notice of Meeting	May
Annual Report & Form 20-F	May
Changing World: Sustained Values	May

EAB Annual Report	May
Quarterly results releases	July, November, February and May
Current Cost Financial Statements	September
Statement of Business Practice *(The Way We Work)*	January 2009

For printed copies, when available, contact the Shareholder Helpline on Freefone 0808 100 4141 or, alternatively, contact our Registrars in the UK, at the address on page 167.

Electronic communication

Shareholders can now choose to receive their shareholder documents electronically rather than by post. Shareholders may elect to receive documents in this way by going to **www.bt.com/signup** and following the online instructions, or by calling the Shareholder Helpline (see page 167).

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ADDITIONAL INFORMATION INFORMATION FOR SHAREHOLDERS

Shareholder communication

BT is committed to communicating openly with each of its stakeholder audiences in the manner most appropriate to their requirements.

All investors can visit our website at **www.bt.com/investorcentre** for more information about BT. There are direct links from this page to sites providing information particularly tailored for shareholders, institutional investors and analysts, industry analysts and journalists.

An online version of this document is available at **www.bt.com/annualreport**

Private shareholders

If private shareholders have any enquiries about their shareholding, they should contact our Registrars, Equiniti, at the address below.

Equiniti maintain BT Group s share register and the separate BT Group EasyShare register. They also provide a Shareholder Helpline service on Freefone 0808 100 4141.

Shareholder helpline

Tel: Freefone **0808 100 4141**
Fax: 01903 833371
Textphone: Freefone **0800 169 6907**
From outside the UK:
Tel: +44 121 415 7178
Fax: +44 1903 833371
Textphone: +44 121 415 7028
e-mail: **bt@equiniti.com**
Website: **www.shareview.co.uk**

The Registrar

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Institutional investors and analysts

Institutional investors and equity research analysts may contact BT Investor Relations on:
Tel: 020 7356 4909
e-mail: **investorrelations@bt.com**

Industry analysts may contact:
Tel: 020 7356 5631
Fax: 020 7356 6546
e-mail: **industryenquiry@bt.com**
A full list of BT contacts and an electronic feedback facility is available at **www.bt.com/talk**

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ADDITIONAL INFORMATION
CROSS REFERENCE TO FORM 20-F

The information in this document that is referred to in the following table shall be deemed to be filed with the Securities and Exchange Commission for all purposes:

Required Item in Form 20-F Item		Where information can be found in this Annual Report Section	Page
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2	**Offer statistics and expected timetable**	Not applicable	
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9E	Dilution	Not applicable	
9F	Expenses of the issue	Not applicable	
10	**Additional information**		
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ADDITIONAL INFORMATION
GLOSSARY OF TERMS
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21CN: an end-to-end, next generation IP network, designed to transform the customer experience by delivering new, converged services rapidly and cost effectively.
A

ADS: American Depositary Share
ADSL: Asynchronous Digital Subscriber Line technology converts a standard copper line into a high-speed internet connection, which allows customers to talk and use the internet at the same time
ADSL2+: an enhanced version of ADSL, enabling the provision of higher speed connections
ARPU: average annual revenue per consumer user
B

broadband: comes from broad bandwidth and is used to describe a high-capacity, two-way link between an end user and an access network supplier capable of carrying a wide range of applications
BT Basic: offers a discount of over 60% off line rental available to nearly four million people on low income and also includes a call allowance
BT Business One Plan Plus: the first unlimited calls, lines, broadband and mobile option available to small and medium-sized businesses in the UK
BT Conferencing: the business within BT Enterprises offering global audio, video and internet collaboration services
BT Directories: the business within BT Enterprises offering directory enquiries, operator and emergency services and The Phone Book
BT Engage IT: offers customers a wide range of IT services, including data centre virtualisation and unified communications
BT Enterprises: the business unit within BT Retail encompassing BT Conferencing, BT Directories, BT Expedite, BT Payphones, BT Redcare and BT Openzone
BT Expedite: the business within BT Enterprises offering software and IT services for retailers
BT Fon: global wireless broadband access for BT Total Broadband customers using BT Openzone wi-fi hotspots and the connections of other Fon members
BT Global Services: the BT line of business providing networked IT products, services and solutions in the UK and globally
BT Infinity: the super-fast fibre-based broadband service
BT Innovate & Design: the BT internal service unit responsible for the design and deployment of the platforms, systems and processes which support BT s products and services
BT Ireland: a division of BT Retail. It operates in the consumer, business, major business and wholesale markets throughout Northern Ireland and the Republic of Ireland
BT Openzone: the broadband internet access service using wireless technology (wi-fi)
BT Operate: the BT internal service unit responsible for the operation of the platforms, systems and processes which support BT s products and services
BT Payphones: the business within BT Enterprises providing street, managed, prison, card and private payphones
BT Pension Scheme (BTPS): the defined benefit pension scheme which was closed to new members on 31 March 2001
BT Redcare: the business within BT Enterprises offering alarm monitoring and tracking services

BT Retail: the BT line of business offering a wide range of retail products and services to the consumer and small to medium-sized business markets
BT Retirement Plan (BTRP): the defined contribution pension arrangement that was introduced for new BT employees from 1 April 2001 and was closed to new members on 31 March 2009
BT Retirement Saving Scheme (BTRSS): set up on 1 April 2009 as a successor to the BT Retirement Plan and the Syntegra Ltd Flexible Pensions Plan. It is a contract based, defined contribution arrangement
BT Vision: the on-demand television service, which gives viewers access to a wide range of TV and radio channels and pay-per-view services
BT Wholesale: the BT line of business providing network services and solutions within the UK. It services more than 1,000 UK communications providers, including other BT businesses, and others worldwide
Business in the Community: an organisation of more than 800 of the UK s top companies committed to improving their positive impact on society

C

Childline: the UK s free, 24-hour helpline for children in distress or danger
cloud computing: a type of computing that relies on sharing computer resources rather than having local servers or personal devices to handle applications
CP: communications provider
CRM: customer relationship management
CR: corporate responsibility

D

Dabs: one of the UK s leading internet retailers of IT and technology products, part of BT Business
DBP: BT Group Deferred Bonus Plan a plan where share awards are granted to selected employees of the group
Dow Jones Sustainability Index: assesses 2,500 companies worldwide on their performance in areas such as corporate governance and ethical practices, investor relations, environmental management, community investment, human rights, health and safety, diversity, supply chain and risk management
DSL: digital subscriber line a broadband service where existing wires between the local telephone exchange and a customer s telephone sockets are transformed into a high-speed digital line

E

EBITDA: earnings before interest, taxation, depreciation and amortisation
Etherflow: an adaptive Ethernet service which uses BT s 21st century network
Ethernet: a popular standard or protocol for linking computers into a local area network. Our Ethernet portfolio gives our communications provider customers a wide choice of high-bandwidth circuits
EPS: earnings per share
ESIP: Employee Share Investment Plan a plan under which BT can provide free shares to employees, and employees can buy shares in BT from pre-tax salaries
ESPP: BT Group Employee Stock Purchase Plan a plan for employees in the US which enables them to purchase American Depositary Shares

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ADDITIONAL INFORMATION GLOSSARY OF TERMS

F

FTTC: fibre to the cabinet
FTTP: fibre to the premises

G

GLOP: BT Group Legacy Option Plan   a legacy share option plan which is no longer operated by the group
GSOP: BT Group Global Share Option Plan   a legacy share option plan which is no longer operated by the group

I

IASB: International Accounting Standards Board   the board which sets International Financial Reporting Standards
ICT: information and communication technology
IFRS: International Financial Reporting Standards
IP Exchange: BT Wholesale s global IP interoperability platform that allows communications providers to manage traditional and IP voice calls on a single gateway
IP: internet protocol   a packet-based protocol for delivering data   including voice and video   across networks
ISDN: integrated services digital network   an all digital network that enables a host of services to be carried together on the same circuits. It makes it possible for any two compatible pieces of connected equipment to talk to each other
ISO 14001: the environmental management standard
ISP: internet service provider
ISP: BT Group Incentive Share Plan

L

LLU: local loop unbundling   the process whereby BT s exchange lines are physically disconnected from BT s network and connected to other communications providers networks. This enables operators, other than BT, to use the company s local loop to provide services to customers

M

MNS: managed network services   BT Wholesale s broad portfolio of long-term managed network outsourcing and white label platform offerings
MPLS: multi-protocol label switching   supports the rapid transmission of data across network routers, enabling modern networks to achieve high quality of service

N

N3: the secure broadband network that BT has built and is managing for the NHS
narrowband: non-broadband, fixed access network or line
NCC: network charge control
NGA: Next Generation Access   a super-fast fibre-based broadband service, which we aim to roll out to at least 40% of UK premises in 2012

O

Ofcom: the independent regulator and competition authority for the UK communications industries, with responsibilities across television, radio, telecommunications and wireless communications services
Openreach: Openreach looks after the first mile of the UK network, from the exchange through to homes and businesses. Its role is to provide services to all communications providers including other BT lines of business on a fair, equal and open basis

P

PPC: partial private circuit
Project Canvas: a joint broadband TV venture with the BBC, Channel 4, Five, ITV and others

Q

Queen s Award for Enterprise: the UK s most prestigious award for business performance

R

right first time : the internal measure of whether we are keeping our promises to our customers and meeting or exceeding their expectations
RSP: BT Group Retention Share Plan a plan where share awards are granted to selected employees of the group

S

SME: small and medium enterprises
SMP: significant market power
Super-fast fibre-based broadband: see NGA

T

TSR: Total shareholder return a corporate performance measure used to measure BT against a comparator group of companies which contains European telecommunications companies and companies which are either similar in size or market capitalisation and/or have a similar business mix and spread to BT

U

Undertakings: legally-binding commitments BT made to Ofcom, designed to bring greater transparency and certainty to the regulation of the telecommunications industry in the UK. They led to the formation of Openreach
UK GAAP: United Kingdom Generally Accepted Accounting Principles
USO: universal service obligation
US SEC: US Securities and Exchange Commission

ADDITIONAL INFORMATION GLOSSARY OF TERMS

V

VoIP: voice over internet protocol a method of transporting speech over the internet

W

Wholesale Broadband Connect Fibre: a wholesale variant of BT s fibre-based broadband service tailored to the needs of communications providers

wi-fi: wireless networking the ability to connect to a network or a PC using radio as opposed to a physical (cabling) connection

WLR: wholesale line rental enables communications providers to offer their own-branded telephony services over the BT network

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BT Group plc
Registered office: 81 Newgate Street, London EC1A 7AJ
Registered in England and Wales No. 4190816
Produced by BT Group
Printed in England by Pindar Plc
Printed on Revive 50:50 Silk, which is produced using 50% recovered waste fibre and 50% virgin wood fibre. All pulps used are elemental chlorine free (ECF).
www.bt.com
PHME 59912