

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1 Basis of preparation and accounting policies**

These condensed consolidated financial statements ('the financial statements') comprise the financial results of BT Group plc for the quarter to 30 June 2010 and 2009.

The financial statements have been prepared in accordance with the accounting policies as set out in the financial statements for the year to 31 March 2010 and have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

The financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year to 31 March 2010 were approved by the Board of Directors on 12 May 2010, published on 26 May 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under Section 498 of the Companies Act 2006. The financial statements should be read in conjunction with the annual financial statements for the year to 31 March 2010.

#### **Customer account moves**

We have restated our 2009/10 line of business comparatives as a result of customer account moves between BT Retail and BT Wholesale effective from 1 April 2010, which have no impact on the total group results. The impact on prior period line of business results is disclosed in Note 2.

#### **Pension interest**

We are now including net interest on pensions within specific items because of its volatile nature.

#### **Presentation of leaver costs**

As stated in our 2009/10 final results announcement, from Q1 2010/11 onwards group and line of business adjusted results are reported after leaver costs. The impact on prior period group and line of business adjusted EBITDA is disclosed in Note 2.

## 2 Prior period customer account moves and presentation of leaver costs

	As reported - 2009/10					Leaver costs					Customer account moves					Restated – 2009/10				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Global Services</b>																				
Revenue	2,079	2,024	2,118	2,292	8,513	-	-	-	-	-	-	-	-	-	-	2,079	2,024	2,118	2,292	8,513
EBITDA	62	95	123	177	457	-	-	-	-	-	-	-	-	-	-	62	95	123	177	457
<b>Retail</b>																				
Revenue	2,110	2,062	2,061	2,064	8,297	-	-	-	-	-	(42)	(43)	(41)	(47)	(173)	2,068	2,019	2,020	2,017	8,124
EBITDA	476	475	464	470	1,885	(6)	(6)	(10)	(13)	(35)	(18)	(18)	(18)	(19)	(73)	452	451	436	438	1,777
<b>Wholesale</b>																				
Revenue	1,142	1,125	1,092	1,091	4,450	-	-	-	-	-	35	35	34	38	142	1,177	1,160	1,126	1,129	4,592
EBITDA	320	328	321	315	1,284	-	(2)	(2)	(1)	(5)	18	18	18	20	74	338	344	337	334	1,353
<b>Openreach</b>																				
Revenue	1,306	1,285	1,292	1,281	5,164	-	-	-	-	-	-	-	-	-	-	1,306	1,285	1,292	1,281	5,164
EBITDA	503	507	513	493	2,016	(28)	-	(25)	(3)	(56)	-	-	-	-	-	475	507	488	490	1,960
<b>Other and intra-group items</b>																				
Revenue	(1,402)	(1,374)	(1,365)	(1,372)	(5,513)	-	-	-	-	-	7	8	7	9	31	(1,395)	(1,366)	(1,358)	(1,363)	(5,482)
EBITDA	10	31	23	75	139	(11)	(13)	(21)	(1)	(46)	-	-	-	(1)	(1)	(1)	18	2	73	92
<b>TOTAL</b>																				
Revenue	5,235	5,122	5,198	5,356	20,911	-	-	-	-	-	-	-	-	-	-	5,235	5,122	5,198	5,356	20,911
EBITDA	1,371	1,436	1,444	1,530	5,781	(45)	(21)	(58)	(18)	(142)	-	-	-	-	-	1,326	1,415	1,386	1,512	5,639