



Bringing it all together

BT Group plc ANNUAL REPORT & FORM 20-F 2011



official communications
services partner of the
Olympic and Paralympic Games

ADDITIONAL INFORMATION

157 QUARTERLY ANALYSIS OF REVENUE AND PROFIT

158 SELECTED FINANCIAL DATA

160 FINANCIAL STATISTICS

161 OPERATIONAL STATISTICS

162 INFORMATION FOR SHAREHOLDERS

174 CROSS REFERENCE TO FORM 20-F

177 GLOSSARY OF TERMS

180 INDEX

QUARTERLY ANALYSIS OF REVENUE AND PROFIT

Year ended 31 March 2011	Quarters	1st £m	2nd £m	3rd £m	4th £m	Total £m
Revenue		5,006	4,977	5,038	5,055	20,076
Other operating income		88	81	103	101	373
Operating costs		(4,475)	(4,414)	(4,513)	(4,469)	(17,871)
Operating profit		619	644	628	687	2,578
Net finance expense		(248)	(243)	(227)	(206)	(924)
Share of post tax profits of associates and joint ventures		4	5	5	7	21
Profit on disposal of interest in associate		–	–	35	7	42
Profit before taxation		375	406	441	495	1,717
Taxation		(91)	(6)	(94)	(22)	(213)
Profit for the period		284	400	347	473	1,504
Basic earnings per share		3.7p	5.1p	4.5p	6.1p	19.4p
Diluted earnings per share		3.5p	4.9p	4.3p	5.8p	18.5p
Adjusted basic earnings per share ^a		4.4p	5.1p	5.4p	6.1p	21.0p
Profit before specific items and taxation		446	496	531	610	2,083

Year ended 31 March 2010	Quarters	1st £m	2nd £m	3rd £m	4th £m	Total £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 interest in 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
Adjusted basic earnings per share ^a		3.8p	4.4p	4.1p	5.1p	17.3p
Profit before specific items and taxation		382	440	408	505	1,735

Year ended 31 March 2009	Quarters	1st £m	2nd £m	3rd £m	4th £m	Total £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		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
Profit (loss) before taxation		497	494	81	(1,316)	(244)
Taxation		(115)	(116)	(19)	303	53
Profit (loss) for the period		382	378	62	(1,013)	(191)
Basic earnings (loss) per share		4.9p	4.9p	0.8p	(13.1)p	(2.5)p
Diluted earnings (loss) per share		4.8p	4.9p	0.8p	(13.0)p	(2.5)p
Adjusted basic earnings per share ^a		4.4p	4.5p	2.7p	2.4p	14.1p
Profit before specific items and taxation		446	454	302	252	1,454

^a Adjusted results refer to the amounts before specific items as defined on page 91.

SELECTED FINANCIAL DATA

Summary group income statement

Year ended 31 March	2011 £m	2010 ^a £m	2009 ^a £m	2008 ^a £m	2007 ^a £m
Revenue					
Adjusted	20,076	20,911	21,431	20,704	20,223
Specific items	–	(52)	(41)	–	–
	20,076	20,859	21,390	20,704	20,223
Other operating income					
Adjusted	373	378	352	359	236
Specific items	–	2	(13)	(10)	(3)
	373	380	339	349	233
Operating costs					
Adjusted	(17,542)	(18,689)	(19,435)	(18,168)	(17,746)
Specific items	(329)	(427)	(1,993)	(529)	(169)
	(17,871)	(19,116)	(21,428)	(18,697)	(17,915)
Operating profit					
Adjusted	2,907	2,600	2,348	2,895	2,713
Specific items	(329)	(477)	(2,047)	(539)	(172)
	2,578	2,123	301	2,356	2,541
Net finance expense					
Adjusted	(845)	(890)	(933)	(798)	(653)
Specific items	(79)	(268)	313	420	559
	(924)	(1,158)	(620)	(378)	(94)
Share of post tax profits (losses) of associates and joint ventures					
Adjusted	21	25	39	(11)	15
Specific items	–	29	36	–	–
	21	54	75	(11)	15
Profit (loss) on disposal of associates and joint ventures – specific items	42	(12)	–	9	22
Profit (loss) before taxation					
Adjusted	2,083	1,735	1,454	2,086	2,075
Specific items	(366)	(728)	(1,698)	(110)	409
	1,717	1,007	(244)	1,976	2,484
Taxation (expense) credit					
Adjusted	(452)	(398)	(361)	(455)	(485)
Specific items	239	420	414	217	853
	(213)	22	53	(238)	368
Profit for the year					
Adjusted	1,631	1,337	1,093	1,631	1,590
Specific items	(127)	(308)	(1,284)	107	1,262
	1,504	1,029	(191)	1,738	2,852
Basic earnings (loss) per share					
Adjusted	21.0p	17.3p	14.1p	20.2p	19.1p
Specific items	(1.6)p	(4.0)p	(16.6)p	1.3p	15.3p
	19.4p	13.3p	(2.5)p	21.5p	34.4p
Average number of shares used in basic earnings per share (millions)	7,750	7,740	7,724	8,066	8,293
Average number of shares used in diluted earnings per share (millions)	8,116	7,988	7,771	8,223	8,479
Diluted earnings (loss) per share	18.5p	12.9p	(2.5)p	21.1p	33.6p
Dividends per share ^b	7.4p	6.9p	6.5p	15.8p	15.1p
Dividends per share, cents ^{b,c}	11.8c	10.5c	9.3c	31.4c	29.7c

^a During 2011 the group amended its definition of specific items. Comparatives have been re-presented to be on a consistent basis.

^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	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Net cash inflow from operating activities	4,566	4,825	4,706	5,486	5,210
Net cash outflow from investing activities	(2,183)	(2,775)	(2,954)	(3,664)	(2,778)
Net cash used in financing activities	(3,499)	(1,714)	(1,865)	(1,430)	(2,898)
Effect of exchange rate changes on cash and cash equivalents	(3)	(7)	54	25	(35)
Net (decrease) increase in cash and cash equivalents	(1,119)	329	(59)	417	(501)
Cash and cash equivalents at the start of the year	1,444	1,115	1,174	757	1,258
Cash and cash equivalents at the end of the year	325	1,444	1,115	1,174	757

Summary group balance sheet

At 31 March	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Intangible assets	3,389	3,672	3,788	3,355	2,584
Property, plant and equipment	14,623	14,856	15,405	15,307	14,997
Retirement benefit asset	–	–	–	2,887	–
Other non-current assets	1,597	3,867	4,154	1,286	780
	19,609	22,395	23,347	22,835	18,361
Current assets less current liabilities	(3,100)	(4,135)	(3,141)	(2,978)	(3,746)
Total assets less current liabilities	16,509	18,260	20,206	19,857	14,615
Non-current loans and other borrowings	(9,371)	(9,522)	(12,365)	(9,818)	(6,387)
Retirement benefit obligations	(1,830)	(7,864)	(3,973)	(108)	(389)
Other non-current liabilities	(3,357)	(3,500)	(3,699)	(4,499)	(3,567)
Total assets less liabilities	1,951	(2,626)	169	5,432	4,272
Called up share capital	408	408	408	420	432
Share premium account	62	62	62	62	31
Capital redemption reserve	27	27	27	15	2
Other reserves	658	757	1,301	(527)	88
Retained earnings (loss)	770	(3,904)	(1,656)	5,439	3,685
Total parent shareholders' equity (deficit)	1,925	(2,650)	142	5,409	4,238
Non-controlling interests	26	24	27	23	34
Total equity (deficit)	1,951	(2,626)	169	5,432	4,272

Other selected financial data

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Adjusted EBITDA ^a	5,886	5,639	5,238	5,784	5,633
Reported free cash flow ^b	2,011	1,933	737	1,823	1,874
Net debt ^c	8,816	9,283	10,361	9,460	7,914

^a Adjusted EBITDA is stated before specific items and is defined on page 57.

^b Reported free cash flow is defined on page 58.

^c Net debt is defined on page 58.

FINANCIAL STATISTICS

Year ended 31 March	2011	2010	2009	2008	2007
Financial ratios					
Adjusted basic earnings per share ^a – pence	21.0	17.3	14.1	20.2	19.1
Reported basic (loss) earnings per share – pence	19.4	13.3	(2.5)	21.5	34.4
Adjusted return on capital employed ^{a, b} – %	18.7	16.0	14.5	17.7	17.6
Reported return on capital employed ^b – %	16.9	13.3	2.3	14.4	16.5
Adjusted interest cover before net pension interest ^c – times	3.4	2.9	2.5	3.6	4.2
Reported interest cover ^d – times	2.8	1.8	0.5	6.2	27.0
Expenditure on research and development					
Research and development expense	389	444	590	532	378
Amortisation of internally developed computer software	444	491	431	325	314
Total	833	935	1,021	857	692
Capital expenditure					
Plant and equipment					
Transmission equipment	985	902	1,067	1,117	1,209
Exchange equipment	43	29	44	83	118
Other network equipment	851	753	899	1,060	854
Computers and office equipment	592	115	140	181	149
Motor vehicles and other	87	662	912	876	877
Land and buildings	20	29	23	33	61
	2,578	2,490	3,085	3,350	3,268
Increase (decrease) in engineering stores	12	43	3	(11)	(21)
Total capital expenditure	2,590	2,533	3,088	3,339	3,247
Increase (decrease) in payables	55	(24)	(6)	(24)	51
Cash outflow on capital expenditure	2,645	2,509	3,082	3,315	3,298

^a Adjusted results refer to the results before specific items.

^b 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.

^c The number of times net finance expense before specific items is covered by adjusted operating profit.

^d The number of times reported net finance expense is covered by reported operating profit.

OPERATIONAL STATISTICS

All values in thousands unless otherwise stated.

Year ended 31 March	2011	2010	2009	2008	2007
BT Global Services					
Order intake (£m)	7,270	6,631	7,917	7,835	9,101
BT Retail					
Call minutes (bn)	43.48	49.17	56.79	66.02	76.95
Average annual revenue per consumer user (ARPU) ^a (£)	326	309	287	274	262
Active consumer lines ^b	10,448	11,113	11,789	12,600	13,634
BT Vision installed base	575	467	423	214	–
Openreach^c					
Internal copper lines	15,320	16,795	18,626	–	–
External copper lines	5,189	5,005	4,751	–	–
Fully unbundled copper lines	4,266	2,966	1,714	–	–
Total copper lines	24,775	24,766	25,091	–	–
BT Group					
Broadband lines					
BT Retail	5,691	5,132	4,757	4,402	3,659
BT Wholesale (external)	2,421	2,926	3,305	3,983	5,168
Openreach	7,609	6,620	5,750	4,300	1,910
Total broadband lines	15,721	14,678	13,812	12,685	10,737
Broadband market share ^d					
BT's retail share of net additions	51%	43%	31%	35%	30%
BT's retail share of installed base	36%	35%	34%	35%	34%
Exchange lines ^e					
Consumer	11,802	13,051	14,514	15,793	16,636
Business/corporate	4,860	5,367	5,992	6,750	7,264
Total exchange lines	16,662	18,418	20,506	22,543	23,900

^a Rolling 12 month consumer revenue, less mobile POLOs, divided by average number of primary lines.

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

^c Total copper lines split is not available on a consistent basis for 2008 and 2007.

^d DSL and LLU.

^e Exchange lines include analogue lines and digital channels sold through BT Global Services, BT Retail and BT Wholesale.

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; EBITDA; free cash flow; net debt; operating cost reductions; investment in and roll out of our fibre network; our broadband service and strategy; charges, interest and cash contributions to the BT Pension Scheme; 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 Global Services' cash flow; 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 39 to 43. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

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 10 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				
2007	321.75	209.25	62.96	37.08
2008	336.75	205.50	68.55	40.46
2009	235.50	71.40	46.20	9.80
2010	149.60	79.70	25.14	11.64
2011	191.10	109.9	31.31	16.19
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
Financial year ended 31 March 2011				
1 April – 30 June 2010	140.60	109.90	20.85	16.19
1 July – 30 September 2010	146.40	126.30	23.35	19.19
1 October – 31 December 2010	187.80	142.80	29.13	22.61
1 January – 31 March 2011	191.10	172.90	31.31	27.87
Months				
November 2010	174.20	155.70	27.55	24.86
December 2010	187.80	169.50	29.13	26.66
January 2011	190.80	172.90	29.83	27.87
February 2011	187.70	176.00	30.36	28.53
March 2011	191.10	175.50	31.31	28.08
April 2011	195.80	188.20	33.06	30.60
1 May – 6 May 2011	196.70	194.30	32.86	31.92

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 O2 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 O2 in November 2001 adjusted the value, for capital gains tax (CGT) purposes, of BT shares.

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 173).

Demerger of O2 – CGT calculation

The confirmed official opening prices for BT Group and O2 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 O2.

Accordingly, for CGT calculations, the base cost of BT Group shares and O2 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 2011

Range	Number of holdings	Percentage of total %	Ordinary shares of 5p each	
			No. of shares held millions	Percentage of total %
1 – 399	427,887	38.88	90	1.1
400 – 799	300,012	27.27	168	2.06
800 – 1,599	215,895	19.62	241	2.96
1,600 – 9,999	150,133	13.64	448	5.49
10,000 – 99,999	5,253	0.48	95	1.17
100,000 – 999,999	615	0.06	229	2.81
1,000,000 – 4,999,999	309	0.03	728	8.93
5,000,000 and above ^{a,b,c,d}	172	0.02	6,152	75.48
Total^e	1,100,276	100.00	8,151	100.00

^a 8.1m 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, 79.3m shares were held in trust on behalf of 64,643 participants who were beneficially entitled to the shares. 227m shares were held in the corporate nominee BT Group EasyShare on behalf of 101,488 beneficial owners.

^c 142m shares were represented by ADSs. An analysis by size of holding is not available for this holding.

^d 388m shares were held as treasury shares.

^e 12.04% of the shares were in 1,085,529 individual holdings, of which 92,973 were joint holdings, and 87.96% of the shares were in 14,747 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 6 May 2011, there were 8,151,227,029 ordinary shares outstanding, including 388,070,539 shares held as treasury shares. At the same date, approximately 15.3m ADSs (equivalent to 153m ordinary shares, or approximately 1.8% of the total number of ordinary shares outstanding on that date) were outstanding and were held by 2,082 record holders of ADRs.

At 31 March 2011, there were 3,686 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 2010 was paid on 6 September 2010 to shareholders on the register on 13 August 2010, and an interim dividend in respect of the year ended 31 March 2011 was paid on 7 February 2011 to shareholders on the register on 31 December 2010. The final proposed dividend in respect of the year ended 31 March 2011, if approved by shareholders, will be paid on 5 September 2011 to shareholders on the register on 12 August 2011.

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 170. Dividends have been translated from Sterling into US Dollars using exchange rates prevailing on the date the ordinary dividends were paid.

Financial years ended 31 March	Per ordinary share			Per ADS			Per ADS		
	Interim pence	Final pence	Total pence	Interim £	Final £	Total £	Interim US\$	Final US\$	Total US\$
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	0.684	1.023
2011	2.40	5.00	7.40	0.240	0.500	0.740	0.366	— ^a	— ^a

^a Qualifying holders of ADSs on record as of 12 August 2011 are entitled to receive the final dividend which will be paid to ADS holders on 13 September 2011, subject to approval at the AGM. The US Dollar amount of the final dividend of 5.0 pence per ADS to be paid to holders of ADSs will be based on the exchange rate in effect on 5 September 2011, the date of payment to holders of ordinary shares.

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 Depository 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 173). Alternatively, a form may be downloaded from the Shareholder information page of our website at www.bt.com/investorcentre. Dividends paid in this way will be paid through the Bankers Automated Clearing System (BACS).

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
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
2010 final	6 September 2010	140.41
2011 interim	7 February 2011	185.89

Global Invest Direct

Details of the direct purchase plan run by the ADR Depository, 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 Depository.

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 2011 financial year was positive 56.8%, compared with the FTSE 100 TSR which was positive 7.4% and the FTSEurofirst 300 Telco Index TSR which was positive 15.5%. BT's TSR improvement in the 2011 financial year is mainly due to the increase in the share price during 2011, from a closing price of 123.9p on 31 March 2010. Over the last five financial years, BT's TSR was positive 9.7%, compared with the FTSE 100 TSR of positive 19.0% and the FTSEurofirst 300 Telco Index TSR of positive 31.4%.

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



31 March 2006 = 100

Source: Datastream
The graph shows the relative TSR performance of BT, the FTSE 100 and the FTSEurofirst 300 Telco Index over the past five years.

Results announcements

Expected announcements of results:

Results for the 2012 financial year	Date ^a
1st quarter	28 July 2011
2nd quarter and half year	November 2011
3rd quarter and nine months	February 2012
4th quarter and full year	May 2012
2012 Annual Report published	May 2012

^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. They can be contacted through their website at www.halifax.co.uk/sharedealing or by telephone on 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 173).

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	2011	2010	2009	2008	2007
Period end	1.60	1.52	1.43	1.99	1.97
Average ^a	1.56	1.55	1.70	2.01	1.91
High	1.43	1.64	2.00	2.11	1.99
Low	1.64	1.49	1.37	1.94	1.74

^a The average of the Noon Buying Rates in effect on the last day of each month during the relevant period.

						Month
	April 2011	March 2011	February 2011	January 2011	December 2010	November 2010
High	1.67	1.64	1.62	1.60	1.59	1.63
Low	1.61	1.60	1.60	1.55	1.54	1.56

On 6 May 2011, the most recent practicable date for this Annual Report, the Noon Buying Rate was US\$1.64 to £1.00.

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.

(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 its 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.

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 1% 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.

(I) 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 sources, 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 UK or unless a US Holder of ordinary shares or ADSs carries on a trade, profession or vocation in the UK through a branch or agency, or, in the case of a company, a permanent establishment in the UK, 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 Sterling 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 US 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.

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 US, 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 UK tax purposes in the UK or unless a US Holder of ordinary shares or ADSs carries on a trade, profession, or vocation in the UK 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 UK on or after 17 March 1998 or who falls to be regarded as resident outside the UK 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 UK 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 UK to UK tax on capital gains, subject to any available exemption or relief, even though he is not resident or ordinarily resident in the UK 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 US 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 US 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.

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, and 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/sustainabilityreport

Document	Publication date
Summary financial statement & Notice of Meeting	May
Annual Report & Form 20-F	May
Better future: our annual sustainability report	May
EAB Annual Report	May
Quarterly results releases	July, November, February and May
Current Cost Financial Statements	July
Statement of Business Practice (<i>The Way We Work</i>)	

For printed copies, when available, contact the Shareholder Helpline on Freephone 0808 100 4141 or, alternatively, contact our Registrars in the UK, at the address on page 173.

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 173).

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, research 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

Equiniti

Aspect House

Spencer Road

Lancing

West Sussex

BN99 6DA

Website: www.equiniti.com

ADR Depositary:

JPMorgan Chase Bank, N.A.

PO Box 64504

St Paul, MN 55164-0504, US

Tel: **+1 800 990 1135** (General)

or +1 651 453 2128 (from outside the US)

or +1 800 428 4237 (Global Invest Direct)

e-mail: jpmorgan.adr@wellsfargo.com

Website: www.adr.com

General enquiries

BT Group plc

BT Centre

81 Newgate Street

London EC1A 7AJ

United Kingdom

Tel: 020 7356 5000

Fax: 020 7356 5520

From outside the UK:

Tel: +44 20 7356 5000

Fax: +44 20 7356 5520

Institutional investors and financial analysts

Institutional investors and financial analysts may contact BT Investor Relations on:

Tel: 020 7356 4909

e-mail: investorrelations@bt.com

Industry analysts may contact:

Tel: 020 7356 5631

e-mail: industryenquiry@bt.com

A full list of BT contacts and an electronic feedback facility is available at www.bt.com/talk

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
1 Identity of directors, senior management and advisors	Not applicable	
2 Offer statistics and expected timetable	Not applicable	
3 Key information		
3A Selected financial data	Financial summary Selected financial data Information for shareholders Exchange rates	2 158 166
3B Capitalisation and indebtedness	Not applicable	
3C Reasons for the offer and use of proceeds	Not applicable	
4 Information on the company		
4A History and development of the company	Our business and strategy Who we are What we do Information for shareholders Background Financial position and resources Acquisitions and disposals Liquidity Net capital expenditure	10 10 163 56 51
4B Business overview	Our business and strategy Our markets and customers Our resources Our lines of business Our corporate responsibility Consolidated financial statements Notes to the consolidated financial statements Segment information Operational statistics Information for shareholders Cautionary statement regarding forward-looking statements	10 14 19 23 36 105 161 162
4C Organisational structure	Our business Our business model Subsidiary undertakings and associate	5 155
4D Property, plants and equipment	Our resources Property portfolio Consolidated financial statements Notes to the consolidated financial statements Property, plant and equipment Financial statistics	22 121 160
5 Operating and financial review and prospects		
5A Operating results	Our business and strategy Our lines of business Financial review Information for shareholders Cautionary statement regarding forward-looking statements	10 23 44 162
5B Liquidity and capital resources	Financial review Information for shareholders Cautionary statement regarding forward-looking statements Consolidated financial statements Notes to the consolidated financial statements Loans and other borrowings Financial instruments and risk management Financial commitments and contingent liabilities	44 162 126 139 150
5C Research and development, patents and licences	Our resources Global research capability Financial statistics	21 160

Required Item in Form 20-F Item	Where information can be found in this Annual Report Section	Page	
5D	Trend information	Financial review	44
		Quarterly analysis of revenue and profit	157
		Selected financial data	158
		Information for shareholders	
5E	Off-balance sheet arrangements	Cautionary statement regarding forward-looking statements	162
		Financial review	
5F	Tabular disclosure of contractual obligations	Funding and capital management	54
		Off-balance sheet arrangements	
		Contractual obligations and commitments	54
6	Directors, senior management and employees		
6A	Directors and senior management	Board of directors and Operating Committee	60
6B	Compensation	Report on directors' remuneration	69
		Consolidated financial statements	
		Notes to the consolidated financial statements	
		Share-based payments	111
6C	Board practices	Retirement benefit plans	129
		Board of directors and Operating Committee	60
		The Board	62
6D	Employees	Report on directors' remuneration	69
		Our resources	19
		Financial review	
		Financial performance	
6E	Share ownership	Operating costs	48
		Consolidated financial statements	
		Notes to the consolidated financial statements	
		Employees	110
		Report on directors' remuneration	69
7	Major shareholders and related party transactions		
7A	Major shareholders	Consolidated financial statements	
		Notes to the consolidated financial statements	
		Share-based payments	111
7B	Related party transactions	Shareholders and Annual General Meeting	
		Substantial shareholdings	86
		Information for shareholders	
		Analysis of shareholdings at 31 March 2011	164
7C	Interests of experts and counsel	Directors' information	
		Interest of management in certain transactions	82
		Report on directors' remuneration	69
		Consolidated financial statements	
8	Consolidated statements and other financial information	Notes to the consolidated financial statements	
		Related party transactions	110
		Not applicable	
8	Financial information		
8A	Consolidated statements and other financial information	See Item 18 below	
		Financial position and resources	
		Legal proceedings	56
		Financial performance	
		Dividends	50
		Consolidated financial statements	
		Notes to the consolidated financial statements	
		Financial commitments and contingent liabilities	150
8B	Significant changes	Information for shareholders	
		Dividends	164
		Articles of Association ('Articles')	
		Dividends	167
		Funding and capital management	
		Going concern	54

Required Item in Form 20-F Item	Where information can be found in this Annual Report Section	Page
9 The offer and listing		
9A Offer and listing details	Information for shareholders Stock exchange listings Share and ADS prices	163
9B Plan of distribution	Not applicable	
9C Markets	Information for shareholders Stock exchange listings	163
9D Selling shareholders	Not applicable	
9E Dilution	Not applicable	
9F Expenses of the issue	Not applicable	
10 Additional information		
10A Share capital	Not applicable	
10B Memorandum and articles of association	Information for shareholders Articles of Association ('Articles')	167
10C Material contracts	Information for shareholders Material contracts	170
10D Exchange controls	Information for shareholders Limitations affecting security holders	172
10E Taxation	Information for shareholders Taxation (US Holders)	170
10F Dividends and paying agents	Not applicable	
10G Statement by experts	Not applicable	
10H Documents on display	Information for shareholders Documents on display	172
10I Subsidiary information	Not applicable	
11 Quantitative and qualitative disclosures about market risk		
	Consolidated financial statements Accounting policies Financial instruments	95
	Notes to the consolidated financial statements Financial instruments and risk management	139
12 Description of securities other than equity securities	Not applicable	
13 Defaults, dividend arrearages and delinquencies	Not applicable	
14 Material modifications to the rights of security holders and use of proceeds	Not applicable	
15 Controls and procedures	Business policies US Sarbanes-Oxley Act of 2002 Disclosure controls and procedures Internal control over financial reporting	85 85 85
16A Audit committee financial expert	Business policies US Sarbanes-Oxley Act of 2002	85
16B Code of ethics	Business policies US Sarbanes-Oxley Act of 2002	85
16C Principal accountants' fees and services	Consolidated financial statements Notes to the consolidated financial statements Audit and non-audit services Report of the Audit & Risk Committee	114 65
16E Purchases of equity securities by the issuer and affiliated purchasers	Not applicable	
16F Change in registrant's reporting accountant	Not applicable	
16G Corporate Governance	The Board New York Stock Exchange	64
17 Financial statements	Not applicable	
18 Financial statements	Report of the independent auditors – Consolidated financial statements United States opinion Consolidated financial statements Quarterly analysis of revenue and profit	89 90 91 157

GLOSSARY OF TERMS

A

ADS: American Depositary Share

ADSL: asymmetric 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. Asymmetric refers to differing download and upload bandwidths.

ADSL2+: an enhanced version of ADSL, enabling the provision of higher speed connections

ARPU: 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 Business Direct: a one-stop shop for the computing, networking and ICT support needs of a business

BT Business: the division within BT Retail for the supply of business calls and lines, broadband, internet, mobiles and mobile applications, domains and web hosting, data and voice networks and IT services to SMEs

BT Conferencing: the business within BT Enterprises offering global audio, video and internet conferencing and collaboration services

BT Consumer: the division within BT Retail offering bundled services combining calls, broadband and TV services

BT Directories: the business within BT Enterprises offering directory enquiries, operator and emergency services and The Phone Book and online web reviews of businesses

BT Engage IT: offers customers a wide range of business-to-business IT solutions and services, including data centre virtualisation and unified communications

BT Enterprises: the division within BT Retail encompassing BT Conferencing, BT Directories, BT Expedite, BT Redcare & Payphones and BT Openzone

BT Expedite: the business within BT Enterprises offering software and IT services for medium-sized 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

BTiNet: the division within BT Business providing a CISCO centre of excellence specialising in infrastructure, security and unified communications

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: the division within BT Retail which operates in the consumer, business, major business and wholesale markets throughout Northern Ireland and the Republic of Ireland

BT Openzone: the business within BT Enterprises providing premium wi-fi hotspots offering broadband on the move to retail customers and to wholesale customers such as mobile network operators

BT Operate: the BT internal service unit which manages BT's IT network infrastructure platforms as a single converged operation to support BT's products and services

BT Pension Scheme (BTPS): the defined benefit pension scheme which was closed to new members on 31 March 2001

BT Redcare & Payphones: the business within BT Enterprises providing residential and business alarm monitoring and tracking facilities and managed, prison, card and private payphones, as well as meeting our regulatory obligations to provide a public payphone service

BT Retail: the BT line of business offering a wide range of retail products and services to the consumer and small to medium-sized enterprise 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 creating a sustainable future for people and the planet

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

CPI: Consumer Prices Index

CR: corporate responsibility

CRM: customer relationship management

D

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

EMEA: Europe, Middle East and Africa

Ethernet: a popular standard or protocol for linking computers into a local area network. BT's Ethernet portfolio gives its 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

F

FTTC: fibre-to-the-cabinet. Our FTTC product links roadside cabinets to telephone exchanges and our copper local loop is used to deliver super-fast broadband to customer premises

FTTP: fibre-to-the-premises. FTTP involves installing fibre into homes or premises, superseding the copper local loop

FTSE4 Good Index: measures the performance of companies that meet globally recognised corporate responsibility standards

G

GSOP: BT Group Global Share Option Plan – a share option plan

GW/a: Gigawatt hours per annum

H

HMRC: HM Revenue & Customs

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: internet protocol – a packet-based protocol for delivering data – including voice and video – across networks

IP Exchange: BT Wholesale's global IP interoperability platform that allows communications providers to manage traditional and IP voice calls on a single gateway

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 by which other communications providers take control of the individual lines in BT's local network which connect end users to the telephone exchange. This enables these communications providers to use BT's local loop to provide services to customers

LoB: Line of Business

M

Managed networked IT services: the delivery as a managed service of information technology applications that are dependent on the network, IT and security infrastructure on which they are delivered

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

MyDonate: a UK online fundraising service for charities that does not charge a subscription fee or commission

N

N3: the secure broadband network that BT has built and is managing for the NHS

NCC: network charge control

NGA: Next Generation Access – a super-fast fibre-based broadband service, which we aim to provide for more than 10m 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 'last 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

PSTN: public switched telephone network

R

RGCs: regional governance committees established as sub-committees of the Nominating & Governance Committee

'right first time': the internal measure of whether we are keeping our promises to our customers and meeting or exceeding their expectations

RPI: Retail Prices Index

RSP: BT Group Retention Share Plan

S

Sharesave: an HMRC approved savings related share option plan

SME: small and medium-sized 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

UK GAAP: United Kingdom Generally Accepted Accounting Principles

UK and Rol: United Kingdom and Republic of Ireland

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

USO: universal service obligation

US SEC: US Securities and Exchange Commission

V

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

W

WBA: wholesale broadband access

wi-fi: (wireless-fidelity) is a term applied to equipment that complies with the wireless standard, which enables connectivity to other devices, equipment and networks

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

Y

YouView: a joint venture with the BBC, ITV, Channel 4, BT and others

INDEX

A

Accounting policies, Group **91**
 Accounting policies, BT Group plc **152**
 Accounting standards, interpretations and amendments to published standards **99**
 Acquisitions and disposals **56**
 Additional information **156**
 Alternative performance measures **56 - 58**
 Articles of Association **167**
 Associates and joint ventures **49, 57, 123, 91**
 Audit & Risk Committee, Report of the **65 - 66**
 Audit and non-audit services **114**

B

Background **163**
 Balance sheet **54 - 55, 104, 153, 159**
 Board, the **62**
 Board of Directors and Operating Committee **60 - 61**
 BT Global Services **12, 23 - 25**
 BT Innovate & Design **35**
 BT Operate **35**
 BT Retail **26 - 29**
 BT Wholesale **12, 30 - 32**
 Business **4**
 Business and strategy **10**
 Business model **5**
 Business policies **83**

C

Capital expenditure **25, 51, 55, 105, 107, 150**
 Capital gains tax **163**
 Cash and cash equivalents **55, 123, 96**
 Cash flow statement, group **50, 103, 159**
 Cautionary statement regarding forward-looking statements **162**
 Chairman's message **3**
 Chief Executive, Introduction from **9**
 Comprehensive income, Group statement of **101**
 Consolidated financial statements **91**
 Contractual obligations and commitments **54**
 Corporate Governance Statement **62**
 Corporate responsibility **36 - 38**
 Cost transformation **11**
 Cross reference to Form 20-F **174 - 176**
 Customer service **6, 10**

D

Deferred taxation **136, 152**
 Derivative financial instruments **96 - 97, 127 - 128, 146**
 Directors' information **82**
 Directors' remuneration, report on **69**
 Directors' responsibility, statement of **88**
 Directors, Report of the **60 - 87**
 Disclosure controls and procedures **85**
 Dividend investment plan **165**
 Dividend mandate **165**
 Dividends **3, 45, 50, 95, 118, 152, 164, 167, 170**
 Documents on display **172**

E

Earnings per share **2, 6, 45, 57, 118**
 EBITDA **2, 45, 48, 57, 105**
 Electronic communication **172**
 Equity, Group statement of changes in **102**
 Exchange rates **166**

F

Financial commitments and contingent liabilities **150**
 Financial data, selected **158 - 159**
 Finance expense and finance income **116**
 Financial instruments and risk management **139 - 149**
 Financial liabilities **96**
 Financial position and resources **54 - 55**
 Financial review **44**
 Financial performance **46 - 50**
 Financial statements of BT Group plc **152**
 Financial statistics **160**
 Financial summary **2**
 Foreign currencies **93**
 Free cash flow **2, 45, 50, 58**
 Funding and capital management **52**

G

Geographical information **108**
 Goodwill impairment review **119**
 Global Invest Direct **165**
 Global research capability **21**
 Glossary of terms **177 - 178**
 Going concern **54**
 Group results **2, 46**

H

Hedge accounting **97**
 Hedging activities **146**

I

Income statement, group **101**
 Independent auditors, Report of the **89, 151**
 Individual savings accounts (ISAs) **166**
 Information for shareholders **162**
 Intangible assets **54, 93, 119 - 120**
 Internal control and risk management **84**
 Internal control over financial reporting **85**
 Investments **122**
 Investing for the future **11**

L

Legal proceedings **56**
 Limitations affecting security holders **172**
 Liquidity **50**
 Loans and other borrowings **55, 96, 126**

M

Markets and Customers **14 - 18**
 Material contracts **170**

N

Net debt **2, 45, 52, 58, 144**
 Nominating & Governance Committee, Report of the **67**
 Non-controlling interests **137**
 Non-executive directors **61**
 Notes to the consolidated financial statements **105 - 150**
 New York Stock Exchange **64**

O

Off-balance sheet arrangements **54**
 Openreach **33 - 34**
 Operating Committee **60**
 Operating costs **48**
 Operational statistics **161**
 Other information **152**
 Other operating income **47, 56, 93, 109**
 Other reserves **138**
 Our relationship with HM Government **18**
 Outlook **2, 45 - 46**
 Overview **2 - 8**

P

Pensions **20, 41, 53**
 People **19 - 20**
 Performance 2010 **25, 28, 31, 34**
 Principal risks and uncertainties **39**
 Profit before taxation **49**
 Property, plant and equipment **55, 94, 98, 121 - 122**
 Property portfolio **22**
 Provisions **55, 95, 98, 137**
 Publications **172**

Q

Quarterly analysis of revenue and profit **157**

R

Regulation **17 - 18**
 Related party transactions **110**
 Resources **19**
 Results announcements **166**
 Retirement benefit plans **129 - 135**
 Revenue **46, 92, 106 - 108**
 Risks **39**

S

Segment information **105**
 Selected financial data **158 - 159**
 Share and ADS prices **163**
 Share capital **97, 137, 152**
 Share-based payments **95, 111 - 113, 152**
 ShareGift **166**
 Shareholder communication **173**
 Shareholders and annual general meeting **86**
 Shareholdings, analysis of **164**
 Specific items **56 - 57, 91, 115**
 Statement of comprehensive income, group **101**
 Stock exchange listings **163**
 Strategic priorities **11**
 Subsidiary undertakings and associate **155**

T

Taxation **49, 51 - 52, 95, 117 - 118, 152**
 Taxation (US Holders) **170**
 Total shareholder return **111, 165, 178**
 Trade and other payables **55, 96, 128**
 Trade and other receivables **55, 96, 124 - 125**

U

Unclaimed Assets Register **166**
 US Sarbanes-Oxley Act of 2002 **85**

NOTES