

BT GROUP PLC  
Form 20-F  
May 27, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 20 - F**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the fiscal year ended 31 March 2011**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

**For the transition period from \_\_\_\_\_ to**

Commission File Number: 1-08819

**BT Group plc**

(Exact name of Registrant as specified in its charter)

**Not Applicable**

(Translation of Registrant's name into English)

**England and Wales**

(Jurisdiction of incorporation or organization)

**BT Centre**

**81 Newgate Street, London, EC1A 7AJ**

**England**

(address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

**Title of each class:**

American Depositary Shares

Ordinary shares of 5p each

\* Not for trading, but only in connection with the registration of American Depositary Shares representing these shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

**Name of each exchange on which registered:**

New York Stock Exchange

New York Stock Exchange\*

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report:

**8,151,227,029 Ordinary Shares, of 5p each**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligation under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

**Not Applicable**

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

International Financial Reporting  
Standards

as issued by the International  
Accounting Standards Board

U.S. GAAP

Other

If Other has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

**Not Applicable**

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All references in this Form 20-F to us , we or the Company , are to BT Group plc.

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable

**ITEM 3. KEY INFORMATION**

**3.A Selected financial data**

The information set forth under the headings:

Financial summary on page 2;

Selected financial data on page 158; and

Information for shareholders Exchange rates on page 166  
of the Annual Report & Form 20-F 2011 as sent to shareholders and included as Exhibit 15.2 to this Form 20-F  
( Annual Report 2011 ) is incorporated herein by reference.

**3.B Capitalization and indebtedness**

Not applicable

**3.C Reasons for the offer and use of proceeds**

Not applicable

**3.D Risk factors**

In common with all businesses, BT is affected by a number of risks and uncertainties, some of which are not within our control. Many of our risks are similar to those of comparable companies in terms of scale and operation. Economic uncertainty remains a major challenge to businesses globally and we remain conscious of those risks in all our business undertakings. Compliance in a global environment and supply chain are now recognised as principal risks along with those risks reported on last year which were: security and resilience; major contracts; pensions; growth in a competitive market and communications industry regulation.

This section highlights some of those particular risks and uncertainties affecting our business but it is not intended to be an extensive analysis of all risk and uncertainty affecting our business. These risks have the potential to impact our business, revenues, profits, assets, liquidity and capital resources adversely. Our processes are designed to give reasonable, but cannot give absolute, assurance that the risks significant to the group are identified and addressed. There may be risks which are unknown or which are presently judged not to be significant but later prove to be significant. The principal risks and uncertainties should be considered in conjunction with the forward-looking statements for, and the cautionary statement regarding forward-looking statements on page 162 of the Annual Report 2011.

**Security and resilience**

BT is dependent on the secure operation and resilience of its information systems, networks and data. The scale of our business and global nature of our operations means we are required to manage significant volumes of personal and commercially sensitive information.

BT stores and transmits data for its own purposes and on behalf of customers, all of which needs to be safeguarded from potential exposure, loss or corruption, and therefore receives a high level of management attention and security measures.

Certain of our customers require specific, highly sophisticated security provisioning which we are contractually obliged to meet and through our continuing success in meeting those requirements we are able to differentiate our offerings from those of our competitors.

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*Impact*

Failure or interruption of data transfer could have a significant adverse effect on the business. A breach of our security and/or resilience affecting BT's own operations or those of our customers could lead to an extended interruption to network services and even national infrastructure. Such failure may lead to a loss of customer confidence, termination of contracts, loss of revenue and reduced cash resources. Additional reputational damage and financial loss may arise from a breach involving a legal failing such as breaching data protection requirements.

*Major contracts*

We have a number of complex and high value contracts with certain customers. The profitability of, and revenue arising from, these contracts is subject to a number of factors including: variation in cost and achievement of cost reductions anticipated in the contract pricing, both in terms of scale and time; delays in delivery or achieving agreed milestones owing to factors either within or outside of our control; changes in customers' requirements, budgets, strategies or businesses; the performance of our suppliers; and other factors. Any of these factors could make a contract less profitable or even loss making.

The degree of risk varies generally in proportion to the scope and life of the contract and is typically higher in the early transitional and transformational stages of the contract. Some customer contracts require significant investment in the early stages, which is expected to be recovered over the life of the contract. Major contracts often involve the implementation of new systems and communications networks, transformation of legacy networks and the development of new technologies. The recoverability of these upfront costs may be adversely impacted by delays or failure to meet milestones. Substantial performance risk exists in these contracts, and some or all elements of performance depend upon successful completion of the transition, development, transformation and deployment phases.

*Impact*

Failure to manage and meet our commitments under these contracts, as well as changes in customers' requirements, budgets, strategies or businesses may lead to a reduction in our expected future revenue, profitability and cash generation. We may lose significant revenues due to the merger or acquisition of customers, changes to customer strategy, business failure or contract termination. Failure to replace the revenue and earnings thereby lost from such customers will lead to reduction in revenue, profitability and cash flow.

*Pensions*

We have a significant funding obligation to a defined benefit pension scheme. Declining investment returns, longer life expectancy and regulatory changes may result in the cost of funding BT's main defined benefit pension scheme (BTPS) becoming a significant burden on our financial resources. The triennial funding valuation of the BTPS at 31 December 2008 and associated recovery plan was agreed with the BTPS Trustee in February 2010. Under this prudent funding valuation basis the deficit was £9bn and a 17-year recovery plan was agreed. Details of the valuation assumptions and recovery plan are set out in note 23 to the financial statements.

The valuation and the recovery plan are under review by the Pensions Regulator whose initial view was that they had substantial concerns with certain features of the agreement. Their review is now on hold and is not expected to recommence until the outcome of the final Court decision, including any potential appeals, is known on the Crown Guarantee. Accordingly, as matters stand, it is uncertain as to when they will conclude their review. This uncertainty is outside of our control. However, we do not expect this to be before the completion of the next triennial funding valuation as at 31 December 2011. As is usual, BT and the Trustee will engage with the Pensions Regulator regarding the 2011 valuation.

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*Impact*

An increase in the pension deficit and associated funding requirements would have a direct adverse impact on the future cash resources of the group. Indirectly it may also have an adverse impact on the group's share price and credit rating. A deterioration in the credit rating would increase the group's cost of borrowing and may limit the availability or flexibility of future funding thereby affecting the ability of the business to invest, pay dividends or repay debt as it matures.

**Growth in a competitive market**

We operate in markets which are characterised by high levels of competition including: regulatory intervention on promoting competition; declining prices; technology substitution; market and service convergence; customer churn; declining rates of market growth; and emerging competitors with non replicable sources of competitive advantage. A significant proportion of our revenue and profit are generated in the UK telecommunications markets which are experiencing limited growth in revenue terms and in many cases are highly competitive. Revenue from our fixed line calls and lines services to consumers and businesses have historically been in decline. Our ability to deliver profitable revenue growth depends on delivering on our strategic priorities.

*Impact*

Failure to achieve profitable revenue growth through our strategic priorities may lead to a continued decline in revenue, erosion of our competitive position and might also lead to a reduction in future profitability, cash flow and to a diminution in shareholder value.

**Communications industry regulation**

Some of our activities continue to be subjected to significant price and other regulatory controls which may affect our market share, competitive position, future profitability and cash resources. Many of our wholesale fixed network activities in the UK are subject to significant regulatory controls. The controls regulate, among other things, the prices we can charge for many of our services and the extent to which we have to provide services to other communications providers (CPs). In recent years the effect of these controls has required us to reduce our prices, although in some recent cases, prices have been allowed to increase in real terms.

Regulatory authorities may increase the severity of the price controls, extend the services to which controls apply or extend the services which we provide to other CPs. These controls may adversely affect our market share, our ability to compete and our future profitability and cash resources. Wholesale customers may also raise disputes with Ofcom, seeking lower prices on wholesale services which are not subject to direct price control.

*Impact*

In recent years, changes in price controls have required us to reduce our prices and in some instances to make payments in respect of retrospective price adjustments. Additional or more substantial regulatory price reductions could constrain our revenue growth. Regulatory actions may also indirectly affect us. For example, Ofcom has reduced the mobile termination rates that mobile network operators can charge to terminate calls on their network. There will be a stepped reduction in prices over four years starting from April 2011. This regulatory action will have a significant impact on future transit revenues in the UK and Europe.

We may be required to provide new services to wholesale customers on a non-discriminatory basis, increasing our costs and increasing retail competition. Disputes may result either in reduced revenue or increased costs going forward. We may also be required to make retrospective payments to CPs if it is ruled that past charging mechanisms we have applied have overcharged CPs. Appeals may change Ofcom's decisions, which had originally been concluded in our favour.

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Compliance in a global environment

Some of the countries where we operate have increased their enforcement of local laws and therefore the potential impact of failing to comply with local and international legislative requirements has increased significantly.

Legislation is increasingly multi jurisdictional and the potential penalties, including fines, that have been levied against a number of organisations, have grown in frequency and value.

Legal compliance obligations include antitrust and anticorruption legislation, competition law, data privacy, trade sanctions, import and export controls, taxation and telecommunications regulatory requirements. The UK Bribery Act which comes into effect in July 2011 with increased penalties for non-compliant businesses introduces the offence of failing to prevent bribery. With the breadth of BT's operations and complex commercial relationships we must ensure that we and our business partners are compliant as a continuing priority.

*Impact*

Failure to comply with legal requirements can have a significant impact and lead to a loss of reputation and damage to our brand with investors, regulators and customers. Non-compliance with legislation, including requirements to maintain adequate systems and controls, may also lead to prosecution, penalties and in some cases could lead to litigation and loss of revenues and loss of profits.

Failure by our employees, suppliers or agents to comply with anti-bribery and corruption legislation (including the US Foreign Corrupt Practices Act and the UK Bribery Act), or any failure in our policies and procedures to monitor and prevent non-compliance, anywhere in the world, could result in substantial penalties, criminal prosecution and significant damage to our reputation.

Supply chain

We are dependent upon our supply chain for the delivery of goods and services on time, to cost and specification. A number of factors, including the continuing economic uncertainty have contributed to a heightening of the risk of this reliance. Failure of any of our critical suppliers to meet agreed deliverables could adversely impact our customer service, product launch, business critical systems updates, revenues or cost efficiency.

BT is committed to ensuring that all dealings with suppliers, from selection and consultation, to contracting and payment are conducted in accordance with our trading and ethical policies.

Our supply chain is truly global and we aim to harness the capability, diversity and innovation of our supply market to add value to our business and customers. Many suppliers are being impacted by the economic downturn and the challenges of globalisation. This is introducing further risk in our supply chain which includes, but is not limited to: increase in supplier insolvency; lack of supplier resilience following a disaster; corporate social responsibility risks in our extended supply chain; and security risks relating to data protection.

*Impact*

Our suppliers could be adversely affected by economic conditions which in turn could impact their ability to meet their obligations to us or, in the extreme, cause them to fail. If we are unable to contract with an alternative supplier our customer commitments could also be compromised leading to contractual breach, loss of revenue, penalties or increased costs.

A failure in our supply chain to meet legal obligations or ethical expectations could adversely impact our reputation or possibly lead to censure, legal action and financial loss.

**ITEM 4. INFORMATION ON THE COMPANY**

4.A History and development of the company

The information set forth under the headings:

Our business and strategy Who we are on page 10;

Our business and strategy What we do on page 10;

Information for shareholders Background on page 163;



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Financial position and resources Acquisitions and disposals on page 56; and

Liquidity Net capital expenditure on page 51  
of the Annual Report 2011 is incorporated herein by reference.

4.B Business overview

The information set forth under the headings:

Our business and strategy on page 10;

Our markets and customers on page 14;

Our resources on page 19;

Our lines of business on page 23;

Our corporate responsibility on page 36;

Consolidated financial statements Notes to the consolidated financial statements Segment information on  
page 105;

Operational statistics on page 161; and

Information for shareholders Cautionary statement regarding forward-looking statements on page 162  
of the Annual Report 2011 is incorporated herein by reference.

4.C Organizational structure

The information set forth under the headings:

Our business Our business model on page 5; and

Subsidiary undertakings and associate on page 155  
of the Annual Report 2011 is incorporated herein by reference.

4.D Property, plants and equipment

The information set forth under the headings:

Our resources Property portfolio on page 22;

Consolidated financial statements Notes to the consolidated financial statements Property, plant and  
equipment on page 121; and

Financial statistics on page 160  
of the Annual Report 2011 is incorporated herein by reference.

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

As far as the Company is aware, there are no unresolved written comments from the SEC staff regarding its  
periodic reports under the Exchange Act received more than 180 days before March 31, 2011.

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**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

**5.A Operating results**

The information set forth under the headings:

Our business and strategy on page 10;

Our lines of business on page 23;

Financial review on page 44; and

Information for shareholders Cautionary statement regarding forward-looking statements on page 162 of the Annual Report 2011 is incorporated herein by reference.

**5.B Liquidity and capital resources**

The information set forth under the headings:

Financial review on page 44;

Information for shareholders Cautionary statement regarding forward-looking statements on page 162;

Consolidated financial statements Notes to the consolidated financial statements Loans and other borrowings on page 126;

Consolidated financial statements Notes to the consolidated financial statements Financial instruments and risk management on page 139; and

Consolidated financial statements Notes to the consolidated financial statements Financial commitments and contingent liabilities on page 150 of the Annual Report 2011 is incorporated herein by reference.

**5.C Research and development, patents and licenses**

The information set forth under the headings:

Our resources Global research capability on page 21; and

Financial statistics on page 160 of the Annual Report 2011 is incorporated herein by reference.

**5.D Trend information**

The information set forth under the headings:

Financial review on page 44;

Quarterly analysis of revenue and profit on page 157;

Selected financial data on page 158; and

Information for shareholders Cautionary statement regarding forward-looking statements on page 162

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of the Annual Report 2011 is incorporated herein by reference.

**5.E Off-balance sheet arrangements**

The information set forth under the heading Financial review Funding and capital management Off-balance sheet arrangements on page 54 of the Annual Report 2011 is incorporated herein by reference.

**5.F Tabular disclosure of contractual obligations**

The information set forth under the heading Financial review Funding and capital management Contractual obligations and commitments on page 54 of the Annual Report 2011 is incorporated herein by reference.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**6.A Directors and senior management**

The information set forth under the heading Board of directors and Operating Committee on page 60 of the Annual Report 2011 is incorporated herein by reference.

**6.B Compensation**

The information set forth under the headings:

Report on directors remuneration on page 69;

Consolidated financial statements Notes to the consolidated financial statements Share-based payments on page 111; and

Consolidated financial statements Notes to the consolidated financial statements Retirement benefit plans on page 129

of the Annual Report 2011 is incorporated herein by reference.

**6.C Board practices**

The information set forth under the headings:

Board of directors and Operating Committee on page 60;

The Board on page 62; and

Report on directors remuneration on page 69

of the Annual Report 2011 is incorporated herein by reference.

**6.D Employees**

The information set forth under the headings:

Our resources on page 19;

Financial review Financial performance Operating costs on page 48; and

Consolidated financial statements Notes to the consolidated financial statements Employees on page 110

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of the Annual Report 2011 is incorporated herein by reference.

6.E Share ownership

The information set forth under the headings:

Report on directors' remuneration on page 69; and

Consolidated financial statements Notes to the consolidated financial statements Share-based payments on page 111

of the Annual Report 2011 is incorporated herein by reference.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

7.A Major shareholders

The information set forth under the headings:

Shareholders and Annual General Meeting Substantial shareholdings on page 86; and

Information for shareholders Analysis of shareholdings at 31 March 2011 on page 164 of the Annual Report 2011 is incorporated herein by reference.

7.B Related party transactions

The information set forth under the headings:

Directors' information Interest of management in certain transactions on page 82;

Report on directors' remuneration on page 69; and

Consolidated financial statements Notes to the consolidated financial statements Related party transactions on page 110

of the Annual Report 2011 is incorporated herein by reference.

7.C Interests of experts and counsel

Not applicable

**ITEM 8. FINANCIAL INFORMATION**

8.A Consolidated statements and other financial information

See Item 18 below

In addition, the information set forth under the headings:

Financial position and resources Legal proceedings on page 56;

Financial performance Dividends on page 50;

Consolidated financial statements Notes to the consolidated financial statements Financial commitments and contingent liabilities on page 150;

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Information for shareholders Dividends on page 164; and

Information for shareholders Articles of Association ( Articles ) Dividends on page 167 of the Annual Report 2011 is incorporated herein by reference.

**8.B Significant changes**

The information set forth under the heading Funding and capital management Going concern on page 54 of the Annual Report 2011 is incorporated herein by reference.

**ITEM 9. THE OFFER AND LISTING**

**9.A Offer and listing details**

The information set forth under the heading Information for shareholders Stock exchange listings Share and ADS prices on page 163 of the Annual Report 2011 is incorporated herein by reference.

**9.B Plan of distribution**

Not applicable

**9.C Markets**

The information set forth under the heading Information for shareholders Stock exchange listings on page 163 of the Annual Report 2011 is incorporated herein by reference.

**9.D Selling shareholders**

Not applicable

**9.E Dilution**

Not applicable

**9.F Expenses of the issue**

Not applicable

**ITEM 10. ADDITIONAL INFORMATION**

**10.A Share capital**

Not applicable

**10.B Memorandum and articles of association**

The information set forth under the heading Information for shareholders Articles of Association ( Articles ) on page 167 of the Annual Report 2011 is incorporated herein by reference.

**10.C Material contracts**

The information set forth under the heading Information for shareholders Material contracts on page 170 of the Annual Report 2011 is incorporated herein by reference.

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## 10.D Exchange controls

The information set forth under the heading Information for shareholders Limitations affecting security holders on page 172 of the Annual Report 2011 is incorporated herein by reference.

## 10.E Taxation

The information set forth under the heading Information for shareholders Taxation (US Holders) on page 170 of the Annual Report 2011 is incorporated herein by reference.

## 10.F Dividends and paying agents

Not applicable

## 10.G Statement by experts

Not applicable

## 10.H Documents on display

The information set forth under the heading Information for shareholders Documents on display on page 172 of the Annual Report 2011 is incorporated herein by reference.

## 10.I Subsidiary information

Not applicable

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information set forth under the headings:

Consolidated financial statements Accounting policies Financial instruments on page 95; and

Consolidated financial statements Notes to the consolidated financial statements Financial instruments and risk management on page 139

of the Annual Report 2011 is incorporated herein by reference.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

## 12.D American Depositary Shares

During the 2010/11 financial year, the Company received direct and indirect payments from the Depositary of USD604,412.75 which included the annual NYSE listing fee, investor relations expenses and other costs relating to the ADR program.

The Depositary also waived fees of USD215,000 for administering the ADR program.

The following table sets out the fees charged to ADR holders:

| Category<br>(as defined by SEC)                      | Depositary Actions   | Associated Fee  |
|--|--|---|
| (a) Depositing or substituting the underlying shares | Each person to whom ADRs are issued against deposits of Shares, including deposits and issuances in respect of:<br>Share distributions, stock split, rights, merger<br>Exchange of securities or any other transaction or event or other distribution affecting the ADSs or the Deposited Securities | USD 5.00 for each 100 ADSs (or portion thereof) evidenced by the new ADRs delivered |
| (b) Receiving or distributing dividends              | Distribution of dividends  | USD 0.02 or less per ADS  |
| (c) Selling or exercising rights                     | Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities   | USD 5.00 for each 100 ADSs (or portion thereof)                                     |

|  |   |  |
|--|---|--|
| (d) Withdrawing an underlying security   | Acceptance of ADRs surrendered for withdrawal of deposited securities   | USD 5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs surrendered  |
| (e) Transferring, splitting or grouping receipts                               | Transfers, combining or grouping of depositary receipts   | USD 2.50 per ADS   |
| (f) General depositary services, particularly those charged on an annual basis | <p>Other services performed by the depositary in administering the ADRs</p> <p>Provide information about the depositary's right, if any, to collect fees and charges by offsetting them against dividends received and deposited securities</p>   | <p>USD 0.02 per ADS (or portion thereof) not more than once each calendar year and payable at the sole discretion of the depositary by billing Holders or by deducting such charge from one or more cash dividends or other cash distributions</p> |
| (g) Expenses of the depositary   | <p>Expenses incurred on behalf of Holders in connection with</p> <p>Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment</p> <p>The depositary's or its custodian's compliance with applicable law, rule or regulation</p> <p>Stock transfer or other taxes and other governmental charges</p> <p>Cable, telex, facsimile transmission/delivery</p> <p>Expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such foreign currency)</p> <p>Any other charge payable by depositary or its agents</p> | <p>Expenses payable at the sole discretion of the depositary by billing Holders or by deducting charges from one or more cash dividends or other cash distributions.</p>   |

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**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable

**ITEM 15. CONTROLS AND PROCEDURES**

The information set forth under the headings:

Business policies US Sarbanes-Oxley Act of 2002 on page 85;

Business policies Disclosure controls and procedures on page 85; and

Business policies Internal control over financial reporting on page 85 of the Annual Report 2011 is incorporated herein by reference.

**ITEM 16.A AUDIT COMMITTEE FINANCIAL EXPERT**

The information set forth under the heading Business policies US Sarbanes-Oxley Act of 2002 on page 85 of the Annual Report 2011 is incorporated herein by reference.

**ITEM 16.B CODE OF ETHICS**

The information set forth under the heading Business policies US Sarbanes-Oxley Act of 2002 on page 85 of the Annual Report 2011 is incorporated herein by reference.

**ITEM 16.C PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**16.C(a) Audit Fees**

The information set forth in the table under the heading Audit services in Consolidated financial statements Notes to the consolidated financial statements Audit and non-audit services on page 114 of the Annual Report 2011 is incorporated herein by reference.

**16.C(b) Audit-Related Fees**

The information set forth in the table under the heading Non-audit services The audit of the company s subsidiaries pursuant to legislation in Consolidated financial statements Notes to the consolidated financial statements Audit and non-audit services on page 114 of the Annual Report 2011 is incorporated herein by reference.

**16.C(c) Tax Fees**

The information set forth in the table under the heading Non-audit services Tax services in Consolidated financial statements Notes to the consolidated financial statements Audit and non-audit services on page 114 of the Annual Report 2011 is incorporated herein by reference.

**16.C(d) All Other Fees**

The information set forth in the table under the headings Non-audit services Other services pursuant to legislation , Non-audit services Services relating to corporate finance transactions and Non-audit services All other services in Consolidated financial statements Notes to the consolidated financial statements Audit and non-audit services on page 114 of the Annual Report 2011 is incorporated herein by reference.

**16.C(e)**

The information set forth under the headings:

Report of the Audit & Risk Committee on page 65; and

Consolidated financial statements Notes to the consolidated financial statements Audit and non-audit services on page 114 of the Annual Report 2011 is incorporated herein by reference.

**16.C(f)**

Not applicable

**ITEM 16.E PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Not applicable



**ITEM 16.F CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT**

Not applicable

**ITEM 16.G CORPORATE GOVERNANCE**

The information set forth under the heading "The Board" "New York Stock Exchange" on page 64 of the Annual Report 2011 is incorporated herein by reference.

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**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

Not applicable

**ITEM 18. FINANCIAL STATEMENTS**

The financial information concerning the Company set forth under the headings:

Report of the independent auditors Consolidated financial statements United States opinion on page 90;

Consolidated financial statements on page 91; and

Quarterly analysis of revenue and profit on page 157  
of the Annual Report 2011 is incorporated herein by reference.

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**ITEM 19. EXHIBITS**

The following exhibits are filed as part of this annual report:

- 1.1 Articles of Association of the Company, incorporated by reference to Exhibit 1.1 to the Company's Annual Report on Form 20-F dated May 26, 2010
- 4.1 Letter of appointment of Tony Ball as a non-executive director, dated June 16, 2009, incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 20-F dated May 26, 2010
- 4.2 Letter of appointment of Nicholas Rose as a non-executive director, dated December 16, 2010
- 4.3 Letter of appointment of Jasmine Whitbread as a non-executive director, dated January 17, 2011
- 4.4 Updated letter of appointment for Tony Ball as a non-executive director, dated March 1, 2011
- 4.5 Updated letter of appointment for Clay Brendish as a non-executive director, dated February 22, 2011
- 4.6 Updated letter of appointment for Eric Daniels as a non-executive director, dated February 23, 2011
- 4.7 Updated letter of appointment for Patricia Hewitt as a non-executive director dated February 28, 2011
- 4.8 Updated letter of appointment for Phil Hodgkinson as a non-executive director, dated March 16, 2011
- 4.9 Letter of extension of appointment of Eric Daniels, dated March 25, 2011
- 4.10 Letter of extension of appointment of Patricia Hewitt, dated April 4, 2011
- 4.11 Letter of extension of appointment of Carl Symon, dated January 13, 2011
- 7.1 Table of Financial ratios
- 8.1 Significant subsidiaries as of March 31, 2011, see Subsidiary undertakings and associate on page 155 of the Company's Annual Report & Form 20-F included as Exhibit 15.2
- 12.1 Section 302 certification of Chief Executive
- 12.2 Section 302 certification of Group Finance Director
- 13.1 Section 906 certification
- 15.1 Consent of PricewaterhouseCoopers LLP, independent auditors of BT Group plc
- 15.2\* Annual Report & Form 20-F 2011

\* Certain of the information included within Exhibit 15.2, which is provided pursuant to Rule 12b-23(a)(3) of the Securities Exchange Act of 1934, as amended, is incorporated by reference in this Form 20-F, as specified elsewhere in this Form 20-F. With the exception of the items and pages so specified, the Annual Report & Form 20-F is not deemed to be filed as part of this Form 20-F.



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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**BT Group plc**

/s/ Tony Chanmugam

Name: Tony Chanmugam

Title: Group Finance Director

Date: May 27, 2011