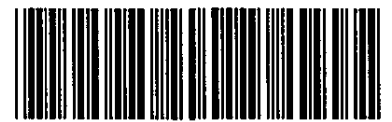


Registered number: 4278695

BT Group Investments Limited

**Directors Report and Financial Statements
for the year ended
31 March 2013**

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COMPANIES HOUSE

Directors and advisors

Directors

MP Genikis
LC Winnister
VA Haynes

Company Secretary

HG Brierley

Registered Office

81 Newgate Street
London
EC1A 7AJ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

BT Group Investments Limited

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Directors' report for the year ended 31 March 2013

The directors submit their report and the audited financial statements of BT Group Investments Limited ("the Company") for the year ended 31 March 2013. The registered number of the Company is 4278695.

The directors' report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Principal activities and future developments

The Company's principal activity is to act as an investment holding company within the BT Group plc group of companies. The directors do not anticipate any changes in the Company's principal activity in the foreseeable future.

Principal risks and uncertainties

The directors of BT Group plc (the immediate and ultimate controlling entity of the Company) manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of BT Group plc, which include those of the Company, are discussed on pages 24 to 27 of the 2013 annual report of BT Group plc, which does not form part of this report.

Key performance indicators ("KPIs")

The directors of BT Group plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

Results and dividends

The profit on ordinary activities before taxation was £1,172,949,000 (2011/12 loss of £258,342,000). The credit for taxation on ordinary activities was £54,492,000 (2011/12 £67,168,000) which left a profit after taxation for the year of £1,227,441,000 (2011/12 loss of £191,174,000).

The directors have declared an interim dividend amounting to £1,000,000,000 which was paid on 4 October 2012 (2011/12 £nil).

Directors

A list of the current directors is set out on page 1. The directors held office throughout the year and up to the date of signing of this report.

Directors' report for the year ended 31 March 2013 (continued)

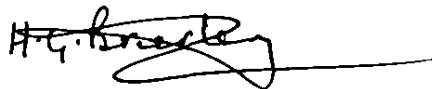
Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Disclosure of information to the auditors

So far as each of the directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

By order of the Board,

A handwritten signature in black ink, appearing to read 'HG Brierley', with a long horizontal line extending to the right.

HG Brierley
Company Secretary
31 July 2013

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of BT Group Investments Limited

We have audited the financial statements of BT Group Investments Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006

Independent auditors' report to the members of BT Group Investments Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or

M. Cowie

Martin Cowie (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

2 April 2013

Profit and loss account for the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Operating expense		<u>(2,184)</u>	<u>(407)</u>
Operating loss	1	(2,184)	(407)
Investment income	2	<u>1,400,000</u>	<u>-</u>
Operating profit / (loss)		1,397,816	(407)
Interest payable	3	(224,867)	(258,087)
Interest receivable	4	<u>-</u>	<u>152</u>
Profit / (loss) on ordinary activities before taxation		1,172,949	(258,342)
Tax credit on profit / (loss) on ordinary activities	7	<u>54,492</u>	<u>67,168</u>
Profit / (loss) for the financial year	14	<u>1,227,441</u>	<u>(191,174)</u>

All results derive from continuing operations

There have been no recognised gains or losses during either 2013 or 2012 other than as disclosed in the profit and loss account and therefore no separate statement of total recognised gains or losses has been presented

There were no material differences between the results as disclosed above and the results on an unmodified historical cost basis

Balance sheet as at 31 March 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Investments	9	<u>18,553,807</u>	<u>18,553,807</u>
Current assets			
Debtors	10	54,496	67,178
Creditors: amounts falling due within one year	11	<u>(12,713,075)</u>	<u>(12,953,198)</u>
Net current liabilities		<u>(12,658,579)</u>	<u>(12,886,020)</u>
Total assets less current liabilities		5,895,228	5,667,787
Creditors: amounts falling due after more than one year	12	<u>(5,816,762)</u>	<u>(5,816,762)</u>
Net assets / (liabilities)		<u>78,466</u>	<u>(148,975)</u>
Capital and reserves			
Called up share capital	13	50	50
Share premium account	14	3,427	3,427
Profit and loss account	14	<u>74,989</u>	<u>(152,452)</u>
Total shareholders' funds /(deficit)	15	<u>78,466</u>	<u>(148,975)</u>

The financial statements on pages 7 to 16 were approved by the Board of directors on 31 July 2013 and were signed on its behalf by



MP Genikis
Director

Accounting policies**Basis of accounting**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been consistently applied, are set out below.

The financial statements present information about the Company as an individual undertaking, and not about its group. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare and deliver group accounts as the financial statements of BT Group Investments Limited are consolidated in the financial statements of BT Group plc, the ultimate parent entity.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates. Estimates are used principally when accounting for provisions for doubtful debts, investment impairment, provisions for liabilities and charges and taxes.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Investments

Investments are carried at cost less provision for impairment. Investments are tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future cash flows from the investment.

Taxation

The charge for taxation is based on the results for the year and takes into account deferred tax.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Accounting policies (continued)**Taxation (continued)**

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Cash flow statement

The Company is a wholly-owned subsidiary of BT Group plc. The cash flows of the Company are included in the consolidated cash flow statement of BT Group plc, whose annual report is publicly available. Consequently, the Company is exempt under the terms of FRS 1 (Revised 1996) "Cash Flow Statement" from publishing a cash flow statement.

Financial instruments*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than

- those that the Company intends to sell immediately or in the short term, which are classified as held for trading,
- those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, with changes in carrying value recognised in the profit and loss account in the line which most appropriately reflects the nature of the item or transaction.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are dealt with through the profit and loss account.

Notes to the financial statements

1 Operating profit / (loss)

Operating profit / (loss) is stated after charging

	2013 £000	2012 £000
Auditors' remuneration for audit services	(10)	(10)
Foreign exchange loss	(2,174)	(397)
	<u> </u>	<u> </u>

2 Investment income

	2013 £000	2012 £000
Income from shares in subsidiary undertakings	1,400,000	-
	<u> </u>	<u> </u>

3 Interest payable

	2013 £000	2012 £000
Interest payable on loans from group undertakings	(224,867)	(258,087)
	<u> </u>	<u> </u>

4 Interest receivable

	2013 £000	2012 £000
Interest receivable from group undertakings	-	152
	<u> </u>	<u> </u>

5 Directors' emoluments

The directors are employed and remunerated by British Telecommunications plc or other group companies in respect of their services to the BT group as a whole. No emoluments were paid to the directors in respect of their services to the Company in the year ended 31 March 2013 (2011/12 £nil)

6 Employee information

The average number of persons employed by the Company during the year was nil (2011/12 nil)

Notes to the financial statements (continued)

7 Tax on loss on ordinary activities

	2013	2012
	£000	£000
Current tax:		
UK corporation tax at 24% (2011/12 26%)	<u>(54,492)</u>	<u>(67,168)</u>
Tax on profit/(loss) on ordinary activities	<u>(54,492)</u>	<u>(67,168)</u>

The tax assessed for the year is lower (2011/12 equal to) the standard rate of corporation tax in the UK. The differences are explained below

Profit/ (loss) on ordinary activities before taxation	<u>1,172,949</u>	<u>(258,342)</u>
Profit/ (loss) on ordinary activities multiplied by standard rate of corporation tax at 24% (2011/12 28%)	281,508	(67,168)
Effects of Investment income	<u>(336,000)</u>	<u>-</u>
Current tax credit	<u>(54,492)</u>	<u>(67,168)</u>

The Company surrendered all corporation tax losses to its subsidiary undertaking British Telecommunications plc

8 Dividends

	2013	2012
	£000	£000
Interim dividend of £20,000 per share (2011/12 £nil per share)	<u>1,000,000</u>	<u>-</u>

9 Fixed asset investments

	Subsidiary Undertakings Shares £000
Cost and net book value	
At 1 April 2012 and 31 March 2013	<u>18,553,807</u>

Brief details of principal operating subsidiary were as follows

Notes to the financial statements (continued)

9 Fixed asset investments (continued)

Name	Activity	Percentage of allotted capital owned	Country of incorporation
British Telecommunications plc	Provider of telecommunications services	100%	England & Wales

In the opinion of the directors, the carrying value of the investments is supported by its underlying assets

10 Debtors

	2013 £000	2012 £000
Amounts falling due within one year*		
Corporation tax receivable	54,492	67,168
Amounts owed by group undertakings	<u>4</u>	<u>10</u>
Total debtors falling due within one year	<u><u>54,496</u></u>	<u><u>67,178</u></u>

11 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Amounts owed to group undertakings	12,713,065	12,953,188
Accruals	<u>10</u>	<u>10</u>
	<u><u>12,713,075</u></u>	<u><u>12,953,198</u></u>

Included in amounts owed to group undertakings are

- Interest bearing (3 month GBP LIBOR plus 50 basis points applicable borrowing margin) loan from British Telecommunications plc of £1,979,469,000 (2011/12 £2,307,243,000) The loan is repayable within 12 months
- Interest bearing (3 month GBP LIBOR less 10 basis points applicable deposit margin) loan from Bruning Limited of £303,194,000 (2011/12 £309,799,000) The loan is repayable within 12 months
- An interest bearing (3 month GBP LIBOR less 10 basis points applicable deposit margin) loan from BT Investment Capital LP of £44,669,000 (2011/12 £57,483,000) The loan is repayable within 12 months
- Interest bearing (3 month GBP LIBOR plus 50 basis points applicable borrowing margin) loan from BT Investment Capital LP of £8,900,000,000 (2011/12 £8,900,000,000) The loan is repayable within 12 months

Notes to the financial statements (continued)

11 Creditors: amounts falling due within one year (continued)

- Interest bearing (3 month USD LIBOR plus 50 basis points applicable borrowing margin) loan from BT United States L L C of £23,226,000 (2011/12 £22,073,000) The loan is repayable within 12 months
- Interest bearing (3 month GBP LIBOR plus 50 basis points applicable borrowing margin) loan from Infonet Services Corporation of £ 20,435,000 (2011/12 £19,421,000) The loan was repayable within 12 months
- Interest bearing (3 month GBP LIBOR plus 50 basis points applicable borrowing margin) loan from BT Luxembourg Investments Holdings Sarl of £25,000,000 (2011/12 £25,000,000) The loan is repayable within 12 months
- Interest bearing (3 month GBP LIBOR plus 50 basis points applicable borrowing margin) loan from BT Luxembourg Investment Holdings S a r l of £758,700,000 (2011/12 £758,700,000) The loan is repayable within 12 months

12 Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Amounts owed to group undertakings	<u>5,816,762</u>	<u>5,816,762</u>

Included in amounts owed to group undertakings is an interest bearing (3 month GBP LIBOR plus 50 basis points) loan notes of £660,663,000 (2011/12 £660,663,000) held by BT (Jersey) Jutland Limited

Included in amounts owed to group undertakings are interest bearing (3 month GBP LIBOR plus 50 basis points) loan notes of £38,000 (2011/12 £38,000) held by Tudor Minstrel

Included in amounts owed to group undertakings are interest bearing (3 month GBP LIBOR plus 50 basis points) loan notes of £4,090,588,000 (2011/12 £4,090,588,000) held by Postgate Holding Company

Included in amounts owed to group undertakings are interest bearing (3 month GBP LIBOR plus 50 basis points) loan notes of £1,022,647,000 (2011/12 £1,022,647,000) held by BT Forty Six

Included in amounts owed to group undertakings are interest bearing (3 month GBP LIBOR plus 50 basis points) loan notes of £42,827,000 (2011/12 £42,827,000) held by Tudor Minstrel as general partner on behalf of BT (Netherlands) Shank C V

All of the above mentioned loan notes are repayable on 2 February 2015 or upon 2 days' prior notice from either the note holder or the Company

Notes to the financial statements (continued)

13 Called up share capital

	2013 £000	2012 £000
Allotted, called up and fully paid 50,000 (2011/12 50,000) ordinary shares of £1 each	50	50

14 Reserves

	Share premium account £000	Profit and Loss account £000	Total £000
Balance at 1 April 2012	3,427	(152,452)	(149,025)
Profit for the financial year	-	1,227,441	1,227,442
Dividends	-	(1,000,000)	(1,000,000)
Balance at 31 March 2013	3,427	74,989	78,416

15 Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
Profit / (loss) for the financial year	1,227,441	(191,174)
Dividends	(1,000,000)	-
Net addition / (reduction) in shareholders' funds	227,441	(191,174)
Opening shareholders' funds	(148,975)	42,199
Closing shareholders' funds / (deficit)	78,466	(148,975)

16 Contingent liabilities

As at 31 March 2013 there were no contingent liabilities or guarantees other than those arising in the ordinary course of the Company's business and on these no material losses are anticipated

17 Post balance sheet events

In May 2013, the Company received a final dividend from its wholly owned subsidiary, British Telecommunications plc, of £1,300 million

18 Controlling entities

The Company is a wholly-owned subsidiary of BT Group plc, which is its immediate and ultimate controlling entity

The parent undertaking of the largest group of companies into which the results of the Company are consolidated is BT Group plc, a company incorporated in England & Wales. Consequently the Company is exempt under the terms of FRS 8 "Related Party

Notes to the financial statements (continued)

18 Controlling entities (continued)

Disclosures' from disclosing details of transactions and balances with BT Group plc, fellow group subsidiaries and associated undertakings, and those deemed under control during the year ended 31 March 2013. Copies of the financial statements of BT Group plc may be obtained from The Head of Corporate Governance, BT Group plc, 81 Newgate Street, London EC1A 7AJ