10 May 2013

BT GROUP PLC

RESULTS FOR THE FOURTH QUARTER AND YEAR TO 31 MARCH 2013

BT Group plc (BT.L) today announced its results for the fourth quarter and year to 31 March 2013.

Fourth quarter and full year results:

		Fourth quarter to 31 March 2013		**Year to 31 March 2013**	
		£m	Change	**£m**	Change
Revenue[1]		**4,785**	(2)%	**18,253**	(5)%
Underlying revenue excluding transit			0%		(3)%
EBITDA[1]		**1,673**	4%	**6,181**	2%
Profit before tax	- adjusted[1]	**833**	21%	**2,694**	11%
	- reported	**687**	(5)%	**2,501**	2%
Earnings per share	- adjusted[1]	**8.3p**	22%	**26.6p**	12%
	- reported	**7.5p**	(7)%	**26.7p**	3%
Normalised free cash flow[2]		**1,301**	£392m	**2,300**	£(7)m
Net debt				**7,797**	£(1,285)m
Full year proposed dividend				**9.5p**	14%

Ian Livingston, Chief Executive, commenting on the results, said:

“We are doing what we said we would do. In an environment where it is easier to focus only on the short-term, we are investing in our future and delivering growth in profits and dividends. We are driving fibre across the UK, launching high quality sports channels, investing in the high-growth regions of the world and will use our wi-fi capabilities and 4G spectrum to make sure our customers will be the best connected. We have created around 3,000 new jobs in the UK over the last year to support these investments.

“Our focus on improving efficiency across the business will allow us to continue to deliver strong financial results whilst making these investments. Our good performance this year is reflected in our dividend which is up 14% for the year.

“We have a lot more to do but we are now a lot better positioned to do it.”

Key points for the fourth quarter:

- Our key revenue measure[3] was flat – a significantly improved performance
- Underlying operating costs[4] excluding transit down 2%, despite our investments
- EBITDA[1] up 4% and earnings per share[1] up 22%
- Fibre available to more than half of UK homes and businesses and roll out accelerating in rural areas
- Fibre customer base more than doubled, now at more than 1.5m
- BT Global Services order intake of £2.0bn

[1] Before specific items
[2] Before specific items, purchases of telecommunications licences, pension deficit payments and the cash tax benefit of pension deficit payments
[3] Underlying revenue excluding transit
[4] Before specific items, depreciation and amortisation

Key points for the year:

- Results in line with or better than expectations
- Underlying operating costs[1] excluding transit down 6%
- EBITDA[2] up 2%
- Normalised free cash flow[3] of £2.3bn
- Net debt reduced by £1,285m
- Proposed final dividend of 6.5p, up 14%, giving a full year dividend of 9.5p, also up 14%

Outlook:

	2013/14	**2014/15**	**2015/16**
Underlying revenue excluding transit	Improved trend		
EBITDA[2]	£6.0−£6.1bn	£6.2−£6.3bn	Growth
Capital expenditure[4]	Broadly level	Broadly level	
Normalised free cash flow[3]	c.£2.3bn	c.£2.6bn	Growth
Dividend per share	Up 10%−15%	Up 10%−15%	
Share buyback programme	c.£300m	c.£300m	

- Strong financial outlook despite significant strategic investments, particularly in BT Sport
- Our EBITDA[2] outlook compares with c.£6,140m in 2012/13 when restated for the adoption of IAS 19 Revised
- Normalised free cash flow[3] is above our previous expectations reflecting the benefits of our restructuring programme and capital expenditure efficiencies
- Further specific restructuring charges of around £400m, most of which will be in 2013/14, to further improve operational efficiency

[1] Before specific items, depreciation and amortisation
[2] Before specific items
[3] Before specific items, purchases of telecommunications licences, pension deficit payments and the cash tax benefit of pension deficit payments
[4] Before purchases of telecommunications licences

RESULTS FOR THE FOURTH QUARTER AND YEAR TO 31 MARCH 2013

Group results

	Fourth quarter to 31 March			Year to 31 March		
	2013	2012	Change	**2013**	2012	Change
	£m	£m	%	**£m**	£m	%
Revenue						
- adjusted[1]	**4,785**	4,875	(2)	**18,253**	19,307	(5)
- reported	**4,785**	4,875	(2)	**18,017**	18,897	(5)
- underlying revenue excluding transit			0			(3)
EBITDA						
- adjusted[1]	**1,673**	1,609	4	**6,181**	6,064	2
- reported	**1,522**	1,595	(5)	**5,829**	5,891	(1)
Operating profit						
- adjusted[1]	**981**	863	14	**3,338**	3,092	8
- reported	**830**	849	(2)	**2,986**	2,919	2
Profit before tax						
- adjusted[1]	**833**	690	21	**2,694**	2,421	11
- reported	**687**	724	(5)	**2,501**	2,445	2
Earnings per share						
- adjusted[1]	**8.3p**	6.8p	22	**26.6p**	23.7p	12
- reported	**7.5p**	8.1p	(7)	**26.7p**	25.8p	3
Full year proposed dividend				**9.5p**	8.3p	14
Capital expenditure[2]	**648**	695	(7)	**2,438**	2,594	(6)
Normalised free cash flow[3]	**1,301**	909	43	**2,300**	2,307	0
Net debt				**7,797**	9,082	(14)

Line of business results[1]

	Revenue			EBITDA			Free cash flow[3]		
Fourth quarter to 31 March	**2013**	2012	Change	**2013**	2012	Change	**2013**	2012	Change
	£m	£m	%	**£m**	£m	%	**£m**	£m	%
BT Global Services	**1,933**	1,996	(3)	**214**	186	15	**404**	164	n/m
BT Retail	**1,868**	1,861	0	**511**	486	5	**494**	440	12
BT Wholesale	**914**	958	(5)	**299**	293	2	**316**	314	1
Openreach	**1,267**	1,301	(3)	**600**	603	0	**327**	364	(10)
Other and intra-group items	**(1,197)**	(1,241)	4	**49**	41	20	**(240)**	(373)	36
Total	**4,785**	4,875	(2)	**1,673**	1,609	4	**1,301**	909	43
Year to 31 March									
BT Global Services	**7,166**	7,809	(8)	**626**	627	0	**6**	183	n/m
BT Retail	**7,228**	7,393	(2)	**1,935**	1,830	6	**1,508**	1,362	11
BT Wholesale	**3,588**	3,923	(9)	**1,168**	1,208	(3)	**896**	800	12
Openreach	**5,067**	5,136	(1)	**2,314**	2,299	1	**1,147**	1,195	(4)
Other and intra-group items	**(4,796)**	(4,954)	3	**138**	100	38	**(1,257)**	(1,233)	(2)
Total	**18,253**	19,307	(5)	**6,181**	6,064	2	**2,300**	2,307	0

[1] Before specific items. Specific items are defined below and analysed in Note 4 to the condensed consolidated financial statements
[2] Before purchases of telecommunications licences
[3] Before specific items, purchases of telecommunications licences, pension deficit payments and the cash tax benefit of pension deficit payments
n/m = not meaningful

Notes:

1) Unless otherwise stated, any reference to revenue, operating costs, earnings before interest, tax, depreciation and amortisation (EBITDA), operating profit, profit before tax, earnings per share (EPS) and free cash flow are measured before specific items. The commentary focuses on the trading results on an adjusted basis being before specific items. This is consistent with the way that financial performance is measured by management and is reported to the Board and the Operating Committee and assists in providing a meaningful analysis of the trading results of the group. The directors believe that presentation of the group's results in this way is relevant to the understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Specific items may not be comparable to similarly titled measures used by other companies. Reported revenue, reported operating costs, reported EBITDA, reported operating profit, reported profit before tax, reported EPS and reported free cash flow are the equivalent unadjusted or statutory measures.

2) Underlying revenue, underlying costs and underlying EBITDA are measures which seek to reflect the underlying performance of the group that will contribute to long-term profitable growth and as such exclude the impact of acquisitions and disposals, foreign exchange movements and any specific items. We focus on the trends in underlying revenue excluding transit revenue as transit traffic is low-margin and is significantly affected by reductions in mobile termination rates.

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The fourth quarter and full year 2012/13 results presentation for analysts and investors will be held in London at 9.00am today and a simultaneous webcast will be available at www.bt.com/results

The BT Group plc Annual Report & Form 20-F 2013 is expected to be published on 23 May 2013. The Annual General Meeting of BT Group plc will be held at Edinburgh International Conference Centre, The Exchange, 150 Morrison St, Edinburgh, EH3 8EE on Wednesday 17 July 2013 at 11.00am.

Results for the first quarter to 30 June 2013 are expected to be announced on Thursday 25 July 2013.

About BT

BT is one of the world's leading providers of communications services and solutions, serving customers in more than 170 countries. Its principal activities include the provision of networked IT services globally; local, national and international telecommunications services to its customers for use at home, at work and on the move; broadband and internet products and services and converged fixed/mobile products and services. BT consists principally of four lines of business: BT Global Services, BT Retail, BT Wholesale and Openreach.

British Telecommunications plc (BT) is a wholly-owned subsidiary of BT Group plc and encompasses virtually all businesses and assets of the BT Group. BT Group plc is listed on stock exchanges in London and New York.

For more information, visit www.btplc.com

BT Group plc

RESULTS FOR THE YEAR TO 31 MARCH 2013

GROUP RESULTS

Operating results overview for the year
Our key measure of the group's revenue trend, underlying revenue excluding transit, was down 3%. In line with our guidance, underlying revenue excluding transit showed an improved trend in the second half of the year declining 1.8%, compared with a 4.4% decline in the first half of the year. This improvement includes stronger performances in the fourth quarter from BT Global Services, BT Consumer, BT Business and BT Wholesale.

The decline in underlying revenue excluding transit this year reflects lower revenue from calls and lines, the tough conditions in Europe and the financial services sector and regulatory price reductions.

Adjusted revenue was down 5% at £18,253m with a £293m reduction in transit revenue (including mobile termination rate reductions of £187m), a £168m negative impact from foreign exchange movements and a £36m negative net impact from acquisitions and disposals. Reported revenue, which includes specific items, was also 5% lower, at £18,017m.

Underlying operating costs[1] excluding transit were down 6%, reflecting our cost transformation activities and reduced cost of sales due to the decline in revenue. Operating costs[1] decreased by £1,166m, or 9%, to £12,464m. In aggregate, operating costs[1] and capital expenditure[2] have reduced by £4.7bn over the last four years despite greater investment in new areas of the business.

Net labour costs decreased by 4% as improved productivity and better systems and processes offset our investment programmes, the recruitment of around 1,600 engineers and the insourcing of around 4,000 jobs. Payments to telecommunications operators were down 15% reflecting lower mobile termination rates and reduced transit and wholesale call volumes. Property and energy costs were 4% lower in total as we drove better space utilisation but lower energy usage was more than offset by higher energy prices. Network operating and IT costs were 7% lower as we rationalise our networks and systems. Other operating costs decreased by 11% principally reflecting lower cost of sales due to the decline in revenue and the benefit of our cost transformation activities.

Adjusted EBITDA of £6,181m increased by 2%.

Depreciation and amortisation decreased by 4% to £2,843m largely due to more efficient delivery of our capital investment programmes over the last four years.

Net finance expense
Net finance expense was £653m, a decrease of £28m, due to a lower average cost of net debt.

Profit before tax
Adjusted profit before tax was £2,694m, up 11% reflecting the higher EBITDA, lower depreciation and amortisation and lower finance expense. Reported profit before tax (which includes specific items) was £2,501m, up 2%.

Tax
The effective tax rate on the profit before specific items for the year was 22.5% (2011/12: 24.1%). For 2013/14 we expect the effective tax rate to be around 23%.

Earnings per share
Adjusted EPS of 26.6p was up 12% principally reflecting the growth in profit before tax. Reported EPS (which includes specific items) was 26.7p, up 3%. These are based on a weighted average number of shares in issue of 7,832m (2011/12: 7,763m). A reconciliation of reported EPS to adjusted EPS is provided in Note 9.

Specific items
Specific items resulted in a net credit after tax of £3m (2011/12: £166m), the principal components of which are described below with full details provided in Note 4.

[1] Before depreciation and amortisation
[2] Before purchases of telecommunications licences

Charges of £151m and £36m were recognised against revenue and EBITDA, respectively, following Ofcom's determinations on historic Ethernet pricing. One-off charges of £85m and £58m were recognised against revenue and EBITDA, respectively, following the Court of Appeal decision that wholesale ladder termination pricing should not be applied for 0800, 0845 and 0870 calls from mobile phones terminating on our network. We also increased our provisions for insurance and litigation risks by £43m, having reassessed potential claims relating to certain historic matters.

Restructuring charges of £204m (2011/12: £64m) were incurred. These include amounts relating to the next phase of our group-wide restructuring programme which started in the third quarter. This programme includes rationalising and transforming our resources, processes, networks and systems within BT Global Services and reorganising BT Innovate & Design and BT Operate, our two internal service units, to form BT Technology, Service & Operations (BT TSO). By improving group-wide processes and simplifying our business, we will improve customer service and generate future cost savings.

A profit of £130m was recognised on the disposal of our remaining 23.2% interest in Tech Mahindra. Net interest income on pensions was £31m (2011/12: £197m). A specific item tax credit of £105m (2011/12: £164m) has also been recognised for the re-measurement of deferred tax balances due to the change in the UK statutory tax rate to 23% from 1 April 2013.

Capital expenditure

Capital expenditure excluding the purchases of telecommunications licences was £2,438m. Despite the accelerated fibre programme and other new investments, this was 6% lower than the prior year and below our guidance of around £2.6bn due to further efficiencies in our capital programmes. In the fourth quarter we also secured a 4G licence in the UK for a cost of £202m. This will enable us to provide our business and consumer customers with an enhanced range of mobile broadband services, building on our existing strength in wi-fi.

Free cash flow

Normalised free cash flow[1] was broadly level at £2,300m (2011/12: £2,307m) with lower capital expenditure and growth in EBITDA largely offset by working capital movements.

The cash cost of specific items was £366m (2011/12: £204m) mainly comprising restructuring costs of £147m, £95m from the historic Ethernet pricing determinations, cash payments of £67m from the ladder pricing decision relating to 2010/11 and 2011/12 and property rationalisation costs of £55m. Reported free cash flow, which includes the £560m tax benefit from pension deficit payments (2011/12: £215m), the purchase of our 4G licence and specific items, was £2,292m (2011/12: £2,318m).

A reconciliation of cash generated from operations to free cash flow is provided in Note 5.

Net debt and liquidity

Net debt was £7,797m at 31 March 2013, a reduction of £1,285m in the year, reflecting the strong cash generation of the business. This reduction was despite making £325m of pension deficit payments, purchasing the 4G licence, the share buyback of £302m and dividend payments of £683m. Net debt is reconciled in Note 6.

At 31 March 2013 the group had cash and current investment balances of £1.5bn and available facilities of a further £1.5bn providing us with a strong liquidity and funding position. Out of total gross debt of £9.3bn, £1.5bn is repayable in 2013/14.

Pensions

The IAS 19 net pension deficit at 31 March 2013 was £4.5bn net of tax (£5.9bn gross of tax), compared with £1.9bn (£2.4bn gross of tax) at 31 March 2012 and £4.3bn (£5.5bn gross of tax) at 31 December 2012. The increase in the deficit during the year principally reflects an exceptionally low real discount rate of 0.87%. This includes the impact of quantitative easing on the debt markets and a higher inflation assumption. The higher deficit is despite the strong investment returns and the £325m deficit payment which contributed to the BT Pension Scheme assets increasing by £3.0bn to a record high of £41.3bn.

The IAS 19 accounting position and key assumptions for the liability valuation are provided in Note 10.

IAS 19 'Employee Benefits (revised)' (IAS 19 Revised) came into effect from 1 April 2013 and will impact our pensions accounting as explained in 'Accounting standards, interpretations and amendments not yet effective' in

[1] Before specific items, purchases of telecommunications licences, pension deficit payments and the cash tax benefit of pension deficit payments

Note 3 to the Annual Report & Form 20-F 2013. Had this applied to the year ended 31 March 2013, operating costs would have been around £40m higher, at around £400m, and net finance income on pensions, which is classified as a specific item, would have been £150m lower, resulting in a net finance expense of around £120m.

We expect the pension operating charge in the income statement to be around £450m in 2013/14. This includes around £40m due to the adoption of IAS 19 Revised and a £50m increase mainly due to the lower discount rate and higher inflation assumptions. The net pension interest expense within specific items is expected to be around £240m. We also expect regular cash contributions to the BTPS to be around £210m in 2013/14, similar to 2012/13.

All-employee share option plans
Around 20,000 of our people benefited from our all-employee share option plans this year, receiving BT shares worth over £12,000 per person on average. To counteract the dilutive effect of these share options, we acquired 131m shares as part of our buyback programme.

Over the next two years around 34,500 of our people could each receive shares worth over £28,000 on average, based on the share price at 31 March 2013.

Dividends
The Board is proposing a final dividend of 6.5p, up 14%, giving a full year dividend of 9.5p, up 14% (2011/12: 12%). Subject to shareholder approval, this will be paid on 2 September 2013 to shareholders on the register at 9 August 2013. The ex-dividend date is 7 August 2013. The final dividend, amounting to approximately £514m (2011/12: £453m), will be recognised as an appropriation of retained earnings in the quarter to 30 September 2013.

Regulation
There were a number of regulatory decisions and outcomes of appeals that affected us during the year and will impact us in the future.

The charge controls for WLR, LLU and ISDN30 products which became effective in April 2012 had a negative impact of around £120m on group revenue and EBITDA in the year. We expect a further similar impact in 2013/14. The July 2012 Court of Appeal decision against wholesale ladder termination pricing also impacted 2012/13 EBITDA growth by around £30m.

In the fourth quarter Ofcom issued its final determinations on the Business Connectivity Market Review and the associated Leased Lines Charge Control. These are likely to have a net negative year on year impact of around £50m-£100m on group revenue and EBITDA in 2013/14 with a further similar impact in 2014/15.

Ofcom also issued a consultation document on the Wholesale Narrowband Market Review setting out proposals for regulating the markets for the next three-year period. A new charge control has been proposed for certain services. This will start from 1 October 2013 and is expected to reduce our revenue from fixed call termination, with this partly offset by an increase in prices on call origination.

We expect the Fixed Access Market Review and associated charge controls, which are due to take effect from April 2014, to be published in the next few months.

Fibre and broadband
We have now passed more than 15m premises with our fibre broadband network, with an increase of around 6.2m in the year. There are now more than 1.5m homes and businesses using our fibre-based services, having more than doubled in the year with 873,000 net connections.

The broadband[1] market continued to grow with 834,000 net additions in the year. This takes the total number of broadband connections on our network to 17.6m, provided through more than 150 service providers. We added 424,000 retail broadband[1] customers in the year, a 51% share, taking our customer base to around 6.7m, up 7%.

Principal risks and uncertainties
The group’s principal risks and uncertainties are disclosed in Note 11.

[1] DSL and fibre, excluding cable

Outlook
We continue to expect an improved trend in underlying revenue excluding transit in 2013/14 compared with 2012/13.

We expect adjusted EBITDA to be £6.0bn−£6.1bn in 2013/14. The small decline compared with 2012/13 is despite underlying improvements in our business performance and is more than accounted for by our investment in BT Sport and the higher pension operating charge. The EBITDA performance in the first half of the year will be impacted by our upfront investment in BT Sport. We expect adjusted EBITDA to increase to £6.2bn−£6.3bn in 2014/15 and to grow further in 2015/16.

We expect the next phase of our restructuring programme to reduce our cost base by around £200m per year, with this run-rate largely achieved in 2014/15, contributing to an improvement in EBITDA and capital expenditure efficiency. We expect around £400m of further specific restructuring costs, most of which will be incurred in 2013/14.

We expect capital expenditure in 2013/14 and 2014/15 to be broadly level with 2012/13. We will continue to invest extensively in fibre broadband while benefiting from efficiency savings in other areas due to our cost transformation activities, including our restructuring programme.

We expect higher levels of normalised free cash flow than previously, at around £2.3bn in 2013/14, around £2.6bn in 2014/15 and to grow further in 2015/16.

We continue to expect to increase the dividend per share by 10%−15% per year for the next two years.

We also expect to spend around £300m per year for the next two years on our share buyback programme which will partly counteract the dilutive effect of all-employee share option plans maturing over this period. As in 2012/13 we may undertake the buyback through a combination of direct market purchases and purchases by our Employee Benefit Trust.

RESULTS FOR THE FOURTH QUARTER TO 31 MARCH 2013

GROUP RESULTS

Operating results overview

Underlying revenue excluding transit was flat, an improvement compared with recent quarters reflecting stronger performances from BT Global Services, BT Consumer, BT Business and BT Wholesale. Adjusted revenue was 2% lower at £4,785m with transit revenue down by £81m, a £12m favourable impact from foreign exchange movements and a £2m net negative impact from acquisitions and disposals.

Underlying operating costs[1] excluding transit were down 2%. Total operating costs[1] decreased by £140m, or 4%.

Net labour costs decreased by 3% mainly reflecting improved productivity and better systems and processes offsetting the recruitment of additional engineers and insourcing of some activities. Payments to telecommunications operators were down 9% reflecting lower mobile termination rates and reduced transit and wholesale call volumes. Property and energy costs were 2% lower and network operating and IT costs were 10% lower as we rationalise our networks and systems. Other operating costs decreased by 2%.

Adjusted EBITDA increased by 4% to £1,673m.

Depreciation and amortisation decreased by 7% to £692m largely due to more efficient delivery of our capital investment programmes over the last four years.

Net finance expense

Net finance expense was £148m, a decrease of £25m due to the lower average cost of net debt.

Profit before tax

Adjusted profit before tax was £833m, up 21% reflecting the higher EBITDA, lower depreciation and amortisation and lower finance expense. Reported profit before tax (which includes specific items) was £687m, down 5%.

Tax

The effective tax rate on the profit before specific items for the quarter was 22.1% (Q4 2011/12: 24.1%).

Earnings per share

Adjusted EPS of 8.3p was up 22%, principally reflecting higher profit before tax. Reported EPS (which includes specific items) was 7.5p, down 7%. These are based on a weighted average number of shares in issue of 7,838m (Q4 2011/12: 7,771m).

Specific items

Specific items in the quarter resulted in a net charge after tax of £58m (Q4 2011/12: £107m net credit). Restructuring charges of £151m (Q4 2011/12: £14m) were incurred as part of the next phase of our group-wide restructuring programme. Net interest income on pensions was £7m (Q4 2011/12: £48m).

Capital expenditure

Capital expenditure excluding the purchases of telecommunications licences was £648m, down 7% reflecting efficiencies in our capital programmes.

Free cash flow

Normalised free cash flow was an inflow of £1,301m, up 43% compared with the prior year. This increase principally reflects favourable working capital movements, lower capital expenditure, lower tax payments and growth in EBITDA.

The cash cost of specific items was £147m (Q4 2011/12: £53m) comprising restructuring costs of £87m, property rationalisation costs of £9m and £51m from the historic Ethernet pricing determinations. Reported free cash flow, which includes the £79m tax benefit from pension deficit payments (Q4 2011/12: £nil), the £202m purchase of our 4G licence and specific items, was £1,031m (Q4 2011/12: £856m).

[1] Before depreciation and amortisation

OPERATING REVIEW

BT Global Services

	Fourth quarter to 31 March				Year to 31 March			
	2013	2012	Change		**2013**	2012	Change	
	£m	£m	£m	%	**£m**	£m	£m	%
Revenue	**1,933**	1,996	(63)	(3)	**7,166**	7,809	(643)	(8)
- underlying excluding transit				(3)				(6)
Net operating costs[1]	**1,719**	1,810	(91)	(5)	**6,540**	7,182	(642)	(9)
EBITDA	**214**	186	28	15	**626**	627	(1)	(0)
Depreciation & amortisation	**159**	178	(19)	(11)	**623**	712	(89)	(13)
Operating profit (loss)	**55**	8	47	n/m	**3**	(85)	88	104
Capital expenditure	**151**	149	2	1	**525**	560	(35)	(6)
Operating cash flow	**404**	164	240	146	**6**	183	(177)	n/m

[1] Net of other operating income
n/m = not meaningful

Revenue
Underlying revenue excluding transit decreased by 3% in the quarter and 6% in the year reflecting the tough conditions in Europe and the financial services sector.

Revenue was down 3% in the quarter including an £18m decline in transit revenue, an £8m impact from disposals and a £10m positive impact from foreign exchange movements. Revenue was down 8% in the year.

Total order intake was £2.0bn in the quarter (Q3 2012/13: £1.9bn; Q4 2011/12: £2.0bn) and £6.3bn in the year. In the quarter, we signed contracts with leading organisations around the world including: AstraZeneca, to manage their network IT services; Anglo American, for global networking and for application performance monitoring; the Department for Work and Pensions, to provide network, telephony, conferencing and contact centre infrastructure; Media-Saturn Group, for IP Connect and Ethernet Connect services to around 750 locations across Europe; Rolls-Royce, for BT Connect network services to link 160 locations globally; and Admoncall in Mexico, for communications and voice services.

Operating results
Underlying net operating costs excluding transit costs declined by 4% in the quarter and 7% in the year, reflecting the impact of lower revenue and our cost transformation programmes. Net operating costs decreased by 5% in the quarter and 9% in the year.

During the quarter we accelerated the transformation of our end-to-end customer service processes to improve service and reduce costs, and made our back-office functions more efficient. We continued to optimise our network to enhance availability and reliability for customers and reduce third party costs. We have improved commercial terms with our suppliers and launched a programme of property optimisation outside the UK.

EBITDA in the quarter increased by 15%, or 13% excluding foreign exchange movements and disposals, partly reflecting the timing of costs during the year. EBITDA was flat in the year, or up 4% excluding foreign exchange movements and disposals.

Depreciation and amortisation reduced by 11% in the quarter and 13% in the year as a result of lower capital expenditure in recent years. Operating profit was up £47m in the quarter and £88m in the year, resulting in a positive full year operating profit for the first time in five years.

Capital expenditure was up 1% in the quarter but down 6% in the year. EBITDA less capital expenditure increased by £26m to £63m in the quarter and by £34m to £101m for the year.

Operating cash flow of £404m in the quarter was £240m higher, reflecting the increase in EBITDA and timing of working capital flows. Operating cash flow for the year was an inflow of £6m. As expected this was lower than the prior year reflecting the phasing of working capital.

BT Retail

	Fourth quarter to 31 March				Year to 31 March			
	2013	2012	Change		**2013**	2012	Change	
	£m	£m	£m	%	**£m**	£m	£m	%
Revenue	**1,868**	1,861	7	0	**7,228**	7,393	(165)	(2)
Net operating costs[1]	**1,357**	1,375	(18)	(1)	**5,293**	5,563	(270)	(5)
EBITDA	**511**	486	25	5	**1,935**	1,830	105	6
Depreciation & amortisation	**98**	105	(7)	(7)	**390**	410	(20)	(5)
Operating profit	**413**	381	32	8	**1,545**	1,420	125	9
Capital expenditure	**95**	123	(28)	(23)	**375**	434	(59)	(14)
Operating cash flow	**494**	440	54	12	**1,508**	1,362	146	11

[1] Net of other operating income

Revenue
Revenue was flat in the quarter and down 2% in the year.

Consumer revenue was flat in the quarter, the best performance for five years due to growth in fibre and a slower decline in calls and lines revenue. Revenue decreased by 2% in the year.

In the quarter we added 136,000 retail broadband customers, representing 48% of the DSL and fibre broadband market net additions. We added 211,000 retail fibre broadband customers and now have around 1.3m customers. Our TV net additions increased to 40,000 taking the customer base to 810,000. There are now over 5m BT Wi-fi hot spots and minutes trebled year on year for the third quarter running, reaching 4.7bn minutes in the quarter and over 13bn minutes for the year.

In the quarter we agreed to acquire ESPN's UK and Ireland TV channels business. Combining this content with our existing rights will enable BT Sport customers to see live coverage of the FA Premier League, the FA Cup, Scottish Premier League, UEFA Europa League, and the top league in Germany, Italy, France, USA and Brazil. In addition to football, we will also offer live English and French club rugby, WTA tennis and Moto GP. We have now announced our BT Sport proposition. Launching in August, the three channels, BT Sport 1, BT Sport 2 and ESPN will show a wide variety of world-class sport and will be free with BT broadband, or £12 per month to non-BT broadband customers.

Business revenue was flat in the quarter and down 3% in the year. The improved trend in the quarter was due to 10% growth in IT services and a slower decline in voice revenue. Our line losses decreased for the second consecutive quarter.

BT Enterprises underlying revenue was down 2% in the quarter and down 1% in the year, with growth in BT Wi-fi offset by declines in other divisions. During the quarter, we acquired Tikit Group plc, one of the largest independent suppliers of technology solutions and services to legal and accounting firms, as part of our strategy to expand our specialist IT services capabilities.

BT Ireland underlying revenue increased by 5% in the quarter and 4% in the year with growth in both Northern Ireland and the Republic of Ireland. In Northern Ireland 52% of our consumer broadband customers now take fibre-based services. In the Republic of Ireland the wholesale business continued to grow and we agreed a multi-year contract with UTV for BT Ireland to provide wholesale voice and broadband services.

Operating results
Net operating costs declined by 1% in the quarter. This was below the recent trend as our cost transformation programmes were partly offset by additional costs associated with the improved revenue trend, and by the investment in BT Sport. EBITDA increased by 5% and with depreciation and amortisation decreasing by 7%, operating profit was up 8%. EBITDA was up 6% in the year.

Capital expenditure decreased by 23% in the quarter and 14% in the year as the prior year included additional broadband related investment. Operating cash flow increased by 12% in the quarter and 11% in the year reflecting the growth in EBITDA and lower capital expenditure.

BT Wholesale

	Fourth quarter to 31 March				Year to 31 March			
	2013	2012	Change		**2013**	2012	Change	
	£m	£m	£m	%	**£m**	£m	£m	%
Revenue	**914**	958	(44)	(5)	**3,588**	3,923	(335)	(9)
- underlying excluding transit				2				(2)
Net operating costs[1]	**615**	665	(50)	(8)	**2,420**	2,715	(295)	(11)
EBITDA	**299**	293	6	2	**1,168**	1,208	(40)	(3)
Depreciation & amortisation	**149**	154	(5)	(3)	**593**	604	(11)	(2)
Operating profit	**150**	139	11	8	**575**	604	(29)	(5)
Capital expenditure	**52**	91	(39)	(43)	**233**	336	(103)	(31)
Operating cash flow	**316**	314	2	1	**896**	800	96	12

[1] Net of other operating income

Revenue

Underlying revenue excluding transit increased by 2% in the quarter. This was a significant improvement compared with recent quarters due to growth in managed network services (MNS) more than offsetting the impact of broadband lines migrating to LLU. In the year, underlying revenue excluding transit declined by 2%, or by 1% excluding ladder pricing.

Revenue decreased by 5% in the quarter and 9% in the year mainly due to a decline in transit revenue of £63m in the quarter and £277m in the year, driven by mobile termination rate reductions and lower volumes. MNS represented 32% of external revenue in the year, up from 27% last year.

IP Exchange voice minutes increased by around 60% in the quarter. Revenue from IP Exchange in BT Wholesale and BT Global Services was over £100m for the year.

Total order intake in the quarter was over £800m, compared with around £220m last year. This takes the total to over £2bn for the year (2011/12: around £750m). This included a number of contract re-signs and extensions including those with the large UK mobile network operators: EE, MBNL, O2 and Vodafone. In the quarter we signed a ten year contract with Telefonica UK to support the introduction of 4G services to its O2 customers. We will provide a sizeable increase in backhaul capacity to new and existing sites, and also build a dedicated high capacity transmission network.

Operating results

Net operating costs decreased by 8% in the quarter, but increased by 2% excluding transit costs. This reflects the higher cost of sales associated with the growth in revenue and mix changes partly offset by an 11% decrease in selling, general and administrative costs. EBITDA increased by 2% in the quarter. In the full year EBITDA declined by 3%, or 1% excluding ladder pricing. Depreciation and amortisation reduced by 3% in the quarter, and operating profit increased by 8%.

Capital expenditure decreased by 43% primarily due to lower spend on our Wholesale Broadband Connect network, which now covers more than 90% of premises, and due to reduced Ethernet spend. Operating cash flow increased by 1% as the improved operating performance was largely offset by working capital movements. Operating cash flow was up 12% in the year.

Openreach

	Fourth quarter to 31 March				Year to 31 March			
	2013	2012	Change		**2013**	2012	Change	
	£m	£m	£m	%	**£m**	£m	£m	%
Revenue	**1,267**	1,301	(34)	(3)	**5,067**	5,136	(69)	(1)
Net operating costs[1]	**667**	698	(31)	(4)	**2,753**	2,837	(84)	(3)
EBITDA	**600**	603	(3)	0	**2,314**	2,299	15	1
Depreciation & amortisation	**241**	239	2	1	**972**	939	33	4
Operating profit	**359**	364	(5)	(1)	**1,342**	1,360	(18)	(1)
Capital expenditure	**293**	279	14	5	**1,144**	1,075	69	6
Operating cash flow	**327**	364	(37)	(10)	**1,147**	1,195	(48)	(4)

[1] Net of other operating income

Revenue
The continued impact of regulatory price changes reduced revenue by around £50m in the quarter and around £180m in the year. This was partially offset by growth in fibre broadband and Ethernet resulting in an overall revenue decline of 3% in the quarter and 1% in the year.

The physical line base grew by 88,000 in the quarter and by 54,000 in the year. The additional engineering resource we have recruited has helped to address provision lead times and deliver more fault repair activity resulting from one of the wettest years on record.

We passed a further 1.8m premises with our fibre broadband network in the quarter resulting in an increase of 6.2m in the year – a growth rate of around 120,000 per week. We have now passed more than 15m premises. We believe that, together with government support and subject to an acceptable investment environment, we can pass more than 90% of premises with our network in the next three to four years. We achieved around 270,000 fibre connections in the quarter, with more than 1.5m homes and businesses now connected. This take up rate compares favourably with experiences of other large European economies.

In the quarter we won 10 Broadband Delivery UK (BDUK) regional bids to deploy fibre broadband including in Cambridgeshire, Devon & Somerset, Wiltshire, South Gloucestershire, Hampshire, Shropshire and Highlands & Islands. This brings the total number of bids won in the year to 19. We have now passed well over half of the premises in Cornwall, one of the least densely populated regions in the UK. With the programme progressing well, we will be able to re-invest efficiencies we are achieving to extend coverage to 95% of homes and businesses, up from a target of 80%−90% at launch.

Operating results
Net operating costs reduced by 4% in the quarter in part reflecting cost efficiencies. EBITDA was flat, and with depreciation and amortisation increasing by 1%, operating profit was down 1%. EBITDA was up 1% in the year.

Capital expenditure increased by 5% in the quarter reflecting the acceleration of our fibre broadband roll out. Operating cash flow was down 10% due to the higher capital expenditure and timing of debtor receipts. Operating cash flow was down 4% in the year.

FINANCIAL STATEMENTS

Group income statement

For the fourth quarter to 31 March 2013

	Note	Before specific items £m	Specific items (Note 4) £m	Total £m
Revenue	2	4,785	-	**4,785**
Other operating income		111	-	**111**
Operating costs	3	(3,915)	(151)	**(4,066)**
Operating profit		981	(151)	**830**
Finance expense		(151)	(497)	**(648)**
Finance income		3	502	**505**
Net finance expense		(148)	5	**(143)**
Profit before tax		833	(146)	**687**
Tax		(184)	88	**(96)**
Profit for the period		649	(58)	**591**
Earnings per share	9			
- basic		8.3p		**7.5p**
- diluted		7.9p		**7.2p**

Group income statement

For the fourth quarter to 31 March 2012

	Note	Before specific items £m	Specific items (Note 4) £m	Total £m
Revenue	2	4,875	-	**4,875**
Other operating income		97	-	**97**
Operating costs	3	(4,109)	(14)	**(4,123)**
Operating profit		863	(14)	**849**
Finance expense		(177)	(524)	**(701)**
Finance income		4	572	**576**
Net finance expense		(173)	48	**(125)**
Profit before tax		690	34	**724**
Tax		(166)	73	**(93)**
Profit for the period		524	107	**631**
Earnings per share	9			
- basic		6.8p		**8.1p**
- diluted		6.4p		**7.7p**

Group income statement
For the year to 31 March 2013

	Note	Before specific items £m	Specific items (Note 4) £m	Total £m
Revenue	2	18,253	(236)	**18,017**
Other operating income		392	7	**399**
Operating costs	3	(15,307)	(123)	**(15,430)**
Operating profit		3,338	(352)	**2,986**
Finance expense		(666)	(1,977)	**(2,643)**
Finance income		13	2,006	**2,019**
Net finance expense		(653)	29	**(624)**
Share of post tax profits of associates and joint ventures		9	-	**9**
Profit on disposal of associate		-	130	**130**
Profit before tax		2,694	(193)	**2,501**
Tax		(606)	196	**(410)**
Profit for the year		2,088	3	**2,091**
Earnings per share	9			
- basic		26.6p		**26.7p**
- diluted		25.4p		**25.5p**

Group income statement
For the year to 31 March 2012

	Note	Before specific items £m	Specific items (Note 4) £m	Total £m
Revenue	2	19,307	(410)	**18,897**
Other operating income		387	(19)	**368**
Operating costs	3	(16,602)	256	**(16,346)**
Operating profit		3,092	(173)	**2,919**
Finance expense		(692)	(2,092)	**(2,784)**
Finance income		11	2,289	**2,300**
Net finance expense		(681)	197	**(484)**
Share of post tax profits of associates and joint ventures		10	-	**10**
Profit before tax		2,421	24	**2,445**
Tax		(584)	142	**(442)**
Profit for the year		1,837	166	**2,003**
Earnings per share	9			
- basic		23.7p		**25.8p**
- diluted		22.4p		**24.4p**

Group statement of comprehensive income
For the fourth quarter and year to 31 March

	Fourth quarter to 31 March		Year to 31 March	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Profit for the period	**591**	631	**2,091**	2,003
Other comprehensive (loss) income				
Items that will not be reclassified to the income statement				
Actuarial (losses) gains relating to retirement benefit obligations	**(781)**	901	**(3,755)**	(2,744)
Tax on actuarial (losses) gains	**176**	(321)	**805**	600
Items that may be reclassified subsequently to the income statement				
Exchange differences on translation of foreign operations	**116**	(58)	**59**	(105)
Fair value movements on available-for-sale assets	**16**	4	**14**	(3)
Fair value movements on cash flow hedges:				
- net fair value gains (losses)	**401**	(118)	**105**	(56)
- recognised in income and expense	**(335)**	88	**(168)**	179
Tax on components of other comprehensive income that may be reclassified	**(1)**	15	**24**	(23)
Other comprehensive (loss) income for the period, net of tax	**(408)**	511	**(2,916)**	(2,152)
Total comprehensive (loss) income for the period	**183**	1,142	**(825)**	(149)

Group statement of changes in equity
For the year to 31 March 2013

	Share capital	**Share premium**	**Own shares**	**Other reserves**	**Retained earnings**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 April 2011	**408**	**62**	**(1,078)**	**1,763**	**796**	**1,951**
Profit for the year	-	-	-	-	2,003	2,003
Other comprehensive loss – before tax	-	-	-	(163)	(2,745)	(2,908)
Tax on other comprehensive loss	-	-	-	(23)	600	577
Transferred to the income statement	-	-	-	179	-	179
Comprehensive loss	-	-	-	(7)	(142)	(149)
Dividends to shareholders	-	-	-	-	(589)	(589)
Share-based payments	-	-	-	-	75	75
Tax on share-based payments	-	-	-	-	17	17
Net issuance of own shares	-	-	60	-	(40)	20
Other movements	-	-	-	-	(17)	(17)
At 1 April 2012	**408**	**62**	**(1,018)**	**1,756**	**100**	**1,308**
Profit for the year	-	-	-	-	2,091	2,091
Other comprehensive income (loss) – before tax	-	-	-	178	(3,755)	(3,577)
Tax on other comprehensive income (loss)	-	-	-	24	805	829
Transferred to the income statement	-	-	-	(168)	-	(168)
Comprehensive income (loss)	-	-	-	34	(859)	(825)
Dividends to shareholders	-	-	-	-	(684)	(684)
Share-based payments	-	-	-	-	64	64
Tax on share-based payments	-	-	-	-	68	68
Net issuance of own shares	-	-	186	-	(379)	(193)
At 31 March 2013	**408**	**62**	**(832)**	**1,790**	**(1,690)**	**(262)**

Group cash flow statement
For the fourth quarter and year to 31 March

	Fourth quarter to 31 March		Year to 31 March	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Profit before tax	**687**	724	**2,501**	2,445
Depreciation and amortisation	**692**	746	**2,843**	2,972
Net finance expense	**143**	125	**624**	484
(Profit) loss on disposal of subsidiary	**-**	-	**(7)**	19
Associates and joint ventures	**-**	-	**(9)**	(10)
Profit on disposal of associate	**-**	-	**(130)**	-
Share-based payments	**9**	17	**64**	75
Decrease (increase) in working capital	**533**	349	**(2)**	(25)
Provisions, pensions and other non-cash movements[1]	**(421)**	(2,108)	**(525)**	(2,002)
Cash inflow (outflow) from operations	**1,643**	(147)	**5,359**	3,958
Tax paid	**(25)**	(172)	**(64)**	(400)
Net cash inflow (outflow) from operating activities	**1,618**	(319)	**5,295**	3,558
Cash flow from investing activities				
Interest received	**1**	5	**9**	8
Dividends received from associates and joint ventures	**2**	-	**3**	4
Proceeds on disposal of property, plant and equipment	**29**	5	**43**	18
Acquisition of subsidiaries, net of cash acquired	**(54)**	-	**(60)**	(5)
Acquisition of joint ventures	**-**	-	**(5)**	-
Sale of subsidiaries, net of cash and bank overdrafts	**-**	-	**17**	13
Disposal of associates	**-**	-	**270**	7
Purchases of property, plant & equipment and computer software	**(601)**	(690)	**(2,481)**	(2,578)
Purchases of telecommunications licences	**(202)**	-	**(202)**	-
Net sale of non-current asset investments	**-**	-	**1**	1
Purchase of current financial assets	**(2,200)**	(2,518)	**(8,875)**	(8,845)
Sale of current financial assets	**3,343**	3,345	**8,856**	8,329
Net cash received (used) in investing activities	**318**	147	**(2,424)**	(3,048)
Cash flow from financing activities				
Interest paid	**(141)**	(145)	**(701)**	(693)
Equity dividends paid	**(234)**	(202)	**(683)**	(590)
New borrowings	**2**	-	**798**	-
Repayment of borrowings and finance lease liabilities	**(1,359)**	(4)	**(1,678)**	(28)
Cash flows from derivatives related to net debt	**39**	(28)	**33**	258
Net proceeds on commercial paper	**199**	591	**153**	522
Proceeds from issue of own shares	**12**	10	**109**	21
Repurchase of ordinary share capital	**(73)**	-	**(302)**	-
Net cash (used) received in financing activities	**(1,555)**	222	**(2,271)**	(510)
Net increase in cash and cash equivalents	**381**	50	**600**	-
Opening cash and cash equivalents	**533**	275	**323**	325
Net increase in cash and cash equivalents	**381**	50	**600**	-
Effect of exchange rate changes	**5**	(2)	**(4)**	(2)
Closing cash and cash equivalents	**919**	323	**919**	323

[1] Includes pension deficit payments of £325m in Q4 2012/13 and FY 2012/13 (Q4 2011/12 and FY 2011/12: £2,000m)

Group balance sheet

	31 March 2013 £m	31 March 2012 £m
Non-current assets		
Intangible assets	**3,258**	3,127
Property, plant and equipment	**14,153**	14,388
Derivative financial instruments	**1,080**	886
Investments	**64**	68
Associates and joint ventures	**28**	153
Trade and other receivables	**184**	169
Deferred tax assets	**1,438**	626
	20,205	19,417
Current assets		
Inventories	**103**	104
Trade and other receivables	**2,877**	3,307
Current tax receivable	**16**	139
Derivative financial instruments	**170**	137
Investments	**531**	513
Cash and cash equivalents	**924**	331
	4,621	4,531
Current liabilities		
Loans and other borrowings	**1,736**	2,887
Derivative financial instruments	**74**	89
Trade and other payables	**5,521**	5,962
Current tax liabilities	**100**	66
Provisions	**120**	251
	7,551	9,255
Total assets less current liabilities	**17,275**	14,693
Non-current liabilities		
Loans and other borrowings	**8,277**	7,599
Derivative financial instruments	**802**	757
Retirement benefit obligations	**5,856**	2,448
Other payables	**883**	875
Deferred tax liabilities	**1,209**	1,100
Provisions	**510**	606
	17,537	13,385
Equity		
Ordinary shares	**408**	408
(Deficit) reserves	**(670)**	900
Total (deficit) equity	**(262)**	1,308
	17,275	14,693

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation and accounting policies

The final results for the year to 31 March 2013 have been extracted from the audited consolidated financial statements which have not yet been delivered to the Registrar of Companies but are expected to be published on 23 May 2013. The financial statements for the fourth quarter to 31 March 2013 are unaudited.

The financial information set out above does not constitute the company's statutory accounts for the years to 31 March 2013 or 2012 but is derived from those accounts. Statutory accounts for the year to 31 March 2012 were approved by the Board of Directors on 9 May 2012, published on 24 May 2012 and delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports (i) were unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for the year to 31 March 2012 and 31 March 2013.

Government grants

Our policy for the recognition of government grants was changed from 1 April 2012. Under the new policy, capital expenditure and operating costs are recognised net of government grants receivable. This net presentation is considered a more appropriate policy than the previous gross presentation as it better presents the incremental costs to the business. The new policy has been applied prospectively and comparative financial information has not been restated on the basis of the immaterial impact of grants on prior period financial information.

Changes in presentation of the financial statements

The following changes have been made to the presentation of the group statement of changes in equity in the current year:

- Own shares (formerly Treasury shares) balance is now presented as a separate line item within the equity section of the group's balance sheet. In previous years it was presented as part of Other reserves;
- Capital redemption reserve is now included in Other reserves within equity in the group's balance sheet rather than as a separate item within the equity section of the group's balance sheet.

The comparative information has also been re-presented accordingly.

In addition, following the Financial Reporting Council's objective of cutting clutter from financial statements, separate non-controlling interests disclosures have been removed from the group's consolidated financial statements and the related notes because they are not material – profit for the year £2m (2011/12: £1m, 2010/11: £2m); total comprehensive income for the year £3m (2011/12: £2m, 2010/11: £2m); and equity in the balance sheet £14m (2011/12: £11m).

As the changes summarised above only represent changes in presentation or, in the case of non-controlling interests, are immaterial to the group's consolidated financial statements, a restated opening balance sheet is not provided. This is because the changes do not have any impact on the profit for the year, other comprehensive income (loss) for the year, assets and liabilities or total equity.

2 Operating results – by line of business[1]

	External revenue £m	Internal revenue £m	Group revenue £m	Group EBITDA £m	Group operating profit (loss) £m
Fourth quarter to 31 March 2013					
BT Global Services	**1,933**	**-**	**1,933**	**214**	**55**
BT Retail	**1,710**	**158**	**1,868**	**511**	**413**
BT Wholesale	**669**	**245**	**914**	**299**	**150**
Openreach	**452**	**815**	**1,267**	**600**	**359**
Other and intra-group items[2]	**21**	**(1,218)**	**(1,197)**	**49**	**4**
Total	**4,785**	**-**	**4,785**	**1,673**	**981**
Fourth quarter to 31 March 2012					
BT Global Services	1,996	-	1,996	186	8
BT Retail	1,723	138	1,861	486	381
BT Wholesale	713	245	958	293	139
Openreach	426	875	1,301	603	364
Other and intra-group items[2]	17	(1,258)	(1,241)	41	(29)
Total	4,875	-	4,875	1,609	863
Year to 31 March 2013					
BT Global Services	**7,166**	**-**	**7,166**	**626**	**3**
BT Retail	**6,672**	**556**	**7,228**	**1,935**	**1,545**
BT Wholesale	**2,607**	**981**	**3,588**	**1,168**	**575**
Openreach	**1,747**	**3,320**	**5,067**	**2,314**	**1,342**
Other and intra-group items[2]	**61**	**(4,857)**	**(4,796)**	**138**	**(127)**
Total	**18,253**	**-**	**18,253**	**6,181**	**3,338**
Year to 31 March 2012					
BT Global Services	7,809	-	7,809	627	(85)
BT Retail	6,882	511	7,393	1,830	1,420
BT Wholesale	2,943	980	3,923	1,208	604
Openreach	1,623	3,513	5,136	2,299	1,360
Other and intra-group items[2]	50	(5,004)	(4,954)	100	(207)
Total	19,307	-	19,307	6,064	3,092

[1] Before specific items
[2] Elimination of intra-group revenue, which is included in the total revenue of the originating business

3 Operating costs

	Fourth quarter to 31 March		Year to 31 March	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Direct labour costs	**1,177**	1,197	**4,689**	4,788
Indirect labour costs	**205**	210	**845**	914
Leaver costs	**7**	29	**58**	97
Total labour costs	**1,389**	1,436	**5,592**	5,799
Capitalised labour	**(245)**	(257)	**(966)**	(987)
Net labour costs	**1,144**	1,179	**4,626**	4,812
Payments to telecommunications operators	**676**	742	**2,677**	3,153
Property and energy costs	**249**	253	**1,022**	1,066
Network operating and IT costs	**138**	153	**587**	630
Other costs	**1,016**	1,036	**3,552**	3,969
Operating costs before depreciation and specific items	**3,223**	3,363	**12,464**	13,630
Depreciation and amortisation	**692**	746	**2,843**	2,972
Total operating costs before specific items	**3,915**	4,109	**15,307**	16,602
Specific items (Note 4)	**151**	14	**123**	(256)
Total operating costs	**4,066**	4,123	**15,430**	16,346

4 Specific items

The group separately identifies and discloses those items that in management's judgement need to be disclosed by virtue of their size, nature or incidence (termed 'specific items'). This is consistent with the way that financial performance is measured by management and assists in providing a meaningful analysis of the trading results of the group. Specific items may not be comparable to similarly titled measures used by other companies.

	Fourth quarter to 31 March		Year to 31 March	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Specific revenue				
Retrospective regulatory rulings	**-**	-	**236**	410
Specific other operating income				
(Profit) loss on disposal of businesses	**-**	-	**(7)**	19
Specific operating items				
Restructuring charges	**151**	14	**204**	64
Property rationalisation costs	**-**	-	**-**	90
Retrospective regulatory rulings	**-**	-	**(142)**	(410)
Impairment charges	**-**	-	**18**	-
Provisions for claims	**-**	-	**43**	-
Specific operating costs	**151**	14	**123**	(256)
EBITDA impact (Note 7)	**151**	14	**352**	173
Net interest income on pensions	**(7)**	(48)	**(31)**	(197)
Interest on provisions for claims	**2**	-	**2**	-
Profit on disposal of interest in associate	**-**	-	**(130)**	-
Net specific items charge (credit) before tax	**146**	(34)	**193**	(24)
Tax (credit) charge on specific items before tax[1]	**(61)**	9	**(91)**	22
Tax credit on re-measurement of deferred tax	**(27)**	(82)	**(105)**	(164)
Net specific items charge (credit) after tax	**58**	(107)	**(3)**	(166)

[1] On finalising the tax computations for the year, a credit has been recognised for deferred tax liabilities in relation to unremitted earnings from associates disposed of during the year.

5 Free cash flow

Free cash flow is not a measure defined under IFRS but is a key indicator used by management to assess operational performance.

	Fourth quarter to 31 March		Year to 31 March	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Cash generated from operations	**1,643**	(147)	**5,359**	3,958
Tax paid	**(25)**	(172)	**(64)**	(400)
Net cash inflow (outflow) from operating activities	**1,618**	(319)	**5,295**	3,558
Add back pension deficit payments	**325**	2,000	**325**	2,000
Included in cash flows from investing activities				
Net purchase of property, plant, equipment and software	**(774)**	(685)	**(2,640)**	(2,560)
Dividends received from associates	**2**	-	**3**	4
Interest received	**1**	5	**9**	8
Net sale of non-current financial assets	**-**	-	**1**	1
Included in cash flows from financing activities				
Interest paid	**(141)**	(145)	**(701)**	(693)
Reported free cash flow	**1,031**	856	**2,292**	2,318
Net cash outflow from specific items	**147**	53	**366**	204
Cash tax benefit of pension deficit payments	**(79)**	-	**(560)**	(215)
Purchases of telecommunications licences	**202**	-	**202**	-
Normalised free cash flow	**1,301**	909	**2,300**	2,307

6 Net debt

Net debt is not a measure defined under IFRS but is a key indicator used by management to assess operational performance.

	At 31 March	
	2013	2012
	£m	£m
Loans and other borrowings[1]	**10,013**	10,486
Cash and cash equivalents	**(924)**	(331)
Current asset investments	**(531)**	(513)
	8,558	9,642
Adjustments:		
To re-translate currency denominated balances at swapped rates where hedged	(417)	(228)
To remove fair value adjustments and accrued interest applied to reflect the effective interest method	(344)	(332)
Net debt	**7,797**	9,082

[1] Includes overdrafts of £5m at 31 March 2013 (31 March 2012: £8m)

7 Reconciliation of earnings before interest, taxation, depreciation and amortisation

Earnings before interest, taxation, depreciation and amortisation (EBITDA) is not a measure defined under IFRS, but is a key indicator used by management to assess operational performance. A reconciliation of reported profit before tax to adjusted EBITDA is provided below.

	Fourth quarter to 31 March		Year to 31 March	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Reported profit before tax	**687**	724	**2,501**	2,445
Share of post tax profits of associates and joint ventures	**-**	-	**(9)**	(10)
Profit on disposal of subsidiary and associate	**-**	-	**(130)**	-
Net finance expense	**143**	125	**624**	484
Operating profit	**830**	849	**2,986**	2,919
Depreciation and amortisation	**692**	746	**2,843**	2,972
Reported EBITDA	**1,522**	1,595	**5,829**	5,891
Specific items (Note 4)	**151**	14	**352**	173
Adjusted EBITDA	**1,673**	1,609	**6,181**	6,064

8 Reconciliation of adjusted profit before tax

	Fourth quarter to 31 March		Year to 31 March	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Reported profit before tax	**687**	724	**2,501**	2,445
Specific items (Note 4)	**146**	(34)	**193**	(24)
Adjusted profit before tax	**833**	690	**2,694**	2,421

9 Reconciliation of adjusted earnings per share

	Fourth quarter to 31 March		Year to 31 March	
	2013	2012	**2013**	2012
	pence per share		pence per share	
Reported basic earnings per share	**7.5**	8.1	**26.7**	25.8
Per share impact of specific items	**0.8**	(1.3)	**(0.1)**	(2.1)
Adjusted earnings per share	**8.3**	6.8	**26.6**	23.7

10 Pensions

	31 March 2013	31 March 2012
	£bn	£bn
IAS 19 liabilities - BTPS	**(47.0)**	(40.6)
Assets – BTPS	**41.3**	38.3
Other schemes	**(0.2)**	(0.1)
IAS 19 deficit, gross of tax	**(5.9)**	(2.4)
IAS 19 deficit, net of tax	**(4.5)**	(1.9)
Discount rate (nominal)	4.20%	4.95%
Discount rate (real)	0.87%	1.84%
RPI inflation	3.30%	3.05%
CPI inflation	0.75% below RPI for three years and 1.20% below RPI thereafter	0.75% below RPI for three years and 1.20% below RPI thereafter

11 Principal risks and uncertainties (extracted from the BT Group plc Annual Report & Form 20-F 2013)

Principal risks and uncertainties

This section sets out the principal risks and uncertainties affecting us, but it is not exhaustive. These risks have the potential to impact our business, revenue, profits, assets, liquidity or capital resources.

As in the prior year, the uncertainties in the global economy and credit markets continue to present challenges, both to our business and to others. These challenges drive a number of the risks that we face and we focus our efforts on predicting and mitigating them. The principal risks we described last year have evolved, and so has our response to them.

Our Enterprise Risk Management framework provides reasonable (but cannot give absolute) assurance that significant risks 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.

In our principal risks section below, we explain what we are doing to prevent our main risks materialising, or to limit their impact.

Our principal risks and uncertainties should be considered in conjunction with the risk management process, the forward-looking statements for this document, and the cautionary statement regarding forward-looking statements.

Our principal risks

Security and resilience

In keeping with other organisations that process and store data, we have a responsibility to many millions of customers, both business and consumer, to safeguard their electronic information and to maintain the continuity of services. This requires the highest levels of operational security and resilience, which can be threatened at any time by incidents such as malicious cyber-attacks, theft of copper cable and equipment, vandalism, sabotage, extreme weather, component overload, loss of power and human error. The volume of traffic through our systems and networks is increasing, and customer tolerance of interruptions reduces as the world becomes ever more dependent on information technology.

Changes over the last year

Concerted efforts to deter cable theft, supported by legislative changes and the well publicised arrest and prosecution of thieves are beginning to reduce the number of service interruptions in the network. Theft of equipment from our premises has also fallen significantly. However, we are detecting more cyber-attacks aimed at stealing data or disrupting our own and our customers' websites.

We have strengthened our defences against these cyber-attacks and now routinely cope with attacks that a few years ago would have caused considerable risk of data loss. Our segregation and encryption of data has increased. In further recognition of the importance of people and behaviours in managing this risk, a campaign to raise staff and supplier awareness of cyber threats is proceeding in response to the increasing sophistication of attacks. We have also refreshed our data protection governance with the appointment of a Chief Privacy Officer.

We are upgrading much of our equipment to improve reliability, increase capacity and reduce energy consumption. Severe flooding across the UK in the year caused several service outages that demanded urgent action and resources to be diverted.

Impact

A breach of our security, compromise of data and/or resilience affecting our operations, or those of our customers, could lead to an extended interruption to network services or even affect national infrastructure. Such failure may lead to a loss of customer confidence, termination of contracts, loss of revenue, and reduced cash generation through penalties and unplanned costs of restoration and improvement. Additional reputational damage and financial loss may arise from a legal or contractual failing such as breaching data protection or handling requirements. Failure or interruption of data transfer could also have a significant adverse effect on our business.

Risk mitigation

Our strategy for resilience is to combine formal business continuity planning with well tested, rapid and flexible responses. We have a rolling programme of major incident simulations to test and refine our crisis management procedures. Our security defences range from physical protection of our assets, access controls, real-time analysis and sharing of intelligence, and continuous monitoring for intrusion and anomalies, through to rapid modification of firewalls and automated blocking of malicious data traffic. Together, these measures increase the likelihood that any potential incidents can be contained and dealt with as quickly as possible.

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

The degree of risk generally varies in proportion to the scope and life of the contract and is typically higher in the early stages of the contract. Some customer contracts require 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 impacted by delays or failure to meet milestones. Substantial performance risk exists in these contracts.

Changes over the last year
The difficult economic and market conditions, particularly in Europe, have increased financial and operational pressures on our customers and have made the environment even more competitive. With our investment and expansion into high-growth regions, the landscape of our risks and opportunities naturally changes as we must deal with rapidly evolving geo-political risks and different trading environments and business practices. Our control and governance framework has been extended to include contracts between BT and UK local authorities seeking to extend the reach of fibre broadband in their regions.

For larger contracts, we have recently expanded the scope of independent reviews to critical stages of the contract lifecycle to help identify any key issues, risks and actions which need to be monitored.

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. Unexpectedly high costs associated with the delivery of contracts could also negatively impact profitability. We may lose revenue due to the merger or acquisition of customers, business failure or contract termination and contracts may become loss-making. Failure to replace the revenue and earnings lost from such customers could lead to an overall reduction in group revenue, profitability and cash flow.

Risk mitigation
We have in place business processes that support each stage of a major contract's lifecycle: bid; in-life; renewal; and termination. Our programme of in-life reviews is designed to validate financial and non-financial controls over delivery of the contract. It incorporates tiered levels of defined reviews according to the scale and complexity of the contract. Controls are applied and regularly monitored across our major contracts. All our major contracts are subject to regular management review and many are subject to independent review (both internal and external) as part of that governance. Our independent review programme helps us apply lessons learned and to promote best practice through the business.

Pensions
We have a significant funding obligation in relation to our defined benefit pension schemes. Low investment returns, high inflation, longer life expectancy and regulatory changes may result in the cost of funding BT's main defined benefit pension scheme, the BT Pension Scheme (BTPS), becoming a significant burden on our financial resources.

Changes over the last year
Following the conclusion of the 30 June 2011 triennial funding valuation of the BTPS in May 2012, the valuation documentation was submitted to the Pensions Regulator for their review. The final Court decision in the Crown Guarantee case, after any appeals, will give greater clarity as to the extent to which the liabilities of the BTPS are covered by a Crown Guarantee. This will inform the Pensions Regulator's next steps with regard to the valuation of the Scheme. Accordingly, as matters stand, it is uncertain as to when they will conclude their review.

Government bond yields have fallen since the valuation at 30 June 2011, with real yields being negative at times. This has been caused by a number of factors, including the Bank of England's Quantitative Easing programme. If the fall in yields is maintained and reflected in the next funding valuation, due as at 30 June 2014, this would increase the value of the BTPS liabilities.

The European Commission is reviewing the current Directive for pensions and we responded to a relevant consultation during the year. The Commission's aim is to issue new draft legislation in summer 2013. Depending on its scope, there is potential for any legislative change to have an impact on BT's funding liabilities in the future. We will continue to monitor developments in this area.

Impact
An increase in the pension deficit and associated funding requirements may have an impact on the level of deficit payments we are required to make into the scheme. Indirectly it may also have an adverse impact on our share price and credit rating. Any deterioration in our credit rating would increase our cost of borrowing and may limit the availability or flexibility of future funding, thereby affecting our ability to invest, pay dividends or repay debt as it matures.

Risk mitigation
The investment performance and liability experience, as well as the associated risks and any mitigation, are regularly reviewed and monitored by both us and the BTPS Trustee.

The BTPS has a well-diversified investment strategy, which reduces the risk of adverse movements in the value of individual asset classes and helps ensure that an efficient balance of risk and return is maintained.

Our financial strength and cash generation provide a level of protection that enables variations in the funding position of the BTPS to be managed without having a material impact on the ongoing performance of our business.

Growth in a competitive market
We operate in markets which are characterised by: high levels of change; strong competition; declining prices; technology substitution; market and service convergence; customer churn; declining revenues; new competitors; and regulatory intervention to promote competition and reduce wholesale prices.

A significant proportion of our revenue and profit is generated in the UK where the overall telecoms market has been in decline in real terms, despite strong volume growth in new services. Revenue from our calls and lines services to consumers and businesses has historically been in decline but new broadband and connectivity markets are growing. Our ability to deliver profitable revenue growth in a responsible and sustainable manner depends on us delivering on our strategic priorities.

Changes over the last year
The level of risk facing our business increased as the economic situation in the UK and other key markets deteriorated in the year. Depressed business activity together with lower disposable incomes continues to be a major barrier to growing revenues, particularly among business customers.

Regulatory decisions made during the year also contributed adversely to our risk profile, revenue and profits. These decisions failed to address imbalances in the competitive playing field. This means that some of our competitors in the consumer space benefit from limited regulation on their core business combined with extensive sector-specific regulation being applied to our UK fixed-line business.

A number of competitor-related developments have contributed to the risk increasing. These include, but are not limited to: the acquisition of Cable & Wireless Worldwide by Vodafone; the decision by Vodafone and O2 to establish a joint venture to consolidate existing network infrastructure and local transmission; the agreement which brought forward the timetable for launching 4G mobile services in the UK; and increased competitive activity around over-the-top video on demand services in the UK.

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

Risk mitigation
Our mitigation of this risk centres on successfully executing our strategy. We believe that delivering this strategy, with its focus on customer service delivery, cost transformation and investing for the future, as well as investing in our existing business and offering new services in adjacent markets, will together help us drive profitable revenue growth.

We have a well-developed cost transformation programme in place which should provide future savings to support profitability trends. We also believe risks can be mitigated by seeking changes in regulation to level the playing field so that we can compete effectively, and for the benefit of our customers.

Communications industry regulation
Our activities across all the jurisdictions in which we operate can be impacted by regulation. Regulatory requirements and constraints can directly impact our ability to compete effectively and earn revenues.

In the UK where, following detailed market analysis, we are found to have significant market power, Ofcom requires us to provide wholesale services at regulated prices. It can also require us to make retrospective repayments to other communications providers (CPs) where we are found to have set prices outside regulatory requirements, and can impose fines on us for non-compliance with the regulatory rules, including competition law.

Outside the UK, general licensing requirements can restrict the extent to which we can enter markets and compete. Regulation will also define the terms on which we can purchase key wholesale services from others.

In the UK, risks can come from, for example, periodic market reviews which might introduce tighter regulatory constraints from new charge controls or from CPs disputing or complaining about our pricing, products or services. Outside the UK, regulators can investigate our licensing requirements and whether our services comply with their rules.

Changes over the last year
Over the last year, we have seen regulatory activity in a number of areas which are summarised in the Regulation section. A number of these rulings have resulted in a negative impact either through retrospective price reductions or on our future pricing.

Impact
Risks from regulation are most significant in the UK.

Around £5.8bn of our revenue (of which £3.3bn is to downstream parts of BT) is from wholesale markets where we have been found to hold significant market power and which are currently subject to regulatory charge controls. Most of these controls require us to reduce our prices annually to reflect expected reductions in unit costs through efficiency savings. Controls are usually set for three years and will therefore constrain revenues during that period.

Other CPs can ask Ofcom to resolve disputes with us about current or historic prices. Where Ofcom finds that these prices are or have been set at levels above those required under the regulatory framework, we may need to make retrospective payments to CPs.

We may from time to time be required to provide new services or existing services on improved terms to wholesale customers on a non-discriminatory basis. This could increase our costs.

Regulation outside the UK can impact our revenue by restricting our ability to compete through overly restrictive licensing requirements or ineffective regulation of access to other CP networks.

Risk mitigation
We employ a team of regulatory specialists (including accountants and economists) who, together with legal experts and external advisers, continuously monitor and review the scope for regulatory changes and potential future disputes. This team maintains a dialogue with regulators and with other key influencers to ensure our positions are understood and to drive for fair and proportionate regulation. We are also able to appeal any regulatory decisions where we believe errors have been made.

Business integrity and ethics
We are committed to maintaining high standards of ethical behaviour, and have a zero tolerance approach to bribery and corruption. We have to comply with a wide range of local and international anti-corruption and bribery laws. In particular the UK Bribery Act and US Foreign and Corrupt Practices Act (FCPA) provide comprehensive anti-bribery legislation. Both have extraterritorial reach and thereby cover our global operations. As we expand internationally, we are increasingly operating in countries identified as having a higher risk of bribery and corruption.

We also have to ensure compliance with trade sanctions, and import and export controls.

Changes over the last year
The Serious Fraud Office (SFO) has produced revised guidance on the UK Bribery Act. The SFO has indicated it will now focus on its role as an investigator and prosecutor of serious and/or complex fraud and where there is sufficient evidence and it is in the public interest, prosecutions rather than civil settlements will now be pursued, even where companies have self-reported. This represents a change to its previous stance where self-reporting may have led to more lenient treatment. It has further confirmed that it considers facilitation payments to be bribes.

The US Department of Justice and Securities and Exchange Commission has also produced guidance on the FCPA giving information about the US government’s approach to FCPA enforcement.

In addition, sanctions regulations in Europe and the US have been extended.

Impact
Failure by our employees, suppliers or agents to comply with anti-bribery and corruption and sanctions legislation could result in substantial penalties, criminal prosecution and significant damage to our reputation. This could in turn impact our future revenue and cash flow, the extent of which would depend on the nature of the breach, the legislation concerned and any associated penalties. Allegations of corruption or bribery or violation of sanctions regulations could also lead to reputation and brand damage with investors, regulators and customers.

Risk mitigation
We have in place a number of controls to address risk in this area. These include a comprehensive anti-corruption and bribery programme, “The Way We Work”, which is our statement of business practice and is being refreshed to give greater guidance to our people. We ask all BT employees to sign up to its principles and our anti-corruption and bribery policy. We have specific policies covering gifts and hospitality and charitable donations and sponsorship. We run a training programme with a particular focus on roles such as procurement and sales.

We regularly assess our business integrity risks to make sure that the appropriate mitigation is in place. We operate a confidential hotline. Our internal audit team regularly runs checks on our business. We also use external providers to carry out assessments in areas we believe to be higher risk, to ensure our policies are understood and the controls are functioning.

We conduct due diligence checks on third parties including suppliers and agents. Procurement contracts include Anti- Corruption and Bribery (ACB) clauses. A trade sanctions policy and sign-off procedure are also in place.

Supply chain
The integrity and continuity of our supply chain is critical to our operations. Our aim is to harness the capability, diversity and innovation of the global supply market to add value to our business and customers. We are 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.

The failure of a critical third party supplier to meet its obligations could cause significant harm to our business and the BT brand, as well as potentially impact our cost transformation and efficiency plans.

Changes over the last year
Many suppliers continue to be impacted by the global economic downturn and as a result we have seen an increase in the number of suppliers suffering from financial distress. The downturn has also increased the risk of suppliers applying less focus on key areas such as business continuity management or corporate and social responsibility in an effort to reduce their costs.

Impact
Whilst the size of the impact from a supplier failure can vary, all supplier failures typically result in an increased cost to our business and have the potential to negatively impact the service we provide to customers. In many cases the cost associated with supplier failure is significant, particularly if it then results in us having to change technology. If we are unable to contract with an alternative supplier, our customer commitments could also be compromised, possibly 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.

Risk mitigation
We conduct supplier risk analysis as part of our sourcing strategy, and where possible, take actions to reduce risk, such as through dual-sourcing where appropriate. We operate a comprehensive in-life risk mitigation programme that classifies our suppliers into appropriate risk categories and then aims proactively to build risk mitigation plans and detect potential supplier failures before they happen. For our critical suppliers this mitigation strategy considers a range of risks including: financial failure; supplier capability and capacity; sole sourcing; corporate and social responsibility; business continuity; security; location; and the overall supplier relationship.

This approach has been complemented by a programme specifically looking at our low spend suppliers, to ensure we achieve maximum business benefit, but at the same time do not contract with too many suppliers, exposing us to unnecessary risk.

By adopting this approach, we seek to minimise the risk of not being able to meet our customer and legal commitments or comply with our ethical policies. This helps to minimise our exposure to loss of revenue, financial penalty and any adverse impact on our brand and reputation.

We work closely with our suppliers to ensure that the goods and services that we buy are made, delivered and disposed of in a socially and environmentally responsible manner.

Forward-looking statements – caution advised

Certain statements in this results release 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 include, without limitation, those concerning: current and future years' outlook, including revenue trends, EBITDA, free cash flow growth and capital expenditure; our group-wide restructuring programme, cost base reduction and restructuring costs; shareholder returns including increasing dividends and share buyback; our investment in BT Sport; the pension scheme, operating charge, interest expense and regular cash contributions; the effective tax rate; our fibre roll out programme reach and take-up; and the impact of regulatory decisions and outcomes of appeals.

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, decisions, and conditions or requirements in BT's operating areas, including competition from others; selection by BT and its lines of business of the appropriate trading and marketing models for its products and services; fluctuations in foreign currency exchange rates or interest rates; technological innovations, including the cost of developing new products, networks and solutions and the need to increase expenditures for improving the quality of service; prolonged adverse weather conditions resulting in a material increase in overtime, staff or other costs, or impact on customer service; developments in the convergence of technologies; the anticipated benefits and advantages of new technologies, products and services not being realised; the underlying assumptions and estimates made in respect of major customer contracts proving unreliable; the aims of the group-wide and BT Global Services restructuring programme not being achieved; and general financial market conditions affecting BT's performance and ability to raise finance. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.