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BT GROUP PLC  
Form 6-K  
May 23, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

23 May 2003

BT Group plc  
(Translation of registrant's name into English)

BT Centre  
81 Newgate Street  
London  
EC1A 7AJ  
England

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F..X... Form 40-F.....

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ..... No ..X..

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- \_\_\_\_\_

Enclosures: 1. Preliminary Results 31/03/03 announcement made on 23 May 2003.

PRELIMINARY RESULTS - YEAR TO MARCH 31, 2003

FOURTH QUARTER HIGHLIGHTS

Earnings per share\* of 3.9 pence, up 50 per cent

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Profit before taxation\* of GBP490 million, up 32 per cent

Group turnover\* of GBP4,778 million, up 1 per cent

Net debt reduced by GBP3.3 billion to GBP9.6 billion

Record broadband sales in March, in excess of 25,000 per week; end users of over 936,000 at May 16, 2003

Pension valuation results in line with our expectations

### FULL YEAR HIGHLIGHTS

Earnings per share\* of 14.2 pence, up 61 per cent

Profit before taxation\* of GBP1,829 million, up 44 per cent

Group turnover\* of GBP18,727 million, up 2 per cent

Full year dividend of 6.5 pence per share, up from 2.0 pence per share

Free cash flow\*\* of GBP1.7 billion

Net debt reduced from GBP13.7 billion to GBP9.6 billion

Significant improvements in customer satisfaction

\*From continuing activities before goodwill amortisation and exceptional items. The full profit and loss account is presented below.

\*\*Before acquisitions, disposals and dividends.

### Chairman's statement

Sir Christopher Bland, Chairman, said:

"This has been a really good year for BT. Earnings per share\* have increased by 61 per cent. The group generated free cash of GBP1.7 billion, and net debt reduced by over GBP4 billion to around one third of its peak. The full year dividend of 6.5 pence reflects the group's financial performance, operational strength and confidence.

We believe the company is well placed - financially, operationally and managerially - to meet new challenges and seize new opportunities."

### Chief Executive's statement

Ben Verwaayen, Chief Executive, said:

"This represents another quarter of strong and sustainable progress for BT. The substantial growth in earnings and cash flow reflects the improved operational efficiency of the business. We achieved significant improvement in customer

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satisfaction. With 936,000 users, broadband is now firmly at the heart of BT.

We are well ahead of schedule in meeting 13 out of the 14 stretching targets set at the beginning of the year. In particular, the three year cash and net debt targets have been met in the first year, strengthening our financial position.

Our new wave businesses are growing rapidly and our order book is at record levels. Our efficiency programmes are delivering significant savings and we continue to invest in the future of the group.

Our strong financial performance demonstrates our ongoing ability to reduce debt, reward our shareholders and invest for the future."

\*From continuing activities before goodwill amortisation and exceptional items.

### RESULTS FOR THE FOURTH QUARTER AND YEAR ENDED MARCH 31, 2003

BT Group's results from continuing activities before goodwill amortisation and  
exceptional items

	2003 GBPm	Fourth quarter 2002 GBPm	Better %	2003 GBPm
Group turnover	4,778	4,735	1	18,727
Group operating profit	733	650	13	2,790
Net interest charge	266	301	12	1,146
Profit before taxation	490	371	32	1,829
Profit after taxation	331	236	40	1,231
Earnings per share	3.9p	2.6p	50	14.2p
Capital expenditure	724	982	26	2,445
Net debt				9,573

Total earnings per share and profit before tax, after goodwill amortisation and exceptional items, for the fourth quarter are 19.1 pence (2002 - loss of 30.2 pence) and GBP1,717 million (2002 - loss of GBP2,545 million). For the full year they are 31.2 pence (2002 - 12.0 pence) and GBP3,157 million (2002 - GBP1,461 million). The full year comparatives include the results of discontinued activities.

The results in the table above and the commentary focus on the results from continuing activities before goodwill amortisation and exceptional items. This is because the total reported results do not provide a meaningful comparison of the trading results of the ongoing group, being significantly impacted by the

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demerger of mm02 and other discontinued activities, exceptional items and goodwill impairment charges in the previous year.

The full profit and loss account, cash flow statement and balance sheet are provided below.

### GROUP RESULTS

#### Fourth quarter

Group turnover increased year on year by 1 per cent to GBP4,778 million in the fourth quarter. The core business has continued to perform well and new wave businesses have grown strongly. The momentum gained in the third quarter in the corporate and ICT sectors has continued to build with sales orders taken in Global Solutions of GBP1.4 billion in the quarter.

Group operating profit before goodwill amortisation and exceptional items at GBP733 million for the quarter was GBP83 million higher than the fourth quarter of last year. This increase was principally due to cost efficiencies. Leaver costs were GBP64 million lower than the fourth quarter of last year, although this was largely offset by the negative operating profit effects of unwinding the Concert global venture.

BT's share of associates and joint ventures operating profits before goodwill amortisation and exceptional items was GBP19 million (GBP17 million last year) in the quarter. The improvement from the unwind of the loss-making Concert global venture on April 1, 2002 was offset by the disposal of our stake in Cegetel in January 2003.

Net interest payable before exceptional items was GBP266 million for the quarter, an improvement of GBP35 million against last year as a result of the reduction in the level of net debt.

The above factors resulted in the group achieving a profit before taxation, goodwill amortisation and exceptional items of GBP490 million in the quarter, an increase of 32 per cent.

The taxation charge for the quarter was GBP159 million on the profit before goodwill amortisation and exceptional items, an effective rate of 32.4 per cent (36.4 per cent last year). Last year's high effective rate was mainly due to the impact of loss making subsidiaries outside the UK for which tax relief was not available.

Earnings per share before goodwill amortisation and exceptional items were 3.9 pence for the fourth quarter (2.6 pence last year), an increase of 50 per cent.

Net exceptional items contributed GBP1,321 million to profit after taxation, principally being the net profit on disposal of our stake in Cegetel. Goodwill amortisation at GBP6 million for the quarter was GBP27 million lower than last year due to the disposals and goodwill impairment charges made last year. Earnings per share after goodwill amortisation and exceptional items were 19.1 pence compared to a loss of 30.2 pence last year. In the fourth quarter of last year we recognised net exceptional losses after tax of GBP2,790 million, relating principally to the impairment of BT's European activities and other investments.

#### Full year

All references in this section to the prior year results or performance against the prior year are in relation to the results from continuing activities.

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Group turnover increased by 2 per cent to GBP18,727 million in the year. The strength in the group's new wave businesses and a strong defence of the group's market share in its existing businesses was offset by price deflation.

Group operating profit before goodwill amortisation and exceptional items at GBP2,790 million for the year was GBP19 million higher than the prior year. The cost efficiencies achieved during the year were offset by a GBP90 million increase in leaver costs, the negative operating profit effects of unwinding the Concert global venture and the Telereal property sale and leaseback transaction. In total, these effects reduced operating profits by over GBP400 million although this was compensated for at the profit before tax level by a corresponding improvement in our share of the operating profits of associates and joint ventures and net interest payable.

BT's share of associates and joint ventures operating profits before goodwill amortisation and exceptional items was GBP181 million (GBP108 million loss last year) for the year, mainly reflecting the benefit of the unwind of the Concert global venture.

Net interest payable before exceptional items was GBP1,146 million for the year, an improvement of GBP271 million against last year as a result of the reduction in the level of net debt.

The above factors resulted in the group achieving a profit before taxation, goodwill amortisation and exceptional items of GBP1,829 million, a 44 per cent increase, reflecting the underlying operating performance of the group and lower net interest costs.

The taxation charge for the year was GBP598 million on the profit before goodwill amortisation and exceptional items, an effective rate of 32.7 per cent (41.5 per cent last year). Last year's high effective rate was mainly due to the impact of loss making subsidiaries outside the UK for which tax relief was not available.

Earnings per share before goodwill amortisation and exceptional items were 14.2 pence for the year (8.8 pence last year), an increase of 61 per cent.

Net exceptional items contributed GBP1,489 million to profit after taxation. Goodwill amortisation at GBP22 million for the year was GBP140 million lower than last year. This reduction reflects the disposals and goodwill impairment charges made last year. Earnings per share from continuing activities after goodwill amortisation and exceptional items were 31.2 pence compared to a loss of 34.8 pence last year.

### Customer satisfaction

BT has an extensive programme conducted by external agencies which focuses on the level and causes of customer dissatisfaction.

The group achieved a 37 per cent improvement in the level of customer dissatisfaction over the year, beating the target of a 25 per cent improvement. All areas improved satisfaction levels, including significant improvement among the group's international and wholesale customers. Although in most areas customer satisfaction is well ahead of its competitors, BT will strive to make further significant improvements. A programme has been put in place that focuses on key areas of customer dissatisfaction, which is already yielding good results in customer service and satisfaction.

### Underlying performance

In the line of business commentaries that follow, references to "underlying performance" are to trading performance before exceptional items and after

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adjusting for the estimated impact of the Concert unwind and business acquisitions and disposals on the line of business results. Trends in the results of the lines of business are described by reference to the underlying performance.

The group results have not been adjusted for the pro forma impact of the Concert unwind and business acquisitions and disposals.

With effect from January 1, 2003 the operations of BT Openworld have been transferred under the management control of BT Retail. The prior periods have been restated to report BT Openworld's results as part of BT Retail for all periods under review.

BT Global Services is the line of business formerly known as BT Ignite. The change of name more accurately describes the products and services that BT provides to multi-site organisations with European operations.

The line of business commentaries refer to EBITDA before exceptional items, which is defined as group operating profit before depreciation, amortisation and exceptional items. In addition reference is made to operating free cash flow before exceptional items, which is defined as EBITDA before exceptional items less capital expenditure.

### OPERATING PERFORMANCE BY LINE OF BUSINESS

Fourth quarter ended March 31, 2003 (i)	Group turnover GBPm	Group operating profit (loss) (iii) GBPm	EBITDA (iii) GBPm
BT Retail	3,368	342	393
BT Wholesale	2,820	513	998
BT Global Services	1,482	(92)	73
Other	4	(30)	47
Intra-group items (ii)	(2,896)	-	-
Total	4,778	733	1,511

Year ended March 31, 2003 (i)	Group turnover GBPm	Group operating profit (loss) (iii) GBPm	EBITDA (iii) GBPm
BT Retail	13,301	1,425	1,634
BT Wholesale	11,260	1,924	3,847
BT Global Services	5,251	(427)	178
Other	41	(132)	146
Intra-group items (ii)	(11,126)	-	-
Total	18,727	2,790	5,805

i See note 2 on pages 23 to 25 for prior year figures.

ii Elimination of intra-group turnover between businesses, which is included in the turnover of the originating business.

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iii Before goodwill amortisation and exceptional items.

### BT Retail

	Fourth quarter ended March 31				Year ended M
	2003	2002	Better (worse)		2003
			Actual	Underlying	
	GBPm	GBPm	%	%	GBPm
Group turnover	3,368	3,214 (a)	5	3	13,301
Gross margin	976	838	16	12	3,874
Sales, general and administration costs	583	561	(4)	2	2,240
EBITDA	393	277	42	42	1,634
Depreciation	51	64	20	20	209
Operating profit	342	213	61	61	1,425
Capital expenditure	42	54	22	22	115
Operating free cash flow	351	223	57	57	1,519

BT Retail increased turnover by GBP94 million (3 per cent), operating profit by GBP129 million (61 per cent) and operating free cash flow by GBP128 million (57 per cent) compared to the fourth quarter of last year. The operating profit improvement is driven by improved gross margin and cost control activities. These results demonstrate the effect of the continued focus on defending core revenues, margin improvements, cost efficiencies and growing new wave initiatives. Fourth quarter ended March 31 Year ended March 31

	2003	2002	Better (worse)	
			Actual	Underlying
	GBPm	GBPm		
BT Retail turnover		(a)		(b)
Voice Services	2,363	2,381	(1)	(2)
Intermediate Products	729	670	9	3
Core	3,092	3,051	1	(1)
New Wave	276	163	69	69
Total	3,368	3,214	5	3
Sales to other BT businesses incl. above	565	533	6	14

(a) Internal turnover restated to reflect changes in intra-group trading

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arrangements.

(b) Adjusting for the effect of the Concert unwind and the transfer of major accounts to BT Wholesale.

Turnover from voice services was 2 per cent lower than the fourth quarter of last year driven primarily by lower revenues from fixed network calls reflecting a reduction in call volumes, partly offset by higher revenues from other voice services.

In the residential voice market BT Retail has maintained market share at around 73 per cent and in the business voice market, BT Retail's market share is lower at around 43 per cent, 1 per cent lower than the third quarter.

Geographic call volumes declined year on year in the quarter by 5 per cent, the rate of decline increasing from 3 per cent in the third quarter. Total measured call volumes declined slightly more reflecting the switch from measured internet related calls to a mixture of flat rate internet access based products and broadband. This reflects the continued trend of revenues towards being based on fixed price packages rather than measured call volumes.

Residential geographic call volumes declined slightly compared to the fourth quarter of last year. National call volumes were held following the continued success of the BT Together packages. However, during the quarter the historical decline in residential international call volumes was stemmed as a result of the new BT Together international packages launched in the third quarter, which included the option of five pence per minute international calls. By March 31, 2003 over 140,000 customers had signed up for the international packages.

Business geographic call volumes fell, driven by a combination of customers switching out of traditional telephony and competitive pressure from the implementation of Carrier Pre-Selection. In response, BT Business Plan was launched in January 2003 and this highly competitive package places a ceiling of 10 pence on national and local business calls, rewards loyalty and provides a single BT customer contact. By the middle of May 2003, BT Business Plan had more than 30,000 customers.

Turnover from analogue exchange lines of GBP758 million remained flat compared to the fourth quarter of last year. The total number of BT Retail voice lines declined by 0.1 per cent to 25.5 million since March 31, 2002. The number of residential voice lines has grown, up 1 per cent, partly driven by conversion to ADSL lines.

Turnover from intermediate products of GBP729 million increased by 3 per cent compared to the fourth quarter of last year. ISDN lines continue to grow and at 3.8 million are 6 per cent higher than last year.

The total number of BT Retail lines therefore increased by 1 per cent, to 29.3 million, since March 31, 2002.

New wave revenue growth increased to 69 per cent in the quarter with the continued focus on the information, communications and technology ("ICT"), broadband and mobility products.

During the quarter further momentum was gained in the ICT order book with contract wins with Abbey National and Honeywell. The revenues from these ICT contracts will also be recognised within Global Services' Solutions division.

BT Retail's BT Broadband product continues to perform strongly with weekly sales orders now exceeding 5,000. Total connections in the fourth quarter were 41,000 and the total number of connections since launch in September 2002 were 171,000 at May 16, 2003. BT Openworld broadband and BT Broadband connections at May 16,



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2003 total 490,000, representing 52 per cent of BT Wholesale's 936,000 ADSL connections.

Gross margin increased by GBP104 million (2.3 percentage points to 29.0 per cent) compared to the fourth quarter of last year. This was driven by the success of the BT Together packages, improved product mix and lower wholesale prices which more than offset the impact of lower call revenues.

Cost transformation programmes generated further saving in sales, general and administration costs. These savings have been driven by a reduction in people related expenses such as travel, accommodation and communications, lower service costs resulting from improvements in service quality, billing initiatives and other similar cost transformation programmes. On a full year basis these programmes delivered savings in the core business comfortably in excess of our target of GBP200 million.

Operating profit in the fourth quarter was GBP129 million (61 per cent) higher than the prior year which combined with lower capital expenditure enabled BT Retail to contribute an operating free cash flow (EBITDA less capital expenditure) of GBP351 million in the quarter; GBP128 million better than the fourth quarter of last year.

### BT Wholesale

	Fourth quarter ended March 31			
	2003 GBPm	2002 GBPm	Better (worse)	
			Actual %	Underlying* %
External turnover	889	1,043	(15)	(1)
Internal turnover	1,931	2,124	(9)	(7)
Group turnover	2,820	3,167	(11)	(5)
Total operating costs before depreciation	1,853	2,099	12	1
Other operating income	31	73	(58)	(23)
EBITDA	998	1,141	(13)	(13)
Depreciation	485	499	3	3
Operating profit	513	642	(20)	(20)
Capital expenditure	478	637	25	25
Operating free cash flow	520	504	3	3

\*Adjusting for the effect of the Concert unwind and transfer of major accounts from other BT businesses.

BT Wholesale's turnover for the quarter of GBP2,820 million, was 5 per cent lower and operating profit of GBP513 million, was 20 per cent lower than the fourth quarter of last year. The comparative period last year included a GBP27 million out of period revenue benefit, resulting in a year on year decrease in external turnover of 1 per cent in the quarter.

Within traditional products, the impact of price reductions - due to flat rate price packages and Network Charge Control (NCC) pricing formulae - coupled with unfavourable market conditions have continued to stem turnover growth. FRIACO

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revenue decreased as a result of the draft Oftel pricing determination which includes a retrospective impact. Revenues from retail private circuits have continued to reduce, due to the migration of customers to lower priced partial private circuits.

New wave external revenues at GBP52 million showed strong growth. The 58 per cent increase over the fourth quarter of last year reflected gains being made in ADSL, network facilities management and equipment sales.

Wholesale ADSL lines had an installed base of 936,000 at May 16, 2003, and in March achieved weekly orders in excess of 25,000 compared to 8,000 at the end of the fourth quarter last year.

Internal turnover in the quarter of GBP1,931 million showed a decrease of GBP152 million (7 per cent) due principally to price reductions.

Despite an increase in network volumes, BT Wholesale's operating costs, excluding depreciation, of GBP1,853 million, decreased by GBP24 million (1 per cent) against the fourth quarter of last year. Full time equivalent staff numbers at March 31, 2003 have reduced by 7 per cent since last year, reflecting the continued drive towards improved operational efficiencies.

Depreciation at GBP485 million decreased by GBP14 million (3 per cent) mainly due to certain accelerated charges in the prior year partly offset by the impact of shorter asset lives.

Operating profit decreased by GBP130 million (20 per cent) reflecting the lower revenues only being partly offset by efficiency gains. The operating profit margin of 18 per cent has been maintained at a stable level since the second quarter of this year.

Capital expenditure at GBP478 million decreased by GBP159 million (25 per cent) reflecting continued cost control, tight governance, alignment of capital spend with the development of the future network strategy and the more even phasing of the capital expenditure programme through the current year. BT Wholesale has maintained its focus on managed cash costs (defined as operating costs excluding payments to other network operators and depreciation, plus capital expenditure). Managed cash costs at GBP1,637 million decreased by 3 per cent despite the 6 per cent increase in network volumes. Managed cash cost savings were GBP237 million for the full year, exceeding the target savings of GBP200 million after allowing for price and volume effects.

BT Global Services (formerly BT Ignite)

	Fourth quarter ended March 31			
	2003	2002	Actual	Better
	GBPm	GBPm	%	Underlying* %
Group turnover	1,482	1,212	22	4
EBITDA	73	30	143	n/m
Group operating loss	(92)	(108)	15	45
Capital expenditure	150	214	30	42
Operating free cash flow	(77)	(184)	58	71

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\*Adjusting for the effect of the Concert unwind, acquisitions and disposals and the transfer of a major account to BT Wholesale.

BT Global Services produced a strong quarter's results with a substantial improvement in underlying profitability and cash flow despite market conditions remaining difficult. Underlying operating losses for the quarter were reduced by GBP74 million (45 per cent).

Turnover for the quarter rose by 4 per cent to GBP1,482 million despite a 7 per cent fall in Global Carrier from the declining trade with AT&T and Worldcom following the unwind of the Concert global venture. Excluding Global Carrier, turnover in the rest of BT Global Services increased by 7 per cent. Solutions grew by 14 per cent and Global Products grew by 12 per cent. Syntegra performed strongly in the quarter benefiting from the phasing of delivery against specific contracts in the government sector, achieving growth of 10 per cent in what remains a difficult market. European connectivity turnover of GBP281 million rose by 4 per cent, up from 2 per cent in the third quarter, and by 8 per cent after excluding the impact of exiting non profitable lines of business.

Solutions continued its strong momentum in the corporate sector by signing sales orders to the value of GBP1.4 billion in the quarter. Nearly all of the full year orders of GBP3.6 billion have come in the second half of the year and provide a solid base of contracted revenue for the future. This was a strong quarter for Solutions but the operating profits have been impacted by up-front contract costs that are recognised as incurred in accordance with the group's accounting policies.

Continued cost reductions, both in network costs and selling, general and administration costs, helped generate an EBITDA improvement over the fourth quarter of last year.

All major European operations are now EBITDA positive with Germany and Belgium becoming EBITDA positive this quarter. European connectivity as a whole generated an EBITDA of GBP5 million, compared to an EBITDA loss of GBP12 million in the fourth quarter last year. EBITDA is considered to be one of the important measures used by management in assessing the operating performance of BT Global Services because it is one of the strategic targets that were set in April 2002.

Capital expenditure of GBP150 million was GBP110 million lower than the fourth quarter of last year. Operating free cash outflow (EBITDA less capital expenditure) was consequently GBP188 million better than the fourth quarter of last year.

### EXCEPTIONAL ITEMS

Net exceptional items in the quarter increased profit before tax by GBP1,233 million. This was principally the net profit on sale of our stake in Cegetel, amounting to GBP1,216 million. This net profit was after the write back of GBP862 million of goodwill taken directly to reserves on acquisition and an exceptional interest charge of GBP293 million on closing out GBP2.6 billion of fixed interest rate swaps following receipt of the Cegetel sale proceeds. Closing out the fixed interest rate swaps will reduce the 2003/4 net interest charge by about GBP50 million.

Other exceptional items in the full year include:

- profit on sale of fixed asset investments and group undertakings of GBP182 million;
- charge of GBP198 million relating to the rationalisation of the group's London office portfolio;

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- the release of provisions for exit related costs of GBP150 million as Blu was exited on more favourable terms than anticipated.

### DIVIDENDS

The board recommends a final dividend of 4.25 pence per share to shareholders, amounting to GBP366 million. This will be paid, subject to shareholder approval, on September 8, 2003 to shareholders on the register on August 8, 2003. This takes the dividend for the full year to 6.50 pence per share, compared to 2.0 pence in 2001/2. This year's dividend is covered 2.2 times by the profit before goodwill amortisation and exceptional items. BT remains committed to a progressive dividend policy, reflecting growth in earnings per share and an improving balance sheet. In view of our strong cash generation and success in reducing net debt, in 2003/4 we expect dividend cover to reduce further towards the 2 times target that we set out last year.

### PENSIONS

The triennial BT Pension Scheme funding valuation ("Funding Valuation") exercise has been completed by the pension scheme's actuary as at December 31, 2002. The results are in line with the group's expectations.

The Funding Valuation shows that there was a deficit in the scheme of GBP2.1 billion at December 31, 2002, which compares to a deficit of GBP1.0 billion at December 31, 1999. The annual deficiency payments will be increased by GBP32 million to GBP232 million with effect from December 2003. The valuation under the prescribed Minimum Funding Requirement approach showed the assets to cover 101 per cent of the liabilities at December 31, 2002.

The company's actuary has performed a SSAP 24 valuation for accounting purposes which determines the profit and loss charge to be applied from April 1, 2003. The SSAP 24 valuation shows a deficit of GBP1.4 billion at March 31, 2003 and the deficit will be amortised over the average remaining working lives of members. As expected, this will result in an increase in the pension charge of around GBP120 million in the 2003/4 year.

The FRS 17 position at March 31, 2003 showed a deficit of GBP6.3 billion, net of tax. As the implementation of FRS 17 has been delayed this will not affect the profit and loss charge or balance sheet position for the 2003/4 financial year. The FRS 17 position at May 16, 2003 showed a reduced deficit of GBP5.7 billion, net of tax.

Further details regarding pension costs are included in note 16.

### CASH FLOW AND NET DEBT

Cash inflow from operating activities amounted to GBP2,247 million in the fourth quarter, bringing the total for the year to GBP6,023 million.

The cash outflow on fixed asset purchases was GBP676 million in the fourth quarter, giving a total for the year of GBP2,580 million. This compares to GBP881 million in the fourth quarter and GBP3,202 million for the full year from the continuing activities last year, reflecting the continued management focus and tight control over capital expenditure. Capital expenditure is expected to rise next year, but remain within its GBP3 billion annual target, as the group invests in its 21st century network programme. This will yield significant long-term cost savings and customer benefits.

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Free cash flow (before acquisitions, disposals and dividends) was GBP931 million in the quarter and GBP1,708 million for the full year ended March 31, 2003. This represents a significant improvement in the cash generation capability of the group.

Net debt at March 31, 2003 was GBP9.6 billion, a reduction of GBP3.3 billion in the fourth quarter and GBP4.1 billion in the full year.

The Annual Report and Form 20-F is expected to be published on June 4, 2003.

The Annual General Meeting of BT Group plc will be held in London on July 16, 2003.

### GROUP PROFIT AND LOSS ACCOUNT for the three months ended March 31, 2003

(unaudited)	Notes	Continuing activities Before goodwill amortisation and exceptional items	Goodwill amortisation exceptional (no
		GBPm	)
Total turnover		4,966	
Group's share of associates and joint ventures turnover		(188)	
Group turnover	2	4,778	
Other operating income	3	67	
Operating costs	4	(4,112)	
Group operating profit (loss)	2	733	
Group's share of operating profits (losses) of associates and joint ventures	5	19	
Total operating profit (loss)		752	
Profit on sale of fixed asset investments and group undertakings	6	-	
Profit on sale of property fixed assets		4	
Net interest payable	7	(266)	
Profit before taxation		490	
Taxation		(159)	
Profit after taxation		331	
Minority interests		5	
Profit attributable to shareholders		336	
Earnings per share	10		
- basic		3.9p	
- diluted		3.9p	

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GROUP PROFIT AND LOSS ACCOUNT  
for the three months ended March 31, 2002

(unaudited)	Notes	Continuing activities	
		Before goodwill amortisation and exceptional items	Goodwill amortisation exceptional i (not
		GBPm	
Total turnover		5,511	
Group's share of associates and joint ventures turnover		(932)	
Trading between group and principal joint venture		156	
Group turnover	2	4,735	
Other operating income	3	103	
Operating costs	4	(4,188)	(2,
Group operating profit (loss)	2	650	(2,
Group's share of operating profits (losses) of associates and joint ventures	5	17	(
Total operating profit (loss)		667	(2,
Profit on sale of fixed asset investments and group undertakings		-	
Profit on sale of property fixed assets		5	
Net interest payable	7	(301)	
Profit (loss) before taxation		371	(2,
Taxation		(135)	
Profit (loss) after taxation		236	(2,
Minority interests		(9)	
Profit (loss) attributable to shareholders		227	(2,
Earnings (loss) per share	10		
- basic		2.6p	
- diluted		2.6p	

GROUP PROFIT AND LOSS ACCOUNT  
for the year ended March 31, 2003

	Notes	Continuing activities	
		Before goodwill amortisation and exceptional items	Goodwill amortisation exceptional i (not
		GBPm	

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Total turnover		20,182	
Group's share of associates and joint ventures turnover		(1,455)	
Group turnover	2	18,727	
Other operating income	3	215	
Operating costs	4	(16,152)	
Group operating profit (loss)	2	2,790	
Group's share of operating profits of associates and joint ventures	5	181	
Total operating profit (loss)		2,971	
Profit on sale of fixed asset investments and group undertakings	6	-	
Profit on sale of property fixed assets		11	
Amounts written off investments		(7)	
Net interest payable	7	(1,146)	
Profit before taxation		1,829	
Taxation		(598)	
Profit after taxation		1,231	
Minority interests		(5)	
Profit attributable to shareholders		1,226	
Dividends			
Retained profit for the period			
Earnings per share	10		
- basic		14.2p	
- diluted		14.1p	

GROUP PROFIT AND LOSS ACCOUNT  
for the year ended March 31, 2002

	Notes	Continuing activities Before goodwill amortisation and exceptional items GBPm	Goodwill amortisation and exceptional items (note 8) GBPm	Dis activ eli
Total turnover		21,815	-	
Group's share of associates and joint ventures turnover		(4,049)	-	
Trading between group and principal joint venture		681	-	
Group turnover	2	18,447	-	
Other operating income	3	361	-	
Operating costs	4	(16,037)	(2,817)	
Group operating profit (loss)	2	2,771	(2,817)	

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Group's share of operating profits (losses) of associates and joint ventures	5	(108)	(1,335)
Total operating profit (loss)		2,663	(4,152)
Profit on sale of fixed asset investments and group undertakings		-	21
Profit on sale of property fixed assets		27	1,062
Amounts written off investments		-	(535)
Net interest payable	7	(1,417)	(162)
Profit (loss) before taxation		1,273	(3,766)
Taxation		(528)	143
Profit (loss) after taxation		745	(3,623)
Minority interests		(10)	-
Profit (loss) attributable to shareholders		735	(3,623)
Dividends (see note below)			
Retained profit for the financial year			
Earnings per share	10		
- basic		8.8p	
- diluted		8.8p	

In addition to the final dividend for the year of GBP173m there was a demerger distribution of GBP19,490m, representing the net assets of mm02 (including purchased goodwill) as at the date of demerger.

### GROUP CASH FLOW STATEMENT

for the three months and year ended March 31, 2003

	2003	Fourth quarter ended March 31 (unaudited)	2002	2003
	GBPm		GBPm	GBPm
Net cash inflow from operating activities* (note 11)	2,247		1,496	6,023
Dividends from associates and joint ventures	2		-	6
Net cash outflow for returns on investments and servicing of finance	(528)		(367)	(1,506)
Taxation paid	(158)		(279)	(434)



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Purchase of tangible fixed assets	(676)	(881)	(2,580)
Net sale of fixed asset investments	17	-	105
Sale of tangible fixed assets	27	19	94
Net cash outflow for capital expenditure and financial investments	(632)	(862)	(2,381)
Free cash flow before acquisitions, disposals and dividends	931	(12)	1,708
Acquisitions	(63)	(110)	(77)
Disposals	2,706	53	2,919
Net cash inflow (outflow) for acquisitions and disposals	2,643	(57)	2,842
Equity dividends paid	(194)	-	(367)
Cash inflow (outflow) before use of liquid resources and financing	3,380	(69)	4,183
Management of liquid resources	(2,379)	1,387	(1,729)
Issue of ordinary share capital	-	16	42
Inflow on demerger of mm02	-	-	-
New loans	-	24	20
Repayment of loans	(958)	(863)	(2,471)
Net movement on short-term borrowings	-	(622)	(64)
Net cash outflow from financing	(958)	(1,445)	(2,473)
Increase (decrease) in cash	43	(127)	(19)
Decrease (increase) in net debt from cash flows (note 12)	3,380	(53)	4,225
*Net of deficiency and special pension contributions	-	-	329

GROUP BALANCE SHEET  
at March 31, 2003

	March 31 2003
	GBPm
Fixed assets	
Intangible assets	218
Tangible assets	15,888
Investments	555
	16,661
Current assets	
Stocks	82
Debtors	5,043
Investments	6,340
Cash at bank and in hand	91
	11,556
Creditors: amounts falling due within one year	
Loans and other borrowings	2,548
Other creditors	7,132
	9,680
Net current assets	1,876

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Total assets less current liabilities	18,537
Creditors: amounts falling due after more than one year	
Loans and other borrowings	13,456
Provisions for liabilities and charges (note 13)	2,376
Minority interests	63
Capital and reserves (note 14)	
Called up share capital	434
Reserves	2,208
Total equity shareholders' funds (deficiency)	2,642
	18,537

### NOTES

#### 1 Basis of preparation

The preliminary results of BT Group, which are not statutory accounts, have been prepared on the basis of the accounting policies as set out in the report and accounts of BT Group plc for the year ended March 31, 2002. Figures for the years ended March 31, 2003 and 2002 are extracts from the group accounts for those years.

The group accounts for the year ended March 31, 2003, on which the auditors issued an unqualified report which did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985, were approved by the board of directors on May 21, 2003 and have not yet been delivered to the Registrar of Companies but are expected to be published on June 4, 2003.

The activities of mm02, Japan Telecom, J-Phone Communications, Airtel and Yell were disposed of in the year ended March 31, 2002, and are shown as discontinued operations in the profit and loss account for the comparative periods.

#### 2 Results of businesses

The tables below show the results of BT's lines of business. There is extensive trading between many of the business units and profitability is dependent on the transfer price levels. These intra-group trading arrangements are subject to review and have changed in certain instances. Comparative figures have been restated for these changes. The eliminations are intra-group eliminations.

With effect from January 1, 2003 the operations of BT Openworld were transferred under the management control of BT Retail. The comparative figures have been restated to report BT Openworld as part of BT Retail for all the periods under review.

#### 2 Results of businesses continued

##### (a) Operating results

	Group turnover	Group operating
		(loss)
	GBPm	

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Fourth quarter ended March 31, 2003	
BT Retail	3,368
BT Wholesale	2,820
BT Global Services	1,482
Other	4
Intra-group items (ii)	(2,896)
Total before exceptional items	4,778
Fourth quarter ended March 31, 2002 (i)	
BT Retail	3,214
BT Wholesale	3,167
BT Global Services	1,212
Other	17
Intra-group items (ii)	(2,875)
Total before exceptional items	4,735
Year ended March 31, 2003	
BT Retail	13,301
BT Wholesale	11,260
BT Global Services	5,251
Other	41
Intra-group items (ii)	(11,126)
Total before exceptional items	18,727
Year ended March 31, 2002 (i)	
BT Retail	12,811
BT Wholesale	12,256
BT Global Services	4,472
Other	70
Intra-group items (ii)	(11,162)
Total continuing activities before exceptional items	18,447
Discontinued activities	2,836
Intra-group items (ii)	(724)
Total before exceptional items	20,559

i The results of the lines of business for the quarter and year ended March 31, 2002 have been restated to reflect changes to intra-group trading arrangements.

ii Elimination of intra-group turnover between businesses, which is included in the total turnover of the originating business.

iii Before goodwill amortisation and exceptional items.

### 2 Results of businesses continued

#### BT Global Services analysis

	2003 GBpm	2002 GBpm	Fourth quarter ended March 31	
			Better (worse) Actual %	Underlying (i) %
Before goodwill amortisation and exceptional items				
Group turnover				
Solutions	619	542	14	14
Syntegra	192	175	10	10

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Global Products	505	378	34	12
Global Carrier	276	66	318	(7)
Other and eliminations	(110)	51		
	1,482	1,212	22	4
European connectivity included above	281	273	3	4
EBITDA				
Solutions	42	48		
Syntegra	15	16		
Global Products	10	25		
Global Carrier	52	16		
Other (ii)	(46)	(75)		
	73	30	143	n/m
European connectivity included above	5	(12)	n/m	n/m
Group operating profit (loss)				
Solutions	19	25		
Syntegra	12	11		
Global Products	(91)	(64)		
Global Carrier	27	15		
Other (ii)	(59)	(95)		
	(92)	(108)	15	45
European connectivity included above	(29)	(56)	48	48
Capital expenditure	150	214	30	42
Operating free cash flow	(77)	(184)	58	71

i. Adjusted for the effect of the Concert unwind, acquisitions and disposals and the transfer of a major account to BT Wholesale.

ii. Other is after charging leaver costs of GBP19m in the fourth quarter (GBP39m last year) and GBP65m (GBP55m last year) in the year ended March 31, 2003.

BT Global Services' comparative figures for the segmental results have been reclassified to reflect the new internal financial reporting lines that were introduced with effect from March 31, 2002.

2 Results of businesses continued

b. Capital expenditure on plant, equipment and motor vehicle additions

	Fourth quarter ended March 31	
	2003 GBPm	2002 GBPm
BT Retail	42	54
BT Wholesale	478	637
BT Global Services	150	214
Other	54	77
Total continuing activities	724	982
Discontinued activities	-	-
Total	724	982

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(c) Net operating assets (liabilities)

	March 200 GBP
BT Retail	(430
BT Wholesale	12,04
BT Global Services	1,91
Other	21
Total	13,74

Note: Net operating assets (liabilities) comprise tangible and intangible fixed assets, stocks, debtors less creditors (excluding loans and other borrowings) and provisions for liabilities and charges (excluding deferred tax). The March 31, 2002 comparatives have been restated to reflect changes to the method of allocating central balances to the lines of business.

3 Other operating income

In the quarter and year ended March 31, 2002, other operating income included income from the provision of administration services to the Concert global venture of GBP33m and GBP135m, respectively.

4 Other operating costs

	Fourth quarter ended March 31	
	2003 GBPm	2002 GBPm
Before goodwill amortisation and exceptional items		
Net staff costs	906	976
Depreciation	777	779
Payments to telecommunication operators	894	1,082
Other operating costs	1,535	1,351
Total continuing activities*	4,112	4,188
Goodwill amortisation	4	30
Exceptional items	-	2,543
Discontinued activities	-	-
Total	4,116	6,761
*Includes leaver costs of	71	135

5. Group's share of profits (losses) of associates and joint ventures

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	Fourth quarter ended March 31	
	2003 GBPm	2002 GBPm
Share of operating profits (losses) before goodwill amortisation and exceptional items	19	17
Provision for impairment of Concert tangible fixed assets and goodwill, and share of redundancy and unwind costs	-	(26)
Impairment of other associates and joint ventures and (charge) release for exit related costs	-	(371)
Amortisation of goodwill	(2)	(3)
Share of operating profits (losses) of continuing associates and joint ventures	17	(383)
Discontinued activities	-	-
Total share of operating profits (losses) of associates and joint ventures	17	(383)

### 6 Profit on sale of fixed asset investments and group undertakings

The profit in the three months ended March 31, 2003 of GBP1,526m is mainly attributable to the profit on sale of our stake in Cegetel of GBP1,509m, including a write back of GBP862m of goodwill taken directly to reserves before April 1998. After recognition of the exceptional interest charge of GBP293m on closing out GBP2.6bn of fixed interest rate swaps, following receipt of the Cegetel sale proceeds of GBP2.6bn, the net profit on sale was GBP1,216m. The profit for the year ended March 31, 2003 of GBP1,691m also includes the profit on sale of BSkyB shares of GBP131m and the profit on disposals of our shareholdings in Blu, Mediaset and SmarTone.

### 7 Net interest payable

	Fourth quarter ended March 31	
	2003 GBPm	2002 GBPm
Group	609	358
Joint ventures and associates	4	13
Total interest payable	613	371
Interest receivable	(54)	(70)
Net interest payable	559	301
 Analysed:		
Continuing activities, before exceptional items	266	301
Exceptional items	293	-
Discontinued activities	-	-
	559	301

### 8. Exceptional items and goodwill amortisation

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	Fourth quarter ended March 31	
	2003 GBPm	2002 GBPm
Attributable to continuing activities:		
Impairment of goodwill and tangible fixed assets in BT Global Services' European activities	-	(2,202)
Property rationalisation costs	-	-
Impairment of Concert and AT&T Canada investments	-	-
Concert unwind transaction costs	-	(195)
Impairment of other investments and assets and (charge) release for exit related costs	-	(396)
Call centre rationalisation	-	(68)
Provision for bad and doubtful debts	-	(79)
Costs related to mm02 demerger	-	-
Profit on sale of group undertakings and fixed asset investments	1,233	57
Profit on sale of property fixed assets	-	-
Goodwill amortisation	(6)	(33)
Net credit (charge) before tax and minority interests	1,227	(2,916)
Attributable to discontinued activities:		
Profit on sale of group undertakings and fixed asset investments	-	-
mm02 demerger costs	-	-
Goodwill amortisation	-	-
Net credit before tax and minority interests	-	-
Total exceptional items and goodwill amortisation before tax and minority interests	1,227	(2,916)

9 Dividends

	Year ended March 31	
	2003	2002
	pence per share	
Interim dividend	2.25	-
Proposed final dividend	4.25	2.00
	6.50	2.00

10 Earnings per share

The basic earnings per share are calculated by dividing the profit attributable to shareholders by the average number of shares in issue after deducting the company's shares held by employee share ownership trusts. In calculating the diluted earnings per share, share options outstanding and other potential ordinary shares have been taken into account.

The average number of shares in the periods was:

Fourth quarter  
ended March 31

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	2003	2002
	million of shares	
Basic	8,623	8,598
Diluted	8,671	8,652

11 Reconciliation of operating profit (loss) to operating cash flow

	Fourth quarter ended March 31	
	2003	2002
	GBPm	GBPm
Group operating profit (loss)	729	(1,923)
Depreciation and amortisation	782	3,013
Changes in working capital	814	341
Provision, pension movements and other	(78)	65
Net cash inflow from operating activities	2,247	1,496

12 Net debt

a. Analysis

	At M
	200
	GBP
Long-term loans and other borrowings falling due after more than one year	13,45
Short-term borrowings and long-term loans and other borrowings falling due within one year	2,54
Total debt	16,00
Short-term investments	(6,340)
Cash at bank	(91
Net debt at end of period	9,57

b. Reconciliation of net cash flow to movement in net debt

	Fourth quarter ended March 31		
	2003	2002	
	GBPm	GBPm	
Net debt at beginning of period	12,917	13,636	1
(Decrease) increase in net debt resulting from cash flows	(3,380)	53	(4
Debt assumed by demerger and disposal of undertakings	-	-	
Currency and other movements	35	(5)	
Other non-cash movements	1	17	
Net debt at end of period	9,573	13,701	



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### 13 Provisions for liabilities and charges

	At M	
	200	
	GBP	
Deferred taxation	2,01	
Pension provisions (a)	3	
Other provisions	32	
	2,37	

(a) The pension prepayment relating to the BT Pension Scheme of GBP630m at March 31, 2003 (GBP231m last year) is included in debtors and falls due after more than one year.

### 14 Share capital and reserves

	Share capital	
	GBPm	
Balances at April 1, 2002	434	(
Profit for the financial year	-	2
Dividend	-	(
Goodwill written back on disposals (a)	-	
Currency movements (b)	-	
Balances at March 31, 2003	434	2

(a) Includes GBP862m written back on disposal of our stake in Cegetel.

(b) Includes GBP106m movement on the retranslation of foreign borrowings and other hedging instruments in the quarter and year ended March 31, 2003.

(c) The reserves of the parent company, BT Group plc, were GBP9.5bn at March 31, 2003.

### 15 Earnings before interest, taxation, depreciation and amortisation (EBITDA) before exceptional items

	Fourth quarter ended March 31	
	2003	2002
	GBPm	GBPm
Group operating profit (loss)	729	(1,923)
Exceptional items	-	2,543
Depreciation and amortisation of intangible assets	778	781
Goodwill amortisation	4	30
EBITDA before exceptional items	1,511	1,431
Analysed:		
Continuing activities	1,511	1,431

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Discontinued activities	-	-
Total before exceptional items	1,511	1,431

### 16 Pension costs

#### Background

The group continues to account for pensions costs in accordance with UK Statement of Standard Accounting Practice No. 24 "Pensions Costs" (SSAP 24). In addition, disclosures have been presented in accordance with Financial Reporting Standard No. 17 "Retirement Benefits" (FRS 17).

The group offers retirement plans to its employees. The group's main scheme, the BT Pension Scheme (BTPS), is a defined benefit scheme where the benefits are based on employees' length of service and final pensionable pay. The BTPS is funded through a legally separate trustee administered fund. This scheme has been closed to new entrants since March 31, 2001 and replaced by a defined contribution scheme. Under this defined contribution scheme the profit and loss charge represents the contribution paid by the group based upon a fixed percentage of employees' pay.

The total pension costs of the group expensed within staff costs in the year was GBP322m (2002 - GBP382m including discontinued activities), of which GBP314m (2002 - GBP373m) related to the group's main defined benefit pension scheme, the BTPS. The decline in the pension cost reflects the reduction in the number of active members of the BTPS and the interest credit relating to the balance sheet prepayment. This total pension cost includes the cost of providing enhanced pension benefits to leavers, which amounted to GBP60m (2002 - GBP46m).

The pension cost applicable to defined contribution schemes in the year ended March 31, 2003 was GBP4m (2002 - GBP5m), and GBP0.4m (2002 - GBP0.3m) of contributions to the schemes were outstanding at March 31, 2003.

The group occupies seven properties owned by the BTPS on which an annual rental of GBP3m is payable. The BTPS assets are invested in UK and overseas equities, UK and overseas properties, fixed interest and index linked securities, deposits and short-term investments. At March 31, 2003, the UK equities included 37m (2002 - 55m) ordinary shares of the company with a market value of GBP58m (2002 - GBP154m).

#### BT Pension Scheme

#### Funding valuation

A triennial valuation is carried out for the independent scheme trustees by a professionally qualified independent actuary, using the projected unit method. The purpose of the valuation is to design a funding plan to ensure that present and future contributions should be sufficient to meet future liabilities. The triennial valuation as at December 31, 2002 forms the basis of determining the group's pension fund contributions for the year ending March 31, 2004 and future periods until the next valuation is completed. The funding valuation is performed at December 31 because this is the financial year end of the BTPS.

The valuation basis for funding purposes is broadly as follows:

- Scheme assets are valued at market value at the valuation date; and
- Scheme liabilities are measured using a projected unit method and discounted at the estimated rate of return reflecting the assets of the scheme.

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The last three triennial valuations were determined using the following long-term assumptions:

	Real rates (per annum)			Nominal 2002 valuation %	Nominal va
	2002 valuation %	1999 valuation %	1996 valuation %		
Return on existing assets, relative to market values	4.52	2.38	3.80	7.13	
(after allowing for an annual increase in dividends of)	1.00	1.00	0.75	3.53	
Return on future investments	4.00	4.00	4.25	6.60	
Average increase in retail price index	-	-	-	2.50	
Average future increases in wages and salaries	1.50*	1.75	1.75	4.40*	
Average increase in pensions	-	-	-	2.50	

\*There is a short-term reduction in the real salary growth assumption to 1.25% for the first three years.

The mortality assumption reflects improvements in life expectancy since the 1999 valuation and incorporates further future improvements.

The assumed rate of investment return, salary increases and mortality all have a significant effect on the funding valuation. A 0.25 percentage point change in these assumptions would have the following effects on the funding deficit:

	Impact on funding deficit	
	Increase GBPbn	Decrease GBPbn
0.25 percentage point change in:		
Investment return	(0.9)	0.9
Wage and salary increases	0.2	(0.2)

An additional year of life expectancy would result in a GBP0.7bn increase in the deficit.

At December 31, 2002, the assets of the BTPS had a market value of GBP22.8bn (1999 - GBP29.7bn) and were sufficient to cover 91.6 per cent (1999 - 96.8 per cent) of the benefits accrued by that date, after allowing for expected future increases in wages and salaries but not taking into account the costs of providing incremental pension benefits for employees taking early retirement under release schemes since that date. This represents a funding deficit of GBP2.1bn compared to GBP1.0bn at December 31, 1999.

The funding valuation uses conservative assumptions whereas, had the valuation been based on the actuary's view of the median estimate basis, the funding deficit would have been reduced to GBP0.4bn.

Although the current market value of equity investments has fallen, the

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investment income and contributions received by the scheme exceeded the benefits paid by GBP0.3bn in the year ended December 31, 2002.

As a result of the triennial funding valuation the group has agreed to make employer's contributions at a rate of 12.2 per cent of pensionable pay from April 2003 and annual deficiency payments of GBP232m. This compares to the employer's contribution rate of 11.6 per cent and annual deficiency payments of GBP200m that were determined under the 1999 funding valuation. In the year ended March 31, 2003, the group made regular contributions of GBP278m (2002 - GBP303m) and additional special contributions for enhanced pension benefits to leavers in the year ended December 31, 2001 of GBP129m in December 2002 (2002 - GBP400m) and deficiency contributions of GBP200m (2002 - GBP200m). The group will also pay a special contribution in December 2003, which is expected to amount to approximately GBP100m in respect of early leavers in the year ended December 31, 2002, which has already been reflected in the profit and loss account.

Under the terms of the trust deed that governs the BTPS the group is required to have a funding plan that should address the deficit over a maximum period of 20 years whilst the agreed funding plan addresses the deficit over a period of 15 years. The group will continue to make annual deficiency payments until the deficit is made good.

The BTPS was closed to new entrants on March 31, 2001 and the age profile of active members will consequently increase. Under the projected unit method, the current service cost, as a proportion of the active members' pensionable salaries, is expected to increase as the members of the scheme approach retirement. Despite the scheme being closed to new entrants, the projected payment profile extends over more than 60 years.

### SSAP 24 accounting valuation

The SSAP 24 valuation is broadly on the following basis:

- Scheme assets are valued at market value; and
- Scheme liabilities are measured using the projected unit method and discounted at the estimated rate of return reflecting the assets of the scheme.

For the purpose of determining the group's pension expenses under SSAP 24 in the years ended March 31, 2003, 2002 and 2001, the same assumptions were used as set out above for the December 1999 funding valuation, with the exception that, over the long term, it has been assumed that the return on the existing assets of the scheme, relative to market values, would be a nominal 5.6 per cent per annum (allowing for real equity dividend growth of 1.25 per cent per annum). This equates to a real return of 2.5 per cent per annum rather than the more conservative funding valuation, which used a real return of 2.4 per cent per annum.

At March 31, 2000 there was a SSAP 24 deficit of GBP0.2bn and the regular cost for the 2003 and 2002 financial years was 11.6 per cent of pensionable salaries based on the March 31, 2000 SSAP 24 valuation.

The pension cost for the 2004 financial year will be based upon the March 31, 2003 SSAP 24 valuation. At March 31, 2003 there was a SSAP 24 deficit of GBP1.4bn, before taking account of the balance sheet prepayment, and the regular cost will be 11.3 per cent of pensionable salaries. The SSAP 24 valuation at March 31, 2003 is based on the December 31, 2002 funding valuation rolled forward, and uses the same assumptions as set out above, with the following exceptions:

- Return of existing assets is assumed to be a nominal 7.1 per cent per annum,

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which equates to a real return of 4.7 per cent;

- Average increase in retail price index is assumed to be 2.25 per cent per annum; and
- The average future increases in wages and salaries is assumed to include a short term reduction in the real salary growth assumption to 0.75 per cent for the first three years, before returning to 1.5 per cent.

The cumulative difference since the adoption of SSAP 24 between the cash contributions paid by the group to the pension scheme and the profit and loss charge is reflected on the balance sheet. The cumulative cash contributions exceed the profit and loss charge and the resulting difference is shown as a prepayment on the balance sheet. At March 31, 2003 the prepayment was GBP630m (2002 - GBP231m) with the increase being principally due to the additional special and deficiency contributions in the year.

The pension charge to the profit and loss account will also include the amortisation of the combined pension fund position and pension prepayment over the average remaining service lives of scheme members, which amounts to 13 years, and the cost of enhanced pension benefits provided to leavers.

### FRS 17 - Retirement benefits

The group continues to account for pensions in accordance with SSAP 24. Full implementation of FRS 17 has been deferred by the Accounting Standards Board until accounting periods commencing on or after January 1, 2005. The requirements for disclosure under FRS 17 remain in force between its issue and full implementation, and the required information is set out below. FRS 17 specifies how key assumptions should be derived and applied. These assumptions are often different to the assumptions adopted by the pension scheme actuary and trustees in determining the funding position of pension schemes. The accounting requirements under FRS 17 are broadly as follows:

- Scheme assets are valued at market value at the balance sheet date;
- Scheme liabilities are measured using a projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term to the liability; and
- Movement in the scheme surplus/deficit is split between operating charges and financing items in the profit and loss account and, in the statement of total recognised gains and losses, actuarial gains and losses.

The financial assumptions used to calculate the BTPS liabilities under FRS 17 at March 31, 2003 are:

	Real rates (per annum)		Nomi
	2003	2002	
	%	%	
Average future increases in wages and salaries	1.50*	1.50	
Average increase in pensions in payment and deferred pensions	-	-	
Rate used to discount scheme liabilities	3.08	3.41	
Inflation - average increase in retail price index	-	-	

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\*There is a short term reduction in the real salary growth assumption to 0.75% for the first three years.

The expected nominal rate of return and fair values of the assets of the BTPS at March 31, 2003 were:

	Expected long-term rate of return (per annum) %	2003		At 31 March	
		Asset fair value		Expected long-term	
		GBPb	%	rate of return (per annum) %	
UK equities	8.20	7.4	34	8.00	
Non-UK equities	8.20	6.4	30	8.00	
Fixed-interest securities	5.20	3.1	14	5.60	
Index-linked securities	4.30	1.7	8	4.80	
Property	7.00	3.3	15	7.00	
Cash and other	4.00	(0.4)	(1)	4.50	
Total	7.35	21.5	100	7.38	

The long-term expected rate of return on investments does not affect the level of the deficit but does affect the level of the expected return on assets within the net finance cost charged to the profit and loss account under FRS 17.

The net pension deficit set out below under FRS 17 is as if this standard was fully applied. The fair value of the BTPS assets, the present value of the BTPS liabilities based on the financial assumptions set out above, and the resulting deficit, together with those of unfunded pension liabilities at March 31, 2003 are shown below. The fair value of the BTPS assets is not intended to be realised in the short term and may be subject to significant change before it is realised. The present value of the liabilities is derived from long-term cash flow projections and is thus inherently uncertain.

	March 31, 2003			March	
	Assets	Present value of liabilities	Deficit	Assets	Present value of liabilities
	GBPm	GBPm	GBPm	GBPm	GBPm
BTPS	21,500	30,500	9,000	27,100	
Other liabilities	-	33	33	-	
Total deficit			9,033		
Deferred tax asset at 30 per cent			(2,710)		
Net pension liability			6,323		

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at March 31, 2003 would be as follows:

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	March
	2
	G
Net assets (deficiency)	
Net assets (deficiency), as reported	2,
SSAP 24 pension prepayment (net of deferred tax)	(4
SSAP 24 pension provision (net of deferred tax)	
Net pension liability under FRS 17	(6, 3
Net deficiency including net pension liability	(4, 0
Profit and loss reserve	
Profit and loss reserve, as reported	1,
SSAP 24 pension prepayment (net of deferred tax)	(4
SSAP 24 pension provision (net of deferred tax)	
Net pension liability under FRS 17	(6, 3
Profit and loss reserve including net pension liability	(5, 5

On the basis of the above assumptions and in compliance with FRS 17 the amounts that would have been charged to the consolidated profit and loss account and the statement of total recognised gains and losses for the year ended March 31, 2003 would be as follows:

Analysis of amount that would be charged to operating profit on an FRS 17 basis

Current service cost

Past service cost

Total operating charge

Amount that would be charged (credited) to net interest payable on an FRS 17 basis

Expected return on pension scheme assets

Interest on pension scheme liabilities

Net finance expense (return)

Amount that would be charged to profit before taxation on an FRS 17 basis

Analysis of the amount that would be recognised in the consolidated statement of total recognised gains and losses on an FRS 17 basis

Expected return less actual return on pension scheme assets

Experience (gains) losses arising on pension scheme liabilities

Changes in assumptions underlying the present value of the pension scheme liabilities

Actuarial loss recognised

The net pension cost of GBP215m for the year ended March 31, 2003 under FRS17 is GBP107m lower than the profit and loss charge recorded under SSAP 24.

The movements in the net pension liability, on an FRS 17 basis, during the year ended March 31, 2003 were:

Deficit at April 1, 2002

Current service cost

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Contributions  
Past service costs  
Other finance income  
Actuarial loss recognised  
Deficit at March 31, 2003  
Net pension liability, post tax, at March 31, 2003

The history of experience gains (losses) which would have been recognised under FRS 17 were:

Difference between expected and actual return on scheme assets:  
Amount (GBPm)  
Percentage of scheme assets

Experience gains and losses on scheme liabilities:  
Amount (GBPm)  
Percentage of the present value of scheme liabilities

Total amount recognised in statement of total recognised gains and losses:  
Amount (GBPm)  
Percentage of the present value of scheme liabilities

### 17 United States Generally Accepted Accounting Principles

The results set out above have been prepared in accordance with accounting principles generally accepted in the United Kingdom. The table below sets out the results calculated in accordance with United States Generally Accepted Accounting Principles.

	Fourth quarter ended March 31	
	2003	2002
Net income (loss) attributable to shareholders (GBP m) including discontinued activities and exceptional items	2,987	(2,874)
Earnings (loss) per ADS (GBP)		
- basic	3.46	(3.34)
- diluted	3.45	(3.34)

Each American Depositary Share (ADS) represents 10 ordinary shares of BT Group plc.

Shareholders' equity, calculated in accordance with United States Generally Accepted Accounting Principles, is GBP2,258m deficit at March 31, 2003 (March 31, 2002 - GBP4,247m deficit).

Non-financial statistics



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March 31, 2003

BT Group	
Exchange lines:	
Business, including wholesale (000s)	9,062
Residential, including service providers (000s)	20,291
BT Retail (includes BT Openworld)	
Narrowband PAYG (000s)	633
Narrowband unmetered (000s)	886
BT Openworld Broadband	292
BT Broadband Direct	137
Total customer base (000s)	1,948
BT Wholesale	
Optical fibre in network (km millions)	6.4
SDH nodes	2,123
Next generation trunk switches	71
ADSL enabled exchanges	1,167
ADSL lines provided (000s)	800
BT Global Services	
Inter-city fibre network (kms) (a)	48,000
Large towns/cities with Metropolitan Area Networks	18
Web hosting centres	22
Dial access ports (000s)	606

(a) Of which over 45,000 route kilometres are held through our wholly owned businesses in Europe.

## 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: expectations regarding broadband growth and the benefits of other new wave initiatives; the possible or assumed future results of operations of BT and/or its lines of business; expectations regarding revenue growth, capital expenditure, investment plans, cost reductions, return on capital employed, dividend policy and future dividend cover, and pension funding.

Although BT Group 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 and its lines of business; future regulatory actions and conditions in BT's operating areas, including competition from others in the UK and other international communications markets; 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 and interest rates;

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technological innovations, including the cost of developing new products 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; developments in the convergence of technologies; the anticipated benefits and advantages of new technologies, products and services, including broadband and other new wave initiatives, not being realised; the timing of entry and profitability of BT and its lines of business in certain communication markets; significant changes in market shares for BT and its principal products and services; to the extent that BT chooses to sell assets or minority interests in its subsidiaries, prevailing market levels for such sales; general financial market conditions affecting BT's performance; and the reintegration of Concert. BT Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

### Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BT Group PLC  
(Registrant)

By: /s/ Patricia Day

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Patricia Day, Assistant Secretary. Head of Shareholder Services

Date 23 May 2003