

BT GROUP PLC
Form 6-K
May 30, 2007

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 1934

Report on Form 6-K dated May 30, 2007

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 of Form 20-F or Form 40-F.

Form 20-F 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

Enclosure: Annual Review and Notice of Meeting 2007

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

By: /s/ Alan Scott

Name: Alan Scott

Title: Assistant Secretary

Date: May 30, 2007

Table of Contents

Bringing it all together

Annual Review & Notice of Meeting 2007

Summary financial statement and Notice of
Annual General Meeting 2007

This document is important and requires your immediate attention. If you have any doubts about what action you need to take, you should contact your stockbroker, bank manager, solicitor, accountant or other independent professional advisor authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or transferred all of your shares you should pass this booklet and the accompanying documents to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Table of Contents

Group overview

BT is one of the world's leading providers of communications solutions and services operating in 170 countries.

Our principal activities include networked IT services; local, national and international telecommunications services; higher-value broadband and internet products and services; and converged fixed/mobile products and services.

Our vision is to be dedicated to helping customers thrive in a changing world.

Our mission is to be the leader in delivering converged networked services.

Contents

2	Group overview
3	Chairmans' message
6	BT in review
10	Summary financial statement
12	Auditors' statement
14	Summary report on Directors' remuneration
18	Summary Directors' report
20	Board of Directors
22	Notice of Meeting
28	AGM information
30	Shareholder information

In this Annual Review, references to "BT Group", "BT", "the group", "the company", "we" or "our" are to BT Group plc (which includes the activities of British Telecommunications plc) and its subsidiaries, or any of them as the context may require.

Our performance

Revenue of **£20,223** million, up **4%**

New wave revenue of **£7,374** million, up **17%**

Profit before taxation and specific items^a of **£2,495** million, up **15%**

Earnings per share before specific items^a of **22.7** pence, up **16%**

Free cash flow^a of **£1,354** million and net debt^a of **£7.9** billion

Full year proposed dividends of **15.1** pence per share, up **27%**

£2.5 billion allocated to a new share buy back programme

^aProfit before taxation and specific items, earnings per share before specific items, free cash flow and net debt are non GAAP measures. The directors believe these measures provide a more meaningful analysis of the trading results of the group and are consistent with the way financial performance is measured by management.

Key Dates for 2007/08

Annual General Meeting	19 July 2007
First quarter results	26 July 2007
Second quarter and half year results	8 November 2007

Edgar Filing: BT GROUP PLC - Form 6-K

Third quarter and nine months results	February 2008
Fourth quarter and full year results	May 2008
2008 Annual Report & Form 20-F published	May 2008

2 **BT Group plc** Annual Review & Notice of Meeting 2007

[Table of Contents](#)

Chairman's message

Dear Shareholder,

Welcome to our combined Annual Review and Notice of Meeting. I very much hope that you will be able to join us at the AGM at The Sage Gateshead on Thursday 19 July 2007. If you do not plan to attend please complete and return a proxy form so that you will be able to vote at the Meeting. You will find enclosed a copy of *Forward*, our shareholder magazine which will bring you up to speed with some of the exciting things happening in your company. In line with our commitment to operating in an environmentally responsible way, this year's AGM shareholder information has been produced in A5 format to save paper and reduce postage costs.

Results

The 2007 financial year was a very good one for your company – our results once again were excellent. Revenue grew by 4% and earnings per share before specific items grew by 16% to 22.7 pence. We continued to invest in technologies, networks and systems that will, we believe, transform our customers' lives and businesses, along with their experience of dealing with BT.

I am delighted to report that our proposed full year dividend is 15.1 pence per share, 27% higher than last year, moving to a two-thirds pay out ratio a year earlier than we had previously announced. We expect to increase the dividend, taking into account our earnings growth, cash generation and our ongoing investment needs. In addition, because of the financial strength of the company we are introducing a new £2.5 billion share buy back programme which we expect to be completed by 31 March 2009.

Business progress

We continued to implement our strategy for profitable growth. New wave revenue now accounts for 36% of our total business. We are a major player in the global networked IT services market, meeting the needs of our customers around the world. In the UK, we have around 11 million broadband lines over which we are able to offer all our customers – consumer, SME, corporate and wholesale – a more accessible, faster and richer broadband experience.

Our wider responsibilities

I am extremely proud of the fact that, for the sixth consecutive year, BT was the highest placed telecommunications company in the Dow Jones Sustainability Index. We are committed to operating in an ethical, sustainable and socially responsible way, and to having a positive impact on all those communities whose lives we touch.

As the corporate social responsibility agenda evolves, so does our strategy. We are, for example, increasingly emphasising three new priorities:

- **tackling climate change.** We are committed to cutting our CO₂ emissions by 80% from 1996 levels by 2016 and to helping customers and suppliers cut theirs through the more effective use of communications technology. The fact that our Chief Executive, Ben Verwaayen, is chairing the CBI's climate change task force indicates how seriously we take this issue.

Table of Contents

- **enabling sustainable economic growth.** We are increasingly integrating sustainability in all our business processes.
- **helping to build a more inclusive society.** We are looking at the ways in which communications technology can help to build a fairer, more inclusive society.

Pensions

Investment performance on assets in the BT Pension Scheme (BTPS) was very good, with year end value at a record £38 billion. During the year, BT and the trustees of BTPS agreed the triennial funding of the scheme. Under a new and more conservative actuarial methodology, the deficit at 31 December 2005 was calculated as £3.4 billion.

BT has agreed to make deficit payments equivalent to £280 million a year for ten years, with the first three years' instalments paid up front - £840 million was paid into the scheme by 30 April 2007. I believe this is a fair and prudent deal for pensioners and shareholders, and demonstrates that your company stands fully behind its pension obligations.

Your Board

I will be stepping down as Chairman in the autumn after more than six challenging and fascinating years with BT. Sir Mike Rake will take over as your next Chairman in September. Mike is currently chairman of KPMG International; he has demonstrated outstanding leadership of this major global organisation during a time of turbulence and change. He will bring extensive international experience to BT as it continues to position itself as a truly global company.

A number of changes to the Board have occurred since I last wrote to you. Sir Anthony Greener stepped down as Deputy Chairman and from the Board on 30 September 2006 after six years and I would like to thank him for his very significant contribution to the development of our strategy. His successor is Maarten van den Bergh, who has been a non-executive director since September 2000. Maarten, who prior to his retirement was president of the Royal Dutch Petroleum Company, also chairs the Remuneration Committee and is our senior independent director. And I'd like to welcome two new directors, Deborah Lathen and François Barrault. Deborah, who is president of Washington-based Lathen Consulting, joined the Board as a non-executive director in February 2007. She brings strong US business and policy experience to BT, including as a previous chief of the Cable Services Bureau at the US Federal Communications Commission. François joined the Board on 24 April 2007 as Chief Executive BT Global Services (in which role he succeeds Andy Green who became CEO of Group Strategy and Operations). As President of BT International, François established a record of exceptional growth in BT's operations outside the UK.

Delivering our plan

I would like to thank shareholders and customers for their confidence in our strategy and the loyalty they have shown in the past six years.

I'd also like to thank our Chief Executive, Ben Verwaayen, the other members of the Board - both executive and non-executive - and all BT people for their efforts and unwavering support. If I cannot entirely resist the temptation to look back over the past six years, it is because that is the best way of acknowledging what they have achieved.

Table of Contents

Back in 2001 your company's net debt had risen to nearly £30 billion. In response, in May 2001, your Board put in place an action plan to reduce debt, manage costs and enhance our abilities to serve our customers even more effectively. That plan has been delivered.

Debt was brought under control by a combination of the largest ever rights issue in UK corporate history and the disposal of a number of businesses including Yell (our international directories and e-commerce business) and our interests in Japan and Spain. 02 (previously Cellnet) was demerged and Concert (our international joint venture with AT&T) was unwound. These structural changes have provided commercial and financial flexibility for the group and our debt in recent years has reduced to sustainable levels.

We have rigorously managed our costs, taking a disciplined approach to eliminating waste and duplication, wherever possible using our own technology to become more cost effective.

During that period, new technologies have given customers access to a range of services – high-speed broadband, fixed-mobile convergence and next-generation TV – that have transformed their idea of what is possible. Our efforts in UK broadband and in global networked IT services have been very successful.

Looking forward

Looking ahead, your company is positioned for success. With a new Chairman and an experienced CEO at the helm, and a workforce experienced in the business of transformation, the signs are very positive. It has been a privilege to be involved with BT's journey to this point; I shall, of course, continue to follow its future progress with great interest and pleasure.

Notice of meeting

To give as many shareholders as possible the opportunity to attend the AGM, we hold the meeting in a different region of the UK each year. We also broadcast my speech and the presentation by our Chief Executive, Ben Verwaayen, live over the internet (see [page 27](#)).

Of the directors proposed for re-election this year, one is an independent non-executive director, John Nelson. I am pleased to confirm to shareholders that, following formal performance evaluation, we continue to regard John as an effective non-executive director. He makes a valuable contribution to the Board and has demonstrated a high level of commitment to the role. Deborah Lathen and François Barrault, who have recently joined the Board, are also retiring automatically and are proposed for election. The Board recommend Deborah and François for election.

Even if you are not able to come to the meeting in person, your vote is still important. I would urge you, regardless of the number of shares you own, to vote.

You may vote by completing and returning the enclosed Proxy Card. Alternatively, you may cast your vote online or by telephone or fax.

I look forward to seeing you at The Sage Gateshead.

Sir Christopher Bland

Chairman

16 May 2007

Table of Contents

BT in review

Our principal activities include networked IT services; local, national and international telecommunications services; higher-value broadband and internet products and services; and converged fixed/mobile products and services.

Our strategy

Key performance indicators

The key performance indicators against which we test the success of our strategy are earnings per share before specific items^a, free cash flow^a and customer satisfaction.

Earnings per share before specific items^a pence

Customer satisfaction (% increase in customers very/extremely satisfied – 12 months average)

^aProfit before taxation and specific items, earnings per share before specific items and free cashflow are non GAAP measures.

^bAmounts presented in respect of the years ended 31 March 2004 and 2003 are presented in accordance with UK GAAP. UK GAAP is not directly comparable with IFRS.

Table of Contents

Share price

(pence) over the financial year ended 31 March 2007

Dividends

Proposed final dividend of 10.0p per share, giving a total dividend for the full year of 15.1p per share, up 27%

^aProfit before taxation and specific items, earnings per share before specific items and free cashflow are non GAAP measures.

Our values

The BT values capture the way we get things done. They sum up what customers can expect from us and what BT people can expect from each other. They are at the heart of every compelling customer experience. Living our values is key to our success.

Our values are:

TRUSTWORTHY

we do what we say we will

HELPFUL

we work as one team

INSPIRING

we create new possibilities

STRAIGHTFORWARD

we make things clear

HEART

we believe in what we do

We are committed to contributing positively to society and a sustainable future. This is part of the heart of BT.

Table of Contents

BT in review □ continued

Our people

We aim to create a high-performance team of people who can really make a difference. Ensuring that every single employee has opportunities to develop innovative solutions and realise his/her potential is the best way we know of meeting and exceeding our customers' expectations.

- We are committed to recruiting, developing, recognising, rewarding and retaining the best.
- We recognise the power of diversity and are working to create an inclusive working environment in which all employees can thrive.
- We are focused on motivating leaders at all levels in BT and providing appropriate development opportunities.

Building a global workforce

Growth by region (excluding the UK, where the number of employees remained substantially the same)

+54%
Americas

+4%
**Europe, the Middle East
and Africa**

+29%
Asia Pacific

106,200

Employees worldwide including the UK

The way we do business

We aim to do business in an innovative, ethical and sustainable way in accordance with our published code of practice **The Way We Work** □ not just because we believe that's the right thing to do but also because we believe that it's good business □ good for customers, good for shareholders and good for the communities in which we operate.

- Our CO₂ emissions are 60% below their 1996 levels and we are committed to achieving an 80% reduction from our 1996 baseline by 2016.
- We commit a minimum of 1% of our UK pre-tax profits to activities which support society.
- *The Way We Work* □ visit www.bt.com/twww

**Dow Jones
Sustainability Indexes**

Member 2006/07

BT is ranked as the top company in the telecommunications sector for the sixth year in a row.

We have ISO 9001 certification for most of our operations in the UK and around the world.

Consumer services

Further information on consumer services is available as follows:

- BT Broadband ☐ visit **www.bt.com/shareholders/broadband**
- BT Home IT Support ☐ call **0800 432 0230** or visit **www.bt.com/itadvice**
- BT Fusion ☐ call **0800 783 2326** or visit **www.bt.com/btfusion/shareholder**
- BT Mobile ☐ call **0800 107 8034** or visit **www.bt.com/btmobile**
- BT Vision ☐ call **0800 917 7610** or visit **www.bt.com/btvision**
- Shareholder offers ☐ call **0800 328 4478** or visit **www.bt.com/shop/shareholders**

Information on the services we offer is regularly enclosed with BT phone bills.

Table of Contents

Our capabilities

Our capabilities range from the provision of a single, domestic telephone line to the development of an innovative network infrastructure for the twenty-first century; from global networked IT services to broadband packages for the home; from next-generation TV to voice over IP services; from innovative calls packages for homes and businesses to personal help when your PC goes wrong.

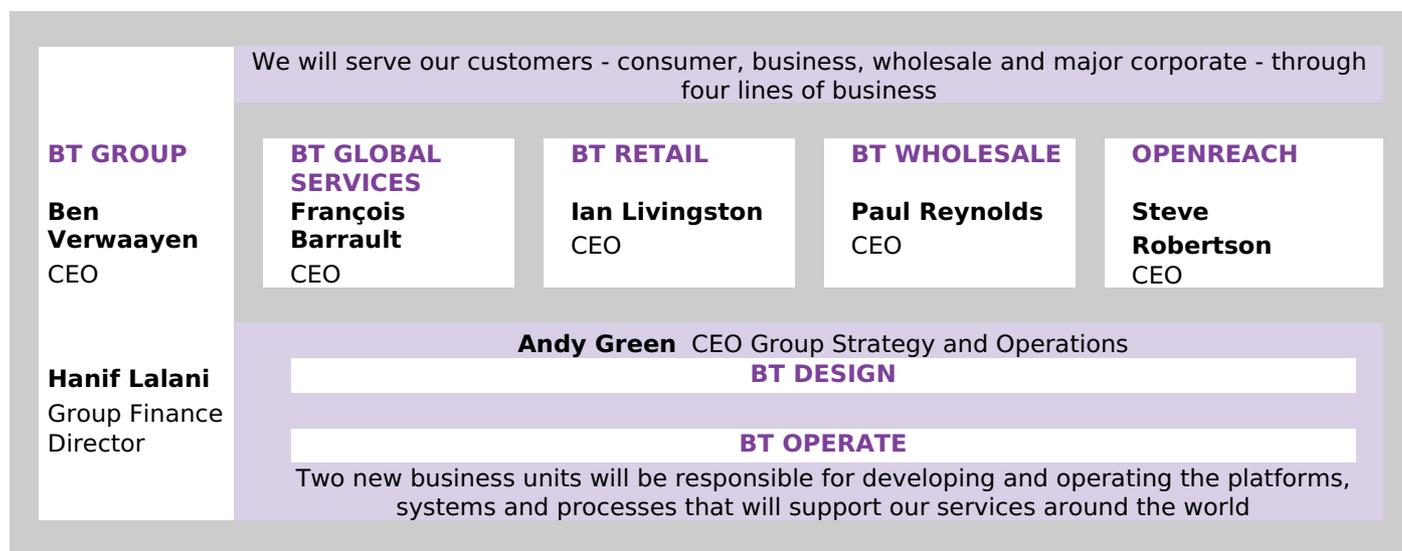
- We have the most comprehensive fixed-line communications network in the UK, one of the broadest IP-enabled networks in Europe, and our network-based services extend to and across North and South America and the Asia Pacific region.
- We had 10.7 million broadband lines including LLU (local loop unbundling) and in the retail market our market share of consumer and business DSL (digital subscriber lines) and LLU broadband connections in the UK was 34% at 31 March 2007.
- The first live customer call using our twenty-first century IP network (21CN) was made on 28 November 2006.
- BT is developing and delivering software-driven products over broadband harnessing the power of our 21CN platform.

Serving our customers

Our 18 million customers range from individual consumers with a single phone line, to government departments and some of the world's biggest multinationals. With effect from 1 July 2007, a new operational structure will help us enhance our services.

Revenue mix by customer segment

year ended 31 March 2007



Find out more

Read more about BT in our full annual report or visit www.btplc.com

Table of Contents

Summary financial statement

Summary group income statement

for the year ended 31 March

	Before specific items 2007 £m	Specific items ^a 2007 £m	Total 2007 £m	Total 2006 £m
Revenue	20,223	□	20,223	19,514
Operating profit	2,713	(172)	2,541	2,495
Net finance expense	(233)	139	(94)	(472)
Share of post tax profit of associates and joint ventures	15	□	15	16
Profit on disposal of associate and joint ventures	□	22	22	1
Profit before taxation	2,495	(11)	2,484	2,040
Taxation	(611)	979	368	(492)
Profit for the year	1,884	968	2,852	1,548
Earnings per share			34.4p	18.4p
Earnings per share before specific items			22.7p	19.5p
Proposed dividends per share			15.1p	11.9p

^aSpecific items comprise items that are considered to be significant one-off or unusual items such as disposals of businesses and investments. Separate identification of these items 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. The principal specific item in the 2007 financial year related to the settlement of substantially all open UK tax matters relating to tax years up to and including 2004/05 with HM Revenue & Customs. The total impact of this settlement was a net credit of £1,067 million comprising a tax credit of £938 million representing those elements of the tax charges previously recognised which were in excess of the final agreed liability, interest income of £139 million on the repayment and operating costs of £10 million representing the costs associated with reaching this agreement. Specific items in the 2006 financial year amounted to a net cost of £96 million, mainly comprising property rationalisation costs and a provision for the costs of establishing Openreach as a separate line of business.

Line of business summary

for the year ended 31 March

	Revenue		Operating profit (loss)	
	2007 £m	2006 ^a £m	2007 £m	2006 ^a £m
BT Global Services	9,106	8,772	293	288
BT Retail	8,414	8,507	674	569
BT Wholesale	7,584	7,343	724	759
Openreach	5,177	5,142	1,177	1,183
Other	17	18	(327)	(304)

Edgar Filing: BT GROUP PLC - Form 6-K

Intra-group	(10,075)	(10,268)	□	□
Group totals	20,223	19,514	2,541	2,495

^a Restated to reflect the creation of Openreach.

Table of Contents**Summary group cash flow statement**

for the year ended 31 March

	2007 £m	2006 £m
Net cash inflow from operating activities	5,210	5,387
Net cash (used) received in investing activities	(3,035)	365
Net cash used in financing activities	(2,898)	(5,278)
Effects of exchange rate changes	(37)	□
Net (decrease) increase in cash and cash equivalents	(760)	474
Cash and cash equivalents at the start of the year	1,784	1,310
Cash and cash equivalents at the end of the year	1,024	1,784
Free cash flow^a		
Net cash inflow from operating activities	5,210	5,387
Net purchase of property, plant and equipment	(3,209)	(2,874)
Net purchase of non-current asset investments	(3)	(1)
Dividends received from associates	6	1
Net interest paid	(650)	(901)
Free cash flow	1,354	1,612

^aFree cash flow is defined as the net increase in cash and cash equivalents less cash flows from financing activities (except interest paid) and less the acquisition or disposal of group undertakings and less the net sale of short term investments.

Summary group balance sheet

at 31 March

	2007 £m	2006 ^a £m
Property, plant and equipment	14,997	15,222
Other non-current assets	3,343	3,061
Current assets	5,815	6,417
Current liabilities	(9,617)	(9,480)
	14,538	15,220
Non-current liabilities	10,266	13,613
Parent shareholders' equity	4,238	1,555
Minority interests	34	52
	14,538	15,220

^aComparative amounts have been reclassified to conform with the presentation adopted in the 2007 financial year.

This summary financial statement was approved by the Board of Directors on 16 May 2007 and was signed on its behalf by:

Sir Christopher Bland **Ben Verwaayen**
Chairman Chief Executive

Hanif Lalani
Group Finance Director

Table of Contents

Auditors' statement

Independent Auditors' statement to the members of BT Group plc

We have examined the Summary financial statement which comprises the Summary group income statement, Summary group cash flow statement and Summary group balance sheet as set out on pages 10 and 11, the Summary report on Directors' remuneration as set out on pages 14 to 17 and the Summary Directors' report as set out on pages 18 and 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the BT Group plc Annual Review & Notice of Meeting in accordance with United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary financial statement within the BT Group plc Annual Review & Notice of Meeting with the full annual financial statements, the Report of the Directors and the Report on Directors' remuneration and its compliance with the relevant requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

We also read the other information contained in the BT Group plc Annual Review & Notice of Meeting and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary financial statement.

This statement, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 251 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board. Our reports on the company's full annual financial statements describe the basis of our audit opinions on those financial statements and the Report on Directors' remuneration.

Opinion

In our opinion the Summary financial statement is consistent with the full annual financial statements, the Report of the Directors and the Report on Directors' remuneration of BT Group plc for the year ended 31 March 2007 and complies with the applicable requirements of Section 251 of the Companies Act 1985, and the regulations made thereunder.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London, United Kingdom
16 May 2007

Table of Contents

Important note

This summary financial statement is a summary of information contained in BT's Consolidated financial statements, Report of the Directors and Report on directors' remuneration as set out in the BT Group plc Annual Report & Form 20-F (the "Annual Report"). It does not contain sufficient information to allow for as full an understanding of the results of the group and state of affairs of the company or the group and of their policies and arrangements concerning directors' remuneration as would be provided by the Annual Report. Also, for the company's disclosure on any significant ways in which the company's corporate governance practices differ from those followed by US companies under NYSE listing standards, please see page 53 of the Annual Report. Shareholders who would like more detailed information may obtain a copy of the full Annual Report for 2007 and/or future years, free of charge, by calling our Shareholder Helpline on Freephone 0808 **100 4141** (+44 121 415 7178 from outside the UK) or can view it online at **www.bt.com/annualreport**

The auditors' report on the full annual accounts for the year ended 31 March 2007 is unqualified and does not contain any statement under Section 237(2) (accounting records or returns inadequate or accounts or directors' remuneration report not agreeing with records or returns) or Section 237(3) (failure to obtain necessary information and explanations) of the Companies Act 1985.

Forward-looking statements – caution advised

Certain statements in this summary financial statement 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 progressive dividend policy and dividend payout ratio; the proposed share buy back programme; cutting CO₂ emissions; deficit payments to the pension scheme and being positioned for success.

Although BT believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to: material adverse changes in economic conditions in the markets served by BT; future regulatory actions and conditions in BT's operating areas, including competition from others; selection by BT of the appropriate trading and marketing models for its products and services; technological innovations, including the cost of developing new products, networks and solutions and the need to increase expenditures for improving the quality of service; prolonged adverse weather conditions resulting in a material increase in overtime, staff or other costs; timing of entry and profitability of BT in certain communications markets; 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; significant changes in market shares for BT and its principal products and services; fluctuations in foreign currency exchange rates and interest rates; and general financial market conditions affecting BT's performance. Certain of these factors are discussed in more detail in the Annual Report including, without limitation, in Group risk factors. BT undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Table of Contents

Summary report on Directors' remuneration

Introduction

This is a summary of the full Report on directors' remuneration in the Annual Report, a copy of which is available on request or at www.bt.com/annualreport. The full report will be voted on at the 2007 Annual General Meeting.

Remuneration Committee

The Remuneration Committee sets the remuneration policy and individual packages for the Chairman, executive directors and other senior executives reporting to the Chief Executive. It also approves changes in the company's long-term incentive plans, recommends to the Board those plans which require shareholder approval and oversees their operation.

Remuneration policy for executives

BT's executive remuneration policy is to reward employees competitively, taking into account individual, line of business and company performance, market comparisons and the competitive pressures in the information and communications technology industry.

The policy for executive pay, in general terms, is for base salaries to be positioned within a range, consistent with prevailing market rates, with total direct compensation (basic salary, annual bonus and the value of any long-term incentives) to be at the upper quartile for sustained and excellent performance.

Main components of remuneration

Executive benefits packages comprise a mix of basic salary and performance-related remuneration, as follows:

Basic salary

This is reviewed annually.

Performance-related remuneration

- Annual bonus – the annual bonus plan is designed to reward the achievement of results against set objectives. Targets in respect of corporate performance, set at the beginning of the financial year 2006/07 for each objective, were based on earnings per share, free cash flow and customer satisfaction. In addition, the Chief Executive is entitled to an award of deferred shares equal to two times his cash bonus. Executive directors are entitled to a bonus in the form of deferred shares with a value of