

BT GROUP PLC
Form 20-F
May 26, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20 - F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended 31 March 2010
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to

Commission File Number: 1-08819

BT Group plc

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into
English)

England and Wales

(Jurisdiction of incorporation or
organization)

BT Centre

81 Newgate Street, London, EC1A 7AJ

England

(address of principal executive offices)

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

Title of each class:

American Depositary Shares
Ordinary shares of 5p each

Name of each exchange on which registered:

New York Stock Exchange
New York Stock Exchange*

* Not for trading,
but only in

connection with the registration of American Depositary Shares representing these shares, pursuant to the requirements of the Securities and Exchange Commission.

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

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

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

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

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

Yes No

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

Yes No

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

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

Yes No

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

Not Applicable

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

International Financial Reporting Standards

as issued by the International

U.S. GAAP

Accounting Standards Board

Other

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

Item 17 Item 18

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

Yes No

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

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

Yes No

Not Applicable

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

ITEM 3. KEY INFORMATION

3.A Selected financial data

The information set forth under the headings:

Financial summary on page 2;

Selected financial data on page 151; and

Information for shareholders Exchange rates on page 160
of the Annual Report & Form 20-F 2010 as sent to shareholders and included as Exhibit 15.2 to this Form 20-F
(Annual Report 2010) is incorporated herein by reference.

3.B Capitalization and indebtedness

Not applicable

3.C Reasons for the offer and use of proceeds

Not applicable

3.D Risk factors

The information set forth under the heading Our risks on page 36 of the Annual Report 2010 is incorporated
herein by reference.

ITEM 4. INFORMATION ON THE COMPANY

4.A History and development of the company

The information set forth under the headings:

Our business and strategy Who we are on page 11;

Our business and strategy What we do on page 11;

Our markets and customers How we are structured on page 16;

Information for shareholders Background on page 157;

Other information Acquisitions and disposals on page 40;

Financial review Liquidity Capital expenditure on page 51; and

Financial review Liquidity Acquisitions and disposals on page 52 of the Annual Report 2010 is incorporated herein by reference.

4.B Business overview

The information set forth under the headings:

Our business and strategy on page 11;

Our markets and customers on page 15;

Our resources on page 18;

Our lines of business on page 22;

Our corporate responsibility on page 34;

Consolidated financial statements Notes to the consolidated financial statements Segment information on page 101;

Operational statistics on page 154; and

Information for shareholders Cautionary statement regarding forward-looking statements on page 156 of the Annual Report 2010 is incorporated herein by reference.

4.C Organizational structure

The information set forth under the headings:

Our business and strategy How we are structured on page 16; and

Subsidiary undertakings and associate on page 149 of the Annual Report 2010 is incorporated herein by reference.

4.D Property, plants and equipment

The information set forth under the headings:

Our resources Property portfolio on page 21;

Consolidated financial statements Notes to the consolidated financial statements Property, plant and equipment on page 114; and

Financial statistics on page 153 of the Annual Report 2010 is incorporated herein by reference.

ITEM 4A. UNRESOLVED STAFF COMMENTS

As far as the Company is aware, there are no unresolved written comments from the SEC staff regarding its periodic reports under the Exchange Act received more than 180 days before March 31, 2010.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A Operating results

The information set forth under the headings:

Our business and strategy on page 11;

Our lines of business on page 22;

Financial review on page 41; and

Information for shareholders Cautionary statement regarding forward-looking statements on page 156 of the Annual Report 2010 is incorporated herein by reference.

5.B Liquidity and capital resources

The information set forth under the headings:

Financial review on page 41;

Information for shareholders Cautionary statement regarding forward-looking statements on page 156;

Consolidated financial statements Notes to the consolidated financial statements Loans and other borrowings on page 119;

Consolidated financial statements Notes to the consolidated financial statements Financial commitments and contingent liabilities on page 125; and

Consolidated financial statements Notes to the consolidated financial statements Financial instruments and risk management on page 137

of the Annual Report 2010 is incorporated herein by reference.

5.C Research and development, patents and licenses

The information set forth under the headings:

Our resources Global research capability on page 20; and

Financial statistics on page 153

of the Annual Report 2010 is incorporated herein by reference.

5.D Trend information

The information set forth under the headings:

Financial review on page 41;

Quarterly analysis of revenue and profit on page 150;

Selected financial data on page 151; and

Information for shareholders Cautionary statement regarding forward-looking statements on page 156

of the Annual Report 2010 is incorporated herein by reference.

5.E Off-balance sheet arrangements

The information set forth under the heading Financial review Funding and capital management Off-balance sheet arrangements on page 54 of the Annual Report 2010 is incorporated herein by reference.

5.F Tabular disclosure of contractual obligations

The information set forth under the heading Financial review Funding and capital management Contractual obligations and commitments on page 54 of the Annual Report 2010 is incorporated herein by reference.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A Directors and senior management

The information set forth under the heading Board of Directors and Operating Committee on page 58 of the Annual Report 2010 is incorporated herein by reference.

6.B Compensation

The information set forth under the headings:

Report on directors remuneration on page 66;

Consolidated financial statements Notes to the consolidated financial statements Retirement benefit plans on page 127; and

Consolidated financial statements Notes to the consolidated financial statements Share-based payments on page 132

of the Annual Report 2010 is incorporated herein by reference.

6.C Board practices

The information set forth under the headings:

Board of Directors and Operating Committee on page 58;

The Board on page 60; and

Report on directors remuneration on page 66

of the Annual Report 2010 is incorporated herein by reference.

6.D Employees

The information set forth under the headings:

Our resources on page 18;

Financial review Financial results on page 43;

Consolidated financial statements Notes to the consolidated financial statements Employees on page 105; and

Operational statistics on page 154

of the Annual Report 2010 is incorporated herein by reference.

6.E Share ownership

The information set forth under the headings:

Report on directors' remuneration on page 66; and

Consolidated financial statements Notes to the consolidated financial statements Share-based payments
on page 132

of the Annual Report 2010 is incorporated herein by reference.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A Major shareholders

The information set forth under the headings:

Shareholders and Annual General Meeting Substantial shareholdings on page 82; and

Information for shareholders Analysis of shareholdings at 31 March 2010 on page 158
of the Annual Report 2010 is incorporated herein by reference.

7.B Related party transactions

The information set forth under the headings:

Directors' information Interest of management in certain transactions on page 78;

Report on directors' remuneration on page 66; and

Consolidated financial statements Notes to the consolidated financial statements Related party transactions
on page 124

of the Annual Report 2010 is incorporated herein by reference.

7.C Interests of experts and counsel

Not applicable

ITEM 8. FINANCIAL INFORMATION

8.A Consolidated statements and other financial information

See Item 18 below

In addition, the information set forth under the headings:

Other information Legal proceedings on page 39;

Financial review Financial results Dividends on page 47;

Consolidated financial statements Notes to the consolidated financial statements Financial commitments
and contingent liabilities on page 125;

Information for shareholders Dividends on page 158; and

Information for shareholders Articles of Association (Articles) Dividends on page 161 of the Annual Report 2010 is incorporated herein by reference.

8.B Significant changes

The information set forth under the heading Financial review Funding and capital management Going concern on page 54 of the Annual Report 2010 is incorporated herein by reference.

ITEM 9. THE OFFER AND LISTING

9.A Offer and listing details

The information set forth under the heading Information for shareholders Stock exchange listings Share and ADS prices on page 157 of the Annual Report 2010 is incorporated herein by reference.

9.B Plan of distribution

Not applicable

9.C Markets

The information set forth under the heading Information for shareholders Stock exchange listings on page 157 of the Annual Report 2010 is incorporated herein by reference.

9.D Selling shareholders

Not applicable

9.E Dilution

Not applicable

9.F Expenses of the issue

Not applicable

ITEM 10. ADDITIONAL INFORMATION

10.A Share capital

Not applicable

10.B Memorandum and articles of association

The information set forth under the heading Information for shareholders Articles of Association (Articles) on page 161 of the Annual Report 2010 is incorporated herein by reference.

10.C Material contracts

The information set forth under the heading Information for shareholders Material contracts on page 164 of the Annual Report 2010 is incorporated herein by reference.

10.D Exchange controls

The information set forth under the heading Information for shareholders Limitations affecting security holders on page 166 of the Annual Report 2010 is incorporated herein by reference.

10.E Taxation

The information set forth under the heading Information for shareholders Taxation (US Holders) on page 164 of the Annual Report 2010 is incorporated herein by reference.

10.F Dividends and paying agents

Not applicable

10.G Statement by experts

Not applicable

10.H Documents on display

The information set forth under the heading Information for shareholders Documents on display on page 166 of the Annual Report 2010 is incorporated herein by reference.

10.I Subsidiary information

Not applicable

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth under the headings:

Consolidated financial statements Accounting policies Financial instruments on page 91; and

Consolidated financial statements Notes to the consolidated financial statements Financial instruments and risk management on page 137

of the Annual Report 2010 is incorporated herein by reference.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12.D American Depositary Shares

During the 2009/10 financial year, the Company received payments from the Depositary of USD561,047, which included the annual NYSE listing fee, investor relations expenses and other costs relating to the ADR program.

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

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

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

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

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable

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

Not applicable

ITEM 15. CONTROLS AND PROCEDURES

The information set forth under the headings:

Business policies US Sarbanes-Oxley Act of 2002 on page 81;

Business policies Disclosure controls and procedures on page 81; and

Business policies Internal control over financial reporting on page 81 of the Annual Report 2010 is incorporated herein by reference.

ITEM 16.A AUDIT COMMITTEE FINANCIAL EXPERT

The information set forth under the heading Business policies US Sarbanes-Oxley Act of 2002 on page 81 of the Annual Report 2010 is incorporated herein by reference.

ITEM 16.B CODE OF ETHICS

The information set forth under the heading Business policies US Sarbanes-Oxley Act of 2002 on page 81 of the Annual Report 2010 is incorporated herein by reference.

ITEM 16.C PRINCIPAL ACCOUNTANTS FEES AND SERVICES

The information set forth under the headings:

Consolidated financial statements Notes to the consolidated financial statements Audit and non-audit services on page 136; and

Report of the Audit Committee on page 62 of the Annual Report 2010 is incorporated herein by reference.

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

Not applicable

ITEM 16.F CHANGE IN REGISTRANT S REPORTING ACCOUNTANT

Not applicable

ITEM 16.G CORPORATE GOVERNANCE

The information set forth under the heading The Board New York Stock Exchange on page 61 of the Annual Report 2010 is incorporated herein by reference.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable

ITEM 18. FINANCIAL STATEMENTS

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

Report of the independent auditors Consolidated financial statements - United States opinion on page 86;
and

Consolidated financial statements on page 87
of the Annual Report 2010 is incorporated herein by reference.

ITEM 19. EXHIBITS

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

- 1.1 Articles of Association of the Company adopted at the 2009 AGM on July 15, 2009, effective October 1, 2009
- 4.1 Letter of extension of appointment of Clay Brendish, dated August 1, 2008, incorporated by reference to Exhibit 4.8 to the Company's Annual Report on Form 20-F dated May 27, 2009
- 4.2 Service contract appointing Anthony Chanmugam as Group Finance Director, dated December 1, 2008, incorporated by reference to Exhibit 4.9 to the Company's Annual Report on Form 20-F dated May 27, 2009
- 4.3 Letter of extension of appointment of Matti Alahuhta, dated January 19, 2009, incorporated by reference to Exhibit 4.10 to the Company's Annual Report on Form 20-F dated May 27, 2009
- 4.4 Letter of extension of appointment of Phil Hodkinson, dated January 14, 2009, incorporated by reference to Exhibit 4.11 to the Company's Annual Report on Form 20-F dated May 27, 2009
- 4.5 Letter of appointment of Tony Ball as a non-executive director, dated June 16, 2009
- 7.1 Table of Financial ratios
- 8.1 Significant subsidiaries as of March 31, 2010, see Subsidiary undertakings and associate on page 149 of the Company's Annual Report & Form 20-F included as Exhibit 15.2
- 12.1 Section 302 certification of Chief Executive
- 12.2 Section 302 certification of Group Finance Director
- 13.1 Section 906 certification
- 15.1 Consent of PricewaterhouseCoopers LLP, independent auditors of BT Group plc
- 15.2* Annual Report & Form 20-F 2010.

* Certain of the information included within Exhibit 15.2, which is provided pursuant to Rule 12b-23(a)(3) of the Securities Exchange Act of 1934, as amended, is incorporated by reference in this Form 20-F, as specified

elsewhere in
this Form 20-F.
With the
exception of the
items and pages
so specified, the
Annual Report
& Form 20-F is
not deemed to
be filed as part
of this Form
20-F.

SIGNATURES

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

BT Group plc

/s/ Tony Chanmugam

Name: Tony Chanmugam

Title: Group Finance Director

Date: May 26, 2010