Registered number: 04383521

BT Fleet Limited

Annual Report and Financial Statements for the year ended 31 March 2011

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Directors and advisors

Directors

Mr DM Bowen
Mr AL Edginton
Mr B McPhee
Mr DJ Webb

Company Secretary

Newgate Street Secretaries Limited

Registered office

81 Newgate Street
London
EC1A 7AJ

Statutory auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Directors' report for the year ended 31 March 2011

The directors submit their Annual Report and the audited financial statements of BT Fleet Limited ("BT Fleet" or the "Company") for the year ended 31 March 2011 The registered number of the Company is 04383521

Review of activities and future developments

The Company's principal activity is the provision of motor vehicle fleet services to fleet operators with the primary customer being British Telecommunications plc ("BT plc") This activity includes vehicle leasing, fleet management, fleet maintenance services and accident management services The directors do not anticipate any change to the activities in the foreseeable future

Review of business

BT Fleet again produced a good set of financial results in 2010-11 and continued to consolidate its position as one of the pre-eminent players in the United Kingdom fleet management market despite the significant downturn in the general economic environment

BT Fleet's prime focus remains the provision of services to BT plc although, as highlighted in previous years' reports, the volume of vehicles required by BT plc continues to reduce in the wake of technological developments, cost reduction and efficiency programmes and the corresponding reduction in manpower/vehicle requirements This trend has continued during 2010-11 and is not expected to reverse in the foreseeable future

The continuing shrinking of the BT fleet has led the company to look both to increase its external trading activity and to reduce its cost base This latter strategy is in line with initiatives from the BT Group where cost transformation has been paramount As highlighted in last year's report, BT Fleet completed a programme of workshop closures in 21 locations with a reduction in headcount of c100 This was effected without compulsory redundancy through an early leaver scheme along with a well-controlled redeployment process The Commercial Workers' Union ("CWU") has been fully involved in the closure discussions and the transition has been made without prejudicing the company's service to customers The transformation programme is intended to stabilise the key financials and to provide a robust platform for the future

During the year, the underlying level of vehicle purchasing using BT capital remained at the low level of 2009-10 (c£25m) although the company took the opportunity to buy-back a large proportion (value c£50m) of the assets procured with external funding This was due to the availability of BT Group funding at a more attractive rate than external providers and the difficulty in securing funding This policy is expected to continue in the coming year

Total revenues dropped by £13m from 2009-10 mainly driven by the operating lease revenue from BT Group Third party revenue grew by some £2m and further growth in external trading activity remains a keystone of the company's future strategy To this end, the company made significant changes to its management structure and leadership team personnel The company Managing director ("MD") Mrs JE Entwistle, left the Company during the year and was replaced by Mr DM Bowen, formerly Finance Director Mr AL

Directors' report for the year ended 31 March 2011 (continued)

Edginton was appointed as Finance Director and a Procurement specialist and a Sales Director were also appointed to the leadership team The company has set itself challenging targets on external revenue growth and cost savings over the next financial year continuing the trend of 2010-11 which saw a reduction in operating costs of c£13m (c8%) in the face of inflationary pressures in the market

Over the longer term the company remains subject to risk associated with any net reduction in business from its customers, principally vehicle volume reductions, to the extent that it is unable to reduce the cost base associated with the provision of services to those customers accordingly Both car and commercial vehicle volumes for BT plc, BT Fleet's largest customer, have reduced over the past few years and the expectations are that this trend will continue for the foreseeable future BT Fleet has succeeded so far in offsetting the downside from the BT business with growth in its external trading activity and this remains a key part of its strategy Exponential growth is required to maintain BT Fleet's position and there is increased focus on sales opportunities both in up-selling to existing customers and generating new leads

Principal risks and uncertainties

The directors of BT Group plc (the ultimate controlling entity of the company) manage the group's risks at a group level, rather than at an individual business unit level For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or financial position of the company's business The principal risks and uncertainties of BT Group plc, which include those of the company, are discussed on pages 39 to 43 of the group's annual report, which does not form part of this report

Key performance indicators ("KPIs")

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

Employees

The company is committed to involving employees in the business through a policy of communication and consultation Arrangements have been established for the regular provision of information to all employees through briefings, staff conferences and well established formal consultation procedures

The company is committed to its equal opportunities policies, which includes promoting training and career development for all employees Full and fair consideration for all vacancies and opportunities will be given to men and women, people with disabilities and those from ethnic minorities, regardless of marital status, age, religion or sexual orientation

Directors' report for the year ended 31 March 2011 (continued)

If members of staff become disabled the group continues employment wherever possible and arranges retraining The policy is supported by a Code of Practice on harassment which recognises that all employees have the right to be treated with dignity and respect

More details of these policies are set out in the Group's Annual Report and Financial Statements for the year ended 31 March 2011

Profits and dividends

The profit on ordinary activities before taxation was £44,805,000 (2010 £38,256,000) The charge for taxation was £11,885,000 (2010 £10,828,000) which left a profit for the financial year of £32,920,000 (2010 £27,428,000)

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2011 (2010 £nil)

Directors

A list of the directors as at the date of the financial statements approval is set out on page 1, the following changes occurred either during the financial year or subsequently -

- Mrs JE Entwistle resigned her directorship with effect from 30 September 2010
- Mr AG Scott resigned his directorship with effect from 31 August 2010
- Mrs VA Haynes was appointed to the Board of BT Fleet Limited with effect from 31 August 2010 and resigned her directorship with effect from 31 January 2011
- Mr MP Genikis resigned his directorship with effect from 31 January 2011
- Mrs H Miles was appointed to the Board of BT Fleet Limited with effect from 31 January 2011and resigned her directorship with effect from 5 April 2011
- Mr B McPhee was appointed to the Board of BT Fleet Limited with effect from 31 January 2011
- Mr AL Edginton was appointed to the Board of BT Fleet Limited with effect from 31 January 2011
- Mr DJ Webb was appointed to the Board of BT Fleet Limited with effect from 31 January 2011

Statement of directors' responsibilities

A statement by the directors of their responsibilities for preparing the financial statements is included on page 6

Payment of creditors

The BT group undertakes to use its purchasing power fairly and aims to pay promptly and as agreed

The company has a variety of payment terms with suppliers and these are consistent with industry standards The terms for payments for major contracts are settled when agreeing the

Directors' report for the year ended 31 March 2011 (continued)

other terms negotiated with the individual suppliers It is the company's policy to make payments to parts suppliers within thirty working days of the invoice date, provided that the relevant invoice is presented to the company in a timely fashion and is complete For other services, the payment terms are 42 days unless otherwise specified The company's payment terms are printed on the company's standard purchase order forms or, where appropriate, specified in individual contracts agreed with suppliers

Auditors and disclosure of information to the auditors

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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office

On behalf of the Board,

DM Bowen
Director
6TH November 2011



Statement of directors' responsibilities for preparing the financial statements

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

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

In preparing these financial statements, the directors are required to

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

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

DM Bowen
Director
8TH November 2011



Independent auditors' report to the members of BT Fleet Limited

We have audited the financial statements of BT Fleet Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

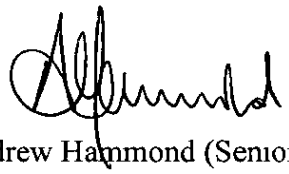
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Andrew Hammond (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
25 November 2011

Profit and loss account for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Turnover	2	189,538	202,118
Operating costs		(156,446)	(169,871)
Operating profit	3	33,092	32,247
Interest receivable	4	11,713	6,009
Profit on ordinary activities before taxation		44,805	38,256
Tax on profit on ordinary activities	7	(11,885)	(10,828)
Profit for the financial year	15	32,920	27,428

All results derive entirely from continuing activities

Other than the profit for the financial year, there have been no other recognised gains or losses during either 2011 or 2010, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before taxation and profit for the year stated above and their historical costs equivalents

Balance sheet as at 31 March 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	8	123,947	80,308
Current assets			
Stocks	9	1,038	1,249
Debtors amounts falling due within one year	10	488,222	518,455
Debtors amounts falling due after more than one year	10	23,827	23,823
Cash at bank and in hand	11	24,380	7,401
Total current assets		537,467	550,928
Creditors: amounts falling due within one year	12	(82,198)	(84,232)
Net current assets		455,269	466,696
Total assets less current liabilities		579,216	547,004
Provisions for liabilities	13	(10,490)	(11,470)
Net assets		**568,726**	**535,534**
Capital and reserves			
Called up share capital	14	200	200
Share premium account	15	259,511	259,511
Profit and loss account	15	309,015	275,823
Total shareholders' funds	16	**568,726**	**535,534**

The financial statements on pages 9 to 22 were approved by the Board of directors on 8th November 2011 and were signed on its behalf by

DM Bowen
Director

8TH November 2011

Notes to the financial statements for the year ended 31 March 2011

1 Accounting policies

Basis of accounting

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

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

Turnover

Turnover, which excludes value-added tax and other sales taxes, comprises the value of services provided and equipment sales Income from operating leases is recognised on a straight line basis over the period of the lease Income from finance leases is credited to the profit and loss account to give a constant periodic rate of return over the period of the contract

Share based payments

The ultimate parent undertaking, BT Group plc, has a number of employee share schemes and share option plans, as detailed in note 6 in the BT Group plc consolidated financial statements, under which it makes equity settled share based payments to certain employees of the company Equity settled share based payments are measured at fair value at the date of grant taking into account the company's best estimate of the number of awards expected to vest For share based payments to employees of the company, the fair value determined at the date of grant is expensed on a straight line basis over the vesting period together with a corresponding increase in equity

Fair value is measured using either the Binomial or Monte Carlo model, whichever is the most appropriate

The company has taken advantage of the transitional provisions of FRS 20 'Share based payment' in respect of equity settled awards and has applied FRS 20 only to those awards granted after 7 November 2002 that were unvested at 1 April 2006

The company has adopted the amendment to FRS 20 (IFRS 2) 'Share-based payment'- Vesting Conditions and Cancellations with effect from 1 April 2009 No adjustment has been made in respect of this change of policy however as it does not represent a material difference at £178,000 increase in the share-based payment charge if posted retrospectively for 2009

Notes to the financial statements for the year ended 31 March 2011 (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

Depreciation is provided on tangible fixed assets on a straight-line basis from the time they are available for use, so as to write off their costs over their estimated useful lives taking into account any expected residual values No depreciation is provided on freehold land

The lives assigned to significant tangible assets are

	Years
Motor vehicle assets held for operating leases	
Light commercial vehicles	1 to 5
Specialist commercial vehicles	5 to 14
Cars	1 to 4
Plant and machinery	1 to 7
Fittings and equipment	3 to 5

Leased assets

Tangible assets are either purchased directly and therefore capitalised or acquired through an externally funded central operating lease arrangement Assets acquired through either means are leased onward through operating and finance lease arrangements to customers Operating lease income from both owned and leased equipment is accounted for on a straight line basis over the lease term with any rental increases recognised during the period to which they relate

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term

Stocks

Stocks mainly comprise items of equipment held for sale or rental and consumable items They are stated at the lower of cost, including appropriate overheads, and estimated net realisable value, after provisions for obsolescence.

Pension schemes and other post retirement benefits

The company participates in pension schemes operated by BT plc for its employees and those of certain subsidiaries. The main scheme, the BT Pension Scheme (BTPS) provides benefits based upon final pensionable pay The assets of BTPS are held in a separate trustee administered fund Pension costs are charged to the profit and loss account so as to spread the

Notes to the financial statements for the year ended 31 March 2011 (continued)

1 Accounting policies (continued)

cost over the service lives of all employees in the scheme Actuarial surpluses or deficits are accounted for by BT plc

The contributions are determined by a qualified and independent actuary on the basis of valuations undertaken at intervals of not more than three years Further details regarding the BTPS are available in the financial statements of British Telecommunications plc The company also operates a defined contribution pension scheme and the profit and loss account is charged with the contributions payable

Taxation

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

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

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

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

Cash flow statement

The company is a wholly-owned subsidiary of BT Group plc The cash flows of the company are included in the consolidated cash flow statement of BT Group plc, whose Annual Report is publicly available Consequently, the company is exempt under the terms of Financial Reporting Standard Number 1 (Revised 1996) from publishing a cash flow statement

Equipment leased to customers

Equipment leased to the customers under finance leases is deemed to be sold at normal selling value which is taken to turnover at the inception of the lease Debtors under finance leases represent outstanding amounts due under these arrangements less finance charges allocated to future periods Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments

Notes to the financial statements for the year ended 31 March 2011 (continued)

1 Accounting policies (continued)

Equipment leased to customers under operating leases is capitalised Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate

Accrued Income

Income is accrued on a monthly basis to reflect the value of income earned but not invoiced in each period owing to the incidence of the monthly billing process

2 Turnover

All turnover derives from goods and services provided within the United Kingdom

	2011 £'000	2010 £'000
Income from operating leases	133,522	149,164
Income from finance leases	3,325	2,621
Other income	52,691	50,333
	189,538	202,118

3 Operating profit

Operating profit is stated after charging

	2011 £'000	2010 £'000
Change in stocks of finished goods	211	363
Raw materials and consumables	42,289	42,004
Staff costs (see note 6)	28,968	33,296
Rental payable under operating leases -		
- plant and machinery	651	626
- other	48,745	54,483
Depreciation of tangible fixed assets (see note 8)	19,794	26,071
Gain on disposal of tangible fixed assets	(3,438)	(8,779)
Administrative costs	19,226	21,805

Remuneration to our auditors for tax services is made centrally by BT plc and not recharged to BT Fleet Limited. Audit fees were also settled centrally by BT plc although the costs £26,995 (2010 £26,900) were recharged to BT Fleet Limited and are within the other operating costs above

Notes to the financial statements for the year ended 31 March 2011 (continued)

4 Interest receivable

	2011 £'000	2010 £'000
Interest receivable	11,713	6,009

5 Directors' emoluments

Throughout the periods in which they were directors of BT Fleet Limited, Mr MP Genikis, Mrs VA Haynes, Mrs H Miles and Mr AG Scott were remunerated by BT plc and other group companies in respect of their services to the BT group as a whole, and did not receive any emoluments in respect of their services to BT Fleet Limited Mrs JE Entwistle and Mr DM Bowen provided services to BT Group plc and BT group companies other than BT Fleet Limited, and all payments received for those services have been dealt with in the financial statements of the relevant companies and are not included in the amounts detailed below

Directors' emoluments for services attributable to BT Fleet -

	2010 £
Aggregate emoluments (2010 £521,116)	316,249

The emoluments of the highest paid director included above were £160,713 (2010 £280,206)

All the directors accrue pension benefits under a defined benefit scheme under the BT Group Pensions Scheme As at 31 March 2011, the highest paid director had accrued benefits of an annual pension of £2,016 per annum (2010 £23,055 per annum) under this scheme relating to qualifying services with BT Fleet

6 Employee information

The average monthly number of employees during the year was

	2011 Number	2010 Number
Service and maintenance	527	611
Fleet management and administration	221	255
	748	866

Notes to the financial statements for the year ended 31 March 2011 (continued)

6 Employee information (continued)

Employment costs of all employees included above

	2011 £'000	2010 £'000
Wages and salaries	23,788	28,062
Social security costs	2,413	2,527
Pension costs (see note 17)	2,495	2,343
Share based payments	272	364
	28,968	33,296

7 Tax on profit on ordinary activities

Current tax.	2011 £'000	2010 £'000
United Kingdom corporation tax on profit of the year at 28% (2010 28%)	12,865	13,886
Deferred tax		
Origination and reversal of timing differences (note 13)	(217)	(3,058)
Adjustment in respect of previous years	60	-
Effect of reduction in statutory tax rate on opening liability	(823)	-
Total deferred taxation	(980)	(3,058)
Tax charge on profit on ordinary activities	11,885	10,828
Reconciliation of tax charge		
Profit on ordinary activities before taxation	44,805	38,256
Profit on ordinary activities multiplied by standard rate of corporation tax at 28% (2010 28%)	12,545	10,712
Effects of capital allowances less than depreciation	163	3,007
Expenses not deductible for tax purposes	11	14
Other timing differences	70	51
Permanent difference due to share based payments	76	102
Current tax charge for the year	12,865	13,886

No deferred tax has been recognised on the share based payment charge under Financial Reporting Standard 20 "Share Based Payments", as all tax deductions arising from the exercise of share options in the United Kingdom Group of BT will be included in the tax return of BT plc by agreement with HM Revenue and Customs.

Notes to the financial statements for the year ended 31 March 2011 (continued)

The Finance Act (No 2) 2010 was substantively enacted on 20 July 2010 and included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 Further reductions to the UK corporation tax rate were announced in the June 2010 Budget These changes, which are expected to be enacted separately each year, propose to reduce the rate by 1 per cent per annum to 24% by 1 April 2014 The Budget also included measures to reduce the rate of writing-down allowances on the main pool of plant and machinery expenditure to 18% and on the special rate pool to 8%, both with effect from 1 April 2012

In addition to the changes in rates of Corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement A resolution passed by Parliament on 29 March 2011 has reduced the main rate of corporation tax to 26% from 1 April 2011 The deferred tax at 31 March 2011 has been re-measured to reflect this reduction in the Corporation Tax rate
Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 and are expected to be enacted separately each year

8 Tangible fixed assets

	Plant and Machinery £'000	Assets held for Operating Leases £'000	Total £'000
Cost			
At 1 April 2010	**18,813**	**140,356**	**159,169**
Additions	488	68,974	69,462
Disposals	-	(20,223)	(20,223)
At 31 March 2011	**19,301**	**189,107**	**208,408**
Accumulated depreciation			
At 1 April 2010	**(9,688)**	**(69,173)**	**(78,861)**
Charge for the financial year	(2,090)	(17 704)	(19,794)
Disposals	-	14,194	14,194
At 31 March 2011	**(11,778)**	**(72,683)**	**(84,461)**
Net book value as at 31 March 2011	7,523	116,424	123,947
Net book value as at 31 March 2010	9,125	71,183	80,308

Notes to the financial statements for the year ended 31 March 2011 (continued)

9 Stocks

	2011 £'000	2010 £'000
Raw materials	1,038	1,249

10 Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year:		
Net investment in finance leases	5,834	8,440
Trade debtors	8,172	7,763
Amounts owed by group undertakings	450,636	494,835
Accrued income	4,261	3,268
Prepayments and other debtors	19,319	4,149
Total debtors falling due within one year	488,222	518,455
Net investment in finance leases comprises -		
Total amounts receivable	8,489	11,407
Less - interest allocated to future periods	(2,655)	(2,967)
	5,834	8,440
Amounts falling due after more than one year		
Net investment in finance leases	23,827	23,823
Net investment in finance leases comprises -		
Total amounts receivable	29,666	30,274
Less - interest allocated to future periods	(5,839)	(6,451)
	23,827	23,823
Total debtors	**512,049**	**542,278**

Rentals receivable during the year under the finance leases amounted to £9,145,000 (2010 £7,551,000)

The cost of assets acquired during the year for onwards finance leasing was £6,436,625 (2010 £16,183,491)

Included in amounts owed by group undertakings is an interest bearing loan to BT plc of £385,683,000 (2010 £436,540,000) Interest is calculated at 3 month LIBOR less 10 basis points

Notes to the financial statements for the year ended 31 March 2011 (continued)

11 Cash at bank and in hand

The company, certain fellow subsidiaries and parent companies participate in a cash pooling arrangement and have jointly and severally guaranteed amounts owing to the company's bankers by any participating company The liability of the company is limited to the amounts standing to the credit of the company's accounts with the bank

12 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	7,070	5,092
Amounts owed to group undertakings	41,635	38,267
Corporation taxes	12,866	13,885
Other taxation and social security	912	2,215
Accruals	19,715	24,773
	82,198	84,232

No interest is payable on the amounts owed to group undertakings

13 Provisions for liabilities and charges

	Deferred taxation £'000
Balance at 1 April 2010	11,470
Released to the profit and loss account in the year	(980)
Balance at 31 March 2011	10,490

Under Financial Reporting Standard Number 19, deferred taxation is provided for in full on certain timing differences The company does not discount the provision The deferred taxation charge / creditor was mainly the result of the tax effect of timing differences as follows There are no unrecognised deferred tax assets

	2011 Provision £'000	2010 Provision £'000
Accelerated capital allowances	10,656	11,716
Pension provisions and other timing differences	(166)	(246)
Total provision for deferred taxation	10,490	11,470

Notes to the financial statements for the year ended 31 March 2011 (continued)

14 Called up share capital

	2011 £'000	2010 £'000
Authorised:		
10,000,000 (2010 10,000,000) ordinary shares of £1 each	10 000	10,000
Allotted, called up and fully paid.		
200,001 (2010 200,001) ordinary shares of £1 each	200	200

15 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2010	259,511	275,823	535,334
Profit for the financial year	-	32,920	32,920
Share based payments	-	272	272
Balance at 31 March 2011	259,511	309,015	568,526

16 Reconciliation of movements in total shareholders' funds

	2011 £'000	2010 £'000
Retained Profit for the financial year	32,920	27,428
Share based payments	272	364
Net addition to total shareholders' funds	33,192	27,792
Opening total shareholders' funds	535,534	507,742
Closing total shareholders' funds	568,726	535,534

17 Pension obligations

The BTPS is operated by BT plc, in whose financial statements the results of the latest actuarial valuation for the purpose of determining the group's future pension costs, as at 31 December 2008, has been summarised

The triennial valuation as at 31 December 2008 was completed in February 2010 The funding valuation is performed at 31 December because this is the financial year end of the BT Pension Scheme

Notes to the financial statements for the year ended 31 March 2011 (continued)

17 Pension obligations (continued)

All contributions made into the BTPS have been accounted for as if the scheme were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities of the scheme

The pension charge for the year was £2,495,000 (2010 £2,343,000) At the year end, the amount due to be paid by the company to British Telecommunications plc in connection with pension contributions for the year was £202,000 (2010 £162,000) The amount was settled by April 2011

18 Capital and operating lease

At 31 March 2011, contracts placed for capital expenditure not provided for in the financial statements amounted to £10,538,000 (2010 £5,526,000)

Operating leases payments payable within one year of the balance sheet date would be in respect of leases expiring

	2011 Land and Buildings £'000	2011 Other £'000	2011 Total £'000	2010 Land and Buildings £'000	2010 Other £'000	2010 Total £'000
Within one year	-	3,144	3,144	-	4,221	4,221
Between one and five years	-	16,719	16,719	-	30 920	30 920
After five years	8,247	-	8,247	8,649	-	8,649
	8,247	19,863	28,110	8 649	35 141	43,790

19 Contingent liabilities

Other than as disclosed in note 11, at 31 March 2011 there were no contingent liabilities or guarantees other than those arising in the ordinary course of the company's business and on these no material losses are anticipated

20 Controlling Entities

The company is a wholly-owned subsidiary of British Telecommunications plc which is the immediate controlling entity The ultimate controlling entity as at 31 March 2011 was BT Group plc

The parent undertaking of the largest group of companies into which the results of the company are consolidated is BT Group plc, a company incorporated in England and Wales Consequently the company is exempt under the terms of Financial Reporting Standard

Notes to the financial statements for the year ended 31 March 2011 (continued)

20 Controlling entities (continued)

Number 8 from disclosing details of transactions and balances with BT Group plc, fellow group subsidiaries and associated undertakings, and those deemed under control during the year ended 31 March 2011. Copies of the financial statements of BT Group plc may be obtained from The Secretary, BT Group plc, 81 Newgate Street, London EC1A 7AJ

The parent undertaking of the smallest group of companies into which the results of the company are consolidated is British Telecommunications plc, a company incorporated in England and Wales Copies of the financial statements of British Telecommunications plc are available from The Secretary, British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ