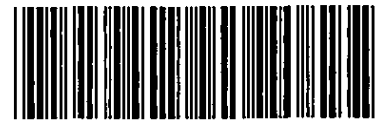


Registered number: 04383521

BT Fleet Limited

**Directors' Report and Financial Statements
for the year ended
31 March 2012**

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BT Fleet Limited

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Directors and advisers

Directors

DM Bowen
AL Edginton
B McPhee
DJ Webb

Company Secretary

Newgate Street Secretaries Limited

Registered office

81 Newgate Street
London
EC1A 7AJ

Independent auditors

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

Directors' report for the year ended 31 March 2012

The directors submit their report and the audited financial statements of BT Fleet Limited ("BT Fleet" or the "Company") for the year ended 31 March 2012. The registered number of the Company is 04383521.

Principal 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 Group plc ("BT Group plc"). This activity includes vehicle leasing, fleet management, fleet maintenance services and accident management services. A primary focus of the directors is to steadily reduce revenue dependence on BT Group plc.

Review of business

BT Fleet again produced a good set of financial results in 2011-12 despite some major external contracts coming to a close during the year and the continuing difficult general economic environment.

BT Fleet's prime focus remains the provision of services to BT Group plc although the volume of vehicles required by BT Group plc continues to reduce in the wake of technological developments, cost reduction and efficiency programmes and the corresponding reduction in manpower/vehicle requirements. With its expertise in fleet management and vehicle technology, BT Fleet Ltd plays a pivotal role in helping the parent company generate efficiencies and cost savings whilst growing its own business. This strategy has continued during 2011-12 and is expected to continue in the foreseeable future.

In view of the reduction in the level of business with BT Group plc, the company has continued to focus on growth in its external trading activity and, to this end, has recruited a small team of professional sales personnel with experience in the fleet industry. This team was created part-way through the year and thus the full benefit is not expected to be realised until 2012-13. The team will be expanding its base of business targets (which has hitherto been centred around utilities) into the SME and public sectors. As mentioned above, three of our customers exercised the natural break clause in their contracts during the year (SGN, Scottish Water and British Transport Police) although BT Fleet was successful in retaining National Grid, G4S and Thames Water and signed extensions with EDF/UKPN. These latter contracts represent a significant proportion of the company's external trading activity and provide a sound base for further growth.

During the year, the underlying level of vehicle purchasing using BT capital remained at around the £30m level and the company continued its policy of using its own capital for vehicle investment with very little leasing activity. This policy is expected to continue in the coming year. The opportunity was taken to extend the lives of a large proportion of the vehicle fleet where economical and where appropriate without jeopardising safety and brand image.

Total revenues only reduced by £1.2m from 2010-11 with operating lease revenue from BT Group down by £2.7m but offset by growth in external trading revenue of £1.5m which

Directors' report for the year ended 31 March 2012 (continued)**Review of business (continued)**

remains a keystone of the company's future strategy. The company has again set itself challenging targets on external revenue growth and cost savings over the next financial year continuing the trend of 2010-11 and 2011-12. The financial year 2012-13 is set to be a pivotal year for BT Fleet given the planned growth in external trading although, at the end of 2011-12, the pipeline looked strong and there is a growing expectation that the company will be able to turn this pipeline into revenue over the coming months.

Helen Miles resigned her directorship on 5 April 2011 but, otherwise, there were no changes to the Board of Directors and the operational Leadership Team enjoyed a period of stability.

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.

Other than trade receivables and payables that arise directly from its operations, the company does not hold any financial instruments. The company has not entered into any hedging arrangements or derivative financial instruments. The main purpose of these financial instruments is to finance the Company's operations. Their existence exposes the Company to a number of financial risks.

The main risks arising are interest rate risk and credit risk. The Directors review and agree policies for managing each of these risks that are summarised below. These policies have remained unchanged from previous years.

Interest rate risk

The Company finances its operations through a mixture of retained profits and intra group funding arrangements. The Company's exposure to interest rate fluctuations is managed by the use of fixed and floating facilities.

Trade debtors and creditors do not attract interest and are therefore subject to fair value interest rate risk.

Company policy throughout the year has been to manage this risk by the day-to-day involvement of management in business decisions designed to minimise the company's borrowings.

Credit risk

The Company's principal financial assets are cash and trade debtors. The principal credit risk arises therefore from trade debtors.

Directors' report for the year ended 31 March 2012 (continued)**Credit risk (continued)**

In order to manage credit risk the Directors set credit limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a risk basis in conjunction with debt ageing and collection history.

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. 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 2012.

Results and dividends

The profit on ordinary activities before taxation was £32,871,000 (2011: £44,805,000). The charge for taxation was £13,704,000 (2011: £11,885,000) which left a retained profit for the financial year of £19,167,000 (2011: £32,920,000).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2012 (2011: £nil).

Directors

A list of the directors as at the date of the financial statements approval is set out on page 1. Helen Miles resigned her directorship on 5 April 2011 but otherwise, there have been no

Directors' report for the year ended 31 March 2012 (continued)**Directors (continued)**

changes to the Board during the year and all the directors held office throughout the year and up to the date of signing of this report

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 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.

Disclosure of information to the auditors

Each of the persons who is a Director at the date of approval of this report confirm that 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.

On behalf of the Board

 5/12/12

D M Bowen

Director

5 December 2012

Statement of the Directors' Responsibilities

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.

On behalf of the Board

 5/12/12

D M Bowen
Director
5 December 2012

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 2012 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 Statement of Directors' Responsibilities (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 Directors' report 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and

**Independent auditors' report to the members of BT Fleet Limited
(continued)**

- have been prepared in accordance with the requirements of the Companies Act 2006

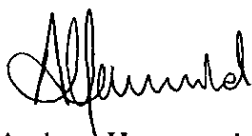
Opinion on other matter prescribed by the Companies Act 2006

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

6 December 2012

Profit and loss account for the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	188,313	189,538
Operating costs		(166,681)	(156,446)
Operating profit	3	21,632	33,092
Interest receivable and similar income	4	11,239	11,713
Profit on ordinary activities before taxation		32,871	44,805
Tax on profit on ordinary activities	7	(13,704)	(11,885)
Profit for the financial year	15	19,167	32,920

All results derive entirely from continuing activities

There have been no recognised gains or losses during either 2012 or 2011 other than as disclosed in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

There were no material differences between the results as disclosed above and the results on an unmodified historical cost basis

Balance sheet as at 31 March 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	8	115,263	123,947
Current assets			
Stocks	9	1,093	1,038
Debtors amounts falling due within one Year	10	541,343	488,222
Debtors amounts falling due after more than one year	10	19,278	23,827
Cash at bank and in hand	11	100	24,380
Total current assets		<u>561,814</u>	<u>537,467</u>
Creditors: amounts falling due within one year	12	<u>(82,513)</u>	<u>(82,198)</u>
Net current assets		<u>479,301</u>	<u>455,269</u>
Total assets less current liabilities		<u>594,564</u>	<u>579,216</u>
Provisions for liabilities	13	(6,394)	(10,490)
Net assets		<u>588,170</u>	<u>568,726</u>
Capital and reserves			
Called up share capital	14	200	200
Share premium account	15	259,511	259,511
Profit and loss account	15	328,459	309,015
Total shareholders' funds	16	<u>588,170</u>	<u>568,726</u>

The financial statements on pages 9 to 22 were approved by the Board of directors on 5th December 2012 and were signed on its behalf by

 5/12/12

D M Bowen
Director
5 December 2012

Notes to the financial statements for the year ended 31 March 2012**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. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to reserves.

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

Notes to the financial statements for the year ended 31 March 2012 (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

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

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 2012
(continued)****1 Accounting policies (continued)****Pension schemes and other post retirement benefits (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 FRS1 (Revised 1996) "Cash Flow Statements" 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 2012 (continued)

1 Accounting policies (continued)

Equipment leased to customers (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.

	2012 £'000	2011 £'000
Income from operating leases	129,917	133,522
Income from finance leases	4,228	3,325
Other income	54,168	52,691
	<u>188,313</u>	<u>189,538</u>

3 Operating profit

Operating profit is stated after charging / (crediting)

	2012 £'000	2011 £'000
Change in stocks of finished goods	(55)	211
Raw materials and consumables	49,852	42,289
Staff costs (see note 6)	28,582	28,968
Rental payable under operating leases -		
- plant and machinery	841	651
- other	30,586	48,745
Depreciation of tangible fixed assets (see note 8)	39,696	19,794
Gain on disposal of tangible fixed assets	(5,013)	(3,438)
Administrative costs	21,342	19,226
	<u></u>	<u></u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

3 Operating profit (continued)

Remuneration to our auditors for tax services is made centrally by BT plc and not recharged to BT Fleet Limited. Audit fees paid were £29,913 for the previous year and £29,600 was accrued in March 2012 for the 2011-12 audit fees and is within the administrative costs above.

4 Interest receivable and similar income

	2012 £'000	2011 £'000
Interest receivable	<u>11,239</u>	<u>11,713</u>

5 Directors' emoluments

Directors' emoluments for services attributable to BT Fleet -

	2012 £
Aggregate emoluments (2011: £316,249)	<u>516,413</u>

The emoluments of the highest paid director included above were £198,033 (2011: £160,713).

All the directors accrue pension benefits under a defined benefit scheme under the BT Group Pensions Scheme. As at 31 March 2012, the highest paid director had accrued benefits of an annual pension of £5,287 per annum (2011: £2,016 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

	2012 Number	2011 Number
Service and maintenance	473	527
Fleet management and administration	<u>207</u>	<u>221</u>
	<u>680</u>	<u>748</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

6 Employee information (continued)

Employment costs of all employees included above

	2012 £'000	2011 £'000
Wages and salaries	22,914	23,788
Social security costs	2,334	2,413
Pension costs (see note 17)	3,057	2,495
Share based payments	277	272
	<u>28,582</u>	<u>28,968</u>

7 Tax on profit on ordinary activities

	2012 £'000	2011 £'000
Current tax:		
United Kingdom corporation tax on profit of the year at 26% (2011 28%)	17,800	12,866
Deferred tax		
Origination and reversal of timing differences (note 13)	(3,340)	(218)
Adjustment in respect of previous years	55	60
Effect of reduction in statutory tax rate on opening liability	(811)	(823)
Total deferred taxation	<u>(4,096)</u>	<u>(981)</u>
Tax charge on profit on ordinary activities	<u>13,704</u>	<u>11,885</u>

The tax assessed for the year is higher (2011 higher) than the standard rate of corporation tax in the UK. The differences are explained as follows

Reconciliation of tax charge

Profit on ordinary activities before taxation	<u>32,871</u>	<u>44,805</u>
Profit on ordinary activities multiplied by standard rate of corporation tax at 26% (2011 28%)	8,546	12,545
Effects of capital allowances less than depreciation	3,680	163
Adjustment in respect of previous years	5,544	-
Expenses not deductible for tax purposes	19	11
Other timing differences	(61)	71
Permanent difference due to share based payments	72	76
Current tax charge for the year	<u>17,800</u>	<u>12,866</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

7 Tax on profit on ordinary activities (continued)

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

The Finance Act 2011 reduced the main rate of UK Corporation Tax from 28% to 26% with effect from 1 April 2011. The Finance Act 2011 also reduced the UK Corporation Tax rate from 1 April 2012 to 25% and accordingly the deferred tax asset balances have been re-measured at 25% (2011: 27%)

Factors that may affect future tax charges

In addition to the change in rates of corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012, and Finance Act 2012 includes legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013. A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

8 Tangible fixed assets

	Plant and Machinery £'000	Assets held for Operating Leases £'000	Total £'000
Cost			
At 1 April 2011	19,301	189,107	208,408
Additions	598	33,027	33,625
Transferred In	-	1,408	1,408
Disposals	-	(23,121)	(23,121)
At 31 March 2012	19,899	200,421	220,320
Accumulated depreciation			
At 1 April 2011	(11,778)	(72,683)	(84,461)
Charge for the financial year	(5,036)	(34,660)	(39,696)
Disposals	-	19,100	19,100
At 31 March 2012	(16,814)	(88,243)	(105,057)
Net book value as at 31 March 2012	3,085	112,178	115,263
Net book value as at 31 March 2011	7,523	116,424	123,947

Notes to the financial statements for the year ended 31 March 2012 (continued)

9 Stocks

	2012 £'000	2011 £'000
Raw materials	<u>1,093</u>	<u>1,038</u>

10 Debtors

	2012 £'000	2011 £'000
Amounts falling due within one year:		
Net investment in finance leases	4,482	5,834
Trade debtors	5,375	8,172
Amounts owed by group undertakings	504,252	450,636
Accrued income	6,635	4,261
Prepayments and other debtors	20,599	19,319
Total debtors falling due within one year	<u>541,343</u>	<u>488,222</u>
Net investment in finance leases comprises -		
Total amounts receivable	6,503	8,489
Less - interest allocated to future periods	<u>(2,021)</u>	<u>(2,655)</u>
	<u>4,482</u>	<u>5,834</u>
Amounts falling due after more than one year		
Net investment in finance leases	<u>19,278</u>	<u>23,827</u>
Net investment in finance leases comprises -		
Total amounts receivable	23,141	29,666
Less - interest allocated to future periods	<u>(3,863)</u>	<u>(5,839)</u>
	<u>19,278</u>	<u>23,827</u>
Total debtors	<u>560,621</u>	<u>512,049</u>

Rentals receivable during the year under the finance leases amounted to £8,886,392 (2011 £9,145,000)

The cost of assets acquired during the year for onwads finance leasing was £284,963 (2011 £6,436,625)

Included in amounts owed by group undertakings is an interest bearing loan to BT plc of £437,738,000 (2011 £385,683,000) Interest is calculated at 3 month LIBOR less 10 basis points

Notes to the financial statements for the year ended 31 March 2012 (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

	2012 £'000	2011 £'000
Trade creditors	3,852	7,070
Amounts owed to group undertakings	36,549	41,635
Corporation taxes	12,256	12,866
Other taxation and social security	1,643	912
Accruals	28,213	19,715
	<u>82,513</u>	<u>82,198</u>

No interest is payable on the amounts owed to group undertakings

13 Provisions for liabilities

	Deferred taxation £'000
Balance at 1 April 2011	10,490
Released to the profit and loss account in the year	(4,096)
Balance at 31 March 2012	<u>6,394</u>

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.

	2012 Provision £'000	2011 Provision £'000
Accelerated capital allowances	6,440	10,656
Pension provisions and other timing differences	(46)	(166)
Total provision for deferred taxation	<u>6,394</u>	<u>10,490</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

14 Called up share capital

	2012 £'000	2011 £'000
Allotted, called up and fully paid:		
200,001 (2011 200,001) ordinary shares of £1 each	<u>200</u>	<u>200</u>

15 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2011	259,511	309,015	568,526
Profit for the financial year	-	19,167	19,167
Share based payments	<u>-</u>	<u>277</u>	<u>277</u>
Balance at 31 March 2012	<u>259,511</u>	<u>328,459</u>	<u>587,970</u>

16 Reconciliation of movements in total shareholders' funds

	2012 £'000	2011 £'000
Retained Profit for the financial year	19,167	32,920
Share based payments	<u>277</u>	<u>272</u>
Net addition to total shareholders' funds	19,444	33,192
Opening total shareholders' funds	568,726	535,534
Closing total shareholders' funds	<u>588,170</u>	<u>568,726</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

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

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 £3,057,000 (2011 £2,495,000). 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 £170,000 (2011 £202,000). The amount was settled by April 2012

18 Capital and operating lease

At 31 March 2012, contracts placed for capital expenditure not provided for in the financial statements amounted to £7,284,000 (2011 £10,538,000)

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

	2012 Land and Buildings £'000	2012 Other £'000	2012 Total £'000	2011 Land and Buildings £'000	2011 Other £'000	2011 Total £'000
Within one year	-	4,272	4,272	-	3,144	3,144
Between one and five years	-	22,904	22,904	-	16,719	16,719
After five years	8,474	-	8,474	8,247	-	8,247
	<u>8,474</u>	<u>27,176</u>	<u>35,650</u>	<u>8,247</u>	<u>19,863</u>	<u>28,110</u>

19 Contingent liabilities

Other than as disclosed in note 12, at 31 March 2012 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

**Notes to the financial statements for the year ended 31 March 2012
(continued)****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 2012 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 FRS 8 "Related Party Disclosures" 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 2012. 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.