# British Telecommunications plc

Annual Report and Financial Statements
Year ended 31 March 2024
Company number 1800000

# Contents


| | Page |
|---|---|
| Corporate information | 2 |
| Strategic report | 3 |
| Report of the Directors | 27 |
| Statement of directors' responsibilities | 31 |
| Independent auditor's report to the members of British Telecommunications plc | 32 |
| Group Income statement | 39 |
| Group statement of comprehensive income | 40 |
| Group balance sheet | 41 |
| Group statement of changes in equity | 42 |
| Group cash flow statement | 43 |
| Notes to the consolidated financial statements | 44 |
| Financial Statements of parent company | 109 |
| Additional Information | 145 |

# Corporate Information

## Directors

Neil Harris

Edward Heaton

Simon Lowth

Daniel Rider

Roger Eyre

## Secretary

Antony Gara

## Independent Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

## Registered office

1 Braham Street
London
E1 8EE

# Strategic report

## Non-financial information statement

Our integrated approach to reporting means that we address the requirements of the Non-Financial Reporting Directive through the Strategic report.

The overall strategy of British Telecommunications plc (“BT plc” or the “Company”) is part of that of BT Group plc which is outlined in BT Group plc’s Annual Report 2024, which does not form part of this report.

## How we're organised

BT plc is the principal trading subsidiary of BT Group plc ("BT Group"), which is the ultimate parent company.

BT Group is made up of customer-facing, technology, and corporate units. In line with regulations, our Openreach customer-facing unit operates independently. The rest of the group operates through an integrated model. We share resources like our mobile network, technology, shared services such as billing and procurement, personnel and brands to deliver the best outcomes for customers.

### Customer-facing units

Our three customer-facing units (CFUs) design, market, sell and service tailored solutions to different market segments. By delivering excellent customer service and differentiated solutions, they earn revenue and drive growth. This year we merged Enterprise and Global into Business to better serve our business customers. Business formally began reporting as a single unit from 1 April 2023.

**Consumer** helps individuals and households communicate, study, work, learn, play and be entertained.

**Business** serves more than 1m organisations in the UK and 1,000 multinational corporates and government customers globally.

**Openreach** runs BT Group’s fixed access network infrastructure autonomously, in line with the Commitments. It connects millions of UK homes, businesses, government sites and mobile masts, while building the next generation full fibre network.

### Technology units

Our technology units (TUs) build, maintain, and run our networks, platforms and digital assets, except fixed infrastructure assets which Openreach operates and commercialises. They're also modernising our business through innovation, research and development (R&D), helping us be more agile, efficient and deliver better outcomes for customers. Our two TUs are:

**Digital** delivers our IT and digital platforms and upgrades the technology underpinning the products and services our customers need now and in the future.

**Networks** designs, builds, runs and secures the mobile, core and global networks, enabling seamless connectivity for BT Group and all our customers.

### Corporate units

Our corporate units (CUs) support the CFUs and TUs, driving efficiency across the group through centralised platforms, capabilities, and shared services. They also facilitate overall group-level direction setting, governance and coordination - crucial for aligning business activities.

## Key performance indicators

We use eight KPIs – five operational and three financial. We continue to monitor and evolve our KPIs to ensure those reported are the best measures against our strategy. During FY24 we have updated our KPIs to more accurately reflect our strategic priorities.

We now recognise 'units on legacy' as a KPI, which monitors customer migration from legacy to our strategic network platforms. We no longer recognise the cumulative number of people trained on digital skills as a KPI, but we still recognise it as an important metric and track progress.

Adjusted[a] EBITDA margin has been discontinued as a KPI, although revenue and adjusted[a] EBITDA remain KPIs. We reconcile adjusted financial measures to the closest IFRS measure on page 145. Items presented as adjusted are stated before specific items. See page 145 for more information.

### Operational

#### BT Group Net Promoter Score (NPS)

This tracks changes in our customers' perceptions of BT Group since we launched the measure in April 2016. It's a combined measure of 'promoters' minus 'detractors' across our business units. BT Group NPS measures the net promoter score in our retail business[b] and net satisfaction in our wholesale business.

BT Group NPS increased by 1.0 point, (FY23: down 1.0 point) as we continue to focus on creating standout customer experiences with perceptions improving for Consumer, Business and Openreach.

#### Total Openreach FTTP connections

This tracks how many premises are connected to Openreach's full fibre (FTTP) network.

4.7m customers were connected to Openreach's FTTP network at 31 March 2024 (FY23: 3.1m). Openreach's full fibre footprint reaches nearly than 14m homes with a further 6m where initial build is underway, and we're heading towards 25m premises by the end of 2026.

#### Total 5G subscriptions

This measures the number of BT retail customers who have a 5G subscription.
11.1m BT retail customers are able to connect to our 5G network at 31 March 2024 (FY23: 8.6m). We continue to expand our 5G network which now covers 75% of the UK population.

#### Percentage reduction in carbon emissions intensity

This measures performance against our target to cut carbon emissions intensity by 87% by the end of March 2031 compared to FY17 levels. It's measured by reference to tonnes of $CO_2e$ (carbon dioxide equivalent) per £m value added (adjusted EBITDA plus employee costs).

Against our carbon emission intensity reduction target this year we achieved a 61% reduction from our baseline year (FY17) (FY23[c]: 55%).

#### Units on legacy

This tracks customer migrations from legacy to strategic network platforms, which enables our legacy platforms to be decommissioned. A 'unit' is a circuit within, or a connection to our network.

Since announcing our transformation in FY20, we have reduced the number of legacy connections by nearly 60%, to 6.5m units (FY23: 10.6m), by migrating customers to Digital Voice, 4/5G and Fibre broadband.

### Financial

#### Reported revenue

This is our revenue as reported in our income statement.

Reported revenue was £20,797m (FY23: £20,681m). The increase was driven by price increases and fibre-enabled product sales in Openreach, increased service revenue in Consumer with annual contractual price rises being aided by higher roaming and increased FTTP connections, partly offset by legacy product declines and a one-off revenue adjustment in Business.

#### Adjusted[a] EBITDA

This measures our earnings before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures.

Adjusted[a] EBITDA was £8,102m (FY23: £7,930m). The increase was primarily due to revenue flow through and cost control more than offsetting cost inflation and one-off items; Openreach and Consumer delivered strong EBITDA growth, partially offset by EBITDA decline in Business due to increased input costs and legacy high-margin managed contract declines.

#### Reported capital expenditure

This measures additions to property, plant and equipment and intangible assets during the year.

Reported capital expenditure was £4,880m (FY23: £5,056m). The decrease was the result of lower networks spend despite higher FTTP build in the year due to reduced unit costs and efficiencies.

**a** Items presented as adjusted are stated before specific items. See page 145 for more information.
**b** Includes our Consumer brands as well as Business unit excluding Wholesale.
**c** Restated from 56% as presented in the FY23 Annual Report following review of our carbon emissions.

## Group performance

### Summarised income statement (reported measures)

| Year ended 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **Revenue** | 20,797 | 20,681 |
| Operating costs | (13,183) | (13,242) |
| Depreciation and amortisation, including impairment | (5,398) | (4,818) |
| **Operating profit** | **2,216** | **2,621** |
| Net finance expense | (298) | (447) |
| Share of post tax profit (loss) of associates and joint ventures | (21) | (59) |
| **Profit before tax** | **1,897** | **2,115** |
| Tax | (331) | 176 |
| **Profit for the year** | **1,566** | **2,291** |

### Alternative performance measures

We assess the performance of the group using various alternative performance measures. As these measures are not defined under IFRS they are termed 'non-GAAP' or 'alternative performance' measures. We reconcile these to the nearest prepared measure in line with IFRS on page 145. The alternative performance measures we use may not be directly comparable with similarly-titled measures used by other companies. Items presented as adjusted are stated before specific items. See page 145 for more information.

### Revenue

Reported revenue was £20,797m, up 1% due to fibre-enabled product sales and price increases in Openreach, increased service revenue in Consumer driven by contractual price rises, partly offset by the prior year removal of BT Sport revenue and legacy product declines and a one off revenue adjustment in Business (see note 5 to the consolidated financial statements).

You can find details of revenue by CFU in Note 4 of the consolidated financial statements. Note 5 to the consolidated financial statements shows a full breakdown of reported revenue by all our major product and service categories.

### Operating costs

Reported operating costs were £18,581m, up 3% year-on-year due to goodwill impairment (see note 12 to the consolidated financial statements), excluding this costs are flat with tight cost control and the removal of BT Sport rights and production costs, partly offset by cost inflation and one-off items.

We have now achieved our £3bn cost savings target 12 months early at a cost to achieve of £1.5bn, £0.1bn lower than target (FY23: achieved gross annualised savings of £2.1bn and costs of £1.1bn).The cumulative cash costs incurred amount to £1.5bn (FY23: £1.1bn).

Note 6 to the consolidated financial statements shows a detailed breakdown of our operating costs.

### Adjusted[a] EBI1DA

Adjusted[a] EBITDA of £8,102m increased by 2%, primarily driven by revenue flow through and cost control more than offsetting cost inflation and one-off items; Openreach and Consumer delivered strong EBITDA growth, partially offset by EBITDA decline in Business due to increased input costs and legacy high-margin managed contract declines.

### Profit before tax

Reported profit before tax of £1,897m was down 10%, primarily due to impairment of goodwill and increased depreciation and amortisation, partially offset by adjusted[a] EBITDA growth and decreased net finance expense.

### Specific items

As we explain on page 145, we separately identify and disclose those items that in management's judgement need to be disclosed by virtue of their size, nature or incidence. We call these specific items. Specific items are used to derive the adjusted[a] results as presented in the consolidated income statement. Adjusted[a] results are consistent with the way that financial performance is measured by management and assists in providing an additional analysis of the reported trading results of the group.

Specific items resulted in a net charge after tax of £963m (FY23: £253m). The main components were goodwill impairment of £488m (FY23: £nil), restructuring charges of £388m (FY23: £300m), and interest expense on retirement benefit obligation of £121m (FY23: £18m); partly offset by a tax credit on specific items of £145m (FY23: credit of £308m).

Note 9 to the consolidated financial statements shows the full details of all revenues and costs that we have treated as specific items.

### Taxation

The effective tax rate on reported profit was 17.4% (FY23: negative 8.3%) which is lower than the UK corporation tax rate of 25% primarily due to the UK patent box regime, which taxes some of our UK profits at 10%. the FY23 rate was lower due to the previous super deduction regime, the non-taxable gain on the revaluation and disposal of BT Sport business and the lower UK corporation tax rate of 19%.

The effective tax rate on adjusted[a] profit was 20.7% (FY23: 4.9%) for the same reasons.

At the end of FY24, we had c.£11bn of carried forward UK tax losses. We made income tax payments of £59m (FY23: £136m refund).

Our tax expense recognised in the income statement before specific items was £476m (FY23: £132m). We also recognised a £678m tax credit (FY23: £642m tax credit) in the statement of comprehensive income, mainly relating to the increase in our IAS 19 deficit.

We expect our sustainable effective tax rate before specific items to be around the UK rate of corporation tax, as we do most of our business in the UK.

Note 10 to the consolidated financial statements shows further details of our tax expense, along with our key tax risks.

**a** Items presented as adjusted are stated before specific items. See page 145 for more information.

### Dividends

In FY24  dividend of £850m was paid to the parent company, BT Group Investments Limited (FY23: £850m).

### Capital expenditure

Capital expenditure was £4,880m (FY23: £5,056m), down 3% primarily driven by lower network spend despite higher FTTP build in the year, due to reduced unit costs and efficiencies.

Capital expenditure contracted but not yet spent was £1,049m at 31 March 2024 (FY23: £1,480m).

### Cash flow

Net cash inflow from operating activities was £5,953m, down 11% (FY23: £6,725m).

### Summarised balance sheet

| At 31 March | **2024**<br>**£m** | 2023<br>£m |
|---|---|---|
| Intangible assets | 12,928 | 13,695 |
| Property, plant & equipment | 22,562 | 21,667 |
| Right-of-use assets | 3,642 | 3,981 |
| Derivative financial instruments | 1,070 | 1,479 |
| Cash and cash equivalents | 409 | 384 |
| Investments | 14,028 | 14,493 |
| Trade and other receivables | 4,230 | 3,590 |
| Preference shares in joint ventures | 533 | 555 |
| Contract assets | 1,740 | 1,934 |
| Deferred tax assets | 1,048 | 709 |
| Other current and non-current assets | 1,209 | 1,208 |
| **Total assets** | **63,399** | **63,695** |
| Loans and other borrowings | 18,526 | 18,521 |
| Derivative financial instruments | 539 | 383 |
| Trade and other payables | 6,960 | 7,402 |
| Contract liabilities | 1,081 | 1,052 |
| Lease liabilities | 4,955 | 5,359 |
| Provisions | 649 | 598 |
| Retirement benefit obligations | 4,882 | 3,139 |
| Deferred tax liabilities | 1,533 | 1,620 |
| Other current and non-current liabilities | 92 | 82 |
| **Total liabilities** | **39,217** | **38,156** |
| **Total equity** | **24,182** | **25,539** |

## Pensions

The IAS 19 gross deficit has increased from £3.1bn at 31 March 2023 to £4.9bn at 31 March 2024 mainly due to the increase in real interest rates and narrowing of credit spreads over the period, partly offset by our scheduled contributions.

The BT Pension Scheme (BTPS) hedges inflation and interest rate risk with reference to the funding deficit, which has resulted in the BTPS being over hedged on an IAS 19 measure. In addition, the IAS 19 liabilities are set by reference to corporate bond yields. The increase in real yields and narrowing of credit spreads over the period have therefore led to an increase in the IAS 19 deficit, partly offset by scheduled contributions of £0.8bn. The impact of these factors is different for the funding valuation deficit.

The 2023 BTPS funding valuation included a future funding commitment for BT to provide additional deficit contributions should the funding deficit be more than £1bn behind plan at two consecutive semi-annual assessment dates. At the 31 December 2023 assessment date, the funding position was within this limit.

## Our stakeholders

Colleagues, customers, shareholders, the communities we do business in, suppliers, UK Government and regulatory bodies are all key stakeholders. We connect with them at all levels of our business. That includes frontline operations, CFUs, CUs and TUs, senior leadership, the BT Group Executive Committee and the BT Group plc Board and its Committees.

We engage with them in lots of different ways – from meetings and conferences to reviews, forums and webcasts. To understand how well we're engaging with different groups, the BT Group plc Board and its Committees get regular updates from relevant parts of the business and from stakeholders themselves. They use them to make better decisions, give feedback and constructively challenge activities, programmes and initiatives being considered.

## Colleagues

To create a culture where colleagues can be their best and contribute to our purpose, ambition, strategy and success, they need to be engaged. So we must provide work environments that help them flourish, give them flexible and agile ways of working, deliver brilliant training, development and career opportunities, and reward performance with fair and competitive pay and benefits.

### How we engage with colleagues

The BT Group plc Board gets regular updates from the Chief Executive and Chief Human Resources Officer. Topics range from people strategy initiatives to culture and overall sentiment in the organisation.

This year the BT Group plc Board used both our Colleague Board and our Designated Non-Executive Director for Workforce Engagement to engage with our workforce (under the UK Corporate Governance Code 2018).

### The results

In September 2023, we changed the way we measure engagement. We did this to bring it up to date with best practice and give us better external benchmarks for BT Group and our units.

We introduced quarterly colleague engagement surveys. And to compare old and new surveys we asked both old and new engagement index questions in the first September survey. Engagement scored pretty consistently between old and new measures – at 72% and 71% respectively.

Across the year engagement improved 2 points. We closed the year on 75% in line with our target. The measure 'Getting things done here is straightforward' is not making enough progress. We're investigating why.

Initiatives to improve our colleagues' experience seem to be making a difference. We've focused on leadership, making things simpler for colleagues and inclusion and diversity. We'll continue with this in the coming months.

### Inclusion, equity and diversity

We're encouraging more inclusive thinking through understanding barriers to inclusion and taking action to make sure all our people can be their best at work. Our Manifesto has bold targets for diversity. While we're making progress in ethnic minority representation, there's much more to do in other areas.

Our UK declaration rates are now 81%. More colleagues are feeling comfortable to declare their personal information, giving us better demographic data to help us focus on areas of concern.

Our 2025 Manifesto targets for gender, ethnic minority and disability at various levels of the organisation are listed in the table opposite against the progress made in FY24.

Whilst we have made progress towards some of our goals, we have work to do to make BT Group a more inclusive workplace for everyone as we strive to achieve our inclusion, equity and diversity ambitions. We are focused on improving inclusion in the way our jobs are designed and how our workplaces operate, underpinned by an unwavering focus on inclusive leadership capability – all of which are required for BT Group to have a workforce that reflects our customers and the communities we operate in.

More diversity in digital skills will drive productivity, innovation and growth in our business and for the whole of the UK. Our focus on targeting underrepresented ethnic minority communities in the UK meant that in FY24 29% of new UK-based roles in Digital were filled by people from ethnic minority backgrounds.

We have a broad ecosystem of partners (including Career Returners, Code First Girls and 10,000 Black Interns) to help us reach into the community, create awareness, and invest in, develop and open up opportunities for future digital talent. We have engaged with colleagues through the Colleague Board and we have worked with our highly active and award-winning People Networks. These colleague-led groups raise awareness and advocate for change inside and outside BT Group.

### Occupational health and wellbeing

Absences across BT Group from sickness fell to an average of 3.67% calendar days lost per colleague (down from 3.87% last year). And when our colleagues need extra help getting back to work, our fully funded rehabilitation programme for musculoskeletal and mental health services returns 97% of them to full duties.

Today's world is psychologically challenging. In a Volatile Uncertain Complex Ambiguous world we continue to be at the forefront of innovative approaches to improve the wellbeing of our colleagues and help them maintain optimum mental health. We continue to promote our Employee Assistance Programme and CBT Mental Health Service as well as online guided self help modules.

We've been getting more sophisticated insights from our health and safety data. We have moved from reactive use of data to earlier and more active intervention.

The insights are helping us understand where to best focus our attention to make sure everyone at BT Group can work safely, and return home safe at the end of the day. In response to rising musculoskeletal related absences in our Openreach field engineering colleagues, using a data led, evidence-based approach we launched two new clinical intervention pilots this year to optimise colleagues' health – the Musculoskeletal Specialist Assessment and Medical Assistance Programme.

In FY24 we reduced musculoskeletal-related absences by around 24,000 days equating to £500,000 in savings.

## Customers

We want our customers to have standout experiences. For that, we must deliver outstanding service and differentiated solutions and outcomes.

We have a large and diverse customer base, from individuals to multinational businesses and governments. And they all need different things. So engaging with our customers is critical to properly understand those varied current and future needs.

Our customers want us to:

- give them an outstanding experience and deliver outcomes that match their needs
- deliver consistent, high-quality solutions to keep them connected
- protect their security and data
- offer all the above at a price that's great value for money.

**How we engage with customers**

Our service, sales, and contact centre colleagues regularly talk to customers to understand what they need and help them stay connected.

Our insight centre of excellence gives us a deeper understanding of our customers' needs through research techniques and extensive internal and external data sources.

Our CFUs, BT Group plc Executive Committee and the BT Group plc Board monitor how well we're providing standout customer experiences by regularly reviewing metrics like NPS.

Our Chief Executive, the BT Group plc Executive Committee and senior leaders regularly review and discuss customer complaints.

Our Customer Fairness Panel, Customer Inclusion Panel, Security Advisory Board and Global Advisory Board help us better understand customers' needs and experiences through direct conversations with them.

Openreach makes sure every CP gets equal access to our fixed network by engaging them through a transparent and compliant consultation process.

**The results**

We're simplifying our contract communication and charges by expressing changes in pounds and pence instead of percentages, making it clearer for customers.

We're visiting every UK region to raise awareness and to make sure all customers understand the simple steps needed to make the move to Digital Voice.

## Communities

We make a significant economic contribution to the UK communities we serve. But we're also at the heart of those communities, helping to bring them together.

We need communities to trust us. Without that we couldn't deliver our growth plans or our purpose – to connect for good.

The communities we serve want us to:

- give them reliable and secure connections
- help local people and businesses get more from the digital world
- provide direct and indirect employment
- do business ethically and responsibly and protect the environment.

**How we engage with communities**

Community members use our products and services as part of their daily life and work.

We provide support through retail stores and contact centres – and through home visits to set up, install and maintain our services.

Our digital inclusion and wider societal programmes bring digital skills training to millions of UK people (including children, older and more vulnerable groups, and small businesses).

We use customer surveys and reputation tracking to understand community perceptions of us and inform our focus areas and targets. The BT Group plc Executive Committee reviews this feedback monthly and it's shared with the BT Group plc Board quarterly.

The Responsible Business Committee oversees our societal programmes – tracking feedback and performance through a dashboard discussed at each meeting.

### The results

Based on a report commissioned in 2023, in one year we spent more than £9.3bn with UK-based suppliers, we supported £1 in every £80 of UK Gross Value-Added[a] and supported a total of 284,000 UK full-time jobs indirectly[a].

We're one of the UK's biggest private sector apprenticeship employers. We've hired over 3,000 apprentices and graduates over the past five years and we're planning to hire over 500 more in 2024. In 2023, we were ranked second in the UK's Top 100 Apprenticeship Employers.

We've expanded our full fibre network to 3.9m rural homes and businesses as part of our 6.2m aim by December 2026. We're extending 4G coverage to rural areas through the shared rural network initiative. And we aim to reach 90% of the UK's geography with our 5G network by 2027.

We give extra support to around 1m low income and vulnerable customers through our social tariffs and subsidised products.

Our gift-in-kind contributions, colleague fund-raising and donations provided over £134,000 to our charity partners Home-Start UK, to support the most socially excluded UK households.

We helped fund UNICEF's 'digital learning passport' tech platform, while colleagues raised over £35,000 to support their Children's Emergency Fund and other humanitarian relief programmes.

Colleagues donated over £1.3m to more than 1,100 charities through payroll giving and volunteered more than 53,000 hours of their time to our charity partners and communities – including sharing skills and expertise through mentoring and digital skills training programmes.

We also support communities through our Manifesto commitments. They include our digital skills goal, which this year reached a further 3.7m people and has helped a total of 23m people since FY15.

## Suppliers

Good supplier relationships are essential for our success. They help us deliver the solutions and propositions that create standout customer experiences.

Our suppliers want us to:

- pay them in line with our agreed terms
- help them optimise their own supply chains and cash flow management
- act ethically and transparently.

### How we engage with suppliers

We need to know who we're doing business with and who's acting on our behalf. So we:

- select suppliers based on principles around acting ethically and responsibly
- do due diligence on suppliers before and after we sign a contract – covering financial health, anti-bribery and corruption and whether they meet our standards on areas like quality management, security and data privacy
- check the things we buy are made, delivered and disposed of in a socially and environmentally responsible way
- measure suppliers' energy use, environmental impact and labour standards – and work with them to improve these.

Operating from its Dublin base since April 2021, BT Sourced is our standalone procurement company. It's focused on challenging the traditional ways of buying goods and services by simplifying processes, introducing new technology and working more in partnership with suppliers and start-ups.

BT Sourced delivered some key initiatives this year:

- With start-up Nnamu we developed and piloted a 'negotiation bot' based on game theory. It recommends optimum negotiation strategies and tactics, and negotiates autonomously.
- Autonomous AI-powered platform Globality is being widely adopted. Its generative AI features are speeding up our scoping processes and streamlining how we define what we need. Plus its new E-Negotiation and online NDA features are simplifying the whole sourcing process.
- Specialist macro risk partner PRISM has developed a digitised platform. It shares risk reports, giving us instant access to strategic risk information and a useful archive. It's a valuable resource which is helping us make better, faster procurement decisions.
- Our in-house negotiation analytics team continued expanding their AI and machine learning capabilities. To give us a 360-degree view of our suppliers, they combined existing internally developed solutions with summaries of earnings reports, news feeds, projected spend and ESG position.
- Responding to inflationary challenges, we strengthened our partnership with C2FO to give suppliers better access to competitive working capital. We also made C2FO's early payment solution more widely available to thousands of our suppliers.
- As part of BT Group's ESG supply chain assurance, we worked with Labor Solutions to run a 'worker's voice' survey with five key Asia-based suppliers. Supported by strong identity safeguards, the survey got around 1,500 responses. For more on ESG, see the ESG Addendum (bt.com/esgaddendum).

### The results

Partnering with start-ups like Nnamu will help us scale our digital procurement innovations and benefit stakeholders, buyers and suppliers.

Buyers have so far launched more than 1,000 projects on the Globality platform, with a total spend of roughly £7.9 billion. In December 2023, the platform hit a 1.1 working day time-to-market, a big improvement on the typical 7-10 working days with traditional sourcing processes.

Findings from our 'worker's voice' survey gave no major concerns. But they did give us the chance to strengthen relationships with the suppliers we surveyed. We will continue and expand the programme into FY25.

More than 1,000 of our suppliers have signed up to C2FO, including many small and medium-sized businesses. In 2023 we facilitated £1.25bn in early payments.

We're building a more resilient supply chain by adding our new supplier management risk framework (including internal controls) into our wider group key controls framework.

Responding to changing geopolitics, we're improving our crisis management capabilities. We're also investing in risk intelligence to help us get a clearer view of the macroeconomic landscape to inform our decisions

**a** Taken from 'The Economic Impact of BT Group plc in the UK' report 2023 at bt.com/economic-impact, commissioned every two years.

## UK Government

We added more than £24bn to the UK economy based on a report commissioned last year[a], supporting critical services and working with more than 1,100 public sector customers.

Our networks support vital public services like welfare, tax, health, social care, police and defence – while protecting citizens' personal data.

Our relationship with Government bodies underpins our three strategic pillars and lets us contribute to policies and initiatives that promote the best results for stakeholders.

Government stakeholders want us to:

- keep investing in our network infrastructure
- provide the fastest, most reliable and secure connection possible, to the widest possible range of communities
- invest in the best products and services, at fair prices, with high levels of customer service
- support vulnerable customers through tough economic times.

### How we engage with the Government, and the results

Our policy and public affairs team manages our relationships with Government and other politicians. We operate part of the UK's Critical National Infrastructure and support national security, and our Business unit delivers and looks after public sector contracts like the Emergency Services Network.

Under the Communications Act 2003, the government can ask us (and others) to run or restore services during disasters. The Civil Contingencies Act 2004 also says that they can impose obligations on us (and others) in emergencies, or in connection with civil contingency planning.

We keep an open dialogue with Government through our Chairman, Chief Executive and senior leaders – as well as through consultation responses and cross-industry initiatives. Through those conversations we build support for policies that will deliver good results for the UK and our shareholders.

The BT Group plc Board comments on discussions with Government through updates from the Chairman, Chief Executive and BT Group plc Executive Committee members.

Our public policy work with Government covers everything from infrastructure investment to national security, from regulating online harms to trade and economic policy.

This year, we contributed to government initiatives including its wireless infrastructure strategy, supply chain resilience, data policy, drones, quantum technologies and AI. We've given input and evidence into legislation including the Digital Markets, Competition and Consumer Bill, Data Protection and Digital Information, and Online Safety Bill.

## Regulators

Regulation helps protect consumers and promote healthy competition.

Our main regulatory relationship is with Ofcom who regulate UK communications and TV services. We also work with other regulatory bodies like the Financial Conduct Authority, Competition and Markets Authority and the Information Commissioner's Office.

Our regulators want us to:

- act fairly and transparently with customers
- compete fairly in the markets we operate in
- invest in the UK's critical digital infrastructure
- promote investment and innovation.

### How we engage with regulators:

We have a constructive, open dialogue with Ofcom through the BT Group plc Chairman, Chief Executive and senior leaders. Conversations focus on how regulation can support investment in world class digital infrastructure, while keeping the market competitive and fair.

At a working level we regularly engage with Ofcom and other regulators through industry consultations and information requests – helping them analyse and understand the impact of proposed regulatory changes.

### The results:

In 2017, we put the Commitments in place. They give Openreach a degree of strategic and operational independence. We regularly engage with Ofcom and other CPs to reassure them that we're following the letter and spirit of the Commitments.

During the year, and on the BT Group plc Board's behalf, the BT Compliance Committee monitored compliance with the Commitments through both our culture and colleagues' behaviour. Ofcom and other stakeholders attended BT Compliance Committee meetings by invitation. The responsibilities previously held by this Committee have transitioned to both the Audit & Risk and Responsible Business Committees for FY25 onwards.

**a** 'The Economic Impact of BT Group plc in the UK', Hatch – 2023 Edition, based on FY22 data.

## The BT Group Manifesto

Launched in 2021, BT Group's Manifesto is our plan to accelerate growth through responsible, inclusive and sustainable technology.

Our Manifesto is rooted in our purpose, to connect for good. And it will help us achieve our ambition – of becoming the world's most trusted connector of people, devices and machines. It combines a clear commercial agenda with measurable promises to make a bigger positive impact on people and planet.

**Responsible: new tech must earn people's trust and transform lives for the better**

### Applying responsible tech principles across our value chain

We apply our responsible tech principles across our value chain. They help us consider how to minimise harm and benefit people every time we develop, buy, use or sell tech. They're grounded in the UN Guiding Principles on Business and Human Rights, and are part of our risk management framework.

### Our responsible tech principles are:

For Good: We design and deliver tech to empower people and improve their lives.

Accountable: We're accountable for our actions and take care to avoid, and protect against, tech misuse.

Fair: We work hard to ensure everyone is treated fairly and with respect.

Open: We listen, collaborate and are transparent about our actions.

Our Responsible Tech and Human Rights Sub-Committee oversees how we implement the principles. This year it continued looking at emerging risks and strategic growth areas. We used external experts to help define our approach on topics like high-risk markets, AI and new products and innovation.

### Developing new tech

We apply the principles right from the start when we design and develop new tech. This year we:

- completed a human rights impact assessment of wi-fi controls to help us identify, understand and assess the risks of the product
- conducted user research to understand how our responsible tech principles could build trust and differentiate us
- published our approach to children's digital rights.

### Buying tech

Our procurement company, BT Sourced, has responsibility and sustainability criteria set into its processes. They give our buyers clarity on supplier risks and opportunities. This year we:

- reviewed human rights risks in our supply chain, to better understand these risks and identify any gaps in our policies and processes
- launched a 'worker's voice' pilot in five supplier factories, to understand the experience of people working in our supply chain
- carried on doing due diligence on our direct tier 1 manufacturing supply chain (visit bt.com/modernslavery for more).

### Using tech

We want to make sure our products and services are used for good. So we focus on protecting privacy and free expression and preventing online harms.

This year we published an AI standard for colleagues, to ensure our use, development, purchase and sale of AI is consistent with the responsible tech principles, thereby helping to reduce risk at every stage of the AI life cycle.

### Selling tech

We sell to customers around the world. This year we:

- enhanced sales due diligence in Business by adding checks for negative media coverage. This helps us assess any potential human rights risks through the life of a customer's contract
- conducted a human rights impact assessment in a high-risk country, which we'll use to steer future business strategy.

The 2023 Global Child Forum Benchmark Report looked at companies' policies, approach and commitment to children's rights. It rated BT Group as one of Europe's top performing companies and as a global leader in the telecoms sector.

**Inclusive: The future of tech must be diverse and inclusive for everyone to benefit**

### Championing digital inclusion

Embracing inclusion, equity and diversity is core to our people strategy and key to our growth. We want to be champions for digital inclusion too.

Many families and vulnerable groups have been badly hit by the cost of living increases of recent years. We want to support them.

We're market leader in social tariffs, currently helping around 1m low-income and vulnerable customers through affordable fibre broadband and calls. And we've frozen these tariffs this year to protect them from inflationary price rises.

Our Home Essentials social tariff gives discounted broadband to customers on Universal Credit. Our EE Basics tariff does similar for eligible mobile customers. And Openreach's 'Connect the Unconnected' scheme waives connection fees for vulnerable customers, via their CP.

Working with charity partner Home-Start UK, we're also supporting the most socially excluded households through gift-in-kind contributions, fundraising and donations, which totalled more than £134,000 this year. And our digital skills help is giving more people the benefits of being online – particularly vulnerable groups in society, like children and over 65s.

We're developing the right digital infrastructure so no one gets left behind. Our full fibre broadband already passes 13.8m homes and businesses, including 3.9m in rural areas. Our 4G mobile network reaches 99% of the UK population, while our 5G network now reaches 75%, as we continue the rollout of 5G across the country.

### Help with digital skills
This year we helped 3.7m more UK people and businesses improve their digital skills. Since FY15, the total is 23m people. And we're on track to hit our target of 25m by the end of FY26.

### Tackling online hate
Hope United is part of EE's ongoing commitment to deliver positive societal change. It features a team of elite professional football players – representing all four home nations – coming together to tackle online hate.

So far, it's helped educate 10.9m people on being good digital citizens.

During the 2023 Women's Football World Cup, the 'Play on' campaign reached 3.5m people, encouraging young people not to drop out of sport due to hate. One of the EE Hope United squad also visited 10 Downing Street to support amendments to the Online Safety Bill, helping to protect women and girls.

### Supporting small businesses
Our free digital skills programme helps businesses unlock their potential. This year we reached 200,000 more business owners and employees. We gave them:

- help on everything from digital marketing and social media to GenAI via our LinkedIn Live webinar series with partner Upskill
- practical tips and advice from successful entrepreneurs through our 'Let's Talk About' video series
- access to live webinars, recordings and in-person mentoring through our partnership with the National Start-up and Great British Entrepreneur Awards
- a UK-wide tour, webinars and mentoring sessions (working with Small Business Britain).

### Employability and digital skills for young people
We're bridging the gap between education and employment by making sure children and young people are part of the UK's digital skills agenda.

Over 1,000 secondary school children from disadvantaged backgrounds came to our 'Get Work Ready' days at our UK workplaces. The days gave a window into the types of STEM roles and skills needed in modern business – linking what they were learning at school to the skills employers look for.

With the national STEM Learning Centre and seven state schools in the Bristol Education Partnership, we helped launch the ENTHUSE programme. It supports teachers with essential continuous professional development and industry insights – and with workplace events to inspire students to consider roles in data, digital, engineering, innovation and technology.

We're lead sponsor of the FastFutures programme to promote and grow digital talent in support of the Government's skills agenda. Partnering with Avado and other businesses, we're helping a diverse range of 18-24 year olds get into digital roles. So far, we've helped over 7,400 young people build their networks, get experience and accelerate their careers. We're currently funding two cohorts – a total of 500 learners – on a Digital Analyst Boot Camp. 87 BT Group colleagues were actively involved in mentoring 138 learners this year.

We also support the National Cyber Security Centre's CyberFirst programme. Aiming to encourage school pupils into cyber and tech careers, the programme hosted events for more than 2,000 pupils last year.

And it's our 24th year organising and sponsoring the BT Young Scientist & Technology Exhibition, which is now one of Europe's leading science and technology exhibitions, celebrating STEM research and innovation. This year's event included 550 projects from more than 1,100 students from 219 schools across Ireland.

### Child online safety
We're helping to protect children online through a number of initiatives. This year we:

- relaunched PhoneSmart with better new functionality to help minimise online harm risks, as more and more youngsters own mobile phones
- launched GameSmart – featuring online safety information for parents on their child's use of games and gaming devices
- ran a campaign with Internet Matters for parents of under-fives on healthy technology use
- launched an online safety hub on the Internet Matters website.
- Senior skills

We have a long-standing history of helping UK citizens learn new digital skills. But today 7% of the population are still offline.

Older people are one of the key groups in this population. They're also more likely to suffer from social isolation, worries around living costs and losing their landline in the Digital Voice switchover.

So far, in partnership with AbilityNet, we've helped around 3,000 digitally excluded over-65s build their confidence and develop digital skills. Together, we ran several 'BTea Room' sessions across the UK this year. Hosted in cafes, these free digital skills workshops covered a range of skills – from getting started with devices, to social media and staying safe online.

We teamed up with lexicographer Susie Dent to create a Digital Dictionary. It breaks down common digital terms that younger people take for granted but that are often confusing for older people.

And we've also been targeting the networks of older and digitally excluded people to encourage them to help get their loved ones more online.

### India skills partnership

Since 2019, BT India, with partner the British Asian Trust, has helped around 1.1m young people with digital skills, STEM career guidance and job opportunities. This year they launched an Outdoor School for Girls, which will provide digital, life, sustainability and entrepreneurial skills to 180,000 girls over the next three years.

With our support, education company Katha is working with the Municipal Corporation of Delhi to teach more than 4,000 girls, through setting up robotics labs, refurbishing IT labs and training teachers.

## Sustainable: tech must accelerate our journey to net zero emissions and to a circular economy

We've led on climate action for more than 30 years. We've been 'A' rated on climate by CDP for the past eight years running. But as the climate crisis worsens, we all need to speed up the transition to a low carbon economy.

This year we refreshed our Carbon Reduction Plan. It provides stakeholders with a clear view of the actions we're taking to shift BT Group and our value chain to a net zero economy.

We'll be net zero for our operations by the end of March 2031 – and for our full value chain by the end of March 2041. We also aim to help customers avoid 60m tonnes of $CO_2$e and build towards being a circular business by the end of March 2030.

### Reducing carbon emissions in our operations

We've cut our carbon emissions intensity by 61%. This is against our science-based target of an 87% cut by the end of March 2031 (compared to FY17 levels).

All of the electricity we purchase to power our buildings estate, shops and networks worldwide is certified as renewable[a] through our procurement of energy from sources that include power purchase agreements (PPAs) and green tariffs, supported by renewable energy certificates (RECs).

Long term renewable PPAs met 24% of our UK electricity demand this year, supporting additional renewable electricity infrastructure across the UK grid. Where we don't control the supply of electricity or where we can't guarantee the origin of the electricity, we purchase additional RECs to cover the proportion of our consumption (for example, at landlord controlled sites).

We have more to do to get to net zero. But we know how to get there – by electrifying our vehicle fleet, decarbonising our estate and building more energy-efficient networks.

### Switching our vehicle fleet to electric

Nearly 80% of our operational emissions (Scopes 1 and 2) come from our commercial fleet of over 33,000 vehicles.

We're working hard and investing to convert the majority of this fleet to electric or zero emission vehicles by the end of FY31. In total we have over 4,100 electric vehicles (EVs) in our fleet, including more then 1,700 that we added this year.

As a founding member of the UK Electric Fleets Coalition, we'll keep on pushing for policy measures to drive a UK EV switch. This year, the coalition published a new document to encourage more policy momentum on EVs.

Our start-up and digital incubation arm, Etc., has developed an EV charging unit built from a street cabinet (traditionally used to store broadband and phone cabling). We're exploring the potential to turn up to 60,000 cabinets into EV charging points. This would increase the availability of charging infrastructure on the UK's roads and support Government sustainability targets and plans to decarbonise the UK transport system.

This year, we introduced a salary-sacrifice scheme for UK colleagues to buy EVs through personal lease arrangements. And for colleagues in India, we're introducing EVs as part of our transport and shuttle passenger services. Today there are 94 EVs in use and we'll keep growing that number.

### Decarbonising our buildings estate

We cut our global energy consumption by around 140GWh this year – a 4% drop on FY23. This was mainly achieved through rationalising and upgrading our buildings and networks, and reducing our fuel consumption as we continue to migrate our fleet to EVs.

Our Better Workplace Programme is consolidating hundreds of BT Group buildings to around 30. The new or refurbished buildings have environmental impact firmly in mind. New builds meet the BREEAM[b]- Excellent standard.

### Building energy efficient networks

We're building more energy-efficient fixed and 4G/5G networks, while switching off our old legacy ones. As well as saving energy, full fibre networks are better at handling the effects of physical risks like flooding and higher temperatures. That means fewer faults or engineering visits.

### Cutting carbon emissions across our value chain

Our Scope 3 carbon emissions account for 95% of our overall emissions. They come mainly from purchased goods in our supply chain and from customers using our products and services.

Since FY17, we've cut our Scope 3 net emissions by 26%, to 3,000,873 tonnes of CO2e this year. This is a decrease of around 4% on FY23.

**a** 99.9% of the global electricity that BT Group purchases is certified as renewable. The remaining 0.1% is where renewable electricity is not available for purchase in the market.
**b** Building Research Establishment's Environmental Assessment Method, which is the world's leading sustainability assessment for infrastructure.

### Helping suppliers cut carbon

We'll keep working with suppliers on cutting carbon. We've cut supply chain emissions by 25% since FY17. Our target is a 42% reduction by the end of March 2031.

This year, we've refreshed our climate change policy, which forms part of our expectations and generic standards applicable to suppliers working with us. It requires them to conduct climate risk assessments, set 1.5°C aligned science-based targets and to report on progress annually. And we continue to engage with key suppliers on carbon reduction through contract clauses, for example, we've seen savings from Circet that reduced over 100t CO2e in 2023 under its contract with BT Group and Openreach.

Also this year we:

- launched a campaign asking suppliers to set 1.5°C aligned science-based targets, make them public and report on progress annually
- encouraged more key suppliers to report to CDP to improve visibility and action on emissions. Today, over 300 of them are doing that
- continued working with the Exponential Roadmap Initiative and 1.5°C Supply Chain Leaders to drive climate action across global supply chains – while supporting small and medium-sized enterprises through the SME Climate Hub and UK Business Climate Hub
- joined the JAC (Joint Alliance for CSR) Board of Directors. It's an association of 27 communication providers working together to sustainably transform supply chains across the ICT sector.

### Cutting our customers' carbon

There's huge potential to use our networks, products and services to help customers cut their emissions – for example through decarbonising the grid and improving our products' energy efficiency.

We'll help customers avoid 60m tonnes of carbon by the end of March 2030 – which they'll do through technologies like full fibre broadband, mobile solutions and cloud computing. This year we:

- helped customers avoid more than 1.5m tonnes of carbon (nearly 3.8m tonnes in total since 2021), mainly through our full fibre roll-out that enables reductions in personal or work-related travel
- published a new carbon abatement methodology (bt.com/carbon-abatement), to be transparent on how we calculate savings
- expanded our Digital Carbon Calculator to include compute and end point devices. The calculator helps our larger customers measure, track and cut carbon footprints across their networks. Today, it shows customers are cutting their $CO_2e$ by 15% on average when transforming their networks with us
- enhanced our Carbon Network Dashboard to include an energy optimisation recommendation feature, which helps our larger customers use their networks more efficiently. It enables them to measure, monitor and reduce energy consumption and carbon emissions
- hosted a Sustainability Festival at Adastral Park. More than 1,100 people came, including big customers, climate-leaders, start-ups and BT Group representatives. The event showcased cutting-edge technologies and how to drive sustainability and achieve net zero emissions in various industries.

### Circularity

Developing a circular economy is vital for achieving a net zero world. Around 70% of global greenhouse gas emissions come from material use and handling[a].

We want to build towards being a circular business by 2030, and a circular tech ecosystem by 2040.

### Products & Services

This year, we collected nearly 2.6m devices from consumers and businesses through our returns and take back processes.

Through our EE Trade-In service we collected 166,000 mobile devices, pushing past the milestone of 1m devices traded in since its launch. For FY24, 96% of collected devices went for reuse and a second life. The rest we recycled responsibly. For distributed mobile devices our take back rate is 5%. We want to increase this to at least 20% by 2030.

For 2023, our return rate for customer premises equipment was 67%. Our target is a 75% return rate by FY26[b]. Customers returned over 2.36m hubs and set-top boxes. Through our refurbishment process, we reused 71% and recycled the rest. We also began scaling up refurbishment of our business hubs.

To extend the lives of our customers' devices, our EE repair service (approved by Apple, Samsung and Google) fixed 58,000 devices this year (up 94% on FY23).

To measure circularity in a more integrated way, we've started a pilot using the Circular Transition Indicator Tool on some of our own brand consumer devices. We're now reviewing the inflows and outflows of those devices. We aim to expand the pilot to other business areas to implement a common measurement approach.

### Operational waste – our networks and estate

We want to put zero waste into landfill by 2030. That means increasing the number of things we reuse and recycle. Globally, we generated 69,000 tonnes of operational waste this year – 14% less than in FY23. Our UK recycling, reuse and recovery rate was 92.1% (90.4% globally).

As part of modernising our network, we continued recovering old or end-of-life network equipment to reuse or recycle, much of which was through our Exchange Clearance Operations programme. This year, we recovered 3,300 tonnes. We also agreed a deal with a leading bank and global recycler EMR to support the extraction and recycling of copper cable from our network until 2028.

Within our business, we reused 10,000 pieces of network equipment. And our catering partner Lexington, working with Caulibox, has been trialling new reusable cups and containers to reduce the number of disposables we use.

**a** Circle Economy – The Circularity Gap Report 2022 circulareconomy.europa.eu/platform/en/knowledge/circularity-gap-report-2022-five-years-analysis-circle-economy.
**b** This target only relates to equipment which is leased to our consumers under their contract terms.

### Biodiversity

We continued working to understand our impacts on nature and biodiversity, in line with the draft Taskforce on Nature-related Financial Disclosures (TNFD) framework. This year, we ran an impact assessment of our operations and procurement.

As part of our focus on conservation, BT Group has partnered with The Royal Society of Wildlife Trusts. We provide financial contributions to the charity and volunteering opportunities for colleagues.

Openreach created a Business Conservation Partnership with the RSPB, to make sure that, moving forward, they are better placed to implement nature-positive actions as part of the overall fibre build programme.

Openreach has also worked closely with NatureScot and National Trust for Scotland in providing fibre to Fair Isle (between Orkney and Shetland). They scheduled their build to make sure that nesting birds were undisturbed during the breeding season, and worked together to protect native plant species.

### Water consumption

Our UK water use fell by 12% this year to 1,349,324$m^3$, mainly from operating adiabatic cooling units more efficiently within network equipment operating limits, and the pinpointing and fixing of leaks in our water supply.

### Advocacy on climate action

Corporations must advocate on climate action. But limiting global warming to 1.5 degrees – in line with the Paris Agreement – will need supportive policies too.

During the year we continued participating in initiatives like RE100, the UK Electric Fleets Coalition and EV100, Race to Zero and the We Mean Business Coalition. We also supported the Fossil to Clean campaign to advocate for speeding up the shift from fossil fuels to clean energy.

### Human rights

Our Human Rights Policy explains how we respect and champion human rights in our business and relationships with others. It is supported by our responsible tech principles. Our Manifesto reinforces these principles and our respect for human rights.

Our **Human Rights Policy Commitment** and our **Modern Slavery Statement** can be found at bt.com/ourpolicies

### Research and development (R&D) and innovation

Innovation has always been the key to our success – keeping us out in front in a constantly changing world.

This year we recognised £726m on R&D. We also filed 95 patent applications, bringing our portfolio to 5,385.

Openreach continues to push innovation boundaries to help cut build and maintenance costs while improving network quality. Group-wide research at Adastral Park led the development of XGSPON-capable head-ends which will let Openreach deliver up to 8Gbs symmetric services to CPs.

## Risk Management

Risk management taken seriously, and done simply and consistently, helps us make the best decisions for our colleagues, customers, shareholders and wider stakeholders in the face of uncertainty. It is fundamental to our strategy and performance.

### Our risk management framework

Risk management is integral to our business and to achieving our strategic priorities. Our risk management framework makes sure that we manage risks in a smart and structured way. It helps us reach our goals, deliver our strategy, support our business model and protect our assets – while leading the way to a bright, sustainable future.

We align risk management activities with our strategic framework, business planning and performance management. This helps integrate risk thinking into key decision-making areas. It also makes sure we share information in a joined-up way for the biggest impact.

### How we manage risks

We divide our risk landscape into 16 Group Risk Categories (GRCs) of enduring risks – like People and Cyber Security – that will not change significantly over time and can be managed consistently across the organisation.

For each GRC we set our risk appetite. That is how much risk we're willing to take, underpinned by metrics with upper and lower limits which set our tolerance. We manage enduring risks within each GRC through clear policies complemented by standards and a group-wide Key Control Framework.

We use a 'three lines of defence' model to define clear roles and responsibilities, coordinate assurance activities and give confidence to stakeholders that we're managing risks effectively.

We're also aware of – and act on – current, specific risks and uncertainties which are important at a point in time and dynamic in nature. We categorise these as:

1. Point risks: Risks we can't manage effectively through the key control framework, or that are materially significant to us and need to be managed separately.
2. Emerging risks: Uncertainties which might be materially significant but whose causes and impacts we can't presently fully define.

We align these types of risks to a GRC based on their causes and consequences.

For point risks, we assess their potential impacts and likelihood, assign management ownership and decide how to best manage the risks. We keep monitoring risks and action plans – making changes like agreeing new actions as needed.

We also assess emerging risks but with different criteria. We look at potential impacts, level of preparedness and the time horizon. Reflecting that emerging risks are uncertain, we also consider those that may occur in the longer term (more than three years).

Some emerging risks are more ambiguous and broader than others, needing coordinated, cross-group assessment and action. We use our emerging risk hubs when considering these risks. They bring together cross-functional representatives to share intelligence, identify potential trade-offs and agree actions.

### Our risk governance and culture

Ultimately, the BT Group plc Board has overall responsibility for risk management. On the Board's behalf, the BT Group plc Audit and Risk Committee provides oversight of and monitors the effectiveness of our risk management and internal controls systems.

Twice a year, the BT Group plc Board gets a summary of how we're managing key risks across all GRCs. The BT Group plc Audit and Risk Committee also holds discussions with BT Group plc Executive Committee members to conduct deep dives into specific GRCs across the year.

Each GRC has a BT Group plc Executive Committee sponsor. They set our risk appetite, how we measure our exposure to that risk, and how we manage it within our target tolerance. This provides accountability, 'tone from the top' and joined-up risk thinking.

Each unit leadership team regularly reviews, discusses, prioritises and acts on risks, aligned to GRCs. This drives conversations about risk management across every part of the organisation leading to risk-informed decisions and better business outcomes.

We have oversight bodies in place at both unit and group level – where key risk information gets reported regularly.

Our leaders promote a mindset of being smart with risk when making decisions. Our code sets expected behaviours for all our colleagues. Ongoing training and formally defined risk management roles also help weave risk awareness into our culture.

Our risk management tool, ARTEMIS, helps us consistently apply our risk, control and assurance frameworks across BT Group. It links risks with the relevant controls and assurance outcomes. It also simplifies and standardises reporting. This helps us to make sure we're managing risks in a joined-up and consistent way.

### Enhancing our risk management framework

We keep strengthening how we apply our risk management framework, in step with our changing business and risk landscape.

This year we launched two new training modules covering the basics of our framework and the behaviours we expect from our leaders. We rolled them out across our senior leadership team and everyone involved in making our framework a success. The training helped everyone understand the expectations and benefits risk management brings to BT Group.

We continue to develop our key control framework, and this year was about embedding it consistently across the units with our leaders taking active ownership for the controls in their area, making it core to operations, decision making and mindset.

We focused on two things:

1. Identifying and prioritising areas that needed strengthening
2. Reviewing our overall approach to how we assess control effectiveness, including second line assurance activities across the GRCs to make sure they are sufficient and proportionate to the risks and their impact.

### An ever-changing risk landscape

We operate in a challenging external environment. Economic uncertainty, adverse market conditions, growing geopolitical tensions and more regulatory scrutiny are all impacting our risk exposure – meaning more focus and management.

Below, we discuss some of the key changes to our risk landscape during the past 12 months.

### Data and AI

AI and data use are growing fast and changing the way businesses operate. The regulatory landscape, technological advancements and public awareness are quickly evolving in step – with hard to predict outcomes. Generative AI has the potential to change the way we serve our customers and how our workplace looks.

Whilst there is a lot of opportunity, it also means we need to carefully manage risks relating to procuring, developing, using and selling AI solutions.

Managing AI risks cuts across many of our GRCs. For example, we need to ensure we invest in the right AI skills and capabilities. We must also apply responsible technology principles that maintain our stakeholders' trust.

The growing use of AI also means relying even more on data, which creates new challenges and risks. Given the synergies between the two, we've expanded our

Data GRC to include both data and AI. This will let us use our risk management framework to make sure we have the right risk appetite, standards and key controls for increasingly material AI risks.

### Market dynamics

The market is filled with challenges around the macroeconomic environment, competitor movements, regulatory pressures and technological advances.

We're managing risks related to increasing competition in the broadband and mobile markets, while also navigating retail pricing pressures and making sure we treat all our customers fairly.

We're also closely monitoring and acting on the risks of disintermediation by hyperscalers as they introduce alternative technology solutions.

### The geopolitical risk landscape

Geopolitical tensions and wars across the world – like in the South China Sea or Ukraine – create risks to businesses like ours. This year the conflict in the Middle East region has amplified a wide range of potential impacts, including disruption to suppliers, higher energy costs and increased cyber security threats.

Geopolitical risks can change fast and affect various parts of our organisation. We use our emerging risk hub to bring together the right people to make action plans as these risks evolve.

## Principal risks and uncertainties

The risks set out in the following pages align with our Group Risk Categories (GRCs). Each GRC contains enduring risks, as well as examples of the current point and emerging risks.

## Strategic

### Strategy, technology and competition

**Sponsor**: Chief Financial Officer

**What this category covers**
To deliver value to our stakeholders and achieve our strategic objectives, we must carefully manage risks around economic uncertainty, intensifying competition and rapidly changing customer and technology trends. If we adopt the wrong strategy, fail to incorporate our strategy into our business plans or don't effectively implement it, we could become less competitive and hinder the creation of long-term sustainable value.

**Our risk appetite**
Our risk appetite sets our tolerance for managing 'internal' risks associated with this category. We measure and track this through specific metrics. We also qualitatively assess the clarity of our strategy, robustness of our strategic analysis and whether our business and financial plans align with our strategy. Doing this helps us make robust strategic choices and effectively implement them - to stay competitive and grow value for our stakeholders.

**Examples of dynamic risks**
Point risks:
- Macroeconomic environment factors like high inflation, high interest rates and reduced customer confidence may lower demand, increase customers' price sensitivity and drive up costs.
- Intensifying competition in retail and wholesale markets could increase churn and affect our market share.
- Disintermediation by hyperscalers could result in loss of market share and weakened customer relationships.
- Slower than planned progress on key programmes could limit our ability to deliver our strategy and growth ambitions.

Emerging risk:
- Failing to harness AI technologies to drive efficiencies and generate value could make us less competitive.

**Examples of what we do to manage these risks**
- We research, analyse and monitor economic, customer, competitor and technology trends to inform our strategy.
- The Executive Committee and Board regularly review performance against our strategic priorities and targets.
- The Executive Committee and Board discuss key strategic topics throughout the year.
- BT Investment Sub-Committee considers our investments to make sure they are aligned to our strategy.

### Stakeholder management

**Sponsor**: Corporate Affairs Director

**What this category covers**
Stakeholder management, built on trust, is essential to us achieving our ambitions. We engage with stakeholders fairly and transparently to maintain strong, sustainable relationships and manage reputational risks. We also consider risks around using and selling emerging technologies, environment, social and governance factors, and customer fairness.

**Our risk appetite**
We recognise the importance of strong stakeholder relationships and consider them when setting strategy and making decisions. We aim to balance our purpose and ambition with commercial choices we think are reasonable. At times this creates tensions when weighing up options: price rises to sustain investment, the markets we operate in, who we buy from and sell to, the way we use and develop technology and how we use data.

We want to keep being sector leader on reputation and trust among professional opinion formers, and stay in our top quartile position on ESG.

**Examples of dynamic risks**
Point risks:
- Protecting our customers' interests while migrating to digital products and closing legacy networks.
- Continued geopolitical tensions needing extra focus on reputational risks associated with our global operations.

Emerging risks:
- Rapid advances in AI with associated stakeholder scrutiny on things like data ethics and reskilling.
- Climate change, and perceptions of our sector's role in carbon emissions.

**Examples of what we do to manage these risks**
- Our Manifesto sets out our commitment to growth through responsible, inclusive and sustainable technology. The Responsible Business Committee provides Board-level governance.
- We monitor the media, and track our reputation across our main stakeholder groups.
- We engage with stakeholders to build strong relationships.
- We have robust product, services and communication plans to improve customer outcomes.

## Financial

### Financing

**Sponsor**: Chief Financial Officer

#### What this category covers

We rely on the cash we generate as a business. We supplement this through capital markets, credit facilities and cash balances to finance our operations, pension contributions, dividends and debt repayments.

We also focus on defining and executing the right insurance strategy.

#### Our risk appetite

We fund our business based the performance forecasts in our medium-term plans.

We rely on debt capital markets being open to investment grade borrowers. We set our minimum credit rating at BBB. We invest cash resources to preserve capital, not generate returns.

We have an agreed plan to reduce investment risk in the BT Pension Scheme by 2034, and also plan to reduce longevity risk.

#### Examples of dynamic risks

Point risk:

– An uncertain macroeconomic or geopolitical environment could increase the cost of new long-term debt or trigger contingent deficit contributions to the BT Pension Scheme before the 2026 valuation.

#### Examples of what we do to manage these risks

– We review our forecasted and actual business performance.
– We have formal treasury risk management processes, BT Group plc Board oversight, delegated approvals and lender relationship management.
– We review our pension schemes' funding positions and investment performance and agree funding valuations.

### Financial control

**Sponsor**: Chief Financial Officer

#### What this category covers

Our financial controls help us to prevent fraud and report accurately. If these failed it could result in financial losses or cause us to materially misrepresent our financial position.

We might fail to apply the correct accounting principles and treatment, or to meet tax compliance. This could result in financial misstatement, fines, legal disputes and reputational damage.

#### Our risk appetite

We want our overall financial control framework to be effective so that there's less-than-remote likelihood of material financial misstatement in our reported numbers.

We've defined the proportion of our financial controls that we aim to be preventative rather than detective, and automated rather than manual.

We take a risk-based approach to compliance monitoring - combining sample testing and financial data analytics.

#### Examples of dynamic risks

Point risks:

– Not delivering our transformation programmes could affect our control performance, efficiency and effectiveness.
– Complex and legacy systems in the lead to order process in Business not consistently delivering expected outcomes.

Emerging risks:

– Rapidly growing ESG reporting requirements.
– Greater responsibility to prevent fraud under the Economic Crime and Corporate Transparency act.
– Higher chance of internal and external fraudulent behaviour caused by the increased living costs.

#### Examples of what we do to manage these risks

– We have financial and operational controls for planning and budgetary discipline, efficient and accurate reporting, and for reducing the risk of fraud, leakage or errors.
– We continually enhance processes, systems and our operating model to improve and automate accounting, financial reporting and fraud controls.
– We proactively identify, manage, investigate and report on potentially fraudulent activities.
– We periodically provide fraud training to colleagues that need it.
– We work with third party experts to assess and improve our readiness to comply with new and evolving legislation.

## Compliance

### Communications regulation

**Sponsor**: General Counsel, Company Secretary & Director Regulatory Affairs

**What this category covers**
We work with our regulators as they define clear, predictable and proportionate regulations to protect customers and society - while making sure service providers can compete fairly. We must comply with those regulations, maintain trust and strong relationships while delivering our vision and sustainable value growth.

**Our risk appetite**
We're committed to adhering to regulations and having a strong compliance culture. It's a fundamental part of connecting for good. We make decisions based on regulatory obligations. These include protecting our customers and network, while making sure we meet key stakeholders' wider strategic business needs. We focus on maintaining long-term predictable and stable regulation.

**Examples of dynamic risks**
Point risks:
- Digital voice migration fails to deliver in line with regulatory obligations or expectations.
- Additional obligations from the Broadband Universal Service Obligation review could increase costs.
- Complexities delivering the Telecommunications (Security) Act 2021 requirements.

Emerging risk:
- Ofcom's next Telecoms Access Review could result in less certainty on fibre regulation.

**Examples of what we do to manage these risks**
- We proactively engage with regulators, giving them timely and accurate information when required.
- We try to understand our customers' experiences - for example when moving them on to new networks or protecting vulnerable customers.
- Our processes help us follow regulations, build trust and enable future dialogue with policymakers.
- We continually scan the horizon to identify regulatory changes which may impact us, so we can put plans in place to respond.
- Our compliance and assurance programme gives our people advice, guidance and training on regulatory requirements and tests our regulatory controls.

### Data and AI

**Sponsor**: Chief Digital and Innovation Officer

**What this category covers**
We must follow today's global data regulations while anticipating and preparing for tomorrow's.

Our data and AI strategy aims to create value and enable efficiency, while giving us a robust framework for us to comply with data and AI governance and regulation. It also includes managing risks as we build AI solutions.

Not following data protection laws or regulations or taking a responsible approach to AI could damage our reputation and stakeholder trust, harm colleagues, customers or suppliers and/or lead to litigation, fines and penalties.

**Our risk appetite**
We want to protect BT Group, colleagues, customers, partners and suppliers from breaches of data protection laws and regulations. We also want to harness our data to support and drive our objectives and realise opportunities.

We can only achieve these aims with the right data ethics, governance, security, protection, responsible technology and compliance systems, processes and practices. Achieving our data goals may require appropriate interpretation of the varied global data protection laws, regulations and standards.

**Examples of dynamic risks**
Point risks:
- Recent European legislation imposing new data obligations on data sharing and re-use.
- Using AI inappropriately could lead to a potential breach in AI and/or data regulations and compromise sensitive data.
- New EU cyber security legislation for the telecommunications industry may be hard to implement.

Emerging risks:
- The regulatory landscape, technology, and public awareness of AI and use of data are rapidly evolving, leading to unpredictable outcomes and potential new obligations or reputational impact.
- Heightened concern over harm from data use and publication leading to increase in policies to protect consumers.

**Examples of what we do to manage these risks**
- We continuously run and improve our data governance programme to tackle existing and future data regulatory risks.
- To make sure we follow our own data protection standards we review how we use personal data across the business.
- We continue to improve our approach to managing risks around AI.
- We horizon-scan for evolving regulations, sector developments and new technologies that could affect our data risks, controls and processes.
- We provide data protection and handling training and tools to help colleagues make more risk-aware day-to-day decisions.

## Legal compliance

**Sponsor**: General Counsel, Company Secretary & Director Regulatory Affairs

### What this category covers

Our main focus areas are anti-bribery and corruption, competition law, trade sanctions, export controls and corporate governance obligations. Other GRCs focus on complying with other areas of law. Across all Group Risk Categories we focus on remaining in compliance with all substantive laws.

### Our risk appetite

We want to take advantage of commercial opportunities. So we take considered, evidenced, defensible decisions on complying with applicable laws.

We assess risks to help us decide on proposed actions. That means looking at the nature of the risk, the cost of compliance, the value of the proposed actions and the steps we'd need to take to bring them within our risk appetite.

In corporate governance, we determine the risks for a position we take based on things like our rules and policies, market practice, investor expectations and our stakeholders' views.

### Examples of dynamic risks

Point risks:

– Sales practices that - because of living costs or tricky market conditions - could potentially be seen as inappropriate.
– Failing to effectively manage third parties, leading to fines or reputational damage.
– Evolving regulatory and litigation environment may lead to financial and reputational impact.

Emerging risks:

– Increased regulatory burden around corporate governance and reporting.
– New laws, changes to existing ones, or trade sanctions responding to geopolitical dynamics or concerns in a particular area of law.

### Examples of what we do to manage these risks

– Through our Code we foster a culture where colleagues know the standards we expect and speak up if something's not right.
– We regularly assess risks when we give legal or compliance advice on strategic projects, new business or commercial operations.
– We train colleagues to know where legal and compliance risks come from, how to handle them and when to get expert help.
– We carry out assurance on day-to-day operations, regions, partners, projects and suppliers. We investigate and fix anomalies and share what we learn, where needed.

## Financial services

**Sponsor**: CEO, Consumer

### What this category covers

We're exposed to more financial services regulation as we attract new consumer credit and insurance customers. We expect to continue scaling-up and broadening these products and services in the coming years. That means meeting all applicable Financial Conduct Authority (FCA) principles, rules and requirements.

Operating outside FCA rules, requirements or permissions could harm customers and lead to fines, loss of FCA permissions, slow service take-up and broader reputational damage.

### Our risk appetite

We aim to minimise regulatory risk in two ways. First, by building operational capabilities that help us develop our financial services activities compliantly. Second, by maintaining a trusted relationship with the FCA.

We monitor a range of conduct risk metrics. We focus on meeting Consumer Duty outcomes including compliance monitoring, complaints data and customers in collections. These are early warning indicators of potential customer harm which we can act on.

### Examples of dynamic risks

Point risks:

– Failing to get extra FCA permissions in time to support a planned entry into a new market.
– Failing to meet the additional requirements of Insurance Regulatory Framework could result in revenue loss and regulatory fines.
– Challenges complying with the Payment Services Directive regulation because of potential delays in us addressing Electronic Communications Exclusion cap breaches.

Emerging risk:

– There might be a mismatch between our business strategy and additional FCA regulatory permissions.

### Examples of what we do to manage these risks

– We scan the horizon, interpret new regulations and regularly communicate with the regulator.
– We run mandatory training on FCA regulations, aligned to job roles.
– We check our financial services products and promotions are compliant before we launch them, and every year afterward.
– We have processes in place to make sure customers get the right outcomes.
– Our governance framework provides clear responsibility, accountability and reporting.

## Operational

### Operational resilience

**Sponsor**: Chief Security and Networks Officer

**What this category covers**

We want to deliver best-in-class performance across our fixed and mobile networks and IT. That means being operationally resilient and managing any risk that could disrupt our services.

Service disruptions could be caused by things like bad weather, accidental or deliberate damage to our assets.

Some service disruptions might depend on suppliers' and partners' reliability - making it important to pick the right ones.

**Our risk appetite**

We want customers to get market-leading services, underpinned by best-in-class network performance. To achieve that we must prioritise resources to give the best possible service and customer experience, while aligning with our strategy.

We aim to deliver exceptional performance for Critical National Infrastructure, high volume (FTTC/4G) and strategic (FTTP/5G) products whilst maintaining acceptable performance for legacy services.

**Examples of dynamic risks**

Point risks:

- Power cuts, caused by energy shortages, might lead to service disruptions.
- Increasing flood risk at non-protected sites could disrupt services.
- Weak contracts or badly managed third party relationships might lead to gaps in support arrangements and extended fix times.

Emerging risk:

- More frequent extreme weather events due to climate change could impact our business operations.

**Examples of what we do to manage these risks**

- We have standardised processes to keep our assets resilient across the asset lifecycle.
- We respond quickly to incidents. We reduce their impact through geographically dispersed emergency response teams and give customers regular updates.
- We have comprehensive testing and change management processes.
- We do regular business impact assessments that feed into tested, up-to-date business continuity and restoration plans.
- We make sure our operational estate has the right levels of physical security controls in place to keep our services running.

### Cyber security

**Sponsor**: Chief Security and Networks Officer

**What this category covers**

Our aim is to protect BT Group, colleagues and customers from harm and financial loss from cyber security events.

We run critical national infrastructure. So a cyber attack - from an external or internal threat or a third party - could disrupt both customers and the country, and compromise data.

A poorly managed cyber security event might cost us money, damage our reputation and impact our market share. The regulator might also impose fines or penalties.

**Our risk appetite**

Cyber risk is inherent to our business, and we could suffer significant reputational damage from a major cyber event. But we acknowledge that we can't eradicate all cyber risks.

Cyber security events could be deliberate or accidental, coming from inside or outside the group. So we adapt our security position and controls accordingly to detect and respond to evolving threats.

We prioritise protecting our critical systems and networks, and the data and information they contain.

**Examples of dynamic risks**

Point risks:

- State-sponsored cyber attacks could target critical national infrastructure and lead to service disruption, data loss, regulatory action and reputational damage.
- Being exposed to suppliers with security vulnerabilities might lead to data loss, interrupted services or reputational damage.
- Faster organisational change could create conditions where people didn't follow our policies, leading to a cyber security incident.

Emerging risks:

- AI and machine learning create opportunities, but they could also be weaponised as security threats.
- Quantum technologies could present a threat to how we protect sensitive digital information.

**Examples of what we do to manage these risks**

- We have security standards, tools and processes in place to protect our applications, systems and networks.
- We monitor external threats and gather intelligence on evolving cyber techniques, tactics and capabilities.
- So we can quickly detect, assess and respond to cyber risks we keep a vigilant security stance.
- We run communications, engagement and training for our colleagues.
- We continue to invest in our cyber defences and security tools, shifting to automation where appropriate.

## People

**Sponsor**: Chief Human Resources Officer

### What this category covers

Our people strategy is to enable a culture where every colleague can be their best and help achieve our ambitions.

This means we must manage risk around our organisational structure, skills and capabilities, engagement, culture, wellbeing and diversity.

### Our risk appetite

Our highest priority is making sure colleagues can work and perform at their best. We'll seek to avoid risks that could compromise key business priorities, and minimise any that can't be avoided to as low as reasonably practicable. We avoid risks that could lead us to not complying with applicable employment legislation.

A relatively small number of roles have a disproportionate effect on our success. For those, we have a much lower risk tolerance of not having the right capabilities.

To deliver our transformation and achieve our ambitions, we're prepared to take carefully managed short-term employee relations risks.

### Examples of dynamic risks

Point risks:

- Changes to our strategy, technology or business model could affect what skills we need. Combined with tightened talent markets and potentially higher attrition, that could create skills gaps.
- Failing to drive an inclusive culture might affect our ability to achieve our targets, and subsequently affect business results.
- Failing to make the organisational and cultural changes we need to drive long-term success.

Emerging risk:

- Changes in working patterns, or increased financial uncertainty, could have a negative effect on colleagues' mental health.

### Examples of what we do to manage these risks

- We have consistent performance management review processes and goals - shared through clear organisational structures, roles and job descriptions.
- We continually assess skills and capabilities and invest in group-wide workforce and talent planning.
- We provide training and development opportunities for specific roles, as well as for the future skills we need.
- Our Inclusion, Equity and Diversity strategy raises awareness, addresses bias and promotes our People Networks and support (more on page 7).
- We monitor and try to improve employee engagement and maintain close relationships with formal representative groups and unions.
- We offer fair, competitive and sustainable remuneration to promote smart risk taking, boost engagement and retention and align colleagues' and shareholders' interests.

## Health, safety and environment

**Sponsor**: Chief Security and Networks Officer

### What this category covers

We have diverse working environments in various locations, some of which pose a health or safety risk. We're committed to ensuring the health, safety and wellbeing of our colleagues, contractors, suppliers, customers, visitors and members of the public.

We are committed to protecting the environment and building a sustainable future, with effective environment and energy management - and particular focus on reducing our carbon emissions.

### Our risk appetite

Health, Safety and Environment (HSE) is a key priority for the business and is the foundation on which we operate. Our strategy is to maintain effective HSE risk management to make sure our employees (and others who are affected by our undertaking) and the environment are properly protected.

We apply proactive risk management to identify, control and mitigate significant risks across the business to a level deemed as low as reasonably practicable.

We consider legal, regulatory and other requirements as the minimum obligation. We want to go beyond that – aiming for zero avoidable harm and the prevention of pollution.

### Examples of dynamic risks

Point risks:

- Heightened risks from the additional civil and construction work to support the full fibre rollout including harm to colleagues, increased regulatory scrutiny, legal claims and reputational damage.
- Failing to ensure effective in-life contractor management, which may result in increased risks through sub-optimal working practices, and subsequent enforcement action, legal claims and reputational damage.
- Failing to effectively manage waste could lead to material financial loss and reputational damage.

### Examples of what we do to manage these risks

- Our group policy is underpinned by our standards and key controls and the HSE framework is reflected in our code.
- We train colleagues and make sure they're clear on their responsibilities and are competent to undertake their activities.
- We make sure that colleagues and their representatives participate in (and are consulted on) HSE matters.
- We adopt a leadership role with our contractors, helping them improve their own HSE performance.
- We allocate appropriate resources to develop, maintain and continually improve our HSE management system.

## Major customer contracts

**Sponsor**: CEO, Business[a]

### What this category covers

We offer and deliver a diverse mix of major contracts which contribute to our business performance and growth.

In a highly competitive and dynamic environment, we seek to win and retain major private and public sector contracts. We do that while navigating customer relationships and risk in complex agreements – delivering highly sensitive, critical or essential services globally.

Customer contractual terms can be onerous and challenging to meet, which can lead to delays, penalties and disputes. Delivery or service failures against obligations and commitments could damage our brand and reputation, particularly for critical infrastructure contracts or security and data protection services.

Not managing contract exits, migrations, renewals or disputes could erode profit margins and affect future customer relationships.

### Our risk appetite

We want a diverse mix of major contracts to help our business grow. To do that, we must build our market share, target the right customers, make beneficial commercial and legal agreements and deliver services successfully.

As markets change, we need to proactively adjust our portfolio of services, countries and customers to avoid concentration risk, stagnation and legacy dependency.

We know this involves taking on higher risk - for example, complex customer agreements with obligations not fully covered by our standard portfolio, terms and conditions and/or delivery processes. We must manage this risk in the bid process and contract lifecycle to minimise the overall impact.

### Examples of dynamic risks

Point risks:

- Failing to deliver on bespoke customer data requirements could lead to potential breaches, fines and reputational harm.
- New IT infrastructure challenges, skills shortages, scale or complexity could stop us delivering our digital portfolio transformation.

Emerging risks:

- The changing competitor landscape might affect market dynamics and competition.

### Examples of what we do to manage these risks

- We have a clear governance framework to assess new business opportunities, manage bids and monitor in-life contract risks.
- As part of bids, we check non-standard unfavourable terms and conditions and mitigate them where we can.
- Our senior management, and a dedicated team, regularly review our contracts.
- We support frontline contract managers with contract and obligation management tools.

## Customers, brand and product

**Sponsor**: CEO, Consumer[a]

### What this category covers

We want to give customers standout service, build personal and enduring relationships, and take extra care of vulnerable customers and customers with differing needs. We aim to keep customer satisfaction high as we continue to migrate customers from legacy products and services to new ones.

If we didn't continually improve and personalise our customer experience, it could affect customer satisfaction and retention, our colleagues' pride and advocacy, revenues and brand value.

Accurate and competitive pricing is important. We must also manage product and service lifecycles, inventory and supply chain, and meet our customer obligations and product and service standards.

### Our risk appetite

We want to be below the industry average for Ofcom complaints and keep improving our customer NPS. We aim to maintain customer satisfaction, launch new products and services that benefit them and minimise issues.

We must serve customers through modern, cost-effective platforms and minimise the number of them on expensive, old and labour intensive legacy products and services. We also want customers to feel we give them personalised service through frictionless channels.

### Examples of dynamic risks

Point risks:

- Failing to switch customers (including those who are vulnerable or have differing needs) from old to new service platforms could interrupt their service, cause customer churn and/or lead to regulatory intervention.
- Failing to make sure we have the right current and future skills to serve our customers could lead us to not meet customer expectations, lose customers or market share and harm our reputation.

Emerging risk:

- Customer trust and confidence in future AI solutions.

### Examples of what we do to manage these risks

- We keep our promises on the service levels customers should expect and we track a range of customer experience performance metrics while continuing to improve service.
- We have processes in place to identify and serve vulnerable and differing needs customers.
- We have clear and comprehensive brand guidelines.
- We work with suppliers to manage relationships and risks.
- We design new products and services (and pilot them where possible) to make sure they benefit customers .
- We have a colleague retention and skills development plan to make sure we're not short on key skills.

**a** Excluding Openreach, which has separate GRC sponsorship and management.

### Supply management

**Sponsor**: Chief Financial Officer

**What this category covers**
We have a lot of suppliers. Successfully selecting, bringing on board and managing them is essential for us to deliver quality products and services.

We must make decisions about suppliers on concentration, capability, resilience, security, costs and broader issues that could impact our business and reputation.

**Our risk appetite**
Our appetite guides buying decisions. That includes sole or dual sourcing for products or services that support key business aims or activities - or where alternative sources aren't economically viable. To get the best commercial rates and operational resilience we continuously engage with and challenge key suppliers on pricing, without introducing service and/or delivery risks.

Properly managing so many third parties needs effective governance. So we have a low appetite for dealing with suppliers outside of our defined policies or processes.

We have to make sure third parties don't expose our brands to damage. That means avoiding – or stopping working with – any that don't meet our standards on key areas like human rights.

**Examples of dynamic risks**
Point risks:
- Increased energy prices, supply shortages and inflation could affect cost cutting targets and future investments.
- Geopolitical tensions (like the Russia-Ukraine war and escalations in the Middle East) could disrupt supply chain, raise costs and inflation, and increase cyber security threats.

Emerging risks:
- A difficult economic environment could put pressure on smaller suppliers.
- Extreme climate conditions might disrupt supply chains.

**Examples of what we do to manage these risks**
- Our sourcing strategy uses different approaches to managing risk by category. That includes standard terms and conditions and controls so we can make purchasing decisions efficiently and effectively.
- We have comprehensive supplier due diligence, contract management, on-boarding processes and are reviewing and improving our in-life assessment process.
- We have robust supplier risk management, performance, renewal and termination processes.
- We do demand planning and forecasting, stock counts and inventory management so we have supplies available.
- We get assurance that the goods and services we buy are made, delivered and disposed of responsibly. That includes monitoring energy use, labour standards and environmental, social and governance impacts.

### Transformation delivery

**Sponsor**: Chief Financial Officer

**What this category covers**
We're accelerating transformation delivery to build a simpler, more efficient and dynamic BT Group.

We're modernising our IT, automating processes with AI, streamlining our product portfolio and migrating to next-generation strategic networks. All this will deliver significant cost efficiencies -while also improving our customers' and colleagues' digital experiences.

Failing to manage transformation execution risks could make us less efficient and damage our financial performance and customer experience.

**Our risk appetite**
We've defined the risk level we're willing to tolerate for transforming our products, customer journeys and technology. We track specific metrics to check we're achieving genuine, sustainable transformation outcomes and not just cutting costs.

Delivering within our risk appetite will give us competitive advantage, enable faster delivery, improve customer experience and make sure our costs benchmark favourably with peers.

**Examples of dynamic risks**
Point risks:
- Failure to manage complex interdependencies to complete the migration of customers and close legacy IT and networks.
- The volume and complexity of our transformational activities across different parts of the group, combined with day to day business, could dilute our efforts and stop us reaching our sustainable transformation goals.

Emerging risk:
- Delays in switching customers onto new, strategic products could slow or stop us closing our copper network and exchanges.

**Examples of what we do to manage these risks**
- We review transformation performance at monthly BT Group plc Executive Committee meetings - managing dependencies, making informed decisions and removing blockers.
- We have strong governance, with senior leaders owning specific operational and financial outcomes. Each quarter we assess our performance - allocating funding to the programmes delivering the most strategic value.
- We invest in digital and data capabilities to cut costs, grow revenue and make sure we have the right resources to deliver sustainable change effectively.
- We invest in our people strategy to make sure we have the right skills and culture needed to deliver transformation.

The strategic report was approved by the Board of Directors on 26 July 2024 and signed on its behalf by:

**Simon Lowth**
Director

# Section 172 statement

In accordance with section 172 of the Companies Act 2006, each of our directors acts in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. Our directors have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging its section 172 duties the Company has regard to the factors set out above. The Company also has regard to other factors which consider relevant to the decision being made. Those factors, for example, include the interests and views of its pensioners, Bondholders and its relationship with Ofcom. The Company acknowledges that every decision it makes will not necessarily result in a positive outcome for all of its stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the Company does, however, aim to make sure that its decisions are consistent and predictable.

As is normal for large companies, the Company delegates authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing the execution of the business strategy and related policies. The Company also reviews other areas over the course of the financial year including the Company's financial and operational performance; stakeholder-related matters; diversity and inclusivity; and corporate responsibility matters.  This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

The views and the impact of the Company's activities on the Company's stakeholders (including its workforce, customers and suppliers) are an important consideration for it when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both the stakeholders and the BT Group means that generally stakeholder engagement best takes place at an operational or group level. The Company finds that as well as being a more efficient and effective approach, this also helps it achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on the some of the engagement that has taken place with the Company's stakeholders so as to help the directors to understand the issues to which they must have regard, and the impact of that feedback on decisions, please see the stakeholders section in the strategic report of BT Group plc's 2024 Annual Report.

During the period the Company received information to help it understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on the Company's financial and operational performance, non-financial KPIs, risk, environmental, social and corporate governance matters and the outcomes of specific pieces of engagement. As a result of this the Company has had an overview of engagement with stakeholders and other relevant factors which allows it to understand the nature of the stakeholders' concerns and to comply with its section 172 duty to promote success of the company.

One example of how the Company has had regard to the matters set out in section 172(1)(a)-(f) when discharging its section 172 duties and the effect of that on decisions taken by it, was the decision to approve the package of key measures in relation to the triennial funding valuation for the BT Pension Scheme at 30 June 2023.

In making this decision the Board considered a range of factors. These included the Company's financing requirements and the ongoing need for strategic review. The Board further considered the needs and expectations of the Company's stakeholders such as  shareholders, employees, suppliers, customers and pensioners.

# Report of the Directors

The directors present their report and the audited financial statements of the Company, British Telecommunications plc, and the group, which includes its subsidiary undertakings, for the year ended 31 March 2024. The audited consolidated financial statements are presented on pages 39 to 108 and the audited entity only financial statements are presented on pages 109 to 138.
A statement by the directors of their responsibilities for preparing the financial statements is included in the Statement of directors' responsibilities on page 31.

## Principal activity

The Company is the principal trading subsidiary of BT Group plc ("BT Group"), which is the ultimate parent company.

BT Group is the UK's leading provider of fixed and mobile telecommunications and related secure digital products, solutions and services. We also provide managed telecommunications, security and network and IT infrastructure services to customers across 180 countries.

We're responsible for building and operating networks and delivering the connectivity-based solutions that are essential to modern lives, businesses and communities. We're the UK's largest provider of consumer mobile, fixed and converged communications solutions. We also keep UK and Republic of Ireland businesses and public sector organisations connected and provide network solutions to UK communications providers. Globally we integrate, secure and manage network and cloud infrastructure and services for multinational corporations. Openreach runs the UK's main fixed connectivity access network, connecting homes, mobile phone masts, schools, shops, banks, hospitals, libraries, broadcasters, governments and big and small businesses to the world.

As well as being the principal trading subsidiary of BT Group plc, British Telecommunications plc directly or indirectly controls all other trading subsidiaries of the BT Group.

## Directors

Roger Eyre, Neil Harris, Edward Heaton, Simon Lowth and Daniel Rider served as directors throughout the year.

## Material accounting estimates, key judgements and material accounting policies

Our critical accounting estimates and key judgements, and material accounting policies conform with UK-adopted international accounting standards, IFRSs issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act 2006, and are set out on page 45 of the consolidated financial statements and page 111 of the entity only financial statements. The directors have reviewed these policies and applicable estimation techniques, and have confirmed they are appropriate for the preparation of the FY24 consolidated financial statements.

## Disclosure of information to the auditor

As far as each of the directors is aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) that has not been disclosed to the auditor. Each of the directors confirms 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 auditor has been made aware of that information.

## Dividend

A dividend of £850m was paid to the parent company, BT Group Investments Ltd (FY23: £850m).

## Going concern

In line with IAS 1 'Presentation of financial statements', and FRC guidance on 'risk management, internal control and related financial and business reporting', management has taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the financial statements when assessing the group's ability to continue as a going concern.

The **Strategic report** on pages 3 to 25 includes information on the group structure, strategy and business model, the performance of each customer-facing unit and the impact of regulation and competition. The **Group performance** section on pages 5 to 6 includes information on our group financial results and balance sheet position. Notes 21, 23, 24 and 26 of the consolidated **financial statements** include information on the group's investments, cash and cash equivalents, borrowings, derivatives, financial risk management objectives, hedging policies and exposure to interest, foreign exchange, credit, liquidity and market risks.

**Our principal risks and uncertainties** are set out on pages 18 to 25 including details of each risk and how we manage and mitigate them. The directors carried out a robust assessment of the emerging and principal risks affecting the group, including any that could threaten our business model, future performance, insolvency or liquidity.

Having assessed the principal and emerging risks, the directors considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements. This assessment covers the period to July 2024, which is consistent with the FRC guidance. When reaching this conclusion, the directors took into account the group's overall financial position (including trading results and ability to repay term debt as it matures without recourse to refinancing) and the exposure to emerging and principal risks.

At 31 March 2024, the group had cash and cash equivalents of £0.4bn and current asset investments of £2.4bn. The group also had access to committed borrowing facilities of £2.1bn. These facilities were undrawn at the year-end and are not subject to renewal until March 2027.

## Directors' and officers' liability insurance and indemnity

BT Group plc routinely buys insurance to cover the directors, officers and employees in positions of managerial supervision of BT Group plc and its subsidiaries (including the Company). This is intended to protect against defence costs, civil damages and, in some circumstances, civil fines and penalties following an action brought against them in their personal capacity. The policy also covers individuals serving as directors of other companies or of joint ventures or on boards of trade associations or charitable organisations at BT Group plc's request. The insurance protects the directors and officers directly in circumstances where, by law, BT Group plc cannot provide an indemnity. It also provides BT Group plc, subject to a retention, with cover against the cost of indemnifying a director or officer. One layer of insurance is ringfenced for the directors of BT Group plc.

As at 26 July 2024, and throughout FY24, British Telecommunications plc has provided an indemnity for a group of people similar to the group covered by the above insurance. Neither the insurance nor the indemnity provides cover where the individual is proven to have acted fraudulently or dishonestly.

As permitted by the company's Articles of Association, and to the extent permitted by law, BT Group indemnifies each of its directors and other officers of the group against certain liabilities that may be incurred as a result of their positions within the group. The indemnity was in force throughout the tenure of each director during the last financial year, and is currently in force.

### Systems of risk management and internal control

The Board of BT Group plc is responsible for reviewing the group's systems of risk management and internal control each year, and ensuring their effectiveness including in respect of relevant assurance activities. These systems are designed to manage, rather than eliminate, risks we face that may prevent us achieving our business objectives and delivering our strategy. Any system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The BT Group risk management framework is simple and consistent, and defines our (1) risk mindset and culture, (2) risk process and activities; and finally (3) governance. The framework:

- provides the business with the tools to take on the right risks and make smart risk decisions
- supports the identification, assessment and management of the principal risks and uncertainties faced by the group
- is an integral part of BT Group's annual strategic review cycle.

The framework was designed in accordance with the FRC guidance on risk management, internal control and related financial and business reporting and has been in operation throughout the year and up to the date on which this document was approved. The framework was reviewed in FY24 and deemed effective. Continuous improvements were made in FY24, including the rollout of a new training programme to establish a core level of understanding of expectations across our senior leadership team and all those with roles that are key to making our framework a success. There was also focus on embedding our Key Control Framework, a set of Group requirements, defined by subject matter experts, to be implemented consistently across all Units. More information on our group risk management framework can be found on pages 16 to 18.

Internal audit carry out periodic assessments of the quality of risk management and control, promote effective risk management across all our units and report to management and the BT Group plc Audit & Risk Committee on the status of specific areas identified for improvement. We do not cover joint ventures and associates not controlled by the group in the scope of our group risk management framework. Such third parties are responsible for their own internal control assessment. Furthermore, the BT Group plc Audit & Risk Committee, on behalf of the BT Group plc Board, reviews the effectiveness of the systems of risk management and internal control across the group.

### Capital management and funding

The capital structure of the Company is managed by BT Group plc. The policies described here apply equally to both BT Group plc and group companies. The objective of our capital management policy is to target an overall level of debt consistent with our credit rating objectives, while investing in the business, supporting our pension schemes and meeting our Distribution Policy.

The BT Board plc regularly reviews the group's capital structure. Management proposes actions and produces analyses which reflect the group's investment plans and risk characteristics, as well as the macroeconomic conditions in which we operate.

Our Funding Policy is to raise and invest funds centrally to meet the group's anticipated requirements. We use a combination of capital market bond issuance and committed borrowing facilities to fund the group. When issuing debt, in order to avoid refinancing risk, group treasury will take into consideration the maturity profile of the group's debt portfolio, financial market conditions as well as forecast cash flows.

### Financial instruments

Details of the group's financial risk management objectives and policies of the group and exposure to interest risk, credit risk, liquidity risk and foreign exchange are given in note 26 to the consolidated financial statements.

### Credit risk management policy

We take proactive steps to minimise the impact of adverse market conditions on our financial instruments. In managing investments and derivative financial instruments, BT Group plc's group treasury monitors the credit quality across treasury counterparties and actively manages any exposures that arise. Management within the business units also actively monitors any exposures arising from trading balances.

### Off-balance sheet arrangements

Other than the financial commitments and contingent liabilities disclosed in note 30 to the consolidated financial statements, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on: our financial condition; changes in financial condition; revenues or expenses; results of operations; liquidity; capital expenditure; or capital resources.

### Post balance sheet events

Any material post balance sheet events have been disclosed in note 32 of the consolidated financial statements and note 22 of the entity only financial statements.

### Legal proceedings

The group is involved in various legal proceedings, including actual or threatened litigation and, government or regulatory investigations. For further details of legal and regulatory proceedings to which the group is party please see note 17 to the consolidated financial statements.

Apart from the information disclosed in note 17 to the consolidated financial statements, the group does not currently believe that there are any legal proceedings, government or regulatory investigations that may have a material adverse impact on the operations or financial condition of the group. In respect of each of the claims described in note 17, the nature and progression of such proceedings and investigations can make it difficult to predict the impact they will have on the group. Many factors prevent us from making these assessments with certainty, including, that the proceedings of investigations are in early stages, no damages or remedies have been specified, and/or the frequently slow pace of litigation.

### Employee engagement

Engaging with our colleagues is critical to creating a culture where they can be their best and contribute to our purpose, ambition, strategy and long-term success. Engaging with our colleagues takes many forms, including through:

- the BT Group plc Board receiving regular updates from the Chief Executive and Chief Human Resources Officer on colleagues, key people strategy initiatives, culture and overall sentiment in the organisation
- our BT Group plc Designated Non-Executive Director for Workforce Engagement and the Colleague Board. The Colleague Board was in place throughout most of FY24, however the Board made the decision to disband the Colleague Board and going forward the Designated Non-Executive Director for Workforce Engagement will engage in a comprehensive colleague outreach programme in its place
- our quarterly Your Say colleague engagement surveys
- regular colleague communications.

Colleagues are kept well informed on matters such as the strategy and performance of the group, including after certain key events such as results and trading updates. We work with our highly active, engaged and award-winning People Networks. These colleague-driven groups raise awareness and advocate for change both inside and outside BT Group.

### Employees with disabilities

We're an inclusive employer and actively encourage the recruitment, development, promotion and retention of disabled people.

In FY24 we focused on three areas to support our disabled colleagues:

- we committed to improving our workplace adjustments process so that colleagues can get the adjustments that they need when they need them, with a new initiative in the UK launched in July with plans to extend the rollout to India
- a development programme specifically aimed at disabled colleagues who are junior managers has been piloted, and work is under consideration for rollout to all career levels
- we want all colleagues and people managers to understand disability and how to support disabled colleagues, so we have launched three disability advocacy training pathways and published them to our internal disability hub for access by all colleagues.

We continued our partnership with the Business Disability Forum, and we will be working to make sure that we are able to meet and exceed the commitments we made to obtain our Disability Confident leader status and our membership of Valuable 500.

### Political donations

Our policy is that no company in the group will make contributions in cash or in kind to any political party, whether by gift or loan. However, the definition of political donations used in the 2006 Act is significantly broader than the sense in which these words are ordinarily used. The 2006 Act's remit could cover making members of Parliament and others in the political world aware of key industry issues and matters affecting BT Group plc, and enhancing their understanding of the group.

The authority for political donations requested at the 2024 AGM is not intended to change this policy. It does, however, ensure that the group continues to act within the provisions of the 2006 Act, requiring companies to obtain shareholder authority before they make donations to political parties and/or political organisations as defined in the 2006 Act. During FY24, BT Group plc's wholly owned subsidiary, British Telecommunications plc, paid the costs of attending events at (i) the Labour Party Conference and Business Conference; (ii) the Conservative Party Conference; and (iii) the Liberal Democrats Business Day. These costs totalled £9,343 (FY23: £5,848). No company in the BT Group made any loans to any political party.

### Branches

Details of our branches outside the UK are set out on pages 139 to 143.

### Governance Statement

The Board aspires to have and maintain good standards of corporate governance and has adopted a corporate governance code appropriate for the company.

The Board has chosen not to adopt and report against the 2018 UK Corporate Governance Code, which in its view is designed, and is therefore more appropriate, for premium listed companies. Whilst we support the introduction of the Wates Corporate Governance Principles for Large Private Companies, we consider that they are less suitable for a wholly-owned subsidiary of a premium listed Company. We have therefore adopted our own corporate governance code in the form of four overarching principles as set out below, which we believe are appropriate for the company and are designed to ensure effective decision-making to promote the company's long-term success.

The principles which underpin our corporate governance code and how these principles have been applied during the financial year ended 31st March 2024 are shown below:

#### Principle One: Leadership

"The Company is led by a Board of directors who promote the success of the Company for the benefit of its members, ensuring that it operates with a clear sense of purpose that aligns with its values, strategy and culture."

The strategy and culture of the Company is underpinned by a clear vision of the company's purpose and overall values which are articulated through the leadership of the Board (having reference to the BT Group's strategy, culture and values). Given the importance of this, the Board seeks to promote the values, strategy and culture at different levels within the business. Culture remains an area of focus, with the Board promoting ethical leadership and accountability to achieve a dynamic and positive culture.

#### Principle Two: Board composition

"The Board has an appropriate composition and size to enable it to effectively lead the Company."

The size and composition of the Board is appropriate and proportionate for the business of the Company. The directors have an appropriate combination of technical, financial and commercial skills, collectively demonstrating a high-level understanding of the Company's business model and its impact on key stakeholders.

All appointments to the Board are based on merit and objective criteria. Diversity remains an area of focus as we continue to build a workforce that reflects the diversity of our customers and the communities we serve.

### Principle Three: Directors' responsibilities

"Directors have a clear understanding of their accountability and responsibilities. The Board's policies and practices should support effective decision making and independent challenge."

- On joining the Board, new directors receive information on the company, are offered advice from the company secretary, and can request training tailored to their specific experience and knowledge, covering both their legal duties and the business of the company.
- On an ongoing basis, directors update their skills, knowledge and familiarity with the company in a range of different ways by meeting with senior management, visiting operations and by attending appropriate external and internal seminars and training sessions. This helps by continuing to contribute to their informed and sound decision-making.
- Directors have a responsibility to declare any conflict of interest at the beginning of each Board meeting. Should a conflict arise, it would be the responsibility of the chair in conjunction with the non-conflicted directors to agree whether the director may participate and/or vote on the specific item.

The directors have equal voting rights when making decisions, except the chair, who has a casting vote. All directors have access to the advice and services of the company secretary and may, if they wish, take professional advice at the company's expense.

### Principle Four: Stakeholder relationship and engagement

"The Board should build and maintain effective relationships with stakeholders."

The Board seeks to understand the views of its key stakeholders, and the impact of its behaviour and business on employees, customers, suppliers and society more broadly. Whilst for reasons of efficiency and effectiveness, much of this engagement takes place at a BT Group level, the Board receives updates on its key stakeholders and the mechanisms and initiatives for engagement. For more information on group level engagement with key stakeholders, see the BT Group plc 2024 Annual Report and the Section 172 statement.

When making decisions, the Board considers the potential impact on its key stakeholders, including the BT Pension Scheme and its members.

### Cross reference to the Strategic report

We have chosen to include the following information in the Strategic report in line with the Companies Act 2006 (otherwise required by law to be included in the Report of the Directors):

- An indication of likely future developments in the business of the Company and its group (pages 3 to 15)
- An indication of our research and development activities (page 15)
- Information on how the group (and BT Group plc) engages with colleagues, and how regard has been had to the interests of colleagues and the need to foster business relationships with suppliers, customers and others, and the effect of that regard during the year (pages 7 to 10)
- Anti-bribery and corruption (page 9)
- Social and community (pages 8 to 9)
- Human rights (page 15)

By order of the Board

**Simon Lowth**
Director
26 July 2024

# Statement of directors' responsibilities

## The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. The parent company meets the definition of a qualifying entity under FRS 100 and the company financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (FRS 101 "Reduced disclosure framework", 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 group and parent company, and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable, relevant, reliable and, in respect of the parent Company financial statements only, prudent
- state whether the group financial statements have been prepared in accordance with the UK-adopted international accounting standards
- state whether applicable UK accounting standards have been followed with regards to the parent company financial statements, subject to any material departures disclosed and explained in the parent company financial statements
- assess the group and parent company's ability to continue as a going concern and disclose, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy, at any time, the financial position of the parent company, and enable them to ensure that its financial statements comply with the 2006 Act. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing an annual strategic report and a directors' report that comply with such law and regulation.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule ("DTR") 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

## Responsibility statement of the Board in respect of the annual financial report

We confirm that, to the best of our knowledge:

- the **Financial statements**, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and the undertakings included in the consolidation taken as a whole
- the **Strategic report** and the **Report of the directors** include a fair review of the development and performance of the business and the position of the group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position, performance, business model and strategy.

This responsibility statement was approved by the Board on 26 July 2024 and was signed on its behalf by

Simon Lowth
Director
26 July 2024

# KPMG LLP's Independent Auditor's Report to the members of British Telecommunications plc

## 1. Our opinion is unmodified

We have audited the financial statements of British Telecommunications plc ("the Company") for the year ended 31 March 2024 which comprise the Group income statement, Group statement of comprehensive income, Group balance sheet, Group statement of changes in equity, Group cash flow statement, company balance sheet, company statement of changes in equity, and the related notes, including the accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the board.

We were first appointed as auditor by the shareholders for the year ended 31 March 2019. The period of total uninterrupted engagement is for the 6 financial years ended 31 March 2024.

Jonathan Mills has succeeded John Luke as the Lead Engagement Partner for the year ended 31 March 2024. The Group Engagement partner is required to rotate every 5 years. As these are the first set of the Group's financial statements signed by Jonathan Mills, he will be required to rotate off after the FY28 audit. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

## 2.1 Accuracy of revenue due to the complex billing systems

| | **FY24** | FY23 |
|---|---|---|
| Total revenue | **£20.8bn** | £20.7bn |

### Our assessment of risk vs FY23

↑ Increased
Refer to pages 50 to 53 (financial disclosures note 5 Revenue)

### The risk - processing error

BT non-long-term contract revenue consists of a large number of low value transactions. The Group operates a number of distinct billing and order-entry systems and the IT landscape underpinning the end-to-end revenue process is complex.

There are multiple products sold at multiple rates with varying price structures in place. These represent a combination of service-based products, such as fixed line telephony, as well as goods, such as the provision of mobile handsets.

The revenue recognition of non-long-term contract revenue is not subject to significant judgement. However, due to the large number of transactions, manual nature of order entry and complexity of the billing systems, this is considered to be an area of most significance in our audit. Within Business we have identified a significant risk of processing error in relation to some billing systems. In addition, the bespoke nature of the pricing structure within some of Business' contracts means that there is a higher risk of processing error and fraud in relation to a proportion of Business' revenue derived from certain billing systems.

### Subjective estimate of refund liabilities in Business

The bespoke pricing structure results in a risk of billing inaccuracies within a proportion of Business' revenue and so over the identification of financial liabilities for associated customer refunds. The Group have estimated refund liabilities based on the results of a sample of billing items leading to estimation uncertainty over the refund liabilities.

The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the quantum of refund liabilities had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality. The financial statements (note 5) disclose the range estimated by the Group.

### Our response - our procedures to address risk included:

**Process understanding:** Obtaining an understanding of the revenue processes by observing transactions from customer initiation to cash received for certain revenue streams.
Test of details: Comparing a sample of revenue transactions, including credit adjustments, to supporting evidence e.g. customer bills, contracts, price lists and cash received (all where applicable).

**Tests of detail:** Agreeing a sample of year end trade receivables to cash received after year end.

**Tests of detail:** Within Business, we compared the results of our test of detail over revenue, including error rates by product, in the current and previous years' audits, to the liabilities held for customer refunds and challenged the Group's assessment of refund liabilities based on billing errors identified through our testing and the legal and regulatory risks in relation to billing errors for the products impacted.

**Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the sensitivity of the refund liability to error rates and legal risks.

We performed the detailed tests above rather than seeking to rely on the Group's controls because our knowledge of the design of these controls indicated that we would be unlikely to obtain the required evidence to support reliance on them.

**Areas of particular auditor judgement**

We exercised judgement over the adequacy of liabilities for customer refunds in light of overstatements of revenue identified through our testing over pricing within Business. Particular judgement was needed over the applicable error rate and periods impacted.

**Our results**

The results of our testing were satisfactory (FY23: satisfactory) and we considered the revenue relating to non-long-term contract revenue and the estimate of refund liabilities and related disclosures to be acceptable (FY23: acceptable).

## 2.2 Impairment of goodwill attributable to the Business CGU (Group)

| | FY24 | FY23 |
|---|---|---|
| Goodwill allocated to Business CGU | **£3.56bn** | £4.08bn |
| Impairment charge | **£0.49bn** | £0.0bn |

**Our assessment of risk vs FY23**

| | |
|---|---|
| + | New<br>Refer to page 62 (note 12 accounting policy impairment of goodwill) and pages 62 to 64 (financial disclosures note 12 Intangible assets) |

**The risk - forecast-based assessment**

The recoverability of goodwill allocated to the Business cash generating unit ("CGU") is assessed using value in use which is based on the forecast cashflow, within a discounted cashflow model.

For the Business CGU, the execution risk associated with the transition from legacy to next generation telecommunication products and services in conjunction with ongoing cost reductions and uncertainty in relation to the economic outlook renders precise forecasting of the underlying cash flows challenging. There is also estimation uncertainty over the appropriate terminal growth rate and discount rate applied to the projected cashflows.

In the current year the Group recognized an impairment charge against goodwill allocated to the Business CGU of £488mn (FY23: nil), reflecting the execution risk of the CGU's business plan and increased uncertainty over the projected cashflows.

The effect of these matters is that, as part of our risk assessment, we determined that the value in use used to support the recoverable amount of the goodwill allocated to the Business CGU has a high degree of estimation uncertainty, with a potential range of reasonable impairment outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 12) disclose the sensitivity estimated by the Group.

**Our response - our procedures to address the risk included:**

**Our valuation expertise:** Using our own valuation specialists, assessing the methodology, principles, and integrity of the value in use model.
Benchmarking assumptions: Challenging the appropriateness of the Business CGU discount rate and long-term growth rate by determining an independent discount rate and benchmarking the long term growth rate against extremally derived data and analyst reports.

**Our sector experience:** Using our sector experience inspecting the Group's medium term strategic plans used to derive the forecast cash flows and comparing the assumptions applied by the directors in the forecast cashflows against those plans, and the forecasts approved by the Board.

**Assessing consistency:** Assessing the consistency of the forecast used by the Group across different areas such as group goodwill impairment testing and the viability assessment.
Historical comparison: Assessing the historical accuracy of the forecasts used in the Business CGU's impairment model by considering actual performance against prior year budgets and challenging whether the forecast cashflows were risk adjusted based on the downside risks and opportunities identified by the Group.

**Sensitivity analysis:** Considering the sensitivity of the recoverable amount to reasonably possible changes in the key inputs and assumptions used in determining the value in use of the Business CGU and the resulting impairment charge including the impact of the changes in EBITDA compound annual growth rate in the forecast period, long term growth rate and discount rate.
Comparing valuations: Performing a stand back assessment by comparing the combined value in use of all of the CGUs of the Group to the Group's market capitalisation to assess the reasonableness of those cash flows and assessing and challenging the difference and whether the assumptions applied in the impairment test were acceptable.

**Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of goodwill.

We performed the detailed tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

**Areas of particular auditor judgement**

We identified the following as the areas of particular auditor judgement:

- Subjective and complex auditor judgement was required in evaluating the key assumptions included in the estimation of the value in use. This includes the quantum of risk adjustments needed to be applied to forecasts to account for the underlying execution risk associated with the transition from legacy to next generation products and services, in conjunction with an ongoing project to reduce the CGU's cost base to deliver those products and services. This is in addition to the evaluation of the terminal growth rate and discount rate.
- We performed an assessment of whether an understatement of the impairment charge identified through these procedures was material.

**Our results**

We found the goodwill allocated to the Business CGU balance, and the related impairment charge, to be acceptable (FY23: acceptable).

## 2.3 Valuation of defined benefit obligation of the BT Pension Scheme (BTPS)

| | FY24 | FY23 |
|---|---|---|
| Group balance sheet: BTPS Obligation | **£40.0bn** | £41.6bn |
| Parent Company balance sheet: BTPS obligation | **£40.0bn** | £41.6bn |

**Our assessment of risk vs FY23**

| | |
|---|---|
| | Unchanged<br>Refer to page 76 and 79 (note 18 accounting policy Retirement benefits) and pages 76 to 85 (disclosures note 18 Retirement benefit plans). |

**The risk - subjective valuation**
The valuation of the BT pension scheme ('BTPS') defined benefit obligation is complex and requires a significant degree of estimation in determining the assumptions. It is dependent on key actuarial assumptions, including the discount rate, retail price index ('RPI') and mortality assumptions. A change in the methodology applied or small changes in the key actuarial assumptions may have a significant impact on the measurement of the defined benefit obligation.

The effect of these matters is that, as part of our risk assessment, we determined the valuation of the BTPS defined benefit obligation had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 18) disclose the sensitivity of key assumptions for the obligation estimated by the Group.

**Our response - our procedures to address the risk included:**

**Evaluation of the Group's expert:** Evaluating the scope, competency and objectivity of the Group's external experts who assisted in determining the actuarial assumptions used to determine the defined benefit obligation.

**Our actuarial expertise:** With the support of our own actuarial specialists, we performed the following:
- Evaluating the judgements made and the appropriateness of methodologies used by the Group and Group's experts in determining the key actuarial assumptions;
- Comparing the assumptions used by Group to our independently compiled expected ranges based on market observable indices and our market experience.

**Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the sensitivity of the obligation to these assumptions.
We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

**Areas of particular auditor judgement**
We identified the following as the areas of particular auditor judgement:
- Subjective and complex auditor judgement was required in evaluating the key actuarial assumptions used by the Group (including the discount rate, retail price index and mortality assumptions).

**Our results**
We found the valuation of the defined benefit obligation of the BT Pension Scheme and related disclosures to be acceptable (FY23: acceptable).

## 2.4 Valuation of unquoted assets in the BT Pension Scheme (BTPS)

| | FY24 | FY23 |
|---|---|---|
| Longevity Insurance Contract for the BTPS: included within the unquoted BTPS plan assets | **£0.9bn** | £0.8bn |

**Our assessment of risk vs FY23**

| | |
|---|---|
| | Decreased<br>Refer to page 76 and 79 (note 18 accounting policy Retirement benefits) and pages 76 to 85 (disclosures note 18 Retirement benefit plans). |

**The risk - subjective valuation**
The BTPS has unquoted plan assets in private equity, UK and overseas property, mature infrastructure, longevity insurance contract, secure income and non-core credit assets which are classified as fair value level three assets.

Significant judgement is required to determine the value of a portion of these unquoted investments, which are valued based on inputs that are not directly observable. The Group engages valuation experts to value these assets.

In FY24, the most significant valuation judgement of the above is in respect of a longevity insurance contract. The key unobservable inputs used to determine the fair value of that longevity insurance contract include the discount rate and projected future mortality.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of a longevity insurance contract asset held by the BTPS has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

The financial statements (note 18) disclose the key sensitivities of the valuation of plan assets to changes in key assumptions.

**Our response - our procedures to address the risk included:**

**Assessing valuers' credentials:** Evaluating the scope, competencies and objectivity of the Group's external experts who assisted in determining the key unobservable inputs and the valuation of a longevity insurance contract.

**Comparing valuations:** Challenging, with the support of our own actuarial specialists, the fair value of a longevity insurance contract by comparing with an independently developed range of fair values using assumptions, such as the discount rate and projected future mortality, based on external data. External data included market views of the impact from COVID on future mortality, market discount rates and the demographic analysis available from the 30 June 2023 triennial funding valuation.

**Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the sensitivity of a longevity insurance contract asset valuation to these assumptions.
We performed the detailed tests above rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

**Areas of particular auditor judgement**
We identified the following as the areas of particular auditor judgement:
- Subjective and complex auditor judgement was required in evaluating the key assumptions used by the Group (including the discount rate and projected mortality)

**Our results**
We found the valuation of a longevity insurance contract and related disclosures to be acceptable (FY23: acceptable).

## 2.5 Impairment of goodwill attributable to the Business CGU (Parent company)

| | FY24 | FY23 |
|---|---|---|
| Goodwill allocated to Business CGU | **£0.62bn** | £0.53bn |
| Impairment charge | **£0.62bn** | £0.0bn |

**Our assessment of risk vs FY23**

| | |
|---|---|
| + | New<br>Refer to page 113 and 114 (note 4 accounting policy Intangible assets) and 113 to 115 (disclosures note 4 Intangible assets) |

**The risk - forecast-based assessment**
The recoverability of goodwill allocated to the Company's Business cash generating unit ("CGU") is assessed using fair value less costs of disposal (FVLCOD) approach which is based on the forecast cashflow taking into account a market participant's ability to use the asset in its 'highest and best use', within a discounted cashflow model.

For the Business CGU, the execution risk associated with the transition from legacy to next generation telecommunication products and services in conjunction with ongoing cost reductions and uncertainty in relation to the economic outlook renders precise forecasting of the underlying cash flows challenging. There is also judgement over the cost allocations to the Company's Business CGU and costs of disposal; and estimation uncertainty over the appropriate terminal growth rate and discount rate applied to the projected cashflows.

In the current year, the Company recognized an impairment charge against goodwill allocated to the Business CGU of £624mn (FY23: nil), reflecting the execution risk of the CGU's business plan and increased uncertainty over the projected cashflows.

The effect of these matters is that, as part of our risk assessment, we determined that the FVLCOD used to support the recoverable amount of the goodwill allocated to the Business CGU has a high degree of estimation uncertainty, with a potential range of reasonable impairment outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The parent company financial statements (note 4) disclose the sensitivity estimated by the Company.

**Our response - our procedures to address the risk included:**

**Our valuation expertise:** Using our own valuation specialists, assessing the methodology, principles, and integrity of the FVLCOD model.

**Benchmarking assumptions:** Challenging the appropriateness of the Business CGU's discount rate and long-term growth rate by determining an independent discount rate and benchmarking the long-term growth rate against extremally derived data and analyst reports.

**Our sector experience:** Using our sector experience inspecting the Group's medium term strategic plans used to derive the forecast cash flows and comparing the assumptions applied by the directors in the forecast cashflows against those plans, and the forecasts approved by the Board.

**Assessing consistency:** Assessing the consistency of the forecast used by the Company across different areas such as group goodwill impairment testing and the viability assessment. Assessing the consistency of the cost allocation methodology used to allocate costs between CGUs and whether this forms a reasonable basis of allocation.

**Historical comparison:** Assessing the historical accuracy of the forecasts used in Group's Business CGU's impairment model by considering actual performance against prior year budgets and challenging whether the forecast cashflows were risk adjusted based on the downside risks and opportunities identified by the Company.

**Sensitivity analysis:** Considering the sensitivity of the recoverable amount to reasonably possible changes in the key inputs and assumptions used in determining the FVLCOD of the Business CGU and the resulting impairment charge including the impact of the changes in restructuring benefits impacting the terminal period EBITDA, costs of disposal, long term growth rate and discount rate.

**Comparing valuations:** Performing a stand back assessment by comparing the recoverable amount using value in use, FVLCOD – income approach, FVLCOD – market multiple approach methods to assess the reasonableness of those cash flows and assessing and challenging the difference and whether the assumptions applied in the impairment test were acceptable.

**Methodology implementation:** Assessing the appropriateness of the methodology used in the current period, including consideration of the estimate made in respect of costs of disposal, and whether the forecast restructuring benefits qualified for inclusion in the FVLCOD model.

**Assessing transparency:** Assessing whether the Company's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of goodwill.

We performed the detailed tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

**Areas of particular auditor judgement**
We identified the following as the areas of particular auditor judgement:
- Subjective and complex auditor judgement was required in evaluating the key assumptions included in the estimation of the FVLCOD. This includes the quantum of risk adjustments needed to be applied to forecasts to account for the underlying execution risk associated with the transition from legacy to next generation products and services, in conjunction with an ongoing project to reduce the CGU's cost base to deliver those products and services and cost allocations to the Company's Business CGU. This is in addition to the evaluation of the costs of disposal, terminal growth rate and discount rate.
- We performed an assessment of whether an overstatement of the impairment charge identified through these procedures was material.

**Our results**
We found the goodwill allocated to the Business CGU balance, and the related impairment charge, to be acceptable (FY23: acceptable).

The TNT Sport Joint venture company is in its second year of operations and all significant risks associated with the initial recognition of the balances in FY23 relating to the disposal of the BT sports division and subsequent re-investment in the Sports JV are no longer applicable and therefore we have not identified a related KAM in our audit report in FY24. We continue to perform procedures over the ongoing measurement of balances held in relation to BT's investment in the Sports JV.

## 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £135 million (2023: £95 million), determined with reference to a benchmark of Total Revenue (of which it represents 0.65% (FY23: 4.74% of normalised PBTCO)).

A key judgement in determining materiality was selecting the most relevant metric as the benchmark, considering which metrics have the greatest bearing on shareholder decisions. The relevant metrics considered for the current year included Revenue, Earnings before interest, taxes, depreciation and amortisation ("EBITDA"), Profit before tax from continuing operations ("PBTCO"), and Total assets. The selected benchmark for the current year is "Revenue," which represents a change from the prior period where the selected benchmark was PBTCO. The change to Revenue is deemed appropriate given shareholders' focus on revenue and cash generation and the current stage of the Fibre To The Premise ("FTTP") capital investment program. In the context of the high levels of capital investment for future growth, Revenue is considered a more representative and stable measure of performance.

Materiality for the Parent Company financial statements as a whole was set at £110 million (2023: £80 million), determined with

reference to a benchmark of Parent Company total net assets, of which it represents 0.63% (2023: 0.52%), and chosen to be lower than materiality for the Group financial statements as a whole.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2023: 65%) of materiality for the financial statements as a whole, which equates to £88 million (2023: £62 million) for the Group and £72 million (2023: £52 million) for the Parent Company. We applied this percentage in our determination of performance materiality based on the level of identified control deficiencies during the prior years.

We agreed to report the Board any corrected or uncorrected identified misstatements exceeding £5 million (2023: £4 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Consistent with prior year, we define components of the Group based on legal entity. Of the Group's 214 (2023: 225) reporting components, we subjected 2 (2023: 2) to full scope audits and 1 (2023: 1) to an audit of the payroll account balance. Testing of IT Systems and Litigation and Claims was performed by the Group audit team on behalf of the Group and component teams.

The components within the scope of our work accounted for the following percentages:

| | Group revenue | Group profit before tax | Group total assets |
|---|---|---|---|
| Audits for group reporting purposes | 87% | 83% | 96% |
| 2023 | 86% | 78% | 90% |

The remaining 13% (2023: 14%) of total Group revenue, 17% (2023: 22%) of Group profit before tax and 4% (2023: 10%) of total Group assets is represented by 211 (2023: 222) reporting components, none of which individually represented more than 5% (2023: 5%) of any of total Group revenue, Group profit before tax or total Group assets. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on all components, excluding the audit of EE Limited, was performed by the Group audit team. The Parent Company was also audited by the Group audit team. The Group team instructed the EE component auditor as to the significant areas to be covered, including the risks identified above and the information to be reported back.

The Group team approved the component materialities, which ranged from £50 million to £110 million (2023: £35 million to £80 million), having regard to the mix and size and risk profile of the Group across components.

The Group audit team met frequently on video conference meetings and had in person meetings with the EE component audit team as part of the audit planning and completion stages to explain our audit instructions and discuss the component auditor's plans as well as performing file reviews upon the completion of the component auditor's engagement.

At these meetings with component auditors, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

## 4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- The impact of rising energy prices, supply shortages, and inflationary pressures;
- The impact of significant supply chain disruptions driven by geo-political factors;
- The impact of plans to deliver new initiatives required to meet savings commitments not being realised;
- The likelihood of existing litigation crystallising within the going concern period.

We also considered less predictable but realistic second order impacts, such as a large scale cyber breach, the UK experiencing a significant recession, adverse changes to telecoms regulation, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

Our procedures also included an assessment of whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern. Accordingly, based on those procedures, we found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and the Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

### Our conclusions based on this work

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

## 5. Fraud and breaches of laws and regulations - ability to detect

### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors, the board, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as

well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board, Remuneration Committee and Executive Committee minutes;
- considering remuneration incentive schemes and performance targets for management and directors including the EPS target for management remuneration;
- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, recent revisions to guidance and our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition in relation to certain revenue streams in Business in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk that certain revenue streams in Business are overstated given the bespoke nature of the pricing structure within these contracts and associated risk of processing errors.

We did not identify any additional fraud risks.

We performed procedures including:
- identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted to unusual or seldom used accounts;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- evaluating the business purpose for significant unusual transactions.

### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and others management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the Group's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, regulations affecting telecommunication providers, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities (including compliance with Ofcom regulation) and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the board other matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## 6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic report and directors' report

Based solely on our work on the other information:
- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## 7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' Remuneration Report to be audited 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.

We have nothing to report in these respects.

## 8. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 31, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

## 9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Jonathan Mills**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

London

E14 5GL

26 July 2024

# Group income statement

## Year ended 31 March 2024

| | Notes | Before specific items ('Adjusted') £m | Specific items[a] £m | Total (Reported) £m |
|---|---|---|---|---|
| **Revenue** | 4, 5 | 20,835 | (38) | 20,797 |
| Operating costs | 6 | (17,632) | (949) | (18,581) |
| *Of which net impairment losses on trade receivables and contract assets* | | *(165)* | — | *(165)* |
| *Of which goodwill impairment* | 12 | — | *(488)* | *(488)* |
| **Operating profit (loss)** | 4 | **3,203** | **(987)** | **2,216** |
| Finance expense | 25 | (1,067) | (121) | (1,188) |
| Finance income | | 890 | — | 890 |
| **Net finance expense** | | **(177)** | **(121)** | **(298)** |
| Share of post tax profit (loss) of associates and joint ventures | 22 | (21) | — | (21) |
| **Profit (loss) before taxation** | | **3,005** | **(1,108)** | **1,897** |
| Taxation | 10 | (476) | 145 | (331) |
| **Profit (loss) for the year** | | **2,529** | **(963)** | **1,566** |

# Group income statement

## Year ended 31 March 2023

| | Notes | Before specific items ('Adjusted') £m | Specific items[a] £m | Total (Reported) £m |
|---|---|---|---|---|
| **Revenue** | 4, 5 | 20,669 | 12 | 20,681 |
| Operating costs | 6 | (17,492) | (568) | (18,060) |
| *Of which net impairment losses on trade receivables and contract assets* | | (138) | — | (138) |
| *Of which goodwill impairment* | 12 | — | — | — |
| **Operating profit (loss)** | 4 | **3,177** | **(556)** | **2,621** |
| Finance expense | 25 | (894) | (5) | (899) |
| Finance income | | 452 | — | 452 |
| **Net finance expense** | | **(442)** | **(5)** | **(447)** |
| Share of post tax profit (loss) of associates and joint ventures | 22 | (59) | — | (59) |
| **Profit (loss) before taxation** | | **2,676** | **(561)** | **2,115** |
| Taxation | 10 | (132) | 308 | 176 |
| **Profit (loss) for the year** | | **2,544** | **(253)** | **2,291** |

**a** Specific items are defined and analysed in note 9.

# Group statement of comprehensive income

## Year ended 31 March

| | Notes | 2024<br>£m | 2023<br>£m |
|---|---|---|---|
| **Profit for the year** | | **1,566** | 2,291 |
| **Other comprehensive income (loss)** | | | |
| *Items that will not be reclassified to the income statement* | | | |
| Remeasurements of the net pension obligation | 18 | (2,444) | (2,876) |
| Tax on pension remeasurements | 10 | 600 | 732 |
| *Items that have been or may be reclassified to the income statement* | | | |
| Exchange differences on translation of foreign operations | 27 | (66) | 87 |
| Fair value movements on assets at fair value through other comprehensive income | 27 | — | (3) |
| Movements in relation to cash flow hedges: | | | |
| – net fair value gains (losses) | 27 | (642) | 1,055 |
| – recognised in income and expense | 27 | 356 | (713) |
| Tax on components of other comprehensive income that have been or may be reclassified | 10, 27 | 78 | (90) |
| Share of post tax other comprehensive loss in associates and joint ventures | 22 | (11) | (1) |
| **Other comprehensive (loss) income for the year, net of tax** | | **(2,129)** | (1,809) |
| **Total comprehensive (loss) income for the year** | | **(563)** | 482 |

# Group balance sheet

## Year ended 31 March

| | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 12 | 12,928 | 13,695 |
| Property, plant and equipment | 13 | 22,562 | 21,667 |
| Right-of-use assets | 14 | 3,642 | 3,981 |
| Derivative financial instruments | 26 | 1,020 | 1,397 |
| Investments | 21 | 11,662 | 10,945 |
| Joint ventures and associates | 22 | 307 | 359 |
| Trade and other receivables | 15 | 641 | 503 |
| Preference shares in joint ventures | 22 | 451 | 542 |
| Contract assets | 5 | 330 | 369 |
| Retirement benefit surplus | 18 | 70 | 52 |
| Deferred tax assets | 10 | 1,048 | 709 |
| | | **54,661** | **54,219** |
| **Current assets** | | | |
| Inventories | | 409 | 349 |
| Trade and other receivables | 15 | 3,589 | 3,087 |
| Preference shares in joint ventures | 22 | 82 | 13 |
| Contract assets | 5 | 1,410 | 1,565 |
| Assets classified as held for sale | 20 | — | 21 |
| Current tax receivable | | 423 | 427 |
| Derivative financial instruments | 26 | 50 | 82 |
| Investments | 21 | 2,366 | 3,548 |
| Cash and cash equivalents | 23 | 409 | 384 |
| | | **8,738** | **9,476** |
| **Current liabilities** | | | |
| Loans and other borrowings | 24 | 1,395 | 1,772 |
| Derivative financial instruments | 26 | 94 | 86 |
| Trade and other payables | 16 | 6,323 | 6,508 |
| Contract liabilities | 5 | 906 | 859 |
| Lease liabilities | 14 | 766 | 800 |
| Liabilities classified as held for sale | 20 | — | 4 |
| Current tax liabilities | | 92 | 78 |
| Provisions | 17 | 238 | 229 |
| | | **9,814** | **10,336** |
| **Total assets less current liabilities** | | **53,585** | **53,359** |
| **Non-current liabilities** | | | |
| Loans and other borrowings | 24 | 17,131 | 16,749 |
| Derivative financial instruments | 26 | 445 | 297 |
| Contract liabilities | 5 | 175 | 193 |
| Lease liabilities | 14 | 4,189 | 4,559 |
| Retirement benefit obligations | 18 | 4,882 | 3,139 |
| Other payables | 16 | 637 | 894 |
| Deferred tax liabilities | 10 | 1,533 | 1,620 |
| Provisions | 17 | 411 | 369 |
| | | **29,403** | **27,820** |
| **Equity** | | | |
| Share capital | | 2,172 | 2,172 |
| Share premium | | 8,000 | 8,000 |
| Other reserves | 27 | 1,423 | 1,664 |
| Retained earnings | | 12,587 | 13,703 |
| **Total equity** | | **24,182** | **25,539** |
| | | **53,585** | **53,359** |

The consolidated financial statements on pages 39 to 108 were approved by the Board of Directors on 26 July 2024 and were signed on its behalf by:

**Simon Lowth**
Director

# Group statement of changes in equity

## Year ended 31 March

| | Notes | Share capital[a] £m | Share premium[b] £m | Other reserves[c] £m | Retained earnings (loss) £m | Total equity (deficit) £m |
|---|---|---|---|---|---|---|
| **At 1 April 2022** | | **2,172** | **8,000** | **1,326** | **14,341** | **25,839** |
| Profit for the year | | — | — | — | 2,291 | 2,291 |
| Other comprehensive income (loss) – before tax | | — | — | 1,141 | (2,879) | (1,738) |
| Tax on other comprehensive income (loss) | 10 | — | — | (90) | 732 | 642 |
| Transferred to the income statement | | — | — | (713) | — | (713) |
| Total comprehensive income (loss) for the year | | — | — | 338 | 144 | 482 |
| Dividends to parent company | 11 | — | — | — | (850) | (850) |
| Share-based payments | 19 | — | — | — | 77 | 77 |
| Tax on share-based payments | 10 | — | — | — | (9) | (9) |
| **At 1 April 2023** | | **2,172** | **8,000** | **1,664** | **13,703** | **25,539** |
| Profit for the year | | — | — | — | 1,566 | 1,566 |
| Other comprehensive income (loss) – before tax | | — | — | (708) | (2,455) | (3,163) |
| Tax on other comprehensive income (loss) | 10 | — | — | 78 | 600 | 678 |
| Transferred to the income statement | | — | — | 356 | — | 356 |
| Total comprehensive income (loss) for the year | | — | — | (274) | (289) | (563) |
| Dividends to parent company | 11 | — | — | — | (850) | (850) |
| Share-based payments | 19 | — | — | — | 68 | 68 |
| Tax on share-based payments | 10 | — | — | — | (12) | (12) |
| Transfer to realised profit[d] | | — | — | 33 | (33) | — |
| **At 31 March 2024** | | **2,172** | **8,000** | **1,423** | **12,587** | **24,182** |

**a** The allotted, called up, and fully paid ordinary share capital of the company at 31 March 2024 was £2,172m comprising 8,689,755,905 ordinary shares of 25p each (31 March 2023: £2,172m comprising 8,689,755,905 ordinary shares of 25p each).
**b** The share premium account, comprising the premium on allotment of shares, is not available for distribution.
**c** For further analysis of other reserves, see note 27.
**d** Includes amounts relating to disposal of investments, for further analysis see note 27.

# Group cash flow statement

## Year ended 31 March

| | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before taxation | | 1,897 | 2,115 |
| Share of post tax loss (profit) of associates and joint ventures | | 21 | 59 |
| Net finance expense | | 298 | 447 |
| **Operating profit** | | **2,216** | **2,621** |
| Other non-cash charges | | 73 | 86 |
| (Profit) loss on disposal of businesses[a] | | (15) | 157 |
| Loss (profit) on disposal of property, plant and equipment and intangible assets | | 3 | 2 |
| Depreciation and amortisation, including impairment charges[b] | 6 | 5,398 | 4,818 |
| (Increase) decrease in inventories | | (60) | (47) |
| Decrease in programme rights | | — | 7 |
| (Increase) decrease in trade and other receivables | | (843) | (285) |
| Decrease (increase) in contract assets | | 157 | (17) |
| (Decrease) increase in trade and other payables | | (88) | 234 |
| Increase (decrease) in contract liabilities | | 39 | 41 |
| (Decrease) increase in other liabilities[c] | | (850) | (919) |
| (Decrease) increase in provisions | | (18) | (109) |
| **Cash generated from operations** | | **6,012** | **6,589** |
| Income taxes (paid) refunded | | (59) | 136 |
| **Net cash inflow from operating activities** | | **5,953** | **6,725** |
| **Cash flow from investing activities** | | | |
| Interest received | | 140 | 41 |
| Dividends received from joint ventures, associates and investments | | 20 | 9 |
| Proceeds on disposal of businesses | | 81 | 29 |
| Outflow on non-current amounts owed by ultimate parent company | | (833) | (888) |
| Proceeds on disposal of current financial assets[d] | | 12,389 | 11,868 |
| Purchases of current financial assets[d] | | (11,216) | (12,705) |
| Net (purchase) disposal of non-current asset investments | | — | (5) |
| Proceeds on disposal of property, plant and equipment and intangible assets | | 2 | — |
| Purchases of property, plant and equipment and intangible assets[e] | | (4,969) | (5,307) |
| Prepayment for forward sale of copper[f] | | 105 | — |
| Decrease (increase) in amounts owed by joint ventures | | 117 | (265) |
| Settlement of minimum guarantee liability with sports joint venture | 16 | (211) | (61) |
| **Net cash outflow from investing activities** | | **(4,375)** | **(7,284)** |
| **Cash flow from financing activities** | | | |
| Interest paid | | (865) | (709) |
| Repayment of borrowings[g] | | (1,676) | (513) |
| Proceeds from bank loans and bonds | | 2,242 | 2,203 |
| Payment of lease liabilities | | (748) | (727) |
| Cash flows from collateral (paid) received[h] | | (532) | (17) |
| Changes in ownership interests in subsidiaries | | (13) | — |
| Increase (decrease) in amounts owed to joint ventures | 24 | (1) | 11 |
| **Net cash outflow from financing activities** | | **(1,593)** | **248** |
| **Net decrease in cash and cash equivalents** | | **(15)** | **(311)** |
| Opening cash and cash equivalents | | 373 | 687 |
| Net decrease in cash and cash equivalents | | (15) | (311) |
| Effect of exchange rate changes | | (7) | (3) |
| **Closing cash and cash equivalents[i]** | 23 | **351** | **373** |

**a** FY24 net profit comprises £25m profit on divestments completing in the year less £10m net transaction costs in relation to BT Sport disposal, see note 20.
**b** Depreciation and amortisation includes goodwill impairment charges of £488m (FY23: £nil), see note 12 for further details.
**c** Includes pension deficit payments of £823m (FY23: £994m).
**d** Primarily consists of investment in and redemption of amounts held in liquidity funds.
**e** Property, plant and equipment, engineering stores and software additions of £4,880m (FY23: £5,056m) (see note 4) and capital accruals movements of £89m (FY23: £251m).
**f** In FY24 we received an upfront prepayment of £105m from entering into a forward agreement to sell copper granules created from surplus copper cables which are currently recognised within property, plant and equipment (note 13). As this is expected to be the only cash flow that occurs as part of this transaction the cash receipt has been included as a separate line within cash flows from investing activities. See note 24 for further details.
**g** Repayment of borrowings includes the impact of hedging.
**h** Cash flows relating to cash collateral held in respect of derivative financial assets with certain counterparties, see note 26 for further details.
**i** Net of bank overdrafts of £58m (FY23: £11m).

# Notes to the consolidated financial statements

## 1. Basis of preparation

### Preparation of the financial statements

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

The consolidated financial statements are prepared on a going concern basis.

Having assessed the principal and emerging risks, the directors considered it appropriate to adopt the going concern basis of accounting when preparing the group and parent company financial statements. This assessment covers the period to May 2025, which is consistent with the FRC guidance. When reaching this conclusion, the directors took into account the group's and parent company's overall financial position (including trading results and ability to repay term debt as it matures without recourse to refinancing) and the exposure to principal risks.

These financial statements consolidate British Telecommunications plc, the parent company, and its subsidiaries (together the 'group', 'us', 'we' or 'our').

The consolidated financial statements are prepared on the historical cost basis, except for certain financial and equity instruments that have been measured at fair value. The consolidated financial statements are presented in sterling, the functional currency of British Telecommunications plc.

These financial statements cover the financial year from 1 April 2023 to 31 March 2024 ('FY24'), with comparative figures for the financial year from 1 April 2022 to 31 March 2023 ('FY23').

### New and amended accounting standards effective during the year

The following amended standards were effective during the year, none of which had a material impact on the financial statements of the group:

#### IFRS 17 Insurance Contracts

BT adopted IFRS 17 with retrospective application on 1 April 2023. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The measurement method for insurance contracts required by IFRS 17 is a probability weighted discounted cash flow model, including a best estimate and an adjustment for non-financial risk calculated for groups of similar contracts.

IFRS 17 primarily impacts insurance entities, however, as it applies to individual contracts it is possible that non-insurers could issue contracts that are in scope of the standard such as product breakdown contracts or warranties.

We have assessed the impact of the standard on the group, and concluded that its impact is not material. Contracts in scope of the standard entered into by the group are restricted to intragroup insurance arrangements; the group does not issue external insurance contracts.

#### Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

These amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments have not resulted in any changes to accounting policies disclosures made in these financial statements.

#### International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12 Income Taxes)

The IASB amended the scope of IAS 12 to introduce a temporary mandatory exception from deferred tax accounting for top-up tax arising from the implementation of the OECD Pillar Two model rules. This was endorsed in the UK in July 2023 and applies to accounting periods beginning on or after 1 January 2023.

The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

#### Other

The following changes have not had a significant impact on our consolidated financial statements:

- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

### IFRS Interpretations Committee agenda decisions

The IFRS Interpretations Committee (IFRIC) periodically issues agenda decisions which explain and clarify how to apply the principles and requirements of IFRS. Agenda decisions are authoritative and may require the group to revise accounting policies or practice to align with the interpretations set out in the decision.

We regularly review IFRIC updates and assess the impact of agenda decisions. No agenda decisions finalised during FY24 have been assessed as having a significant impact on the group.

### New and amended accounting standards that have been issued but are not yet effective

The following new or amended standards and interpretations are applicable in future periods and are not expected to have a material impact on the consolidated financial statements:

#### Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments will apply to the group from FY25 onwards and require new disclosures relating to supplier finance arrangements that assist in assessing their effects on liabilities, cash flows and exposure to liquidity risk.

We participate in supply chain financing arrangements which the amendments will apply to, see note 16. We will include the required disclosures in the FY25 financial statements.

#### Other

The following are not expected to have a significant impact on the consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Lack of Exchangeability (Amendments to IAS 21)

### Accounting policy and operating segment changes

During FY24 we changed the methodology used to allocate certain internal costs and our Business CFU began reporting as a single unit.

## 1. Basis of preparation continued

### Allocation of central costs

From 1 April 2023 we have revised the methodology used to allocate shared Network, Digital and support function costs across our units to more closely align the recharges received by each unit to their actual consumption and establish clearer driver-focused allocation of cost, harmonise principles for pricing and profitability, and support greater unit cost ownership and management and decision making.

This represents an accounting policy change and in line with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors we have re-presented FY23 comparatives to enable comparability across periods.

### Creation of the Business unit

As disclosed in the FY23 financial statements, the Enterprise and Global CFUs have been combined into a single CFU, Business, which began reporting as a single unit from 1 April 2023.

In line with the requirements of IFRS 8 Operating Segments, we have re-presented FY23 comparatives to reflect the combined unit.

### Re-presentation of prior year comparatives

These changes have resulted in re-presentation of prior year comparatives. Changes affect segmental disclosures only and have no impact on the overall reported group financial results.

The following disclosures are impacted by the creation of the Business unit only. Re-presentation of prior year comparatives is limited to the combination of the balances previously reported in respect of the Enterprise and Global units, with no further adjustments:

- Note 5 Revenue: disaggregation of external revenue
- Note 7 Employees: number of employees
- Note 15 Trade and other receivables: trade receivables not past due and accrued income by CFU

Note 4 Segment information is also impacted by changes to the allocation of shared costs. Re-presentation of comparatives has involved adjustments to reallocate internal costs to report on a like-for-like basis with FY24 and to remove internal trading between the Enterprise and Global units. Note 31 presents a bridge between previously published FY23 financial information and comparatives presented in these disclosures.

### Presentation of specific items

Our income statement and segmental analysis separately identify trading results on an adjusted basis, being before specific items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence.

This presentation is consistent with the way that financial performance is measured by management and reported to the BT Group plc Board and the BT Group plc Executive Committee and assists in providing an additional analysis of our reporting of trading results. Specific items may not be comparable to similarly titled measures used by other companies.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include significant business restructuring programmes such as the current group-wide cost transformation and modernisation programme, acquisitions and disposals of businesses and investments, impairment of goodwill, charges or credits relating to retrospective regulatory matters, property rationalisation programmes, historical property-related provisions, significant out-of-period contract settlements, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items. Any releases to provisions originally booked as a specific item are also classified as specific. Conversely, when a reversal occurs in relation to a prior year item not classified as specific, the reversal is not classified as specific in the current year.

Movements relating to the sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), such as fair value gains or losses on the A and C preference shares or impairment charges on the equity-accounted investment are classified as specific. Refer to note 22 for further detail.

Specific items for the current and prior year are disclosed in note 9.

## 2. Critical & key accounting estimates and significant judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying our accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

Our critical accounting estimates are those estimates that carry a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. We also make other key estimates when preparing the financial statements, which, while not meeting the definition of a critical estimate, involve a higher degree of complexity and can reasonably be expected to be of relevance to a user of the financial statements. Management has discussed its critical and other key accounting estimates and associated disclosures with the BT Group plc Audit & Risk Committee.

Significant judgements are those made by management in applying our material accounting policies that have a material impact on the amounts presented in the financial statements. We may exercise significant judgement in our critical and key accounting estimates.

Our critical and key accounting estimates and significant judgements are described in the following notes to the financial statements. They can be identified by the following symbol 🔍.

| Note | Critical estimate | Key estimate | Significant judgement |
|---|---|---|---|
| 5. Estimate of customer refund liability | | ✓ | |
| 10. Current and deferred income tax | | ✓ | ✓ |
| 12. Goodwill impairment | ✓ | | ✓ |
| 13. Determining the point of sale of BT Tower | | | ✓ |
| 14. Reasonable certainty and determination of lease terms | | | ✓ |
| 17. Identifying contingent liabilities | | | ✓ |
| 17. Provisions | | ✓ | ✓ |
| 18. Valuation of pension assets and liabilities | ✓ | | ✓ |
| 22. Valuation of investment in A preference shares in Sports joint venture | | ✓ | |

## 3. Material accounting policies that apply to the overall financial statements

The material accounting policies applied in the preparation of our consolidated financial statements are set out below. Other material accounting policies applicable to a particular area are disclosed in the most relevant note. They can be identified by the following symbol ✎.

We have applied all policies consistently to all the years presented, unless otherwise stated.

## 3. Material accounting policies that apply to the overall financial statements continued

### Basis of consolidation

The group financial statements consolidate the financial statements of British Telecommunications plc and its subsidiaries, and include its share of the results of associates and joint ventures using the equity method of accounting. The group recognises its direct rights to (and its share of) jointly held assets, liabilities, revenues and expenses of joint operations under the appropriate headings in the consolidated financial statements.

All business combinations are accounted for using the acquisition method regardless of whether equity instruments or other assets are acquired.

A subsidiary is an entity that is controlled by another entity, known as the parent or investor. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Non-controlling interests in the net assets of consolidated subsidiaries, which consist of the amounts of those interests at the date of the original business combination and non-controlling share of changes in equity since the date of the combination, are not material to the group's financial statements.

The results of subsidiaries acquired or disposed of during the year are consolidated from and up to the date of change of control. Where necessary, accounting policies of subsidiaries have been aligned with the policies adopted by the group. All intra-group transactions including any gains or losses, balances, income or expenses are eliminated on consolidation.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The profit or loss on disposal is recognised as a specific item.

Associates are those entities in which the group has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

Interests in associates and joint ventures are initially recognised at cost (including transaction costs) except where they relate to a retained non-controlling interest in a former subsidiary, which is initially recognised at a deemed cost being the fair value of the retained interest. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

### Inventories

Network maintenance equipment and equipment to be sold to customers are stated at the lower of cost or net realisable value, taking into account expected revenue from the sale of packages comprising a mobile handset and a subscription. Cost corresponds to purchase or production cost determined by either the first in first out (FIFO) or average cost method.

### Government grants

Government grants are recognised when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received.

Grants for the purchase or production of property, plant and equipment are deducted from the cost of the related assets and reduce future depreciation expense accordingly. Grants for the reimbursement of operating expenditure are deducted from the related category of costs in the income statement. Estimates and judgements applied in accounting for government grants received in respect of Building Digital UK (BDUK) and other rural superfast broadband contracts are described in note 13.

Once a government grant is recognised, any related deferred income is treated in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

### Foreign currencies

The consolidated financial statements are presented in sterling, which is also the company's functional currency. Each group entity determines its own functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions and the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the income statement line which most appropriately reflects the nature of the item or transaction.

On consolidation, assets and liabilities of foreign undertakings are translated into the group's presentation currency at year end exchange rates. The results of foreign undertakings are translated into sterling at the rates prevailing on the transaction dates. Foreign exchange differences arising on the retranslation of foreign undertakings are recognised directly in a separate component of equity, the translation reserve. There is no material exposure to companies operating in hyperinflationary economies.

In the event of the disposal of an undertaking with assets and liabilities denominated in a foreign currency, the cumulative translation difference associated with the undertaking in the translation reserve is charged or credited to the gain or loss on disposal recognised in the income statement.

### Research and development

Research expenditure is recognised in the income statement in the period in which it is incurred. Development expenditure, including the cost of internally developed software, is recognised in the income statement in the period in which it is incurred unless it is probable that economic benefits will flow to the group from the asset being developed, the cost of the asset can be reliably measured and technical feasibility can be demonstrated, in which case it is capitalised as an intangible asset on the balance sheet.

Capitalisation ceases when the asset being developed is ready for use. Research and development costs include direct and indirect labour, materials and directly attributable overheads.

### Termination benefits

Termination benefits (leaver costs) are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. We recognise termination benefits when they are demonstrably committed to the affected employees leaving the group.

## 4. Segment information

### Material accounting policies that apply to segment information

**Operating and reportable segments**

Our operating segments are reported based on financial information provided to the BT Group plc Executive Committee, which is the key management committee and represents the 'chief operating decision maker'.

Our organisational structure reflects the different customer groups to which we provide communications products and services via our customer-facing units (CFUs). The CFUs are our reportable segments and generate substantially all of our revenue.

During the year to 31 March 2024 the group had three CFUs: Consumer, Business and Openreach. Business was formed from the merger of the Global and Enterprise units during FY23 and has been monitored by the BT Group plc Executive Committee on a consolidated basis since 1 April 2023.

The CFUs are supported by technology units (TUs) comprising Digital and Networks; and corporate units (CUs) including procurement and property management. TUs and CUs are not reportable segments as they did not meet the quantitative thresholds as set out in IFRS 8 'Operating Segments' for any of the years presented.

We aggregate the remaining operations and include them in the 'Other' category to reconcile to the consolidated results of the group. The 'Other' category includes unallocated TU costs and our CUs.

**Allocation of certain items to segments**

Provisions for the settlement of significant legal, commercial and regulatory disputes, which are negotiated at a group level, are initially recorded in the 'Other' segment. On resolution of the dispute, the full impact is recognised in the results of the relevant CFU and offset in the group results through the utilisation of the provision previously charged to the 'Other' segment. Settlements which are particularly significant or cover more than one financial year may fall within the definition of specific items as detailed in note 9, in which case they are not reflecting in the results of the reportable segment in line with how they are reported to the BT Group plc Executive Committee.

The costs incurred by TUs and CUs are recharged to the CFUs to reflect the services provided to them. Depreciation and amortisation incurred by TUs in relation to the networks and systems they manage and operate on behalf of the CFUs is allocated to the CFUs based on their respective utilisation. Capital expenditure incurred by TUs for specific projects undertaken on behalf of the CFUs is allocated based on the value of the directly attributable expenditure incurred. Where projects are not directly attributable to a particular CFU, capital expenditure is allocated among them based on the proportion of estimated future economic benefits.

Specific items are detailed in note 9 and are not allocated to the reportable segments as this reflects how they are reported to the BT Group plc Executive Committee. Finance expense and income are not allocated to the reportable segments, as the central treasury function manages this activity, together with the overall net debt position of the group.

**Measuring segment performance**

Performance of each reportable segment is measured based on adjusted EBITDA. Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures. Adjusted EBITDA is considered to be a useful measure of the operating performance of the CFUs because it approximates the underlying operating cash flow by eliminating depreciation and amortisation and also provides a meaningful analysis of trading performance by excluding specific items, which are disclosed separately by virtue of their size, nature or incidence. We also increasingly track adjusted operating profit which reflects the growing depreciation expense arising from our elevated network investment.

**Revenue recognition**

Our revenue recognition policy is set out in note 5.

**Internal revenue and costs**

Most of our internal trading relates to Openreach and arises on rentals, and any associated connection or migration charges, of the UK access lines and other network products to the other CFUs, including the use of BT Ireland's network. This occurs both directly, and also indirectly, through TUs which are included within the 'Other' segment. Business internal revenue arises from Consumer for mobile Ethernet access and TUs for transmission planning services. Intra-group revenue generated from the sale of regulated products and services is based on market price. Intra-group revenue from the sale of other products and services is agreed between the relevant CFUs and therefore the profitability of CFUs may be impacted by transfer pricing levels.

**Geographic segmentation**

The UK is our country of domicile and is where we generate the majority of our revenue from external UK customers. The geographic analysis of revenue is based on the country in which the customer is invoiced. The geographic analysis of non-current assets, which excludes derivative financial instruments, investments, preference shares in joint ventures, retirement benefit schemes in surplus and deferred tax assets, is based on the location of the assets.

**Segment revenue and profit**

# Notes to the consolidated financial statements continued

## 4. Segment information continued

| Year ended 31 March 2024 | Consumer £m | Business £m | Openreach £m | Other £m | Total £m |
|---|---|---|---|---|---|
| Segment revenue | 9,833 | 8,128 | 6,077 | 16 | 24,054 |
| Internal revenue | (47) | (71) | (3,101) | — | (3,219) |
| **Adjusted[a] revenue from external customers** | **9,786** | **8,057** | **2,976** | **16** | **20,835** |
| **Adjusted EBITDA[b]** | **2,672** | **1,630** | **3,827** | **(27)** | **8,102** |
| Depreciation and amortisation[a] | (1,738) | (984) | (2,052) | (125) | (4,899) |
| **Adjusted[a] operating profit (loss)** | **934** | **646** | **1,775** | **(152)** | **3,203** |
| Specific operating profit (loss) – see note 9 | | | | | (987) |
| **Operating profit** | | | | | **2,216** |
| Net finance expense[c] | | | | | (298) |
| Share of post tax (loss) profit of associates and joint ventures | | | | | (21) |
| **Profit before tax** | | | | | **1,897** |

| Year ended 31 March 2023 (re-presented[d]) | Consumer £m | Business £m | Openreach £m | Other £m | Total £m |
|---|---|---|---|---|---|
| Segment revenue | 9,737 | 8,258 | 5,675 | 27 | 23,697 |
| Internal revenue | (57) | (81) | (2,890) | — | (3,028) |
| **Adjusted[a] revenue from external customers** | **9,680** | **8,177** | **2,785** | **27** | **20,669** |
| **Adjusted EBITDA[b]** | **2,469** | **1,945** | **3,510** | **6** | **7,930** |
| Depreciation and amortisation[a] | (1,603) | (1,047) | (1,965) | (138) | (4,753) |
| **Adjusted[a] operating profit (loss)** | **866** | **898** | **1,545** | **(132)** | **3,177** |
| Specific operating profit (loss) – see note 9 | | | | | (556) |
| **Operating profit** | | | | | **2,621** |
| Net finance expense[c] | | | | | (447) |
| Share of post tax (loss) profit of associates and joint ventures | | | | | (59) |
| **Profit before tax** | | | | | **2,115** |

a Before specific items.
b Adjusted EBITDA is defined as profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures.
c Net finance expense includes specific item expense of £121m (FY23: £5m). See note 9.
d Comparatives for the year ended 31 March 2023 have been re-presented for the impact of the creation of our Business customer-facing unit and a change in the methodology used to allocate shared central costs. For more information see note 1, and for a bridge to prior period published financial information see note 31.

### Internal revenue and costs

| | Internal cost recorded by | | | | |
|---|---|---|---|---|---|
| **Year ended 31 March 2024** | **Consumer £m** | **Business £m** | **Openreach £m** | **Other £m** | **Total £m** |
| **Internal revenue recorded by** | | | | | |
| Consumer | — | 46 | — | 1 | 47 |
| Business | 23 | — | — | 48 | 71 |
| Openreach | 2,044 | 1,043 | — | 14 | 3,101 |
| **Total** | **2,067** | **1,089** | **—** | **63** | **3,219** |

| | Internal cost recorded by | | | | |
|---|---|---|---|---|---|
| Year ended 31 March 2023 (re-presented[a]) | Consumer £m | Business £m | Openreach £m | Other £m | Total £m |
| **Internal revenue recorded by** | | | | | |
| Consumer | — | 56 | — | 1 | 57 |
| Business | 26 | — | — | 55 | 81 |
| Openreach | 1,805 | 1,072 | — | 13 | 2,890 |
| **Total** | **1,831** | **1,128** | **—** | **69** | **3,028** |

a Comparatives for the year ended 31 March 2023 have been re-presented for the impact of the creation of our Business customer-facing unit. For more information see note 1, and for a bridge to prior period published financial information see note 31.

## 4. Segment information continued

### Capital expenditure

| Year ended 31 March 2024 | Consumer £m | Business £m | Openreach £m | Other £m | Total £m |
|---|---|---|---|---|---|
| Intangible assets[a] | 439 | 361 | 135 | 3 | 938 |
| Property, plant and equipment[b] | 736 | 414 | 2,710 | 82 | 3,942 |
| **Capital expenditure** | **1,175** | **775** | **2,845** | **85** | **4,880** |

| Year ended 31 March 2023 (re-presented[c]) | Consumer £m | Business £m | Openreach £m | Other £m | Total £m |
|---|---|---|---|---|---|
| Intangible assets[a] | 552 | 361 | 101 | 4 | 1,018 |
| Property, plant and equipment[b] | 669 | 525 | 2,746 | 98 | 4,038 |
| **Capital expenditure** | **1,221** | **886** | **2,847** | **102** | **5,056** |

**a** Additions to intangible assets as presented in note 12.
**b** Additions to property, plant and equipment as presented in note 13, inclusive of movement on engineering stores.
**c** Comparatives for the year ended 31 March 2023 have been re-presented for the impact of the creation of our Business customer-facing units. For more information see note 1, and for a bridge to prior period published financial information see note 31.

### Geographic segmentation

### Revenue from external customers

| Year ended 31 March | 2024 £m | 2023 £m |
|---|---|---|
| UK | 18,450 | 18,154 |
| Europe, Middle East and Africa, excluding the UK | 1,303 | 1,372 |
| Americas | 617 | 684 |
| Asia Pacific | 465 | 459 |
| **Adjusted[a] revenue** | **20,835** | **20,669** |

**a** Before specific items.

### Non-current assets

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| UK | 39,378 | 39,395 |
| Europe, Middle East and Africa, excluding the UK | 634 | 740 |
| Americas | 251 | 283 |
| Asia Pacific | 147 | 156 |
| **Non-current assets[a]** | **40,410** | **40,574** |

**a** Comprising the following balances presented in the group balance sheet: intangible assets, property, plant and equipment, right-of-use assets, joint ventures and associates, trade and other receivables and contract assets.

## 5. Revenue

### Material accounting policies that apply to revenue

**Revenue from contracts with customers in scope of IFRS 15**

Most revenue recognised by the group is in scope of IFRS 15, excluding Openreach where most revenue is in scope of IFRS 16. The revenue recognition policy for both is set out below.

On inception of the contract we identify a "performance obligation" for each of the distinct goods or services we have promised to provide to the customer. The consideration specified in the contract with the customer is allocated to each performance obligation identified based on their relative standalone selling prices, and is recognised as revenue as they are satisfied.

The table below summarises the performance obligations we have identified for our major service lines and provides information on the timing of when they are satisfied and the related revenue recognition policy. Also detailed in this note is revenue expected to be recognised in future periods for contracts in place at 31 March 2024 that contain unsatisfied performance obligations.

| *Service line* | *Performance obligations* | *Revenue recognition policy* |
|---|---|---|
| ***Information and communications technology (ICT) and managed networks*** | Provision of networked IT services, managed network services, and arrangements to design and build software solutions. Performance obligations are identified for each distinct service or deliverable for which the customer has contracted, and are considered to be satisfied over the time period that we deliver these services or deliverables. Commitments to provide hardware to customers that are distinct from the other promises are considered to be satisfied at the point in time that control passes to the customer. | Revenue for services is recognised over time using a measure of progress that appropriately reflects the pattern by which the performance obligation is satisfied. For time and materials contracts, revenue is recognised as the service is received by the customer. Where performance obligations exist for the provision of hardware, revenue is recognised at the point in time that the customer obtains control of the promised asset. For long-term fixed price contracts revenue recognition will typically be based on the satisfaction of performance obligations in respect of the achievement of contract milestones and customer acceptance, which is the best measure of progress towards the completion of the performance obligation. |
| ***Fixed access subscriptions*** | Provision of broadband, TV and fixed telephony services including national and international calls, connections, line rental and calling features. Performance obligations exist for each ongoing service provided to the customer and are satisfied over the period that the services are provided. Installation services are recognised as distinct performance obligations if their relationship with the other services in the contract is purely functional. These are satisfied when the customer benefits from the service. Connection services are not distinct performance obligations and are therefore combined with the associated service performance obligation. | Fixed subscription charges are recognised as revenue on a straight-line basis over the period that the services are provided. Upfront charges for non-distinct connection and installation services are deferred as contract liabilities and are recognised as revenue over the same period. Variable charges such as call charges are recognised when the related services are delivered. Where installation activities are distinct performance obligations, revenue is recognised at the point in time that the installation is completed. |
| ***Mobile subscriptions*** | Provision of mobile postpaid and prepaid services, including voice minutes, SMS and data services. Performance obligations exist for each ongoing service provided to the customer and are satisfied over the period that the services are provided. | Subscription fees, consisting primarily of monthly charges for access to internet or voice and data services, are recognised as the service is provided. One-off services such as calls outside of plan and excess data usage are recognised when the service is used. |
| ***Equipment and other services*** | Provision of equipment and other services, including mobile phone handsets and hardware such as set-top boxes and broadband routers provided as part of customer contracts. Performance obligations are satisfied at the point in time that control passes to the customer. For other services, performance obligations are identified based on the distinct goods and services we have committed to provide. | Revenue from equipment sales is recognised at the point in time that control passes to the customer. Where payment is not received in full at the time of the sale, such as with equipment provided as part of mobile and fixed access subscriptions, contract assets are recognised for the amount due from the customer that will be recovered over the contract period. Revenue to be recognised is calculated by reference to the relative standalone selling price of the equipment. For other services, revenue is recognised when the related performance obligations are satisfied, which could be over time, in line with contract milestones, or at a point in time depending on the nature of the service. |

## 5. Revenue continued

We recognise revenue based on the relative standalone selling price of each performance obligation. Determining the standalone selling price often requires judgement and may be derived from regulated prices, list prices, a cost-plus derived price or the price of similar products when sold on a standalone basis by BT or a competitor. In some cases it may be appropriate to use the contract price when this represents a bespoke price that would be the same for a similar customer in a similar circumstance.
The fixed access and mobile subscription arrangements sold by our Consumer business are typically payable in advance, with any variable or one-off charges billed in arrears. Contracts are largely inflation-linked with price increases recognised when effective. Payment is received immediately for direct sales of equipment to customers. Where equipment is provided to customers under mobile and fixed access subscription arrangements, payment for the equipment is received over the course of the contract term. For sales by our enterprise businesses, invoices are issued in line with contractual terms. Payments received in advance are recognised as contract liabilities; amounts billed in arrears are recognised as contract assets.
We adopt variable consideration to allocate the transaction price to take account of the likelihood of the customer upgrading to a new handset during the contract term. Consideration is constrained to a period shorter than the contract term and is allocated to the handset and airtime based on relative standalone selling price. Certain Business long term contracts offer rebates to our customers. Where this is the case we make an estimate of variable consideration at the outset of the contract based on assumed volumes. These rebates are normally settled monthly against service revenues.

We are applying the practical expedient to recognise revenue "as-invoiced" for certain fixed access and mobile subscription services revenues. Where we have a right to invoice at an amount that directly corresponds with performance to date, we recognise revenue at that amount. We have also adopted the practical expedient not to calculate the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied for these contracts.

We do not have any material obligations in respect of returns, refunds or warranties.

Where we act as an agent in a transaction, such as insurance services offered, we recognise commission net of directly attributable costs.

We exercise judgement in assessing whether the initial set-up, transition and transformation phases of long-term contracts are distinct from the other services to be delivered under the contract and therefore represent distinct performance obligations. This determines whether revenue is recognised in the early stages of the contract, or deferred until delivery of the other services promised in the contract begins.

We recognise immediately the entire estimated loss for a contract when we have evidence that the contract is unprofitable. If these estimates indicate that any contract will be less profitable than previously forecast, contract assets may have to be written down to the extent they are no longer considered to be fully recoverable. We perform ongoing profitability reviews of our contracts in order to determine whether the latest estimates are appropriate. Key factors reviewed include:

- Transaction volumes or other inputs affecting future revenues which can vary depending on customer requirements, plans, market position and other factors such as general economic conditions.
- Our ability to achieve key contract milestones connected with the transition, development, transformation and deployment phases for customer contracts.
- The status of commercial relations with customers and the implications for future revenue and cost projections.
- Our estimates of future staff and third party costs and the degree to which cost savings and efficiencies are deliverable.

### Revenue from lease arrangements in scope of IFRS 16

Some consumer broadband and TV products and arrangements to provide external communications providers with exclusive use of Openreach's fixed-network telecommunications infrastructure meet the definition of operating leases under IFRS 16.

At inception of a contract, we determine whether the contract is, or contains, a lease following the accounting policy set out in note 14. Arrangements meeting the definition of a lease in which we act as lessor are classified as operating or finance leases at lease inception based on an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case then the lease is a finance lease; if not, it is an operating lease. For sub-leases, we make this assessment by reference to the characteristics of the right-of-use asset associated with the head lease rather than the underlying leased asset.

Income from arrangements classified as operating leases is presented as revenue where it relates to our core operating activities, for example leases of fixed-line telecommunications infrastructure to external communications providers and leases of devices to consumer customers as part of fixed access subscription products. Operating lease income from other arrangements is presented within other operating income (note 6).

We recognise operating lease payments as income on a straight-line basis over the lease term. Any upfront payments received, such as connection fees, are deferred over the lease term. Determining the lease term is subject to the significant judgements set out in note 14.

Where the contract contains both lease and non-lease components, the transaction price is allocated between the components on the basis of relative standalone selling price.

Where an arrangement is assessed as a finance lease we derecognise the underlying asset and recognise a receivable equivalent to the net investment in the lease. Finance lease receivables are presented in note 15. The receivable is measured based on future payments to be received discounted using the interest rate implicit in the lease, adjusted for any direct costs. Any difference between the derecognised asset and the finance lease receivable is recognised in the income statement. Where the nature of services delivered relates to our core operating activities it is presented as revenue. Where it relates to non-core activities it is presented within other operating income (note 6).

## 5. Revenue continued

### Disaggregation of external revenue

The following table disaggregates external revenue by our major service lines and by reportable segment.

| Year ended 31 March 2024 | Consumer £m | Business £m | Openreach £m | Other £m | Total £m |
|---|---|---|---|---|---|
| ICT and managed networks | — | 3,592 | — | — | 3,592 |
| Fixed access subscriptions | 4,333 | 2,149 | 2,900 | — | 9,382 |
| Mobile subscriptions | 3,557 | 1,187 | — | — | 4,744 |
| Equipment and other services | 1,896 | 1,129 | 76 | 16 | 3,117 |
| **Revenue before specific items** | **9,786** | **8,057** | **2,976** | **16** | **20,835** |
| Specific items[a] (note 9) | | | | | (38) |
| **Revenue** | | | | | **20,797** |

| Year ended 31 March 2023 (re-presented[b]) | Consumer £m | Business £m | Openreach £m | Other £m | Total £m |
|---|---|---|---|---|---|
| ICT and managed networks | — | 3,352 | — | — | 3,352 |
| Fixed access subscriptions | 4,059 | 1,893 | 2,716 | — | 8,668 |
| Mobile subscriptions | 3,351 | 1,160 | — | — | 4,511 |
| Equipment and other services | 2,270 | 1,772 | 69 | 27 | 4,138 |
| **Revenue before specific items** | **9,680** | **8,177** | **2,785** | **27** | **20,669** |
| Specific items[a] (note 9) | | | | | 12 |
| **Revenue** | | | | | **20,681** |

**a** Relates to regulatory matters classified as specific. See note 9.
**b** Comparatives for the year ended 31 March 2023 have been re-presented for the impact of the creation of our Business customer-facing unit, formed through the merger of our Enterprise and Global units, see note 1.

Revenue expected to be recognised in future periods for performance obligations that are not complete (or are partially complete) as at 31 March 2024 is £12,133m (FY23: £12,792m). Of this, £6,052m (FY23: £6,592m) relates to ICT and managed services contracts and equipment and other services which will substantially be recognised as revenue within three years. Fixed access and mobile subscription services typically have shorter contract periods and so £6,081m (FY23: £6,200m) will substantially be recognised as revenue within two years.

Revenue recognised this year relating to performance obligations that were satisfied, or partially satisfied, in previous years was not material. Revenue related to customers' unexercised rights (for example, unused amounts on prepaid SIM cards) was not material.

### Key accounting estimates made in accounting for revenue

#### Estimate of customer refunds

Revenue has been adjusted to reflect a risk of billing inaccuracy where there is a high level of manual processing through certain billing systems. This is associated with a small number of products within our Business unit which contain bespoke pricing. £41m has been recognised as an IFRS 9 financial liability and deducted from revenue, and has been derived from an estimate of the possible range of the adjustment from £24m to £64m based on the results of a sample of billing items. This is presented within Note 16 and represents our best estimate required to cover ongoing billing adjustments to products relating to both current and prior periods. If the final quantum of adjustments is less than expected, the adjustment will be released back to the income statement.

### Lease income

Presented within revenue is £3,031m (FY23: £2,909m) income from arrangements classified as operating leases under IFRS 16 and which represent core business activities for the group. Income relates predominantly to Openreach's leases of fixed-line telecommunications infrastructure to external communications providers, classified as fixed access subscription revenue in the table above, and leases of devices to Consumer customers as part of fixed access subscription offerings, classified as equipment and other services.

During the year we also recognised:

- £26m (FY23: £29m) operating lease income from non-core business activities which is presented in other operating income (note 6). Note 14 presents an analysis of payments to be received across the remaining term of operating lease arrangements.
- £40m (FY23: £58m) revenue in relation to upfront gains from arrangements meeting the definition of a finance lease. These arrangements meet the criteria for revenue recognition as they concern leases and sub-leases of telecommunications infrastructure that represent core business activities of the group.

£38m (FY23: £69m) of this income relates to the sub-leasing of right-of-use assets. These are primarily operating sub-leases of unutilised properties, and finance sub-leases of telecommunications infrastructure.

## 5. Revenue continued

### Contract assets and liabilities

#### Material accounting policies that apply to contract assets and liabilities

We recognise contract assets for goods and services for which control has transferred to the customer before we have the right to bill. These assets mainly relate to mobile handsets provided upfront but paid for over the course of a contract. Contract assets are reclassified as receivables when the right to payment becomes unconditional and we have billed the customer.

Contract liabilities are recognised when we have received advance payment for goods and services that we have not transferred to the customer. These primarily relate to fees received for connection and installation services that are not distinct performance obligations.

Where the initial set-up, transition or transformation phase of a long-term contract is considered to be a distinct performance obligation we recognise a contract asset for any work performed but not billed. Conversely a contract liability is recognised where these activities are not distinct performance obligations and we receive upfront consideration. In this case eligible costs associated with delivering these services are capitalised as fulfilment costs, see note 15.

We provide for expected lifetime losses on contract assets following the policy set out in note 15.

Contract assets and liabilities are as follows:

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **Contract assets** | | |
| Current | 1,410 | 1,565 |
| Non-current | 330 | 369 |
| | **1,740** | **1,934** |
| **Contract liabilities** | | |
| Current | 906 | 859 |
| Non-current | 175 | 193 |
| | **1,081** | **1,052** |

£876m of the contract liability at 31 March 2023 was recognised as revenue during the year (FY23: £903m). Impairment losses of £35m were recognised on contract assets during the year (FY23: £46m).

The expected credit loss provisions recognised against contract assets vary across the group due to the nature of our customers; the expected loss rate at 31 March 2024 was 3% (FY23: 3%).

## 6. Operating costs

| Year ended 31 March | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| **Operating costs by nature** | | | |
| Staff costs: | | | |
| Wages and salaries[a] | | 3,838 | 3,852 |
| Social security costs | | 425 | 423 |
| Other pension costs | 18 | 582 | 590 |
| Share-based payment expense | 19 | 68 | 77 |
| **Total staff costs** | | **4,913** | **4,942** |
| Own work capitalised | | (1,432) | (1,364) |
| **Net staff costs** | | **3,481** | **3,578** |
| Net indirect labour costs[b] | | 456 | 381 |
| **Net labour costs** | | **3,937** | **3,959** |
| Product costs | | 3,527 | 3,368 |
| Sales commissions | | 636 | 589 |
| Payments to telecommunications operators | | 1,227 | 1,354 |
| Property and energy costs | | 1,338 | 1,242 |
| Network operating and IT costs | | 930 | 913 |
| TV programme rights charges[c] | | — | 354 |
| Provision and installation | | 515 | 591 |
| Marketing and sales | | 367 | 363 |
| Net impairment losses on trade receivables and contract assets[d] | | 165 | 138 |
| Other operating costs | | 329 | 111 |
| Other operating income | | (238) | (243) |
| Depreciation and amortisation, including impairment charges | | 4,899 | 4,753 |
| **Total operating costs before specific items** | | **17,632** | **17,492** |
| Specific items | 9 | 949 | 568 |
| *Of which goodwill impairment* | | *488* | — |
| **Total operating costs** | | **18,581** | **18,060** |
| | | | |
| Operating costs before specific items include the following: | | | |
| Leaver costs[c] | | 9 | 11 |
| Research and development expenditure[e] | | 726 | 683 |
| Foreign currency (gains)/losses | | (2) | (9) |
| Inventories recognised as an expense | | 2,170 | 2,311 |

**a** Leaver costs are included within wages and salaries, except for leaver costs of £242m (FY23: £129m) associated with restructuring costs, which have been recorded as specific items.
**b** Net indirect labour costs relate to subcontracted labour costs net of capitalised indirect labour costs of £772m (FY23: £824m).
**c** TV programme rights charges relate to programme rights assets which were transferred to the sports joint venture in August 2022, see note 22.
**d** Consists of net impairment losses on trade receivables and contract assets in Consumer of £98m (FY23: £94m), in Business of £45m (FY23: £32m), in Openreach of £20m (FY23: £5m) and in Other of £2m (FY23: £1m).
**e** Research and development expenditure includes amortisation of £679m (FY23: £632m) in respect of capitalised development costs and operating expenses of £47m (FY23: £51m). In addition, the group capitalised software development costs of £429m (FY23: £503m).

Depreciation and amortisation, which includes impairment charges, is analysed as follows:

| Year ended 31 March | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| **Depreciation and amortisation before impairment charges** | | | |
| Intangible assets | 12 | 1,248 | 1,165 |
| Property, plant and equipment | 13 | 2,892 | 2,878 |
| Right-of-use assets | 14 | 652 | 689 |
| **Impairment charges** | | | |
| Intangible assets | 12 | — | — |
| Property, plant and equipment[a] | 13 | 108 | 11 |
| Right-of-use assets[b] | 14 | (1) | 10 |
| **Total depreciation and amortisation before specific items** | | **4,899** | **4,753** |
| **Impairment charges classified as specific items** | 9 | | |
| Intangible assets[c] | | 488 | — |
| Property, plant and equipment | | — | — |
| Right-of-use assets | | 11 | 65 |
| **Total depreciation and amortisation** | | **5,398** | **4,818** |

**a** Impairments of network infrastructure and engineering stores in FY24 and other assets in FY23, see note 13.
**b** FY24 impairment charge reflects a net reversal of impairment on properties reoccupied subsequent to initial impairment.
**c** FY24 impairment charge represents impairment of goodwill allocated to our Business cash generating unit, further details in note 12.

## 6. Operating costs continued

### Who are our key management personnel and how are they compensated?

Key management personnel comprise Executive and Non-Executive Directors and members of the BT Group plc Executive Committee as well as the directors of the Company. It is the BT Group plc Executive Committee which has responsibility for planning, directing and controlling the activities of the group.

Compensation of key management personnel is shown in the table below:

| Year ended 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| Short-term employee benefits | 18.0 | 24.9 |
| Post employment benefits[a] | 0.8 | 0.8 |
| Share-based payments | 8.7 | 7.4 |
| | **27.5** | **33.1** |

**a** Post employment benefits include cash pension allowances paid to the Chief Executive and Chief Financial Officer. The group does not contribute to defined contribution or defined benefit pension schemes on behalf of key management personnel.

Key management personnel are compensated solely in the form of cash and share-based payments. During FY24, two members of key management personnel (FY23: none) exercised saveshare options, see note 19.

## 7. Employees

| Number of employees in the group | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **Average[a] ’000** | **Average[b] FTE ’000** | **Year end[b] FTE ’000** | Average[a] ’000 | Average[b] FTE ’000 | Year end[b] FTE ’000 |
| UK | 77.3 | 74.9 | 71.4 | 82.2 | 79.7 | 77.6 |
| Non-UK | 20.1 | 20.0 | 20.3 | 19.1 | 19.1 | 19.5 |
| Total employees | **97.4** | **94.9** | **91.7** | **101.3** | **98.8** | **97.1** |
| | | | | | | |
| Consumer | 18.1 | 16.3 | 15.8 | 18.3 | 16.5 | 16.4 |
| Business[c] | 23.6 | 23.3 | 22.6 | 25.0 | 24.6 | 24.0 |
| Openreach | 35.1 | 34.9 | 32.8 | 37.9 | 37.6 | 36.6 |
| Other | 20.6 | 20.4 | 20.5 | 20.1 | 20.1 | 20.1 |
| Total employees | **97.4** | **94.9** | **91.7** | **101.3** | **98.8** | **97.1** |

**a** Average reflecting monthly average headcount.
**b** Average reflecting the full-time equivalent of full- and part-time employees, excluding subcontract labour. There were 28.4k FTE agency & subcontract labour at the FY24 year-end (FY23: 33.0k).
**c** Comparatives for the year ended 31 March 2023 have been re-presented for the impact of the creation of our Business customer-facing unit, formed through the merger of our Enterprise and Global units, see note 1.

## 8. Audit, audit related and other non-audit services

The following fees were paid or are payable to the company’s auditor, KPMG LLP and other firms in the KPMG network.

| Year ended 31 March | **2024 £000** | 2023 £000 |
|---|---|---|
| Fees payable to the company’s auditors and its associates for: | | |
| **Audit services[a]** | | |
| The audit of the parent company and the consolidated financial statements | 14,409 | 13,498 |
| The audit of the company’s subsidiaries | 6,276 | 6,257 |
| | **20,685** | **19,755** |
| **Audit related assurance services[b]** | **2,487** | **2,553** |
| **Other non-audit services** | **33** | **55** |
| **Total services** | **23,205** | **22,363** |

**a** Services in relation to the audit of the parent company and the consolidated financial statements. This also includes fees payable for the statutory audits of the financial statements of subsidiary companies.
**b** Includes services that are required by law or regulation to be carried out by an appointed auditor and services that support us to fulfil obligations required by law or regulation. This includes fees for the review of interim results, the accrued fee for the audit of the group’s regulatory financial statements and providing comfort letters for bond issuances.

Fees payable to auditors other than KPMG for audits of certain overseas subsidiaries were £164,000 (FY23: £171,000).

The BT Pension Scheme is an associated pension fund as defined in the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) (Amendment) Regulations 2011. In FY24 KPMG LLP received total fees from the BT Pension Scheme of £1.9m (FY23: £1.6m) in respect of the following services:

| Year ended 31 March | **2024 £000** | 2023 £000 |
|---|---|---|
| Audit of financial statements of associates | 1,767 | 1,622 |
| Audit-related assurance services | 26 | 14 |
| Other non-audit services | 74 | — |
| **Total services** | **1,867** | **1,636** |

## 9. Specific items

### Material accounting policies that apply to specific items

Our income statement and segmental analysis separately identify trading results on an adjusted basis, being before specific items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence.

This presentation is consistent with the way that financial performance is measured by management and reported to the BT Group plc Board and the BT Group plc Executive Committee and assists in providing an additional analysis of our reporting trading results. Specific items may not be comparable to similarly titled measures used by other companies.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include significant business restructuring programmes such as the current group-wide cost transformation and modernisation programme, acquisitions and disposals of businesses and investments, impairment of goodwill, charges or credits relating to retrospective regulatory matters, property rationalisation programmes, historical property-related provisions, significant out of period contract settlements, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items. Any releases to provisions originally booked as a specific item are also classified as specific. Conversely, when a reversal occurs in relation to a prior year item not classified as specific, the reversal is not classified as specific in the current year.

Movements relating to the sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), such as fair value gains or losses on the A and C preference shares or impairment charges on the equity-accounted investment are classified as specific. Refer to note 22 for further detail.

| Year ended 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| **Revenue** | | |
| Retrospective regulatory matters | 38 | (12) |
| **Specific revenue** | **38** | **(12)** |
| **Operating costs** | | |
| Restructuring charges | 388 | 300 |
| BT Sport disposal | — | 155 |
| Sports JV – subsequent movements | 32 | 34 |
| Other divestment-related items | (22) | 2 |
| Retrospective regulatory matters | 18 | 12 |
| Historical property-related provisions | 34 | — |
| **Specific operating costs before depreciation and amortisation** | **450** | **503** |
| Impairment charges due to property rationalisation | 11 | 65 |
| Impairment of goodwill | 488 | — |
| **Specific operating costs** | **949** | **568** |
| **Specific operating loss** | **987** | **556** |
| **Net finance expense** | | |
| Finance expense relating to the BT Sport disposal | — | (13) |
| Interest expense on retirement benefit obligation | 121 | 18 |
| **Specific net finance expense** | **121** | **5** |
| **Net specific items charge before tax** | **1,108** | **561** |
| **Taxation** | | |
| Tax credit on specific items above | (145) | (308) |
| | **(145)** | **(308)** |
| **Net specific items charge after tax** | **963** | **253** |

### Retrospective regulatory matters

We recognised net £56m impact in relation to historical regulatory matters, with £38m charges recognised in revenue and £18m within operating costs (FY23: net impact of £nil). These items represent movements in provisions relating to various matters.

### Restructuring charges

We have incurred charges of £388m (FY23: £300m) relating to projects associated with our group-wide cost transformation and modernisation programme. Costs primarily relate to leaver costs, consultancy costs, and staff costs associated with colleagues working exclusively on programme activity. The net cash cost of restructuring activity during the year was £348m (FY23: £326m).

The programme was first announced in May 2020 and runs until the end of FY25. In response to cost inflation, during FY23 we revised the gross annualised savings target to £3.0bn (previously £2.5bn), with a cost to achieve of £1.6bn (previously £1.3bn). We have now achieved our £3bn target 12 months early at a cost to achieve of £1.5bn, £0.1bn lower than target (FY23: achieved gross annualised savings of £2.1bn and costs of £1.1bn).The cumulative cash costs incurred amount to £1.5bn (FY23: £1.1bn).

### BT Sport disposal

In the prior year, we completed the disposal of BT Sport operations through forming the Sports JV with WBD. We recognised a profit on disposal of £28m in specific items, made up of £155m charges recognised within operating costs net of £183m tax credits. We also recognised a £13m credit within finance costs as specific, relating to a foreign exchange hedging arrangement with the Sports JV.

## 9. Specific items continued

### Sports JV subsequent movements
Subsequent to the BT Sport disposal, we have recorded a net fair value loss of £22m (FY23: £34m) on the A and C preference shares held in the Sports JV (see note 22), and £10m additional net costs relating to the transaction.

### Other divestment-related items
We recognised a £22m credit (FY23: £2m charge) comprising a net £25m gain on disposal from the completed divestments of Pelipod Limited, BT Enia S.p.A and certain city fibre networks and associated infrastructure assets in Germany; offset by £3m charges relating to ongoing divestment activity.

### Historical property-related provisions
During FY24 we recognised a provision of £34m as a specific item (FY23: nil) in relation to the cost of remediating and rectifying asbestos related property issues where we have a present obligation to do this.

### Impairment charges due to property rationalisation
During FY24, we recognised a £11m impairment charge as specific (FY23: £65m), in relation to an ongoing property rationalisation programme.

### Impairment of goodwill
We have recognised an impairment charge of £488m (FY23: nil) in respect of goodwill allocated to our Business cash generating unit. See note 12 for more details.

### Interest expense on retirement benefit obligation
During the year we incurred £121m (FY23: £18m) of interest costs in relation to our defined benefit pension obligations.

### Tax on specific items
A tax credit of £145m was recognised in relation to specific items (FY23: £308m, of which £183m relates to the BT Sport disposal).

## 10. Taxation

### Material accounting policies that apply to taxation
Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group’s subsidiaries, associates and joint ventures operate and generate taxable income. We evaluate positions taken in tax returns where tax regulation is subject to interpretation, and establish provisions if appropriate based on the amounts likely to be paid to tax authorities.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of our assets and liabilities and their tax base. Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred and current income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it is probable that there will be suitable taxable profits against which the deductible temporary difference can be utilised. Deferred tax balances for which there is a right of offset within the same jurisdiction are presented net on the face of the group balance sheet as permitted by IAS 12, with the exception of deferred tax related to our pension schemes which is disclosed within deferred tax assets.

### Key accounting estimates and significant judgements made in accounting for taxation
We seek to pay tax in accordance with the laws of the countries where we do business. However, in some areas these laws are unclear, and it can take many years to agree an outcome with a tax authority or through litigation. We estimate our tax on country-by-country and issue-by-issue bases. Our key uncertainties are whether our intra-group trading model will be accepted by a particular tax authority and whether intra-group payments are subject to withholding taxes. We provide for the predicted outcome where an outflow is probable, but the agreed amount can differ materially from our estimates. Approximately 65% by value of the provisions are under active tax authority examination and are therefore likely to be re-estimated or resolved in the coming 12 months. £112m (FY23: £104m) is included in current tax liabilities or offset against current tax assets where netting is appropriate.

We are subject to regular tax authority review, under a downside case an additional amount of £123m could be required to be paid. This amount is not provided as we don’t consider this outcome to be probable.

Deciding whether to recognise deferred tax assets is judgemental. We only recognise them when we consider it is probable that they can be recovered. In making this judgement we consider evidence such as historical financial performance, future financial plans and trends and whether our intra-group pricing model has been agreed by the relevant tax authority.

The value of the group’s income tax assets and liabilities is disclosed on the group balance sheet. The value of the group’s deferred tax assets and liabilities is disclosed below.

## 10. Taxation continued

### Analysis of our taxation expense for the year

| Year ended 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **United Kingdom** | | |
| Corporation tax at 25% (FY23: 19%) | (10) | — |
| Adjustments in respect of earlier years | — | 63 |
| **Non-UK taxation** | | |
| Current | (77) | (67) |
| Adjustments in respect of earlier years | (10) | 9 |
| **Total current taxation (expense)** | **(97)** | **5** |
| **Deferred taxation** | | |
| Origination and reversal of temporary differences | (280) | 102 |
| Adjustments in respect of earlier years | 46 | 56 |
| Remeasurement of temporary differences | — | 13 |
| **Total deferred taxation credit (expense)** | **(234)** | **171** |
| **Total taxation (expense)** | **(331)** | **176** |

### Factors affecting our taxation expense for the year

The taxation expense on the profit for the year differs from the amount computed by applying the UK corporation tax rate to the profit before taxation as a result of the following factors:

| Year ended 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **Profit before taxation** | **1,897** | **2,115** |
| Expected taxation expense at UK rate of 25% (FY23: 19%) | (474) | (402) |
| Effects of: | | |
| (Higher)/lower taxes on non-UK profits | 25 | — |
| Net permanent differences between tax and accounting[a] | 63 | 426 |
| Adjustments in respect of earlier years[b] | 40 | 126 |
| Prior year non-UK losses used against current year profits | 10 | 5 |
| Non-UK losses not recognised[c] | 5 | 9 |
| Re-measurement of deferred tax balances | — | 12 |
| **Total taxation credit (expense)** | **(331)** | **176** |
| Exclude specific items (note 9) | (145) | (308) |
| **Total taxation expense before specific items** | **(476)** | **(132)** |

a Includes income that is not taxable or UK income taxable at a different rate including the UK patent box incentive of £60m (FY23: £35m) and group relief received for nil payment of £177m (FY23: £74m), and expenses for which no tax relief is received including a loss on goodwill impairment of £122m. In FY23 this included the benefit of the UK super-deduction of £250m and the non-taxable profit on the disposal and revaluation of BT Sport of £104m.

b Reflects the differences between initial accounting estimates and tax returns submitted to tax authorities, including the release and establishment of provisions for uncertain tax positions.

c Reflects losses made in countries where it has not been considered appropriate to recognise a deferred tax asset, as future taxable profits are not probable.

### Tax components of other comprehensive income

| Year ended 31 March | 2024 Tax credit (expense) £m | 2023 Tax credit (expense) £m |
|---|---|---|
| **Taxation on items that will not be reclassified to the income statement** | | |
| Pension remeasurements | 600 | 732 |
| **Tax on items that have been or may be reclassified subsequently to the income statement** | | |
| Exchange differences on translation of foreign operations | 9 | — |
| Fair value movements on cash flow hedges | | |
| – net fair value gains or (losses) | 69 | (90) |
| – recognised in income and expense | — | — |
| **Total tax recognised in other comprehensive income** | **678** | **642** |
| Current tax credit[a] | — | 8 |
| Deferred tax credit (expense) | 678 | 634 |
| **Total tax recognised in other comprehensive income** | **678** | **642** |

a Includes £nil (FY23: £nil) relating to cash contributions made to reduce retirement benefit obligations.

### Tax (expense) credit recognised directly in equity

| Year ended 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Tax (expense) credit relating to share-based payments | **(12)** | **(9)** |

## 10. Taxation continued

### Deferred taxation

| | Fixed asset temporary differences £m | Retirement benefit obligations[a] £m | Share-based payments £m | Tax losses £m | Other £m | Jurisdictional offset £m | Total £m |
|---|---|---|---|---|---|---|---|
| **At 1 April 2022** | **2,913** | **(195)** | **(36)** | **(857)** | **(154)** | **—** | **1,671** |
| Expense (credit) recognised in the income statement | 886 | (18) | (13) | (1,022) | (4) | — | (171) |
| Expense (credit) recognised in other comprehensive income | — | (413) | — | (311) | 90 | — | (634) |
| Expense (credit) recognised in equity | — | — | 9 | — | — | — | 9 |
| Exchange differences | — | — | — | (4) | (3) | — | (7) |
| Acquisition of subsidiary | — | — | — | — | 2 | — | 2 |
| Transfer from current tax | — | — | — | — | 41 | — | 41 |
| **At 31 March 2023** | **3,799** | **(626)** | **(40)** | **(2,194)** | **(28)** | **—** | **911** |
| Non-current | | | | | | | |
| Deferred tax asset | — | (626) | (40) | (2,194) | (28) | 2,179 | (709) |
| Deferred tax liability | 3,799 | — | — | — | — | (2,179) | 1,620 |
| **At 31 March 2023** | **3,799** | **(626)** | **(40)** | **(2,194)** | **(28)** | **—** | **911** |
| Expense (credit) recognised in the income statement | 782 | (17) | 2 | (454) | (79) | — | 234 |
| Expense (credit) recognised in other comprehensive income | — | (325) | — | (266) | (87) | — | (678) |
| Expense (credit) recognised in equity | — | — | 12 | — | — | — | 12 |
| Exchange differences | — | — | — | 3 | 3 | — | 6 |
| **At 31 March 2024** | **4,581** | **(968)** | **(26)** | **(2,911)** | **(191)** | **—** | **485** |
| Non-current | | | | | | | |
| Deferred tax asset | — | (968) | (26) | (2,911) | (191) | 3,048 | (1,048) |
| Deferred tax liability | 4,581 | — | — | — | — | (3,048) | 1,533 |
| **At 31 March 2024** | **4,581** | **(968)** | **(26)** | **(2,911)** | **(191)** | **—** | **485** |

a Includes a deferred tax asset of £nil (FY23: £8m) arising on contributions payable to defined contribution pension plans.

The majority of the deferred tax assets and liabilities noted above are anticipated to be realised after more than 12 months.

### What factors affect our future tax charges?

We expect a large proportion of our capital spend on fibre rollout to be eligible for full expensing under the UK capital allowances regime, which provides 100% tax relief in the year of spend on qualifying assets. These deductions drive a projected UK tax loss and no UK tax payments for FY24. The enhanced and accelerated tax deductions arising under the Government's super-deduction regime for qualifying capital spend during FY22 and FY23, together with full expensing in FY24 and pension deficit contribution deductions, result in c. £11.3bn of tax losses expected to be carried forward from FY24, to be utilised against future UK taxable profits. These are represented by a net c. £2.8bn deferred tax asset which is disclosed within the £2,911m deferred tax asset relating to tax losses in the table above.

The group is within the scope of the OECD Pillar Two model rules. The UK has enacted Pillar Two legislation which applies for accounting periods beginning on or after 1 January 2024. Since the Pillar Two legislation was not effective for the current period, the group has no related current tax exposure. Under the legislation, the group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. As the UK rate of corporation tax from FY24 will be 25%, and the group's business is primarily in the UK, the impact of these rules on the group is not expected to be material.

### What are our unrecognised tax losses and other temporary differences?

At 31 March 2024 we had operating losses and other temporary differences carried forward in respect of which no deferred tax assets were recognised amounting to £3.7bn (FY23: £3.7bn). Our other temporary differences have no expiry date restrictions. The expiry date of operating losses carried forward is dependent upon the tax law of the various territories in which the losses arose. A summary of expiry dates for losses in respect of which restrictions apply is set out below:

| At 31 March 2024 | £m | Expiry |
|---|---|---|
| Restricted losses | | |
| Europe | — | 2025 - 2043 |
| Americas | 372 | 2025 - 2033 |
| Other | 2 | 2025 - 2033 |
| **Total restricted losses** | **374** | |
| Unrestricted operating losses | 3,080 | No expiry |
| Other temporary differences | 209 | No expiry |
| **Total** | **3,663** | |

At 31 March 2024 we had UK capital losses carried forward in respect of which no deferred tax assets were recognised amounting to £16.8bn (FY23: £16.8bn). These losses have no expiry date, but we consider the future utilisation of significant amounts of these losses to be remote.

At 31 March 2024 the undistributed earnings of non-UK subsidiaries were £2.6bn (FY23: £2.5bn). No deferred tax liabilities have been recognised in respect of these unremitted earnings because the group is in a position to control the timing of any dividends from subsidiaries and hence any tax consequences that may arise. Under current tax rules, tax of £44m (FY23: £41m) would arise if these earnings were to be repatriated to the UK.

## 11. Dividends

**What dividends have been paid?**
A dividend of £850m was paid to the parent company, BT Group Investments Ltd (FY23: £850m). The directors recommend payment of a final dividend in respect of FY24 of £780m (FY23: £850m).

## 12. Intangible assets

### Material accounting policies that apply to intangible assets

We recognise identifiable intangible assets where we control the asset, it is probable that future economic benefits attributable to the asset will flow to the group, and we can reliably measure the cost of the asset. We amortise all intangible assets, other than goodwill, over their useful economic life. The method of amortisation reflects the pattern in which the assets are expected to be consumed. If the pattern cannot be determined reliably, the straight-line method is used.

**Goodwill**
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the identifiable net assets (including intangible assets) of the acquired business. Our goodwill impairment policy is set out later in this note.

**Acquired intangible assets – customer relationships and brands**
Intangible assets such as customer relationships or brands acquired through business combinations are recorded at fair value at the date of acquisition and subsequently carried at amortised cost. Assumptions are used in estimating the fair values of these relationships or brands and include management's estimates of revenue and profits to be generated by them.

**Telecommunications licences**
Licence fees paid to governments, which permit telecommunications activities to be operated for defined periods, are initially recorded at cost and amortised from the time the network is available for use to the end of the licence period or where our usage can extend beyond the initial licence period, over the period we expect to benefit from the use of the licences, which is typically 20 years. Licences acquired through business combinations are recorded at fair value at the date of acquisition and subsequently carried at amortised cost. The fair value is based on management's assumption of future cash flows using market expectations at acquisition date.

**Computer software**
Computer software comprises computer software licences purchased from third parties, and also the cost of internally developed software. Computer software licences purchased from third parties are initially recorded at cost. We capitalise costs directly associated with the production of internally developed software, including direct and indirect labour costs of development, only where it is probable that the software will generate future economic benefits, the cost of the asset can be reliably measured and technical feasibility can be demonstrated, in which case it is capitalised as an intangible asset on the balance sheet. Costs which do not meet these criteria and research costs are expensed as incurred.

Our development costs which give rise to internally developed software include upgrading the network architecture or functionality and developing service platforms aimed at offering new services to our customers.

**Other**
Other intangible assets include website development costs and other licences. Items are capitalised at cost and amortised on a straight-line basis over their useful economic life or the term of the contract.

**Estimated useful economic lives**
The estimated useful economic lives assigned to the principal categories of intangible assets are as follows:

| | |
|---|---|
| – Computer software | 2 to 10 years |
| – Telecommunications licences | 2 to 20 years |
| – Customer relationships and brands | 1 to 15 years |

**Impairment of intangible assets**
Intangible assets with finite useful lives are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant cash generating unit and the fair value less costs to dispose.

Goodwill is reviewed for impairment at least annually as described below. Impairment losses are recognised in the income statement, as a specific item. If a cash generating unit is impaired, impairment losses are allocated firstly against goodwill, and secondly on a pro-rata basis against intangible and other assets.

## 12. Intangible assets continued

| | Goodwill £m | Customer relationships and brands[a] £m | Telecoms licences and other[b] £m | Internally developed software[c] £m | Purchased software[c] £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **At 1 April 2022** | **7,925** | **3,383** | **3,490** | **5,346** | **971** | **21,115** |
| Additions | — | — | — | 815 | 203 | 1,018 |
| Disposals and adjustments[d] | (21) | — | — | (466) | 151 | (336) |
| Transfers | — | — | — | 30 | (38) | (8) |
| Exchange differences | 72 | — | 1 | 2 | 7 | 82 |
| Transfers to assets held for sale[e] | (13) | — | — | — | — | (13) |
| **At 31 March 2023** | **7,963** | **3,383** | **3,491** | **5,727** | **1,294** | **21,858** |
| Additions | — | — | — | 732 | 206 | 938 |
| Disposals and adjustments[d] | (4) | (1) | (12) | (671) | 298 | (390) |
| Transfers[f] | — | — | — | 217 | (95) | 122 |
| Exchange differences | (29) | — | (1) | (1) | (5) | (36) |
| **At 31 March 2024** | **7,930** | **3,382** | **3,478** | **6,004** | **1,698** | **22,492** |
| **Accumulated amortisation** | | | | | | |
| **At 1 April 2022** | **—** | **2,469** | **908** | **3,595** | **326** | **7,298** |
| Amortisation charge for the year | — | 231 | 185 | 596 | 153 | 1,165 |
| Impairment | — | — | — | — | — | — |
| Disposals and adjustments[d] | — | — | 1 | (389) | 79 | (309) |
| Transfers | — | — | — | (56) | 56 | — |
| Exchange differences | — | — | 1 | 1 | 7 | 9 |
| Transfers to assets held for sale | — | — | — | — | — | — |
| **At 31 March 2023** | **—** | **2,700** | **1,095** | **3,747** | **621** | **8,163** |
| Amortisation charge for the year | — | 231 | 185 | 762 | 70 | 1,248 |
| Impairment | 488 | — | — | — | — | 488 |
| Disposals and adjustments[d] | — | — | (13) | (462) | 96 | (379) |
| Transfers[f] | — | — | — | (41) | 90 | 49 |
| Exchange differences | — | — | (1) | — | (4) | (5) |
| **At 31 March 2024** | **488** | **2,931** | **1,266** | **4,006** | **873** | **9,564** |
| **Carrying amount** | | | | | | |
| **At 31 March 2023** | **7,963** | **683** | **2,396** | **1,980** | **673** | **13,695** |
| **At 31 March 2024** | **7,442** | **451** | **2,212** | **1,998** | **825** | **12,928** |

**a** Customer relationships and brands relate to customer relationships recognised on acquisition of EE.
**b** Telecoms licences and other primarily represents spectrum licences. These include 2100 MHz licence with book value of £593m (FY23: £643m), 1800 MHz with book value of £544m (FY23: £590m), 700Mhz with book value of £266m (FY23: £281m), 3400 MHz with book value of £226m (FY23: £242m) and 2600 MHz with book value of £185m (FY23: £206m). Spectrum licences are being amortised over a period between 14 and 20 years.
**c** Includes a carrying amount of £623m (FY23: £1,125m) in respect of assets under construction, which are not yet amortised.
**d** Disposals and adjustments include the removal of assets from the group's fixed asset registers following disposals and the identification of fully amortised assets (including £0.3bn in FY24 through operation of the group's annual asset verification exercise).
**e** For a breakdown of assets held for sale see note 20.
**f** During FY24, assets with cost of £122m and accumulated depreciation of £49m were reclassified from property, plant and equipment to intangible assets following review of asset registers.

## 12. Intangible assets continued

### Impairment of goodwill

#### Material accounting policies that apply to impairment of goodwill

We perform an annual goodwill impairment review.

Goodwill recognised in a business combination does not generate cash flows independently of other assets or groups of assets. As a result, the recoverable amount, being the value in use, is determined at a cash generating unit (CGU) level. These CGUs represent the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets. Our CGUs are deemed to be Consumer and Business.

We allocate goodwill to each of the CGUs that we expect to benefit from the business combination. Each CGU to which goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

The value in use of each CGU is determined using risk-adjusted cash flow projections derived from financial plans approved by the BT Group plc Board covering a five-year period. They reflect management's risk-adjusted expectations of revenue, EBITDA growth, capital expenditure, working capital and operating cash flows, based on past experience and future expectations of business performance. Cash flows beyond the fifth year have been extrapolated using perpetuity growth rates.

#### Significant judgements and critical accounting estimates made in reviewing goodwill for impairment

**Determining our CGUs**

The determination of our CGUs is judgemental. The identification of CGUs involves an assessment of whether the asset or group of assets generate largely independent cash inflows. This involves consideration of how our core assets are operated and whether these generate independent revenue streams.

In FY23 our CGUs were aligned with the Consumer, Enterprise and Global customer-facing units in existence at the time. From 1 April 2023 the Enterprise and Global units are managed and reported as a single combined unit, Business. Financial information is provided to the BT Group plc Executive Committee on a consolidated basis only, and there have been material changes to the structure and organisation of the combined Business unit following the merger.

During FY24 we have reviewed the identification of our CGUs in light of the creation of Business. We concluded that the Enterprise and Global CGUs have been replaced with a single Business CGU. In reaching this conclusion we considered the way in which the combined unit is monitored and the degree of integration within the combined unit, specifically in relation to revenue streams and its asset base. This conclusion also reflects the fact that the cash flows of the legacy Enterprise and Global units are no longer independent and it is no longer possible to report the performance of these units on an individual basis.

Accordingly, our CGUs are Consumer and Business from 1 April 2023, aligned with the corresponding CFUs and operating segments (note 4).

**Estimating value in use**

Our value in use calculations require estimates in relation to uncertain items, including management's expectations of future revenue growth, operating costs, profit margins, operating cash flows and the discount rate for each CGU. Future cash flows used in the value in use calculations are on a nominal basis and based on risk-adjusted projections derived from the latest BT Group plc Board-approved five-year financial plans, representing management's best risk-adjusted estimate of future growth. This includes the direct and indirect impacts of inflation and associated mitigations. Expectations about future growth reflect the expectations of growth in the markets to which the CGU relates and consideration of the overall variability relating to individual assumptions at the unit level. The future cash flows are discounted using a pre-tax nominal discount rate that reflects current market assessments of the time value of money. The discount rate used in each CGU is adjusted for the risk specific to the asset, including the countries in which cash flow will be generated, for which the future cash flow estimates have not been adjusted.

**Estimating terminal growth**

A long term growth rate into perpetuity is applied immediately at the end of the five year forecast period. We calculate this for each CGU as the lower of the nominal GDP growth rate forecasts and the long-term compound annual growth rate as estimated by management. Long-term compound annual growth rates may be lower than forecast nominal GDP growth rates due to market-specific factors including inflation expectations, the regulatory environment and competition intensity.

We tested our goodwill for impairment as at 31 March 2024. The carrying value of goodwill and the key assumptions used in performing the annual impairment assessment and sensitivities are disclosed below.

## 12. Intangible assets continued

| Cost | Consumer £m | Legacy Enterprise £m | Legacy Global £m | Business £m | Total £m |
|---|---|---|---|---|---|
| **At 1 April 2022** | **3,900** | **3,573** | **452** | **—** | **7,925** |
| Transfer | — | — | — | — | — |
| Acquisitions and disposals | (26) | 4 | 1 | — | (21) |
| Exchange differences | — | 4 | 68 | — | 72 |
| Transfer to assets held for sale | — | (4) | (9) | — | (13) |
| **At 31 March 2023** | **3,874** | **3,577** | **512** | **—** | **7,963** |
| Transfer | — | (3,577) | (512) | 4,089 | — |
| Impairment | — | — | — | (488) | (488) |
| Acquisitions and disposals | — | — | — | (4) | (4) |
| Exchange differences | — | — | — | (29) | (29) |
| Transfer to assets held for sale | — | — | — | — | — |
| **At 31 March 2024** | **3,874** | **—** | **—** | **3,568** | **7,442** |

Of the £4.1bn attributable to the Business CGU at 31 March 2023, £2.6bn relates to the acquisition of EE in 2016 with the rest relating to historical small acquisitions.

### Outcome of our annual impairment review

Our FY24 impairment testing exercise concluded that there is significant headroom in our Consumer CGU, consistent with FY23.

The carrying value of the Business CGU exceeded its value in use by £488m. We have therefore booked an impairment charge equivalent to this amount in the income statement, presented as a specific item (note 9). No impairment was recognised in FY23.

Historical trends including the transition from legacy products indicate risk within forecasts which we have made appropriate adjustment for in line with IAS 36, so as to arrive at a risk adjusted estimate of future economic conditions which reflects long-term viability and trading risks inherent in delivering against the group's strategic pillars.

At the same time, to acknowledge this risk we have reduced terminal growth rate applied to cash flows when calculating the terminal value. We have also excluded uncommitted restructuring costs and benefits including those that relate to the group-wide restructuring programmes. The combined impact of these adjustments has led to a value in use for IAS 36 impairment testing purposes that is indicative of an impairment. Calculating the value in use has involved the application of assumptions and estimates that have had a material impact on the impairment charge recognised. Management judge that the BT Group plc Board-approved forecasts used to calculate value in use support the carrying amount of the Business CGU as at 31 March 2024. We consider below the impact of reasonably possible alternatives in the next 12 months.

### What discount rate have we used?

The pre-tax discount rates applied to the cash flow forecasts are derived from our post-tax weighted average cost of capital. The assumptions used in the calculation of the group's weighted average cost of capital are benchmarked to externally available data. The pre-tax discount rate used in performing the value in use calculation for Consumer was 9.25% in FY24 and 9.4% in FY23. We have used a slightly higher rate of 9.27% for Business. This reflects the higher risk countries in which it operates, which in FY23 were part of the Global CGU. In FY23 we used a discount rate of 9.4% for Enterprise and 9.7% for Global, again reflecting the higher risk from countries in which it operates. The reduction in discount rates in FY24 reflects that the cash flows, rather than the discount rate, have been risk adjusted.

### What growth rates have we used?

The perpetuity growth rates are determined based on the forecast market growth rates of the regions in which the CGU operates, and reflect an assessment of the long-term growth prospects of that market. The growth rates have been benchmarked against external data for the relevant markets and analysts' expectations. None of the growth rates applied exceed the expected average long-term growth rates for those markets or sectors. In FY24 we have used a perpetuity growth rate of 1.0% for Consumer and 0.7% for the Business CGU. In FY23 the perpetuity growth rate was 2.0% for Enterprise and Consumer, and 2.4% for Global.

### Key assumptions applied to testing goodwill allocated to the Business CGU

Key assumptions that value in use is most sensitive to are EBITDA growth over the 5-year forecast period; the long term growth rate for the terminal period; and the weighted average cost of capital used to discount cash flows.

- Our value in use assumes risk-adjusted EBITDA compound annual growth of 0.7% over the 5-year forecast period. The growth rate is the projected adjusted EBITDA growth rate on the cash flow forecasts used in our goodwill impairment model and reflect the growth and maturity of the industry we operate in and historical trends. Compound annual growth rates are risk-adjusted to the compound annual growth rates used in our BT Group plc Board-approved forecasts.
- Application of the terminal growth rate of 0.7%, equivalent to compound annual growth within the terminal period, is viewed as a key assumption with c.75% of the value in use derived from terminal cash flows.
- Value in use is sensitive to the weighted average cost of capital used to discount future cash flows.

The table below shows the sensitivity of the £488m impairment recognised to reasonably possible changes in key assumptions:

| | Low scenario | High scenario |
|---|---|---|
| EBITDA compound annual growth rate +/- 1% | (£1,260m) more impairment | £374m less impairment |
| Long term growth rate +/- 0.7% | (£478m) more impairment | £488m less impairment |
| Weighted average cost of capital +/- 1% | (£865m) more impairment | £488m less impairment |

## 12. Intangible assets continued

**Other sensitivities applicable to the Business CGU**

Applying a severe but plausible downside scenario, reflecting a plan that we are highly confident will be achieved or exceeded, based on the same risk population would result in a further impairment charge of £2,430m in addition to the £488m recognised. Management consider that it is reasonably possible to expect that actual future cash flows will outperform the risk-adjusted cash flows modelled for the purpose of testing goodwill impairment. A less conservative view of risks and opportunities in the base case of our forecast would result in headroom of approximately £2,083m rather than the impairment charge booked.

## 13. Property, plant and equipment

### Material accounting policies that apply to property, plant and equipment

Our property, plant and equipment is included at historical cost, net of accumulated depreciation, government grants and any impairment charges. Property, plant and equipment acquired through business combinations is initially recorded at fair value and subsequently accounted for on the same basis as our existing assets. We derecognise items of property, plant and equipment on disposal or when no future economic benefits are expected to arise from the continued use of the asset. The difference between the sale proceeds and the net book value at the date of disposal is recognised in operating costs in the income statement.

Included within the cost of network infrastructure and equipment are direct and indirect labour costs, materials and directly attributable overheads.

We depreciate property, plant and equipment on a straight-line basis from the time the asset is available for use, to write off the asset's cost over the estimated useful life taking into account any expected residual value. Freehold land is not depreciated.

**Estimated useful economic lives**

The estimated useful lives assigned to principal categories of assets are as follows:

| | |
|---|---|
| **Land and buildings** | |
| – Freehold buildings | 14 to 50 years |
| – Short-term leasehold improvements | Shorter of 10 years or lease term |
| – Leasehold land and buildings | Shorter of unexpired portion of lease or 40 years |
| **Network infrastructure** | |
| Transmission equipment | |
| – Duct | 40 years |
| – Cable | 3 to 25 years |
| – Fibre | 5 to 20 years |
| Exchange equipment | 2 to 13 years |
| Other network equipment | 2 to 20 years |
| **Other assets** | |
| – Motor vehicles | 2 to 10 years |
| – Computers and office equipment | 3 to 7 years |

Residual values and useful lives are reassessed annually and, if necessary, changes are recognised prospectively.

**Network share assets**

Certain assets have been contributed to a network share arrangement by both EE and Hutchison 3G UK Limited, with legal title remaining with the contributor. This is considered to be a reciprocal arrangement. Our share of the assets on acquisition of EE was recognised at fair value within tangible assets, and depreciated in line with policy. Subsequent additions are recorded at cost.

**Impairment of property, plant and equipment**

We test property, plant and equipment for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is performed, we assess the recoverable amount by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant asset and the fair value less costs to dispose. If it is not possible to determine the recoverable amount for the individual asset then we assess impairment by reference to the relevant cash generating unit as described in note 12.

**Building Digital UK (BDUK) government grants**

We receive government grants in relation to BDUK and other rural superfast broadband contracts. Where we have achieved certain service levels, or delivered the network more efficiently than anticipated, we have an obligation to either re-invest or repay grant funding. Where this is the case, we recognise deferred income in respect of the funding that will be re-invested or repaid, and make a corresponding adjustment to the carrying amount of the related property, plant and equipment.

Assessing the timing of whether and when we change the estimated take-up assumption is judgemental as it involves considering information which is not always observable. Our consideration on whether and when to change the base case assumption is dependent on our expectation of the long-term take-up trend.

Our assessment of how much grant income to defer includes consideration of the difference between the take-up percentage agreed with the local authority and the likelihood of actual take-up. The value of the government grants deferred is disclosed in note 16.

## 13. Property, plant and equipment continued

| | Land and buildings £m | Network infrastructure | | Other[a] £m | Assets under construction £m | Total £m |
|---|---|---|---|---|---|---|
| | | Held by Openreach £m | Held by other units £m | | | |
| **Cost** | | | | | | |
| **At 1 April 2022** | **1,022** | **31,276** | **24,439** | **1,444** | **1,446** | **59,627** |
| Additions[b] | 7 | — | 129 | 7 | 3,947 | 4,090 |
| Transfers | 89 | 2,617 | 913 | 211 | (3,822) | 8 |
| Disposals and adjustments[c] | 31 | (118) | (183) | (33) | (70) | (373) |
| Transfer to assets held for sale[d] | — | — | (108) | (13) | — | (121) |
| Exchange differences | 16 | — | 99 | 6 | 1 | 122 |
| **At 31 March 2023** | **1,165** | **33,775** | **25,289** | **1,622** | **1,502** | **63,353** |
| Additions[b] | 6 | 1 | 73 | 12 | 3,851 | 3,943 |
| Transfers[e] | 85 | 2,562 | 906 | 279 | (3,954) | (122) |
| Disposals and adjustments[c] | (95) | (208) | (2,198) | (162) | 137 | (2,526) |
| Transfer to assets held for sale[d] | — | — | — | — | — | — |
| Exchange differences | (11) | — | (66) | (5) | (1) | (83) |
| **At 31 March 2024** | **1,150** | **36,130** | **24,004** | **1,746** | **1,535** | **64,565** |
| **Accumulated depreciation** | | | | | | |
| **At 1 April 2022** | **621** | **17,476** | **20,050** | **1,025** | **—** | **39,172** |
| Depreciation charge for the year | 50 | 1,466 | 1,144 | 218 | — | 2,878 |
| Impairment | — | — | — | 11 | — | 11 |
| Transfers | — | 195 | (192) | (4) | — | (1) |
| Disposals and adjustments[c] | 32 | (139) | (133) | (36) | — | (276) |
| Transfer to assets held for sale[d] | — | — | (106) | (11) | — | (117) |
| Exchange differences | 13 | — | 91 | 7 | — | 111 |
| **At 31 March 2023** | **716** | **18,998** | **20,854** | **1,210** | **—** | **41,778** |
| Depreciation charge for the year | 55 | 1,489 | 1,085 | 263 | — | 2,892 |
| Impairment | — | 78 | — | — | 30 | 108 |
| Transfers[e] | — | — | (49) | — | — | (49) |
| Disposals and adjustments[c] | (30) | (134) | (2,222) | (174) | — | (2,560) |
| Transfer to assets held for sale[d] | — | — | — | — | — | — |
| Exchange differences | (9) | — | (61) | (5) | — | (75) |
| **At 31 March 2024** | **732** | **20,431** | **19,607** | **1,294** | **30** | **42,094** |
| **Carrying amount** | | | | | | |
| **At 31 March 2023** | **449** | **14,777** | **4,435** | **412** | **1,502** | **21,575** |
| Engineering stores | — | — | — | — | 92 | 92 |
| **Total at 31 March 2023** | **449** | **14,777** | **4,435** | **412** | **1,594** | **21,667** |
| **At 31 March 2024** | **418** | **15,699** | **4,397** | **452** | **1,505** | **22,471** |
| Engineering stores | — | — | — | — | 91 | 91 |
| **Total at 31 March 2024** | **418** | **15,699** | **4,397** | **452** | **1,596** | **22,562** |

**a** Other mainly comprises motor vehicles, computers and fixtures and fittings.
**b** Net of government grants of £91m (FY23: £150m).
**c** Disposals and adjustments include the removal of assets from the group's fixed asset registers following disposals and the identification of fully depreciated assets (including £2.2bn in FY24 through operation of the group's annual asset verification exercise). They also include adjustments between gross cost and accumulated depreciation following review of fixed asset registers, and adjustments resulting from changes in assumptions used in calculating lease-end obligations where the corresponding asset is capitalised.
**d** Transfers to assets held for sale are detailed in note 20.
**e** During FY24, assets with cost of £122m and accumulated depreciation of £49m were reclassified from property, plant and equipment to intangible assets following review of asset registers.

Included within the above disclosure are assets used in arrangements which represent core business activities for the group and which meet the definition of operating leases:

- £15,699m (FY23: £14,777m) of the carrying amount of the network infrastructure asset class represents Openreach's network infrastructure. The majority of the associated assets are used to deliver fixed-line telecommunications services that have been assessed as containing operating leases, to both internal and external communications providers. Network infrastructure held by Openreach is presented separately in the table above; however it is not practicable to separate out infrastructure not used in operating lease arrangements.
- Other assets includes devices with a carrying amount of £160m (FY23: £163m) that are made available to retail customers under arrangements that contain operating leases. These are not presented separately in the table above as they are not material relative to the group's overall asset base.

The carrying amount of land and buildings, including leasehold improvements, comprised:

| At 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| Freehold | 71 | 80 |
| Leasehold | 347 | 369 |
| **Total land and buildings** | **418** | **449** |

## 13. Property, plant and equipment continued

### Network infrastructure

Some of our network assets are jointly controlled by EE Limited with Hutchison 3G UK Limited. These relate to shared 3G network and certain elements of network for 4G rural sites. The net book value of the group's share of assets controlled by its joint operation MBNL is £759m (FY23: £721m) and is recorded within network infrastructure.

Within network infrastructure are assets with a net book value of £11.5bn (FY23: £10.9bn) which have useful economic lives of more than 18 years.

### BT Tower

In FY24 we agreed to the sale of the BT Tower for headline consideration of £275m, as part of the simplification of the group's property portfolio.

The carrying amount of the BT Tower asset is £4m at 31 March 2024. It is not considered to meet the IFRS 5 criteria for classification as held for sale at the reporting date, reflecting the extent of decommissioning work needed to provide vacant possession of the site.

The useful economic lives of assets associated with the BT Tower have been reassessed in light of the anticipated disposal in FY30.

### Significant judgements made in accounting for the BT Tower sale

Exchange of contracts in respect of the BT Tower sale with MCR Hotels occurred during FY24, with transfer of legal title anticipated to take place in a three year window between 2028 and 2031 subject to achieving vacant possession of the site. We will continue to enjoy exclusive rights to occupy and access the site prior to completion. The delay between exchange and completion reflects the extensive work required to decommission the site.

We have exercised significant judgement in concluding that control over BT Tower passes to the buyer at the point of completion rather than exchange. In doing so we performed a detailed assessment of the restrictions placed on BT's use of the asset in the period following exchange, as well as the transaction pricing structure, and concluded that they were insufficient to represent a transfer to the buyer of sufficiently all the risks and rewards associated with ownership. We placed particular weight on the fact that legal title to the site does not transfer to the buyer until the point of completion. Had we concluded that control had passed on exchange of contracts in FY24, the transaction would have been treated as a sale and leaseback with profit on disposal recognised in the period and associated derecognition of the BT Tower asset and accounting for the leaseback.

## 14. Leases

### Material accounting policies that apply to leases

**Identifying whether a lease exists**

At inception of a contract, we determine whether the contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset, for a period of time, in exchange for consideration. In making this assessment, we consider whether:

- The contract involves the use of an identified asset, either explicitly or implicitly. The asset must be physically distinct or represent substantially all the capacity of a physically distinct asset. Assets that a supplier has a substantive right to substitute are not considered distinct.
- The lessee (either the group, or the group's customers) has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The lessee has the right to direct the use of the asset, in other words, has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Where practicable, and by class of underlying asset, we have elected to account for leases containing a lease component and one or more non-lease components as a single lease component. Where this election has been taken, it has been applied to the entire asset.

**Lessee accounting**

We recognise a lease liability and right-of-use asset at the commencement of the lease.

Lease liabilities are initially measured at the present value of lease payments that are due over the lease term, discounted using the group's incremental borrowing rate.

The lease term is the non-cancellable period of the lease adjusted for the impact of any extension options that we are reasonably certain that the lessee will exercise, or termination options that we are reasonably certain that the lessee will not exercise.

The incremental borrowing rate is the rate that we would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value.

Lease payments include:

- fixed payments
- variable lease payments that depend on an index or rate
- amounts expected to be paid under residual value guarantees
- the exercise price of any purchase options that we are reasonably certain to exercise
- payments due over optional renewal periods where we are reasonably certain to renew
- penalties for early termination of the lease where we are reasonably certain to terminate early

## 14. Leases continued

Lease liabilities are subsequently measured at amortised cost using the effective interest method. They are remeasured if there is a change in future lease payments, including changes in the index or rate used to determine those payments, or the amount we expect to be payable under a residual value guarantee.

We also remeasure lease liabilities where the lease term changes. This occurs when the non-cancellable period of the lease changes, or on occurrence of a significant event or change in circumstances within the control of the lessee and which changes our initial assessment in regard to whether the lessee is reasonably certain to exercise extension options or not to exercise termination options. Where the lease term changes we remeasure the lease liability using the group's incremental borrowing rate at the date of reassessment. Where a significant event or change in circumstances does not occur, the lease term remains unchanged and the carrying amounts of the lease liability and associated right-of-use asset will decline over time.

Right-of-use assets are initially measured at the initial amount of the corresponding lease liabilities, adjusted for any prepaid lease payments, plus any initial direct costs incurred and an estimate of any decommissioning costs that have been recognised as provisions, less any lease incentives received. They are subsequently depreciated using the straight-line method to the earlier of the end of the useful life of the asset or the end of the lease term. Right-of-use assets are tested for impairment following the policy set out in note 13 and are adjusted for any remeasurement of lease liabilities.

We have elected not to recognise lease liabilities and right-of-use assets for short-term leases that have a lease term of 12 months or less, and leases of low-value assets with a purchase price under £5,000. We recognise payments for these items as an expense on a straight-line basis over the lease term.

Any variable lease payments that do not depend on an index or rate, such as usage-based payments, are recognised as an expense in the period to which the variability relates.

*Lessor accounting*

At inception or on modification of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When we act as a lessor, we determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, we make an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, we consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

When we are an intermediate lessor, we account for our interests in the headlease and the sublease separately. We assess the lease classification of a sublease with reference to the right-of-use asset arising from the headlease, not with reference to the underlying asset. If a headlease is a short-term lease to which we apply the exemption described above, then we classify the sublease as an operating lease.

If an arrangement contains lease and non-lease components, then we apply IFRS 15 to allocate the consideration in the contract.

We apply the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. We further regularly review estimated unguaranteed residual values used in calculating the gross investment in the lease.

We recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

### Significant judgements made in accounting for leases

The lease term is a key determinant of the size of the lease liability and right-of-use asset recognised where the group acts as lessee; and the deferral period for any upfront connection charges where the group acts as lessor. Determining the lease term requires judgement to evaluate whether we are reasonably certain the lessee will exercise extension options or will not exercise termination options. Key facts and circumstances that create an incentive to exercise those options are considered; these include:

– Our anticipated operational, retail and office property requirements in the mid and long term.
– The availability of suitable alternative sites.
– Costs or penalties associated with exiting lease arrangements relative to the benefits to be gained, including costs of removing leasehold improvements or relocating, and indirect costs such as disruption to business.
– Significant investments in leased sites, in particular those with useful lives beyond the lease term.
– Costs associated with extending lease arrangements including rent increases during secondary lease periods.

Our definition of 'reasonable certainty', and therefore the lease term, will often align with the judgements made in our medium-term plan, in particular for leases of non-specialised property and equipment on rolling (or 'evergreen') arrangements that continue until terminated and which can be exited without significant penalty.

Following initial determination of the lease term, we exercise judgement in evaluating whether events or changes in circumstances are sufficiently significant to change the initial assessment of whether we are reasonably certain the lessee will exercise extension options or will not exercise termination options; and in the subsequent reassessment of the lease term.

#### Key judgements exercised in setting the lease term

The quantum of the lease liability and right-of-use asset currently recognised on our balance sheet is most significantly affected by the judgement exercised in setting the lease term for the arrangement under which the bulk of our operational UK property estate is held. Setting the lease term for our leased cell sites has also involved the use of judgement, albeit to a lesser degree.

## 14. Leases continued

### UK operational property portfolio

Substantially all of our leased property estate is held under an arrangement which can be terminated in 2031, at which point we may either vacate some or all properties or purchase the entire estate. If neither option is taken the lease continues to the next unilaterally available break point in 2041. The lease liability recognised for the arrangement reflects a lease end date of 2031.

On initial recognition we concluded that, although the majority of these properties are expected to be needed on a long-term basis, we couldn't be reasonably certain that we wouldn't exercise the termination option or that we would exercise the purchase option. In coming to this conclusion, we had due regard to material sub-lease arrangements relating to the estate.

As time progresses our assessment may change; if this happens, we will remeasure the lease liability and right-of-use asset to reflect either the rentals due for any properties we will continue to occupy, or the cost of purchasing the estate, using an updated discount rate. There would be no overall impact on net assets.

If the assessment were to change at the balance sheet date of 31 March 2024:

- Exercising the purchase option would lead to an estimated increase in the lease liability and right-of-use asset of between £3bn and £5bn.
- Continuing to lease the estate beyond 2031 until the next available break in 2041 would lead to an estimated increase in the lease liability and right-of-use asset of between £1bn and £2bn.

Our assessment will be directly linked to future strategic decisions, which will be resolved at some time prior to 2031, around the development of the fixed network and the associated rationalisation of our exchange estate. The breadth of the ranges reflects the significant uncertainty around key variables used to determine cash outflows, especially future inflation and which properties the group will be able to exit prior to or in 2031.

Estimates are based on discounted cash outflows and do not reflect the likely and significant impact of cash inflows generated from the disposal, repurposing or subleasing of properties retained post-2031.

We are permitted to hand a limited number of properties back to the lessor prior to 2031. On initial adoption of IFRS 16 we were not reasonably certain which properties would be handed back and as such the lease term did not reflect the exercise of these options. Subsequently we exercise judgement in identifying significant events that trigger reassessment of our initial conclusion. We exercise similar judgement in identifying events triggering reassessment of whether we are reasonably certain we will not exercise termination options associated with other leased properties.

In doing so we consider decisions associated with our ongoing workplace rationalisation programme, in particular decisions to exit a particular location or lease an alternative property. Generally we remain reasonably certain that we will not exercise a termination option until implementation of the associated business plan has progressed to a stage that we are committed to exiting the property. At that point we reassess the lease term by reference to the time we expect to remain in occupation of the property and any notice period associated with exercise of the option.

### Cell sites

Most of the liability recognised in respect of leased cell sites relates to multi-site arrangements with commercial providers. The fixed-term nature of these arrangements means it has not been necessary to exercise significant judgement when determining the lease term. Where the arrangements offer extension options we have been required to conclude whether the options are reasonably certain to be exercised. Although the balance sheet could be materially affected by the conclusion reached in regard to these options, we have not been required to exercise a significant degree of judgement in arriving at the lease term having regard to the period of time covered by the options, the difficulty in predicting the group's long-term network requirements, and the relatively high threshold that 'reasonably certain' represents.

A smaller proportion of the cell site liability relates to arrangements with individual landlords which are either rolling or can be exited with notice. When setting the initial lease term for these arrangements we exercised significant judgement in establishing the period that we are reasonably certain to require use of the site. We broadly aligned lease terms with our medium-term planning horizon after assessing the relative strengths of the following factors:

Long-term economic incentives to remain on sites including existing capital improvements;

A need to maintain flexibility in our ability to develop and manage our network infrastructure to react quickly to technological developments and evolving capacity requirements; and

Incentives to renegotiate arrangements in the medium term to gain more security over sites to support future capital investment.

Although significant judgement has been exercised in determining the lease term, reaching an alternative conclusion would not have a material impact on the balance sheet having regard to the most feasible alternative lease terms.

Subsequently, we consider key events that trigger reassessment of lease terms to be developments which resolve uncertainty around our economic incentive to remain on individual sites in the long term. These are primarily lease renegotiations and significant capital investments, for example that associated with our 5G rollout and other capital refresh programmes.

## 14. Leases continued

### Right-of-use assets

Most of our right-of-use assets are associated with our leased property portfolio, specifically our office, retail and exchange estate. We also lease a significant proportion of our network infrastructure, including mobile cell and switch sites.

| | Land and buildings £m | Network infrastructure £m | Motor vehicles £m | Other £m | Total £m |
|---|---|---|---|---|---|
| **At 1 April 2022** | **3,941** | **110** | **369** | **9** | **4,429** |
| Additions[a] | 203 | 16 | 150 | 2 | 371 |
| Depreciation charge for the year[b] | (521) | (32) | (131) | (5) | (689) |
| Impairment[b] | (75) | — | — | — | (75) |
| Transfer to assets held for sale | (3) | — | — | — | (3) |
| Other movements[c] | (49) | 1 | (3) | (1) | (52) |
| **At 31 March 2023** | **3,496** | **95** | **385** | **5** | **3,981** |
| Additions[a] | 271 | 40 | 179 | 1 | 491 |
| Depreciation charge for the year[b] | (493) | (33) | (121) | (5) | (652) |
| Impairment[b] | (10) | — | — | — | (10) |
| Other movements[c] | (108) | (4) | (56) | — | (168) |
| **At 31 March 2024** | **3,156** | **98** | **387** | **1** | **3,642** |

**a** Additions comprise increases to right-of-use assets as a result of entering into new leases, and upwards remeasurement of existing leases arising from lease extensions or reassessments and increases to lease payments.
**b** Impairment charges relates primarily to the early exit of leases as a result of ongoing property rationalisation activity.
**c** Other movements primarily relate to terminated leases and downwards remeasurements of right-of-use assets arising from reductions or reassessments of lease terms and decreases in lease payments.

### Lease liabilities

Lease liabilities recognised are as follows:

| Year ended 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Current | 766 | 800 |
| Non-current | 4,189 | 4,559 |
| | **4,955** | **5,359** |

The following amounts relating to the group's obligations under lease arrangements were recognised in the income statement in the year:

- Interest expense of £134m (FY23: £133m) on lease liabilities.
- Variable lease payments of £39m (FY23: £38m) which are not dependent on an index or rate and which have not been included in the measurement of lease liabilities.

Expenses relating to leases of low-value assets and short-term leases for which no right-of-use asset or lease liability has been recognised were not material.

The total cash outflow for leases in the year was £882m (FY23: £860m). Our cash flow statement and normalised free cash flow reconciliation present £748m (FY23: £727m) of the cash outflow as relating to the principal element of lease liability payments, with the remaining balance of £134m (FY23: £133m) presented within interest paid.

Note 26 presents a maturity analysis of the payments due over the remaining lease term for lease liabilities currently recognised on the balance sheet. This analysis only includes payments to be made over the reasonably certain lease term. Cash outflows are likely to exceed these amounts as payments will be made on optional periods that we do not currently consider to be reasonably certain, and in respect of leases entered into in future periods.

## 14. Leases continued

### Other information relating to leases

At 31 March 2024 the group was committed to future minimum lease payments of £55m (FY23: £145m) in respect of leases which have not yet commenced and for which no lease liability has been recognised.

The following table analyses cash payments to be received across the remaining term of operating lease arrangements where BT is lessor:

| At 31 March 2024 | To be recognised as revenue (note 5)[a] £m | To be recognised as other operating income (note 6) £m | Total £m |
|---|---|---|---|
| Less than one year | 431 | 17 | 448 |
| One to two years | 117 | 11 | 128 |
| Two to three years | 41 | 11 | 52 |
| Three to four years | 10 | 9 | 19 |
| Four to five years | 9 | 3 | 12 |
| More than five years | — | 5 | 5 |
| **Total undiscounted lease payments** | **608** | **56** | **664** |

| At 31 March 2023 | | | |
|---|---|---|---|
| Less than one year | 416 | 19 | 435 |
| One to two years | 131 | 15 | 146 |
| Two to three years | 46 | 15 | 61 |
| Three to four years | 13 | 14 | 27 |
| Four to five years | 10 | 13 | 23 |
| More than five years | — | 20 | 20 |
| **Total undiscounted lease payments** | **616** | **96** | **712** |

**a** Future operating lease income to be recognised as revenue primarily relates to income from Openreach's fixed access subscription services which meet the definition of leases under IFRS 16 and which typically are expected to have a lease period terms of one year or less.

## 15. Trade and other receivables

### Material accounting policies that apply to trade and other receivables

Trade receivables are recognised where the right to receive payment from customers is conditional only on the passage of time. We initially recognise trade and other receivables at fair value, which is usually the original invoiced amount. They are subsequently carried at amortised cost using the effective interest method. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

We provide services to consumer and business customers, mainly on credit terms. We know that certain debts due to us will not be paid through the default of a small number of our customers. Because of this, we recognise an allowance for doubtful debts on initial recognition of receivables, which is deducted from the gross carrying amount of the receivable. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. In estimating a loss allowance we consider historical experience and informed credit assessment alongside other factors such as the current state of the economy and particular industry issues. We consider reasonable and supportable information that is relevant and available without undue cost or effort.

Once recognised, trade receivables are continuously monitored and updated. Allowances are based on our historical loss experiences for the relevant aged category as well as forward-looking information and general economic conditions. Allowances are calculated by individual CFUs in order to reflect the specific nature of the customers relevant to that CFU.

The group utilises factoring arrangements for selected trade receivables. Trade receivables that are subject to debt factoring arrangements are derecognised if they meet the conditions for derecognition detailed in IFRS 9 ‘Financial instruments’ and the related cash flows received are presented as cash flows from operating activities.

Contingent assets such as any insurance recoveries which we expect to recoup, have not been recognised in the financial statements as these are only recognised within trade and other receivables when their receipt is virtually certain.

## 15. Trade and other receivables continued

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **Current** | | |
| Trade receivables | 1,899 | 1,395 |
| Amounts owed by ultimate parent company | 25 | 26 |
| Prepayments | 586 | 545 |
| Accrued income | 162 | 158 |
| Deferred contract costs | 383 | 369 |
| Finance lease receivables | 31 | 29 |
| Amounts due from joint ventures | 163 | 268 |
| Other assets[a] | 340 | 297 |
| | **3,589** | **3,087** |
| **Non-current** | | |
| Deferred contract costs | 229 | 211 |
| Finance lease receivables | 107 | 98 |
| Other assets[a] | 305 | 194 |
| | **641** | **503** |

**a** Other assets comprise Flex Pay receivables, prepayments and £57m (FY23: £70m) of deferred cash consideration mainly relating to the disposal of BT Sport, see note 20.

Amounts due from joint ventures relates to a sterling Revolving Credit Facility (RCF) provided to the Sports JV, see note 29. The expected loss provision is immaterial.

Trade receivables are stated after deducting allowances for doubtful debts, as follows:

| | 2024 £m | 2023 £m |
|---|---|---|
| **At 1 April** | 168 | 223 |
| Expense | 129 | 84 |
| Utilised | (127) | (142) |
| Exchange differences | (1) | 3 |
| **At 31 March** | **169** | **168** |

The expected credit loss allowance for trade receivables was determined as follows:

| | | | Past due and not specifically impaired | | | | |
|---|---|---|---|---|---|---|---|
| At 31 March | Not past due £m | Trade receivables specifically impaired net of provision £m | Between 0 and 3 months £m | Between 3 and 6 months £m | Between 6 and 12 months £m | Over 12 months £m | Total £m |
| **2024** | | | | | | | |
| Expected loss rate % | 1% | 50% | 8% | 28% | 47% | 65% | 8% |
| Gross carrying amount | 1,448 | 4 | 357 | 81 | 64 | 114 | 2,068 |
| Loss allowance | (11) | (2) | (29) | (23) | (30) | (74) | (169) |
| Net carrying amount | 1,437 | 2 | 328 | 58 | 34 | 40 | 1,899 |
| 2023 | | | | | | | |
| Expected loss rate % | 1% | 75% | 10% | 46% | 41% | 52% | 11% |
| Gross carrying amount | 1,030 | 20 | 265 | 48 | 59 | 141 | 1,563 |
| Loss allowance | (8) | (15) | (26) | (22) | (24) | (73) | (168) |
| Net carrying amount | 1,022 | 5 | 239 | 26 | 35 | 68 | 1,395 |

Trade receivables not past due and accrued income are analysed below by CFU.

| | Trade receivables not past due | | Accrued income | |
|---|---|---|---|---|
| At 31 March | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Consumer | 375 | 309 | 81 | 82 |
| Business[a] | 900 | 713 | 4 | 2 |
| Openreach | 161 | — | 75 | 70 |
| Other | 1 | — | 2 | 4 |
| **Total** | **1,437** | **1,022** | **162** | **158** |

**a** Comparatives for the year ended 31 March 2023 have been re-presented for the impact of the creation of our Business customer-facing unit, formed through the merger of our Enterprise and Global units, see note 1.

Given the broad and varied nature of our customer base, the analysis of trade receivables not past due and accrued income by CFU is considered the most appropriate disclosure of credit concentrations.

## 15. Trade and other receivables continued

### Deferred contract costs

### Material accounting policies that apply to deferred contract costs

We capitalise certain costs associated with the acquisition and fulfilment of contracts with customers and amortise them over the period that we transfer the associated services.

Connection costs are deferred as contract fulfilment costs because they allow satisfaction of the associated connection performance obligation and are considered recoverable. Sales commissions and other third party contract acquisition costs are capitalised as costs to acquire a contract unless the associated contract term is less than 12 months, in which case they are expensed as incurred. Capitalised costs are amortised over the minimum contract term. A portfolio approach is used to determine contract term.

Where the initial set-up, transition and transformation phases of long-term contractual arrangements represent distinct performance obligations, costs in delivering these services are expensed as incurred. Where these services are not distinct performance obligations, we capitalise eligible costs as a cost of fulfilling the related service. Capitalised costs are amortised on a straight-line basis over the remaining contract term, unless the pattern of service delivery indicates a more appropriate profile. To be eligible for capitalisation, costs must be directly attributable to specific contracts, relate to future activity, and generate future economic benefits. Capitalised costs are regularly assessed for recoverability.

The following table shows the movement on deferred costs:

| | Deferred connection costs £m | Deferred contract acquisition costs – commissions £m | Deferred contract acquisition costs – dealer incentives £m | Transition and transformation £m | Total £m |
|---|---|---|---|---|---|
| **At 1 April 2022** | **24** | **124** | **324** | **90** | **562** |
| Additions | 15 | 100 | 285 | 70 | 470 |
| Amortisation | (15) | (94) | (276) | (67) | (452) |
| Impairment | — | (1) | (1) | — | (2) |
| Other | (2) | 2 | (2) | 4 | 2 |
| **At 31 March 2023** | **22** | **131** | **330** | **97** | **580** |
| Additions | 10 | 134 | 315 | 57 | 516 |
| Amortisation | (11) | (118) | (292) | (56) | (477) |
| Impairment | — | (2) | (7) | — | (9) |
| Other | (8) | 2 | 3 | 5 | 2 |
| **At 31 March 2024** | **13** | **147** | **349** | **103** | **612** |

## 16. Trade and other payables

### Material accounting policies that apply to trade and other payables

We initially recognise trade and other payables at fair value, which is usually the original invoiced amount. We subsequently carry them at amortised cost using the effective interest method.

We use a supply chain financing programme to extend payment terms with a limited number of suppliers to a more typical payment term. We also use a separate supply chain financing programme to allow suppliers to receive funding earlier than the invoice due date. We assess these arrangements against indicators to assess if debts which vendors have sold to the funder under the supplier financing schemes continue to meet the definition of trade payables or should be classified as borrowings. At 31 March 2024 under the terms of the arrangement the funder's payment to the supplier does not legally extinguish our obligation to the supplier so it remains within trade and other payables. Cash flows only occur when the trade payable is extinguished and are therefore presented in cash flows from operating activities.

| At 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| **Current** | | |
| Trade payables | 4,119 | 4,196 |
| Amounts owed to ultimate parent company | 36 | 11 |
| Other taxation and social security | 544 | 581 |
| Minimum guarantee with sports joint venture[a] | 194 | 195 |
| Accrued expenses | 543 | 458 |
| Deferred income[b] | 355 | 532 |
| Other payables[c] | 532 | 535 |
| | **6,323** | **6,508** |
| **Non-current** | | |
| Minimum guarantee with sports joint venture[a] | 271 | 465 |
| Deferred income[b] | 342 | 403 |
| Other payables | 24 | 26 |
| | **637** | **894** |

**a** Liability recognised on the minimum revenue guarantee in BT's distribution agreement with the sports joint venture (see note 20). Movement in the liability driven by £211m payments made during the year less £16m finance cost recorded from unwinding the impact of discounting.
**b** Deferred income includes £106m (FY23: £258m) current and £122m (FY23: £169m) non-current liabilities relating to Building Digital UK, for which grants received by the group may be subject to re-investment or repayment depending on the level of take-up.
**c** Includes £41m relating to an estimate of customer refunds, refer to note 5.

Current trade and other payables at 31 March 2024 include:

- £101m (31 March 2023: £348m) of trade payables that have been factored in a supply chain financing programme. The facility size of £350m remains consistent with prior periods. These programmes are used with a limited number of suppliers with short payment terms to extend them to a more typical payment term.
- £224m (31 March 2023: £169m) of trade payables in a separate supply chain financing programme that allows suppliers the opportunity to receive funding earlier than the invoice due date. Financial institutions are used to support this programme but we continue to recognise the underlying payables as we continue to cash settle the supplier invoices in accordance with their terms.

## 17. Provisions & contingent liabilities

Our provisions principally relate to obligations arising from property rationalisation programmes, restructuring programmes, asset retirement obligations, network assets, third party claims, litigation and regulatory risks. Contingent liabilities primarily arise from litigation and regulatory matters that are not sufficiently certain to meet the criteria for recognition as provisions.

### Material accounting policies that apply to provisions & contingent liabilities

We recognise provisions when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where these criteria are not met we disclose a contingent liability if the group has a possible obligation, or has a present obligation with an outflow that is not probable or which cannot be reliably estimated.

Provisions are determined by discounting the expected future cash flows at a nominal pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Cash flows are adjusted for the effect of inflation where appropriate.

### Significant judgements made in identifying contingent liabilities

Contingent liabilities are not recognised as liabilities on our balance sheet. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. We assess the likelihood that a potential claim or liability will arise and also quantify the possible range of financial outcomes where this can be reasonably determined.

In identifying contingent liabilities we make key judgements in relation to applicable law and any historical and pending court rulings, and the likelihood, timing and cost of resolution.

Establishing contingent liabilities associated with litigation brought against the group may involve the use of significant judgements and assumptions, in particular around the ability to form a reliable estimate of any probable outflow. We provide further information in relation to specific matters in the 'contingent liabilities' section below.

### Key accounting estimates and significant judgements made in accounting for provisions

We exercise judgement in determining the quantum of all provisions to be recognised. Our assessment includes consideration of whether we have a present obligation, whether payment is probable and if so whether the amount can be estimated reliably.

When measuring provisions we reflect the impact of inflation as appropriate, particularly in relation to our property, asset retirement obligation and third party claims provisions. Although this involves a degree of estimation, it does not represent a significant source of estimation uncertainty having regard to the quantum of the balances in question and the anticipated timing of outflows.

Property provisions relate to obligations arising in relation to our property portfolio, in particular costs to restore leased properties on vacation where this is required under the lease agreement. In measuring property provisions, we have made estimates of the costs associated with the restoration of properties by reference to any relevant guidance such as rate cards. Cash outflows occur as and when properties are vacated and the obligations are settled.

Asset retirement obligations (AROs) relate to obligations to dismantle equipment and restore network sites on vacation of the site. The provision represents the group's best estimate of the costs to dismantle equipment and restore the sites. Obligations are settled as and when sites are vacated and the timing is largely influenced by the group's network strategy.

Our regulatory provision represents our best estimate of the cost to settle our present obligation in relation to historical regulatory matters. The charge/credit for the year represents the outcome of management's re-assessment of the estimates and regulatory risks across a range of issues, including price and service issues. The prices at which certain services are charged are regulated and may be subject to retrospective adjustment by regulators. When estimating the likely value of regulatory risk we make key judgements, including in regard to interpreting Ofcom regulations and past and current claims. The precise outcome of each matter depends on whether it becomes an active issue, and the extent to which negotiation or regulatory and compliance decisions will result in financial settlement. The ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement.

Litigation provisions represent the best estimate to settle present obligations recognised in respect of claims brought against the group. The estimate reflects the specific facts and circumstances of each individual matter and any relevant external advice received. Provisions recognised are inherently judgemental and could change over time as matters progress.

Third party claims provisions (previously described as insurance provisions) represent our exposure to claims from third parties, with latent disease claims from former colleagues and motor vehicle claims making up the majority of the balance. We engage an independent actuary to provide an estimate of the most likely outcomes in respect of latent disease and third party motor vehicle accident claims, and our in-house insurance teams review our exposure to other risks.

Other provisions do not include any individually material provisions.

For all risks, the ultimate liability may vary materially from the amounts provided and will be dependent upon the eventual outcome of any settlement.

## 17. Provisions & contingent liabilities continued

| | Property £m | Network ARO £m | Regulatory £m | Litigation £m | Third party claims £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|
| **At 1 April 2022** | **142** | **181** | **65** | **85** | **92** | **108** | **673** |
| Additions | 43 | — | 16 | 6 | 35 | 15 | 115 |
| Unwind of discount | 1 | 3 | — | — | — | — | 4 |
| Utilised | (8) | (4) | (1) | (41) | (30) | (7) | (91) |
| Released | (37) | (87) | (16) | (9) | (43) | (42) | (234) |
| Transfers[a] | — | — | 4 | — | 132 | (11) | 125 |
| Exchange differences | 1 | — | — | 3 | 1 | 1 | 6 |
| **At 31 March 2023** | **142** | **93** | **68** | **44** | **187** | **64** | **598** |
| Additions | 42 | 42 | 72 | — | 73 | 9 | 238 |
| Unwind of discount | 1 | 4 | — | — | 1 | — | 6 |
| Utilised | (15) | (6) | (37) | (1) | (75) | (3) | (137) |
| Released | (17) | — | (17) | — | (32) | (3) | (69) |
| Transfers[a] | 4 | — | — | — | — | 10 | 14 |
| Exchange differences | (1) | — | — | — | — | — | (1) |
| **At 31 March 2024** | **156** | **133** | **86** | **43** | **154** | **77** | **649** |

a Transfers relate to the reclassification of balances previously presented in other payables (note 16) following reassessment of the level of certainty over the timing and amount of any outflow of resources.

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Analysed as: | | |
| Current | 238 | 229 |
| Non-current | 411 | 369 |
| | **649** | **598** |

### Contingent liabilities and legal proceedings

In the ordinary course of business, we are periodically notified of actual or threatened litigation, and regulatory and compliance matters and investigations. We have disclosed below a number of such matters including any matters where we believe a material adverse impact on the operations or financial condition of the group is possible and the likelihood of a material outflow of resources is more than remote.

Where the outflow of resources is considered probable, and a reasonable estimate can be made of the amount of that obligation, a provision is recognised for these amounts and reflected in the table above. Where an outflow is not probable but is possible, or a reasonable estimate of the obligation cannot be made, a contingent liability exists.

In respect of each of the claims below, the nature and progression of such proceedings and investigations can make it difficult to predict the impact they will have on the group. There are many reasons why we cannot make these assessments with certainty, including, among others, that they are in early stages, no damages or remedies have been specified, and/or the often slow pace of litigation.

### Class action claim – combined mobile and handset services

In November 2023, Justin Gutmann, represented by law firm Charles Lyndon applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages estimated at £1.1bn (inclusive of simple interest) on behalf of customers who purchased combined handset and airtime contracts who are outside their minimum contract terms but who continue to pay the same price as during their minimum contract terms. The claim alleges this approach was an anti-competitive abuse of a dominant position. Similar claims have also been brought against Vodafone, Three and O2 with the total damages claimed £3.285bn (inclusive of simple interest). At the reporting date we are not aware of any evidence to indicate that a present obligation exists such that any amount should be provided for. Class actions must be certified by the Competition Appeal Tribunal at a Collective Proceedings Order (CPO) hearing before proceeding to a substantive trial. A first case management conference to determine next procedural steps is scheduled for 23 May 2024. If the class action is certified the substantive trial will not conclude during FY25. BT intends to defend itself vigorously.

### Italian business

Milan Public Prosecutor prosecutions: In FY20 proceedings were initiated against BT Italia for certain potential offences, namely the charge of having adopted, from 2011 to 2016, an inadequate management and control organisation model for the purposes of Articles 5 and 25 of Legislative Decree 231/2001. BT Italia disputed this and maintained in a defence brief filed in April 2019 that: (a) BT Italia did not gain any interest or benefit from the conduct in question; and (b) in any event, it had a sufficient organisational, management and audit model that was circumvented/overridden by individuals acting in their own self-interest. The trial commenced on 26 January 2021. On 23 April 2021, the Court allowed some parties to be joined to the criminal proceedings as civil parties ('parte civile') – a procedural feature of the Italian criminal law system. These claims were directed at certain individual defendants (which include former BT/ BT Italia employees). Those parties successfully joined BT Italia as a respondent to their civil claims ('responsabile civile') on the basis that it is vicariously responsible for the individuals' wrongdoing.

The first instance phase of the trial has now concluded with the Court handing down its decision on 25 January 2024. The Court convicted certain individuals (including certain former BT Italia employees) for manipulation of BT Italia's financial statements for the financial year ending 31 March 2016 and for fraud against an Italian company, Sed Multitel S.r.l. The Court dismissed all charges that had been brought against BT Italia but ordered that BT Italia indemnify certain individual minority shareholders in the company and Sed Multitel for their losses. The Court has not quantified the indemnification amount, such that the indemnified parties must now seek to recover these amounts from BT Italia by agreement or separate civil proceedings. The quantum of those claims, if they are pursued successfully, is not anticipated to be material.

### Phones 4U

Since 2015 the administrators of Phones 4U Limited have made allegations that EE and other mobile network operators colluded to procure Phones 4U's insolvency. Legal proceedings for an unquantified amount were issued in December 2018 by the administrators. The trial on the question of liability/breach ran from May to July 2022. In November 2023 the High Court dismissed Phones 4U's claim in its

## 17. Provisions & contingent liabilities continued

entirety. Phones 4U has subsequently appealed that judgment to the Court of Appeal and a hearing is expected in May 2025. We continue to dispute these allegations vigorously.

## 18. Retirement benefit plans

### Background to BT Group's pension plans

The group has both Defined Benefit and Defined Contribution retirement benefit plans. The group's main plans are in the UK:

- The BT Pension Scheme (BTPS) is the largest UK Defined Benefit plan sponsored by BT Group, constituting 97% of BT Group's IAS 19 liability. It was closed to future benefit accrual in 2018 for the majority of members, and has 55,000 deferred members and 210,000 pensioners. All BTPS members receive pension benefits at retirement based on salary and years of service; some members also receive a lump sum payment at retirement. Increases for the majority of benefits are linked to either the Retail Price Index (RPI) or the Consumer Price Index (CPI).
- The EE Pension Scheme (EEPS) has a Defined Benefit section that was closed to future benefit accrual in 2014 and a Defined Contribution section which was closed to future accrual in July 2023. The Defined Benefit section constitutes 2% of BT Group's IAS 19 liability.
- The BT Retirement Saving Scheme (BTRSS) is a Defined Contribution, contract-based, plan operated by Standard Life which new UK employees join. There are around 67,000 employees currently contributing to the BTRSS.

The group also has retirement arrangements around the world in line with local markets and culture; the principal ones being in the Netherlands and Germany.

### Types of retirement benefit plans

#### Defined Benefit (DB) plans

DB plan benefits are determined by the plan rules, typically dependent on factors such as years of service and pensionable pay, but not on the value of actual contributions made by the group or members. The group is exposed to investment and other experience risks and may need to make additional contributions where it is estimated that the benefits will not be met from assets held, regular contributions and expected investment income.

The net defined benefit liability, or deficit, is the present value of all expected future benefit cash flows to be paid by each plan, calculated using the projected unit credit method by professionally qualified actuaries (also known as the Defined Benefit Obligation, DBO or liabilities) less the fair value of the plan assets. A net defined benefit asset, or surplus, occurs when the fair value of assets exceeds the liabilities.

#### Defined Contribution (DC) plans

DC plan benefits are linked to the value of each member's fund, which is based on contributions paid and the performance of each individual's chosen investments. The group has no exposure to investment and other experience risks (including longevity).

### Amounts in the financial statements

#### Group income statement

The expense arising from the group's retirement benefit arrangements as recognised in the group income statement is shown below.

| Year ended 31 March | **2024**<br>**£m** | 2023<br>£m |
|---|---|---|
| Recognised in the income statement before specific items (note 6) | | |
| – Service cost: | | |
| – DB plans | 12 | 17 |
| – DC plans | 541 | 537 |
| – Past service cost/(credit) | — | (2) |
| – Administration expenses and PPF levy | 29 | 38 |
| **Subtotal** | **582** | **590** |
| Recognised in the income statement as specific items (note 9) | | |
| – Costs to close BTPS and provide transition payments[a] for affected employees | — | 13 |
| – Interest on pensions deficit | 121 | 18 |
| **Subtotal** | **121** | **31** |
| **Total recognised in the income statement** | **703** | **621** |

a All employees impacted by the closure of the BTPS were eligible for transition payments from the date of closure into their BTRSS pot for a period linked to the employee's age.

#### Group balance sheet

The net defined benefit liability in respect of defined benefit plans reported in the group balance sheet is set out below. Plans in surplus are presented within non-current assets and plans in deficit within non-current liabilities.

## 18. Retirement benefit plans continued

| At 31 March | 2024 Assets £m | 2024 Liabilities £m | 2024 Surplus/ (Deficit)[a] £m | 2023 Assets £m | 2023 Liabilities £m | 2023 Surplus/ (Deficit)[a] £m |
|---|---|---|---|---|---|---|
| **Recognised in non-current liabilities** | | | | | | |
| BTPS | 35,391 | (40,038) | (4,647) | 38,673 | (41,575) | (2,902) |
| Unfunded plans | — | (88) | (88) | — | (92) | (92) |
| Other funded plans | 33 | (180) | (147) | 65 | (210) | (145) |
| **Sub-total** | **35,424** | **(40,306)** | **(4,882)** | **38,738** | **(41,877)** | **(3,139)** |
| **Recognised in non-current assets** | | | | | | |
| EEPS | 769 | (710) | 59 | 749 | (713) | 36 |
| Funded plans[a] | 361 | (350) | 11 | 321 | (305) | 16 |
| **Sub-total** | **1,130** | **(1,060)** | **70** | **1,070** | **(1,018)** | **52** |
| **Total** | **36,554** | **(41,366)** | **(4,812)** | **39,808** | **(42,895)** | **(3,087)** |

a Figures shown net of a £4m adjustment in relation to IFRIC 14. With the exception of some of the group's smaller plans, the group is not required to limit any pension surplus or recognise additional pension liabilities in individual plans as economic benefits are available in the form of either future refunds or reductions to future contributions. For example, a refund of surplus is available following the gradual settlement of the liabilities over time when there are no members remaining in the BTPS or EEPS.

The table below shows the group's defined benefit liability net of tax.

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **Balance sheet position (net of tax)** | | |
| Surplus/(deficit) | (4,812) | (3,087) |
| Deferred tax asset (note 10) | 968 | 618 |
| **Total (net of tax)** | **(3,844)** | **(2,469)** |

## 18. Retirement benefit plans continued

### Movements in defined benefit plan assets and liabilities

The table below shows the movements in the defined benefit plan assets and liabilities and shows where they are reflected in the financial statements.

| | Assets £m | Liabilities £m | Deficit £m |
|---|---|---|---|
| **At 31 March 2022** | **54,937** | **(56,080)** | **(1,143)** |
| Service cost (including administration expenses and PPF levy) | (38) | (17) | (55) |
| Past service credit | — | 2 | 2 |
| Interest on net pension deficit | 1,480 | (1,498) | (18) |
| Included in the group income statement | | | **(71)** |
| Return on plan assets below the amount included in the group income statement | (14,911) | — | (14,911) |
| Actuarial gain arising from changes in financial assumptions | — | 12,279 | 12,279 |
| Actuarial gain arising from changes in demographic assumptions | — | 891 | 891 |
| Actuarial (loss) arising from experience adjustments[a] | — | (1,135) | (1,135) |
| Included in the group statement of comprehensive income | | | **(2,876)** |
| Regular contributions by employer | 22 | — | 22 |
| Deficit contributions by employer | 994 | — | 994 |
| Included in the group cash flow statement | | | **1,016** |
| Contributions by employees | 1 | (1) | — |
| Benefits paid | (2,686) | 2,686 | — |
| Other (e.g. foreign exchange) | 9 | (22) | (13) |
| Other movements | | | **(13)** |
| **At 31 March 2023** | **39,808** | **(42,895)** | **(3,087)** |
| Service cost (including administration expenses and PPF levy) | (29) | (12) | (41) |
| Past service credit | — | — | — |
| Interest on net pension deficit | 1,886 | (2,007) | (121) |
| Included in the group income statement | | | **(162)** |
| Return on plan assets below the amount included in the group income statement | (3,140) | — | (3,140) |
| Actuarial gain arising from changes in financial assumptions | — | 563 | 563 |
| Actuarial gain arising from changes in demographic assumptions | — | 652 | 652 |
| Actuarial (loss) arising from experience adjustments[a] | — | (519) | (519) |
| Included in the group statement of comprehensive income | | | **(2,444)** |
| Regular contributions by employer | 55 | — | 55 |
| Deficit contributions by employer | 823 | — | 823 |
| Included in the group cash flow statement | | | **878** |
| Contributions by employees | — | — | — |
| Benefits paid | (2,840) | 2,840 | — |
| Other (e.g. foreign exchange) | (9) | 12 | 3 |
| Other movements | | | **3** |
| **At 31 March 2024** | **36,554** | **(41,366)** | **(4,812)** |

a Primarily reflects the impact on the liabilities of actual inflation being higher than assumed at the prior reporting date, which has been broadly offset by increases to inflation-linked assets from higher inflation.

### How is the BTPS governed and managed?

BT Pension Scheme Trustees Limited (the Trustee) has been appointed by BT Group as an independent trustee to administer and manage the BTPS on behalf of the members in accordance with the terms of the BTPS Trust Deed and Rules and relevant legislation (principally the Pensions Acts of 1993, 1995, 2004 and 2021). The Trustee's key powers include setting the investment strategy of BTPS (after consultation with BT Group) and agreeing with BT Group the actuarial assumptions to be used when assessing the BTPS funding position and the resulting contributions that will be paid.

There are nine Trustee directors, all of whom are appointed by BT Group, as illustrated below. Trustee directors are usually appointed for a three-year term but are then eligible for re-appointment.

**Chair of the Trustee directors**

Appointed by BT after consultation with, and with the agreement of, the relevant trade unions.

**Member nominated Trustee directors**

Appointed by BT based on nominations by trade unions.

**Employer nominated Trustee directors**

Appointed by BT. Two normally hold senior positions within the group and two normally hold (or have held) senior positions in commerce or industry.

## 18. Retirement benefit plans continued

### BTPS IAS 19 assets

### Critical accounting estimates and significant judgements made when valuing the BTPS assets

Under IAS 19, plan assets are measured at fair value at the balance sheet date and include quoted and unquoted investments.

**Valuation of main quoted investments**

- Equities listed on recognised stock exchanges are valued at closing bid prices.
- Bonds that are regularly traded are valued using broker quotes, based on sale/bid prices.
- Exchange traded derivative contracts are valued based on closing bid prices.

**Valuation of main unquoted investments**

A portion of unquoted investments are valued based on inputs that are not directly observable, which require more judgement. The assumptions used in valuing unquoted investments are affected by market conditions.

- Equities are valued using the International Private Equity and Venture Capital (IPEVC) guidelines where the most significant assumptions are the discount rate and earnings assumptions.
- Property investments are valued on the basis of open market value by an independent valuer using RICS guidelines. The significant assumptions used in the valuation are rental yields and occupancy rates.
- Bonds, including those issued by BT Group, that are not regularly traded are valued by an independent valuer using pricing models making assumptions for credit risk, market risk and market yield curves.
- Holdings in investment funds are typically valued at the Net Asset Value provided by the fund administrator or investment manager. The significant assumption used in the valuation is the Net Asset Value.
- Infrastructure investments are valued by an independent valuer using a model-based valuation such as a discounted cash flow approach, or at the price of recent market transactions if they represent fair value. Where a discounted cash flow model is used, the significant assumptions used in the valuation are the discount rate and the expected cash flows.
- Over the counter derivatives are valued by an independent valuer using cash flows discounted at market rates. The significant assumptions used in the valuation are the yield curves and cost of carry.
- The BTPS entered into a longevity insurance contract in 2014, and a second in August 2023. The two longevity insurance contracts are valued by discounting the fixed cash flows payable by the BTPS and the floating cash flows payable by the insurers under the contracts (projected by an actuary, consistent with the terms of the contracts). The significant assumptions used to value the assets are the discount rate (set as a margin above a risk-free rate to reflect credit and liquidity risk) and the mortality assumptions.

£5.7bn of unquoted investments that are formally valued periodically by the investment manager have a latest valuation that precedes the balance sheet date. These assets consist of: £2.4bn non-core credit; £1.0bn mature infrastructure; £1.2bn private equity; £0.9bn secure income assets; and £0.2bn property. These valuations have been adjusted for cash movements between the previous valuation date and 31 March 2024. The valuation approach and inputs for these investments would only be approximately updated where there were indications of significant movements, for example implied by public market indicators. No such adjustment was required at 31 March 2024.

**Asset-Backed Funding (ABF) arrangement**

The ABF arrangement, issued to the BTPS in May 2021, has a fair value of £1.2bn at 31 March 2024 (FY23: £1.3bn) calculated as the present value of the future stream of payments, allowing for the probability of the BTPS becoming fully funded and therefore the payments to the BTPS ending early. It is not recognised as a pension asset when measuring the group's IAS 19 net defined benefit liability as it is a non-transferable financial instrument issued by the group.

### How are the BTPS assets invested?

The Trustee regularly reviews the allocation of assets between different investment classes, taking into account current market conditions and trends. The allocations reflect the Trustee's views on a range of areas, including: i) the balance between seeking returns and incurring risk; ii) the extent to which the assets should be allocated to match movements in the liabilities due to changes in interest rates, inflation and/or longevity (i.e. liability-driven investments, or LDI); iii) the extent to which the assets should provide cash flows to meet expected payments to beneficiaries; and iv) liquidity needed to meet benefit payments and collateral requirements for derivatives contracts.

Financial derivatives (e.g. swaps) are used to reduce the mismatch between movements in the liabilities and the assets from changes in interest rates, inflation, longevity, and exchange rates. This provides greater stability in the funding position, and therefore the deficit contributions that may be required from BT Group. The sensitivity chart on page 84 shows how the use of some of these derivatives adjusts outcomes for the BTPS. While the use of derivatives reduces funding risk, it increases the BTPS's liquidity requirements which is factored into the overall investment strategy. Following the impact of the September 2022 mini-budget on derivatives, the Bank of England and the Pensions Regulator issued guidance on the minimum level of collateral pension schemes should hold. At 31 March 2024 (and 31 March 2023), the BTPS held more collateral than these minimum levels.

The table below analyses the fair value of the BTPS assets by asset category, subdivided by valuations based on a quoted market price in an active market, and those that are not (such as investment funds).

## 18. Retirement benefit plans continued

| At 31 March | | 2024 Total assets[a] £bn | 2024 of which quoted £bn | 2023 Total assets[a] £bn | 2023 of which quoted £bn |
|---|---|---|---|---|---|
| **Growth** | | | | | |
| Equities | UK | 0.1 | — | 0.1 | — |
| | Overseas Developed | 2.3 | 1.1 | 1.7 | 0.6 |
| | Emerging Markets | — | — | — | — |
| Private Equity | | 1.3 | — | 1.1 | — |
| Property | UK | 2.3 | — | 2.6 | — |
| | Overseas | 0.6 | — | 0.8 | — |
| Other growth assets | Absolute Return[b] | 1.2 | — | 0.9 | — |
| | Non-Core Credit[c] | 4.2 | 0.4 | 4.2 | 0.4 |
| | Mature Infrastructure | 1.0 | — | 1.2 | — |
| **Liability matching** | | | | | |
| Government bonds[d] | UK | 14.6 | 14.5 | 13.2 | 13.1 |
| Investment grade credit | Global | 10.3 | 7.7 | 10.4 | 8.2 |
| Secure income assets[e] | | 4.0 | — | 3.7 | — |
| **Cash, derivatives and other** | | | | | |
| Cash balances | | 0.8 | — | 3.0 | — |
| Financial derivative contracts | | (4.9) | — | (4.2) | — |
| Longevity insurance contract[f] | | (0.9) | — | (0.8) | — |
| Other[g] | | (1.5) | — | 0.8 | — |
| **Total[h]** | | **35.4** | **23.7** | **38.7** | **22.3** |

a At 31 March 2024, the BTPS held nil (FY23: nil) equity issued by the group and £1.7bn (FY23: £1.6bn) of bonds issued by the group.
b This allocation seeks to generate a positive return in all market conditions.
c This allocation includes a range of credit investments, including emerging market, sub-investment grade and unrated credit. The allocation seeks to exploit investment opportunities within credit markets using the expertise of a range of specialist investment managers.
d Around 77% (FY23: 72%) of these are index-linked gilts with the remainder in conventional gilts.
e This allocation consists of assets which aim to provide the BTPS with contractual bond-like income, often inflation-protected. The assets include property, infrastructure and investment-grade private credit.
f The value reflects experience to date on the contract from higher than expected deaths; this has partly offset a corresponding reduction in BTPS's liabilities over the same period.
g Other balances comprise net amounts receivable/(payable) by the BTPS, including balances due to investment counterparties relating to repurchase agreements.
h Of which held in the co-investment vehicle: £0.1bn (FY23: <£1m).

### BTPS IAS 19 Liabilities

#### Critical accounting estimates and significant judgements made when valuing our pension liabilities

The measurement of the service cost and the liabilities involves judgement about uncertain events including the life expectancy of members, price inflation and the discount rate used to calculate the net present value of the future pension payments. We use estimates for all of these uncertain events. Our assumptions reflect historical experience, market expectations (where relevant), actuarial advice and our judgement regarding future expectations at the balance sheet date. While assumptions are made for these events, actual benefit payments in a given year may be higher or lower than the assumption, for example if members retire sooner or later than assumed. The liabilities are the present value of the future expected benefit payments.

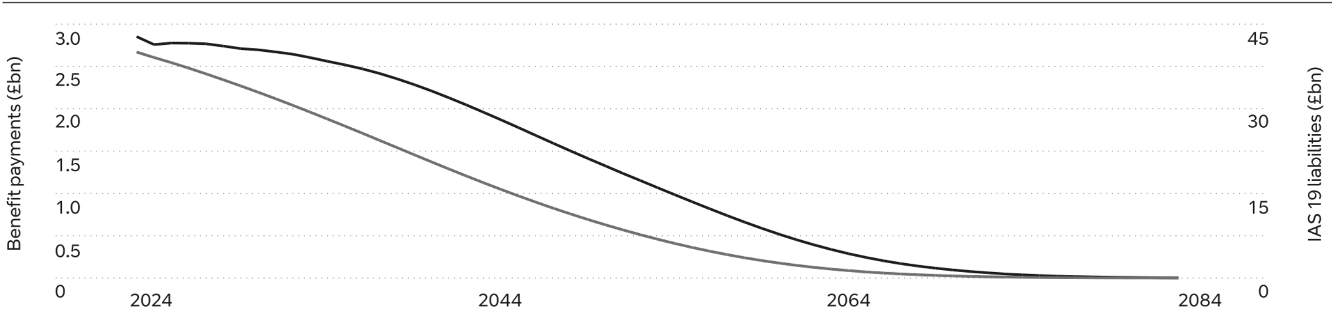
#### What are the forecast benefits payable from the BTPS?

There are c.265,000 members, and their dependants, who will be receiving benefits from the BTPS for the remainder of their lives. Members currently receiving pension benefits make up around 73% of the liabilities and 79% of the membership by number.

## 18. Retirement benefit plans continued

The chart below illustrates how the forecast benefits payable from the BTPS, and IAS 19 liabilities, projected using the IAS 19 assumptions evolve over time.

**Forecast benefits payable by BTPS at 31 March 2024 (unaudited)**




Forecast benefit payments (left axis)
IAS 19 Defined Benefit Obligations (right axis)

The estimated duration of the BTPS liabilities, which is an indicator of the weighted average term of the discounted future payments, is 11 years (FY23: 12 years) using the IAS 19 assumptions. The duration is sensitive to the assumptions and has reduced mainly due to the increase in bond yields, and therefore discount rate, over the year.

### What are the most significant assumptions, and how have they been set?

The most significant financial assumptions used to calculate the IAS 19 liabilities for the BTPS are the discount rate and inflation. The most significant demographic assumption used is how life expectancy will evolve over time which is illustrated as forecast life expectancies in the table below.

| At 31 March | **2024** | 2023 |
|---|---|---|
| Discount rate | 4.90% | 4.85% |
| Inflation – RPI | 3.25% | 3.35% |
| Inflation – CPI | 2.80% | 2.85% |
| Life expectancy – male aged 60 in lower pension bracket | 24.9 years | 24.7 years |
| Life expectancy – male aged 60 in higher pension bracket | 26.7 years | 26.9 years |
| Life expectancy – female aged 60 | 27.4 years | 27.5 years |
| Average additional life expectancy for a male member retiring at age 60 in 10 years' time | 0.4 years | 0.4 years |

While the financial assumptions are typically scheme-specific, the average financial assumptions weighted by liabilities across all schemes are within 0.05% of the figures shown in the table above.

The table below summarises how these assumptions have been set, including key changes over the year.

| | **Detail** |
|---|---|
| ***Discount rate*** | The discount rate assumption is calculated by applying the projected BTPS benefit cash flows to a corporate bond yield curve constructed by our external actuary based on the yield on AA-rated £-denominated corporate bonds at the balance sheet date. In setting the yield curve, judgement is required on the selection of appropriate bonds to be included in the universe and the approach used to then derive the yield curve.<br>The increase in the discount rate over the year reflects changes in the market yield of corporate bonds. |
| ***RPI and CPI inflation*** | RPI inflation expectations are calculated by applying the projected BTPS benefit cash flows to an inflation curve derived from market yields on UK government bonds, and making a deduction for an inflation risk premium (to reflect the extra premium paid by investors for inflation linked assets) of 0.2% pa before 2030 and 0.3% pa thereafter.<br>CPI inflation expectations are set with reference to the RPI inflation assumption taking into account market data and independent estimates of the expected difference. Before 2030, CPI inflation is assumed to be 1.0% lower than RPI inflation (FY23: 1.0%). RPI will be aligned with CPIH from 2030, and we assume a nil gap between CPI and CPIH inflation as historically these measures have been broadly comparable. |
| ***Pension increases*** | Under the BTPS rules, benefit increases prior to retirement are primarily linked to CPI capped at 5%, and the majority of benefits increase after retirement linked to either CPI for Sections A and B or RPI with a 5% cap for Section C. Benefits are assumed to increase in line with the RPI or CPI inflation assumptions. |
| ***Longevity*** | The longevity assumption takes into account:<br>– the actual mortality experience of the BTPS pensioners, based on a formal review carried out for the 2023 triennial funding valuation; and<br>– future improvements in longevity based on the CMI's 2022 Mortality Projections model published by the UK actuarial profession.<br>There is significant uncertainty for future life expectancy assumptions following the Covid-19 pandemic. We continue to assume that following the pandemic there is a short-term increase in deaths compared to the assumptions adopted prior to the pandemic and we have fully allowed for population mortality data from 2022, but not data from 2020 and 2021. Allowing for the published 2022 CMI model has reduced the BTPS liabilities by £0.4bn.<br>We continue to assume mortality will improve in the long-term by 1% per year. |

## 18. Retirement benefit plans continued

### Risks to BT Group arising from the BTPS

#### Background

A large increase in our pension scheme obligations could lead to an increased deficit, resulting in additional contributions being required, potentially impacting our business plans. Changes in factors, such as bond yields, life expectancy or inflation can have an impact on the IAS 19 and funding assumptions, impacting the measurement of BTPS liabilities. These factors can also impact the BTPS assets. A summary of changes and potential impacts is set out in the table below.

| Change in | Impact |
|---|---|
| *Government bond yields* | A fall in government bond yields will:<br>– increase the IAS 19 liabilities, driven by the fall in the discount rate; and<br>– increase the assets, driven by an increase in the value of government bonds, corporate bonds and interest rate derivatives held by the BTPS. |
| *Credit spreads* | A fall in credit spreads will lead to a fall in corporate bond yields, and therefore an increase in the IAS 19 liabilities and a corresponding but smaller increase in both asset values and funding liabilities. |
| *Inflation expectations* | A significant proportion of the benefits paid to members are currently increased in line with RPI or CPI inflation. The risk of high inflation is limited by caps on some of the inflationary increases under the BTPS rules e.g. benefit increases prior to retirement are primarily linked to CPI capped at 5%, and for Section C members benefits primarily increase after retirement in line with RPI with a 5% cap.<br>**Changes in average inflation expectations over the lifetime of the plan**<br>An increase in average inflation expectations will:<br>– increase the IAS 19 liabilities; and<br>– increase the value of index-linked bonds, other inflation linked assets and inflation derivatives held by the BTPS.<br>**Changes in inflation over the next year**<br>If inflation over the next year is lower or higher than assumed, it would lead to a fall or increase in the IAS 19 liabilities. We estimate the change in asset values will broadly offset the movement in both the IAS 19 liabilities and funding liabilities. If inflation is higher than the caps that apply to benefits, the assets will increase by more than the liabilities. Similarly, in a deflationary environment, the asset values are expected to fall by more than the IAS 19 liabilities and funding liabilities since the payments on index-linked gilts would be reduced but pensions paid by the BTPS would not necessarily fall to fully offset the fall in asset values.<br>**Hedging CPI benefits**<br>The BTPS primarily holds RPI inflation-linked assets and derivatives to hedge inflation-linked benefits. Around two-thirds of the inflation-linked benefits increase with reference to CPI. A 0.25% a year increase in CPI inflation expectations before 2030 (with no corresponding change in RPI inflation expectations) would increase the IAS 19 deficit by around £0.3bn as at 31 March 2024. |
| *Growth assets* | A significant proportion of the BTPS assets are invested in growth assets, such as equities and property. The BTPS has temporary hedges in place to partly offset the impact of a fall in equity markets, and adopts a diverse portfolio. A fall in these growth assets will increase the IAS 19 and funding deficit. |
| *Life expectancy* | An increase in the life expectancy of members will result in benefits being paid out for longer, leading to an increase in the IAS 19 liabilities and funding liabilities.<br>The BTPS holds two longevity insurance contracts which covers around 32% of the BTPS's total exposure to improvements in longevity, providing long-term protection and income to the BTPS in the event that members live longer than currently expected. |

Other risks include: changes in legislation or regulation which impact the value of the liabilities or assets; and member take-up of options before and at retirement to reshape their benefits. The scale of the BTPS means that investment changes and any future de-risking actions need to be planned and executed carefully, potentially over an extended timeframe or multiple transactions.

#### Scenario analysis

The potential negative impact of these risks is illustrated by the following five scenarios. These have been assessed by BT Group's independent actuary as scenarios that might occur no more than once in every 20 years. The scenarios have been updated to reflect market experience over the last year.

| | 1-in-20 events | |
|---|---|---|
| Scenario | **2024** | 2023 |
| 1. Fall in bond yields[a] | 1.2% | 1.2% |
| 2. Increase in credit spreads[b] | 0.9% | 0.9% |
| 3. Increase to average inflation expectations over the lifetime of the plan[c] | 1.1% | 1.1% |
| 4. Fall in growth assets[d] | 15.0% | 20.0% |
| 5. Increase to life expectancy | 1.2 years | 1.3 years |

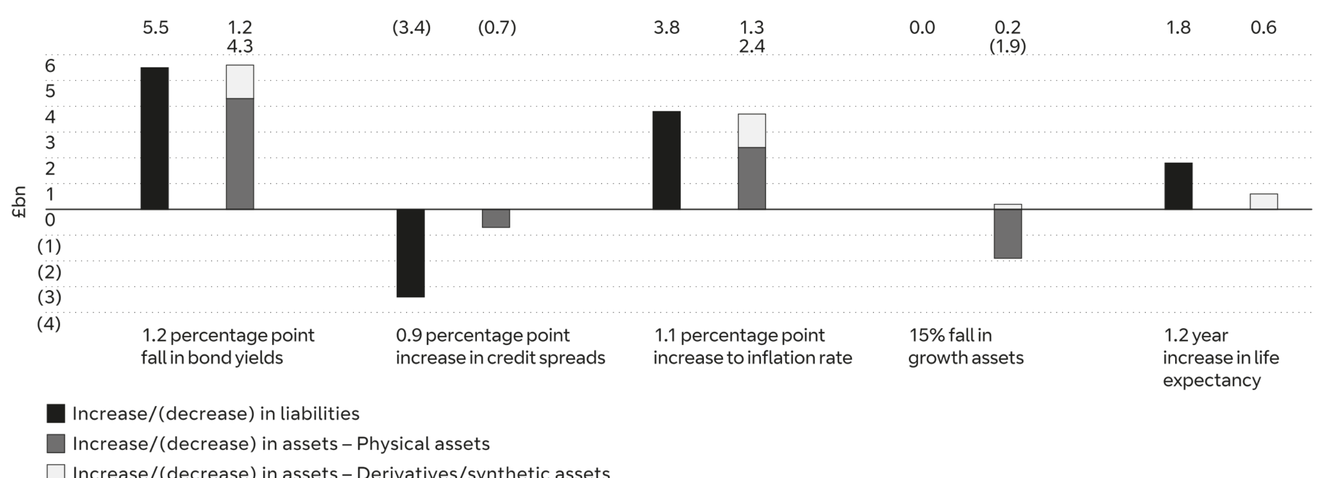
**a** Scenario assumes a fall in the yields on both government and corporate bonds.
**b** Scenario assumes an increase in the yield on corporate bonds, with no change to yield on government bonds.
**c** Scenario assumes average RPI and CPI inflation expectations over the lifetime of the plan increase by the same amount.
**d** Impact includes the dampening effect of temporary equity hedges held by the BTPS. Scenario considers combinations of changes to the key inputs used to value the growth assets, leading to a 15% (FY23: 20%) fall in the aggregate value of the growth assets prior to temporary hedges held by the BTPS.

The impact shown under each scenario looks at each event in isolation and reflects the liabilities, assets and investment strategy at 31 March 2024. In practice a combination of events could arise, and the effects are not additive nor are they linear (e.g. doubling the change in bond yields assumed will not double the impact). The asset allocation is not fixed and changes over the year may impact the sensitivities shown.

## 18. Retirement benefit plans continued

### Impact of illustrative scenarios which might occur no more than once in every 20 years

Scenario analysis – IAS 19 position at 31 March 2024




The sensitivities have been prepared using the same approach as FY23 which involves calculating the liabilities and assets allowing for the change in market conditions assumed under the scenario as if they had occurred at the reporting date. The change in impact from FY23 is due to a combination of: changes in the scenarios, changes in asset and liability values over the year, and changes in the scheme's investment strategy in line with the agreed de-risking plan.

### BTPS funding

#### Triennial funding valuation

A funding valuation is carried out for the Trustee by a professionally qualified independent actuary at least every three years. The funding valuation assesses the on-going financial health of the BTPS. If there are insufficient assets to meet the estimated future benefit payments to members (i.e. a funding deficit), BT Group and the Trustee agree the amount and timing of additional cash contributions. It is prepared using the principles set out in UK pension legislation, such as the 2004 and 2021 Pensions Acts, and uses a prudent approach overall when setting the actuarial assumptions. Some of the key differences compared to the IAS 19 deficit are set out in the table below.

| | IAS 19 | Funding |
|---|---|---|
| Purpose | Balance sheet in BT Group accounts | Assessing the on-going financial health and setting cash payments |
| Regulation | IFRS | UK pensions legislation |
| Frequency | Semi-annually | At least every three years |
| **Key assumptions** | | |
| Determined by | BT Group | BT Group and BTPS agreement |
| Discount rate | Yield curve based on AA corporate bonds | Yield curve reflecting prudent return expected from BTPS assets |
| Other assumptions | Best estimate | Prudent overall approach |
| Assets | BT Group accounts excludes ABF value | Includes ABF value |

The different purpose and principles lead to different assumptions being used, and therefore a different estimate for the liabilities and deficit.

The latest funding valuation was performed as at 30 June 2023. The next funding valuation will have an effective date of no later than 30 June 2026.

The results of the two most recent triennial valuations are shown below.

| | 30 June 2023 £bn | 30 June 2020 £bn |
|---|---|---|
| Funding liabilities | (40.9) | (65.3) |
| Assets | 37.2 | 57.3 |
| **BTPS Funding deficit** | **(3.7)** | **(8.0)** |
| Percentage of accrued benefits covered by the BTPS assets at valuation date | 91% | 88% |
| **Key assumptions at valuation date:** | | |
| Discount rate[a] | 5.3% | 1.4% |
| Inflation – RPI | 3.6% | 3.2% |
| Inflation – CPI | 3.2% | 2.4% |
| Life expectancy – male aged 60 in lower pension bracket | 25.5 years | 25.8 years |
| Life expectancy – male aged 60 in higher pension bracket | 27.2 years | 28.0 years |
| Life expectancy – female aged 60 | 28.0 years | 28.5 years |
| Average additional life expectancy for a male member retiring at age 60 in 10 years' time | 0.8 years | 0.9 years |

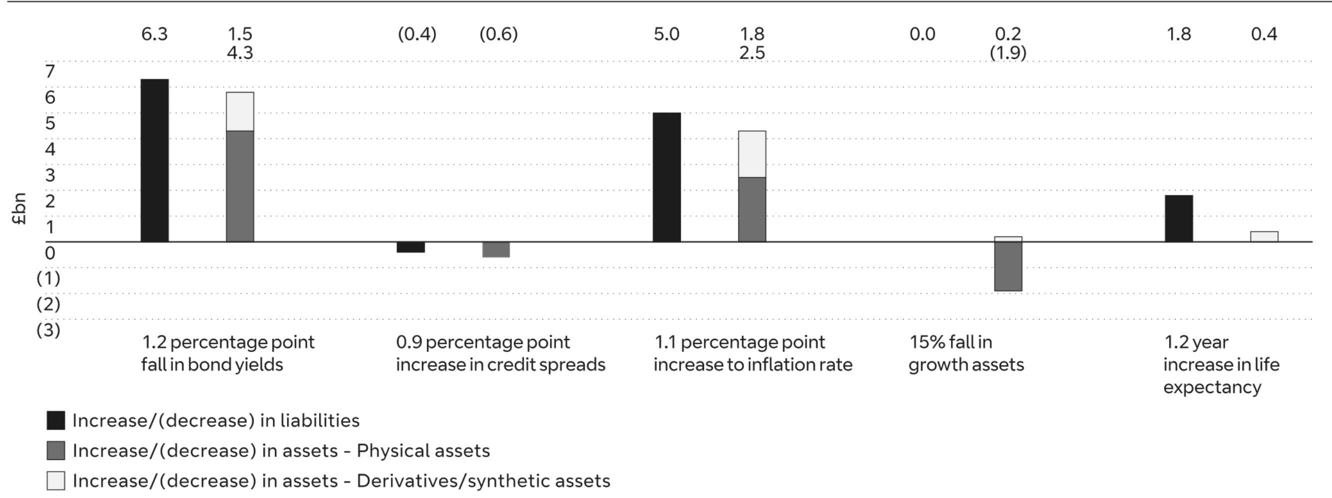
a The discount rate has been derived from prudent return expectations that reflect the investment strategy over time, allowing for the BTPS to de-risk to a portfolio consisting predominantly of bond and bond-like investments by 2034.

## 18. Retirement benefit plans continued

### Scenario analysis of the funding position (unaudited)

The impact of changes in market conditions on the funding liabilities differs to the impact on the IAS 19 liabilities due to the size of the liabilities and how the assumptions are set. For example, the funding liabilities use a discount rate linked to a risk-free rate plus a margin based on the BTPS's investment strategy, whereas the IAS 19 liabilities use a discount rate based on corporate bond yields. The chart below illustrates the approximate impact of the scenarios set on page 82 on the 30 June 2023 funding position.

**Scenario analysis – Funding position at 30 June 2023**




The figures shown in the table apply to the BTPS assets and funding liabilities as at 30 June 2023; an increase in the assets or funding liabilities will increase the impact of the scenarios shown.

### Deficit payments from the Group

In November 2023, the 2023 triennial funding valuation was finalised, agreed with the Trustee, and certified by the Scheme Actuary. The funding deficit at 30 June 2023 was £3.7bn, down from £8.0bn at the 2020 funding valuation following £4.4bn of deficit contributions.

Annual contribution amounts remain unchanged, at £600m in each financial year until 31 March 2030, a final payment of £490m before 30 April 2030, and the £180m pa payments due under the ABF arrangement agreed at the 2020 valuation.

No payments are currently payable under the future funding commitment (see page 85).

These payments are summarised in the table below.

| Year to 31 March (£m) | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|
| Payments from BT plc[a] | 600[b] | 600[b] | 600[b] | 600[b] | 600[b] | 600[b] | 490 | — | — | — |
| Future funding commitment payments | — | — | — | — | — | — | — | — | — | — |
| Payments from ABF | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 |
| **Total** | **780** | **780** | **780** | **780** | **780** | **780** | **670** | **180** | **180** | **180** |

a Payments are due by 30 April each year.
b £10m is directly payable to the BTPS, and BT Group currently intends to pay the balance into the co-investment vehicle.

### ABF

Under the ABF, £180m pa is paid into the BTPS until June 2033, secured on EE Limited. If the BTPS reaches full funding as calculated by the Scheme Actuary at any 30 June, the ABF payments to the BTPS will cease. BT Group received tax relief at inception of the ABF based on the original market value of £1.7bn, and will receive further tax-relief if payments are made to the BTPS in excess of this amount.

Assuming they are all paid, future payments from the ABF have a present value of £1.3bn at 31 March 2024 (FY23: £1.4bn). The fair value of the ABF is £1.2bn at 31 March 2024 (FY23: £1.3bn) which allows for the probability of the BTPS becoming fully funded, and the payments to the BTPS ending early.

The fair value of the ABF is included in the assets of the BTPS when assessing the funding deficit. Payments from the ABF to the BTPS are treated in the same way as coupon payments from bonds, and do not affect the funding deficit when they are paid.

The fair value of the ABF is not included in the assets of the BTPS when assessing the IAS 19 deficit in the group consolidated accounts, as it is a non-transferable asset issued by the group. Payments from the ABF to the BTPS are treated as deficit contributions, and reduce the IAS 19 deficit, when they are paid.

### Co-investment vehicle

A co-investment vehicle was set up in 2021 which provides BT Group with some protection against the risk of overfunding and therefore enables BT Group to provide upfront funding with greater confidence. BT Group is eligible for future refunds if some or all of the co-investment vehicle funds are surplus to the BTPS's requirements, unless the BTPS, acting prudently but reasonably, decides to defer or reduce these payments. Assessments will be carried out over a series of dates between June 2032 and June 2041.

Payments made by BT Group into the co-investment vehicle will be invested as if part of the overall BTPS investment strategy. BT Group will receive tax relief in respect of any funds paid to the BTPS from the vehicle but does not receive tax relief when payments are made to the co-investment vehicle.

The fair value of assets in the co-investment vehicle, £0.1bn at 31 March 2024 (FY23: <£1m), is included in the assets of the BTPS when assessing both the IAS 19 and funding deficits.

## 18. Retirement benefit plans continued

### Protections for BTPS (going concern)

BT Group has agreed to provide the Trustee with certain protections to 2035.

| Feature | Detail |
|---|---|
| *Future funding commitment* | BT Group will provide additional contributions, of between £150m pa and £300m pa, should the funding deficit fall behind plan by more than an agreed threshold at any two consecutive reviews. The reviews will be carried out every June and December and until the 2026 valuation the threshold is £1bn.<br>Payments are due within 12 months of the payments being switched on. Payments will stop once the semi-annual assessment shows the funding deficit is back on plan, i.e. outstanding deficit contributions are sufficient to address the funding deficit.<br>At the 31 December 2023 assessment date, the funding position was within the above limit. The next test will be carried out as at 30 June 2024. |
| *Shareholder distributions* | BT Group will provide additional payments to the BTPS by the amount that shareholder distributions exceed a threshold. For the three years following the 2023 valuation, the threshold allows for 10% per year dividend per share growth based on dividends of 7.7p per share in FY23, adjusted to reflect the interim dividend declared at our half-year results.<br>BT Group has agreed to implement a similar protection at each subsequent valuation, with the terms to be negotiated at the time.<br>BT Group will consult with the Trustee if:<br>– it considers share buybacks for any purpose other than relating to employee share awards;<br>– it considers making any shareholder distributions in any of the next three years if annual normalised free cash flow of the group is below £1bn in the year and distributions within the year would be in excess of 120% of the above threshold; or<br>– it considers making a special dividend. |
| *Material corporate events* | In the event that BT Group generates net cash proceeds greater than a threshold from disposals (net of acquisitions) in any financial year, BT Group will make additional contributions to the BTPS. The threshold is £750m pa to 30 June 2026.<br>The amount payable is one-third of the total net cash proceeds.<br>BT Group will consult with the Trustee if:<br>– it considers making acquisitions with a total cost of more than £1.0bn in any 12-month period;<br>– it considers making any disposal of more than £1.0bn;<br>– it considers making a Class 1 transaction which will have a material impact on the BTPS (acquisition or disposal);<br>– it is likely to be subject to a takeover offer; or<br>– there are any other corporate or third-party events which may have a materially detrimental impact on BT Group's covenant to the BTPS (in which case BT Group will use its best endeavours to agree appropriate mitigation).<br>This obligation is on-going until otherwise terminated. |
| *Negative pledge* | A negative pledge that future creditors will not be granted superior security to the BTPS in excess of £0.5bn, to cover any member of the BT Group. Business as usual financing arrangements are not included within the £0.5bn. |

No additional contributions were triggered during FY24.

### Protections for BTPS (insolvency)

The Scheme Actuary assumes that in the highly unlikely event that BT Group were to become insolvent, the Trustee would continue to run the Scheme with a low-risk, closely-matched investment strategy including additional margins for risk. On this basis and assuming no further contribution from BT Group, it was estimated that at 30 June 2023 the assets of the Scheme would have met around 80% of the liabilities.

Were this to occur, BTPS members would benefit from the following additional protections.

| Feature | Detail |
|---|---|
| *Crown Guarantee* | The Crown Guarantee was granted by the Government when BT was privatised in 1984; it would only come into effect upon the insolvency of BT plc. In July 2014, the courts established that:<br>– the Crown Guarantee covers BT plc's funding obligation in relation to the benefits of members of the BTPS who joined post-privatisation as well as those who joined pre-privatisation (subject to certain exceptions); and<br>– the funding obligation to which the Crown Guarantee relates is measured with reference to BT plc's obligation to pay deficit contributions under the rules of the BTPS.<br>The Crown Guarantee is not taken into account for the purposes of the actuarial valuation of the BTPS and is an entirely separate matter, only being relevant in the highly unlikely event that BT plc becomes insolvent. |
| *Pension Protection Fund (PPF)* | Further protection is also provided by the PPF which is the fund responsible for paying compensation in respect of schemes where the employer becomes insolvent. |

### EEPS funding valuation

The most recent triennial valuation of the defined benefit section was performed as at 31 December 2021 and agreed in March 2023. This showed a funding deficit of £218m. The group is scheduled to contribute £1.7m each month until 31 July 2025 and a final payment of up to £80m by 31 March 2026. £31.7m (FY23: £13.3m) of deficit contributions were paid by the group to the EEPS during the year.

At the triennial valuation date, the EEPS had a diversified investment strategy, investing scheme assets in: global equities (25%), property & illiquid alternatives (20%), an absolute return portfolio (24%) and a liability-driven investment portfolio (31%).

## 19. Share-based payments

### Material accounting policies that apply to share-based payments

BT Group plc operates a number of equity-settled share-based payment arrangements, under which the group receives services from employees in consideration for equity instruments (share options and shares) in BT Group plc. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is recognised as an expense on a straight-line basis over the vesting period, based on the group's estimate of the options or shares that will eventually vest. Fair value of share option schemes is measured using a Binomial options pricing model.

Service conditions are vesting conditions. Any other conditions are non-vesting conditions which are taken into account to determine the fair value of equity instruments granted. When an award or option does not vest as a result of a failure to meet a non-vesting condition that is within the control of either counterparty, it is accounted for as a cancellation. Cancellations are treated as accelerated vesting and all remaining future charges are immediately recognised in the income statement. As the requirement to save under an employee saveshare arrangement is a non-vesting condition, employee cancellations, other than through a termination of service, are treated as an accelerated vesting.

No adjustment is made to total equity for awards that lapse or are forfeited after the vesting date.

| Year ended 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| Employee saveshare plans | 13 | 21 |
| Yourshare | 13 | 12 |
| Executive share plans: | | |
| Deferred Bonus Plan (DBP) | 8 | 10 |
| Retention and Restricted Share Plans (RSP) | 34 | 34 |
| | **68** | **77** |

### What share incentive arrangements do we have?

Our plans include savings-related share option plans for employees and those of participating subsidiaries and several share plans for executives. All share-based payment plans are equity-settled. Details of these plans are set out below.

#### Employee Saveshare Plans

Under HMRC-approved savings-related share option plans, employees save on a monthly basis, over a three- or five-year period, towards the purchase of shares at a fixed price determined when the option is granted. This price is set at a 20% discount to the market price for five-year plans and 10% for three-year plans. The options must be exercised within six months of maturity of the savings contract, otherwise they lapse. Similar plans operate for our overseas employees. The scheme did not operate in FY24 or FY23.

#### Yourshare

In FY21 and FY22, all eligible employees of the group were awarded £500 of BT shares. The shares are held in trust for a three-year vesting period after which they will be transferred to employees, providing they have been continuously employed during that time. A similar plan operated for overseas employees. Under the terms of Yourshare and the executive share plans, dividends are reinvested in shares that are added to the relevant share awards, unless the employee has elected to receive dividends in cash.

#### Deferred Bonus Plan (DBP)

Awards are granted annually to selected senior employees where part of their bonus is awarded in shares in the group. These shares vest after three years.

#### Retention and Restricted Share Plans (RSP)

Awards are granted to selected employees. Shares in the group are transferred to participants at the end of a specified retention or restricted period if they continue to be employed by the group throughout that period.

#### Incentive Share Plan (ISP)

Under this scheme, certain employees were awarded shares if the group met performance measures linked to total shareholder return, normalised free cash flow and revenue growth over a three year period. The last ISP was granted in 2019 and vested in 2022.

### Employee Saveshare Plans

Movements in Employee Saveshare options are shown below.

| | Number of share options | | Weighted average exercise price | |
|---|---|---|---|---|
| Year ended 31 March | **2024 millions** | 2023 millions | **2024 pence** | 2023 pence |
| **Outstanding at 1 April** | **269** | **342** | **102** | **102** |
| Granted | — | — | — | — |
| Forfeited | (23) | (42) | 118 | 130 |
| Exercised | (64) | (5) | 89 | 96 |
| Expired | (26) | (26) | 151 | 208 |
| **Outstanding at 31 March** | **156** | **269** | **103** | **102** |
| **Exercisable at 31 March** | **—** | **—** | **—** | **—** |

The weighted average share price for all options exercised during FY24 was 118p (FY23: 153p).

## 19. Share-based payments continued

The following table summarises information relating to options outstanding and exercisable under Employee Saveshare plans at 31 March 2024.

| Normal dates of vesting and exercise (based on calendar years) | Exercise price per share | Weighted average exercise price | Number of outstanding options millions | Weighted average remaining contractual life (months) |
|---|---|---|---|---|
| 2024 | 164p | 164p | 27 | 10 |
| 2025 | 82p | 82p | 129 | 22 |
| Total | | **96p** | **156** | **20** |

### Executive share plans

Movements in executive share plan awards are shown below:

| | Number of shares (millions) | | | |
|---|---|---|---|---|
| | ISP | DBP | RSP | Total |
| **At 1 April 2022** | **27** | **19** | **53** | **99** |
| Awards granted | — | 5 | 27 | 32 |
| Awards vested | (4) | (5) | (4) | (13) |
| Awards lapsed | (23) | (1) | (7) | (31) |
| Dividend shares reinvested | — | 2 | 4 | 6 |
| **At 31 March 2023** | **—** | **20** | **73** | **93** |
| Awards granted | — | 5 | 41 | 46 |
| Awards vested | — | (8) | (26) | (34) |
| Awards lapsed | — | (1) | (8) | (9) |
| Dividend shares reinvested | — | 1 | 6 | 7 |
| **At 31 March 2024** | **—** | **17** | **86** | **103** |

### Fair values

There were no grants under Employee Saveshare or the ISP in FY24 or FY23.

Volatility has been determined by reference to BT's historical volatility which is expected to reflect the BT Group plc share price in the future. An expected life of six months after vesting date is assumed for Employee Saveshare options. The risk-free interest rate is based on the UK gilt curve in effect at the time of the grant, for the expected life of the option.

The fair values for the DBP and RSP were determined using the market price of the shares at the grant date. The weighted average share price for DBP awards granted in FY24 was 135p (FY23: 188p) and for RSP awards granted in FY24 was 112p (FY23: 183p).

## 20. Divestments and assets & liabilities classified as held for sale

### Material accounting policies that apply to divestments and assets & liabilities classified as held for sale

We classify non-current assets or a group of assets and associated liabilities, together forming a disposal group, as 'held for sale' when their carrying amount will be recovered principally through disposal rather than continuing use and the sale is highly probable. Sale is considered to be highly probable when management are committed to a plan to sell the asset or disposal group and the sale should be expected to qualify for recognition as a completed divestment within one year from the date of classification. We measure non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs of disposal. Intangible assets, property, plant and equipment and right-of-use assets classified as held for sale are not depreciated or amortised.

Upon completion of a divestment, we recognise a profit or loss on disposal calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest less costs incurred in disposing of the asset or disposal group and (ii) the carrying amount of the asset or disposal group (including goodwill). The profit or loss on disposal is recognised as a specific item, see note 9.

In the event that non-current assets or disposal groups held for sale form a separate and identifiable major line of business, the results for both the current and comparative periods are reclassified as 'discontinued operations'.

### Divestments

During the year, we completed the disposals of certain city fibre networks and associated infrastructure assets in Germany and Pelipod Limited, both of which were classified as held for sale in FY23, and the disposal of BT Enia, a subsidiary of BT Italia. We recognised a net profit on disposal after tax of £25m through specific items from these divestments, see below for further details.

In FY23, we completed the disposal of BT Sport operations through forming a sports joint venture (Sports JV) with Warner Bros. Discovery (WBD) recognising a profit on disposal after tax of £28m through specific items. During the current year, we recorded £10m additional net transaction costs through specific items and received £24m from the deferred cash consideration recorded at completion of the transaction.

The disposals in the current or prior year have not been reclassified as discontinued operations as they do not meet our definition of a separate major line of business.

## 20. Divestments and assets & liabilities classified as held for sale continued

The net consideration recognised on completion of these divestments was as follows:

| | 2024 £m | 2023[a] £m |
|---|---|---|
| Intangible assets, including allocated goodwill of £18m (FY23: £83m) | 19 | 88 |
| Property, plant and equipment | 13 | 13 |
| Right-of-use assets | 3 | 1 |
| Other assets[b] | 8 | 760 |
| Liabilities[b] | (8) | (357) |
| **Net assets of operations disposed** | **35** | **505** |
| Net financial liabilities recognised[c] | — | 534 |
| **Net impact on the consolidated balance sheet** | **35** | **1,039** |
| Profit on disposal, after tax (note 9) | 25 | 28 |
| **Net consideration from divestments completed in the year** | **60** | **1,067** |
| Additional net transaction costs on the BT Sport disposal (note 9) | (10) | — |
| **Net consideration** | **50** | **1,067** |
| Satisfied by | | |
| **Proceeds received in the year per the cash flow statement** | **81** | **29** |
| Deferred cash consideration on BT Sport disposal[d] | (24) | 70 |
| Deferred cash consideration from other divestments | 5 | — |
| Transaction costs | (2) | (35) |
| Investment in A preference shares in Sports JV (note 22) | — | 428 |
| Investment in C preference shares in Sports JV[e] | — | 161 |
| Ordinary equity interest in Sports JV (note 24) | — | 414 |
| **Net consideration from divestments completed in the year** | **60** | **1,067** |
| Additional net transaction costs on the BT Sport disposal (note 9) | (10) | — |
| **Net consideration** | **50** | **1,067** |

a Balances in FY23 relate to the BT Sport disposal.
b Other assets in FY23 included £632m of capitalised programme rights and £104m prepayments relating to programme rights payments made for licence periods that had not yet started. Liabilities included £351m relating to outstanding trade payables to broadcast rights holders for the current licence period.
c Net financial liabilities in FY23 the fair value of BT's obligation under the minimum revenue commitment of £712m, less tax credit of £178m.
d Deferred cash consideration on the BT Sport disposal relates to the discounted cash flows due to BT from the remaining fixed consideration payable by WBD, of which £24m has been received in FY24. £52m of deferred consideration is outstanding at 31 March 2024 and held in trade and other receivables, see note 16.
e BT's C preference shares in the Sports JV are expected to be sold to WBD at the end of BT's earn-out entitlement in consideration for any programme rights funded by BT and is therefore akin to deferred consideration for pre-funded programme rights contributed by BT in to the Sports JV at formation. See note 24 for further details.

### BT Sport

In August 2022 the group formed a sports joint venture (Sports JV) with Warner Bros. Discovery (WBD) combining BT Sport and WBD's Eurosport UK business. As part of the transaction, the group's wholly owned subsidiary, British Telecommunications plc (BT plc or BT) and WBD each contributed, sub-licensed or delivered the benefit of their respective sports rights and distribution businesses for the UK & Ireland to the Sports JV. Both parties each hold a 50% interest and equal voting rights in the Sports JV.

BT Sport's distribution agreement with Virgin Media transferred to the Sports JV, and the Sports JV also entered into an agreement with Sky extending beyond 2030 to provide for its distribution of the Sports JV's combined sports content.

The production and operational assets of BT Sport transferred to WBD who manage and operate the production of the Sports JV's sport content.

BT plc entered into a distribution agreement with the Sports JV to procure the sport content required to continue to supply our broadband, TV and mobile customers. BT plc's agreement with the Sports JV will extend beyond 2030 and the first four years includes a minimum revenue guarantee of approximately £500m per annum, after which the agreement will change to a fully variable arrangement.

BT no longer has control of the BT Sport operations based on the assessment of ownership and joint control over the key decisions of the Sports JV (50/50 with WBD) established through the Sports JV agreement. The group's retained ordinary equity interest in the combined business has been classified as a joint venture under IFRS 11, see note 24.

WBD have the option to acquire BT plc's 50% interest in the Sports JV at specified points during the first four years of the Sports JV (Call Option). The price payable under the Call Option will be 50% of the fair market value of the Sports JV to be determined at the time of the exercise, plus any unpaid fixed consideration and remaining earn-out as described below. If the Call Option is not exercised, BT plc will have the ability to exit its shareholding in the Sports JV either through a sale or IPO after the initial four-year period.

## 20. Divestments and assets & liabilities classified as held for sale continued

### Critical & key accounting estimates and significant judgements made in accounting for the BT Sport disposal in FY23

Following critical and key accounting estimates and significant judgements were made in accounting for the BT Sport disposal in FY23 only and are not considered to be ongoing significant judgements.

**Assessment of whether BT has joint control over the Sports JV**
See note 22 for assessment of control.

**Valuation of investment in A preference shares (akin to contingent consideration)**
BT will receive an earn-out from the Sports JV (subject to liquidity and usual UK company law requirements), which will end at the earliest of:

- four years post completion of the transaction;
- the exercise by WBD of the Call Option; and
- if the earn-out reaches an agreed cap.

The earn-out cash flows to BT are dependent on the cash profit generation of the Sports JV over the earn-out period and is therefore akin to contingent consideration, initially recorded at a fair value of £428m reflecting the present value of expected cash flows.

Subsequent to the initial recognition, the group's carried forward investment in A preference shares are remeasured to fair value at each reporting date in accordance with IFRS 9, see note 22.

**Valuation of the minimum revenue guarantee in BT's distribution agreement with the Sports JV**
BT plc's obligation under the minimum revenue guarantee of c. £2bn over the first four years of the Sports JV represents both a trading arrangement on market terms and a financing arrangement for the off-market element of the revenue guarantee, which has been recorded as a financial liability at an initial fair value of £712m.

The valuation of this financial liability, and what a fair cost-per-subscriber would be, is sensitive to a number of assumptions on volumes and price, and there is a range of outcomes which we could have arrived at. Alternative scenarios considered, based on the different prices and terms used with other market participants, could have resulted in a liability ranging from £543m to £837m.

The key assumptions in calculating the financial liability are in estimating what is a market wholesale price at market volume commitment that is supported by the forecast volumes for the related revenue streams. The volumes used are consistent with those included in the jointly-agreed business plan for the Sports JV. We note that the bottom of the range disclosed above is based on the price that we will pay when the minimum revenue guarantee has ended, however we do not believe that is an appropriate rate from the outset due to existing volume commitments.

The liability is held at amortised cost within trade and other payables on the balance sheet (see note 16) – the carrying amount at 31 March 2024 has reduced to £465m (FY23: £660m) after payments made to the Sports JV on the minimum revenue guarantee.

**Valuation of BT's equity interest in the Sports JV**
WBD has the option to acquire BT plc's 50% interest in the Sports JV at specified points during the first four years of the Sports JV. If the Call Option is not exercised, BT plc will have the ability to exit its shareholding in the JV either through a sale or IPO.

The group valued its interest in the Sports JV based on the estimated fair value at exit and using the following key assumptions:

- BT expect to realise its interest in the Sports JV through exit rather than ongoing value in use.
- BT expect WBD to exercise its option to acquire BT's 50% interest in the Sports JV at the end of the first four years of the Sports JV.
- An earnings multiple has been applied to the expected year 5 EBITDA per the jointly-agreed business plan - the multiple is at the lower end of a possible range identified from comparable peers and transactions in the premium sports subscription and broadcasting market.

The investment is subsequently accounted for using the equity method and will be subject to impairment testing at each reporting period, with any impairment losses recognised through specific items, see note 22.

**Discounting of cash flows**
All cash flows expected to be received or paid over time were discounted at a rate applicable to the risks associated with the cash flows:

- Deferred payments due to BT from WBD have been discounted at an appropriate post-tax cost of debt;
- BT's earn-out from the Sports JV has been discounted at the weighted average cost of capital for the Sports JV at completion date; and
- BT's commitments under the minimum guarantee have been discounted at the group's post-tax cost of debt.

We do not consider the net present value of the transaction would be materially affected by a reasonable change in the discount rate.

## 20. Divestments and assets & liabilities classified as held for sale continued

### Assets and liabilities held for sale

At 31 March 2024 there are no assets and liabilities classified as held for sale.

Assets and liabilities classified as held for sale at 31 March 2023 related to certain city fibre networks and associated infrastructure assets in Germany and Pelipod Limited. These divestments completed during FY24, and information on the gains and losses on disposal is disclosed above.

The disposal groups held for sale comprised the following assets and liabilities:

| At 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| **Assets** | | |
| Intangible assets[a] | — | 13 |
| Property, plant and equipment | — | 4 |
| Right-of-use assets | — | 3 |
| Inventories | — | — |
| Trade and other receivables | — | 1 |
| Assets held for sale | **—** | **21** |
| **Liabilities** | | |
| Trade and other payables | — | 1 |
| Lease liabilities | — | 3 |
| Liabilities held for sale | — | **4** |

**a** Intangible assets in FY23 include goodwill of £13m that has been allocated to the disposal group.

## 21. Investments

### Material accounting policies that apply to investments

**Investments classified as amortised cost**
These investments are measured at amortised cost. The carrying amount of these balances approximates to fair value. Any gain or loss on derecognition is recognised in the income statement.

**Investments classified as fair value through profit and loss**
These investments are initially recognised at fair value plus direct transaction costs. They are re-measured at subsequent reporting dates to fair value and changes are recognised directly in the income statement.

**Equity instruments classified as fair value through other comprehensive income**
We have made an irrevocable election to present changes in the fair value of equity investments that are not held for trading in other comprehensive income. All gains or losses, aside from dividends, are recognised in other comprehensive income and are not reclassified to the income statement when the investments are disposed of, instead any balance remaining in other comprehensive income is transferred to retained earnings. Dividends which are recognised in the income statement when our right to receive payment is established. Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

| At 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| **Non-current assets** | | |
| Fair value through other comprehensive income | 23 | 23 |
| Amounts owed by ultimate parent and parent company | 11,633 | 10,916 |
| Fair value through profit or loss | 6 | 6 |
| **Total non-current asset investments** | **11,662** | **10,945** |
| **Current assets** | | |
| Investments held at amortised cost | 2,366 | 3,548 |
| **Current asset investments** | **2,366** | **3,548** |

Investments held at amortised cost relate to money market investments denominated in sterling of £2,355m (FY23: £3,094m), in euros of £5m (FY23: £446m) and US dollars of £6m (FY23: £8m). Within these amounts are investments in liquidity funds of £1,815m (FY23: £3,491m), collateral paid on swaps of £40m (FY23: £48m), interest on investments of £11m (FY23: £9m) and gilt repurchase agreements £500m (FY23: £nil).

## 21. Investments continued

### Fair value estimation

| Fair value hierarchy<br>At 31 March 2024 | Level 1<br>£m | Level 2<br>£m | Level 3<br>£m | Total held at fair value<br>£m |
|---|---|---|---|---|
| **Non-current and current investments** | | | | |
| Fair value through other comprehensive income | — | — | 23 | 23 |
| Fair value through profit or loss | 6 | — | — | 6 |
| **Total** | **6** | **—** | **23** | **29** |
| At 31 March 2023 | | | | |
| **Non-current and current investments** | | | | |
| Fair value through other comprehensive income | — | — | 23 | 23 |
| Fair value through profit or loss | 6 | — | — | 6 |
| **Total** | **6** | **—** | **23** | **29** |

The three levels of valuation methodology used are:

Level 1 – uses quoted prices in active markets for identical assets or liabilities.

Level 2 – uses inputs for the asset or liability other than quoted prices that are observable either directly or indirectly.

Level 3 – uses inputs for the asset or liability that are not based on observable market data, such as internal models or other valuation methods.

Level 3 balances consist of investments classified as fair value through other comprehensive income of £23m (FY23: £23m) which represent investments in a number of private companies. If specific market data is not available, these investments are held at cost, adjusted as necessary for impairments, which approximates to fair value.

## 22. Joint ventures and associates

| At 31 March | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Interest in joint ventures | 302 | 354 |
| Interest in associates | 5 | 5 |
| **Total** | **307** | **359** |

Share of post tax loss of associates and joint ventures included in the income statement of £21m (FY23: £59m loss) includes £41m loss (FY23: £60m) relating to our sports joint venture (Sports JV) with Warner Bros. Discovery (WBD) and £20m profit (FY23: £1m) relating to our other joint ventures and associates including Rugby Radio Station. The Sports JV is the only material equity-accounted investment held by the group, see below for further details.

### Sports JV

In FY23 we formed the Sports JV (known externally as TNT Sports) with WBD, combining BT Sport and WBD's Eurosport UK business. Further details on the transaction are provided in note 20.

Key developments in the Sports JV during the year:

- BT Sport's linear channels and live content were rebranded to TNT Sports prior to the start of the 2023/24 football season with streaming customers migrated to WBD's discovery+ platform in October 2023. Eurosport UK rebranding will follow later in the year.
- Underlying trading, before adjustments made to align with the group's accounting policies (see below), was profitable with stable subscriber volumes.
- Premier League rights were extended with a four-year deal to air 52 exclusively live matches per season until 2029, and a four-year deal was agreed with the Football Association to show the FA Cup from 2025.

The group holds both ordinary equity shares and preference shares in the Sports JV entity.

## 22. Joint ventures and associates continued

### Material accounting policies that apply to the Sports JV

**Assessment of whether BT has joint control over the Sports JV**

The Sports JV is classified as a joint venture based on an assessment under IFRS 10 and 11 of the ownership, voting power and joint control established through the joint venture agreement between BT and WBD.

Factors relevant to our assessment:

– Equal voting rights over the activities that most significantly impact the returns of the Sports JV, namely decisions around new or existing sports rights and distribution arrangements.
– Unequal cash distribution during the first four years of the JV due to the earn-out mechanism and larger business contributed into the JV by BT.
– Revolving credit facility (RCF) provided by BT to fund short-term liquidity required by the Sports JV for working capital and commitments to sports rights holders.
– WBD's call option to acquire BT's 50% interest in the Sports JV is not exercisable before key decisions over material activities of the Sports JV are made such that joint control still applies.

The assessment whether joint control remains in place is reviewed at each reporting period.

**Accounting policies adopted by the Sports JV**

The Sports JV has a financial year-end of 31 July and has not yet prepared its first set of audited financial statements. In order to recognise our share of the Sports JV's results for our equity-accounted investment, we have prepared the Sports JV's financial information disclosed below based on management accounts for the period ending 31 March 2024 after making certain adjustments to comply with IFRS.

Significant judgements made in preparing the Sports JV's financial information:

– IFRS 3 acquisition accounting should be applied by the Sports JV over the business combination achieved through the transfer of the BT Sport and Eurosport UK businesses from BT and WBD respectively, recognising acquired intangibles on the current and future value of programme rights, and goodwill.
– Revenues from the minimum guarantee in the Sports JV's distribution agreement with BT should be adjusted to reflect a trading agreement on market terms with a separate financing arrangement for the off-market portion accounted for under IFRS 9 – this mirrors the accounting treatment applied by BT (see note 20).
– A and C preference shares issued by the Sports JV to BT should be classified as a financial liability at fair value through profit or loss under IFRS 9, as cash flows of the liability can be modified by both financial and non-financial factors that are not closely related to the instrument itself.
– Hedge accounting should be applied on the Sports JV's forward contracts with BT (see note 29) with fair value movements on the derivatives recognised in other comprehensive income and held in the cash flow hedge reserve until recycle on settlement of the forward contracts.
– Programme rights should be recognised on the balance sheet from the point at which the licence period begins and are consumed by the Sports JV on a straight-line basis over the programming period which is generally 12 months. This is consistent with accounting policy applied in our previous BT Sport operations that have been transferred to the Sports JV.

Accounting policies in other areas are consistent with those applied by the group.

### Key accounting estimates made in accounting for the Sports JV

**Valuation of investment in A preference shares**

We expect the group's A preference shares to be redeemed by the Sports JV for the distribution of cash to BT under our earn-out entitlement. BT's return on the shares is driven by the underlying cash profit generation of the Sports JV and therefore have been classified as a fair value through profit or loss (FVTPL) financial asset under IFRS 9 and is remeasured to fair value at each reporting date.

The fair value recorded is supported by a jointly-agreed business plan and internal valuation model with the following key assumptions:

– Approximately 45% of revenues and 90% of costs during the remaining earn out period are contractually committed.
– Material contracts are renewed at an economic value no less than current terms.
– Total premium sports subscriber base does not materially grow or decline over the remaining earn-out period.

**Ordinary equity shares**

Our retained ordinary equity interest in the Sports JV is held under the equity method of accounting, consistent with our accounting policy on associates and joint ventures.

| | 2024 £m | 2023 £m |
|---|---|---|
| Carrying amount at 1 April | 352 | 414 |
| Share of total comprehensive loss for the year | (52) | (62) |
| Dividends received during the year | — | — |
| **Carrying amount at 31 March** | **300** | **352** |

## 22. Joint ventures and associates continued

As required by IAS 36, we have assessed the investment for impairment. There is no impairment at 31 March 2024 as the fair value less costs to sell is higher than the carrying amount of the investment. See below for sensitivities we have applied in determining the fair value less costs to sell.

The following is summarised and unaudited financial information for the Sports JV prepared in accordance with IFRS and including adjustments required to align with the group's accounting policies and fair value adjustments.

| Summarised statement of total comprehensive income for year ended 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Revenue | 918 | 557 |
| Loss for the year[a] | (82) | (121) |
| Other comprehensive loss | (22) | (2) |
| **Total comprehensive loss** | **(104)** | **(123)** |

| Summarised balance sheet at 31 March | 2024 £m | 2023[b] £m |
|---|---|---|
| Current assets[c] | 863 | 1,098 |
| Non-current assets[d] | 1,085 | 1,286 |
| Current liabilities[e] | (413) | (702) |
| Non-current liabilities[f] | (575) | (618) |
| **Net assets** | **960** | **1,064** |
| Attributable to fair value of BT's A preference shares (see below) | (387) | (429) |
| **BT's share of residual net assets (50%)** | **287** | **318** |
| Other fair value adjustments | 13 | 34 |
| **Carrying amount of interest in Sports JV** | **300** | **352** |

**a** Includes amortisation of £27m (FY23: £56m) on acquired intangibles; net finance income of £5m (FY23: £6m); and tax income of £57m (FY23: £17m) driven by current tax charge of £10m (FY23: £4m) offset by deferred tax credit of £67m (FY23: £21m).
**b** Restated to reflect true-up to opening balance sheet from finalising fair value adjustments.
**c** Includes cash and cash and cash equivalents of £11m (FY23: £11m).
**d** Includes goodwill and acquired intangibles of £668m (FY23: £695m restated).
**e** Includes current financial liabilities (excluding trade and other payables and provisions) of £(244)m (FY23: £(281)m) of which £(163)m (FY23: £(268)m) relates to the outstanding liability on the RCF provided by BT (see note 29).
**f** Includes non-current financial liabilities (excluding trade and other payables and provisions) of £(305)m (FY23: £(416)m).

The Sports JV had a loss after tax for the year of £82m, after adjustments made to align with the group's accounting policies, and reflects amortisation of acquired intangibles from the BT Sport and Eurosport UK business transfers and adjustments for the off-market minimum guarantee with BT (see note 20). Underlying trading before these adjustments was profitable. In addition, the Sports JV had other comprehensive losses of £22m relating to fair value movements on its foreign exchange hedging arrangement with the group (see note 29) that have been designated as cash flow hedges.

Our share of the Sports JV's results in FY23 included amortisation from provisional fair value adjustments, which were subject to true-up within 12 months from the Sports JV formation. We have subsequently finalised these fair value adjustments and recorded a £25m credit in the current year as a true-up to the amount recorded in FY23, of which our 50% share is £13m. The difference is not material and therefore we have not retrospectively adjusted our share of total comprehensive loss in FY23.

### Preference shares

In addition to BT's ordinary shareholding, BT held the following investments in preference shares in the Sports JV that have not been included within the equity-accounted interest above.

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Investment in A preference shares | 387 | 429 |
| Investment in C preference shares | 146 | 126 |
| **Total** | **533** | **555** |

A net £22m movement has been recorded on the group's preference share investments relating to fair value changes only, see below for further details.

- **A preference shares** – a £42m fair value loss has been recognised through specific items (see note 9), largely driven by a reduction in forecast cash flows following the Sports JV's investment in new sports content, leading to lower cash available for distribution under BT's earn-out entitlement.
- **C preference shares** – these shares are expected to be sold to WBD at the end of BT's earn-out entitlement in consideration for any sports rights funded by BT at that point. BT's return on the shares is driven by changes in the Sports JV's sports rights portfolio which in turn is dependent on changes in the wider sports rights market and the Sports JV's financial performance and are therefore held as a financial asset at FVTPL under IFRS 9. A £20m fair value gain has been recognised through specific items (see note 9) driven by an expected growth in the Sports JV content portfolio, which will increase the payment to BT for pre-funded sports rights up to the end of BT's earn-out entitlement.

The preference shares are held at Level 3 on the fair value hierarchy, reflecting a valuation methodology that does not use inputs based on observable market data – see note 21 for further details on the fair value hierarchy. See below for sensitivities we have applied in determining the fair value.

## 22. Joint ventures and associates continued

### Sensitivities

The group's ordinary equity and preference share investments in the Sports JV, carry both upside and downside risk from changes in micro and macroeconomic factors affecting the sports content subscription market and risk appetite of investors in that market. Further, a key decision point in the next 12 months, relating to the renewal of a material customer contract, could significantly impact the value of our investments.

We have applied the following sensitivities to these risk factors:

– EBITDA decline from loss of revenue or improvement from outperformance against revised forecasts.
– Increase or decrease in the valuation multiple achieved.
– Increase or decrease in the discount rate applied.

| Sensitivity | Fair value of A and C preference shares in Sports JV | Headroom on impairment test over equity-accounted investment |
|---|---|---|
| 20% increase or decrease in EBITDA | +/- £112m | +/- £117m |
| 10% increase or decrease in discount rate | +/- £4m | +/- £14m |
| 10% change in valuation multiple | — | +/- £57m |

None of these sensitivities generated an impairment on the group's equity-accounted investment in the Sports JV.

In valuing our investments, we have assumed an exit after the earn-out period ends on the fourth anniversary of forming the Sports JV. However, an earlier exit would not have a material impact on the amounts recorded.

## 23. Cash and cash equivalents

### Material accounting policies that apply to cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to cash, are subject to insignificant risk of changes in value and have an original maturity of three months or less. All are held at amortised cost on the balance sheet, equating to fair value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents are as defined above net of outstanding bank overdrafts. Bank overdrafts are included within the current element of loans and other borrowings (note 24).

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **Cash at bank and in hand** | **327** | **328** |
| Cash equivalents | | |
| Indian rupee deposits | 74 | 55 |
| Other deposits | 8 | 1 |
| **Total cash equivalents** | **82** | **56** |
| **Total cash and cash equivalents** | **409** | **384** |
| Bank overdrafts (note 24) | (58) | (11) |
| **Cash and cash equivalents per the cash flow statement** | **351** | **373** |

Majority of cash at bank balance was held at counterparties with a credit rating of A2/A or above. Cash and cash equivalents include restricted cash of £71m (FY23: £131m), of which £14m (FY23: £23m) was held in countries where local capital or exchange controls currently prevent us from accessing cash balances. The remaining balance of £57m (FY23: £108m) was held in escrow accounts, or in commercial arrangements akin to escrow.

## 24. Loans and other borrowings

### Material accounting policies that apply to loans and other borrowings

We initially recognise loans and other borrowings at the fair value of amounts received net of transaction costs. They are subsequently measured at amortised cost using the effective interest method and, if included in a fair value hedge relationship, are re-valued to reflect the fair value movements on the associated hedged risk. The resulting amortisation of fair value movements, on de-designation of the hedge, is recognised in the income statement.

### Capital management policy

The capital structure is managed by BT Group plc, the ultimate parent of the group. Its capital management policy is set out in the **Report of the Directors** on page 28.

## 24. Loans and other borrowings continued

The table below shows the key components of external gross debt and of the decrease of £223m (FY23: increase of 1,327m).

| | At 31 March 2023 £m | Cash flows £m | Net lease additions[a] £m | Foreign exchange £m | Transfer to within one year £m | Other movements[d] £m | At 31 March 2024 £m |
|---|---|---|---|---|---|---|---|
| Loans and other borrowings due within one year[b] | 1,772 | (1,615) | — | (12) | 1,227 | 23 | 1,395 |
| Loans and other borrowings due after one year | 16,749 | 1,800 | — | (287) | (1,227) | 96 | 17,131 |
| **Total loans and other borrowings** | **18,521** | **185** | **—** | **(299)** | **—** | **119** | **18,526** |
| Lease liabilities due within one year | 800 | (882) | — | (1) | 849 | — | 766 |
| Lease liabilities due after one year | 4,559 | — | 487 | (8) | (849) | — | 4,189 |
| Lease liabilities classified as held for sale | 3 | — | — | — | — | (3) | — |
| **Total lease liabilities** | **5,362** | **(882)** | **487** | **(9)** | **—** | **(3)** | **4,955** |
| **Gross debt** | **23,883** | **(697)** | **487** | **(308)** | **—** | **116** | **23,481** |
| Impact of cross-currency swaps[c] | (819) | — | — | 307 | — | — | (512) |
| Removal of the accrued interest and fair value adjustments | (264) | — | — | — | — | (22) | (286) |
| Removal of loans with joint ventures | (11) | (1) | — | — | — | 1 | (11) |
| Removal of loans related to the forward sale of redundant copper | — | (105) | — | — | — | (1) | (106) |
| **External gross debt** | **22,789** | **(803)** | **487** | **(1)** | **—** | **94** | **22,566** |

| | At 31 March 2022 £m | Cash flows £m | Net lease additions[a] £m | Foreign exchange £m | Transfer to within one year £m | Other movements[d] £m | At 31 March 2023 £m |
|---|---|---|---|---|---|---|---|
| Loans and other borrowings due within one year[b] | 873 | (136) | — | 65 | 943 | 27 | 1,772 |
| Loans and other borrowings due after one year | 15,312 | 1,746 | — | 525 | (943) | 109 | 16,749 |
| **Total loans and other borrowings** | **16,185** | **1,610** | **—** | **590** | **—** | **136** | **18,521** |
| Lease liabilities due within one year | 795 | (860) | — | 2 | 863 | — | 800 |
| Lease liabilities due after one year | 4,965 | — | 449 | 11 | (863) | (3) | 4,559 |
| Lease liabilities classified as held for sale | 2 | — | — | — | — | 1 | 3 |
| **Total lease liabilities** | **5,762** | **(860)** | **449** | **13** | **—** | **(2)** | **5,362** |
| **Gross debt** | **21,947** | **750** | **449** | **603** | **—** | **134** | **23,883** |
| Impact of cross-currency swaps[c] | (234) | — | — | (585) | — | — | (819) |
| Removal of the accrued interest and fair value adjustments | (251) | — | — | — | — | (13) | (264) |
| Removal of loans with joint ventures | — | (11) | — | — | — | — | (11) |
| **External gross debt** | **21,462** | **739** | **449** | **18** | **—** | **121** | **22,789** |

a Net lease additions are net non-cash movements in lease liabilities during the period, and primarily comprise new and terminated leases, remeasurements of existing leases and lease interest charges.
b Includes accrued interest and bank overdrafts.
c Translation of debt balances at swap rates where hedged by cross-currency swaps.
d Other movements include removal of accrued interest applied to reflect the effective interest rate method, removal of fair value adjustments and movements relating to held for sale assets and liabilities (see note 20).

## 24. Loans and other borrowings continued

The table below gives details of the listed bonds and other debt.

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| 0.875% €306m bond due September 2023[a] | — | 270 |
| 4.5% $675m bond due December 2023[a] | — | 554 |
| 1% €469m bond due June 2024[a,d] | — | 415 |
| 1% €825m bond due November 2024[a] | 708 | 726 |
| 3.50% £250m index linked bond due April 2025 | 575 | 524 |
| 0.5% €650m bond due September 2025[a] | 557 | 571 |
| 1.75% €1,300m bond due March 2026[a] | 1,112 | 1,143 |
| 1.5% €1,150m bond due June 2027[a] | 991 | 1,017 |
| 2.75% €700m bond due August 2027[a,f] | 601 | 530 |
| 2.125% €500m bond due September 2028[a] | 431 | 442 |
| 5.125% $700m bond due December 2028[a] | 561 | 573 |
| 5.75% £600m bond due December 2028 | 658 | 669 |
| 1.125% €750m bond due September 2029[a] | 640 | 657 |
| 3.25% $1,000m bond due November 2029[a] | 796 | 812 |
| 9.625% $2,670m bond due December 2030[a] (minimum 8.625%[b]) | 2,166 | 2,214 |
| 3.75% €800m bond due February 2031[a] | 704 | 704 |
| 3.125% £500m bond due November 2031 | 503 | 503 |
| 3.375% €500m bond due August 2032[a] | 433 | 445 |
| 4.25% €850m bond due January 2033[a] | 725 | — |
| 3.64% £330m bond due June 2033 | 339 | 339 |
| 1.613% £330m index linked bond due June 2033 | 394 | 380 |
| 6.375% £500m bond due June 2037 | 523 | 523 |
| 3.883% £330m bond due June 2039 | 340 | 340 |
| 1.739% £330m index linked bond due June 2039 | 394 | 381 |
| 5.75% £450m bond due February 2041[f] | 445 | 347 |
| 3.924% £340m bond due June 2042 | 350 | 350 |
| 1.774% £340m index linked bond due June 2042 | 406 | 392 |
| 2.08% JPY10,000m bond due February 2043[a] | 52 | 61 |
| 3.625% £250m bond due November 2047 | 251 | 250 |
| 4.25% $500m bond due November 2049[a] | 400 | 408 |
| 1.874% €500m hybrid bond due August 2080[a,c] | 432 | 443 |
| 4.250% $500m hybrid bond due November 2081[a,c] | 396 | 404 |
| 4.875% $500m hybrid bond due November 2081[a,c] | 401 | 409 |
| 8.375% £700m hybrid bond due December 2083[c] | 710 | — |
| **Total listed bonds** | **17,994** | **17,796** |
| Loans related to cash flows related to the sale of contract assets[e] | 341 | 100 |
| Loans related to the forward sale of redundant copper | 106 | — |
| Other loans | 27 | 614 |
| Bank overdrafts (note 23) | 58 | 11 |
| **Total other loans and borrowings** | **532** | **725** |
| **Total loans and other borrowings** | **18,526** | **18,521** |

a Designated in a cash flow hedge relationship.
b The interest rate payable on this bond attracts an additional 0.25% for rating category downgrade by either Moody's or Standard & Poor's to the group's senior unsecured debt below A3/A– respectively. In addition, if Moody's or Standard & Poor's subsequently increase the ratings then the interest rate will be decreased by 0.25% for each rating category upgrade by either rating agency. In no event will the interest rate be reduced below the minimum rate reflected in the above table.
c Includes call options between 1.5 years and 7.5 years.
d Redeemed in March 2024.
e Performance obligations have been substantially delivered to the customer in relation to these cash flows related to contract assets that have been sold but the right to receive cash is dependent on the group's future performance in relation to airtime and so a financial liability has been recognised. The related cash flows have been included within financing activities in the cash flow statement. £318m of the liability relates to sales of cash flows related to contract assets in FY24 and so is removed from our net debt measure, the remaining £23m relates to sales in FY23.
f Increased the issue size on €700m bond due August 2027 by €100m in November 2023 and on £450m bond due February 2041 by £100m in December 2023 .

Unless previously designated in a fair value hedge relationship, all loans and other borrowings are carried on our balance sheet and in the table above at amortised cost. The fair value of listed bonds is £17,820m (FY23: £16,979m).

The fair value of our listed bonds is estimated on the basis of quoted market prices (Level 1).

The carrying amount of other loans and bank overdrafts equates to fair value due to the short maturity of these items (Level 3).

The interest rates payable on loans and borrowings disclosed above reflect the coupons on the underlying issued loans and borrowings and not the interest rates achieved through applying associated cross-currency and interest rate swaps in hedge arrangements.

During the period the group entered into a forward agreement to sell copper granules created from BT's surplus copper cables. The right to receive cash is dependent on the initial buyer receiving payment from the end customer and so a financial liability of £106m including accrued interest has been recognised. This should be the only cash flow that occurs as part of this transaction and so the cash receipt of £105m has been included in a separate line within investing activities in the cash flow statement.

## 24. Loans and other borrowings continued

Loans and other borrowings are analysed as follows:

| At 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| **Current liabilities** | | |
| Listed bonds | 996 | 1,075 |
| Amounts owed to joint ventures | 11 | 11 |
| Other loans and bank overdrafts[a] | 388 | 686 |
| **Total current liabilities** | **1,395** | **1,772** |
| **Non-current liabilities** | | |
| Listed bonds | 16,998 | 16,722 |
| Other loans and bank overdrafts | 133 | 27 |
| **Total non-current liabilities** | **17,131** | **16,749** |
| **Total loans and other borrowings** | **18,526** | **18,521** |

a Includes collateral received on swaps of £15m (FY23: £557m).

The carrying values disclosed in the above table reflect balances at amortised cost adjusted for accrued interest and fair value adjustments to the relevant loans or borrowings. These do not reflect the final principal repayments that will arise after taking account of the relevant derivatives in hedging relationships which are reflected in the table below. All borrowings as at 31 March 2024 were unsecured.

The principal repayments of loans and borrowings at hedged rates amounted to £17,728m (FY23: £17,442m) and repayments fall due as follows:

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| At 31 March | **Carrying amount £m** | **Effect of hedging and interest £m** | **Principal repayments at hedged rates £m** | Carrying amount £m | Effect of hedging and interest £m | Principal repayments at hedged rates £m |
| **Within one year, or on demand** | **1,395** | **(258)** | **1,137** | **1,772** | **(271)** | **1,501** |
| Between one and two years | 2,727 | (85) | 2,642 | 1,165 | 15 | 1,180 |
| Between two and three years | 431 | (24) | 407 | 2,669 | (141) | 2,528 |
| Between three and four years | 1,614 | 29 | 1,643 | 404 | (33) | 371 |
| Between four and five years | 2,282 | 6 | 2,288 | 1,539 | (14) | 1,525 |
| After five years | 10,107 | (496) | 9,611 | 10,983 | (646) | 10,337 |
| **Total due for repayment after more than one year** | **17,161** | **(570)** | **16,591** | **16,760** | **(819)** | **15,941** |
| **Total repayments** | **18,556** | **(828)** | **17,728** | **18,532** | **(1,090)** | **17,442** |
| Non cash adjustments[a] | (30) | | | (11) | | |
| **Total loans and other borrowings** | **18,526** | | | **18,521** | | |

a Fair value adjustments and unamortised bond fees.

## 25. Finance expense and income

| Year ended 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| **Finance expense** | | |
| Interest on: | | |
| Financial liabilities at amortised cost and associated derivatives | 872 | 753 |
| Lease liabilities | 134 | 133 |
| Derivatives | 4 | 9 |
| Fair value movements on derivatives not in a designated hedge relationship | (1) | 1 |
| Reclassification of cash flow hedge from other comprehensive income | 38 | (21) |
| Unwinding of discount on provisions and other payables | 20 | 14 |
| Interest payable on ultimate parent company borrowings | — | 5 |
| **Total finance expense before specific items** | **1,067** | **894** |
| Specific items (note 9)[a] | 121 | 5 |
| **Total finance expense** | **1,188** | **899** |

a Includes £nil (FY23: £13m credit) reclassification of cash flow hedge from other comprehensive income.

## 25. Finance expense and income continued

| Year ended 31 March | 2024<br>£m | 2023<br>£m |
|---|---|---|
| **Finance income** | | |
| Interest on: | | |
| Bank deposits and cash equivalents | 28 | 16 |
| Investments held at amortised cost | 140 | 40 |
| Other finance income | 13 | 7 |
| Interest income on loans to immediate and ultimate parent company | 709 | 389 |
| **Total finance income before specific items** | **890** | **452** |
| **Total finance income** | **890** | **452** |

| Year ended 31 March | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Net finance expense before specific items | 177 | 442 |
| Specific items (note 9)[a] | 121 | 5 |
| **Net finance expense** | **298** | **447** |

a Includes £13m credit (FY23: £8m charge) reclassification of cash flow hedge from other comprehensive income.

## 26. Financial instruments and risk management

Risk management is performed by BT Group plc, the ultimate parent company of the group.

We issue or hold financial instruments mainly to finance our operations; to finance corporate transactions such as share buybacks and acquisitions; for the temporary investment of short-term funds; and to manage currency and interest rate risks. In addition, various financial instruments, for example trade receivables and payables arise directly from operations.

### How do we manage financial risk?

Our activities expose us to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk.

#### Treasury operation

We have a centralised treasury operation whose primary role is to manage liquidity and funding requirements as well as our exposure to associated market risks, and credit risk.

#### Treasury policy

Treasury policy is set by the BT Group plc Board. Group treasury activities are subject to a set of controls appropriate for the magnitude of borrowing, investments and group-wide exposures. The BT Group plc Board has delegated authority to operate these policies to a series of panels responsible for the management of key treasury risks and operations. Appointment to and removal from the key panels requires approval from two of the following: the Chairman, the Chief Executive or the Chief Financial Officer of BT Group plc.

There has been no change in the nature of our risk profile between 31 March 2024 and the date of approval of these financial statements.

### How do we manage interest rate risk?

#### Management policy

Interest rate risk arises primarily from our long-term borrowings. Interest cash flow risk arises from borrowings issued at variable rates, partially offset by cash held at variable rates. Fair value interest rate risk arises from borrowings issued at fixed rates.

Our policy, as set by the BT Group plc Board, is to ensure that at least 70% of ongoing net debt is at fixed rates. Short-term interest rate management is delegated to the treasury operation while long-term interest rate management decisions require further approval by the Chief Financial Officer, the Corporate Finance Director or the Group Treasury Director of BT Group plc who each have been delegated such authority from the BT Group plc Board.

#### Hedging strategy

In order to manage our interest rate profile, we enter into cross-currency and interest rate swap agreements to vary the amounts and periods for which interest rates on borrowings are fixed. The duration of the swap agreements matches the duration of the debt instruments. The majority of the group's long-term borrowings are subject to fixed sterling interest rates after applying the impact of these hedging instruments.

### How do we manage foreign exchange risk?

#### Management policy

Foreign currency hedging activities protect the group from the risk that changes in exchange rates will adversely affect future net cash flows.

The BT Group plc Board's policy for foreign exchange risk management defines the types of transactions typically covered, including significant operational, funding and currency interest exposures, and the period over which cover should extend for each type of transaction.

The BT Group plc Board has delegated short-term foreign exchange management to the treasury operation and long-term foreign exchange management decisions require further approval from the Chief Financial Officer, the Corporate Finance Director or the Group Treasury Director of BT Group plc.

#### Hedging strategy

A significant proportion of our external revenue and costs arise within the UK and are denominated in sterling. Our non-UK operations generally trade and are funded in their functional currency which limits their exposure to foreign exchange volatility. We do not have a material exposure to hyperinflationary economies.

## 26. Financial instruments and risk management continued

We enter into forward currency contracts to hedge foreign currency capital purchases, purchase and sale commitments, interest expense and foreign currency investments. The commitments hedged are principally denominated in US dollars, euros, Indian rupees and Hungarian forints. As a result, our exposure to foreign currency arises mainly on non-UK subsidiary investments and on residual currency trading flows.

We use cross-currency swaps to swap foreign currency borrowings into sterling. The table below reflects the currency and interest rate profile of our loans and borrowings after the impact of hedging.

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| At 31 March | **Fixed rate interest £m** | **Floating rate interest £m** | **Total £m** | Fixed rate interest £m | Floating rate interest £m | Total £m |
| Sterling | 15,899 | 1,780 | 17,679 | 15,210 | 1,773 | 16,983 |
| Euro | — | — | — | — | 443 | 443 |
| Other | — | 49 | 49 | — | 16 | 16 |
| Total | **15,899** | **1,829** | **17,728** | **15,210** | **2,232** | **17,442** |
| Ratio of fixed to floating | 90 % | 10 % | 100 % | 87 % | 13 % | 100 % |
| Weighted average effective fixed interest rate – sterling | 4.6 % | | | 4.0 % | | |

The floating rate loans and borrowings and committed facilities bear interest rates fixed in advance for periods up to one year, primarily by reference to RPI, CPI and ARRs where applicable.

### Sensitivity analysis

The income statement and shareholders' equity are exposed to volatility arising from changes in interest rates, foreign exchange rates and energy prices. To demonstrate this volatility, management has concluded that the following are reasonable benchmarks for performing sensitivity analysis:

- For interest, a 1% increase in interest rates and parallel shift in yield curves across sterling, US dollar and euro currencies.
- For foreign exchange, a 10% strengthening of sterling against other currencies.
- For energy, a 10% increase in energy prices.

The impact on equity, before tax and excluding any impact related to retirement benefit plans, of a 1% increase in interest rates, a 10% strengthening of sterling against other currencies, and a 10% increase in energy prices is as detailed below:

| At 31 March | **2024 £m Increase (reduce)** | 2023 £m Increase (reduce) |
|---|---|---|
| Sterling interest rates | 602 | 579 |
| US dollar interest rates | (300) | (371) |
| Euro interest rates | (316) | (284) |
| Sterling strengthening | (142) | (169) |
| Energy prices | 27 | 45 |

A 1% decrease in interest rates, 10% weakening of sterling against other currencies would have broadly the same impact in the opposite direction.

The impact of a 1% change in interest rates on the group's annual net finance expense would have been a decrease of £103m (FY23: £104m). The impact of a 10% change in energy prices on group's income statement and our exposure to foreign exchange volatility in the income statement, after hedging (excluding translation exposures), would not have been material in FY24 and FY23.

### Credit ratings

BT Group plc continues to target a BBB+/Baa1 credit rating over the cycle, with a BBB/Baa2 floor. We regularly review the liquidity of the group and our funding strategy takes account of medium-term requirements. These include the pension deficit and shareholder distributions.

Our December 2030 bond contains terms that require us to pay higher rates of interest when BT Group plc's credit ratings are below A3 in the case of Moody's or A– in the case of Standard & Poor's (S&P). Additional interest of 0.25% per year accrues for each ratings category downgrade by each agency below those levels effective from the next coupon date following a downgrade. Based on the total notional value of debt outstanding of £2.1bn at 31 March 2024, our finance expense would increase/decrease by approximately £11m a year if the group's credit rating were to be downgraded/upgraded, respectively, by one credit rating category by both agencies.

BT Group plc's credit ratings were as detailed below:

| | **2024** | | 2023 | |
|---|---|---|---|---|
| At 31 March | **Rating** | **Outlook** | Rating | Outlook |
| **Rating agency** | | | | |
| Fitch | BBB | Stable | BBB | Stable |
| Moody's | Baa2 | Stable | Baa2 | Stable |
| Standard & Poor's | BBB | Stable | BBB | Stable |

## 26. Financial instruments and risk management continued

### How do we manage liquidity risk?

#### Management policy

We maintain liquidity by entering into short and long-term financial instruments to support operational and other funding requirements, determined by using short- and long-term cash forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding adequacy for at least a 12-month period. On at least an annual basis the BT Group plc Board reviews and approves the long-term funding requirements of the group and on an ongoing basis considers any related matters. We manage refinancing risk by limiting the amount of borrowing that matures within any specified period and having appropriate strategies in place to manage refinancing needs as they arise. The maturity profile of our loans and borrowings at 31 March 2024 is disclosed in note 24. We have term debt maturities of £0.7bn in FY25.

Our treasury operation reviews and manages our short-term requirements within the parameters of the policies set by the BT Group plc Board. We hold cash, cash equivalents and current investments in order to manage short-term liquidity requirements. At 31 March 2024 we had undrawn committed borrowing facilities of £2.1bn (FY23: £2.1bn) maturing in March 2027.

The following table provides an analysis of the remaining cash flows including interest payable for our non-derivative financial liabilities on an undiscounted basis, which may therefore differ from both the carrying value and fair value.

| Non-derivative financial liabilities<br>At 31 March 2024 | Loans and other borrowings<br>£m | Interest on loans and other borrowings<br>£m | Trade and other payables[c]<br>£m | Lease liabilities<br>£m | Provisions[d]<br>£m | Total<br>£m |
|---|---|---|---|---|---|---|
| Due within one year | 1,103 | 738 | 5,434 | 765 | — | 8,040 |
| Between one and two years | 2,727 | 737 | 189 | 730 | — | 4,383 |
| Between two and three years | 431 | 697 | 88 | 696 | — | 1,912 |
| Between three and four years | 1,614 | 680 | — | 663 | — | 2,957 |
| Between four and five years | 2,282 | 649 | — | 634 | — | 3,565 |
| After five years | 10,107 | 2,569 | — | 2,103 | — | 14,779 |
| | **18,264** | **6,070** | **5,711** | **5,591** | **—** | **35,636** |
| Interest payments not yet accrued | — | (5,778) | — | — | — | (5,778) |
| Fair value adjustment | (30) | — | — | — | — | (30) |
| Impact of discounting | — | — | (16) | (636) | — | (652) |
| **Carrying value on the balance sheet[a,b]** | **18,234** | **292** | **5,695** | **4,955** | **—** | **29,176** |
| At 31 March 2023 (restated)[c] | | | | | | |
| Due within one year | 1,512 | 643 | 5,411 | 800 | 3 | 8,369 |
| Between one and two years[c] | 1,165 | 637 | 204 | 774 | 2 | 2,782 |
| Between two and three years[c] | 2,669 | 616 | 189 | 676 | 2 | 4,152 |
| Between three and four years[c] | 404 | 575 | 88 | 640 | 2 | 1,709 |
| Between four and five years | 1,539 | 558 | — | 612 | 2 | 2,711 |
| After five years | 10,983 | 2,891 | — | 2,529 | — | 16,403 |
| | **18,272** | **5,920** | **5,892** | **6,031** | **11** | **36,126** |
| Interest payments not yet accrued | — | (5,660) | — | — | — | (5,660) |
| Fair value adjustment | (11) | — | — | — | — | (11) |
| Impact of discounting | — | — | (32) | (672) | (1) | (705) |
| **Carrying value on the balance sheet[a,b,c]** | **18,261** | **260** | **5,860** | **5,359** | **10** | **29,750** |

a Foreign currency-related cash flows were translated at closing foreign exchange rates as at the relevant reporting date. Future variable interest cash flows were calculated using the most recent interest or indexation rates at the relevant balance sheet date.
b The carrying amount of trade and other payables excludes £366m (FY23: £429m) of non-current trade and other payables which relates to non-financial liabilities, and £899m (FY23: £1,113m) of other taxation, social security and deferred income.
c FY23 comparatives have been restated to include the financial liability for the minimum guarantee provided to the Sports JV due in more than one year, totalling £465m.These amounts had been omitted from this table within the prior year accounts.
d No provisions meeting the definition of a financial liability have been identified in FY24.

Trade and other payables are held at amortised cost. The carrying amount of these balances approximates to fair value due to the short maturity of amounts payable.

## 26. Financial instruments and risk management continued

The following table provides an analysis of the contractually agreed cash flows in respect of the group's derivative financial instruments. Cash flows are presented on a net or gross basis in accordance with settlement arrangements of the instruments.

| Derivative financial liabilities<br>At 31 March 2024 | Net settled<br>£m | Gross settled outflows<br>£m | Gross settled inflows<br>£m | Total<br>£m |
|---|---|---|---|---|
| Due within one year | 17 | 2,274 | (2,135) | 156 |
| Between one and two years | 16 | 1,152 | (1,028) | 140 |
| Between two and three years | 16 | 519 | (430) | 105 |
| Between three and four years | 17 | 1,935 | (1,857) | 95 |
| Between four and five years | 17 | 597 | (528) | 86 |
| After five years | 12 | 3,071 | (2,866) | 217 |
| **Total[a,b]** | **95** | **9,548** | **(8,844)** | **799** |
| At 31 March 2023 | | | | |
| Due within one year | 47 | 2,184 | (2,088) | 143 |
| Between one and two years | 47 | 1,125 | (1,058) | 114 |
| Between two and three years | 94 | 939 | (882) | 151 |
| Between three and four years | 111 | 381 | (364) | 128 |
| Between four and five years | 16 | 161 | (135) | 42 |
| After five years | 47 | 2,127 | (2,011) | 163 |
| **Total[a,b]** | **362** | **6,917** | **(6,538)** | **741** |

a Analysed by earliest payment date, certain derivative financial instruments contain break clauses whereby either the group or bank counterparty have the right to terminate the swap on certain dates. If the break clause was exercised, the mark to market position would be settled in cash.
b Foreign currency-related cash flows were translated at closing foreign exchange rates as at the relevant reporting date. Future variable interest rate cash flows were calculated using the most recent rate applied at the relevant balance sheet date.

### How do we manage energy price risk?

#### Management policy

UK (excluding Northern Ireland) and European energy prices continue to be exposed to volatility driven by fears of reduced gas supply as Europe continues the shift from Russian gas to LNG and renewables (which themselves are subject to short-term fluctuations given their intermittent nature). In order to manage our exposure to fluctuating energy prices, we have a target for UK (excluding Northern Ireland) energy demand to be at least 80% hedged one quarter before the start of the next financial year, and 50% hedged for the following financial year. We achieve this through forward over the counter hedges and a mixture of new and existing power purchase agreements (PPAs) and derivative virtual PPAs (vPPAs).

#### Hedging strategy

In each financial year our strategy is to build on our existing PPA and vPPA portfolio, exploring opportunities with 5-10 year contracts delivering favourable net present values. We complement this by monitoring the markets and forward purchasing electricity (power) when the market is favourable. In the forthcoming financial year the aim is to be 95% hedged, which allows for headroom for increased outputs from the renewable sources should weather conditions prevail.

### How do we manage credit risk?

#### Management policy

Our exposure to credit risk arises from financial assets transacted by the treasury operation (primarily derivatives, investments, cash and cash equivalents) and from trading-related receivables.

For treasury-related balances, the BT Group plc Board's defined policy restricts exposure to any one counterparty by setting credit limits based on the credit quality as defined by Moody's and Standard & Poor's. The minimum credit ratings permitted with counterparties in respect of new transactions are A3/A– for long-term and P1/A1 for short-term investments. If counterparties in respect of existing transactions fall below the permitted criteria we will take action where appropriate.

The treasury operation continuously reviews the limits applied to counterparties and will adjust the limit according to the nature and credit standing of the counterparty, and in response to market conditions, up to the maximum allowable limit set by the BT Group plc Board.

#### Operational management policy

Our credit policy for trading-related financial assets is applied and managed by each of the customer-facing units (CFUs) to ensure compliance. The policy requires that the creditworthiness and financial strength of customers are assessed at inception and on an ongoing basis. Payment terms are set in accordance with industry standards. Where appropriate, we may minimise risks by requesting securities such as deposits, guarantees and letters of credit. We take proactive steps including constantly reviewing credit ratings of counterparties to minimise the impact of adverse market conditions on trading-related financial assets.

## 26. Financial instruments and risk management continued

### Exposures

The maximum credit risk exposure of the group's financial assets at the balance sheet date is as follows:

| At 31 March | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| Derivative financial assets | | 1,070 | 1,479 |
| Investments | 21 | 14,028 | 14,493 |
| Trade and other receivables[a] | 15 | 2,249 | 1,847 |
| Contract assets | 5 | 1,740 | 1,934 |
| Cash and cash equivalents | 23 | 409 | 384 |
| **Total** | | **19,496** | **20,137** |

a The carrying amount excludes £641m (FY23: £503m) of non-current trade and other receivables which relate to non-financial assets, and £1,340m (FY23: £1,240m) of prepayments, deferred contract costs, finance lease receivables and other assets.

The credit quality and credit concentration of cash equivalents, current asset investments and derivative financial assets are detailed in the tables below. Where the opinion of Moody's and Standard & Poor's (S&P) differ, the lower rating is used.

| Moody's/S&P credit rating of counterparty | 2024 £m | 2023 £m |
|---|---|---|
| Aa2/AA and above | 1,823 | 3,498 |
| Aa3/AA– | 585 | 115 |
| A1/A+ | 819 | 957 |
| A2/A | 261 | 400 |
| A3/A– | — | 53 |
| Baa1/BBB+ | — | — |
| Baa2/BBB and below[a] | 30 | 60 |
| **Total[b]** | **3,518** | **5,083** |

a Baa2/BBB rated exposure represents the energy derivatives and carrying value of forward currency contracts with Sports JV.
b We hold cash collateral of £15m (FY23: £557m) in respect of derivative financial assets with certain counterparties, this has reduced during the year as a result of derivative portfolio management.

The concentration of credit risk for our trading balances is provided in note 15, which analyses outstanding balances by CFU. Where multiple transactions are undertaken with a single financial counterparty or group of related counterparties, we enter into netting arrangements to reduce our exposure to credit risk by making use of standard International Swaps and Derivatives Association (ISDA) documentation. We have also entered into credit support agreements with certain swap counterparties whereby, on a daily, weekly and monthly basis, the fair value position on notional £1,047m (FY23: £2,024m) of long-dated cross-currency swaps and interest rate swaps is collateralised.

### Offsetting of financial instruments

The table below shows our financial assets and liabilities that are subject to offset in the group's balance sheet and the impact of enforceable master netting or similar agreements.

| | | Related amounts not set off in the balance sheet | | |
|---|---|---|---|---|
| **Financial assets and liabilities At 31 March 2024** | **Amounts presented in the balance sheet £m** | **Right of set off with derivative counterparties £m** | **Cash collateral £m** | **Net amount £m** |
| Derivative financial assets | 1,070 | (356) | (15) | 699 |
| Derivative financial liabilities | (539) | 356 | 40 | (143) |
| **Total** | **531** | **—** | **25** | **556** |
| At 31 March 2023 | | | | |
| Derivative financial assets | 1,479 | (323) | (557) | 599 |
| Derivative financial liabilities | (383) | 323 | 48 | (12) |
| **Total** | **1,096** | **—** | **(509)** | **587** |

### Derivatives and hedging

We use derivative financial instruments mainly to reduce exposure to foreign exchange and interest rate risks. Derivatives may qualify as hedges for accounting purposes if they meet the criteria for designation as cash flow hedges or fair value hedges in accordance with IFRS 9.

## 26. Financial instruments and risk management continued

### Material accounting policies that apply to derivatives and hedge accounting

All of our derivative financial instruments are held at fair value on the balance sheet.

**Derivatives designated in a cash flow hedge**

The group designates certain derivatives in a cash flow hedge relationship. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge. To qualify for hedge accounting, hedge documentation must be prepared at inception, the hedge must be in line with BT Group plc's risk management strategy and there must be an economic relationship based on the currency, amount and timing of the respective cash flows of the hedging instrument and hedged item. This is assessed at inception and in subsequent periods in which the hedge remains in operation. Hedge accounting is discontinued when it is no longer in line with BT Group plc's risk management strategy or if it no longer qualifies for hedge accounting.

BT Group plc targets a one-to-one hedge ratio. The economic relationship between the hedged item and the hedging instrument is assessed on an ongoing basis. Ineffectiveness can arise from subsequent change in the forecast transactions as a result of altered timing, cash flows or value.

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. For cash flow hedges of recognised assets or liabilities, the associated cumulative gain or loss is removed from equity and recognised in the same line of the income statement and in the same period or periods that the hedged transaction affects the income statement. Any ineffectiveness arising on a cash flow hedge is recognised immediately in the income statement.

**Other derivatives**

BT Group's policy is not to use derivatives for trading purposes. However, due to the complex nature of hedge accounting, some derivatives may not qualify for hedge accounting, or may be specifically not designated as a hedge because natural offset is more appropriate. We effectively operate a process to identify any embedded derivatives within revenue, supply, leasing and financing contracts, including those relating to inflationary features. These derivatives are classified as fair value through profit and loss and are recognised at fair value. Any direct transaction costs are recognised immediately in the income statement. Gains and losses on re-measurement are recognised in the income statement in the line that most appropriately reflects the nature of the item or transaction to which they relate.

Where the fair value of a derivative contract at initial recognition is not supported by observable market data and differs from the transaction price, a day one gain or loss will arise which is not recognised in the income statement. Such gains and losses are deferred and amortised to the income statement based on the remaining contractual term and as observable market data becomes available.

The fair values of outstanding swaps and foreign exchange contracts are estimated using discounted cash flow models and market rates of interest and foreign exchange at the balance sheet date.

| At 31 March 2024 | Current asset £m | Non-current asset £m | Current liability £m | Non-current liability £m |
|---|---|---|---|---|
| Designated in a cash flow hedge | 34 | 947 | 80 | 383 |
| Other | 16 | 73 | 14 | 62 |
| **Total derivatives** | **50** | **1,020** | **94** | **445** |
| At 31 March 2023 | | | | |
| Designated in a cash flow hedge | 78 | 1,330 | 62 | 255 |
| Other | 4 | 67 | 24 | 42 |
| **Total derivatives** | **82** | **1,397** | **86** | **297** |

## 26. Financial instruments and risk management continued

All derivative financial instruments are categorised at Level 2, with the exception of the energy contracts which are categorised at Level 3 of the fair value hierarchy as defined in note 21.

Instruments designated in a cash flow hedge include interest rate swaps and cross-currency swaps hedging euro, US dollar and Japanese yen denominated borrowings. Forward currency contracts are taken out to hedge step-up interest on currency denominated borrowings relating to the group’s 2030 US dollar bond. The hedged cash flows will affect the group’s income statement as interest and principal amounts are repaid over the remaining term of the borrowings (see note 24).

We hedge forecast foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints 12 months forward with certain specific transactions hedged further forward. The related cash flows are recognised in the income statement over this period.

All hedge relationships were fully effective in the period.

## 26. Financial instruments and risk management continued

The amounts related to items designated as hedging instruments were as follows:

| Hedged items<br>At 31 March 2024 | Notional principal<br>£m | Asset<br>£m | Liability<br>£m | Balance in cash flow hedge related reserves (gain)/loss<br>£m | Fair value (gain)/loss recognised in OCI<br>£m | Amount recycled from cash flow hedge related reserves to P&L<br>£m |
|---|---|---|---|---|---|---|
| Sterling, euro, US dollar and Japanese yen denominated borrowings[a] | 13,583 | 960 | (355) | (213) | 464 | (361) |
| Step up interest on the 2030 US dollar bond[b] | 112 | — | (2) | (25) | 2 | 4 |
| Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints[c] | 1,308 | 18 | (11) | (12) | 15 | 8 |
| Other, including energy contracts[d] | | 3 | (95) | 90 | 161 | (7) |
| **Total cash flow hedges** | **15,003** | **981** | **(463)** | **(160)** | **642** | **(356)** |
| Deferred tax | | — | — | 27 | | |
| Derivatives not in a designated hedge relationship | | 89 | (76) | — | | |
| **Carrying value on the balance sheet** | | **1,070** | **(539)** | **(133)** | | |
| At 31 March 2023 | | | | | | |
| Sterling, euro, US dollar and Japanese yen denominated borrowings[a] | 12,888 | 1,316 | (290) | (316) | (887) | 597 |
| Step up interest on the 2030 US dollar bond[b] | 115 | — | (2) | (31) | (8) | 6 |
| Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints[c] | 1,211 | 34 | (24) | (35) | (75) | 61 |
| Other, including energy contracts[d] | | 58 | (1) | (64) | (85) | 49 |
| **Total cash flow hedges** | **14,214** | **1,408** | **(317)** | **(446)** | **(1,055)** | **713** |
| Deferred tax | | — | — | 106 | | |
| Derivatives not in a designated hedge relationship | | 71 | (66) | — | | |
| **Carrying value on the balance sheet** | | **1,479** | **(383)** | **(340)** | | |

**a** Sterling, euro, US dollar and Japanese yen denominated borrowings are hedged using cross-currency swaps and interest rate swaps. Amounts recycled to profit and loss are presented within finance expense. Range of hedged rates: sterling interest: 5.9% - 6.0% (FY23: 5.9% - 6.0%), euro FX: 1.12 - 1.29 (FY23: 1.11 - 1.29), US dollar FX: 1.28 - 1.80 (FY23: 1.28 - 1.80), Japanese yen FX: 156.92 (FY23: 156.92).

**b** Step up interest on US dollar denominated borrowings are hedged using forward currency contracts. Amounts recycled to profit and loss are presented within finance expense. Range of hedged FX rates: 1.21 - 1.28 (FY23: 1.17 - 1.24).

**c** Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints are hedged using forward currency contracts. Amounts recycled to profit and loss are presented within cost of sales or operating costs, in line with the underlying hedged item. Range of hedged FX rates: US dollar: 1.21 - 1.30 (FY23: 1.10 - 1.31), euro: 1.12 - 1.17 (FY23: 1.11 - 1.18), Indian rupees: 106.05 - 120.97 (FY23: 106.05 - 120.97), Hungarian forint: 458.35 - 467.81 (FY23: 489.17 - 503.51).

**d** Includes £(87)m liability (FY23: £57m asset) relating to energy contracts, these are hedged using contracts for difference and virtual power purchase agreements in order to provide long-term power cost certainty. Amounts recycled to profit and loss are presented within operating costs. Range of strike price: 60 - 122 £/MWh (FY23: 60 - 125 £/MWh).

## 27. Other reserves

| | Other comprehensive income | | | | | |
|---|---|---|---|---|---|---|
| | Cash flow reserve[a] £m | Fair value[b] reserve £m | Cost of hedging reserve[c] £m | Translation reserve[d] £m | Merger and other reserves £m | Total £m |
| **At 1 April 2022** | **(148)** | **(1)** | **236** | **381** | **858** | **1,326** |
| Reclassification[e] | 472 | — | (472) | — | — | — |
| Exchange differences[f] | — | — | — | 89 | — | 89 |
| Net fair value gain (loss) on cash flow hedges | 864 | — | 191 | — | — | 1,055 |
| Movements in relation to cash flow hedges recognised in income and expense[g] | (721) | — | 8 | — | — | (713) |
| Fair value movement on assets at fair value through other comprehensive income | — | (3) | — | — | — | (3) |
| Tax recognised in other comprehensive income | (90) | — | — | — | — | (90) |
| **At 31 March 2023** | **377** | **(4)** | **(37)** | **470** | **858** | **1,664** |
| Exchange differences[f] | — | — | — | (66) | — | (66) |
| Net fair value gain (loss) on cash flow hedges | (661) | — | 19 | — | — | (642) |
| Movements in relation to cash flow hedges recognised in income and expense[g] | 349 | — | 7 | — | — | 356 |
| Tax recognised in other comprehensive income | 69 | — | — | 9 | — | 78 |
| Transfer to realised profit | 10 | 12 | — | 11 | — | 33 |
| **At 31 March 2024** | **144** | **8** | **(11)** | **424** | **858** | **1,423** |

**a** The cash flow reserve is used to record the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The transfer to realised profit includes a deferred tax adjustment.
**b** The fair value reserve is used to record gains or losses on equity investments held at fair value through other comprehensive income. When these investments are disposed of any remaining gains or losses in other comprehensive income are transferred to retained earnings.
**c** The cost of hedging reserve reflects the gain or loss on the portion excluded from the designated hedging instrument that relates to the currency basis element of our cross-currency swaps and forward points on certain foreign exchange contracts. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses in the cash flow reserve.
**d** The translation reserve is used to record cumulative translation differences on the net assets of foreign operations. The cumulative translation differences are recycled to the income statement on disposal of the foreign operation.
**e** Reclassification on cash flow hedges in FY23 includes £472m reclassification from cash flow hedge reserve to cost of hedging reserve.
**f** Excludes £nil (FY23: £2m) of exchange differences in relation to retained earnings attributed to non-controlling interests.
**g** Movements in cash flow hedge-related reserves recognised in income and expense of £356m (FY23: £(713)m) include a net credit to other comprehensive income of £318m (FY23: charge of £679m) which has been reclassified to operating costs, and a net credit of £38m (FY23: charge of £34m) which have been reclassified to finance expense (see note 25).

## 28. Directors' emoluments and pensions

Martin Smith resigned as a director on 3 April 2023 and Roger Eyre was appointed on the same day. Neil Harris, Edward Heaton, Daniel Rider and Simon Lowth served as directors throughout the year.

For the year ended 31 March 2024 the aggregate emoluments of the directors excluding deferred bonuses of £652,000 (FY23: £502,000) were £2,648,000 (FY23: £2,804,000). Deferred bonuses are payable in 5p ordinary shares of BT Group plc in three years' time subject to continuous employment.

No retirement benefits were accruing to directors (FY23: none) under a money purchase scheme.

During the year two directors exercised options (FY23: none) under BT Group share option plans. Six directors who held office for the whole or part of the year (FY23: five) received or are entitled to receive 5p ordinary shares of BT Group plc under BT long-term incentive plans. The aggregate value of BT Group plc shares which vested to directors during the year under BT long-term incentive plans was £1,988,000 (FY22: £418,000).

The emoluments of the highest paid director excluding his deferred bonus of £522,000 (FY23: £328,000) were £1,920,000 (FY23: £1,502,000). He is entitled to receive 5,294,822 BT Group plc 5p ordinary shares under BT long-term incentive plans subject to continuous employment.

Included in the above aggregate emoluments are those of Simon Lowth who is also a director of the ultimate holding company, BT Group plc.

The emoluments of the directors are calculated in accordance with the statutory provisions applicable to the company.

## 29. Related party transactions

Key management personnel comprise Executive and Non-Executive Directors and members of the BT Group plc Executive Committee. Compensation of key management personnel is disclosed in note 6.

Amounts paid to the group's retirement benefit plans are set out in note 18.

Associates and joint ventures related parties include the Sports JV with Warner Bros formed during FY23 (see note 22).Sales of services to the Sports JV during FY24 were £33m (FY23: £23m), and purchases from the Sports JV were £299m (FY23: £176m) excluding £211m (FY23: £61m) additional payments made to settle the minimum guarantee liability (see note 17). The amount receivable from the Sports JV as at 31 March 2024 was £3m (FY23: 10m) and the amount payable to the Sports JV was £94m (FY23: £123m).

As part of the BT Sport transaction, the group has committed to providing the Sports JV with a sterling Revolving Credit Facility (RCF), up to a maximum for £300m, for short-term liquidity required by the Sports JV to fund its working capital and commitments to sports rights holders. Amounts drawn down by the Sports JV under the RCF accrue interest at a market reference rate, consistent with the group's external short-term borrowings. The outstanding balance under the RCF of £163m (FY23: £268m) is treated as a loan receivable and held at amortised cost, see note 16. The capacity of the RCF is expected to reduce to £200m during FY25. There is also a loan payable to the Sports JV of £11m (FY23: £11m), see note 24.

## 29. Related party transactions continued

The Sports JV has a foreign exchange hedging arrangement with the group to secure Euros required to meet its commitments to certain sports rights holders; the group has external forward contracts in place to purchase the Euros at an agreed sterling rate in order to mitigate its exposure to exchange risk. The group holds a £29m (FY23: £14m) derivative liability in respect of forward contracts provided to the Sports JV.

Transactions from commercial trading arrangements with associates and joint ventures, including the Sports JV, are shown below:

| At 31 March | **2024**<br>**£m** | 2023<br>£m |
|---|---|---|
| Sales of services to associates and joint ventures | 37 | 29 |
| Purchases from associates and joint ventures | 338 | 216 |
| Amounts receivable from associates and joint ventures | 5 | 10 |
| Amounts payable to associates and joint ventures | 95 | 124 |

Other related party transactions include a dividend received from a joint venture of £12m (FY23: £nil) and in the prior year the purchase of energy from an entity controlled by the BT Pension Scheme until FY24. FY23 total purchases were £13m and £1m was due to the other party as at 31 March 2023.

British Telecommunications plc and certain of its subsidiaries act as a funder and deposit taker for cash related transactions for both its parent and ultimate parent company. The loan arrangements described below with these companies reflect this. Cash transactions usually arise where the parent and ultimate parent company are required to meet their external payment obligations or receive amounts from third parties. These principally relate to the payment of dividends, the buyback of shares, the exercise of share options and the issuance of ordinary shares. Transactions between the ultimate parent company, parent company and the group are settled on both a cash and non-cash basis through these loan accounts depending on the nature of the transaction.

During FY24, a dividend of £850m (FY23: £850m) was settled with the parent company. The directors recommend payment of a final dividend in respect of FY24 of £780m. See note 11 and the group statement of changes in equity.

As of 31 March 2024, there was only one balance between BT plc and the ultimate parent, which accrued interest at SONIA plus a margin of 97.5bp, plus baseline CAS 45.4.

The loan facility between the parent company and British Telecommunications plc accrues interest at a rate of SONIA plus 142.9 bp with an overall limit of £35bn. The parent company currently finances its obligations on this loan as they fall due through dividends paid by the company.

A summary of the balances with the parent and ultimate parent companies and the finance income or expense arising in respect of these balances is set out below:

| | | **2024** | | 2023 | |
|---|---|---|---|---|---|
| | Notes | **Asset (liability) at 31 March**<br>**£m** | **Finance income (expense)**<br>**£m** | Asset (liability) at 31 March<br>£m | Finance income (expense)<br>£m |
| **Amounts owed by (to) parent company** | | | | | |
| Non-current assets investments | 21,25 | 11,208 | 692 | 10,613 | 385 |
| **Amounts owed by (to) ultimate parent company** | | | | | |
| Non-current assets investments | 21,25 | 425 | 17 | 303 | 4 |
| Non-current liabilities loans | 24,25 | — | — | — | (5) |
| Trade and other receivables | 15 | 25 | n/a | 26 | n/a |
| Trade and other payables | 16 | (36) | n/a | (11) | n/a |

## 30. Financial commitments

Financial commitments as at 31 March 2024 include capital commitments of £1,049m (FY23: £1,480m) and device purchase commitments of £171m (FY23: £217m).

TV programme rights commitments were transferred to the Sports JV formed with Warner Bros. Discovery (WBD) during FY23 (see note 20). Both the group and WBD have guaranteed the Sports JV's obligations under certain programme rights commitments; the fair value of these parent company guarantees is not material.

Other than as disclosed below and in note 17, there were no contingent liabilities or guarantees at 31 March 2024 other than those arising in the ordinary course of the group's business and on these no material losses are anticipated. We have insurance cover to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of our operations. Otherwise, the group generally carries its own risks.

### Legal and regulatory proceedings

See note 17 for contingent liabilities associated with legal and regulatory proceedings.

## 31. Re-presentation of prior year comparatives

We have re-presented certain FY23 comparatives to reflect changes to the methodology used to allocate certain shared costs, and the creation of our Business CFU. See note 1 for more details.

The following disclosures are impacted by the creation of the Business unit only. Re-presentation of prior year comparatives is limited to the combination of the balances previously reported in respect of the Enterprise and Global units, with no further adjustments:

- Note 5 Revenue: disaggregation of external revenue
- Note 7 Employees: number of employees
- Note 15 Trade and other receivables: trade receivables not past due and accrued income by CFU

Note 4 Segment information is also impacted by changes to the allocation of shared costs and therefore includes additional adjustments. The tables below present a bridge between previously published financial information and re-presented comparatives for the affected disclosures (segment revenue and profit; internal revenue and costs; and capital expenditure).

### Note 4 Segment information: Segment revenue and profit

| Year ended 31 March 2023: published | Consumer £m | Enterprise £m | Global £m | Business £m | Openreach £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|
| Segment revenue | 9,737 | 4,962 | 3,328 | — | 5,675 | 27 | 23,729 |
| Internal revenue | (57) | (113) | — | — | (2,890) | — | (3,060) |
| **Adjusted[a] revenue from external customers** | **9,680** | **4,849** | **3,328** | **—** | **2,785** | **27** | **20,669** |
| **Adjusted EBITDA[b]** | **2,623** | **1,394** | **458** | **—** | **3,449** | **6** | **7,930** |
| Depreciation and amortisation[a] | (1,397) | (842) | (317) | — | (2,059) | (138) | (4,753) |
| **Adjusted[a] operating profit (loss)** | **1,226** | **552** | **141** | **—** | **1,390** | **(132)** | **3,177** |

| Year ended 31 March 2023: adjustments for creation of Business and change in cost allocation methodology | Consumer £m | Enterprise £m | Global £m | Business £m | Openreach £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|
| Segment revenue | — | (4,962) | (3,328) | 8,258 | — | — | (32) |
| Internal revenue | — | 113 | — | (81) | — | — | 32 |
| **Adjusted[a] revenue from external customers** | **—** | **(4,849)** | **(3,328)** | **8,177** | **—** | **—** | **—** |
| **Adjusted EBITDA[b]** | **(154)** | **(1,394)** | **(458)** | **1,945** | **61** | **—** | **—** |
| Depreciation and amortisation[a] | (206) | 842 | 317 | (1,047) | 94 | — | — |
| **Adjusted[a] operating profit (loss)** | **(360)** | **(552)** | **(141)** | **898** | **155** | **—** | **—** |

| Year ended 31 March 2023: re-presented | Consumer £m | Enterprise £m | Global £m | Business £m | Openreach £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|
| Segment revenue | 9,737 | — | — | 8,258 | 5,675 | 27 | 23,697 |
| Internal revenue | (57) | — | — | (81) | (2,890) | — | (3,028) |
| **Adjusted[a] revenue from external customers** | **9,680** | **—** | **—** | **8,177** | **2,785** | **27** | **20,669** |
| **Adjusted EBITDA[b]** | **2,469** | **—** | **—** | **1,945** | **3,510** | **6** | **7,930** |
| Depreciation and amortisation[a] | (1,603) | — | — | (1,047) | (1,965) | (138) | (4,753) |
| **Adjusted[a] operating profit (loss)** | **866** | **—** | **—** | **898** | **1,545** | **(132)** | **3,177** |

# Notes to the consolidated financial statements continued

## 31. Re-presentation of prior year comparatives continued

### Note 4 Segment information: Internal revenue and costs

| Year ended 31 March 2023: published | Internal cost recorded by Consumer £m | Enterprise £m | Global £m | Business £m | Openreach £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|
| Internal revenue recorded by | | | | | | | |
| Consumer | — | 40 | 16 | — | — | 1 | 57 |
| Enterprise | 26 | — | 32 | — | — | 55 | 113 |
| Global | — | — | — | — | — | — | — |
| Business | — | — | — | — | — | — | — |
| Openreach | 1,805 | 888 | 184 | — | — | 13 | 2,890 |
| **Total** | **1,831** | **928** | **232** | **—** | **—** | **69** | **3,060** |
| **Year ended 31 March 2023: adjustments for creation of Business and change in cost allocation methodology** | | | | | | | |
| Consumer | — | (40) | (16) | 56 | — | — | — |
| Enterprise | (26) | — | (32) | — | — | (55) | (113) |
| Global | — | — | — | — | — | — | — |
| Business | 26 | — | — | — | — | 55 | 81 |
| Openreach | — | (888) | (184) | 1,072 | — | — | — |
| **Total** | **—** | **(928)** | **(232)** | **1,128** | **—** | **—** | **(32)** |
| **Year ended 31 March 2023: re-presented** | | | | | | | |
| Consumer | — | — | — | 56 | — | 1 | 57 |
| Enterprise | — | — | — | — | — | — | — |
| Global | — | — | — | — | — | — | — |
| Business | 26 | — | — | — | — | 55 | 81 |
| Openreach | 1,805 | — | — | 1,072 | — | 13 | 2,890 |
| **Total** | **1,831** | **—** | **—** | **1,128** | **—** | **69** | **3,028** |

### Note 4 Segment information: Capital expenditure

| Year ended 31 March 2023: published | Consumer £m | Enterprise £m | Global £m | Business £m | Openreach £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|
| Intangible assets | 530 | 257 | 81 | — | 87 | 63 | 1,018 |
| Property, plant and equipment | 663 | 351 | 171 | — | 2,709 | 144 | 4,038 |
| **Capital expenditure** | **1,193** | **608** | **252** | **—** | **2,796** | **207** | **5,056** |
| **Year ended 31 March 2023: adjustments for creation of Business and change in cost allocation methodology** | | | | | | | |
| Intangible assets | 22 | (257) | (81) | 361 | 14 | (59) | — |
| Property, plant and equipment | 6 | (351) | (171) | 525 | 37 | (46) | — |
| **Capital expenditure** | **28** | **(608)** | **(252)** | **886** | **51** | **(105)** | **—** |
| **Year ended 31 March 2023: re-presented** | | | | | | | |
| Intangible assets | 552 | — | — | 361 | 101 | 4 | 1,018 |
| Property, plant and equipment | 669 | — | — | 525 | 2,746 | 98 | 4,038 |
| **Capital expenditure** | **1,221** | **—** | **—** | **886** | **2,847** | **102** | **5,056** |

## 32. Post balance sheet events

On 3 April 2024, BT issued a EUR 750m hybrid bond due on 3 October 2054 under our European Medium Term Note programme with a coupon of 5.125% until the first call date of 5.5 years.

# British Telecommunications plc company balance sheet

## Registered number 01800000

| At 31 March | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 4 | 1,962 | 2,407 |
| Property, plant and equipment | 5 | 20,247 | 19,242 |
| Right-of-use assets | 6 | 2,628 | 2,794 |
| Derivative financial instruments | 21 | 1,141 | 1,492 |
| Investments in subsidiary undertakings, associates and joint ventures | 7 | 16,132 | 16,246 |
| Other investments | 8 | 12,152 | 11,509 |
| Trade and other receivables | 9 | 302 | 290 |
| Preference shares in joint venture | 7 | 451 | 542 |
| Contract assets | | 27 | 27 |
| Retirement benefit surplus | 18 | 11 | 15 |
| Deferred tax assets | | 969 | 611 |
| | | **56,022** | **55,175** |
| **Current assets** | | | |
| Inventories | | 212 | 195 |
| Trade and other receivables | 9 | 2,185 | 2,466 |
| Preference shares in joint venture | 7 | 82 | 13 |
| Contract assets | | 161 | 188 |
| Assets classified as held for sale | 22 | — | 4 |
| Current tax receivables | | 839 | 642 |
| Derivative financial instruments | 21 | 51 | 82 |
| Other investments | 8 | 3,682 | 4,733 |
| Cash and cash equivalents[a] | | 190 | 200 |
| | | **7,402** | **8,523** |
| **Current liabilities** | | | |
| Loans and other borrowings | 10 | 17,457 | 17,367 |
| Derivative financial instruments | 21 | 94 | 86 |
| Trade and other payables | 11 | 4,517 | 4,645 |
| Contract liabilities | | 535 | 521 |
| Liabilities classified as held for sale | 22 | — | — |
| Lease liabilities | 6 | 506 | 508 |
| Provisions | 13 | 167 | 147 |
| | | **23,276** | **23,274** |
| **Total assets less current liabilities** | | **40,148** | **40,424** |
| **Non-current liabilities** | | | |
| Loans and other borrowings | 10 | 17,085 | 16,722 |
| Derivative financial instruments | 21 | 445 | 297 |
| Contract liabilities | | 100 | 129 |
| Lease liabilities | 6 | 3,366 | 3,587 |
| Retirement benefit obligations | 18 | 3,479 | 1,639 |
| Other payables | 12 | 1,418 | 1,646 |
| Deferred taxation | 14 | 705 | 810 |
| Provisions | 13 | 226 | 209 |
| | | **26,824** | **25,039** |
| **Equity** | | | |
| Ordinary shares | | 2,172 | 2,172 |
| Share premium | | 8,000 | 8,000 |
| Other reserves | 15 | 891 | 1,099 |
| Retained earnings[b] | | 2,261 | 4,114 |
| **Equity shareholder's funds** | | **13,324** | **15,385** |
| | | **40,148** | **40,424** |

a Includes cash of £190m (FY23: £200m) and cash equivalents of £nil (FY23: £nil).
b As permitted by Section 408(3) of the Companies Act 2006, no income statement of the company is presented. The company's profit for the financial year including dividends received from subsidiary undertakings was £761m (FY23: £1,159m) before dividends paid of £850m (FY23: £850m).

The financial statements of the company on pages 109 to 138 were approved by the Board of Directors on 26 July 2024 and were signed on its behalf by:

**Simon Lowth**
Director

# BT plc company statement of changes in equity

| | Notes | Share capital[a] £m | Share premium account[b] £m | Other reserves[c] £m | Retained earnings (loss) £m | Total equity £m |
|---|---|---|---|---|---|---|
| **At 1 April 2022** | | **2,172** | **8,000** | **844** | **5,964** | **16,980** |
| Profit for the year[d] | | — | — | — | 1,159 | 1,159 |
| Actuarial loss | 18 | — | — | — | (2,953) | (2,953) |
| Tax on actuarial loss | | — | — | — | 743 | 743 |
| Share-based payments | | — | — | — | 59 | 59 |
| Tax on share-based payments | | — | — | — | (8) | (8) |
| Tax on items taken directly to equity | 15 | — | — | (89) | — | (89) |
| Net fair value gain on cash flow hedges | 15 | — | — | 1,052 | — | 1,052 |
| Dividends[d] | | — | — | — | (850) | (850) |
| Transferred to the income statement | 15 | — | — | (708) | — | (708) |
| **At 31 March 2023** | | **2,172** | **8,000** | **1,099** | **4,114** | **15,385** |
| Profit for the year[d] | | — | — | — | 761 | 761 |
| Actuarial loss | 18 | — | — | — | (2,401) | (2,401) |
| Tax on actuarial loss | | — | — | — | 599 | 599 |
| Share-based payments | | — | — | — | 51 | 51 |
| Tax on share-based payments | | — | — | — | (12) | (12) |
| Tax on items taken directly to equity | 15 | — | — | 69 | — | 69 |
| Net fair value loss on cash flow hedges | 15 | — | — | (641) | — | (641) |
| Dividends[d] | | — | — | — | (850) | (850) |
| Transferred to the income statement | 15 | — | — | 358 | — | 358 |
| Transfer to realised profit | | — | — | 6 | (6) | — |
| Other movements | | — | — | — | 5 | 5 |
| **At 31 March 2024** | | **2,172** | **8,000** | **891** | **2,261** | **13,324** |

a The allotted, called up and fully paid ordinary share capital of the company at 31 March 2024 and 31 March 2023 was £2,172m representing 8,689,755,905 ordinary shares of 25p each.
b The share premium account, representing the premium on allotment of shares, is not available for distribution.
c A breakdown of other reserves is provided in note 15.
d As permitted by Section 408(3) of the Companies Act 2006, no income statement of the company is presented. The company's profit for the financial year including dividends received from subsidiary undertakings was £761m (FY23: £1,159m) before dividends paid of £850m (FY23: £850m).

# Notes to the company financial statements

## British Telecommunications plc company accounting policies

### 1. Basis of preparation

**Preparation of the financial statements**

The term 'company' refers to British Telecommunications plc (BT plc). The consolidated group financial statements of BT plc have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 101. Accordingly, these company financial statements have been prepared in accordance with FRS 101 "Reduced disclosure framework". FRS 101 involves the application of International Financial Reporting Standards (IFRS) with a reduced level of disclosure.

The financial statements are prepared on a going concern basis and on the historical cost basis, except for certain financial and equity instruments that have been measured at fair value. Refer to note 1 of the notes to the consolidated accounts for further information. The financial statements are presented in sterling, the functional currency of the company.

**New and amended accounting standards effective during the year**

The following amended standards were effective during the year:

**IFRS 17 Insurance Contracts**

BT adopted IFRS 17 with retrospective application on 1 April 2023. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The measurement method for insurance contracts required by IFRS 17 is a probability weighted discounted cash flow model, including a best estimate and an adjustment for non-financial risk calculated for groups of similar contracts.

IFRS 17 primarily impacts insurance entities, however, as it applies to individual contracts it is possible that non-insurers could issue contracts that are in scope of the standard such as product breakdown contracts or warranties.

We have assessed the impact of the standard , and concluded that its impact is not material. Contracts in scope of the standard entered into by the company are restricted to intragroup insurance arrangements; the company does not issue external insurance contracts.

**Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**

These amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments have not resulted in any changes to accounting policies disclosures made in these financial statements.

**Other**

The following changes have not had a significant impact on these financial statements:

- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

**IFRS Interpretations Committee agenda decisions**

The IFRS Interpretations Committee (IFRIC) periodically issues agenda decisions which explain and clarify how to apply the principles and requirements of IFRS. Agenda decisions are authoritative and may require the company to revise accounting policies or practice to align with the interpretations set out in the decision.

We regularly review IFRIC updates and assess the impact of agenda decisions. No agenda decisions finalised during FY24 have been assessed as having a significant impact on the company.

**Exemptions**

As permitted by Section 408(3) of the Companies Act 2006, the company's income statement has not been presented.

The company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payments' in relation to group-settled share-based payments.
- The requirements of IFRS 7 'Financial Instruments: Disclosures'.
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement'.
- The requirements of the second sentence of paragraph 110 and from paragraphs 113a,114,115,118,119(a) to (c),120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'.
- The second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1 'Presentation of Financial Statements'; (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment'; and (iii) paragraph 118(e) of IAS 38 'Intangible Assets'.
- The following paragraphs of IAS 1 'Presentation of Financial Statements':
  - 10(d) (statement of cash flows);
  - 10(f) (third statement of financial position);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (third statement of financial position);
  - 111 (cash flow statement information); and
  - 134 to 136 (capital management disclosures).
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures'.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and errors.
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures'.The requirements of paragraph 17 of IAS 24 'Related Party Disclosures'.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets'.

The company intends to continue to take advantage of these exemptions in future years.

Where required, equivalent disclosures have been given in the consolidated group financial statements of BT plc.

The financial statements have been prepared on a consistent basis with the prior year.

### 2. Critical & key accounting estimates and significant judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying our accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

Our critical accounting estimates are those estimates that carry a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. We also make other key estimates when preparing the financial statements, which, while not meeting the definition of a critical estimate, involve a higher degree of complexity and can reasonably be expected to be of relevance to a user of the financial

## 2. Critical & key accounting estimates and significant judgements continued

statements. Management has discussed its critical and other key accounting estimates and associated disclosures with the Audit and Risk Committee of BT Group plc.

Significant judgements are those made by management in applying our accounting policies that have a material impact on the amounts presented in the financial statements. We may exercise significant judgement in our critical and key accounting estimates.

Our critical and key accounting estimates and significant judgements are described in the following notes to the financial statements.

| Note | Critical estimate | Key estimate | Significant judgement |
|---|---|---|---|
| 4. Goodwill impairment | ✓ | | ✓ |
| 5. Determining the point of sale of BT Tower | | | ✓ |
| 6. Reasonable certainty and determination of lease terms | | | ✓ |
| 7. Valuation of investment in A preference shares in Sports joint venture | | ✓ | |
| 8. Other investments | | | ✓ |
| 11. Estimate of customer refund liability | | ✓ | |
| 13. Identifying contingent liabilities | | | ✓ |
| 13. Provisions | | ✓ | ✓ |
| 14. Current and deferred income tax | | ✓ | ✓ |
| 18. Valuation of pension assets and liabilities | ✓ | | ✓ |

## 3. Material accounting policies that apply to the overall financial statements

The material accounting policies applied in preparation of our financial statements are set out below. Other material accounting policies applicable to a particular area are disclosed in the relevant note. We have applied all policies consistently to all the years presented, unless otherwise stated.

### Inventories

Network maintenance equipment and equipment to be sold to customers are stated at the lower of cost or net realisable value, taking into account expected revenue from the sale of packages comprising a mobile handset and a subscription. Cost corresponds to purchase or production cost determined by either the first in first out (FIFO) or average cost method.

### Government grants

Government grants are recognised when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received.

Grants for the purchase or production of property, plant and equipment are recognised as deferred income and amortised over the life of the related asset. Grants for the reimbursement of operating expenditure are deducted from the related category of costs in the income statement. Estimates and judgements applied in accounting for government grants received in respect of BDUK and other rural superfast broadband contracts are described in note 5. Once a government grant is recognised, any related deferred income is treated in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

### Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions and the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the income statement line which most appropriately reflects the nature of the item or transaction.

### Research and development

Research expenditure is recognised in the income statement in the period in which it is incurred. Development expenditure, including the cost of internally developed software, is recognised in the income statement in the period in which it is incurred unless it is probable that economic benefits will flow to the company from the asset being developed, the cost of the asset can be reliably measured and technical feasibility can be demonstrated, in which case it is capitalised as an intangible asset on the balance sheet.

Capitalisation ceases when the asset being developed is ready for use. Research and development costs include direct and indirect labour, materials and directly attributable overheads.

### Share-based payments

The ultimate parent of BT plc, BT Group plc, operates a number of equity settled share-based arrangements, as detailed in note 19 to the BT plc consolidated financial statements, under which the company receives services from employees as consideration for equity instruments (share options and shares) of BT Group plc. In the company's separate financial statements these are also accounted for as equity settled.

Equity settled share-based payments are measured at fair value at the date of grant. Market-based performance criteria and non-vesting conditions (for example, the requirement for employees to make contributions to the share purchase programme) are reflected in this measurement of fair value. The fair value determined at the grant date is recognised as an expense on a straight line basis over the vesting period, based on the company's estimate of the options or shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using either the Binomial options pricing model or Monte Carlo simulations, whichever is more appropriate to the share-based payment arrangement.

Service and performance conditions are vesting conditions. Any other conditions are non-vesting conditions which are taken into account to determine the fair value of equity instruments granted. In the case that an award or option does not vest as a result of a failure to meet a non-vesting condition that is within the control of either counterparty, this is accounted for as a cancellation. Cancellations are treated as accelerated vesting and all remaining future charges are immediately recognised in the income statement. As the requirement to save under an employee saveshare arrangement is a non-vesting condition, employee cancellations, other than through a termination of service, are treated as an accelerated vesting. No adjustment is made to total equity for awards that lapse or are forfeited after the vesting date.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less. Bank overdrafts are included within loans and other borrowings, in current liabilities on the balance sheet.

### Dividends

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Board. Interim dividends are therefore recognised when they are paid; final dividends when authorised by the Board.

## 4. Intangible assets

### Material accounting policies that apply to intangible assets

We recognise identifiable intangible assets where we control the asset, it is probable that future economic benefits attributable to the asset will flow to the company, and we can reliably measure the cost of the asset. We amortise all intangible assets, other than goodwill, over their useful economic life. The method of amortisation reflects the pattern in which the assets are expected to be consumed. If the pattern cannot be determined reliably, the straight-line method is used.

**Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the identifiable net assets (including intangible assets) of the acquired business. Goodwill recognised in a business combination does not generate cash flows independently of other assets or groups of assets. As a result, the recoverable amount is determined at a cash generating unit (CGU) level. These CGUs represent the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets. Our CGUs are deemed to be Consumer and Business.

We allocate goodwill to each of the CGUs that we expect to benefit from the business combination. Each CGU to which goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

When assessing recoverable amount using a fair value less costs of disposal (FVLCOD) approach we primarily use an income-based approach but also consider valuations under a multiples-based approach. The recoverable amount of each CGU under both value in use and income-based FVLCOD approaches is determined using risk-adjusted cash flow projections derived from financial plans approved by the BT Group plc Board covering a five-year period. They reflect management's expectations of revenue, EBITDA growth, capital expenditure, working capital and operating cash flows, based on past experience and future expectations of business performance. Cash flows beyond the fifth year have been extrapolated using perpetuity growth rates.

Goodwill in the company's separate financial statements relates to the excess of cost over the value of the company's share of the identifiable net assets acquired where the company has purchased a business.

Below we discuss the critical accounting estimates and assumptions made for BT plc's impairment assessment.

**Computer software**

Computer software comprises computer software licences purchased from third parties, and also the cost of internally developed software. Computer software licences purchased from third parties are initially recorded at cost. We only capitalise costs directly associated with the production of internally developed software, including direct and indirect labour costs of development, where it is probable that the software will generate future economic benefits, the cost of the asset can be reliably measured and technical feasibility can be demonstrated, in which case it is capitalised as an intangible asset on the balance sheet. Costs which do not meet these criteria and research costs are expensed as incurred.

Our development costs which give rise to internally developed software include upgrading the network architecture or functionality and developing service platforms aimed at offering new services to our customers.

**Other**

Other intangible assets include customer relationships or brands acquired through business combinations, which are recorded at fair value at date of acquisition and subsequently carried at amortised cost, and website development costs and other licences which are capitalised at cost and amortised on a straight-line basis over their useful economic life or the term of the contract.

**Estimated useful economic lives**

The estimated useful economic lives assigned to the principal categories of intangible assets are as follows:

| | |
|---|---|
| – Computer software | 2 to 10 years |
| – Telecommunications licences | 2 to 20 years |
| – Customer relationships and brands | 1 to 15 years |

**Impairment of intangible assets**

Intangible assets with finite useful lives are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant cash generating unit and the fair value less costs to dispose.

Goodwill is reviewed for impairment at least annually as described below. Impairment losses are recognised in the income statement, as a specific item. If a cash generating unit is impaired, impairment losses are allocated firstly against goodwill, and secondly on a pro-rata basis against intangible and other assets.

## 4. Intangible assets continued

### Significant judgements and critical accounting estimates made in reviewing goodwill for impairment

**Determining our CGUs**

The determination of our CGUs is judgemental. The identification of CGUs involves an assessment of whether the asset or group of assets generate largely independent cash inflows. This involves consideration of how our core assets are operated and whether these generate independent revenue streams.

In FY23 our CGUs were aligned with the Consumer, Enterprise and Global customer-facing units in existence at the time. From 1 April 2023 the Enterprise and Global units are managed and reported as a single combined unit, Business. During FY24 we have reviewed the identification of our CGUs in light of the creation of Business. We concluded that the Enterprise and Global CGUs have been replaced with a single Business CGU. In reaching this conclusion we considered the way in which the combined unit is monitored and the degree of integration within the combined unit, specifically in relation to revenue streams and its asset base. This conclusion also reflects the fact that the cash flows of the legacy Enterprise and Global units are no longer independent, and it is no longer possible to report the performance of these units on an individual basis.

Accordingly, our CGUs are Consumer and Business from 1 April 2023.

**Estimating recoverable amount**

The recoverable amount is the higher of value in use and fair value less cost of disposal (FVLCOD).

We have determined that an income-based FVLCOD measure determined using discounted cash flows generates the higher recoverable amount for CGUs within the BT plc company. This results from the impact of the cost transformation programme upon the cash flows generated by the company, in particular the Business CGU. An income-based FVLCOD measure assumes that a third-party acquirer will undertake a similar plan to generate the cash flows envisaged by BT in its forecasts, which is reliant on the successful implementation of the cost transformation programme.

Our FVLCOD calculations require estimates in relation to uncertain items, including management's expectations of future revenue growth, operating costs, profit margins, operating cash flows, discount rate, and costs of disposal.

Future cash flows used in these calculations are on a nominal basis and based on risk-adjusted projections derived from the latest Board-approved five-year financial plans, representing management's best risk-adjusted estimate of future growth. This includes the impact of cost transformation (restructuring) programmes, direct and indirect impacts of inflation and associated mitigations. Expectations about future growth reflect the expectations of growth in the markets to which the CGU relates and consideration of the overall variability relating to individual assumptions at the unit level.

Financial plans are made on a consolidated customer-facing unit basis and adjustments are applied to arrive at a company-level CGU forecast, this includes making assumptions about the allocations of relevant cash flows between British Telecommunications plc and other entities within the CGU.

The future cash flows are discounted using a pre-tax nominal discount rate that reflects current market assessments of the time value of money. The discount rate used in each CGU is adjusted for the risk specific to the asset, including the countries in which cash flow will be generated, for which the future cash flow estimates have not been adjusted.

**Estimating terminal growth**

A long-term growth rate into perpetuity is applied immediately at the end of the five-year forecast period. We calculate this for each CGU as the lower of the nominal GDP growth rate forecasts and the long-term compound annual growth rate as estimated by management. Long-term compound annual growth rates may be lower than forecast nominal GDP growth rates due to market-specific factors including inflation expectations, the regulatory environment and competition intensity.

The company is required to test goodwill acquired in a business combination annually for impairment. This was carried out as at 31 March 2024. The carrying value of goodwill and the key assumptions used in performing the annual impairment assessment are disclosed below.

| | Software[a] £m | Goodwill £m | Other £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| **At 1 April 2023** | **5,573** | **530** | **23** | **6,126** |
| Additions[b] | 705 | 94 | — | 799 |
| Disposals and adjustments[c] | (351) | — | (8) | (359) |
| Transfers[d] | 119 | — | — | 119 |
| **At 31 March 2024** | **6,046** | **624** | **15** | **6,685** |
| **Accumulated amortisation** | | | | |
| **At 1 April 2023** | **3,706** | **—** | **13** | **3,719** |
| Charge for the year | 673 | — | — | 673 |
| Impairment | — | 624 | — | 624 |
| Disposals and adjustments[c] | (334) | — | (8) | (342) |
| Transfers[d] | 49 | — | — | 49 |
| **At 31 March 2024** | **4,094** | **624** | **5** | **4,723** |
| **Carrying amount** | | | | |
| **At 31 March 2023** | **1,867** | **530** | **10** | **2,407** |
| **At 31 March 2024** | **1,952** | **—** | **10** | **1,962** |

a Includes a carrying amount of £283m (FY23: £674m) in respect of assets in course of construction, which are not yet amortised.
b Refer note 7 for more information on goodwill additions during FY24.
c Fully depreciated assets in the company's fixed asset registers were reviewed during the year, as part of the BT Group plc annual asset verification exercise, and certain assets that were no longer in use have been written off, reducing cost and accumulated depreciation by £197m (FY23: £800m).
d During FY24, assets with cost of £119m and accumulated depreciation of £49m were reclassified from property, plant and equipment to intangible assets following review of asset registers.

## 4. Intangible assets continued

### Outcome of our annual impairment review

The full balance of goodwill recognised at 31 March 2024, £624m, is attributable to the Business CGU.

Our FY24 impairment testing exercise concluded that this balance is fully impaired. The impairment recognised reflects an excess of the carrying value of the Business CGU over its recoverable amount, under both value in use and FVLCOD-based valuation approaches. An income-based FVLCOD approach results in a higher recoverable amount.

No impairment was recognised in FY23 by reference to a value in use-based valuation approach. In FY24 we have identified that historical trends including the transition from legacy products indicate risk within forecasts which we have made appropriate adjustment for in line with IAS 36, so as to arrive at a risk adjusted estimate of future economic conditions which reflects long-term viability and trading risks inherent in delivering against the company and wider group's strategic pillars. At the same time, to acknowledge this risk we have reduced terminal growth rate applied to cash flows when calculating the terminal value. The combined impact of these adjustments has led to a recoverable amount for IAS 36 impairment testing purposes that is indicative of an impairment.

Calculating the recoverable amount has involved the application of assumptions and estimates that have had a material impact on the impairment charge recognised. Management judge that the forecasts used to calculate recoverable amount support the carrying amount of all other assets allocated to the Business CGU at 31 March 2024; along with it and the company's future trading prospects.

### What discount rate have we used?

The pre-tax discount rates applied to the cash flow forecasts are derived from our post-tax weighted average cost of capital. The assumptions used in the calculation of the group's weighted average cost of capital are benchmarked to externally available data. The pre-tax discount rate used in performing the value in use calculation for Business was 9.25% (FY23: 9.4%).

### What growth rates have we used?

The perpetuity growth rates are determined based on the forecast market growth rates of the regions in which the CGU operates and reflect an assessment of the long-term growth prospects of that market. The growth rates have been benchmarked against external data for the relevant markets and analysts' expectations. None of the growth rates applied exceed the expected average long-term growth rates for those markets or sectors. We have used a perpetuity growth rate of 0.7% for the Business CGU (FY23: 2.0% for Enterprise and 2.4% for Global, the CGUs prior to the formation of Business.

### Key assumptions applied to testing goodwill allocated to the Business CGU

Key assumptions that recoverable amount (FVLCOD) is most sensitive to are the long term growth rate for the terminal period; the realisation of restructuring benefits impacting the terminal period EBITDA; the weighted average cost of capital used to discount cash flows; and costs of disposal.

- Application of the terminal growth rate of 0.7%, equivalent to compound annual growth within the terminal period, is viewed as a key assumption with c.73% of the recoverable amount derived from terminal cash flows.
- 77% of the gross recoverable amount derives from the realisation of benefits from restructuring activity which is not yet committed, most of which sit in the terminal period. The realisation of restructuring benefits impacting the terminal period EBITDA therefore represents a key assumption.
- Recoverable amount is sensitive to the weighted average cost of capital used to discount future cash flows.
- Disposal of the Business CGU would incur significant costs to separate the unit from the remaining business. There are no readily comparable transactions and as such it has been necessary to form an estimate which is sensitive to change. We have estimated costs equivalent to 13% of CGU revenue, this reflects the high end of available external guidance due to the complexity inherent in separating the Business CGU within the BT plc company from the Business CGU within the wider BT plc group.

We performed sensitivity testing over the £624m impairment charge recognised by reference to reasonably possible changes in these assumptions. As the full balance of goodwill recognised by the Business CGU is impaired, sensitivity testing focussed on scenarios that would result in a lower impairment charge.

| | **Outcome** |
|---|---|
| Long term growth rate + 0.7% | £164m less impairment |
| Realisation of restructuring benefits impacting terminal period EBITDA + 20% | £298m less impairment |
| Weighted average cost of capital -1% | £294m less impairment |
| Disposal costs - 20% | £152m less impairment |

We also considered the combined impact of all scenarios together which is considered a reasonably plausible outcome. This would result in no impairment charge and headroom of £318m.

## 5. Property, plant and equipment

### Material accounting policies that apply to property, plant and equipment

Our property, plant and equipment is included at historical cost, net of accumulated depreciation and any impairment charges. Property, plant and equipment acquired through business combinations is initially recorded at fair value and subsequently accounted for on the same basis as our existing assets. We derecognise items of property, plant and equipment on disposal or when no future economic benefits are expected to arise from the continued use of the asset. The difference between the sale proceeds and the net book value at the date of disposal is recognised in operating costs in the income statement.

Included within the cost of network infrastructure and equipment are direct and indirect labour costs, materials and directly attributable overheads.

We depreciate property, plant and equipment on a straight-line basis from the time the asset is available for use, to write off the asset's cost over the estimated useful life taking into account any expected residual value. Freehold land is not depreciated.

**Estimated useful economic lives**
The estimated useful lives assigned to principal categories of assets are as follows:

| | |
|---|---|
| **Land and buildings** | |
| – Freehold buildings | 14 to 50 years |
| – Short-term leasehold improvements | Shorter of 10 years or lease term |
| – Leasehold land and buildings | Shorter of unexpired portion of lease or 40 years |
| **Network infrastructure** | |
| Transmission equipment | |
| – Duct | 40 years |
| – Cable | 3 to 25 years |
| – Fibre | 5 to 20 years |
| Exchange equipment | 2 to 13 years |
| Other network equipment | 2 to 20 years |
| **Other assets** | |
| – Motor vehicles | 2 to 10 years |
| – Computers and office equipment | 3 to 7 years |

Residual values and useful lives are reassessed annually and, if necessary, changes are recognised prospectively.

**Impairment of property, plant and equipment**
We test property, plant and equipment for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is performed, we assess the recoverable amount by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant asset and the fair value less costs to dispose. If it is not possible to determine the recoverable amount for the individual asset then we assess impairment by reference to the relevant cash generating unit as described in note 4.

**Building Digital UK (BDUK) government grants**
We receive government grants in relation to BDUK and other rural superfast broadband contracts. Where we have achieved certain service levels, or delivered the network more efficiently than anticipated, we have an obligation to either re-invest or repay grant funding. Where this is the case, we recognise deferred income in respect of the funding that will be re-invested or repaid, and make a corresponding adjustment to the carrying amount of the related property, plant and equipment.

Assessing the timing of whether and when we change the estimated take-up assumption is judgemental as it involves considering information which is not always observable. Our consideration on whether and when to change the base case assumption is dependent on our expectation of the long-term take-up trend.

Our assessment of how much grant income to defer includes consideration of the difference between the take-up percentage agreed with the local authority and the likelihood of actual take-up. The value of the government grants deferred is disclosed in notes 11 and 12.

## 5. Property, plant and equipment continued

| | | Network infrastructure[a] | | | | |
|---|---|---|---|---|---|---|
| | Land and buildings £m | Held by Openreach £m | Held by other units £m | Other[b] £m | Assets under construction £m | Total £m |
| **Cost** | | | | | | |
| **At 31 March 2023** | **692** | **33,775** | **17,507** | **1,340** | **1,122** | **54,436** |
| Additions | — | 1 | 177 | — | 3,216 | 3,394 |
| Transfers[c] | 82 | 2,562 | 302 | 235 | (3,300) | (119) |
| Disposals and adjustments[d] | (57) | (208) | (1,701) | (116) | 121 | (1,961) |
| **At 31 March 2024** | **717** | **36,130** | **16,285** | **1,459** | **1,159** | **55,750** |
| **Depreciation** | | | | | | |
| **At 31 March 2023** | **355** | **18,998** | **14,989** | **942** | **—** | **35,284** |
| Charge for the year | 40 | 1,489 | 461 | 229 | — | 2,219 |
| Impairments | — | 78 | — | — | 30 | 108 |
| Transfers[c] | — | — | (49) | — | — | (49) |
| Disposals and adjustments[d] | 7 | (134) | (1,728) | (115) | — | (1,970) |
| **At 31 March 2024** | **402** | **20,431** | **13,673** | **1,056** | **30** | **35,592** |
| **Carrying amount** | | | | | | |
| **At 31 March 2023** | **337** | **14,777** | **2,518** | **398** | **1,122** | **19,152** |
| Engineering stores | — | — | — | — | 90 | 90 |
| **At 31 March 2023** | **337** | **14,777** | **2,518** | **398** | **1,212** | **19,242** |
| **At 31 March 2024** | **315** | **15,699** | **2,612** | **403** | **1,129** | **20,158** |
| Engineering stores | — | — | — | — | 89 | 89 |
| **At 31 March 2024** | **315** | **15,699** | **2,612** | **403** | **1,218** | **20,247** |

a Within network infrastructure are assets with net book value of £11.0bn (FY23: £10.3bn) which have useful economic lives of more than 18 years.
b Other mainly comprises motor vehicles, computers and fixtures and fittings.
c During FY24, assets with cost of £119m and accumulated depreciation of £49m were reclassified from property, plant and equipment to intangible assets following review of asset registers
d Disposals and adjustments include the removal of assets from the company's fixed asset registers following disposals and the identification of fully depreciated assets including through operation of the group's annual asset verification exercise.

Included within the above disclosure are assets which are used in arrangements which meet the definition of operating leases under IFRS 16:

- £15,699m (FY23: £14,777m) of the carrying amount of the network infrastructure asset class represents Openreach's network infrastructure. The majority of the associated assets are used to deliver fixed-line telecommunications services that have been assessed as containing operating leases, to both internal and external communications providers. Network infrastructure held by Openreach is presented separately in the table above; however it is not practicable to separate out infrastructure not used in operating lease arrangements.
- Other assets include devices with a carrying amount of £160m (FY23: £163m) that are made available to retail customers under arrangements that contain operating leases. These are not presented separately in the table above as they are not material relative to the group's overall asset base.

The net book value of land and buildings comprised:

| At 31 March | **2024** £m | 2023 £m |
|---|---|---|
| Freehold | 38 | 41 |
| Leasehold | 277 | 296 |
| **Total net book value of land and buildings** | **315** | **337** |

### BT Tower

In FY24 we agreed to the sale of the BT Tower for headline consideration of £275m, as part of the simplification of the group's property portfolio.

The carrying amount of the BT Tower asset is £4m at 31 March 2024. It is not considered to meet the IFRS 5 criteria for classification as held for sale at the reporting date, reflecting the extent of decommissioning work needed to provide vacant possession of the site.

The useful economic lives of assets associated with the BT Tower have been reassessed in light of the anticipated disposal in FY30.

## 5. Property, plant and equipment continued

### Significant judgements made in accounting for the BT Tower sale

Exchange of contracts in respect of the BT Tower sale with MCR Hotels occurred during FY24, with transfer of legal title anticipated to take place in a three year window between 2028 and 2031 subject to achieving vacant possession of the site. We will continue to enjoy exclusive rights to occupy and access the site prior to completion. The delay between exchange and completion reflects the extensive work required to decommission the site.

We have exercised significant judgement in concluding that control over BT Tower passes to the buyer at the point of completion rather than exchange. In doing so we performed a detailed assessment of the restrictions placed on BT's use of the asset in the period following exchange, as well as the transaction pricing structure, and concluded that they were insufficient to represent a transfer to the buyer of sufficiently all the risks and rewards associated with ownership. We placed particular weight on the fact that legal title to the site does not transfer to the buyer until the point of completion. Had we concluded that control had passed on exchange of contracts in FY24, the transaction would have been treated as a sale and leaseback with profit on disposal recognised in the period and associated derecognition of the BT Tower asset and accounting for the leaseback.

## 6. Leases

### Material accounting policies that apply to leases

**Identifying whether a lease exists**

At inception of a contract, we determine whether the contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset, for a period of time, in exchange for consideration. In making this assessment, we consider whether:

- The contract involves the use of an identified asset, either explicitly or implicitly. The asset must be physically distinct or represent substantially all the capacity of a physically distinct asset. Assets that a supplier has a substantive right to substitute are not considered distinct.
- The lessee (either the company, or the company's customers) has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The lessee has the right to direct the use of the asset, in other words, has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Where practicable, and by class of underlying asset, we have elected to account for leases containing a lease component and one or more non-lease components as a single lease component. Where this election has been taken, it has been applied to the entire asset.

**Lessee accounting**

We recognise a lease liability and right-of-use asset at the commencement of the lease. Lease liabilities are initially measured at the present value of lease payments that are due over the lease term, discounted using the group's incremental borrowing rate.

The lease term is the non-cancellable period of the lease adjusted for the impact of any extension options that we are reasonably certain that the lessee will exercise, or termination options that we are reasonably certain that the lessee will not exercise.

The incremental borrowing rate is the rate that we would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value.

Lease payments include:

- fixed payments
- variable lease payments that depend on an index or rate
- amounts expected to be paid under residual value guarantees
- the exercise price of any purchase options that we are reasonably certain to exercise
- payments due over optional renewal periods where we are reasonably certain to renew
- penalties for early termination of the lease where we are reasonably certain to terminate early

Lease liabilities are subsequently measured at amortised cost using the effective interest method. They are remeasured if there is a change in future lease payments, including changes in the index or rate used to determine those payments, or the amount we expect to be payable under a residual value guarantee.

We also remeasure lease liabilities where the lease term changes. This occurs when the non-cancellable period of the lease changes, or on occurrence of a significant event or change in circumstances within the control of the lessee and which changes our initial assessment in regard to whether the lessee is reasonably certain to exercise extension options or not to exercise termination options. Where the lease term changes we remeasure the lease liability using the group's incremental borrowing rate at the date of reassessment. Where a significant event or change in circumstances does not occur, the lease term remains unchanged and the carrying amounts of the lease liability and associated right-of-use asset will decline over time.

Right-of-use assets are initially measured at the initial amount of the corresponding lease liabilities, adjusted for any prepaid lease payments, plus any initial direct costs incurred and an estimate of any decommissioning costs that have been recognised as provisions, less any lease incentives received. They are subsequently depreciated using the straight-line method to the earlier of the end of the useful life of the asset or the end of the lease term. Right-of-use assets are tested for impairment following the policy set out in note 5 and are adjusted for any remeasurement of lease liabilities.

We have elected not to recognise lease liabilities and right-of-use assets for short-term leases that have a lease term of 12 months or less, and leases of low-value assets with a purchase price under £5,000. We recognise payments for these items as an expense on a straight-line basis over the lease term.

Any variable lease payments that do not depend on an index or rate, such as usage-based payments, are recognised as an expense in the period to which the variability relates.

**Lessor accounting**

At inception of a contract, we determine whether the contract is, or contains, a lease. Arrangements meeting the definition of a lease in which we act as lessor are classified as operating or finance leases at lease inception based on an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case then the lease is a finance lease; if not, it is an operating lease. For sub-leases, we make this assessment by reference to the characteristics of the right-of-use asset associated with the head lease rather than the underlying leased asset.

We recognise operating lease payments as income on a straight-line basis over the lease term. Any up front payments received, such as connection fees, are deferred over the lease term. Where the contract contains both lease and non-lease components, the transaction price is allocated between the components on the basis of relative standalone selling price.

Where an arrangement is assessed as a finance lease we derecognise the underlying asset and recognise a receivable equivalent to the net investment in the lease. The receivable is measured based on future payments to be received discounted using the interest rate implicit in the lease, adjustment for any direct costs.

## 6. Leases continued

### Significant judgements made in accounting for leases

The lease term is a key determinant of the size of the lease liability and right-of-use asset recognised where the company acts as lessee; and the deferral period for any upfront connection charges where the company acts as lessor. Determining the lease term requires judgement to evaluate whether we are reasonably certain the lessee will exercise extension options or will not exercise termination options. Key facts and circumstances that create an incentive to exercise those options are considered; these include:

- Our anticipated operational, retail and office property requirements in the mid and long term.
- The availability of suitable alternative sites.
- Costs or penalties associated with exiting lease arrangements relative to the benefits to be gained, including costs of removing leasehold improvements or relocating, and indirect costs such as disruption to business.
- Significant investments in leased sites, in particular those with useful lives beyond the lease term.
- Costs associated with extending lease arrangements including rent increases during secondary lease periods.

Our definition of 'reasonable certainty', and therefore the lease term, will often align with the judgements made in our medium-term plan, in particular for leases of non-specialised property and equipment on rolling (or 'evergreen') arrangements that continue until terminated and which can be exited without significant penalty.

Following initial determination of the lease term, we exercise judgement in evaluating whether events or changes in circumstances are sufficiently significant to change the initial assessment of whether we are reasonably certain the lessee will exercise extension options or will not exercise termination options; and in the subsequent reassessment of the lease term.

**Key judgements exercised in setting the lease term**

The quantum of the lease liability and right-of-use asset currently recognised on our balance sheet is most significantly affected by the judgement exercised in setting the lease term for the arrangement under which the bulk of our operational UK property estate is held.

#### UK operational property portfolio

Substantially all of our leased property estate is held under an arrangement which can be terminated in 2031, at which point we may either vacate some or all properties; or purchase the entire estate. If neither option is taken the lease continues to the next unilaterally available break point in 2041. The lease liability recognised for the arrangement reflects a lease end date of 2031. On initial recognition we concluded that, although the majority of these properties are expected to be needed on a long-term basis, we couldn't be reasonably certain that we wouldn't exercise the termination option or that we would exercise the purchase option. In coming to this conclusion, we had due regard to material sub-lease arrangements relating to the estate.

As time progresses our assessment may change; if this happens, we will remeasure the lease liability and right-of-use asset to reflect either the rentals due for any properties we will continue to occupy, or the cost of purchasing the estate.

On remeasurement there would be an adjustment to both the lease liability and right-of-use asset, with no overall impact on net assets.

- Exercising the purchase option would lead to an estimated increase in the lease liability and right-of-use asset of between £3bn and £5bn.
- Continuing to lease the estate beyond 2031 until the next available break in 2041 would lead to an estimated increase in the lease liability and right-of-use asset of between £1bn and £2bn.

Our assessment will be directly linked to future strategic decisions, which will be resolved at some time prior to 2031, around the development of the fixed network and the associated rationalisation of our exchange estate. The breadth of the ranges reflects the significant uncertainty around key variables used to determine cash outflows, especially future inflation and which properties the company will be able to exit prior to or in 2031.

Estimates are based on discounted cash outflows and do not reflect the likely and significant impact of cash inflows generated from the disposal, repurposing or subleasing of properties retained post-2031.

We are permitted to hand a limited number of properties back to the lessor prior to 2031. On initial adoption of IFRS 16 we were not reasonably certain which properties would be handed back and as such the lease term did not reflect the exercise of these options. Subsequently we exercise judgement in identifying significant events that trigger reassessment of our initial conclusion. We exercise similar judgement in identifying events triggering reassessment of whether we are reasonably certain we will not exercise termination options associated with other leased properties.

In doing so we consider decisions associated with our ongoing workplace rationalisation programme, in particular decisions to exit a particular location or lease an alternative property. Generally we remain reasonably certain that we will not exercise a termination option until implementation of the associated business plan has progressed to a stage that we are committed to exiting the property. At that point we reassess the lease term by reference to the time we expect to remain in occupation of the property and any notice period associated with exercise of the option.

## 6. Leases continued

### Company as lessee

#### Right-of-use assets

Most of our right-of-use assets are associated with our leased property portfolio, specifically our office and exchange estate.

| | Land and buildings £m | Network infrastructure £m | Motor vehicles £m | Other £m | Total £m |
|---|---|---|---|---|---|
| **At 1 April 2022** | **2,723** | **38** | **354** | **1** | **3,116** |
| Additions[a] | 29 | 8 | 143 | 1 | 181 |
| Depreciation charge for the year | (283) | (22) | (123) | (1) | (429) |
| Impairment[b] | (65) | — | — | — | (65) |
| Other movements[c] | (6) | (1) | (2) | — | (9) |
| **At 1 April 2023** | **2,398** | **23** | **372** | **1** | **2,794** |
| Additions[a] | 135 | 29 | 169 | — | 333 |
| Depreciation charge for the year[b] | (279) | (19) | (113) | (1) | (412) |
| Impairment[b] | (10) | — | — | — | (10) |
| Other movements[c] | (23) | 1 | (55) | — | (77) |
| **At 31 March 2024** | **2,221** | **34** | **373** | **—** | **2,628** |

a Additions comprise increases to right-of-use assets as a result of entering into new leases, and upwards remeasurement of existing leases arising from lease extensions or reassessments and increases to lease payments.
b Impairment charge relate primarily to the early exit of leases as a result of ongoing property rationalisation activity.
c Other movements primarily relate to terminated leases and downwards remeasurements of right-of-use assets arising from reductions or reassessments of lease terms and decreases in lease payments.

#### Lease liabilities

Lease liabilities recognised are as follows:

| Year ended 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Current | 506 | 508 |
| Non-current | 3,366 | 3,587 |
| | **3,872** | **4,095** |

Note 10 presents a maturity analysis of the payments due over the remaining lease term for these liabilities.

At 31 March 2024 the company was committed to future minimum lease payments of £47m in respect of leases which have not yet commenced and for which no lease liability has been recognised (31 March 2023: £139m).

### Company as lessor

The company acts as lessor in a number of arrangements which have been classified as operating leases. These relate primarily to Openreach's leases of fixed-line telecommunications infrastructure to external communications providers and leases of devices to Consumer customers as part of fixed access subscription offerings. The following table analyses payments to be received across the remaining term of operating lease arrangements where the company is lessor:

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Less than one year | 419 | 409 |
| One to two years | 115 | 132 |
| Two to three years | 39 | 48 |
| Three to four years | 11 | 15 |
| Four to five years | 11 | 15 |
| More than five years | 5 | 19 |
| **Total undiscounted lease payments** | **600** | **638** |

Lessor arrangements classified as finance leases are not material to the company.

## 7. Investments in subsidiary undertakings, associates and joint ventures

### Material accounting policies that apply to investments in subsidiary undertakings, associates and joint ventures

Investments in subsidiary undertakings, associates and joint ventures are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable. Investments in subsidiary undertakings, associates and joint ventures are derecognised when the company no longer owns the shares of the subsidiary, associate or joint venture or such is dissolved.

The company applies predecessor value method of accounting when it enters into a business transfer agreement with its subsidiary. This is considered as business combinations under common control which is outside the scope of IFRS 3 Business Combinations. The predecessor value method involves accounting for assets and liabilities of the acquired business at its carrying values. The carrying values of the assets and liabilities of the acquired business is based on those reported in the BT plc consolidated financial statements.

| | Subsidiary undertakings £m | Associates and joint ventures £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| **At 31 March 2023** | **33,643** | **454** | **34,097** |
| Disposals[a] | (114) | — | (114) |
| **At 31 March 2024** | **33,529** | **454** | **33,983** |
| **Provisions and amounts written off** | | | |
| **31 March 2023** | **17,812** | **39** | **17,851** |
| Disposals | — | — | — |
| **At 31 March 2024** | **17,812** | **39** | **17,851** |
| | | | |
| **Net book value at 31 March 2023** | **15,831** | **415** | **16,246** |
| **Net book value at 31 March 2024** | **15,717** | **415** | **16,132** |

a BT plc entered into a business transfer agreement with one of its subsidiaries on 31 March 2024. The carrying values of the acquired subsidiary's net assets and liabilities are now included within the company's respective assets and liabilities.

### Subsidiary undertakings

Details of the company's subsidiary undertakings are set out on pages 139 to 143.

There were no indicators that the investment in subsidiary undertaking's net book value is not recoverable apart from one subsidiary with a carrying value of £78m. We have performed an impairment review on this subsidiary in line using the same assumptions as disclosed in note 12 of the consolidated financial statements. Our assessment concluded that there is significant headroom between the carrying value and the calculated value in use of this investment and there are no reasonably possible changes to key assumptions that would result in an impairment.

### Associates and joint ventures - Sports JV

In FY23 we formed the Sports JV (known externally as TNT Sports) with WBD, combining BT Sport and WBD's Eurosport UK business. Further details on the transaction are provided in note 22 to the consolidated financial statements.

For key developments in the Sports JV during the year see note 22 to the consolidated financial statements.

The company holds both ordinary equity shares and preference shares in the Sports JV entity.

### Key accounting estimates made in accounting for the Sports JV

#### Valuation of investment in A preference shares

We expect the company's A preference shares to be redeemed by the Sports JV for the distribution of cash to BT under our earn-out entitlement. BT's return on the shares is driven by the underlying cash profit generation of the Sports JV and therefore have been classified as a fair value through profit or loss (FVTPL) financial asset under IFRS 9 and is remeasured to fair value at each reporting date.

The fair value recorded is supported by a jointly-agreed business plan and internal valuation model with the following key assumptions:

- Approximately 45% of revenues and 90% of costs during the remaining earn out period are contractually committed.
- Material contracts are renewed at an economic value no less than current terms.
- Total premium sports subscriber base does not materially grow or decline over the remaining earn-out period.

*Ordinary equity shares*

The company records an investment on its ordinary equity interest held in the Sports JV at a deemed cost being the initial fair value of £414m.

This investment is subsequently held at this deemed cost and reviewed for impairment. There is no impairment at 31 March 2024 (FY23: no impairment) as the fair value less costs to sell is higher than the carrying amount of the investment, see note 22 to the consolidated financial statements for sensitivities we have applied in determining the fair value less costs to sell.

## 7. Investments in subsidiary undertakings, associates and joint ventures continued

*Preference shares*

In addition to the company's ordinary equity shareholding it held the following investments in preference shares in the Sports JV.

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Investment in A preference shares | 387 | 429 |
| Investment in C preference shares | 146 | 126 |
| **Total** | **533** | **555** |

- **A preference shares** – we expect these shares to be redeemed by the Sports JV for the distribution of cash to the company under our earn-out entitlement. The company's return on the shares is driven by the underlying cash profit generation of the Sports JV and therefore have been classified as a fair value through profit or loss (FVTPL) financial asset under IFRS 9.
- **C preference shares** – these shares are expected to be sold to WBD at the end of BT's earn-out entitlement in consideration for any sports rights funded by the company at that point. The company's return on the shares is driven by changes in the Sports JV's sports rights portfolio which in turn is dependent on changes in the wider sports rights market and the Sports JV's financial performance and are therefore held as a financial asset at FVTPL under IFRS 9.

The preference shares are remeasured to fair value at each reporting date with a combined net £22m (FY23: £34m) decrease in fair value recorded during the year. See note 22 to the consolidated financial statements for further details on the fair value estimation and sensitivities applied.

## 8. Other investments

### Material accounting policies that apply to other investments

**Equity instruments**

Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

**Investments classified as amortised cost**

These investments are measured at amortised cost.

### Significant accounting judgements made in accounting for other investments

We extend loans to our subsidiaries in order to fund their activities. We regularly consider whether there is an indication of impairment. This involves judgement in reviewing year-end financial position, current year performance, known indicators of future performance and cash-flows, one-off events and contingent liabilities and assets. Based on this if there is an indication that the loan receivable may be impaired we perform an assessment of the recoverable amount and make a provision for the portion that we consider irrecoverable. We exercise judgement in determining whether the loan is fully or partially recoverable, which includes making assumptions regarding the future performance of the subsidiary. These assumptions are normally based on financial plans or through extrapolating current performance taking into account past experience and known future events. A provision of  is held against these loans.

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **Non-current assets** | | |
| Fair value through other comprehensive income | 22 | 21 |
| Fair value through profit or loss | 5 | 5 |
| Loans to group undertakings | 510 | 567 |
| Loans to parent undertakings | 11,615 | 10,916 |
| **Total non-current asset investments** | **12,152** | **11,509** |
| **Current assets** | | |
| Investments held at amortised cost | 2,366 | 3,548 |
| Loans to group undertakings | 1,316 | 1,185 |
| **Total current asset investments** | **3,682** | **4,733** |

Investments held at amortised cost relate to money market investments denominated in sterling of £2,355m (FY23: £3,094m), in euros of £5m (FY23: £446m) and in US dollars of £6m (FY23: £8m). Within these amounts are investments in liquidity funds of £1,815m (FY23: £3,491m), £40m collateral paid on swaps (FY23: £48m), interest on investments of £11m (FY23: £9m) and repurchase agreements £500m (FY23: £nil).

Loans to group and parent undertakings total £13,441m (FY23: £12,668m). These consist of amounts denominated in sterling of £12,258m (FY23: £11,523m), euros of £781m (FY23: £772m), US dollars of £8m (FY23: £8m) and other currencies of £394m (FY23: £365m).

## 9. Trade and other receivables

### Material accounting policies that apply to trade and other receivables

**Recognition of trade and other receivables**

Trade receivables are recognised where the right to receive payment from customers is conditional only on the passage of time. We initially recognise trade and other receivables at fair value, which is usually the original invoiced amount. They are subsequently carried at amortised cost using the effective interest method. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

Contingent assets such as any insurance recoveries, or prepaid programme rights which we expect to recoup, have not been recognised in the financial statements as these are only recognised within trade and other receivables when their receipt is virtually certain.

The company utilises factoring arrangements for selected trade receivables. Trade receivables that are subject to debt factoring arrangements are derecognised if they meet the conditions for derecognition detailed in IFRS 9 'Financial instruments'.

**Allowance for doubtful debts**

We provide services to consumer and business customers, mainly on credit terms. We know that certain debts due to us will not be paid through the default of a small number of our customers. Because of this, we recognise an allowance for doubtful debts on initial recognition of receivables, which is deducted from the gross carrying amount of the receivable. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. In estimating a loss allowance we consider historical experience and informed credit assessment alongside other factors such as the current state of the economy and particular industry issues. We consider reasonable and supportable information that is relevant and available without undue cost or effort.

Once recognised, trade receivables are continuously monitored and updated. Allowances are based on our historical loss experiences for the relevant aged category as well as forward-looking information and general economic conditions. Allowances are calculated by individual customer-facing units in order to reflect the specific nature of the customers relevant to that customer-facing unit.

**Contract losses**

We recognise immediately the entire estimated loss for a contract when we have evidence that the contract is unprofitable. If these estimates indicate that any contract will be less profitable than previously forecast, contract assets may have to be written down to the extent they are no longer considered to be fully recoverable. We perform ongoing profitability reviews of our contracts in order to determine whether the latest estimates are appropriate. Key factors reviewed include:

- Transaction volumes or other inputs affecting future revenues which can vary depending on customer requirements, plans, market position and other factors such as general economic conditions.
- Our ability to achieve key contract milestones connected with the transition, development, transformation and deployment phases for customer contracts.
- The status of commercial relations with customers and the implications for future revenue and cost projections.
- Our estimates of future staff and third-party costs and the degree to which cost savings and efficiencies are deliverable.

**Deferred contract costs**

We capitalise certain costs associated with the acquisition and fulfilment of contracts with customers and amortise them over the period that we transfer the associated services.

Connection costs are deferred as contract fulfilment costs because they allow satisfaction of the associated connection performance obligation and are considered recoverable. Sales commissions and other third party contract acquisition costs are capitalised as costs to acquire a contract unless the associated contract term is less than 12 months, in which case they are expensed as incurred. Capitalised costs are amortised over the minimum contract term. A portfolio approach is used to determine contract term.

Where the initial set-up, transition and transformation phases of long-term contractual arrangements represent distinct performance obligations, costs in delivering these services are expensed as incurred. Where these services are not distinct performance obligations, we capitalise eligible costs as a cost of fulfilling the related service. Capitalised costs are amortised on a straight line basis over the remaining contract term, unless the pattern of service delivery indicates a more appropriate profile. To be eligible for capitalisation, costs must be directly attributable to specific contracts, relate to future activity, and generate future economic benefits. Capitalised costs are regularly assessed for recoverability.

## 9. Trade and other receivables continued

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **Current receivables** | | |
| Trade receivables | 1,166 | 713 |
| Amount owed by group undertakings | 181 | 798 |
| Amount owed by ultimate parent company | 25 | 26 |
| Prepayments | 309 | 264 |
| Accrued income | 72 | 70 |
| Deferred contract costs | 146 | 137 |
| Finance lease receivables | 10 | 7 |
| Amounts due from joint ventures | 163 | 268 |
| Other assets[a] | 113 | 183 |
| **Total current receivables** | **2,185** | **2,466** |
| **Non-current receivables** | | |
| Deferred contract costs | 157 | 137 |
| Finance lease receivables | 60 | 44 |
| Other assets[a] | 85 | 109 |
| **Total non current receivables** | **302** | **290** |

a Other assets include £57m (FY23: £70m) of deferred cash consideration mainly relating to the disposal of BT Sport, see note 22.

Amounts due from joint ventures relates to a sterling Revolving Credit Facility (RCF) provided to the Sports JV formed, see note 22. The expected loss provision is immaterial.

## 10. Loans and other borrowings

### Material accounting policies that apply to loans and other borrowings

We initially recognise loans and other borrowings at the fair value of amounts received net of transaction costs. They are subsequently measured at amortised cost using the effective interest method and, if included in a fair value hedge relationship, are re-valued to reflect the fair value movements on the associated hedged risk. The resulting amortisation of fair value movements, on de-designation of the hedge, is recognised in the income statement.

## 10. Loans and other borrowings continued

The table below gives details of the listed bonds and other debt.

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| 0.875% €306m bond due September 2023[a] | — | 270 |
| 4.5% $675m bond due December 2023[a] | — | 554 |
| 1% €469m bond due June 2024[a,d] | — | 415 |
| 1% €825m bond due November 2024[a] | 708 | 726 |
| 3.50% £250m index linked bond due April 2025 | 575 | 524 |
| 0.5% €650m bond due September 2025[a] | 557 | 571 |
| 1.75% €1,300m bond due March 2026[a] | 1,112 | 1,143 |
| 1.5% €1,150m bond due June 2027[a] | 991 | 1,017 |
| 2.75% €700m bond due August 2027[a,e] | 601 | 530 |
| 2.125% €500m bond due September 2028[a] | 431 | 442 |
| 5.125% $700m bond due December 2028[a] | 561 | 573 |
| 5.75% £600m bond due December 2028 | 658 | 669 |
| 1.125% €750m bond due September 2029[a] | 640 | 657 |
| 3.25% $1,000m bond due November 2029[a] | 796 | 812 |
| 9.625% $2,670m bond due December 2030[a] (minimum 8.625%[b]) | 2,166 | 2,214 |
| 3.75% €800m bond due February 2031[a] | 704 | 704 |
| 3.125% £500m bond due November 2031 | 503 | 503 |
| 3.375% €500m bond due August 2032[a] | 433 | 445 |
| 4.25% €850m bond due January 2033[a] | 725 | — |
| 3.64% £330m bond due June 2033 | 339 | 339 |
| 1.613% £330m index linked bond due June 2033 | 394 | 380 |
| 6.375% £500m bond due June 2037 | 523 | 523 |
| 3.883% £330m bond due June 2039 | 340 | 340 |
| 1.739% £330m index linked bond due June 2039 | 394 | 381 |
| 5.75% £450m bond due February 2041[e] | 445 | 347 |
| 3.924% £340m bond due June 2042 | 350 | 350 |
| 1.774% £340m index linked bond due June 2042 | 406 | 392 |
| 2.08% JPY10,000m bond due February 2043[a] | 52 | 61 |
| 3.625% £250m bond due November 2047 | 251 | 250 |
| 4.25% $500m bond due November 2049[a] | 400 | 408 |
| 1.874% €500m hybrid bond due August 2080[a,c] | 432 | 443 |
| 4.250% $500m hybrid bond due November 2081[a,c] | 396 | 404 |
| 4.875% $500m hybrid bond due November 2081[a,c] | 401 | 409 |
| 8.375% £700m hybrid bond due December 2083[c] | 710 | — |
| **Total listed bonds** | **17,994** | **17,796** |
| Loans from group undertakings[f] | 16,357 | 15,668 |
| Loans related to the forward sale of redundant copper | 106 | — |
| Other loans | 27 | 614 |
| Bank overdrafts | 58 | 11 |
| **Total other loans and borrowings** | **16,548** | **16,293** |
| **Total loans and borrowings** | **34,542** | **34,089** |

a Designated in a cash flow hedge relationship.
b The interest rate payable on this bond attracts an additional 0.25% for a downgrade by one credit rating by either Moody's or Standard & Poor's to the company's senior unsecured debt below A3/A-respectively. In addition, if Moody's or Standard & Poor's subsequently increase the ratings then the interest rate will be decreased by 0.25% for each rating category upgrade by each rating agency. In no event will the interest rate be reduced below the minimum rate reflected in the above table.
c Includes call options between 1.5 years and 7.5 years.
d Redeemed early in March 2024.
e Increased the issue size on €700m bond due August 2027 by €100m in November 2023 and on £450m bond due February 2041 by £100m in December 2023.
f Loans from group undertakings are £16,357m (FY23: £15,668m). These consist of £12,080m (FY23: £12,889m) denominated in sterling, £1,449m (FY23: £1,266m) denominated in euros, £2,045m (FY23: £684m) denominated in US dollars and £783m (FY23: £829m) denominated in other currencies.

Unless previously designated in a fair value hedge relationship, all loans and other borrowings are carried in the company balance sheet at cost. The table above is presented at amortised cost. The fair value of listed bonds is £17,820m (FY23: £16,979m).

The interest rates payable on loans and borrowings disclosed above reflect the coupons on the underlying issued loans and borrowings and not the interest rates achieved through applying associated cross-currency and interest rate swaps in hedge arrangements.

## 10. Loans and other borrowings continued

Loans and other borrowings are analysed as follows:

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **Current liabilities** | | |
| Listed bonds | 996 | 1,075 |
| Amount owed to joint ventures | 11 | 11 |
| Loans from group undertakings | 16,357 | 15,668 |
| Other loans and bank overdrafts | 93 | 613 |
| **Total current liabilities** | **17,457** | **17,367** |
| **Non-current liabilities** | | |
| Listed bonds | 16,998 | 16,722 |
| Other loans and bank overdrafts | 87 | — |
| **Total non-current liabilities** | **17,085** | **16,722** |
| **Total** | **34,542** | **34,089** |

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| At 31 March | Lease liabilities £m | Loans and other borrowings £m | Total £m | Lease liabilities £m | Loans and other borrowings £m | Total £m |
| **Repayments falling due as follows:** | | | | | | |
| **Within one year, or on demand** | **506** | **17,457** | **17,963** | **508** | **17,367** | **17,875** |
| Between one and two years | 536 | 2,681 | 3,217 | 515 | 1,137 | 1,652 |
| Between two and three years | 530 | 431 | 961 | 505 | 2,669 | 3,174 |
| Between three and four years | 518 | 1,614 | 2,132 | 493 | 404 | 897 |
| Between four and five years | 511 | 2,282 | 2,793 | 484 | 1,539 | 2,023 |
| After five years | 1,792 | 10,107 | 11,899 | 2,139 | 10,984 | 13,123 |
| **Total due for repayment after more than one year** | **3,887** | **17,115** | **21,002** | **4,136** | **16,733** | **20,869** |
| **Total repayments** | **4,393** | **34,572** | **38,965** | **4,644** | **34,100** | **38,744** |
| Non cash adjustments[a] | — | (30) | (30) | — | (11) | (11) |
| Impact of discounting | (521) | — | (521) | (549) | — | (549) |
| **Total loans and other borrowings** | **3,872** | **34,542** | **38,414** | **4,095** | **34,089** | **38,184** |

a Fair value adjustments and unamortised bond fees.

## 11. Current trade and other payables

### Material accounting policies relating to trade and other payables

We initially recognise trade and other payables at fair value, which is usually the original invoiced amount. We subsequently carry them at amortised cost using the effective interest method.

We use a separate supply chain financing programme to allow suppliers to receive funding earlier than the invoice due date. We assess these arrangements against indicators to assess if debts which vendors have sold to the funder under the supplier financing schemes continue to meet the definition of trade payables or should be classified as borrowings. At 31 March 2024 under the terms of the arrangement the funder's payment to the supplier does not legally extinguish our obligation to the supplier so it remains within trade and other payables. Cash flows only occur when the trade payables is extinguished and are therefore presented in cash flows from operating activities.

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Trade payables | 2,534 | 2,366 |
| Amounts owed to group undertakings | 414 | 624 |
| Amounts owed to ultimate parent company | 36 | 11 |
| Other taxation and social security | 189 | 209 |
| Minimum guarantee from BT Sport disposal[a] | 194 | 195 |
| Accrued expenses | 287 | 218 |
| Deferred income[b] | 402 | 564 |
| Other payables[c] | 461 | 458 |
| **Total** | **4,517** | **4,645** |

a See note 22.
b Deferred income includes £106m (FY23: £258m) relating to the Building Digital UK programme, for which grants received by the company may be subject to re-investment or repayment depending on the level of take-up.
c Includes £41m relating to an estimate of customer refunds, see key accounting estimate disclosure below.

Current trade and other payables at 31 March 2024 includes £209m (31 March 2023: £150m) of trade payables in a supply chain financing programme that allows suppliers the opportunity to receive funding earlier than the invoice due date. Financial institutions are used to support this programme but we continue to recognise the underlying payables as we continue to cash settle the supplier invoices in accordance with their terms.

## 11. Current trade and other payables continued

### Key accounting estimates made in accounting for other payables

**Estimate of customer refunds**

Revenue has been adjusted to reflect a risk of billing inaccuracy where there is a high level of manual processing through certain billing systems. This is associated with a small number of products within our Business unit which contain bespoke pricing. £41m has been recognised as an IFRS 9 financial liability and deducted from revenue, and has been derived from an estimate of the possible range of the adjustment from £24m to £64m based on the results of a sample of billing items. This is presented within current other payables and represents our best estimate required to cover ongoing billing adjustments to products relating to both current and prior periods. If the final quantum of adjustments is less than expected, the adjustment will be released.

## 12. Other non-current payables

| At 31 March | **2024** **£m** | 2023 £m |
|---|---|---|
| Minimum guarantee from BT Sport disposal[a] | 271 | 465 |
| Deferred income[b] | 1,143 | 1,167 |
| Other payables | 4 | 14 |
| **Total** | **1,418** | **1,646** |

a See note 22.
b Deferred income includes £122m (FY23: £169m) relating to the Building Digital UK programme, for which grants received by the company may be subject to re-investment or repayment depending on the level of take-up.

## 13. Provisions & contingent liabilities

Our provisions principally relate to obligations arising from property rationalisation programmes, restructuring programmes, third party claims, litigation and regulatory risks. Contingent liabilities primarily arise from litigation and regulatory matters that are not sufficiently certain to meet the criteria for recognition as provisions.

### Material accounting policies that apply to provisions & contingent liabilities

We recognise provisions when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where these criteria are not met we disclose a contingent liability if the company has a possible obligation, or has a present obligation with an outflow that is not probable or which cannot be reliably estimated.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Cash flows are adjusted for the effect of inflation where appropriate.

### Significant judgements made in identifying contingent liabilities

Contingent liabilities are not recognised as liabilities on our balance sheet. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. We assess the likelihood that a potential claim or liability will arise and also quantify the possible range of financial outcomes where this can be reasonably determined.

In identifying contingent liabilities we make key judgements in relation to applicable law and any historical and pending court rulings, and the likelihood, timing and cost of resolution.

Establishing contingent liabilities associated with litigation brought against the group may involve the use of significant judgements and assumptions, in particular around the ability to form a reliable estimate of any probable outflow. We provide further information in relation to specific matters in the 'contingent liabilities' section below.

## 13. Provisions & contingent liabilities continued

### Key accounting estimates and significant judgements made in accounting for provisions

We exercise judgement in determining the quantum of all provisions to be recognised. Our assessment includes consideration of whether we have a present obligation, whether payment is probable and if so whether the amount can be estimated reliably.

When measuring provisions we reflect the impact of inflation as appropriate particularly in relation to our property and third party claims provisions. Although this involves a degree of estimation it does not represent a significant source of estimation uncertainty having regard to the quantum of the balances in question and the anticipated timing of outflows.

Property provisions relate to obligations arising in relation to our property portfolio, in particular costs to restore leased properties on vacation where this is required under the lease agreement. In measuring property provisions, we have made estimates of the costs association with the restoration of properties by reference to any relevant guidance such as rate cards. Cash outflows occur as and when properties are vacated and the obligations are settled.

Our regulatory provision represents our best estimate of the cost to settle our present obligation in relation to historical regulatory matters. The charge/credit for the year represents the outcome of management's re-assessment of the estimates and regulatory risks across a range of issues, including price and service issues. The prices at which certain services are charged are regulated and may be subject to retrospective adjustment by regulators. When estimating the likely value of regulatory risk we make key judgements, including in regard to interpreting Ofcom regulations and past and current claims. The precise outcome of each matter depends on whether it becomes an active issue, and the extent to which negotiation or regulatory and compliance decisions will result in financial settlement. The ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement.

Litigation provisions represent the best estimate to settle present obligations recognised in respect of claims brought against the company. The estimate reflects the specific facts and circumstances of each individual matter and any relevant external advice received. Provisions recognised are inherently judgemental and could change over time as matters progress.

Third party claims provisions (previously described as insurance provisions) represent our exposure to claims from third parties, with latent disease claims from former colleagues and motor vehicle claims making up the majority of the balance. We engage an independent actuary to provide an estimate of the most likely outcomes in respect of latent disease and third party motor vehicle accident claims, and our in-house insurance teams review our exposure to other risks

Other provisions do not include any individually material provisions.

For all risks, the ultimate liability may vary materially from the amounts provided and will be dependent upon the eventual outcome of any settlement.

| | Property £m | Regulatory £m | Litigation £m | Third party claims £m | Other £m | Total £m |
|---|---|---|---|---|---|---|
| **At 1 April 2022** | **78** | **65** | **26** | **49** | **55** | **273** |
| Additions | 36 | 16 | 2 | 11 | — | 65 |
| Unwind of discount | 1 | — | — | — | — | 1 |
| Utilised | (4) | (1) | — | (13) | — | (18) |
| Released | (29) | (16) | — | (35) | (21) | (101) |
| Transfers | — | 4 | — | 132 | — | 136 |
| **At 31 March 2023** | **82** | **68** | **28** | **144** | **34** | **356** |
| Additions | 39 | 72 | — | 42 | 2 | 155 |
| Unwind of discount | — | — | — | — | — | — |
| Utilised | (9) | (37) | — | (52) | | (98) |
| Released | (8) | (17) | — | (8) | (1) | (34) |
| Transfers[a] | — | — | (3) | — | 17 | 14 |
| **At 31 March 2024** | **104** | **86** | **25** | **126** | **52** | **393** |

a Transfers relate to the reclassification of balances previously presented in other payables (note 12) following reassessment of the level of certainty over the timing and amount of any outflow of resources.

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **Analysed as:** | | |
| Current | 167 | 147 |
| Non-current | 226 | 209 |
| | **393** | **356** |

### Contingent liabilities and legal proceedings

In the ordinary course of business, we are periodically notified of actual or threatened litigation, and regulatory and compliance matters and investigations. There are no matters brought against the company where we believe a material adverse impact on the operations or financial condition of the company is possible and the likelihood of a material outflow of resources is more than remote.

Where the outflow of resources is considered probable, and a reasonable estimate can be made of the amount of that obligation, a provision is recognised for these amounts and reflected in the table above. Where an outflow is not probable but is possible, or a reasonable estimate of the obligation cannot be made, a contingent liability exists.

## 14. Taxation

The value of the company's income tax asset is disclosed on the company balance sheet on page 109. The values of the company's deferred tax assets and liabilities are disclosed in note 18 and below. Deferred tax liabilities are provided for in full on certain temporary differences.

## 14. Taxation continued

### Material accounting policies that apply to taxation

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and the company establishes provisions where appropriate on the basis of the amounts expected to be paid to tax authorities.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the company's assets and liabilities and their tax base. Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where there is an intention to settle the balances on a net basis. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, in the foreseeable future against which the deductible temporary difference can be utilised.

### Key accounting estimates and key judgements made in accounting for taxation

We seek to pay tax in accordance with the laws of the countries where we do business. However, in some areas these laws are unclear, and it can take many years to agree an outcome with a tax authority or through litigation. We estimate our tax on country by-country and issue-by-issue bases. Our key uncertainties are whether our intra-group trading model will be accepted by a particular tax authority and whether intra-group payments are subject to withholding taxes. We provide for the predicted outcome where an outflow is probable, but the agreed amount can differ materially from our estimates. Approximately 77% by value of the provisions are under active tax authority examination and are therefore likely to be re-estimated or resolved in the coming 12 months. £86m (FY23: £78m) is included in current tax liabilities or offset against current tax assets where netting is appropriate. We are subject to regular tax authority review, under a downside case an additional amount of £123m could be required to be paid. This amount is not provided as we don't consider this outcome to be probable.

| | £m |
|---|---|
| **At 1 April 2022** | **1,313** |
| Credit recognised in the income statement | (333) |
| Transfer to deferred tax asset | — |
| Transfer to current tax | 39 |
| Credit recognised in reserves | (209) |
| **At 1 April 2023** | **810** |
| Charge recognised in the income statement | 194 |
| Transfer to deferred tax asset | — |
| Transfer to current tax | — |
| Credit recognised in reserves | (299) |
| **At 31 March 2024** | **705** |

| At 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| **Tax effect of temporary differences due to:** | | |
| Excess capital allowances | 3,686 | 2,955 |
| Losses | (2,842) | (2,115) |
| Share-based payments | (26) | (42) |
| Other | (113) | 12 |
| **Total provision for deferred taxation** | **705** | **810** |

The deferred taxation asset relating to the retirement benefit position is disclosed in note 18.

### What factors affect our future tax charges?

We expect a large proportion of our capital spend on fibre rollout to be eligible for full expensing under the UK capital allowances regime, which provides 100% tax relief in the year of spend on qualifying assets. These deductions drive a projected UK tax loss and no UK tax payments for FY24. The enhanced and accelerated tax deductions arising under the Government's super-deduction regime for qualifying capital spend during FY22 and FY23, together with full expensing in FY24 and pension deficit contribution deductions, result in c. £11.3bn of tax losses expected to be carried forward from FY24, to be utilised against future UK taxable profits.

The UK has enacted Pillar Two legislation which applies for accounting periods beginning on or after 1 January 2024. Since the Pillar Two legislation was not effective for the current period, the company has no related current tax exposure. Under the legislation, the group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. As the UK rate of corporation tax from FY24 will be 25%, and the group's business is primarily in the UK, the impact of these rules is not expected to be material.

# Notes to the parent company financial statements continued

## 15. Reconciliation of movement in other reserves

| | Cash flow reserve[a] £m | Fair value reserve £m | Cost of hedging reserve[b] £m | Capital redemption reserve[c] £m | Total other reserves £m |
|---|---|---|---|---|---|
| **At 1 April 2023** | **(150)** | **6** | **236** | **752** | **844** |
| Transferred to the income statement | (716) | — | 8 | — | (708) |
| Tax on items taken directly to equity | (89) | — | — | — | (89) |
| Net fair value gain on cash flow hedges | 1,333 | — | (281) | — | 1,052 |
| **At 31 March 2023** | **378** | **6** | **(37)** | **752** | **1,099** |
| Transferred to the income statement | 351 | — | 7 | — | 358 |
| Tax on items taken directly to equity | 69 | — | — | — | 69 |
| Net fair value loss on cash flow hedges | (660) | — | 19 | — | (641) |
| Transfer to realised profit | 6 | — | — | — | 6 |
| **At 31 March 2024** | **144** | **6** | **(11)** | **752** | **891** |

a The cash flow reserve is used to record the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.
b The cost of hedging reserve reflects the gain or loss on the portion excluded from the designated hedging instrument that relates to the currency basis element of our cross-currency swaps and forward points on certain foreign exchange contracts. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses in the cash flow reserve.
c The capital redemption reserve is not available for distribution.

## 16. Related party transactions

The company is a wholly-owned subsidiary of BT Group Investment Limited, which is the immediate parent company. BT Group Investments Limited is a wholly-owned subsidiary of the ultimate holding company and controlling entity, BT Group plc.

Amounts paid to the the company's retirement benefit plans are set out in note 18.

Copies of the ultimate holding company's financial statements may be obtained from The Secretary, BT Group plc, 1 Braham Street, London E1 8EE.

The results of the company are included in the consolidated financial statements of BT Group plc. As permitted by FRS 101, paragraph 8(k) and the Companies Act 2006, the company is exempt from the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member.

Associates and joint ventures related parties include the Sports JV with Warner Bros formed during FY23 (see note 22). The amount receivable from the Sports JV as at 31 March 2024 was £3m (FY23: 10m) and the amount payable to the Sports JV was £94m (FY23: £123m).

As part of the BT Sport transaction, the company has committed to providing the Sports JV with a sterling Revolving Credit Facility (RCF), up to a maximum for £300m, for short-term liquidity required by the Sports JV to fund its working capital and commitments to sports rights holders. Amounts drawn down by the Sports JV under the RCF accrue interest at a market reference rate, consistent with the company's external short-term borrowings. The outstanding balance under the RCF of £163m (FY23: £268m) is treated as a loan receivable and held at amortised cost. The capacity of the RCF is expected to reduce to £200m during FY25. There is also a loan payable to the Sports JV of £11m (FY23: £11m).

The Sports JV has a foreign exchange hedging arrangement with the company to secure Euros required to meet its commitments to certain sports rights holders; the company has external forward contracts in place to purchase the Euros at an agreed sterling rate in order to mitigate its exposure to exchange risk. The company holds a £29m (FY23: £14m) derivative liability in respect of forward contracts provided to the Sports JV.

Transactions from commercial trading arrangements with associates and joint ventures, including the Sports JV, are shown below:

| At 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Amounts receivable from associates and joint ventures | 5 | 10 |
| Amounts payable to associates and joint ventures | 95 | 124 |

Other related party transactions in the prior year include the purchase of energy from an entity controlled by the BT Pension Scheme until FY24. FY23 total purchases were £13m and £1m was due to the other party as at 31 March 2023.

## 17. Financial commitments

Financial commitments as at 31 March 2024 include capital commitments of £794m (FY23: £1,124m) and other commitments of £1m (FY23: £1m).

TV programme rights commitments were transferred to the Sports JV formed with Warner Bros. Discovery (WBD) during FY23 (see note 7); the company has guaranteed the Sports JV's obligations under certain programme rights commitments; the fair value of these parent company guarantees is not material.

Other than as disclosed in note 13 in respect of legal and regulatory proceedings, there were no contingent liabilities or guarantees at 31 March 2024 other than those arising in the ordinary course of the company's business and on these no material losses are anticipated. We have insurance cover to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of our operations. Otherwise, the company generally carries its own risks.

## 18. Retirement benefit plans

**Background to BT's pension plans**

The company has both Defined Benefit and Defined Contribution retirement benefit plans. The company's plans are in the UK and the largest by membership is the BT Pension Scheme (BTPS). The BTPS is a Defined Benefit plan that was closed to future benefit accrual in 2018 for over 99% of the active membership at the time. The BT Hybrid Scheme (BTHS), which combines elements of both defined benefit and defined contribution plans, was set up for non-management employees impacted by the closure of the BTPS, and was closed to new entrants in 2019.

New entrants to BT in the UK are eligible to join a defined contribution plan, currently the BT Retirement Saving Scheme (BTRSS), a contract-based arrangement operated by Standard Life.

### Types of retirement benefit plans

**Defined Benefit (DB) plans**

DB plan benefits are determined by the plan rules, typically dependent on factors such as age, years of service and pensionable pay, and not on the value of actual contributions made by the company and members. The company is exposed to investment and other experience risks and may need to make additional contributions where it is estimated that the benefits will not be met from assets held, regular contributions, and expected investment income.

The net defined benefit liability, or deficit, is the present value of all expected future benefit cash flows to be paid by each plan, calculated using the projected unit credit method by professionally qualified actuaries (also known as the Defined Benefit Obligation, DBO or liabilities) less the fair value of the plan assets. A net defined benefit asset or surplus occurs when the fair value of assets exceeds the liabilities.

**Defined Contribution (DC) plans**

DC plan benefits are linked to the value of each member's fund, which is based on contributions paid and the performance of each individual's chosen investments. The company has no exposure to investment and other experience risks (including longevity).

### Critical accounting estimates and significant judgements made when valuing our pension liabilities

The measurement of the service cost and the liabilities involves judgement about uncertain events including the life expectancy of members, price inflation and the discount rate used to calculate the net present value of the future pension payments. We use estimates for all of these uncertain events. Our assumptions reflect historical experience, market expectations (where relevant), actuarial advice and our judgement regarding future expectations at the balance sheet date.

## 18. Retirement benefit plans continued

### Critical accounting estimates and significant judgements made when valuing the BTPS assets

Under IAS 19, plan assets are measured at fair value at the balance sheet date and include quoted and unquoted investments.

**Valuation of main quoted investments**

- Equities listed on recognised stock exchanges are valued at closing bid prices.
- Bonds that are regularly traded are valued using broker quotes.
- Exchange traded derivative contracts are valued based on closing bid prices.

**Valuation of main unquoted investments**

A portion of unquoted investments are valued based on inputs that are not directly observable, which require more judgement. The assumptions used in valuing unquoted investments are affected by market conditions.

- Equities are valued using the International Private Equity and Venture Capital (IPEVC) guidelines where the most significant assumptions are the discount rate and earnings assumptions.
- Property investments are valued on the basis of open market value by an independent valuer using RICS guidelines. The significant assumptions used in the valuation are rental yields and occupancy rates.
- Bonds, including those issued by BT, that are not regularly traded are valued by an independent valuer using pricing models making assumptions for credit risk, market risk and market yield curves.
- Holdings in investment funds are typically valued at the Net Asset Value provided by the fund administrator or investment manager. The significant assumption used in the valuation is the Net Asset Value.
- Infrastructure investments are valued by an independent valuer using a model-based valuation such as a discounted cash flow approach, or at the price of recent market transactions if they represent fair value. Where a discounted cash flow model is used, the significant assumptions used in the valuation are the discount rate and the expected cash flows.
- Over the counter derivatives are valued by an independent valuer using cash flows discounted at market rates. The significant assumptions used in the valuation are the yield curves and cost of carry.
- The BTPS entered into a longevity insurance contract in 2014, and a second in August 2023. The two longevity insurance contracts are valued by discounting the fixed cash flows payable by the BTPS and the floating cash flows payable by the insurers under the contracts (projected by an actuary, consistent with the terms of the contracts). The significant assumptions used to value the assets are the discount rate (set as a margin above a risk-free rate to reflect credit and liquidity risk) and the mortality assumptions.

£5.7bn of unquoted investments that are formally valued periodically by the investment manager have a latest valuation that precedes the balance sheet date. These assets consist of: £2.4bn non-core credit; £1.0bn mature infrastructure; £1.2bn private equity; £0.9bn secure income; and £0.2bn property. These valuations have been adjusted for cash movements between the previous valuation date and 31 March 2024. The valuation approach and inputs for these investments would only be approximately updated where there were indications of significant movements, for example implied by public market indicators. No such adjustment was required at 31 March 2024.

**Asset-backed funding arrangement**

The asset-backed funding arrangement, issued to the BTPS in May 2021, has a fair value of £1.2bn at 31 March 2024 (FY23: £1.3bn) calculated as the present value of the future stream of payments, allowing for the probability of the BTPS becoming fully funded and therefore the payments to the BTPS ending early. Under IFRS, the ABF is recognised as a plan asset in the company's balance sheet, but not recognised at group level.

The net defined benefit liability in respect of defined benefit plans reported in the balance sheet is set out below.

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| At 31 March | **Assets £m** | **Liabilities £m** | **Surplus / (Deficit) £m** | Assets £m | Liabilities £m | Surplus / (Deficit) £m |
| BTPS[a] | 36,601 | (40,038) | (3,437) | 39,983 | (41,575) | (1,592) |
| Other plans[b] | 104 | (135) | (31) | 92 | (124) | (32) |
| **Total (gross of tax)** | **36,705** | **(40,173)** | **(3,468)** | **40,075** | **(41,699)** | **(1,624)** |
| Deferred tax asset | | | 969 | | | 611 |
| **Total (net of tax)** | | | **(2,499)** | | | **(1,013)** |

a Included in the plan assets is £1.2bn (FY23: £1.3bn) related to the asset-backed funding arrangement.
b The balance sheet position comprises of plans in surplus of £11m (FY23: £15m) and plans in deficit of £42m (FY23:£47m). Included in the liabilities is £39m (FY23: £40m) related to unfunded plans.

## 18. Retirement benefit plans continued

Movements in defined benefit plan assets and liabilities are shown below.

| | Assets £m | Liabilities £m | Surplus / (Deficit) £m |
|---|---|---|---|
| **At 31 March 2022** | **55,031** | **(54,490)** | **541** |
| Service cost (including administration expenses and PPF levy) | (36) | (13) | (49) |
| Interest on pension surplus | 1,484 | (1,461) | 23 |
| Return on plan assets below pensions interest on assets | (14,562) | — | (14,562) |
| Actuarial gain arising from changes in financial assumptions | — | 11,783 | 11,783 |
| Actuarial gain arising from changes in demographic assumptions | — | 898 | 898 |
| Actuarial (loss) arising from experience adjustments | — | (1,072) | (1,072) |
| Regular contributions by employer | 13 | — | 13 |
| Deficit contributions by employer | 801 | — | 801 |
| Benefits paid | (2,656) | 2,656 | — |
| **At 31 March 2023** | **40,075** | **(41,699)** | **(1,624)** |
| Service cost (including administration expenses and PPF levy) | (30) | (8) | (38) |
| Interest on pension deficit | 1,898 | (1,959) | (61) |
| Return on plan assets below pensions interest on assets | (3,083) | — | (3,083) |
| Actuarial gain arising from changes in financial assumptions | — | 539 | 539 |
| Actuarial gain arising from changes in demographic assumptions | — | 643 | 643 |
| Actuarial (loss) arising from experience adjustments | — | (500) | (500) |
| Regular contributions by employer | 44 | — | 44 |
| Deficit contributions by employer | 612 | — | 612 |
| Benefits paid | (2,811) | 2,811 | — |
| **At 31 March 2024** | **36,705** | **(40,173)** | **(3,468)** |

### Asset-backed funding arrangement ("ABF")

Under the ABF, £180m pa is paid into the BTPS until June 2033, secured on EE Limited. If the BTPS reaches full funding as calculated by the Scheme Actuary at any 30 June, the ABF payments to the BTPS will cease.

Assuming they are all paid, the future payments from the ABF have a present value of £1.3bn at 31 March 2024 (FY23: £1.4bn). The fair value of the ABF is £1.2bn at 31 March 2024 (FY23: £1.3bn) and allows for the probability of the BTPS becoming fully funded, and therefore the payments to the BTPS ending early.

The fair value of the ABF is included in the assets of the BTPS when assessing the funding deficit and the IAS 19 deficit in the company accounts. Payments from the ABF to BTPS are treated in the same way as coupon payments from bonds, and do not affect the deficit when they are paid. The ABF would be categorised as an unquoted secure income asset within the asset allocation table in note 18 of the BT plc consolidated financial statements.

The fair value of the ABF is not included in the assets of the BTPS when assessing the IAS 19 deficit in the group consolidated accounts, as it is a non-transferable asset issued by the group. Payments from the ABF to BTPS are treated as deficit contributions by the group, and reduce the IAS 19 deficit, when they are paid.

Further information covering details of the BTPS, including the valuation methodology of plan assets and liabilities, funding valuation and future funding obligations is disclosed in note 18 of the BT plc consolidated financial statements.

## 19. Employees and directors

The average number of persons employed by the company (including directors) during the year was:

| Year ended 31 March | **2024** **000** | 2023 000 |
|---|---|---|
| Average monthly number of employees[a] | 24.7 | 31.0 |

| Year ended 31 March | **2024** **£m** | 2023 £m |
|---|---|---|
| Wages and salaries | 1,336 | 1,325 |
| Share-based payments | 55 | 44 |
| Social security | 187 | 164 |
| Other pension costs | 273 | 268 |
| | **1,851** | **1,801** |

a Includes an average of 10 non-UK employees (FY23: 12 non-UK employees).

## 20. Directors' remuneration

Information covering directors' remuneration, interests in shares and share options of BT Group plc (the ultimate parent), and pension benefits is included in note 28 to the consolidated financial statements of BT plc.

## 21. Derivatives

We use derivative financial instruments mainly to reduce exposure to foreign exchange and interest rate risks. Derivatives may qualify as hedges for accounting purposes if they meet the criteria for designation as cash flow hedges or fair value hedges in accordance with IFRS 9.

### Material accounting policies that apply to derivatives

All of the company's derivative financial instruments are held at fair value on the company's balance sheet.

**Derivatives designated in a cash flow hedge**

The company designates certain derivatives in a cash flow hedge relationship. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge. To qualify for hedge accounting, hedge documentation must be prepared at inception, the hedge must be in line with BT Group plc's risk management strategy and there must be an economic relationship based on the currency, amount and timing of the respective cash flows of the hedging instrument and hedged item. This is assessed at inception and in subsequent periods in which the hedge remains in operation. Hedge accounting is discontinued when it is no longer in line with BT Group plc's risk management strategy or if it no longer qualifies for hedge accounting.

In line with BT Group plc's policy the company targets a one-to-one hedge ratio. The economic relationship between the hedged item and the hedging instrument is assessed on an ongoing basis. Ineffectiveness can arise from subsequent change in the forecast transactions as a result of altered timing, cash flows or value.

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. For cash flow hedges of recognised assets or liabilities, the associated cumulative gain or loss is removed from equity and recognised in the same line of the income statement and in the same period or periods that the hedged transaction affects the income statement. Any ineffectiveness arising on a cash flow hedge is recognised immediately in the income statement.

**Other derivatives**

In line with BT Group, company's policy is not to use derivatives for trading purposes. However, due to the complex nature of hedge accounting, some derivatives may not qualify for hedge accounting, or may be specifically not designated as a hedge because natural offset is more appropriate. We effectively operate a process to identify any embedded derivatives within revenue, supply, leasing and financing contracts, including those relating to inflationary features. These derivatives are classified as fair value through profit and loss and are recognised at fair value. Any direct transaction costs are recognised immediately in the income statement. Gains and losses on re-measurement are recognised in the income statement in the line that most appropriately reflects the nature of the item or transaction to which they relate.

Where the fair value of a derivative contract at initial recognition is not supported by observable market data and differs from the transaction price, a day one gain or loss will arise which is not recognised in the income statement. Such gains and losses are deferred and amortised to the income statement based on the remaining contractual term and as observable market data becomes available.

The fair values of outstanding swaps and foreign exchange contracts are estimated using discounted cash flow models and market rates of interest and foreign exchange at the balance sheet date.

| At 31 March 2024 | Current asset £m | Non current asset £m | Current liability £m | Non current liability £m |
|---|---|---|---|---|
| Designated in a cash flow hedge | 34 | 947 | 80 | 383 |
| Other | 17 | 194 | 14 | 62 |
| **Total derivatives** | **51** | **1,141** | **94** | **445** |
| At 31 March 2023 | | | | |
| Designated in a cash flow hedge | 78 | 1,330 | 62 | 255 |
| Other | 4 | 162 | 24 | 42 |
| **Total derivatives** | **82** | **1,492** | **86** | **297** |

Instruments designated in a cash flow hedge include interest rate swaps and cross-currency swaps hedging euro, US dollar and Japanese yen- denominated borrowings. Forward currency contracts are taken out to hedge step-up interest on currency denominated borrowings relating to the group's 2030 US dollar bond. The hedged cash flows will affect the group's income statement as interest and principal amounts are repaid over the remaining term of the borrowings (see note 10).

We hedge forecast foreign currency purchases, principally denominated in US dollar, euro, Indian rupees and Hungarian forint 12 months forward with certain specific transactions hedged further forward. The related cash flows are recognised in the income statement over this period.

All hedge relationships were fully effective in the period. See note 15 for details of the movements in the cash flow hedge reserve.

Other derivatives include £121m (FY23: £95m) in relation to BT plc's interest in the ABF funding arrangement for the BTPS. Further information is disclosed in note 18 of the BT plc consolidated financial statements.

## 22. Divestments and assets & liabilities classified as held for sale

### Material accounting policies that apply to assets & liabilities classified as held for sale

We classify non-current assets or a group of assets and associated liabilities, together forming a disposal group, as 'held for sale' when their carrying amount will be recovered principally through disposal rather than continuing use and the sale is highly probable. Sale is considered to be highly probable when management are committed to a plan to sell the asset or disposal group and the sale should be expected to qualify for recognition as a completed divestment within one year from the date of classification. We measure non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs of disposal. Intangible assets, property, plant and equipment and right-of-use assets classified as held for sale are not depreciated or amortised.

**Divestments**

During the year, the company completed the disposal of Pelipod Limited, a connected-locker business used in our UK supply chain operations.

In FY23, we completed the disposal of BT Sport operations through forming a sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), see below.

The company does not present an income statement (see note 1) and accordingly does not provide a disclosure of the profit or loss recognised on its divestments.

**BT Sport disposal**

In August 2022 the company formed the Sports JV with WBD combining BT Sport and WBD's Eurosport UK business. As part of the transaction, the company and WBD has each contributed, sub-licensed or delivered the benefit of their respective sports rights and distribution businesses for the UK & Ireland to the Sports JV. Both parties each hold a 50% ordinary equity interest and equal voting rights in the Sports JV.

BT Sport's distribution agreement with Virgin Media has transferred to the Sports JV, and the Sports JV has also entered into a new agreement with Sky extending beyond 2030 to provide for its distribution of the Sports JV's combined sports content. The production and operational assets of BT Sport have transferred to WBD who will manage and operate the production of the Sports JV's sport content.

The company has entered into a distribution agreement with the Sports JV to procure the sport content required to continue to supply our broadband, TV and mobile customers. BT plc's agreement with the Sports JV will extend beyond 2030 and for the first four years includes a minimum revenue guarantee of approximately £500m per annum, after which the agreement will change to a fully variable arrangement.

WBD will have the option to acquire the company's 50% interest in the Sports JV at specified points during the first four years of the Sports JV (Call Option). The price payable under the Call Option will be 50% of the fair market value of the Sports JV to be determined at the time of the exercise, plus any unpaid fixed consideration and remaining earn-out as described below. If the Call Option is not exercised, the company will have the ability to exit its shareholding in the Sports JV either through a sale or IPO after the initial four-year period.

The net consideration recognised by the company was as follows:

| | £m |
|---|---|
| Cash consideration[a] | 99 |
| Investment in A preference shares in Sports JV (note 7) | 428 |
| Investment in C preference shares in Sports JV (note 7)[b] | 161 |
| Ordinary equity interest in Sports JV (note 7) | 414 |
| Transaction costs | (35) |
| **Net consideration recognised in FY23** | **1,067** |
| Additional net transaction costs recognised in FY24 | (10) |
| **Net consideration** | **1,057** |

a £52m of cash consideration continues to be deferred and outstanding at 31 March 2024 and held in trade and other receivables, see note 9.

b BT C preference shares in the Sports JV are expected to be sold to WBD at the end of BT's earn-out entitlement in consideration for any programme rights funded by BT and is therefore akin to deferred consideration for pre-funded programme rights contributed by BT into the Sports JV at formation.

## 22. Divestments and assets & liabilities classified as held for sale continued

### Critical & key accounting estimates and significant judgements made in accounting for the BT Sport disposal in FY23

Following critical and key accounting estimates and significant judgements were made in accounting for the BT Sport disposal in FY23 only and are not considered to be ongoing significant judgements.

**Valuation of investment in A preference shares (akin to contingent consideration)**
The company will receive an earn-out from the Sports JV (subject to liquidity and usual UK company law requirements), which will end at the earliest of:

- four years post completion of the transaction;
- the exercise by WBD of the Call Option; and
- if the earn-out reaches an agreed cap.

The earn-out cash flows to the company are dependent on the cash profit generation of the Sports JV over the earn-out period and is therefore akin to contingent consideration, initially recorded at a fair value of £428m reflecting the present value of expected cash flows.

Subsequent to the initial recognition, the company's carried forward investment in A preference shares will be remeasured to fair value at each reporting date in accordance with IFRS 9, see note 7.

**Valuation of the minimum revenue guarantee in the company's distribution agreement with the Sports JV**
The company's obligation under the minimum revenue guarantee of c. £2bn over the first four years of the Sports JV represents both a trading arrangement on market terms and a financing arrangement for the off-market element of the revenue guarantee, which has been recorded as a financial liability at an initial fair value of £712m.

The valuation of this financial liability, and what a fair cost-per-subscriber would be, is sensitive to a number of assumptions on volumes and price, and there is a range of outcomes which we could have arrived at. Alternative scenarios considered, based on the different prices and terms used with other market participants, could have resulted in a liability ranging from £543m to £837m.

The key assumptions in calculating the financial liability are in estimating what is a market wholesale price at market volume commitment that is supported by the forecast volumes for the related revenue streams. The volumes used are consistent with those included in the jointly-agreed business plan as described above. The bottom of the range disclosed above is based on the price that the company will pay after four years when the minimum revenue guarantee has ended, however that is not considered an appropriate rate from the outset due to existing volume commitments.

The liability is held at amortised cost within trade and other payables on the balance sheet (see note 11 and 12) - the carrying amount at 31 March 2024 has reduced to £465m (FY23: £660m) after payments made to the Sports JV on the minimum revenue guarantee.

**Valuation of the company's ordinary shares in the Sports JV**
WBD has the option to acquire the company's 50% interest in the Sports JV at specified points during the first four years of the Sports JV. If the Call Option is not exercised, the company will have the ability to exit its shareholding in the JV either through a sale or IPO.

The company has valued its equity interest in the Sports JV based on the estimated fair value at exit and using the following key assumptions:

- the company expects to realise its interest in the Sports JV through exit rather than ongoing value in use;
- the company expects WBD to exercise its option to acquire BT's 50% interest in the Sports JV at the end of the first four years of the Sports JV; and
- an earnings multiple has been applied to the expected year 5 EBITDA per the jointly-agreed business plan - the multiple is at the lower end of a possible range identified from comparable peers and transactions in the premium sports subscription and broadcasting market.

The investment will be subsequently held at deemed cost being the initial fair value, subject to impairment testing at each reporting period. See note 7 for further details.

**Discounting of cash flows**
All cash flows expected to be received or paid over time have been discounted at a rate applicable to the risks associated with the cash flows:

- Deferred payments due to the company from WBD have been discounted at an appropriate post-tax cost of debt;
- the company's earn-out from the Sports JV has been discounted at the weighted average cost of capital for the Sports JV at completion date; and
- the company's commitments under the minimum guarantee have been discounted at the group's post-tax cost of debt.

We do not consider the net present value of the transaction would be materially affected by a reasonable change in the discount rate.

**Assets and liabilities held for sale**
At 31 March 2024 there are no assets and liabilities classified as held for sale.

Assets held for sale at 31 March 2023 relate to Pelipod Limited, a connected-locker business used in our UK supply chain operations. This divestment completed during FY24.

| At 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| **Assets** | | |
| Investment in subsidiary | — | 4 |
| **Assets held for sale** | **—** | **4** |

## 23. Post balance sheet events

On 3 April 2024, the company issued a EUR 750m hybrid bond due on 3 October 2054 under our European Medium Term Note programme with a coupon of 5.125% until the first call date of 5.5 years.

# Related undertakings

| Company name | Group interest in allotted capital[a] | Share class |
|---|---|---|
| **Held directly** | | |
| **Bermuda** | | |
| **Century House, 16 Par-la-Ville Road, Hamilton, HM08, Bermuda** | | |
| Communications Global Network Services Limited | 100% | ordinary |
| **China** | | |
| **Building 16, 6th Floor, Room 602-B, No. 269 Wuyi Road, Hi-tech Park, Dalian, 116023, China** | | |
| BT Technology (Dalian) Company Limited | 100% | registered |
| **Italy** | | |
| **Via Tucidide 14, 20134, Milano, Italy** | | |
| BT Italia S.p.A. | 99% | ordinary |
| **Jersey** | | |
| **26 New Street, St Helier, JE2 3RA, Jersey** | | |
| Ilford Trustees (Jersey) Limited | 100% | ordinary |
| **Luxembourg** | | |
| **12 rue Eugene Ruppert, L 2453, Luxembourg** | | |
| BT Global Services Luxembourg SARL | 100% | ordinary |
| **Netherlands** | | |
| **Herikerbergweg 2, 1101 CM, Amsterdam, Netherlands** | | |
| BT Nederland N.V. | 100% | ordinary |
| **Republic of Ireland** | | |
| **5th Floor, 2 Grand Canal Plaza, Upper Grand Canal Street, Dublin 4, Ireland** | | |
| The Faraday Procurement Company Limited | 100% | ordinary |
| **United Kingdom** | | |
| **1 Braham Street, London, E1 8EE, United Kingdom** | | |
| Autumnwindow Limited | 100% | ordinary |
| Autumnwindow No.2 Limited | 100% | ordinary |
| Autumnwindow No.3 Limited | 100% | ordinary |
| BPSLP Limited | 100% | ordinary |
| BT (RRS LP) Limited | 100% | ordinary |
| BT Corporate Trustee Limited | 100% | limited by guarantee |
| BT European Investments Limited | 100% | ordinary |
| BT Holdings Limited | 100% | ordinary |
| BT IoT Networks Limited | 100% | ordinary |
| BT Ninety-Seven Limited | 100% | ordinary |
| BT Nominees Limited | 100% | ordinary |
| BT OnePhone Limited | 100% | ordinary |
| BT Property Holdings (Aberdeen) Limited | 100% | ordinary |
| BT Property Limited | 100% | ordinary |
| BT SLE Euro Limited | 100% | ordinary |
| BT SLE USD Limited | 100% | ordinary |
| BT Solutions Limited | 100% | ordinary |
| EE Group Investments Limited | 100% | ordinary |
| Radianz Limited | 100% | ordinary |
| Redcare Limited | 100% | ordinary |
| Southgate Developments Limited | 100% | ordinary |
| **Alexander Bain House, 15 York Street, Glasgow, Lanarkshire, G2 8LA, Scotland** | | |
| BT Corporate Limited | 99% | ordinary |
| BT Falcon 1 LP | 51 % | – |
| Holland House (Northern) Limited | 100% | ordinary |
| **BDO LLP, 5 Temple Square, Temple Street, Liverpool, L2 5RH, United Kingdom** | | |
| BT Lancashire Services Limited | 100% | ordinary |
| **Kelvin House, 123 Judd Street, London, WC1H 9NP, United Kingdom** | | |
| Openreach Limited | 100% | ordinary |
| **Endeavour, Sheffield Digital Campus,1a Concourse Way, Sheffield, S1 2BJ, United Kingdom** | | |
| Plusnet plc | 100% | ordinary |
| **Held via other group companies** | | |
| **Algeria** | | |
| **20 Micro zone d'Activités Dar El Madina, Bloc B, Loc N01 Hydra, Alger, 16000, Algeria** | | |
| BT Algeria Communications SARL | 100% | ordinary |
| **Argentina** | | |
| **Maipu No 1210, piso 8 (C1006), Buenos Aires, Argentina** | | |
| BT Argentina S.R.L. | 100% | ordinary |
| **Australia** | | |
| **Level 20, 420 George Street, Sydney, NSW 2000, Australia** | | |
| BT Australasia Pty Limited | 100% | ordinary |
| | 100% | preference |
| **Austria** | | |
| **Louis-Häfliger-Gasse 10, 1210, Wien, Austria** | | |
| BT Austria GmbH | 100% | ordinary |
| **Azerbaijan** | | |
| **AZ 1025 The Azure Business Center, 20th Floor, c/o BDO Azerbaijan LLC, Z1025, Khatai district, Afiyaddin Jalilov 26, apt.177, Azerbaijan** | | |
| BT Azerbaijan Limited, Limited Liability Company | 100% | ordinary |
| **Bahrain** | | |
| **Suite #2216, Building No. 2504, Road 2832, Al Seef, P.O. BOX 18259, Bahrain** | | |
| BT Solutions Limited (Bahrain Branch)[b] | 100% | – |
| **Bangladesh** | | |
| **UTC Building, 19th Floor, Kawran Bazar, Dhaka, 1215, Bangladesh** | | |
| BT Communications Bangladesh Limited | 100% | ordinary |
| **Barbados** | | |
| **3rd Floor, The Goddard Building, Haggatt Hall, St. Michael, BB11059, Barbados** | | |
| BT (Barbados) Limited | 100% | ordinary |
| **Belarus** | | |
| **58 Voronyanskogo St, Office 89, Minsk 220007, Belarus** | | |
| BT BELRUS Foreign Limited Liability Company | 100% | ordinary |
| **Belgium** | | |
| **Telecomlaan 9, 1831 Diegem, Belgium** | | |
| BT Global Services Belgium BV | 100% | ordinary |
| Global Security Europe Limited – Belgian Branch[b] | 100% | – |
| **Rue de L'Aêropostale 8, 4460 Grâce-Hollogne, Belgium** | | |
| IP Trade SA | 100% | ordinary |
| **Bolivia** | | |
| **Avda. 6 de Agosto N° 2700, Torre Empresarial CADECO, Piso 4, La Paz, Bolivia** | | |
| BT Solutions Limited Sucursal Bolivia[b] | 100% | – |
| **Bosnia and Herzegovina** | | |
| **Trg Heroja 10/1, Sarajevo, 71000, Bosnia and Herzegovina** | | |
| BTIH Teleconsult Drustvo sa organicenom odgovornoscu za posredovanje i zastupanje d.o.o. Sarajevo | 100% | – |
| **Botswana** | | |
| **Plot 2482b, Tshekedi Crescent, Extension 9, Gaborone, 211008, Bontleng, Botswana** | | |
| BT Global Services Botswana (Proprietary) Limited | 100% | ordinary |
| **Brazil** | | |
| **Avenida Dr. Ruth Cardoso, 4777 – 14 andar, Pinheiros, São Paulo, SP, 05477-000, Brazil** | | |
| BT Communications do Brasil Limitada | 100% | quotas |
| BT Global Communications do Brasil Limitada | 100% | quotas |
| **Bulgaria** | | |
| **51B Bulgaria Blvd., fl. 4, Sofia, 1404, Bulgaria** | | |
| BT Bulgaria EOOD | 100% | ordinary |
| BT Global Europe B.V. – Bulgaria branch[b] | 100 % | – |
| **Canada** | | |

# **Related undertakings** continued

| Company name | Group interest in allotted capital[a] | Share class |
|---|---|---|
| **100 King Steet West, Suite 6200, 1 Canadian Place, Toronto ON M5X 1B8, Canada** | | |
| BT Canada Inc. | 100% | common |
| **Chile** | | |
| **Rosario Norte 407, Piso 6, Las Condes, Santiago, Chile** | | |
| Servicios de Telecomunicaciones BT Global Networks Chile Limitada | 100% | ordinary |
| **China** | | |
| **No. 3 Dong San Huan Bei Lu, Chao Yang District, Beijing, 100027, China** | | |
| BT Limited, Beijing Office[b] | 100% | – |
| **Room 2101-2103, 21/F, International Capital Plaza, No. 1318 North Sichuan Road, Hong Kou District, Shanghai, 200080, China** | | |
| BT China Limited-Shanghai Branch Office[b] | 100% | – |
| **1502-1503, AVIC Center, No. 1008, Huafu Road, Futian District, Shenzhen, 518000, China** | | |
| BT China Limited – Shenzhen Branch[b] | 100% | – |
| **Room 3, 4, F7, Tower W3, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, 100738, China** | | |
| BT China Limited | 100% | registered |
| **Unit 1537B, Floor 15th, No. 55, Xili Road, Shanghai Free Trade Zone, Shanghai, China** | | |
| BT China Communications Limited | 50% | ordinary |
| **Colombia** | | |
| **Calle 113, 7-21,Torre A Oficina 1015 Teleport Business, Bogota, Colombia** | | |
| BT Colombia Limitada | 100% | quotas |
| **Costa Rica** | | |
| **Heredia-Belen La Ribera, Centro Corporativo El Cafeta, Edificio B, segundo piso, Oficinas de Deloitte, San José, Costa Rica** | | |
| BT Global Costa Rica SRL | 100% | ordinary |
| **Côte d'Ivoire** | | |
| **Abidjan Plateau, Rue du commerce, Immeuble Nabil 1er étage, 01 BP 12721 Abidjan 01, Côte d'Ivoire** | | |
| BT Cote D'Ivoire | 100% | ordinary |
| **Cyprus** | | |
| **Hadjianastassiou, Ioannides LLC, DELOITTE LEGAL, Maximos Plaza, Tower 3, 2nd Floor, 213 Arch. Makariou III Avenue, Limassol, 3030, Cyprus** | | |
| BT Solutions Limited[b] | 100% | – |
| **Arch. Makarios III, 213, Maximos Plaza, Tower 3, Floor 2, Limassol, 3030, Cyprus** | | |
| BT Global Europe B.V.[b] | 100% | – |
| **Czech Republic** | | |
| **Pujmanové 1753 / 10a, Nusle, 140 00, Prague 4, Czech Republic** | | |
| BT Global Europe B.V., odštěpný závod[b] | 100% | – |
| **Denmark** | | |
| **Norre Farimagsgade 13, 4. th, 1364 Kobenhavn K, Denmark** | | |
| BT Denmark ApS | 100% | ordinary |
| **Dominican Republic** | | |
| **Av. Abraham Lincoln Esq. Jose Amado Soler, Edif. Progresso, Local 3-A, Sector Ens. Serralles, Santo Domingo, Dominican Republic** | | |
| BT Dominican Republic, S. A. | 100% | ordinary |
| **Ecuador** | | |
| **Av. Amazonas N21-252 y Carrión, Edificio Londres, 4° Piso, Quito, Ecuador** | | |
| BT Solutions Limited (Sucursal Ecuador)[b] | 100% | – |
| **Egypt** | | |
| **Unit no. 306 Administrative Second Floor, Al Saraya Mall, Al Mehwar Al- Markazy, Giza, Egypt** | | |
| BT Telecom Egypt LLC | 100% | stakes |
| **El Salvador** | | |
| **Edificio Avante Penthouse Oficina, 10-01 Y 10-03 Urbanizacion, Madre Selva, Antiguo Cuscatlan, La Libertad, El Salvador** | | |
| BT El Salvador, Limitada de Capital Variable | 100% | ordinary |
| **Finland** | | |
| **Mannerheimvägen 12 B 6, 00100 Helsinki, Finland** | | |
| BT Nordics Finland Oy | 100% | ordinary |
| **France** | | |
| **Tour Ariane, 5 place de la Pyramide, La Defense Cedex, 92088, Paris, France** | | |
| BT France S.A.S. | 100% | ordinary |
| **Germany** | | |
| **Barthstraße 4, 80339, Munich, Germany** | | |
| BT (Germany) GmbH & Co. oHG | 100% | ordinary |
| BT Deutschland GmbH | 100% | ordinary |
| BT Garrick GmbH | 100% | ordinary |
| **Widdersdorfer Strasse 252, 50933, Cologne, Germany** | | |
| Global Security Europe Limited – Germany Branch[b] | 100% | – |
| **Ghana** | | |
| **5th Floor, Vivo Place, Cantonments City, Rangoon Lane, P.O. Box MB 595, Accra, Ghana** | | |
| BT Ghana Ltd | 100% | ordinary |
| **Greece** | | |
| **75 Patision Street, Athens, 10434, Greece** | | |
| BT Solutions Limited-Greek Branch[b] | 100% | – |
| **Guatemala** | | |
| **5ta avenida 5-55 zona 14, Edificio Europlaza World Business Center, Torre IV, nivel 7, oficina 702, Guatemala City, Guatemala** | | |
| BT Guatemala S.A. | 100% | unique |
| **Honduras** | | |
| **Colonia Florencia Norte, Edificio Plaza America, 5to Piso, Tegucigalpa, Honduras** | | |
| BT Sociedad De Responsabilidad Limitada | 100% | – |
| **Hong Kong** | | |
| **Unit 31-105, 31/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong** | | |
| BT Hong Kong Limited | 100% | ordinary |
| Infonet China Limited | 100% | ordinary |
| **Hungary** | | |
| **1112 Budapest, Boldizsár utca 4. , Hungary** | | |
| BT Global Europe B.V. Magyarorszagi Fioktelepe[b] | 100% | – |
| BT Limited Magyarorszagi Fioktelepe[b] | 100% | – |
| BT ROC Kft | 100% | business |
| **India** | | |
| **11th Floor, Eros Corporate Tower, Opp. International Trade Tower, Nehru Place, New Delhi, 110019, India** | | |
| BT (India) Private Limited | 100% | ordinary |
| BT e-Serv (India) Private Limited | 100% | equity |
| BT Global Business Services Private Limited | 100% | ordinary |
| BT Global Communications India Private Limited | 100% | ordinary |
| BT Telecom India Private Limited | 100% | ordinary |
| **A-47, Hauz Khas, New Delhi, Delhi-DL, 110016, India** | | |
| Orange Services India Private Limited | 100% | ordinary |
| **Indonesia** | | |
| **Menara Astra, 37F. Jl. Jendral Sudirman Kav 5-6, Jakarta Pusat, Jakarta, 10220, Indonesia** | | |
| PT BT Indonesia | 100% | ordinary |
| PT BT Communications Indonesia | 95% | ordinary |
| **Isle of Man** | | |
| **Third Floor, St Georges Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man** | | |
| Belmullet Limited | 100% | ordinary |
| Communicator Insurance Company Limited | 100% | ordinary |
| Priestgate Limited | 100% | ordinary |
| **Israel** | | |
| **Beit Oz, 14 Abba Hillel Silver Rd, Ramat Gan, 52506, Israel** | | |
| B.T. Communication Israel Ltd | 100% | ordinary |
| **Italy** | | |
| **Via Mario Bianchini 15, 00142, Roma, Italy** | | |
| BT Global Services Limited[b] | 100% | – |
| **Via Tucidide 14, 20134, Milano, Italy** | | |
| Atlanet SpA | 99% | ordinary |
| Basictel SpA | 99% | ordinary |
| **Viale Abruzzi n. 94, 20131, Milan, Italy** | | |
| Global Security Europe Limited[b] | 100% | – |
| **Jamaica** | | |
| **Suite #6, 9A Garelli Avenue , Half way tree, St. Andrew, Kingston 10, Jamaica** | | |

| Company name | Group interest in allotted capital[a] | Share class |
|---|---|---|
| BT Jamaica Limited | 100% | ordinary |
| **Japan** | | |
| **ARK Mori Building, 12-32 Akasaka, 1-Chome, Minato-Ku, Tokyo, 107 – 6024, Japan** | | |
| BT Japan Corporation | 100% | ordinary |
| **Jersey** | | |
| **PO Box 264, Forum 4, Grenville Street, St Helier, JE4 8TQ, Jersey** | | |
| BT Jersey Limited | 100% | ordinary |
| **Jordan** | | |
| **Wadi AlSer – Dahiet Prince Rashid – King Abdullah Street , Building No. 391 – 3rd Floor, Jordan** | | |
| BT (International) Holdings Limited (Jordan) | 100% | ordinary |
| **Kazakhstan** | | |
| **n.p.38b, Building 5, Kaiym Mukhamedkhanov Street, Nura District, Astana, Index 010000, Kazakhstan** | | |
| BT Kazakhstan LLP | 100% | – |
| **Kenya** | | |
| **L R No, 1870/ 1/176, Aln House, Eldama Ravine close, off Eldama Ravine Road, Westlands, P O Box 764, Sarit Centre, Nairobi, 00606, Kenya** | | |
| BT Communications Kenya Limited | 70% | ordinary |
| **Korea** | | |
| **Level 19, Hana Securities Building, 81, Uisadang-daero, Yeongdeungpogu, Seoul, 07321, Republic of Korea** | | |
| BT Global Services Korea Limited | 100% | common |
| **Latvia** | | |
| **Muitas iela 1A, Riga, LV-1010, Latvia** | | |
| BT Latvia Limited, Sabiedriba ar ierobezotu atbildibu | 100% | ordinary |
| **Lebanon** | | |
| **Abou Hamad, Merheb, Nohra & Chedid Law Firm, Chbaro Street, 22nd Achrafieh Warde Building, 1st Floor, Beirut, P.O.BOX 165126, Lebanon** | | |
| BT Lebanon S.A.L. | 100% | ordinary |
| **Lithuania** | | |
| **Aludariu str 2-33, LT-01113 Vilnius, Lithuania** | | |
| UAB BTH Vilnius | 100% | ordinary |
| **Luxembourg** | | |
| **12 rue Eugene Ruppert, L 2453, Luxembourg** | | |
| BT Broadband Luxembourg Sàrl | 100% | ordinary |
| **Malawi** | | |
| **KEZA Office Park Blocks 3, First Floor, Near Chichiri, Shopping Mall, Blantyre, Malawi** | | |
| BT Malawi Limited | 100% | ordinary |

| Company name | Group interest in allotted capital[a] | Share class |
|---|---|---|
| **Malaysia** | | |
| **Level 5, Tower 3, Avenue 7, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** | | |
| BT Global Technology (M) Sdn. Bhd. | 100% | ordinary |
| BT Systems (Malaysia) Sdn Bhd | 100% | ordinary |
| **Malta** | | |
| **Level 1, LM Complex, Brewery Street, Zone 3, Central Business District, Birkirkara CBD, 3040, Malta** | | |
| BT Solutions Limited[b] | 100% | – |
| **Mauritius** | | |
| **c/o Deloitte, 7th Floor Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebène, 72201, Mauritius** | | |
| BT Global Communications (Mauritius) Limited | 100% | ordinary |
| **Mexico** | | |
| **Boulevard Manuel Avila Camacho No. 32, 6th Floor, Lomas de Chapultepec III Section, Miguel Hidalgo, Mexico City CP11000** | | |
| BT LatAm México, S.A. de C.V. | 100% | common |
| **Montenegro** | | |
| **Vasa Raickovica 4b, Podgorica, Podgorica, Montenegro** | | |
| BT Montenegro DOO | 100% | – |
| **Morocco** | | |
| **Bd. Abdelmoumen, Immeuble Atrium, n 374, Lot. Manazyl Al Maymoune, 5eme etage, Casablanca, 20390, Morocco** | | |
| BT Solutions Limited – Morocco Branch[b] | 100% | – |
| **Mozambique** | | |
| **Avenida Kenneth Kaunda, number 660, Sommershield, Maputo City, Mozambique** | | |
| BT Mozambique, Limitada | 100% | quotas |
| **Namibia** | | |
| **Unit 3, 2nd floor, Ausspann Plaza, Dr Agostinho Neto Road, Ausspannplatz, Private Bag, Windhoek, 12012, Namibia** | | |
| BT Solutions Limited[b] | 100% | – |
| **Netherlands** | | |
| **Herikerbergweg 2, 1101 CM, Amsterdam, Netherlands** | | |
| BT Global Europe B.V. | 100% | ordinary |
| BT (Netherlands) Holdings B.V. | 100% | ordinary |
| BT Professional Services Nederland B.V. | 100% | ordinary |
| Global Security Europe Limited[b] | 100% | – |
| **New Zealand** | | |
| **c/o Deloitte, Level 18, 80 Queen Street, Auckland Central, Auckland, 1010, New Zealand** | | |
| BT Australasia Pty Limited – New Zealand Branch[b] | 100% | – |
| **Nicaragua** | | |
| **De donde fué el Restaurante Marea Alta Ahora quesillos, El Pipe, 2 cuadras al este, 10 Metros al norte, frente al, Hotel El Gran Marquez, Casa #351, Nicaragua, 2815, Nicaragua** | | |
| BT Nicaragua S.A. | 100% | capital |
| **Nigeria** | | |
| **Civic Towers, Plot GA1, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, Nigeria** | | |

| Company name | Group interest in allotted capital[a] | Share class |
|---|---|---|
| BT (Nigeria) Limited | 100% | ordinary |
| **North Macedonia** | | |
| **Str. Dame Gruev no.8, 5th floor, Building "Dom na voenite invalidi", Skopje 1000, North Macedonia** | | |
| BT Solutions Limited Branch Office in Skopje[b] | 100% | – |
| **Norway** | | |
| **Munkedamsveien 45, Oslo, 0121, Norway** | | |
| BT Solutions Norway AS | 100% | ordinary |
| **Oman** | | |
| **Maktabi Building, Building No. 458, Unit No. 413 4th Floor, Road No – R41, Block No. 203, Plot No. 107, Zone No. SW41, Complex No. 271, Al Watiyah, Bausher, Muscat, Sultanate of Oman, Oman** | | |
| BT International Holdings Limited & Co. LLC | 100% | ordinary |
| **Pakistan** | | |
| **Cavish Court, A-35, Block 7&8, KCHSU, Shahrah-e-Faisal, Karachi, 75350, Pakistan** | | |
| BT Pakistan (Private) Limited | 100% | ordinary |
| **Panama** | | |
| **50th and 74th Street, San Francisco, PH 909, 15th and 16th Floor, Panama City, Panama** | | |
| BT de Panama, S.R.L. | 100% | ordinary |
| **Paraguay** | | |
| **Av. Brasilia N° 767 casi Siria, Asunción, Paraguay** | | |
| BT Paraguay S.R.L. | 100% | quotas |
| **Peru** | | |
| **Av. La Mar 662 Of. 201 – Miraflores, Lima, Peru** | | |
| BT Peru S.R.L. | 100% | ordinary |
| **Philippines** | | |
| **11th Floor, Page One Building, 1215 Acacia Ave Madrigal Business Park, Ayala Alabang, Muntinlupa, Metro Manila, 1780, Philippines** | | |
| IT Holdings, Inc | 100% | ordinary |
| **40th Floor, PBCom Tower 6795, Ayala Avenue cor. Rufino St, Makati City, 1226, Philippines** | | |
| BT Communications Philippines Incorporated | 100% | ordinary |
| **c/o Sun Microsystems Phil Inc., 8767 Paseo de Roxas, Makati City, Philippines** | | |
| PSPI-Subic, Inc | 51% | ordinary |
| **Poland** | | |
| **126/134 Marszalkowska St., Room 128, 00-008, Warsaw, Poland** | | |
| BT Poland Spółka Z Ograniczoną Odpowiedzialnością | 100% | ordinary |

## Related undertakings continued

| Company name | Group interest in allotted capital[a] | Share class |
|---|---|---|
| **Portugal** | | |
| **Rua D. Francisco Manuel de Melo 21-1, 1070-085 Lisboa, Portugal** | | |
| BT Portugal – Telecomunicações, Unipessoal Lda | 100% | ordinary |
| **Puerto Rico** | | |
| **Corporation Service Company Puerto Rico Inc., c/o RVM Professional Services LLC, A4 Reparto Mendoza, Humacao, 00791, Puerto Rico** | | |
| BT Communications Sales, LLC Puerto Rico branch[b] | 100% | – |
| **Qatar** | | |
| **1413, 14th Floor, Al Fardan Office Tower, Doha, 31316, Qatar** | | |
| BT Global Services (North Gulf) LLC | 49% | ordinary |
| **Republic of Ireland** | | |
| **BDO Block 3 Miesian Plaza, 50-58 Baggot Street Lower, Dublin 2, Dublin, D02 Y754, Ireland** | | |
| BT Global Communications (Ireland) Limited | 100% | ordinary |
| **2 Grand Canal Plaza, Upper Grand Canal Street, Dublin 4, Republic of Ireland** | | |
| BT Communications Ireland Limited | 100% | ordinary |
| BT Communications Ireland Group Limited | 100% | ordinary |
| BT Communications Ireland Holdings Limited | 100% | ordinary |
| Whitestream Industries Limited | 100% | ordinary |
| **Romania** | | |
| **Cladirea A1, Biroul Nr. 52, Nr 35-37, Str. Oltenitei, Sector 4, Bucharest, Romania** | | |
| BT Global Services Limited Londra Sucursala Bucuresti[b] | 100% | – |
| **Russia** | | |
| **Room 62, prem xx, Floor 2, Pravdy, 26, 127137, Moscow, Russian Federation** | | |
| BT Solutions Limited Liability Company | 100% | – |
| **Serbia** | | |
| **Dimitrija Georgijevica Starike 20, Belgrade, 11070, Serbia** | | |
| BT Belgrade d.o.o | 100% | ordinary |
| **Sierra Leone** | | |
| **84 Dundas Street, Freetown, Sierra Leone** | | |
| BT (SL) Limited | 100% | ordinary |
| **Singapore** | | |
| **Level 3, #03-01/02 & #03-04, Block B, Alexandra Technopark, 438B Alexandra Road, Singapore, 119968** | | |
| BT (India) Private Limited Singapore Branch[b] | 100% | – |
| BT Global Solutions Pte. Ltd. | 100% | ordinary |
| BT Singapore Pte. Ltd. | 100% | ordinary |
| **Slovakia** | | |
| **Pribinova 10, 811 09, Bratislava , mestskó èast' Staré Mesto, Slovakia** | | |
| BT Global Europe B.V., o.z.[b] | 100% | – |
| BT Slovakia s.r.o. | 100% | ordinary |
| **Slovenia** | | |
| **Cesta v Mestni Log 1, Ljubljana, 1000, Slovenia** | | |
| BT GLOBALNE STORITVE, telekomunikacijske storitve, obdelava podatkov, podatkovnih baz; d.o.o. | 100% | ordinary |
| **South Africa** | | |
| **BT Building, Woodmead North Office Park, 54 Maxwell Drive, Woodmead, Johannesburg, 2191, South Africa** | | |
| BT Communications Services South Africa (Pty) Limited | 100% | ordinary |
| BT Limited[b] | 100% | – |
| **Spain** | | |
| **C/ María Tubau, 3, 28050 de Madrid, Spain** | | |
| BT Global ICT Business Spain SLU | 100% | ordinary |
| **Sri Lanka** | | |
| **Level 03, No 11, Castle Lane, Colombo, 04, Sri Lanka** | | |
| BT Communications Lanka (Private) Limited | 100% | ordinary |
| **Sudan** | | |
| **Alskheikh Mustafa Building, Parlman Street, Khartoum, Sudan** | | |
| Newgate Communication (Sudan) Co. Ltd | 100% | ordinary |
| **Sweden** | | |
| **c/o 7A, Vasagatan 28, 111 20, Stockholm, Sweden** | | |
| BT Nordics Sweden AB | 100% | ordinary |
| **Switzerland** | | |
| **Richtistrasse 5, 8304 Wallisellen, Switzerland** | | |
| BT Switzerland AG | 100% | ordinary |
| **Taiwan** | | |
| **11F, No. 1 Songzhi Rd, Xinyi Dist., Taipei City, 110411, Taiwan (Province of China)** | | |
| BT Limited Taiwan Branch[b] | 100% | – |
| **Tanzania** | | |
| **Region Dar Es Salaam, District Kinondoni, Ward Msasani, Street Msasani Peninsula, Road 1 Bains Singh Avenue, Plot number 1403/1, Ground Floor, 14111, United Republic of Tanzania** | | |
| BT Solutions Limited – Tanzania Branch[b] | 100% | – |
| **Thailand** | | |
| **No.63 Athenee Tower, 23rd Floor (CEO Suite, Room No.38), Wireless Road, Kwaeng Lumpini, Khet Pathumwan, Bangkok, 10330, Thailand** | | |
| BT Siam Communications Co., Ltd | 49% | class B |
| BT Siam Limited | 69% | ordinary |
| | 69% | preference |
| **Trinidad and Tobago** | | |
| **2nd Floor CIC Building, 122-124 Frederick Street, Port of Spain, Trinidad and Tobago** | | |
| BT Solutions Limited[b] | 100% | – |
| **Tunisia** | | |
| **Rue de l', Euro Immeuble Slim, Block A-2nd floor-Les berges du Lac, Tunis, 1053, Tunisia** | | |
| BT Tunisia S.A.R.L | 100% | ordinary |
| **Turkey** | | |
| **Acıbadem Mahallesi Çeçen Sk. Akasya A , Kule Kent Etabı Apt. No: 25 A/28- , Üsküdar, Istanbul, Turkey** | | |
| BT Bilisim Hizmetleri Anonim Şirketi | 100% | ordinary |
| BT Telekom Hizmetleri Anonim Şirketi | 100% | common |
| **Uganda** | | |
| **Engoru, Mutebi Advocates, Ground Floor, Rwenzori House, 1 Lumumba Avenue, Kampala, 22510, Uganda** | | |
| BT Solutions Limited[b] | 100% | – |
| **Ukraine** | | |
| **Office 702, 34 Lesi Ukrainky Boulevard, Kyiv 01042, Ukraine** | | |
| BT Ukraine Limited Liability Company | 100% | stakes |
| **United Arab Emirates** | | |
| **Office No G03, Ground Floor, EIB Building No 04, Dubai, United Arab Emirates** | | |
| BT MEA FZ-LLC | 100% | ordinary |
| **Office no.206 BLOCK B, Diamond Business Center 1, Al Barsha South Third, Dubai, P.O. BOX 25205, United Arab Emirates** | | |
| BT UAE Limited – Dubai Branch (1)[b] | 100% | – |
| BT UAE Limited – Dubai Branch (2)[b] | 100% | – |
| **United Kingdom** | | |
| **1 Braham Street, London, E1 8EE, United Kingdom** | | |
| Belmullet (IoM) Limited[b] | 100% | – |
| Bruning Limited | 100% | ordinary |
| BT (International) Holdings Limited | 100% | ordinary |
| BT Communications Ireland Group Limited – UK Branch[b] | 100% | – |
| BT Fifty-One | 100% | ordinary |
| BT Fifty-Three Limited | 100% | ordinary |
| BT Global Security Services Limited | 100% | ordinary |
| BT Global Services Limited | 100% | ordinary |
| BT Limited | 100% | ordinary |
| BT Sixty-Four Limited | 100% | ordinary |
| BT UAE Limited | 100% | ordinary |
| Communications Global Network Services Limited – UK Branch[b] | 100% | – |
| Communications Networking Services (UK) | 100% | ordinary |
| EE (Group) Limited | 100% | ordinary |
| EE Limited | 100% | ordinary |
| EE Pension Trustee Limited | 100% | ordinary |
| ESAT Telecommunications (UK) Limited | 100% | ordinary |
| Extraclick Limited | 100% | ordinary |
| Global Security Europe Limited | 100% | ordinary |

| Company name | Group interest in allotted capital[a] | Share class |
|---|---|---|
| Mainline Communications Group Limited | 100% | ordinary |
| Mainline Digital Communications Limited | 100% | ordinary |
| Newgate Street Secretaries Limited | 100% | ordinary |
| Numberrapid Limited | 100% | ordinary |
| Orange Furbs Trustees Limited | 100% | ordinary |
| Orange Home UK Limited | 100% | ordinary |
| Orange Personal Communications Services Limited | 100% | ordinary |
| Tudor Minstrel | 100% | ordinary |
| **United States** | | |
| **c/o Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States** | | |
| BT Americas Holdings Inc. | 100% | common |
| BT Americas Inc. | 100% | common |
| BT Communications Sales LLC | 100% | units |
| BT Federal Inc. | 100% | common |
| BT Procure L.L.C. | 100% | units |
| BT United States L.L.C. | 100% | units |
| Infonet Services Corporation | 100% | common |
| **Uruguay** | | |
| **Rincón 487 Piso 11, Montevideo, ZIP CODE 11.000, Uruguay** | | |
| BT Solutions Limited Sucursal Uruguay[b] | 100% | – |
| **Venezuela** | | |
| **Calle Guaicaipuro, Urbanizacion El Rosal, Municipio Chacao, Oficina 11B, Piso 11, Torre Forum, Caracas, Venezuela** | | |
| BT LatAm Venezuela, S.A. | 100% | ordinary |
| **Vietnam** | | |
| **16th Floor Saigon Tower, 29 Le Duan Road, District 1, Ho Chi Minh City, 710000, Socialist Republic of Vietnam** | | |
| BT (Vietnam) Co. Ltd. | 100% | ordinary |
| **Zambia** | | |
| **Plot No. 11058, Haile Selassie Avenue, Zimbabwe, Lusaka, Lusaka Province, 34972, Zambia** | | |
| BT Solutions Limited[b] | 100% | – |
| **Zimbabwe** | | |
| **6th Floor, Goldbridge Eastgate, Sam Nujoma Street Harare, Post Box 10400, Zimbabwe** | | |
| Numberrapid Limited[b] | 100% | – |

## Associates

| Company name | Group interest in allotted capital[a] | Share class |
|---|---|---|
| **Held directly** | | |
| **United Kingdom** | | |
| **2nd Floor, Aldgate Tower, 2 Leman Street, London, E1 8FA, United Kingdom** | | |
| Youview TV Limited | 14% | voting |
| **Held via other group companies** | | |
| **Mauritius** | | |
| **IFS Court, Bank Street, TwentyEight Cybercity, Ebene, 72201, Mauritius** | | |
| Mahindra – BT Investment Company (Mauritius) Limited | 43% | ordinary |
| **Philippines** | | |
| **32F Philam Life Tower, 8767 Paseo de Roxas, Makati City, Philippines** | | |
| ePLDTSunphilcox JV, Inc | 20% | ordinary |
| SunPhilcox JV, Inc | 20% | ordinary |
| **United Kingdom** | | |
| **24/25 The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom** | | |
| Digital Mobile Spectrum Limited | 25% | ordinary |
| **10 Stadium Business Court , Millennium Way, Pride Park , Derby, DE24 8HP, United Kingdom** | | |
| Midland Communications Distribution Limited | 35% | ordinary |
| Phoneline (M.C.D) Limited | 35% | ordinary |

## Joint ventures

| Company name | Group interest in allotted capital[a] | Share class |
|---|---|---|
| **Held directly** | | |
| **United Kingdom** | | |
| **Chiswick Park Building 2, 566 Chiswick High Road, London, W4 5YB, United Kingdom** | | |
| TNT Sports Broadcasting Limited[c] | 50% | ordinary |
| **6th Floor, One London Wall, London, EC2Y 5EB, United Kingdom** | | |
| Internet Matters Limited | 25% | - |
| **Held via other group companies** | | |
| **United Kingdom** | | |
| **80 Fenchurch Street , London, EC3M 4AE, United Kingdom** | | |
| Rugby Radio Station (General Partner) Limited | 50% | ordinary |
| Rugby Radio Station (Nominee) Limited | 50% | ordinary |
| **St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom** | | |
| Rugby Radio Station LP | 50% | - |

All joint ventures are governed by a joint venture agreement.

## Joint operations

| Company name | Group interest in allotted capital[a] | Share class |
|---|---|---|
| **Held via other group companies** | | |
| **United Kingdom** | | |
| **450 Longwater Avenue, Green Park, Reading, Berkshire, RG2 6GF, United Kingdom** | | |
| Mobile Broadband Network Limited | 50% | ordinary |

EE Limited and Hutchison 3G UK Limited (together 'the Companies') each have a 50% share in the joint operation Mobile Broadband Network Limited ('MBNL'). MBNL's ongoing purpose is the operation and maintenance of radio access sites for mobile networks through a sharing arrangement. This includes: (i) the efficient management of shared infrastructure and a 3G network on behalf of the Companies, (ii) acquiring certain network elements for shared use, and (iii) coordinating the deployment of new sites, infrastructure and networks on either a shared or a unilateral basis (unilateral elements being network assets or services specific to one company only). The group is committed to incurring 50% of costs in respect of restructuring the shared MBNL network, a broadly similar proportion of the operating costs (which varies in line with usage), and 100% of any unilateral elements.

MBNL is accounted for as a joint operation.

Guarantees for the joint operation are given by British Telecommunications plc and CK Hutchison Holdings Limited.

The principal place of business of the joint operation is in the UK.

**a** The proportion of voting rights held corresponds to the aggregate interest in percentage held by the holding company and subsidiaries undertaking.
**b** No shares issued for a branch.
**c** BT Ninety-Five Limited name changed to TNT Sports Broadcasting Limited. In addition to the 50% ordinary A shares we also hold A preference shares and C preference shares, see note 21 for more details.

# Subsidiaries exempt from audit

**The following subsidiary undertakings have taken the exemption from the requirements of audit of individual accounts by parent guarantee under section 479A-479C of the Companies Act 2006:**

| Subsidiary | Registered number | Subsidiary | Registered number | Subsidiary | Registered number |
|---|---|---|---|---|---|
| Autumnwindow Limited | 4109614 | BT Global Services Limited | 2410810 | BT Solutions Limited | 4573373 |
| Autumnwindow No.2 Ltd | 4312827 | BT Holdings Limited | 2216773 | BT UAE Limited | 4726666 |
| BPSLP Limited | 11251566 | BT IoT Networks Limited | 2329342 | ExtraClick Limited [a] | 4552808 |
| Bruning Limited | 4958289 | BT Limited | 2216369 | Global Security Europe Limited | 12290726 |
| BT (International) Holdings Limited | 2216586 | BT Ninety-Seven Limited | 14017603 | Holland House (Northern) Limited | SC390251 |
| BT (RRS LP) Limited | 4109640 | BT Onephone Limited | 8043734 | Mainline Communications Group Limited | 2862068 |
| BT European Investments Limited | 4276882 | BT Property Holdings (Aberdeen) Limited | 10255933 | Mainline Digital Communications Limited | 2973418 |
| BT Fifty-One | 3621755 | BT Sixty-Four Limited | 4007415 | Numberrapid Limited | 4825279 |
| BT Fifty-Three Limited | 3621745 | BT Sle Euro Limited | 7573610 | Radianz Limited | 3918478 |
| BT Global Security Services Limited | 11786115 | BT Sle USD Limited | 7573644 | Tudor Minstrel | 3747023 |

[a] ExtraClick Limited has a 30 September 2023 year-end

## Alternative performance measures

### Introduction

We assess the performance of the group using a variety of alternative performance measures that are not defined under IFRS and are therefore termed non-GAAP measures. The non-GAAP measures we use are: adjusted revenue, adjusted operating costs, adjusted finance expense, adjusted EBITDA, adjusted operating profit, adjusted profit before tax, adjusted earnings per share, return on capital employed, normalised free cash flow and net debt. We also reference adjusted revenue and adjusted EBITDA on a Sports JV pro forma basis. The rationale for using these measures, along with a reconciliation from the nearest measures prepared in accordance with IFRS, is presented below.

The alternative performance measures we use may not be directly comparable with similarly titled measures used by other companies.

### Specific items

Our income statement and segmental analysis separately identify trading results on an adjusted basis, being before specific items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence.

This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the *Executive Committee* and assists in providing an additional analysis of our reporting trading results.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include significant business restructuring programmes such as the current group-wide cost transformation and modernisation programme, acquisitions and disposals of businesses and investments, impairment of goodwill, charges or credits relating to retrospective regulatory matters, property rationalisation programmes, historical property-related provisions, significant out of period contract settlements, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items. Any releases to provisions originally booked as a specific item are also classified as specific. Conversely, when a reversal occurs in relation to a prior year item not classified as specific, the reversal is not classified as specific in the current year.

Movements relating to the sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), such as fair value gains or losses on the A and C preference shares or impairment charges on the equity-accounted investment as specific. Refer to note 22 for further detail.

Details of items meeting the definition of specific items in the current and prior year are set out in note 9.

Reported revenue, reported operating costs, reported operating profit, reported net finance expense, reported profit before tax and reported earnings per share are the equivalent IFRS measures. A reconciliation from these can be seen in the group income statement on page 41.

### Adjusted EBITDA

In addition to measuring financial performance of the group and customer-facing units based on adjusted operating profit, we also measure performance based on adjusted EBITDA. Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures.

We consider adjusted EBITDA to be a useful measure of our operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. Adjusted EBITDA is not a direct measure of our liquidity, which is shown by our cash flow statement, and needs to be considered in the context of our financial commitments.

A reconciliation of reported profit for the period, the most directly comparable IFRS measure, to adjusted EBITDA, is set out below.

| Year ended 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| **Reported profit for the period** | **1,566** | **2,291** |
| Tax | 331 | (176) |
| **Reported profit before tax** | **1,897** | **2,115** |
| Net finance expense | 298 | 447 |
| Depreciation and amortisation,including impairment charges | 5,398 | 4,818 |
| Share of post tax losses (profits) of associates and joint ventures | 21 | 59 |
| Specific revenue | 38 | (12) |
| Specific operating costs before depreciation and amortisation | 450 | 503 |
| **Adjusted EBITDA** | **8,102** | **7,930** |

# Cautionary statement regarding forward-looking statements

Certain information included in this Annual Report and Accounts is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this Annual Report and Accounts are not guarantees of future performance. All forward looking statements in this Annual Report and Accounts are based upon information known to the Company on the date of this Annual Report and Accounts. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward looking statements, which speak only at their respective dates. Additionally, forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. Nothing in this Annual Report and Accounts shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.