



FINANCIAL STATEMENTS

Look out for these throughout the report

-  [Significant accounting policies](#)
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KPMG LLP's Independent Auditor's Report to the members of BT Group plc

1. Our opinion is unmodified

In our opinion:

- the financial statements of BT Group Plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2026, 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 Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of BT Group Plc ("the Company") for the year ended 31 March 2026 (FY26) included in the Annual Report, which comprise:

Group

- Group Income statement
- Group statement of comprehensive income
- Group balance sheet
- Group statement of changes in equity
- Group cash flow statement
- Notes 1 to 34 to the Group financial statements, including the accounting policies in Note 3.

Parent Company (BT Group Plc)

- Company balance sheet
- Company statement of changes in equity
- Notes 1 to 3 to the Parent Company financial statements, including the accounting policies in note 1.

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 and matters included in this report are consistent with those discussed and included in our reporting to the Audit and Risk Committee ("ARC").

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.

2. Overview of our audit

Factors driving our view of risks

Our risk assessment is driven by understanding of the applicable financial reporting framework, our knowledge of the business, the industry and the wider economic environment in which BT Group plc operates.

Revenue from non-long term contracts remains a focus area due to the complexity arising from the large number of low value transactions managed through a number of distinct billing systems, and the complex IT landscape linking the billing systems together.

In addition, the bespoke nature of the pricing structure within some of Business' contracts means that there is a higher risk of processing error in relation to a proportion of Business' revenue derived from the billing systems and estimation uncertainty over the associated refund liabilities.

The carrying amount of goodwill attributable to the Business cash generating unit remains a focus area, in addition to which we have newly included the International cash generating unit, each due to the inherent uncertainty associated with forecasting cashflows, which forms the basis for evaluating recoverability.

The valuation of the BT pension scheme ("BTPS") defined obligation also remains a focus area as it is complex, relying on key actuarial assumptions such as discount rates, RPI, and mortality.

We continue to have a focus on the BTPS which holds diverse unquoted assets which are valued based on inputs not directly observable. The valuation of these assets requires the involvement of experts and significant judgement over the key unobservable input.

We continue to identify the recoverability of the Parent Company investment in subsidiaries as a focus area for the Parent Company's standalone accounts. This is due to the materiality of the Parent Company's investment in subsidiaries compared to the company's total assets.

Key Audit Matters	Vs FY25	Item
Accuracy of revenue due to complex billing systems in Business (Group)	↓	4.1
Carrying amount of Goodwill attributable to the Business and International CGUs (Group)	+	4.2
Valuation of defined benefit obligation of the BT Pension Scheme (BTPS) (Group)	↔	4.3
Valuation of unquoted assets in the BT Pension scheme (BTPS) (Group)	↔	4.4
Recoverability of Parent Company investment in subsidiaries (Parent Company)	↔	4.5

Audit and Risk Committee Interaction

During the year, the ARC met 6 times. KPMG are invited to attend all ARC meetings and are provided with an opportunity to meet with the ARC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the ARC in section 4, including matters that required particular judgement for each.

The matters included in the Audit and Risk Committee Chair's report on page 91 to 96 are materially consistent with our observations of those meetings.

Our Independence

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.

We have not performed any non-audit services during the year ended 31 March 2026 or subsequently which are prohibited by the FRC Ethical Standard.

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 8 financial years ended 31 March 2026.

The Group engagement partner is required to rotate every 5 years. As these are the third set of the Group's financial statements signed by Jonathan Mills, he will be required to rotate off after the FY28 audit.

The average tenure of component engagement partners is 1 year, with the shortest being 1 and the longest being 1.

KPMG LLP’s Independent Auditor’s Report to the members of BT Group plc (continued)

Total audit fee	£21.4m
Audit related fees (including interim review)	£2.4m
Other services	£0.0m
Non-audit fee as a % of total audit and audit related fee %	11.3%
Date first appointed	11 July 2018
Uninterrupted audit tenure	8 years
Next financial period which requires a tender	2029
Tenure of Group engagement partner	3 years
Average tenure of component engagement partners	1 year

Materiality (Item 6 below)

The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement ('RMM').

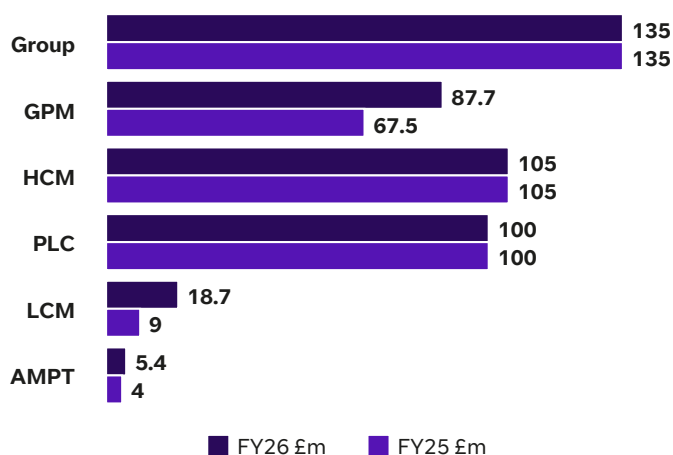
We have determined overall materiality for the Group financial statements as a whole at £135m (FY25: £135m) and for the Parent Company financial statements as a whole at £100m (FY25: £100m).

Consistent with FY25, we determined that Total Revenue remains the benchmark for the Group. In the context of the high levels of capital investment for future growth, Revenue is considered a more representative and stable measure of performance.

As such, we based our Group materiality on Total Revenue, of which it represents 0.69% (FY25: 0.66%).

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets, limited to be less than materiality for Group materiality as a whole. It represents 0.87% (FY25: 0.88%).

Materiality levels used in our audit



Group	Group Materiality
GPM	Group Performance Materiality
HCM	Highest Component Materiality
PLC	Parent Company Materiality
LCM	Lowest Component Materiality
AMPT	Audit Misstatement Posting Threshold

Group scope (Item 7 below)

We have performed risk assessment procedures to determine which of the Group’s components are likely to include risks of material misstatement to the Group financial statements, what audit procedures to perform at these components and the extent of involvement required from our component auditors around the world.

The total number of components in scope for risk assessment and audit procedures for FY26 is three.

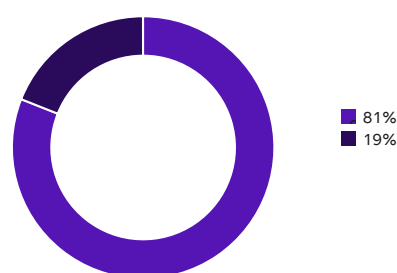
In addition, for the remaining components for which we performed no audit procedures, we performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

We consider the scope of our audit, as communicated to the Audit and Risk Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements

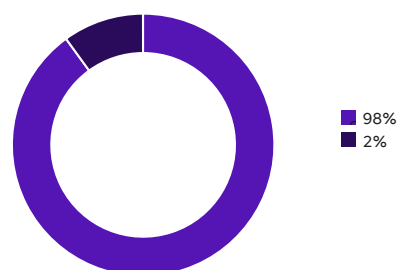
Our audit procedures covered 81% of Group revenue:

Group Revenue

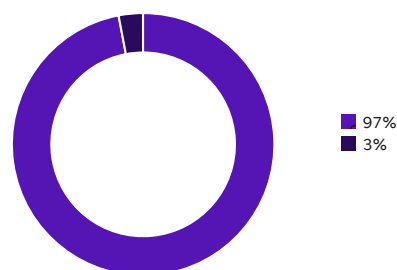


We performed audit procedures in relation to components that accounted for the following percentages:

Group profit before tax



Group Total assets



The impact of climate change on our audit

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements.

As set out in the Strategic Report, the Group has committed to be a net-zero business by 2031 and has also outlined several shorter-term climate change targets. As part of our audit, we have performed a risk assessment, including enquiries of management, to understand how the impact of commitments made by the Group in respect of climate change, as well as the physical and transition risks of climate change, may affect the financial statements and our audit.

The potential impacts of these matters relate to the forward-looking estimates, which include projections for impairment assessment of goodwill, useful economic life of vehicle fleet and infrastructure assets impacting on future depreciation charges, and significant assumptions used in pension asset valuations. Taking into account our risk assessment procedures, the remaining useful economic lives of relevant assets and the nature of the assumptions used in the pension valuation, and the financial impact of climate risk and opportunities on the forecasted cashflows, we have assessed that there is not a significant risk to the balances in the financial statements as a result of climate change. Therefore, there was no material impact on the Group's critical accounting estimates and our key audit matters.

We have read the disclosures of climate related information in the annual report and considered their consistency with the financial statements and our audit knowledge.

3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent 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").

Going concern

We used our knowledge of the Group, its industry and the general economic environment to identify the inherent risks to the business model and analysed how those risks might affect the Group's and Parent 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 Parent 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 legal matters/claims 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 experiences 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 Parent Company to be acceptable.

Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial 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 Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period. We found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the UK Listing Rules set out on page 116 is materially consistent with the financial statements and our audit knowledge.

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 Parent Company will continue in operation.

Summary of our conclusions

We found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable.

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Corporate governance report on page 173 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Emerging and Principal Risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability statement set out on page 72 under the UK Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. 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 absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

KPMG LLP's Independent Auditor's Report to the members of BT Group plc (continued)

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean

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 include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Accuracy of revenue due to complex billing systems in Business (Group)

Financial Statement Elements

	FY26	FY25
Business revenue	£5.0bn	£5.1bn
Refund liability	£47m	£51m

Our assessment of risk vs FY25



In FY26, the risk has been focused on revenue billed through 2 (FY25 – 3) billing systems

Our results

FY26: Acceptable	FY25: Acceptable
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Description of the Key Audit Matter

Processing error

The Group's 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 differing rates with varying price structures in place. Products 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 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 has 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, we determined the estimation 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. The estimate could be subject to manipulation, which is the reason why we have considered it as a key matter of our audit and a fraud risk.

In conducting our final audit work, we have concluded the degree of estimation uncertainty to be less than materiality.

Our response to the risk

Our procedures to address the risk included:

Process understanding: Obtaining an understanding of the revenue processes by observing transactions from customer initiation to cash received for material revenue streams.

Tests of detail: Comparing a sample of revenue transactions, including credit adjustments, to supporting evidence e.g. customer bills, contracts, price lists and cash received (where applicable). We performed an assessment of whether the overstatements of revenue identified through these procedures were material, taking into account findings from other areas of the audit and qualitative aspects of the financial statements as a whole.

Tests of detail: Agreeing 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.

Tests of detail: We challenged the Group's assessment of refund liabilities, based on billing errors identified through our sample testing and using our revenue data analytics routine to test contract tenure, error rate and product type, the key assumptions used within their independent calculation. We also challenged the Group on 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 controls.

Communications with the BT Group Plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Our definition of the Key Audit Matter and our audit approach, including the extent of our planned control reliance.
- The results from our process understanding, including controls gaps identified.
- The results from our substantive testing. We performed an assessment of whether the overstatements of revenue identified through these procedures were material, taking into account findings from other areas of the audit and qualitative aspects of the financial statements as a whole.

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 and comparing it to the liabilities held for customer refunds

Our results

The result of our testing were satisfactory (FY25: 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 (FY25: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 93 for details on how the Audit and Risk Committee considered the accuracy of revenue due to complex billing systems in Business as an area of significant attention, page 145 for the accounting policy on Revenue, note 5 for the financial disclosures

4.2 Carrying amount of goodwill attributable to the UK business cash generating units (Group)

Financial Statement Elements

	FY26	FY25
Carrying amount of goodwill:		
Business CGU	£2.97bn	£2.97bn
International CGU	£0.47bn	£0.47bn

Our assessment of risk vs FY25

+

In FY26, the risk has been focused on the judgements taken in respect to forecast revenue growth and cost savings of the Business and International CGUs.

Our results

FY26: Acceptable FY25: Acceptable

Description of the Key Audit Matter

Forecast-based impairment assessment

There is uncertainty in relation to the Business and International CGUs' ability to achieve revenue targets, given their historic performance and 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, this renders precise forecasting of the underlying cash flows challenging.

The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the forecast cashflows used to support the recoverable amount of the goodwill allocated to the CGUs 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.

For the Business CGU, in conducting our final audit work, based on audit evidence obtained, including updated performance of the CGU during the year and increase in headroom, we concluded that reasonably possible changes to recoverable amount would not be expected to result in material impairment.

For the International CGU, the financial statements (note 13) disclose the key assumptions underlying the recoverable amount and the sensitivity of the calculation to changes in these assumptions.

There is a risk that the disclosures presented are not sufficient to explain the key assumptions that drive the valuation of the International CGU, and the key sensitivities that the Board has considered.

Our response to the risk

Our procedures to address the risk included:

Tests of detail: We tested the principles and integrity of the discounted cash flow model utilised to determine FVLCD. We compared the cash flows used in the impairment model to the output of the Group's budgeting process.

Our entity experience: We critically assessed the Group's assumptions of forecast revenue and cost, including savings from the ongoing cost saving programme, taking account of strategic plans approved by the Board. We assessed if these forecast cash flows were reasonable from the perspective of a market participant. This included benchmarking of revenue and EBITDA growth assumptions against externally derived data and analyst reports.

Historical comparison: We assessed the historical accuracy of the forecasts used in the impairment model by considering actual performance against prior year budgets. We assessed the forecast revenue and EBITDA growth with reference to the most recent results for FY25 and FY26, challenging if the forecast cashflows have been appropriately risk adjusted to reflect the downside risk and opportunities identified by the Group.

Sensitivity analysis: We performed sensitivity and break-even analyses for revenue and EBITDA growth rate individually and in combination with the discount rate and the long-term growth rate assumptions.

Comparing valuations: As an overall stand-back test we compared the combined value of the recoverable amount of all of the CGUs to the Group's market capitalisation to assess the reasonableness of the underlying cashflows, assessing and challenging the difference to understand whether the assumptions applied in the impairment test were acceptable. We also compared the implied EBITDA multiple for the CGUs against those of comparable companies.

Assessing consistency: We assessed the consistency of the forecasts used by the Group across different areas such as goodwill impairment testing and the viability assessment.

Assessing transparency: We evaluated the adequacy of disclosures related to the estimation uncertainty, and those related to key assumptions in determining the recoverable amount of the International CGU.

KPMG LLP's Independent Auditor's Report to the members of BT Group plc (continued)

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.

Communications with the BT Group Plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Our determination of which assumptions are associated with the significant risk in FY26, and our conclusions on appropriateness of assumptions in the impairment model.
- Updates to our risk assessment such that we do not consider there to be a significant risk of material impairment of the Business CGU.
- Our view on the disclosures included in the financial statements and the sensitivity of the International CGU recoverable amount to reasonably possible changes in assumptions.

Areas of particular auditor judgement

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

- Whether the Group's cashflow forecasts for the International CGU, in particular those in respect of revenue growth and the timing and quantum of cost savings expected from delivery of the cost saving programme, fell within an acceptable range.
- Adequacy of sensitivity disclosures and assessment as to what would constitute a reasonably possible downside scenario for the International CGU.

Our results

We found the Group's conclusion that there is no impairment of the Business and International CGUs to be acceptable (FY25: acceptable).

We found the Group's disclosures of the sensitivities related to the Business and International CGU to be acceptable (FY25: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 93 for details on how the Audit and Risk Committee considered impairment of goodwill as an area of significant attention, page 158 for the accounting policy on impairment of goodwill, and note 13 for the financial disclosures.

4.3 Valuation of defined benefit obligation of the BT Pension Scheme (BTPS) (Group)

Financial Statement Elements

	FY26	FY25
BTPS Obligation	£35.1bn	£35.7bn

Our assessment of risk vs FY25

↔ Our assessment of the risk is similar to FY25.

Our results

FY26: Acceptable FY25: Acceptable

Description of the Key Audit Matter

Subjective valuation

The valuation of the BT pension scheme ("BTPS") defined 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 pension 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 20) disclose the key sensitivities of the defined benefit pension obligation to changes in key assumptions.

Our response to the risk

Our procedures to address the risk included:

Evaluation of the Group's experts: 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 the Group's expert in determining the key actuarial assumptions;
- Comparing the assumptions used by the Group to our independently compiled expected ranges based on market observable data points 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.

Communications with the BT Group Plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Our definition of the key audit matter relating to the valuation of the defined benefit obligation of the BTPS.
- Our audit response to the key audit matter which included the use of specialists to challenge key aspects of the Group's actuarial valuation.

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 (FY25: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 93 for details on how the Audit and Risk Committee considered the valuation of defined benefit obligation of the BTPS as an area of significant attention, page 177 for the accounting policy on the Retirement Benefit Plan (note 20) for the financial disclosures

4.4 Valuation of unquoted assets in the BT Pension Scheme (BTPS) (Group)

Financial Statement Elements

	FY26	FY25
Longevity Insurance Contracts for the BTPS: included within the unquoted BTPS plan assets	£0.9bn	£0.9bn

Our assessment of risk vs FY25

↔ Our assessment of the risk is similar to FY25.

Our results

FY26: Acceptable FY25: Acceptable

Description of the Key Audit Matter

Subjective valuation

The BTPS have unquoted plan assets in private equity, UK and overseas property, mature infrastructure, longevity insurance contracts, 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.

A key valuation judgement was in respect of the longevity insurance contracts. The key unobservable inputs used to determine the fair value of the longevity insurance contracts include the discount rate and projected future mortality.

The effect of these matters was considered as part of our risk assessment in the current year and we determined that the valuation of longevity insurance contract assets 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 19) disclose the key sensitivities of the valuation of plan assets to changes in key assumptions.

Our response to the risk

Our procedures to address the risk included:

Assessing valuers' credentials: Evaluating the scope, competency 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 the longevity insurance contracts by assessing the company's estimated value 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 and post pandemic mortality experience on future mortality, BT's own scheme mortality experience during the COVID-19 years, market discount rates and the demographic analysis.

Assessing transparency: Considering the adequacy of the Group's disclosures in respect of the sensitivity of the longevity insurance contract asset valuations 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.

KPMG LLP’s Independent Auditor’s Report to the members of BT Group plc (continued)

Communications with the BT Group Plc’s Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Our definition of the key audit matter relating to the valuation of a longevity insurance contract.
- Our audit response to the key audit matter which included the use of specialists to challenge key aspects of the Group’s valuation of longevity insurance contract assets.

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 future mortality).

Our results

We found the valuation of the longevity insurance contracts and related disclosures to be acceptable (FY25: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 93 for details on how the Audit and Risk Committee considered the valuation of unquoted investments in the BTPS (including the longevity insurance contract) as an area of significant attention, page 177 for the accounting policy on Retirement benefit plans (note 20) for the financial disclosures.

4.5 Recoverability of Parent Company investment in subsidiaries (Parent Company)

Financial Statement Elements

	FY26	FY25
Investment in subsidiary	£11.44bn	£11.40bn

Our assessment of risk vs FY25

↔ Our assessment of the risk is similar to FY25.

Our results

FY26: Acceptable FY25: Acceptable

Description of the Key Audit Matter

Low risk, high value

The carrying amount of the Parent company investment in subsidiary represents almost 100% (FY25: 100%), of the Parent Company’s total assets.

The recoverability is not at a high risk of material misstatement or subject to significant judgement. However, due to its materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent company audit.

Our response to the risk

Our procedures to address the risk included:

Tests of detail: Comparing the carrying amount of the Parent company’s investment, with the relevant subsidiary balance sheet to identify whether its net assets, being an approximation of their minimum recoverable amount, was in excess of its carrying amount and assessing whether that subsidiary Group has historically been profit-making.

Comparing valuations: Comparing the carrying amount of the Parent company’s investment with the market capitalisation of the Group.

We performed the tests above rather than seeking to rely on any of the Parent 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.

Communications with the BT Group Plc’s Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Our definition of the key audit matter and our findings along with the procedures performed to address the corresponding risk.
- The result of our substantive testing.

Areas of particular auditor judgement

We did not identify any areas of particular auditor judgement.

Our results

We found the Parent Company’s conclusion that there is no impairment of its investment in subsidiary to be acceptable (FY25: acceptable).

Further information in the Annual Report and Accounts: Refer to page 218 for the accounting policy on Investment in Subsidiary Undertaking

5. Our ability to detect irregularities, and our response

Fraud – Identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment

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 Audit and Risk Committee, 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, Audit and Risk Committee, Remuneration Committee and other 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.

- Our forensic professionals assisted us in identifying key fraud risks. This included attending the Risk Assessment and Planning Discussion, holding a discussion with the engagement partner, engagement manager and engagement quality control reviewer, and assisting with designing relevant audit procedures to respond to the identified fraud risks. They also attended meetings with management to discuss key fraud risk areas.

Risk communications

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 audit team to all component engagement teams of relevant fraud risks identified at the Group level and request to component engagement teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

Fraud risks

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 perform procedures to address the risk of management override of controls, and the risk of fraudulent revenue recognition in relation to the 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 the refund liability position in Business is not complete, given the high degree of estimation uncertainty in the calculation and the sensitivity of the liability position.

We did not identify any additional fraud risks.

Link to KAMS

Further details in respect of risk over the identification of refund liabilities for associated customers is contained within the Key Audit Matter disclosures in item 4.1 of this report.

Procedures to address fraud risks

In determining the audit procedures, we took into account the results of our results of design and implementation of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test at the Group level and for all components in scope based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted and approved by senior management personnel, and those containing keywords;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- Evaluating the business purpose for significant unusual transactions.

Laws and regulations – identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment

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 discussions with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and also 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.

Risk communications

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 component auditors of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

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

Direct laws context and link to audit

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. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items

Most significant indirect law/ regulation areas

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 license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery laws, 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.

For the legal matters discussed in note 18 we assessed disclosures against our understanding from legal correspondence.

Context

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 fraud 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.

KPMG LLP's Independent Auditor's Report to the members of BT Group plc (continued)

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£135m (FY25: £135m)

Materiality for the Group financial statements as a whole

What we mean

A quantitative reference for the purpose of planning and performing our audit.

Basis for determining materiality and judgements applied

Materiality for the Group financial statements as a whole was set at £135m (FY25: £135m). This was determined with reference to a benchmark of Total Revenue (of which it represents 0.69% (FY25: 0.66%)).

Consistent with FY25, we determined that Group Total Revenue remains the main benchmark for the Group. In the context of the high levels of capital investment for future growth, Revenue is considered a more representative and stable measure of performance. As such, we based our Group materiality on Group Total revenue of £19.65 billion (FY25: £20.36 billion).

Our Group materiality of £135m was determined by applying a percentage to the Group Total Revenue. When using a benchmark of Total Revenue to determine overall materiality, KPMG's approach for listed entities considers a guideline range 0.5% – 1% of the measure. In setting overall Group materiality, we applied a percentage of 0.69% (FY25: 0.66%) to the benchmark.

Materiality for the Parent Company financial statements as a whole was set at £100m (FY25: £100m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.87% (FY25: 0.88%).

£87.7m (FY25: £67.5m)

Performance materiality

What we mean

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.

Basis for determining performance materiality and judgements applied

We have considered performance materiality at a level of 65% (FY25: 50%) of materiality for BT Group Plc's Group financial statements as a whole to be appropriate.

The Parent Company performance materiality was set at £64m (FY25: £50m), which equates to 65% (FY25: 50%) of materiality for the Parent Company financial statements as a whole.

Performance materiality has been increased from 50% in the prior year to 65% in the current year, reflecting a reduced level of identified misstatements during the prior period and ongoing improvements in the control environment in the year.

£5.4m (FY25: £4.0m)

Audit misstatement posting threshold

What we mean

This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.

This is also the amount above which all misstatements identified are communicated to BT Group Plc's Audit and Risk Committee.

Basis for determining the audit misstatement posting threshold and judgements applied

We set our audit misstatement posting threshold at 4% (FY25: 3%) of our materiality for the Group financial statements. We also report to the Audit and Risk Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £135m (FY25: £135m) compares as follows to the main financial statement caption amounts:

Total Group Revenue

	FY26	FY25
Financial statement Caption	£19,654m	£20,358m
Group Materiality as % of caption	0.7%	0.7%

Group profit before tax

	FY26	FY25
Financial statement Caption	£1,436m	£1,334m
Group Materiality as % of caption	9.4%	10.1%

Total Group Assets

	FY26	FY25
Financial statement Caption	£49,976m	£50,982m
Group Materiality as % of caption	0.3%	0.3%

7. The scope of our audit**Group scope****What we mean**

In line with the revised group auditing standard, we performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 212 components, having considered our evaluation of the Group's operational structure, the Group's legal structure, the existence of common information systems, the existence of common risk profile across entities, business units, geographical locations, and our ability to perform audit procedures centrally.

Of those, we identified 2 quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

Additionally, having considered qualitative and quantitative factors, we selected 1 additional component with accounts and disclosures contributing to the specific RMMs of the Group financial statements.

The below summarises where we performed audit procedures:

Component type	Number of components where we performed audit procedures	Range of materiality applied
Quantitatively significant components	2	£85m – £105m
Other components where we performed procedures	1	£18.7m
Total	3	

We involved component auditors in performing the audit work on 1 component. We set the component materiality having regard to the mix of size and risk profile of the Group across the components. We also performed the audit of the parent Company.

Our audit procedures covered 81% of Group revenue.

We performed audit procedures in relation to components that accounted for 98% of the total profits and losses that made up group profit before tax and 97% of Group total assets.

For the remaining components for which we performed no audit procedures, no component represented more than 10% of Group total revenue, Group profit before tax or Group total assets. We performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

We have also performed risk assessment and/or audit procedures centrally across the Group, in the following areas:

- Testing of IT Systems
- Litigation and claims

These items were audited by the Group team for efficiency purposes, where the Group team has direct access to the underlying information. The Group team communicated the results of these procedures to the component teams.

KPMG LLP's Independent Auditor's Report to the members of BT Group plc (continued)

Impact of controls on our group audit.

As noted by the Audit and Risk Committee on page 96, Group's control environment is undergoing a program of transformation and improvement. BT's main financial system is supported by a number of legacy ERP applications.

In our previous audits, we identified pervasive General IT Control deficiencies in a number of legacy ERP systems.

In the current period, we obtained an understanding of these IT systems at the planning stage of our audit. The Group's IT landscape continued to undergo significant change during the period as part of the transformation and improvement programme and BT continue to rely on legacy IT systems for a number of key processes. Therefore, we did not plan to rely on the Group's general IT controls in the current year's audit.

We assessed the design of manual controls related to management override of controls and revenue, and as a result of our testing were unable to rely on controls in these areas and therefore performed additional substantive testing – our response in relation to revenue is described in our Key Audit Matter in Section 4.1.

Overall, considering the developing nature of the overall control environment and transformation project, we concluded that a fully substantive audit approach was appropriate in all aspects of the audit for the year ended 31 March 2026.

Group auditor oversight

What we mean

The extent of the Group auditor's involvement in work performed by component auditors.

In working with component auditors, we:

- Included the component auditors' engagement partners and managers in the Group planning discussions to facilitate inputs from component auditors in the identification of matters relevant to the Group audit.
- Issued Group audit instructions to component auditors on the scope of their work.
- We inspected the work performed by the component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed.
- Held risk assessment update discussions with component audit teams before the commencement of the final phases of the audit led by the Group engagement partner and engagement quality control partner.

8. 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.

All other information

Our responsibility

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.

Our reporting

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and directors' report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- 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.

Directors' remuneration report

Our responsibility

We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit and Risk Committee, including the significant issues that the Audit and Risk Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the UK Listing Rules for our review.

Our reporting

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We have nothing to report in this respect.

Other matters on which we are required to report by exception**Our responsibility**

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.

Our reporting

We have nothing to report in these respects.

9. Respective responsibilities**Directors' responsibilities**

As explained more fully in their statement set out on page 113, 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.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. 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. 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 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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
 Chartered Accountants
 15 Canada Square
 London
 E14 5GL
 20 May 2026

Group income statement

Year ended 31 March 2026

	Notes	Before specific items (‘Adjusted’) £m	Specific items ^a £m	Total (Reported) £m
Revenue	4, 5	19,646	8	19,654
Operating costs	6	(16,291)	(466)	(16,757)
<i>Of which net impairment losses on trade receivables and contract assets</i>		(146)	—	(146)
Operating profit (loss)	4	3,355	(458)	2,897
Finance expense	28	(1,206)	(191)	(1,397)
Finance income	28	146	—	146
Net finance expense		(1,060)	(191)	(1,251)
Share of post-tax profit (loss) of associates and joint ventures	25	8	(218)	(210)
Profit (loss) before taxation		2,303	(867)	1,436
Taxation	10	(510)	151	(359)
Profit (loss) for the year		1,793	(716)	1,077
Earnings per share	11			
Basic		18.3p	(7.3)p	11.0p
Diluted		18.0p	(7.2)p	10.8p

Group income statement

Year ended 31 March 2025

	Notes	Before specific items (‘Adjusted’) £m	Specific items ^a £m	Total (Reported) £m
Revenue	4, 5	20,370	(12)	20,358
Operating costs	6	(17,094)	(772)	(17,866)
<i>Of which net impairment losses on trade receivables and contract assets</i>		(171)	—	(171)
Operating profit (loss)	4	3,276	(784)	2,492
Finance expense	28	(1,104)	(197)	(1,301)
Finance income	28	151	—	151
Net finance expense		(953)	(197)	(1,150)
Share of post-tax profit (loss) of associates and joint ventures	25	(8)	—	(8)
Profit (loss) before taxation		2,315	(981)	1,334
Taxation	10	(480)	200	(280)
Profit (loss) for the year		1,835	(781)	1,054
Earnings per share	11			
Basic		18.8p	(8.0)p	10.8p
Diluted		18.4p	(7.8)p	10.6p

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

Group statement of comprehensive income

Year ended 31 March 2026

	Notes	2026 £m	2025 £m
Profit for the year		1,077	1,054
Other comprehensive income (loss)			
<i>Items that will not be reclassified to the income statement</i>			
Remeasurements of the net pension obligation	20	(736)	88
Tax on pension remeasurements	10	168	(22)
<i>Items that have been or may be reclassified to the income statement</i>			
Exchange differences on translation of foreign operations ^a	30	(39)	(50)
Fair value movements on assets at fair value through other comprehensive income	30	3	(6)
Movements in relation to cash flow hedges:			
– net fair value (losses)	30	(161)	(105)
– recognised in income and expense	30	(22)	329
Tax on components of other comprehensive income (loss) that have been or may be reclassified	10, 30	41	(56)
Share of post-tax other comprehensive income (loss) in associates and joint ventures	25	11	(5)
Other comprehensive (loss) income for the year, net of tax		(735)	173
Total comprehensive income for the year		342	1,227

^a Includes £17m (FY25: £nil) cumulative exchange gain recycled to the income statement upon disposal of foreign operations see note 23.

Group balance sheet

At 31 March 2026

	Notes	2026 £m	2025 ^a £m
Non-current assets			
Goodwill ^a	13	7,305	7,310
Other intangible assets ^a	14	4,663	5,123
Property, plant and equipment	15	24,650	23,380
Right-of-use assets	16	3,032	3,328
Derivative financial instruments	29	830	904
Investments	24	20	17
Joint ventures and associates	25	4	252
Trade and other receivables	17	681	655
Preference shares in joint ventures	25	—	234
Contract assets	5	382	306
Retirement benefit surplus	20	170	142
Deferred tax assets	10	1,124	959
		42,861	42,610
Current assets			
Inventories		366	331
Trade and other receivables	17	3,116	3,109
Preference shares in joint ventures	25	282	161
Contract assets	5	1,009	1,194
Assets classified as held for sale	23	—	245
Current tax receivable		433	355
Derivative financial instruments	29	68	130
Investments	24	1,482	2,631
Cash and cash equivalents	26	359	216
		7,115	8,372
Current liabilities			
Loans and other borrowings	27	420	2,092
Derivative financial instruments	29	85	106
Trade and other payables	18	5,895	5,955
Contract liabilities	5	963	899
Lease liabilities	16	779	705
Liabilities classified as held for sale	23	—	188
Current tax liabilities		66	82
Provisions	19	201	258
		8,409	10,285
Total assets less current liabilities		41,567	40,697
Non-current liabilities			
Loans and other borrowings	27	18,116	16,670
Derivative financial instruments	29	313	391
Contract liabilities	5	274	257
Lease liabilities	16	3,405	3,866
Retirement benefit obligations	20	4,379	4,230
Other payables	18	177	276
Deferred tax liabilities	10	1,969	1,717
Provisions	19	370	382
		29,003	27,789
Equity			
Share capital		499	499
Share premium		1,051	1,051
Own shares	21	(188)	(378)
Merger reserve		998	998
Other reserves	30	650	828
Retained earnings		9,554	9,910
Total equity		12,564	12,908
		41,567	40,697

^a We have presented Goodwill & Other intangible assets as separate line items, which were previously presented within Intangible Assets, see note 1.

The consolidated financial statements on pages 134 to 214 were approved by the Board of Directors on 20 May 2026 and were signed on its behalf by:

Adam Crozier **Allison Kirkby** **Simon Lowth**
Chairman **Chief Executive** **Chief Financial Officer**

Group statement of changes in equity

Year ended 31 March 2026

	Notes	Share capital ^{a,b} £m	Share premium ^c £m	Own shares ^d £m	Merger reserve ^e £m	Other reserves ^f £m	Retained earnings (loss) £m	Total equity (deficit) £m
At 1 April 2024		499	1,051	(311)	998	716	9,565	12,518
Profit for the year		—	—	—	—	—	1,054	1,054
Other comprehensive income (loss) – before tax		—	—	—	—	(161)	83	(78)
Tax on other comprehensive income (loss)	10	—	—	—	—	(56)	(22)	(78)
Transferred to the income statement		—	—	—	—	329	—	329
Total comprehensive income (loss) for the year		—	—	—	—	112	1,115	1,227
Dividends to shareholders	12	—	—	—	—	—	(791)	(791)
Share-based payments	22	—	—	—	—	—	62	62
Tax on share-based payments	10	—	—	—	—	—	18	18
Net buyback of own shares	21	—	—	(67)	—	—	(58)	(125)
Other movements		—	—	—	—	—	(1)	(1)
At 31 March 2025		499	1,051	(378)	998	828	9,910	12,908
Profit for the year		—	—	—	—	—	1,077	1,077
Other comprehensive income (loss) – before tax		—	—	—	—	(197)	(725)	(922)
Tax on other comprehensive income (loss)	10	—	—	—	—	41	168	209
Transferred to the income statement		—	—	—	—	(22)	—	(22)
Total comprehensive income (loss) for the year		—	—	—	—	(178)	520	342
Dividends to shareholders	12	—	—	—	—	—	(807)	(807)
Share-based payments	22	—	—	—	—	—	49	49
Tax on share-based payments	10	—	—	—	—	—	25	25
Net buyback of own shares	21	—	—	190	—	—	(142)	48
Other movements		—	—	—	—	—	(1)	(1)
At 31 March 2026		499	1,051	(188)	998	650	9,554	12,564

a The allotted, called up, and fully paid ordinary share capital of BT Group plc at 31 March 2026 was £499m comprising 9,968,127,681 ordinary shares of 5p each (31 March 2025: £499m comprising 9,968,127,681 ordinary shares of 5p each).

b The holders of ordinary shares are entitled to receive dividends as declared and entitled to one vote for each share which they hold at meetings.

c The share premium account, comprising the premium on allotment of shares, is not available for distribution.

d For further analysis of own shares, see note 21.

e The merger reserve balance at 1 April 2024 includes £998m related to the group reorganisation that occurred in November 2001 and represented the difference between the nominal value of shares in the new parent company, BT Group plc, and the aggregate of the share capital, share premium account and capital redemption reserve of the prior parent company, British Telecommunications plc.

f For further analysis of other reserves, see note 30.

Group cash flow statement

Year ended 31 March 2026

	Notes	2026 £m	2025 £m
Cash flow from operating activities			
Profit before taxation		1,436	1,334
Share of post-tax loss of associates and joint ventures		210	8
Net finance expense		1,251	1,150
Operating profit		2,897	2,492
Other non-cash charges ^a		35	130
Impairment loss on remeasurement of disposal groups		27	116
(Profit) loss on disposal of businesses		(30)	—
(Profit) loss on disposal of property, plant and equipment and intangible assets		(37)	(32)
Depreciation and amortisation, including impairment charges	6	4,913	4,978
(Increase) decrease in inventories		(35)	78
(Increase) decrease in trade and other receivables		(20)	235
Decrease (increase) in contract assets		100	219
Increase (decrease) in trade and other payables		28	(386)
Increase (decrease) in contract liabilities		77	99
(Decrease) increase in other liabilities ^b		(802)	(924)
(Decrease) increase in provisions		(65)	(51)
Cash generated from operations		7,088	6,954
Income taxes refunded (paid)		(58)	35
Net cash inflow from operating activities		7,030	6,989
Cash flow from investing activities			
Interest received		96	132
Dividends received from joint ventures, associates and investments		15	4
Proceeds on disposal of businesses ^c		125	25
Proceeds on disposal of current financial assets ^d		12,840	13,891
Purchases of current financial assets ^d		(11,695)	(14,158)
Proceeds from investment in preference shares in joint venture	25	112	63
Proceeds on disposal of property, plant and equipment and intangible assets		40	36
Purchases of property, plant and equipment and intangible assets ^e		(5,169)	(4,937)
Increase (decrease) in amounts owed by joint ventures		(44)	120
Settlement of minimum guarantee liability with sports joint venture	18	(191)	(187)
Prepayment for forward sale of copper ^f		99	—
Net cash outflow from investing activities		(3,772)	(5,011)
Cash flow from financing activities			
Equity dividends paid		(807)	(788)
Interest paid		(1,028)	(956)
Repayment of borrowings ^g		(2,347)	(2,095)
Proceeds from bank loans and bonds		1,843	2,552
Payment of lease liabilities		(731)	(739)
Cash flows from collateral received (paid) ^h		(3)	(11)
Proceeds from exercise of employee share options		96	6
Repurchase of ordinary share capital		(126)	(79)
(Decrease) increase in amounts owed to joint ventures	27	(3)	(1)
Net cash outflow from financing activities		(3,106)	(2,111)
Net increase / (decrease) in cash and cash equivalents		152	(133)
Opening cash and cash equivalents		214	356
Net increase / (decrease) in cash and cash equivalents		152	(133)
Effect of exchange rate changes		(10)	(9)
Closing cash and cash equivalentsⁱ	26	356	214

^a FY26 non cash items includes £1m of fair value loss (FY25: £75m) on A and C preference shares held in the sports JV and an impairment loss of £23m in respect of Group's equity interest in the Sports JV (FY25: £44m).

^b Includes pension deficit payments of £790m (FY25: £803m) see note 20 for further details.

^c FY26 includes £152m cash disposed as part of the sale of domestic operations in Italy and £178m of consideration received as part of the disposal of BT Radianz.

^d Primarily consists of investments and redemptions of amounts held in liquidity funds.

^e Property, plant and equipment, engineering stores and software additions of £5,114m (FY25: £4,857m), spectrum additions of £13m (FY25: £nil) (see note 4) and capital accrual movements of £42m (FY25: £80m). Purchases of property, plant and equipment is presented net of cash inflows from government grants of £90m (FY25: £98m).

^f During FY26 we received an upfront prepayment of £99m (FY25: £nil) from entering into a forward agreement to sell copper granules created from surplus copper cables. 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 27 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.

ⁱ Net of bank overdrafts of £3m (FY25: £2m).

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.

This assessment is consistent with the assessment of our viability, as set out on page 72, which has been based on the Company's strategy, balance sheet and financing position. It also reflects our £2.1bn undrawn committed borrowing facility which matures no earlier than January 2031 with the option to extend for one further year, and the potential impact of 'Our principal risks and uncertainties' (pages 56 to 62). The viability assessment includes an estimate of the financial impact of a severe but plausible combined scenario. This stress testing confirmed that existing projected cash flows and cash management activities provide us with adequate headroom over the going concern assessment period.

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 2027, 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.

In preparing the financial statements, the directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 63 to 71 this year. We have assessed and determined the risks associated with our TCFD disclosure including consideration of financial and monetary exposure as a business and concluded there is no material impact on these financial statements. The impacts of low carbon fleet were considered (see note 15).

These financial statements consolidate BT Group 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 instruments that have been measured at fair value. The consolidated financial statements are presented in sterling, the functional currency of BT Group plc.

These financial statements cover the financial year from 1 April 2025 to 31 March 2026 ('FY26'), with comparative figures for the financial year from 1 April 2024 to 31 March 2025 ('FY25').

New and amended accounting standards effective during the year

The following amendments, which were effective during the year, have not had a significant impact on our consolidated financial statements:

- Lack of Exchangeability (Amendments to IAS 21)

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 FY26 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 accounting standards and amendments to existing standards have been issued but are not yet effective or have not yet been endorsed by the UK Endorsement Board:

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation of the income statement, including specified totals and subtotals. Entities are required to classify all income and expenses in the income statement into one of five categories: operating, investing, financing, income taxes and discontinued operations, the first three of which are new.

It also requires disclosure of management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified roles of the primary financial statements and the notes.

In addition, amendments have been made to IAS 7 'Statement of Cash Flows', which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. There are also consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027 (i.e., FY28 for BT). Earlier application is permitted. IFRS 18 will apply retrospectively.

We are currently assessing the impacts that IFRS 18 and the amendments to other standards will have on the primary financial statements and notes to the financial statements.

Other

We are currently assessing the impact of the standards below, but they are not expected to have a material impact on the consolidated financial statements:

- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- Contracts referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)
- Annual Improvements to IFRS Accounting Standards – Volume 11
- Subsidiaries without Public Accountability: Disclosures (IFRS 19)

Effective dates will be subject to the UK endorsement process. We have not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

Re-presentation of prior year comparatives

Formation of the International segment and re-presentation of prior year comparatives

The International CFU was separated from the Business CFU forming a new CFU, effective from 1 July 2025. In line with the requirements of IFRS 8 Operating Segments, we have re-presented FY25 comparatives to reflect Business and International as separate reportable segments.

In addition, two re-presentations have been made to segmental revenue reporting, consistent with the information now provided to the Executive Committee, which is the key management committee and represents the 'Chief Operating Decision Maker' (CODM).

The re-presentations reflect Openreach pass-through services previously reported in Business, and a reclassification of an EE and BT Wholesale trading relationship as revenue from costs. These changes affect adjusted external revenue for the Openreach and Business CFUs.

The Group has revised its disaggregation of revenue (note 5) to better reflect the internal reporting provided to the CODM. Revenue previously reported under "Equipment and Other Services" has been split into separate categories: "Equipment" and "Other Services." Additionally, lease revenue is now disclosed

Notes to the consolidated financial statements (continued)

1. Basis of preparation

within our disaggregation of revenue. Our segmental revenue disclosures have also been updated to include internal revenue to more accurately reflect segment performance.

The impact of these re-presentations are reflected in the relevant notes.

Note 34 presents 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).

Also presented is a bridge in respect of the CFU normalised free cash flow and adjusted UK service revenue comparatives which are re-presented in the Additional Information on page 224.

Re-presentation of goodwill and other intangible assets

From FY26, we have disaggregated “Intangible Assets” into separate line items and notes for “Goodwill” and “Other Intangible Assets”.

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 Board and the *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, disposals of businesses and investments, charges or credits relating to retrospective regulatory matters, significant out of period contract settlements, litigation matters, impairment on remeasurement of the disposal groups to be held for sale, asset impairment charges, impairment charges in our Portfolio Businesses, 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 related to the equity-accounted investment are classified as specific. Refer to note 25 for further detail.

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

2. Critical and 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 *Audit and 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 in the notes by the following symbol. 🔍

Note	Critical estimate	Key estimate	Significant judgement
5. Estimate of customer refund liability		●	
10. Current and deferred income tax		●	
13. CGU identification for goodwill impairment			●
13. Valuation of recoverable amount for goodwill impairment	●		
16. Reasonable certainty and determination of lease terms			●
19. Identifying contingent liabilities			●
19. Provisions		●	●
20. Valuation of pension assets and liabilities	●		●
20. Control assessment over co-investment vehicles			●
22. Held for sale classification			●
25. Valuation of BT’s equity interest in the Sports joint venture		●	
25. 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 in the notes by the following symbol. ↙

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

Basis of consolidation

The group financial statements consolidate the financial statements of BT Group 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. Inventories principally include finished goods including mobile and device stock.

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 including Reaching 100% (R100), are described in note 15.

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.

Notes to the consolidated financial statements (continued)

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 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.

The International CFU was separated from Business forming a new CFU, effective from 1 July 2025. At 31 March 2026 the group had four CFUs: Consumer, Business, International and Openreach. The CFUs are supported by technology units (TUs) comprising Digital and Networks; and five corporate functions (CFs) Finance and Business Services; Strategy and Change; People and Culture; Legal, Regulatory Affairs, Compliance and Company Secretarial; Corporate Affairs and Brand. TUs and CFs 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 CFs.

Allocation of certain items to segments

Provisions for the settlement of significant legal and commercial 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 reflected in the results of the reportable segment in line with how they are reported to the Executive Committee.

The costs incurred by TUs and CFs 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. Depreciation and amortisation incurred by CFs in relation to leased property managed 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 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 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.

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 and is based on regulated prices. 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 is generated from the sale of regulated products and services and 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, and goodwill is presented by geography based on the CGU to which it is allocated. The goodwill balance allocated to the International CGU is further disaggregated based on the relative value of operations in each geography.

4. Segment information (continued)

Segment revenue and profit

Year ended 31 March 2026	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Total £m
Segment revenue	9,494	5,257	2,114	6,190	13	23,068
Internal revenue	(40)	(216)	(1)	(3,165)	—	(3,422)
Adjusted^a revenue from external customers	9,454	5,041	2,113	3,025	13	19,646
Adjusted EBITDA^b	2,602	1,266	145	4,225	(8)	8,230
Depreciation and amortisation ^a	(1,673)	(770)	(208)	(2,130)	(94)	(4,875)
Adjusted^a operating profit (loss)	929	496	(63)	2,095	(102)	3,355
Specific items (note 9)						(458)
Operating profit						2,897
Net finance expense ^c						(1,251)
Share of post-tax (loss) profit of associates and joint ventures						(210)
Profit before tax						1,436

Year ended 31 March 2025 (re-presented ^d)	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Total £m
Segment revenue	9,695	5,348	2,499	6,156	12	23,710
Internal revenue	(42)	(200)	—	(3,098)	—	(3,340)
Adjusted^a revenue from external customers	9,653	5,148	2,499	3,058	12	20,370
Adjusted EBITDA^b	2,644	1,331	205	4,029	—	8,209
Depreciation and amortisation ^a	(1,832)	(721)	(240)	(2,032)	(108)	(4,933)
Adjusted^a operating profit (loss)	812	610	(35)	1,997	(108)	3,276
Specific items (note 9)						(784)
Operating profit						2,492
Net finance expense ^c						(1,150)
Share of post-tax (loss) profit of associates and joint ventures						(8)
Profit before tax						1,334

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 interest expense on retirement benefit obligation of £191m (FY25: £197m). See note 9.

d Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU and re-presentation of segmental revenue to reflect the nature of services and trading relationships between units. For more information see note 1 and for a bridge to prior period published financial information see note 34.

Internal revenue and costs

Year ended 31 March 2026	Internal cost recorded by					
	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Total £m
Internal revenue recorded by						
Consumer	—	38	1	1	—	40
Business	138	—	9	34	35	216
International	—	—	—	—	1	1
Openreach	2,096	1,068	1	—	—	3,165
Total	2,234	1,106	11	35	36	3,422

Year ended 31 March 2025 (re-presented ^a)	Internal cost recorded by					
	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Total £m
Internal revenue recorded by						
Consumer	—	40	1	1	—	42
Business	113	—	7	39	41	200
International	—	—	—	—	—	—
Openreach	2,089	1,008	1	—	—	3,098
Total	2,202	1,048	9	40	41	3,340

a Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU and re-presentation of segmental revenue to reflect the nature of services and trading relationships between units. For more information see note 1, and for a bridge to prior period published financial information see note 34.

Notes to the consolidated financial statements (continued)

4. Segment information (continued)

Capital expenditure

Year ended 31 March 2026	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Total £m
Intangible assets ^a	395	294	45	123	—	857
Property, plant and equipment ^b	760	322	64	3,048	63	4,257
Capital expenditure excluding spectrum	1,155	616	109	3,171	63	5,114
Purchase of spectrum ^a	10	3	—	—	—	13
Capital expenditure	1,165	619	109	3,171	63	5,127

Year ended 31 March 2025: (re-presented ^c)	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Total £m
Intangible assets ^a	462	325	65	146	—	998
Property, plant and equipment ^b	745	257	75	2,692	90	3,859
Capital expenditure excluding spectrum	1,207	582	140	2,838	90	4,857
Purchase of spectrum ^a	—	—	—	—	—	—
Capital expenditure	1,207	582	140	2,838	90	4,857

^a Additions to intangible assets and purchase of spectrum as presented in note 14.

^b Additions to property, plant and equipment as presented in note 15.

^c Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU. For more information see note 1, and for a bridge to prior period published financial information see note 34.

Geographic segmentation

Revenue from external customers

Year ended 31 March	2026 £m	2025 £m
UK ^b	17,678	18,171
Europe, Middle East and Africa, excluding the UK	1,081	1,194
Americas	475	562
Asia Pacific	412	443
Adjusted^a revenue	19,646	20,370

^a Before specific items.

^b We present a reconciliation of our adjusted UK service revenue Alternative Performance Measure, of £15,445m (FY25: £15,568m), to revenue in the Additional Information section to this report.

Non-current assets

At 31 March	2026 £m	2025 £m
UK	39,876	39,369
Europe, Middle East and Africa, excluding the UK	458	557
Americas	230	260
Asia Pacific	153	168
Non-current assets^{ab}	40,717	40,354

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

^b Goodwill relating to the International CGU as detailed in note 13 is reported across the: Europe, the Middle East and Africa (excluding the UK); the Americas and Asia Pacific geographies.

5. Revenue

Material accounting policies that apply to revenue

Revenue from contracts with customers in scope of IFRS 15

Most revenue (excluding Openreach revenue) is recognised under IFRS 15 *Revenue from Contracts with Customers*. At contract inception we identify each distinct performance obligation within the contract. The transaction price is allocated to these performance obligations based on their relative standalone selling prices and revenue is recognised as each performance obligation is satisfied, either over time or at a point in time depending on the nature of the underlying goods or services.

The table below summarises the key performance obligations across our major service lines, including the timing of when they are satisfied and the associated revenue-recognition policy.

This note also provides information on revenue expected to be recognised in future periods in relation to unsatisfied performance obligations for contracts in place at 31 March 2026.

Openreach revenue

Revenue within Openreach is primarily within the scope of IFRS 16 and is recognised over the period of the lease in accordance with the underlying contractual terms.

Application of revenue accounting policies

Below, we include a description of principal activities from which the Group generates its revenue and the recognition policy applied to each.

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 is typically recognised based on the satisfaction of performance obligations measured by contract milestones and customer acceptance.
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 separate performance obligations if they are distinct from other services in the contract. 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.
Other services	Provision of other services including mobile backhaul, security, and Media & Broadcast services. Performance obligations are identified based on the distinct services we have committed to provide and could be satisfied at a point in time, or over time.	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.
Equipment	Provision of equipment including mobile phone handsets and hardware such as set-top boxes and broadband routers provided as part of customer contracts. Performance obligations are identified based on the distinct goods we have committed to provide and are satisfied at the point in time that control passes to the customer.	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.

Notes to the consolidated financial statements (continued)

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. 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 and International 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 apply the practical expedient in IFRS 15 that permits revenue to be recognised on an “as-invoiced” basis where the amount we invoice corresponds directly with the value delivered to the customer for fixed access and mobile subscription services. We also apply the practical expedient not to disclose the transaction price allocated to remaining performance obligations for these contracts. The use of these expedients is consistent with prior periods.

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 certain 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 separate 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 a 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 conditions 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

Presented within revenue is income from arrangements classified as operating leases under IFRS 16 and which represent core business activities for the group. Income predominantly relates to Openreach’s leases of fixed-line telecommunications infrastructure to communication providers, and leases of devices to Consumer customers as part of fixed access subscription offerings.

At inception of a contract, we determine whether the contract is, or contains, a lease following the accounting policy set out in note 16. 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. 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 16.

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 16. 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 revenue

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

Year ended 31 March 2026	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Internal Revenue	Total £m
ICT and managed networks	—	1,212	774	—	—	(33)	1,953
Fixed access subscriptions	4,054	2,010	950	—	—	(28)	6,986
Mobile subscriptions	3,539	816	21	—	—	(23)	4,353
Other services	38	763	100	193	12	(265)	841
Equipment revenue	1,641	454	264	—	1	(9)	2,351
Revenue from contracts with customers	9,272	5,255	2,109	193	13	(358)	16,484
Lease revenue ^a	222	2	5	5,997	—	(3,064)	3,162
Revenue before specific items	9,494	5,257	2,114	6,190	13	(3,422)	19,646
Specific items ^b (note 9)							8
Revenue^c							19,654

Year ended 31 March 2025 (re-presented ^d)	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Internal Revenue	Total £m
ICT and managed networks	—	1,105	912	—	—	—	2,017
Fixed access subscriptions	4,265	2,097	1,116	—	—	(11)	7,467
Mobile subscriptions	3,531	830	32	—	—	(36)	4,357
Other services	7	815	94	133	12	(250)	811
Equipment revenue	1,807	491	336	—	—	(5)	2,629
Revenue from contracts with customers	9,610	5,338	2,490	133	12	(302)	17,281
Lease revenue ^a	85	10	9	6,023	—	(3,038)	3,089
Revenue before specific items	9,695	5,348	2,499	6,156	12	(3,340)	20,370
Specific items ^b (note 9)							(12)
Revenue^c							20,358

^a Lease revenue includes income from Openreach's fixed access subscription services.

^b Relates to regulatory matters classified as specific. See note 9.

^c We have further disaggregated the revenue presented here to derive the UK adjusted service revenue of £15,445m (FY25: £15,568m). Please refer to our adjusted UK service revenue reconciliation in the Additional Information section of this report for details. Adjusted UK service revenue includes some portion of equipment revenue where that equipment is sold as part of a managed services contract, or where that equipment cannot be practicably separated from the underlying service.

^d FY25 comparative information re-presented. Further information on the nature of these re-presentations is set out below. Note 34 presents a bridge between financial information for the year to 31 March 2025 as published on 22 May 2025 and the comparatives presented above.

Re-presentation of revenue

FY25 comparative revenue information has been re-presented to reflect a number of changes to the Group's external reporting. These include (i) the creation of the new International CFU following its separation from the Business CFU, (ii) changes in the Group's internal management reporting reviewed by the Chief Operating Decision Maker (CODM), and (iii) updates to segmental revenue to better reflect the nature of services provided and the underlying trading relationships between units.

As a result of these changes, disaggregated revenue has been re-presented to reflect updates to the CODM reporting structure, with 'Equipment' and 'Other Services' now shown separately and lease revenue disclosed distinctly. Internal CFU revenue is now included, and enhanced system data has enabled more granular categorisation being used to align service line reporting with the Group's accounting policies. Comparatives have been re-presented accordingly. Note 34 presents a bridge between financial information for the year to 31 March 2025 as published on 22 May 2025 and the comparatives presented above.

Remaining performance obligations

Revenue expected to be recognised in future periods for performance obligations that are not complete (or are partially complete) as at 31 March 2026 is £11,834m (FY25: £13,249m). Of this, £4,736m (FY25^e: £5,260m) 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 £7,098m (FY25^e: £7,989m) will substantially be recognised as revenue within two years.

Lease income

Presented within revenue is £3,162m (FY25: £3,089m) 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.

^e FY25 comparative information has been re-presented to better align revenue categories, reflecting the wider revenue re-presentation of revenue referenced above.

Notes to the consolidated financial statements (continued)

5. Revenue (continued)

During the year we also recognised:

- £19m (FY25: £19m) operating lease income from non-core business activities which is presented in other operating income (note 6). Note 15 presents an analysis of payments to be received across the remaining term of operating lease arrangements.
- £19m (FY25: £12m) 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.

£24m (FY25: £33m) of our lease 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.

Key accounting estimates made in accounting for revenue

Estimate of customer refunds

There remains an accounting estimate in place to reflect a risk of billing inaccuracy where there is the presence of bespoke pricing. We have recognised a liability of £47m (FY25: £51m) in relation to this billing inaccuracy.

This is presented within note 18 and represents our best estimate required to cover ongoing billing adjustments to products relating to both current and prior periods.

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 17.

We provide for expected lifetime losses on contract assets following the policy set out in note 17.

Contract assets and liabilities are as follows:

At 31 March	2026 £m	2025 £m
Contract assets		
Current	1,009	1,194
Non-current	382	306
	1,391	1,500
Contract liabilities		
Current	963	899
Non-current	274	257
	1,237	1,156

£764m (FY25: £704m) of the contract liability at 31 March 2026 was recognised as revenue during the year. Impairment losses of £19m (FY25: £47m) were recognised on contract assets during the year.

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 2026 was 2% (FY25: 3%).

6. Operating costs

Year ended 31 March	Notes	2026 £m	2025 £m
Operating costs by nature			
Staff costs:			
Wages and salaries ^a		3,729	3,969
Social security costs		464	432
Other pension costs	20	308	333
Share-based payment expense	22	49	62
Total staff costs		4,550	4,796
Capitalised direct labour		(1,388)	(1,412)
Net staff costs		3,162	3,384
Indirect labour costs ^b		1,368	1,271
Capitalised indirect labour		(807)	(806)
Net indirect labour costs		561	465
Net labour costs		3,723	3,849
Product costs		3,240	3,330
External sales commissions		458	440
Payments to telecommunications operators		907	1,074
Property and energy costs		1,280	1,296
Network operating and IT costs		1,047	1,077
Provision and installation		351	379
Marketing and sales		244	330
Net impairment losses on trade receivables and contract assets ^c		146	171
Other operating costs		324	492
Other operating income		(304)	(277)
Depreciation and amortisation, including impairment charges		4,875	4,933
Total operating costs before specific items		16,291	17,094
Specific items	9	466	772
Total operating costs		16,757	17,866
Operating costs before specific items include the following:			
Leaver costs ^a		7	9
Research and development expenditure ^d		847	790
Foreign currency (gains)/losses		(4)	(3)
Inventories recognised as an expense		1,991	2,180

^a Leaver costs are included within wages and salaries, except for leaver costs of £262m (FY25: £278m) associated with restructuring costs, which have been recorded as specific items.

^b Indirect labour costs relate to subcontracted labour costs.

^c Consists of net impairment losses on trade receivables and contract assets in Consumer of £95m (FY25: £117m), in Business of £38m (FY25: £45m), in International of £3m (FY25: £1m), in Openreach of £8m (FY25: £7m) and in Other of £2m (FY25: £1m).

^d Research and development expenditure includes amortisation of £798m (FY25: £752m) in respect of capitalised development costs and operating expenses of £49m (FY25: £38m).

Notes to the consolidated financial statements (continued)

6. Operating costs continued

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

Year ended 31 March	Notes	2026 £m	2025 £m
Depreciation and amortisation before impairment charges			
Intangible assets	14	1,274	1,300
Property, plant and equipment	15	2,969	2,939
Right-of-use assets	16	610	644
Impairment charges			
Intangible assets	14	7	5
Property, plant and equipment	15	12	43
Right-of-use assets	16	3	2
Total depreciation and amortisation before specific items		4,875	4,933
Impairment charges classified as specific items			
	9		
Intangible assets		32	2
Property, plant and equipment		—	29
Right-of-use assets		6	14
Total depreciation and amortisation		4,913	4,978

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

Key management personnel comprise Executive and Non-Executive Directors and members of the *Executive Committee*.

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

Year ended 31 March	2026 £m	2025 £m
Short-term employee benefits	16.7	15.9
Post employment benefits ^a	0.6	0.6
Share-based payments	7.8	8.3
Termination benefits	—	0.2
	25.1	25.0

^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 through cash and share-based payment arrangements. No key management personnel exercised saveshare options during the year (FY25: none), see note 22.

7. Employees

Number of employees in the group	2026			2025		
	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	64.6	62.2	58.9	70.8	68.3	64.5
Non-UK	19.4	19.4	18.3	20.7	20.7	20.8
Total employees	84.0	81.6	77.2	91.5	89.0	85.3
Consumer	17.5	15.5	14.9	17.8	15.7	16.2
Business ^c	11.9	11.7	11.5	22.2	22.0	21.0
International ^c	8.7	8.7	8.5	n/a	n/a	n/a
Openreach	27.0	26.9	24.9	30.6	30.5	27.8
Other	18.9	18.8	17.4	20.9	20.8	20.3
Total employees	84.0	81.6	77.2	91.5	89.0	85.3

^a Average reflecting monthly average headcount.

^b Average reflecting the full-time equivalent of full- and part-time employees, excluding subcontract labour. There were 30.5k FTE agency and subcontract labour at the FY26 year-end (FY25: 31.0k).

^c Comparatives for the year ended 31 March 2025 have not been re-presented for the impact of the creation of our International CFU.

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

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

Year ended 31 March	2026 £000	2025 £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	13,343	16,397
The audit of the company's subsidiaries	5,624	5,981
	18,967	22,378
Audit related assurance services^b		
	2,421	2,185
Other non-audit services		
	3	3
Total services	21,391	24,566

^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 and fee for the audit of the group's regulatory financial statements.

Fees payable to auditors other than KPMG for audits of certain overseas subsidiaries were £42,000 (FY25: £174,000).

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 FY26 KPMG LLP received total fees from the BT Pension Scheme of £2.1m (FY25: £2.3m) in respect of the following services:

Year ended 31 March	2026 £000	2025 £000
Audit of the financial statements of BT Pension Scheme and its subsidiary undertakings	2,058	2,093
Audit-related assurance services	17	128
Other non-audit services	47	32
Total services	2,122	2,253

Notes to the consolidated financial statements (continued)

9. Specific items

The following charges and credits were recognised in FY26 and FY25 as specific items: significant business restructuring programmes including the current group-wide cost transformation and modernisation programme, disposals of businesses and investments, charges or credits relating to retrospective regulatory matters, significant out of period contract settlements, litigation matters, impairment arising on remeasurement of the disposal groups to be held for sale, asset impairment charges, impairment charges in our Portfolio Businesses, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. 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 related to the equity-accounted investment are classified as specific, refer to note 25. See Note 1 (Basis of preparation) for details of the accounting policy relating to specific items.

Year ended 31 March	Ref.	2026 £m	2025 £m
Revenue			
Retrospective regulatory matters	A	(8)	12
Specific revenue		(8)	12
Operating costs			
Restructuring charges	B	336	448
Sports JV – related items	C	24	119
Divestment-related items	D	1	19
Retrospective regulatory matters	A	—	(7)
Out of period adjustments	E	—	32
Litigation matters	F	40	—
Impairment loss on remeasurement of disposal groups	G	27	116
Specific operating costs before depreciation and amortisation		428	727
Asset impairment charges	H	38	—
Impairment charges in our Portfolio Businesses	I	—	45
Specific operating costs		466	772
Specific operating loss		458	784
Net finance expense			
Interest expense on retirement benefit obligation	J	191	197
Specific net finance expense		191	197
Share of loss of associates and joint ventures	K	218	—
Net specific items charge before tax		867	981
Taxation			
Tax credit on specific items above	L	(151)	(200)
Net specific items charge after tax		716	781

A. Retrospective regulatory matters

We recognised an £8m net credit in relation to historical regulatory matters (FY25: net charge of £5m). These items represent movements in provisions relating to various matters.

B. Restructuring charges

We have incurred charges of £336m (FY25: £448m) relating to our group-wide cost transformation and modernisation programme. The majority of these expenses comprise leaver, third-party and property-related costs attributable to the programmes. Net cash flows from restructuring activities amounted to £311m (FY25: £423m).

In May 2024, a new transformation programme was announced which targeted £3bn gross annualised cost savings, with a total cost to achieve of £1bn which will run until the end of FY29. The benefits and costs of the final FY25 year of the previous May 2020 programme were absorbed into the new targets. We have now raised our overall transformation plan target to £3.7bn gross annualised cost savings from £3.0bn, and extended the programme by one year to FY30. The total cost to achieve is now expected to be £1.4bn, previously £1.0bn.

Within the year, this programme delivered an estimated £0.6bn in gross annualised cost savings at a cost to achieve of £0.3bn. Since the programme was announced we have achieved gross annualised cost savings of £1.5bn at a cost to achieve of £0.8bn. The total expected cash costs to achieve until FY30 is £1.4bn, of this we have incurred £0.3bn in the year and £0.7bn to date.

We do not consider the remaining estimated restructuring costs of £0.6bn, included within the £1.4bn referenced here, to constitute a sufficiently-detailed formal announcement of a restructuring programme that would trigger a provision under IAS 37. Costs are provided for when the IAS 37 recognition criteria are met.

C. Sports JV – related items

We have recorded a net charge of £24m, comprising an impairment loss of £23m (FY25: £44m) on our ordinary equity interest in the Sports JV and a fair value loss of £1m (FY25: £75m loss) on the A and C preference shares in the Sports JV. Refer to note 25 for further details.

9. Specific items (continued)

D. Divestment-related items

We recognised a £1m charge (FY25: £19m charge) relating to profit from our ongoing divestment activities as we progress towards becoming fully UK-focused. Of this, £30m relates to net profit on disposal and a £31m charge relates to other divestment and separation costs. The most significant transactions were the disposal of BT Radianz to Transaction Network Services in February 2026 and the disposal of our domestic operations in Italy to Retelit S.p.A in October 2025.

E. Out of period adjustments

In FY25 we recognised a £32m charge related to under accrual of historical costs, which came to light following a commercial settlement of certain aged balances within a sub-unit of our Business CFU. This was recognised as specific due to the nature and incidence of this item.

F. Litigation matters

In FY26 we have recognised £40m of costs associated with litigation claims brought against the group. This has been recognised as specific due to the size and incidence of these items.

G. Impairment loss on remeasurement of disposal groups

We recognised an impairment charge of £27m (FY25: £116m) for the remeasurement of disposal groups. Assets classified as held for sale under IFRS 5 are measured at the lower of their carrying amount and fair value less costs to sell, resulting in an impairment loss (see note 23).

H. Asset impairment charges

In FY26 we have recognised an impairment charge of £32m of intangible assets following the termination of an IT infrastructure transformation programme. This has been recognised as specific due to the size and incidence of these items. A further £6m impairment charge was recognised in relation to property rationalisation programmes, part of our group-wide cost transformation and modernisation programme and recognised as specific due to the nature and incidence of these charges.

I. Impairment charges in our Portfolio Businesses

In FY25 we recognised an impairment charge of £45m of non-current assets following a review of businesses within our Portfolio channel which sits within the International CFU.

J. Interest expense on retirement benefit obligation

During the year we incurred £191m (FY25: £197m) of interest costs in relation to our defined benefit pension obligations.

K. Share of loss of associates and joint ventures

In FY26 we recognised our share of impairment losses recorded within the Sports JV, amounting to £218m. This has been recognised as specific due to the size and incidence of these items. Refer to note 25 for further details.

L. Tax on specific items

A tax credit of £151m was recognised in relation to specific items (FY25: £200m).

Notes to the consolidated financial statements (continued)

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.

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.

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 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 are subject to regular tax authority review; we provide for the predicted outcome where an outflow is probable, but the agreed amount can differ materially from our estimates and it might change for future reporting periods. Approximately 69% by value of the provisions is under active tax authority examination and are therefore likely to be re-estimated or resolved in the coming 12 months. £67m (FY25: £96m) is included in current tax liabilities or offset against current tax assets where netting is appropriate.

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 assessment we consider evidence such as historical financial performance, future financial plans and trends and whether our intra-group trading 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.

Analysis of our taxation expense for the year

Year ended 31 March	2026 £m	2025 £m
United Kingdom		
Corporation tax at 25% (FY25: 25%)	(51)	(17)
Adjustments in respect of earlier years	29	10
Non-UK taxation		
Current tax ^a	(60)	(71)
Adjustments in respect of earlier years	—	(6)
Total current taxation (expense)	(82)	(84)
Deferred taxation		
Origination and reversal of temporary differences	(292)	(238)
Adjustments in respect of earlier years	15	42
Total deferred taxation credit (expense)	(277)	(196)
Total taxation (expense)	(359)	(280)

^a Includes a current tax expense related to Pillar Two top-up tax of £3m (FY25: £3m).

10. Taxation (continued)

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	2026 £m	2025 £m
Profit before taxation	1,436	1,334
Expected taxation expense at UK rate of 25% (FY25: 25%)	(359)	(334)
Effects of:		
Lower taxes on non-UK profits	11	18
Net permanent differences between tax and accounting ^a	(48)	(26)
Adjustments in respect of earlier years ^b	44	46
Prior year non-UK losses used against current year profits	9	9
Non-UK losses not recognised / (derecognised) ^c	(16)	7
Total taxation expense	(359)	(280)
Exclude specific items (note 9)	(151)	(200)
Total taxation expense before specific items	(510)	(480)

^a Includes UK income within the patent box regime of £54m (FY25: £55m), and expenses for which no tax relief is received including the share of impairment losses in the Sports JV of £55m in FY26 (FY25: £3m).

^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 arising in countries where it is not 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	2026 Tax credit (expense) £m	2025 Tax credit (expense) £m
Taxation on items that will not be reclassified to the income statement		
Pension remeasurements	168	(22)
Tax on items that have been or may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations	(4)	3
Fair value movements on cash flow hedges		
– net fair value gains or (losses)	45	(59)
Total tax recognised in other comprehensive income	209	(78)
Current tax credit ^a	3	10
Deferred tax (expense) credit	206	(88)
Total tax recognised in other comprehensive income	209	(78)

^a Includes £3m (FY25: £6m) relating to cash contributions in respect of retirement benefit obligations.

Tax credit (expense) recognised directly in equity

Year ended 31 March	2026 £m	2025 £m
Tax credit (expense) relating to share-based payments	25	18

Notes to the consolidated financial statements (continued)

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 2024	4,581	(968)	(26)	(2,911)	(191)	—	485
Expense (credit) recognised in the income statement	194	(42)	(6)	118	(68)	—	196
Expense (credit) recognised in other comprehensive income	—	128	—	(98)	58	—	88
Expense (credit) recognised in equity	—	—	(18)	—	—	—	(18)
Exchange differences	3	—	—	3	1	—	7
At 31 March 2025	4,778	(882)	(50)	(2,888)	(200)	—	758
Non-current							
Deferred tax asset	—	(882)	(50)	(2,888)	(200)	3,061	(959)
Deferred tax liability	4,778	—	—	—	—	(3,061)	1,717
At 31 March 2025	4,778	(882)	(50)	(2,888)	(200)	—	758
Expense (credit) recognised in the income statement	35	(42)	8	267	9	—	277
Expense (credit) recognised in other comprehensive income	—	(149)	—	(16)	(41)	—	(206)
Expense (credit) recognised in equity	—	—	3	—	—	—	3
Exchange differences	(1)	—	—	(2)	6	—	3
Divestment related items	—	—	—	10	—	—	10
At 31 March 2026	4,812	(1,073)	(39)	(2,629)	(226)	—	845
Non-current							
Deferred tax asset	—	(1,073)	(39)	(2,629)	(226)	2,843	(1,124)
Deferred tax liability	4,812	—	—	—	—	(2,843)	1,969
At 31 March 2026	4,812	(1,073)	(39)	(2,629)	(226)	—	845

^a Includes a deferred tax asset of £nil (FY25: £nil) 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 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 and reduces our current year UK tax liability. 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 for FY24 to FY26 contributed to a net £4,812m deferred tax liability on fixed asset temporary differences, and a net £2,629m deferred tax asset relating to tax losses, after combining pension deficit contribution deductions, in the table above.

The group is within the scope of the OECD Pillar Two model rules. The UK and a number of other countries have enacted Pillar Two legislation. Under these rules, the group may be liable to pay a top-up tax to the 15% minimum rate. As the UK rate of corporation tax is 25%, and the group's business is primarily in the UK, the impact of these rules is not expected to be material for the group for the year ended 31 March 2026. Furthermore, the group has applied the temporary mandatory exception from deferred tax accounting for the impacts of the top-up tax and accounts for any top-up tax as a current tax when it is incurred.

What are our unrecognised tax losses and other temporary differences?

At 31 March 2026 we had operating losses and other temporary differences carried forward in respect of which no deferred tax assets were recognised amounting to £3.1bn (FY25: £3.5bn). 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 2026	£m	Expiry
Restricted losses		
Europe	2	2027 - 2040
Other	2	2027 - 2040
Total restricted losses	4	
Unrestricted operating losses	2,877	No expiry
Other temporary differences	179	No expiry
Total	3,060	

At 31 March 2026 we had UK capital losses carried forward in respect of which no deferred tax assets were recognised amounting to £16.8bn (FY25: £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 2026 the undistributed earnings of non-UK subsidiaries were £2.5bn (FY25: £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 £48m (FY25: £44m) would arise if these earnings were to be repatriated to the UK.

11. Earnings per share

How is earnings per share calculated?

Basic earnings per share is calculated by dividing the profit after tax attributable to equity shareholders by the weighted average number of shares in issue after deducting the own shares held by employee share ownership trusts and treasury shares.

In calculating the diluted earnings per share, share options outstanding and other potential shares have been taken into account where the impact of these is dilutive.

Year ended 31 March	2026	2025
Basic weighted average number of shares (millions)	9,818	9,779
Dilutive shares from share options (millions)	—	49
Dilutive shares from share awards (millions)	121	132
Diluted weighted average number of shares (millions)	9,939	9,960
Basic earnings per share	11.0p	10.8p
Diluted earnings per share	10.8p	10.6p

The earnings per share calculations are based on profit after tax attributable to equity shareholders of the parent company which excludes non-controlling interests. Profit after tax was £1,077m (FY25: £1,054m). Profit attributable to non-controlling interests is not presented separately in the financial statements as it is not material.

12. Dividends

What is the group's dividend policy?

The Board has adopted a new policy to grow the dividend by low to mid single digit percent per annum in FY27 and onwards until metrics consistent with a BBB+ credit rating are reached; thereafter residual cash flow will be available for enhanced distributions to shareholders.

What dividends have been paid?

A final dividend of 5.87p per share amounting to approximately £581m is proposed in respect of the year ended 31 March 2026 (FY25: final dividend of 5.76p per share amounting to £566m paid in respect of the year ended 31 March 2025). An interim dividend of 2.45p per share amounting to £241m was paid on 11 February 2026 (FY25: interim dividend of 2.40p per share amounting to £235m paid). This value may differ from the amount shown for equity dividends paid in the group cash flow statement, which represents the actual cash paid in relation to dividend cheques that have been presented over the course of the financial year.

Year ended 31 March	2026		2025	
	pence per share	£m	pence per share	£m
Final dividend in respect of the prior year	5.76	566	5.69	556
Interim dividend in respect of the current year	2.45	241	2.40	235
	8.21	807	8.09	791

Notes to the consolidated financial statements (continued)

13. Goodwill

Material accounting policies that apply to 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. Goodwill arising on the acquisition of a business is measured at cost less accumulated impairment losses. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill is allocated to CGUs that are expected to benefit from the synergies of the 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.

An impairment loss is recognised in profit or loss and presented as a specific item (note 9) if the carrying amount of the CGU exceeds its recoverable amount.

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. The outcome of this assessment affects the allocation of goodwill and impairment test for the CGU to which goodwill is allocated. This involves consideration of how our core assets are operated and whether these generate independent cash inflows.

Following the creation of the International CFU from 1 July 2025 (see note 1), the Business CGU and International CGU align with the corresponding CFUs and reportable segments. Prior to that, both CGUs were part of Business.

There is no change to the Consumer CGU, which continues to align with its corresponding CFU and reportable segment.

Estimating recoverable amount

The outcome of the impairment test of goodwill of the International CGU is subject to significant estimation uncertainty, as the calculation of the recoverable amount and resultant headroom is sensitive to assumptions used in the discounted cash flow (DCF) model, which include future projections of operating cash flows and selections of discount rate and terminal growth rate, in combination.

Operating cash flow

The financial plan on which the DCF is based on is underpinned by various granular assumptions on operating cash flows, which collectively roll up to the projected Adjusted EBITDA over the forecast period. We consider that each of these granular assumptions do not individually give rise to significant estimation uncertainty that would result in a material change to the outcome of the impairment test of the International CGU. Projected Adjusted EBITDA CAGR, which is expressed as compound annual growth rate of projected Adjusted EBITDA within the 5-year forecast period, is considered as the most representative metric for the underlying assumptions on an aggregated level that gives the most meaningful sensitivity information.

Costs of disposal is not a key assumption that is sensitive to the recoverable amount.

Terminal growth rate

Long-term compound annual growth rates may be higher or lower than management's estimate due to market-specific factors including inflation expectations, the regulatory environment and competition intensity.

Discount rate

The discount rate used is adjusted for the risk specific to the asset for which the future cash flow estimates have not been adjusted. The discount rate could vary from management's estimate due to fluctuations in market conditions, which impact underlying assumptions such as the risk-free rate, equity market risk premium, asset beta, and leverage ratios.

13. Goodwill (continued)

Cash-generating units

The carrying amount of goodwill allocated to CGUs is shown below:

	Consumer £m	Business ^a £m	International ^a £m	Total £m
1 April 2024	3,874	3,560	—	7,434
Transfers	—	(470)	470	—
Transfer to assets held for sale	—	(99)	—	(99)
Exchange differences	—	(25)	—	(25)
31 March 2025	3,874	2,966	470	7,310
Exchange differences	—	(1)	(4)	(5)
31 March 2026	3,874	2,965	466	7,305

^a Business CGU and International CGU were previously named UK Business CGU and International Business CGU respectively in FY25.

At the end of FY25, in addition to Consumer CGU, we identified two separate CGUs to which goodwill is allocated within the Legacy Business segment. They consist of the UK-focused operation (“Business CGU”) and certain international operations (collectively “International CGU”) which individually represent the smallest group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or CGUs. Goodwill has been allocated between the Business and International CGUs on a relative fair value basis at the end of FY25, as this was deemed to best reflect the goodwill associated to the reorganised units.

There are no changes in identification of CGUs to which goodwill is allocated during FY26 and these are aligned with the corresponding CFU and operating segment.

As at 1 April 2024, 31 March 2025 and 31 March 2026, the total gross carrying amounts of goodwill were £7,922m, £7,798m and £7,793m respectively, before deducting accumulated impairment losses of £488m recognised in FY24. No impairment losses were recognised during the current or prior financial years.

The impairment test

The Group’s impairment test compares the carrying value of each CGU with its recoverable amount. For FY26, our recoverable amount is based on fair value less costs of disposal (FVLCD). In FY25, the recoverable amount of our Business and International CGUs were based on FVLCD and our Consumer CGU was based on value in use (VIU).

The fair value is determined using nominal cash flow projections derived from financial plans approved by the Board covering a five-year period. They reflect management’s expectations of revenue, EBITDA growth, capital expenditure, working capital, net savings from uncommitted restructuring (i.e. the group wide transformation programme announced in May 2024) and other operating cash flows, based on past experience and future expectations of business performance, further adjusted such that they represent a market participant’s view. Cash flows beyond the fifth year have been extrapolated using perpetuity growth rates. Forecasting risks are reflected in the cash flows. These cash flows are discounted to their present value using a pre-tax nominal discount rate. Costs of disposals are based on management’s estimate.

The FVLCD is categorised as level 3 under the fair value hierarchy.

As at 31 March 2026, the estimated recoverable amount of each CGU exceeded its respective carrying value (FY25: no impairment).

Key assumptions

Key assumptions used in determining the discounted cash flow forecasts for the Consumer, Business and International CGUs are summarised as follows:

Key assumptions	Approach to determine
Projected Adjusted EBITDA	Adjusted EBITDA is defined as the 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. The forecasts reflect past experience, and the trends and maturity of the industry that we operate in. Net savings from uncommitted restructuring are included in the projected Adjusted EBITDA.
Discount rate	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 primarily benchmarked to externally available data and reflect the impact of those risks not already considered within cash flows, such as the risk-free rate, equity market risk premium, asset beta, and leverage ratios.
Long-term growth rate	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 business and 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.

Notes to the consolidated financial statements (continued)

13. Goodwill (continued)

The discount rates and long-term growth rates used in the impairment test for the Consumer, Business and International CGUs are as follows.

	2026			2025		
	Consumer	Business	International	Consumer	Business	International
Pre-tax discount rate	9.32 %	9.32 %	9.82 %	9.35 %	9.35 %	10.98 %
Long-term growth rate	1.0 %	1.0 %	0.0 %	1.0 %	1.0 %	0.0 %

Sensitivity analysis

The impairment testing as described is reliant on the accuracy of management's forecasts and the assumptions that underlie them, and on the selection of the discount and growth rates to be applied.

For the Consumer and Business CGUs, no reasonably possible change in key assumptions indicated an impairment would arise.

In light of the level of headroom (c.£0.1bn) and significance of estimation uncertainty for the International CGU, we considered the impact of the following changes in key assumptions in isolation, and the impact this would have on the observed level of headroom. For the long-term growth rate, such a change would eliminate headroom and result in an impairment.

In £m	Impact on headroom on International	
	Low scenario	High scenario
Projected Adjusted EBITDA CAGR ^a +/-1.0%	(89)	92
Pre-tax discount rate +/-0.5%	(69)	77
Long-term growth rate +/-1.0%	(100)	123

^a Projected Adjusted EBITDA CAGR is expressed as the compound annual growth rates of projected Adjusted EBITDA within the 5-year forecast period of the cash flow forecasts which are used to determine the recoverable amounts of the CGUs.

We set out below the changes to key assumptions, in isolation, that would be required to result in the recoverable amount being equal to the carrying value:

Increase/(decrease) by	Change required for recoverable amount to equal carrying value	
	International	
Projected Adjusted EBITDA CAGR		(1.0)%
Pre-tax discount rate		0.7 %
Long-term growth rate		(0.9)%

For the International CGU, adverse movements in key assumptions in combination could result in a material impairment.

14. Other intangible assets

Material accounting policies that apply to other 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 (see note 13), 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.

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 assumptions 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 10 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.

Notes to the consolidated financial statements (continued)

14. Other intangible assets (continued)

	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 2024	3,382	3,478	6,004	1,698	14,562
Additions	—	—	775	223	998
Disposals and adjustments ^d	—	6	(753)	(121)	(868)
Transfers ^g	—	—	124	(197)	(73)
Transfers to assets held for sale ^e	—	(43)	—	(83)	(126)
Exchange differences	—	(1)	—	(4)	(5)
At 31 March 2025	3,382	3,440	6,150	1,516	14,488
Additions ^f	—	13	757	100	870
Disposals and adjustments ^d	—	(1)	(414)	(380)	(795)
Transfers ^g	—	—	14	(46)	(32)
Transfer to assets held for sale ^e	—	—	—	—	—
Exchange differences	—	1	—	5	6
At 31 March 2026	3,382	3,453	6,507	1,195	14,537
Accumulated amortisation					
At 1 April 2024	2,931	1,266	4,006	873	9,076
Amortisation charge for the year	227	186	790	97	1,300
Impairment	—	—	6	1	7
Disposals and adjustments ^d	—	8	(749)	(125)	(866)
Transfers ^g	—	—	3	(32)	(29)
Transfers to assets held for sale ^e	—	(42)	—	(77)	(119)
Exchange differences	—	(1)	—	(3)	(4)
At 31 March 2025	3,158	1,417	4,056	734	9,365
Amortisation charge for the year	180	185	796	113	1,274
Impairment	—	—	37	2	39
Disposals and adjustments ^d	—	(1)	(482)	(327)	(810)
Transfers ^g	—	—	—	—	—
Transfer to assets held for sale ^e	—	—	—	—	—
Exchange differences	—	1	—	5	6
At 31 March 2026	3,338	1,602	4,407	527	9,874
Carrying amount					
At 31 March 2025	224	2,023	2,094	782	5,123
At 31 March 2026	44	1,851	2,100	668	4,663

^a Customer relationships and brands relate to separately identifiable intangible assets recognised on acquisition of EE.

^b Telecoms licences and other primarily represents spectrum licences. These include 2100 MHz licence with book value of £493m (FY25: £543m), 1800 MHz with book value of £452m (FY25: £498m), 700MHz with book value of £235m (FY25: £251m), 3400 MHz with book value of £194m (FY25: £210m) and 2600 MHz with book value of £143m (FY25: £164m). Spectrum licences are being amortised over a period between 14 and 20 years.

^c Includes a carrying amount of £492m (FY25: £506m) 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 £0.7bn in FY26 (FY25: £0.7bn) through operation of the group's annual asset verification exercise).

^e For a breakdown of assets held for sale see note 23.

^f Additions to telecoms licences and other assets in FY26 comprise £13m (FY25: £nil) recognised in relation to spectrum which represents the amount paid to Ofcom to secure the spectrum bands together with the related interference mitigation provision.

^g During FY26, assets with cost of £32m and accumulated depreciation of £nil were transferred from intangible assets to property, plant and equipment following review of asset registers. During FY25, assets with a cost of £73m and accumulated depreciation of £29m were transferred from property, plant and equipment to intangible assets.

15. 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 40 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 13.

Government grants

We receive government grants in relation to rural superfast broadband contracts including Building Digital UK (BDUK), Reaching 100% (R100) and Gigabit. 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 18.

Notes to the consolidated financial statements (continued)

15. Property, plant and equipment (continued)

	Network infrastructure				Assets under construction ^f	Total
	Land and buildings	Held by Openreach	Held by other units	Other ^a		
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2024	1,150	36,130	24,004	1,746	1,626	64,656
Additions ^b	2	1	43	10	3,803	3,859
Transfers ^e	123	3,021	990	318	(4,379)	73
Disposals and adjustments ^c	(70)	(191)	(1,725)	(40)	(37)	(2,063)
Transfer to assets held for sale ^d	(151)	—	(610)	(81)	(2)	(844)
Exchange differences	(8)	—	(45)	(4)	(1)	(58)
At 31 March 2025	1,046	38,961	22,657	1,949	1,010	65,623
Additions ^b	2	—	47	6	4,202	4,257
Transfers ^e	47	2,869	600	325	(3,809)	32
Disposals and adjustments ^c	(38)	(1,710)	(1,380)	(296)	(193)	(3,617)
Transfer to assets held for sale ^d	—	—	—	—	—	—
Exchange differences	9	—	54	(2)	—	61
At 31 March 2026	1,066	40,120	21,978	1,982	1,210	66,356
Accumulated depreciation						
At 1 April 2024	732	20,431	19,607	1,294	30	42,094
Depreciation charge for the year	68	1,554	1,050	267	—	2,939
Impairment	1	—	44	10	17	72
Transfers ^e	—	—	29	—	—	29
Disposals and adjustments ^c	(42)	(182)	(1,836)	(32)	(4)	(2,096)
Transfer to assets held for sale ^d	(118)	—	(563)	(63)	—	(744)
Exchange differences	(6)	—	(41)	(4)	—	(51)
At 31 March 2025	635	21,803	18,290	1,472	43	42,243
Depreciation charge for the year	62	1,653	919	335	—	2,969
Impairment	5	—	8	(1)	—	12
Transfers ^e	—	—	2	(2)	—	—
Disposals and adjustments ^c	(43)	(1,668)	(1,560)	(298)	(6)	(3,575)
Transfer to assets held for sale ^d	—	—	—	—	—	—
Exchange differences	7	—	51	(1)	—	57
At 31 March 2026	666	21,788	17,710	1,505	37	41,706
Carrying amount						
At 31 March 2025	411	17,158	4,367	477	967	23,380
At 31 March 2026	400	18,332	4,268	477	1,173	24,650

a 'Other' comprises plant and equipment, motor vehicles, computers, and fixtures and fittings.

b Net of government grants of £134m (FY25: £103m).

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 £2.5bn in FY26 (FY25: £1.5bn) 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 23.

e During FY26, assets with cost of £32m and accumulated depreciation of £nil were transferred from intangible assets to property, plant and equipment following review of asset registers. During FY25, assets with a cost of £73m and accumulated depreciation of £29m were transferred from property, plant and equipment to intangible assets.

f Assets under construction (AUC) cost includes a carrying amount of £61m (Gross cost of £99m and accumulated depreciation of £38m) at 31 March 2026 and £73m (Gross costs £108m and accumulated depreciation of £35m) at 31 March 2025 which relates to engineering stores.

15. Property, plant and equipment (continued)

Included within the disclosure are assets used in arrangements which represent core business activities for the group and which meet the definition of operating leases:

- £18,332m (FY25: £17,158m) 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.
- Plant and equipment, within other assets, includes devices with a carrying amount of £268m (FY25: £238m) 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:

	2026	2025
	£m	£m
At 31 March		
Freehold	72	67
Leasehold	328	344
Total land and buildings	400	411

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 £795m (FY25: £791m) and is recorded within network infrastructure.

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 £2.1m as at 31 March 2026 (FY25: £2.9m). The asset continues not 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 transfer of legal title is anticipated to take place in a three year window between 2028 and 2031 subject to achieving vacant possession of the site. BT continues to enjoy exclusive rights to occupy and access the site prior to completion. The useful economic lives of assets associated with the BT Tower have been reassessed in light of the anticipated disposal in FY30.

Low carbon fleet

As reported in our TCFD statement on page 69, we're working hard and investing to transition the majority of our commercial fleet to electric or zero emission vehicles by the end of FY31. This plan does not trigger a significant impairment of fleet assets as internal combustion engines (ICE) commercial vehicles held by the group at 31 March 2026 will be substantially depreciated ahead of FY31.

Notes to the consolidated financial statements (continued)

16. 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

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 15 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.

16. Leases (continued)

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 'lease revenue' or 'other operating income'.

🔍 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.

Significant 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.

Notes to the consolidated financial statements (continued)

16. 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 2026:

- 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.

16. 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 2024	3,156	98	387	1	3,642
Additions ^a	362	25	121	2	510
Depreciation charge for the year	(490)	(30)	(122)	(2)	(644)
Impairment	(2)	(14)	—	—	(16)
Transfer to assets held for sale	(32)	(44)	(1)	—	(77)
Other movements ^b	(78)	(2)	(6)	(1)	(87)
At 31 March 2025	2,916	33	379	—	3,328
Additions ^a	179	25	184	—	388
Depreciation charge for the year	(467)	(20)	(123)	—	(610)
Impairment	(6)	(3)	—	—	(9)
Disposals	—	—	—	—	—
Transfer to assets held for sale	—	—	—	—	—
Other movements ^b	(44)	2	(23)	—	(65)
At 31 March 2026	2,578	37	417	—	3,032

^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 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	2026 £m	2025 £m
Current	779	705
Non-current	3,405	3,866
	4,184	4,571

The following amounts relating to the group's obligations under lease arrangements were recognised in the income statement in the year:

- Interest expense of £133m (FY25: £135m) on lease liabilities.
- Variable lease payments of £39m (FY25: £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 £864m (FY25: £874m). Our cash flow statement and normalised free cash flow reconciliation present £731m (FY25: £739m) of the cash outflow as relating to the principal element of lease liability payments, with the remaining balance of £133m (FY25: £135m) presented within interest paid.

Note 29 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.

Notes to the consolidated financial statements (continued)

16. Leases (continued)

Other information relating to leases

At 31 March 2026 the group was committed to future minimum lease payments of £36m (FY25: £229m) 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 2026	To be recognised as revenue (note 5) ^a	To be recognised as other operating income (note 6)	Total
	£m	£m	£m
Less than one year	434	13	447
One to two years	100	12	112
Two to three years	37	3	40
Three to four years	11	1	12
Four to five years	11	1	12
More than five years	7	1	8
Total undiscounted lease payments	600	31	631

At 31 March 2025			
Less than one year	435	19	454
One to two years	100	12	112
Two to three years	30	10	40
Three to four years	2	3	5
Four to five years	2	2	4
More than five years	—	5	5
Total undiscounted lease payments	569	51	620

^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 term of one year or less.

17. 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. Where a portfolio of trade receivables are either sold or held to collect the contractual cash flows, they are recorded at fair value through other comprehensive income.

Contingent assets such as any insurance recoveries are recognised within trade and other receivables only when their receipt is virtually certain.

17. Trade and other receivables (continued)

At 31 March	2026 £m	2025 £m
Current		
Trade receivables	1,442	1,490
Prepayments	636	613
Accrued income	132	173
Deferred contract costs	459	415
Finance lease receivables	29	29
Amounts due from joint ventures	91	46
Other assets ^a	327	343
	3,116	3,109
Non-current		
Deferred contract costs	315	291
Prepayments	145	120
Finance lease receivables	74	91
Other assets ^a	147	153
	681	655

^a Other assets include £275m (FY25: £262m) of Flex Pay receivables and £6m (FY25: £35m) of deferred cash consideration mainly relating to the FY23 disposal of BT Sport.

Amounts due from joint ventures relates to a sterling Revolving Credit Facility (RCF) provided to the Sports JV, see note 31. The expected loss provision is immaterial.

The company has a facility with a third party for the sale of mobile handset receivables. Under this facility, the Group transfers substantially all of the risks and rewards to the third party, and therefore has derecognised the transferred receivables. During FY26, we received net cash flows of £159m (FY25: £420m) through this facility. The cashflows are included within the '(Increase) decrease in trade and other receivables' line in the 'Statement of Cash Flows'. The net impact of working capital programmes on normalised free cash flow is set out in the Group's Alternative Performance Measures. We use handset-related programmes to manage the cash flow impact of extending handset contract lives from 24-month to 36-month customer contracts, better aligning cash receipts with the timing of revenue recognition. Trade receivables are stated after deducting allowances for doubtful debts, as follows:

At 1 April	2026 £m	2025 £m
Expense	171	169
Utilised	128	124
Exchange differences	(141)	(122)
	1	—
At 31 March	159	171

The expected credit loss allowance for trade receivables was determined as follows:

At 31 March	Not past due £m	Trade receivables specifically impaired net of provision £m	Past due and not specifically impaired				Total £m
			Between 0 and 3 months £m	Between 3 and 6 months £m	Between 6 and 12 months £m	Over 12 months £m	
2026							
Expected loss rate %	—%	21%	14%	31%	50%	63%	10%
Gross carrying amount	1,031	110	267	64	58	71	1,601
Loss allowance	(5)	(23)	(37)	(20)	(29)	(45)	(159)
Net carrying amount	1,026	87	230	44	29	26	1,442
2025							
Expected loss rate %	1%	22%	7%	38%	53%	85%	10%
Gross carrying amount	919	94	467	61	53	67	1,661
Loss allowance	(7)	(21)	(35)	(23)	(28)	(57)	(171)
Net carrying amount	912	73	432	38	25	10	1,490

Notes to the consolidated financial statements (continued)

17. Trade and other receivables (continued)

Trade receivables not past due and accrued income are analysed below by CFU.

	Trade receivables not past due		Accrued income	
	2026 £m	2025 £m	2026 £m	2025 £m
At 31 March ^a				
Consumer	362	276	60	76
Business ^a	202	220	1	2
International ^a	446	409	1	—
Openreach	10	5	68	89
Other	6	2	2	6
Total	1,026	912	132	173

^a Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU. For more information 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.

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 2024	13	147	349	103	612
Additions	41	128	365	55	589
Amortisation	(15)	(121)	(303)	(49)	(488)
Impairment	(1)	(4)	(3)	—	(8)
Other	21	(2)	—	(18)	1
At 31 March 2025	59	148	408	91	706
Additions	25	196	326	56	603
Amortisation	(23)	(148)	(299)	(48)	(518)
Impairment	(1)	(2)	(4)	—	(7)
Other	—	21	(22)	(9)	(10)
At 31 March 2026	60	215	409	90	774

18. 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 programmes as described below. 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 2026 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	2026 £m	2025 £m
Current		
Trade payables	3,825	3,727
Other taxation and social security	432	484
Minimum guarantee with sports joint venture ^a	101	201
Accrued expenses	614	519
Deferred income ^b	378	418
Other payables ^c	545	606
	5,895	5,955
Non-current		
Minimum guarantee with sports joint venture ^a	—	87
Deferred income ^b	160	164
Other payables	17	25
	177	276

^a Liability recognised on the minimum revenue guarantee in BT's distribution agreement with the sports joint venture (see note 25). Movement in the liability driven by £191m (FY25: £187m) payments made during the year less £5m (FY25: £10m) finance cost recorded from unwinding the impact of discounting.

^b Deferred income includes £44m (FY25: £98m) current and £21m (FY25: £44m) non-current liabilities relating to BDUK, R100 and Gigabit initiatives, for which government grants received by the group may be subject to re-investment or repayment depending on the level of take-up.

^c Includes £47m (FY25: £51m) relating to an estimate of customer refunds, refer to note 5.

Supplier Financing Arrangements

BT Group entered into arrangements with the following terms and conditions:

- The group participates in a supply chain financing programme using bills of exchange, where the trade payables have been factored. Under the arrangement, a finance institution agrees to pay amounts to a participating supplier in respect of invoices owed by the group and receives settlement from the group at a later date. The facility size of £350m remains consistent with prior periods. This programme is used with a limited number of suppliers with short payment terms. The principal purpose of this programme is to extend their payment terms to BT standard payment terms.
- In a separate supply chain financing programme, the group allows suppliers the opportunity to receive funding earlier than the invoice due date to assist the supplier with their cash flows. The principal purpose of this programme is to allow suppliers to receive payment earlier than BTs standard payment terms.

Notes to the consolidated financial statements (continued)

18. Trade and other payables (continued)

	Bills of Exchange		Other programme	
	2026 £m	2025 £m	2026 £m	2025 £m
Carrying amount of liabilities that are part of supplier financing arrangements				
Presented within trade and other payables ^a	271	—	838	990
– Of which suppliers have received payment from finance providers	271	—	257	223
Range of payment due dates				
Liabilities which have received payment from finance providers	up to 120 days after invoice date	up to 121 days after invoice date	up to 135 days after invoice date	up to 135 days after invoice date
Comparable trade payables	up to 120 days after invoice date	up to 120 days after invoice date	up to 135 days after invoice date	up to 135 days after invoice date

Non-cash changes

There were no material business combinations or foreign exchange differences in either period or foreign exchange differences or other non-cash transfers relating to the carrying amount of liabilities subject to supplier finance arrangements.

^a Other programme balances disclosed relate to invoices that are eligible for the supplier financing arrangement.

19. Provisions & contingent liabilities

Our provisions principally relate to obligations arising from property rationalisation 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.

19. 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, 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. During the year we have merged the 'third party claims' and 'litigation claims' into one category 'Third party and litigation claims' due to their similarities in nature, timing and uncertainties.

Third party claims 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. The range of estimation uncertainty for each class of provision is not material.

	Property £m	Network ARO £m	Regulatory £m	Third party and litigation claims ^a £m	Other £m	Total £m
1 April 2024 (re-presented)^a	156	133	86	197	77	649
Additions	10	37	37	76	39	199
Unwind of discount	1	8	—	1	—	10
Utilised	(38)	(2)	(45)	(51)	(2)	(138)
Released	(7)	—	(34)	(34)	(4)	(79)
Transfers	—	—	—	—	—	—
Exchange differences	(1)	—	—	—	—	(1)
At 31 March 2025	121	176	44	189	110	640
Additions	25	—	1	118	28	172
Unwind of discount	—	20	—	1	—	21
Utilised	(30)	(3)	(24)	(73)	(4)	(134)
Released	(4)	(26)	(11)	(65)	(23)	(129)
Transfers	—	—	—	—	1	1
Exchange differences	—	—	—	—	—	—
At 31 March 2026	112	167	10	170	112	571

^a We have re-presented third party claims and litigation claims following a review of our provisions. 'Third party claims' (FY26: £146m; FY25: £146m) and 'Litigation claims' (FY26: £24m; FY25: £43m) have been combined into a single category given the claim types are of similar nature, timing and uncertainty.

Notes to the consolidated financial statements (continued)

19. Provisions & contingent liabilities (continued)

At 31 March	2026 £m	2025 £m
Analysed as:		
Current	201	258
Non-current	370	382
	571	640

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 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 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. The case was certified by the Competition Appeals Tribunal in November 2025, meaning it can proceed to trial.

The Tribunal also ruled that the period of the claim prior to 1 October 2015 was time-barred such that the damages claimed by the class representative reduced by 62% and are now estimated at £418m inclusive of simple interest, with total damages claimed against all mobile network operators now estimated at £1.4bn (inclusive of simple interest).

BT filed its defence in February 2026 and intends to defend itself vigorously. 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.

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 its defence 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. BT Italia was acquitted of all charges at first instance and the convictions of its former employees have now been overturned on appeal in the Italian courts.

Accounting misstatement claims: a law firm acting on behalf of a group of investors made claims under s.90A of the Financial Services & Markets Act 2000, alleging that untrue or misleading statements were made in relation to the historical irregular accounting practices in BT's Italian business.

Those proceedings have now been resolved and covered by our insurance, and BT and those investors are no longer in dispute with each other regarding the subject matter of those claims. We no longer recognise the issues that arose from the accounting conduct in our Italian business as a contingent liability.

20. Retirement benefit plans

20.1 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.
- The EE Pension Scheme (EEPS) has a Defined Benefit section that was closed to future benefit accrual in 2014. The Defined Contribution section was closed to future accrual in 2023 and was subsequently wound up and transferred out in 2025. 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 57,000 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

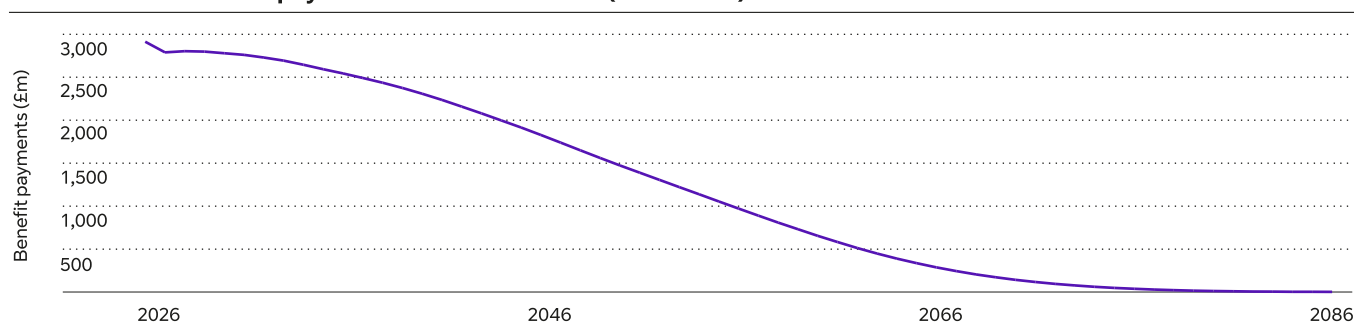
DC plan benefits are linked to the value of each member’s fund, which is based on contributions paid and the performance of each individual’s chosen investments. The group has no exposure to investment and other experience risks (including longevity).

20.2 Background to BTPS

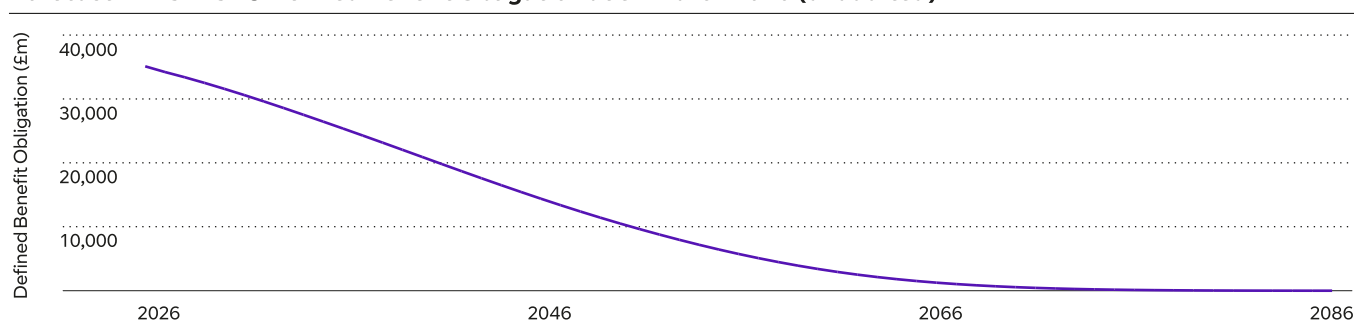
BTPS has 41,000 deferred members and 213,000 pensioners. All BTPS members receive pension benefits at retirement based on salary and years of service; some members also receive a lump sum payment at retirement. Increases for the majority of benefits are linked to either the Retail Price Index (RPI) or the Consumer Price Index (CPI).

Members currently receiving pension benefits make up 80% of the liabilities and 84% of the membership by number. The charts below illustrate forecast benefits (projected using the IAS 19 assumptions) payable from the BTPS and the IAS 19 liabilities.

Forecast BTPS benefit payments at 31 March 2026 (unaudited)



Forecast BTPS IAS 19 Defined Benefit Obligation at 31 March 2026 (unaudited)



Notes to the consolidated financial statements (continued)

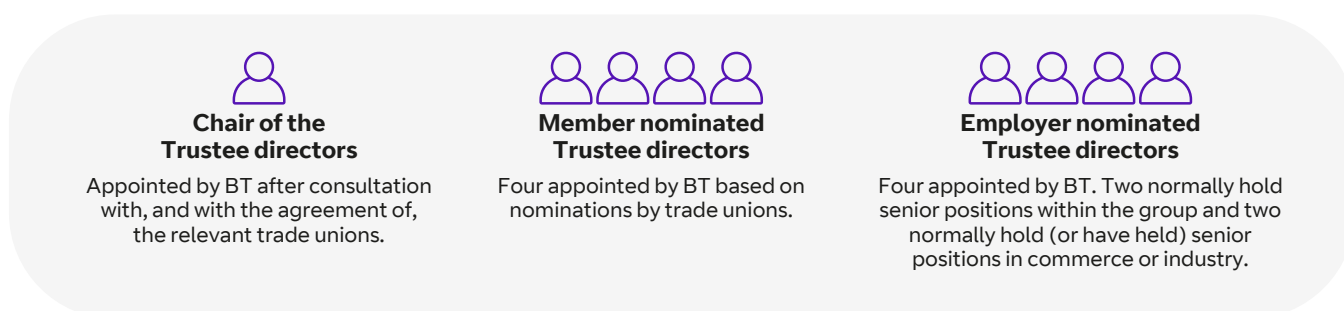
20. Retirement benefit plans (continued)

The estimated duration of the BTPS liabilities, which is an indicator of the weighted average term of the discounted future payments, is 10 years (FY25: 10 years) using the IAS 19 assumptions.

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 – as well as the Pension Schemes Act 2026, which received Royal Assent on 29 April 2026). The Trustee's key powers include setting the investment strategy of the 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.



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 returns and 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. The Trustee adopts a defensive approach to investing growth assets, using hedges where appropriate. Defensive approaches are designed to result in assets outperforming benchmarks in bear markets and underperforming benchmarks in bull markets. This improves the stability of the funding position, and therefore the deficit contributions that may be required from BT Group. The sensitivity chart on page 188 simplistically illustrates how the use of some of these derivatives adjusts outcomes for the BTPS.

While the use of derivatives reduces funding risk it also increases the BTPS's liquidity requirements which is then factored into the overall investment strategy. The BTPS manages its liquidity risk by monitoring potential and actual liquidity requirements on an ongoing basis, ensuring that sufficient cash resources can be made available for its projected cash requirements. At 31 March 2026 (and 31 March 2025), the BTPS complied with the minimum Bank of England and the Pensions Regulator requirements.

20.3 Overview of the group's financial statements under IAS 19

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	2026 £m	2025 £m
Recognised in the income statement before specific items (note 6)		
Current service cost:		
– DB plans ^a	7	12
– DC plans	283	305
DB administration expenses and PPF levy	18	16
Subtotal	308	333
Recognised in the income statement as specific items (note 9)		
Interest on pensions deficit	191	197
Subtotal	191	197
Total recognised in the income statement	499	530

^a FY25 allows for an estimated £3m impact of the NTL Pension Scheme vs Virgin Media Ltd court ruling on pensions in 2024. We previously identified that the trustees of our UK DB plans have available the relevant certification for historical scheme amendments in respect of the vast majority of our IAS 19 liability, and therefore recognised an allowance for the potential impact of this ruling during FY25. On 29 April 2026, the Pensions Scheme Act 2026 passed into law. Whilst this gives affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards, the trustees are continuing in their investigation and expect to conclude on this in FY27. We have therefore continued to recognise the loading for this ruling, in line with the prior year.

20. Retirement benefit plans (continued)

Group balance sheet

The net defined benefit liability in respect of DB 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.

At 31 March	2026			2025		
	Assets £m	Liabilities £m	Surplus/ (Deficit) ^a £m	Assets £m	Liabilities £m	Surplus/ (Deficit) ^a £m
Recognised in non-current liabilities						
BTPS	30,951	(35,113)	(4,162)	31,683	(35,690)	(4,007)
Unfunded plans	—	(81)	(81)	—	(82)	(82)
Other funded plans	17	(153)	(136)	18	(159)	(141)
Sub-total	30,968	(35,347)	(4,379)	31,701	(35,931)	(4,230)
Recognised in non-current assets						
EEPS	748	(603)	145	732	(601)	131
Other funded plans ^a	395	(370)	25	400	(389)	11
Sub-total	1,143	(973)	170	1,132	(990)	142
Total	32,111	(36,320)	(4,209)	32,833	(36,921)	(4,088)

^a Figures shown net of a £2m (FY25: £3m) adjustment in relation to IFRIC 14 (i.e. an adjustment made to reflect surplus that cannot be recovered). 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 or expense payments. The trustees of the BTPS and EEPS cannot unilaterally enhance benefits or wind-up the scheme so surplus assets would be available to the company as a refund following the gradual payment of members' benefits.

The table below shows the group's defined benefit plan balance sheet position net of tax.

At 31 March	2026 £m	2025 £m
Balance sheet position (net of tax)		
Surplus/(deficit)	(4,209)	(4,088)
Deferred tax asset (note 10)	1,073	882
Total (net of tax)	(3,136)	(3,206)

Notes to the consolidated financial statements (continued)

20. 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 2024	36,554	(41,366)	(4,812)
Service cost (including administration expenses and PPF levy)	(16)	(12)	(28)
Interest on net pension deficit	1,752	(1,949)	(197)
Included in the group income statement			(225)
Return on plan assets (below) the amount included in the group income statement	(3,423)	—	(3,423)
Actuarial gain arising from changes in financial assumptions	—	3,734	3,734
Actuarial (loss) arising from changes in demographic assumptions	—	(88)	(88)
Actuarial (loss) arising from experience adjustments	—	(135)	(135)
Included in the group statement of comprehensive income			88
Regular contributions by employer	53	—	53
Deficit contributions by employer	803	—	803
Included in the group cash flow statement			856
Contributions by employees	—	—	—
Benefits paid	(2,883)	2,883	—
Other (e.g. foreign exchange)	(7)	12	5
Other movements			5
At 31 March 2025	32,833	(36,921)	(4,088)
Service cost (including administration expenses)	(18)	(7)	(25)
Interest on net pension deficit	1,839	(2,030)	(191)
Included in the group income statement			(216)
Return on plan assets (below) the amount included in the group income statement	(569)	—	(569)
Actuarial gain arising from changes in financial assumptions	—	152	152
Actuarial (loss) arising from changes in demographic assumptions	—	(186)	(186)
Actuarial (loss) arising from experience adjustments	—	(133)	(133)
Included in the group statement of comprehensive income			(736)
Regular contributions by employer	50	—	50
Deficit contributions by employer	790	—	790
Included in the group cash flow statement			840
Contributions by employees	—	—	—
Benefits paid	(2,812)	2,812	—
Other (e.g. foreign exchange)	(3)	(6)	(9)
Other movements			(9)
At 31 March 2026	32,110	(36,319)	(4,209)

20. Retirement benefit plans (continued)

20.4 Asset valuations for IAS 19

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. The main assumptions impacting the asset values are: bond yields, credit spreads, inflation expectations, and life expectancy (see sensitivities for key assumptions in section 20.7).

Valuation approach for 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 approach for 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 Royal Institution of Chartered Surveyors (RICS) guidelines. The significant assumptions used in the valuation are rental yields and occupancy rates.
- Bonds 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.
- Through the four longevity swaps held, approximately half of the scheme's liabilities are hedged against longevity risk (as determined by the BTPS Scheme Actuary and not audited). The longevity swaps are valued by discounting the fixed cash flows payable by the BTPS, and the floating cash flows payable by the insurers (consistent with the approach used to value the collateral, which vary by contract). 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 mortality assumptions.

£6.5bn 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: £0.7bn investment grade credit and bond-like assets; £0.9bn mature infrastructure; £2.5bn private equity and credit; £2.2bn secure income assets; and £0.2bn property. These valuations have been adjusted for cash movements between the previous valuation date and 31 March 2026. The valuation approach and inputs for these investments would only be updated where there were indications of significant movements, for example implied by public market indicators. No such adjustment was required at 31 March 2026.

Asset-Backed Funding (ABF) arrangement

The ABF arrangement, issued to the BTPS in May 2021, has a fair value of £1.1bn at 31 March 2026 (FY25: £1.1bn) 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.

Notes to the consolidated financial statements (continued)

20. Retirement benefit plans (continued)

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 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.

Our accounting assessment concluded that the co-investment vehicle is not controlled by BT Group (as defined by IFRS 10), and therefore should not be consolidated. The main factors that support this judgement are:

- Payments made by BT Group into the co-investment vehicle are invested as if part of the overall BTPS investment strategy (as set by the BTPS Trustee after consultation with BT Group), with BTPS contractually able to impose onerous penalties on BT Group if they are not, including losing the ability to benefit from the co-investment vehicle;
- Future returns of surplus to BT Group from the co-investment vehicle are dependent on the overall returns of the BTPS determined by the investment strategy set by the BTPS Trustee with the majority of assets sat outside the co-investment vehicle; and
- The Trustee can, acting prudently but reasonably, decide to defer or reduce payments to BT Group from the co-investment vehicle.

There is significant judgement involved in the assessment of determining the relevant activities that significantly affect BT Group's returns, and whether BT Group has power over these activities.

The interest in the co-investment vehicle held by the BTPS can only be used to fund employee benefits, and the assets in the vehicle are protected from BT Group's other creditors in the event of insolvency.

We therefore conclude that the BTPS's interest in the co-investment vehicle meets the definition of a plan asset.

BTPS IAS 19 assets

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).

		2026		2025	
		Total assets ^a £bn	of which quoted £bn	Total assets ^a £bn	of which quoted £bn
At 31 March					
Growth					
Equities	Global Developed	2.1	1.1	2.5	1.1
Private equity and credit		2.9	—	3.0	—
Property	UK	1.8	—	2.1	—
	Overseas	0.3	—	0.4	—
Other growth assets	Absolute Return ^b	0.4	—	0.6	—
	Mature Infrastructure	0.9	—	0.9	—
Liability matching					
Government bonds ^c	UK	13.6	13.6	13.0	13.0
Investment grade credit	Global	9.8	9.3	10.1	8.3
Secure income assets ^d		5.5	0.6	5.2	0.6
Bond like ^e		1.5	—	1.6	—
Cash, derivatives and other					
Cash balances		0.9		0.7	
Financial derivative contracts ^f		(5.0)		(5.3)	
Longevity insurance contract ^g		(0.9)		(0.9)	
Other ^h		(2.8)		(2.2)	
Totalⁱ		31.0	24.6	31.7	23.0

^a At 31 March 2026, the BTPS held nil (FY25: nil) equity issued by the group and £1.6bn (FY25: £1.5bn) of bonds issued by the group.

^b This allocation seeks to generate a positive return in all market conditions.

^c Around 79% (FY25: 85%) of these are index-linked gilts with the remainder in conventional gilts.

^d 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.

^e 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.

^f Predominantly relate to interest rate and inflation swaps and further information on the economic exposure of these derivatives is provided in the sensitivities chart in section 20.7.

^g The value reflects experience to date on the contracts from higher than expected deaths; this has partly offset a corresponding reduction in BTPS's liabilities over the same period.

^h Other balances comprise net amounts receivable/(payable) by the BTPS, including balances due to investment counterparties relating to repurchase agreements.

ⁱ Of which held in the co-investment vehicle: £1.4bn (FY25: £0.7bn).

 Further information on the BTPS assets is available in the BTPS annual report.

20. Retirement benefit plans (continued)

20.5 Liability valuations for IAS 19

🔍 Critical accounting estimates and significant judgements made when valuing our pension liabilities

The measurement of liabilities involves judgement on bond yields, credit spreads, inflation expectations and the life expectancy of members (see sensitivities for key assumptions in section 20.7). We use estimates for all of these uncertainties. Our assumptions reflect historical experience, market expectations, actuarial advice and our judgement regarding future expectations at the balance sheet date. While assumptions are made, actual benefit payments in a given year may be higher or lower than the assumption, for example if inflation is higher or lower than expected. The liabilities are the present value of the future expected benefit payments.

BTPS IAS 19 Liabilities

What are the most significant assumptions, and how have they been set?

The most significant assumptions used to calculate the IAS 19 liabilities for the BTPS are summarised in the table below.

At 31 March	2026	2025
Discount rate	6.00%	5.75%
Inflation – RPI	3.25%	3.10%
Inflation – CPI	2.90%	2.60%
Life expectancy – male aged 60 in lower pension bracket	25.3 years	25.0 years
Life expectancy – male aged 60 in higher pension bracket	27.1 years	26.7 years
Life expectancy – female aged 60	27.7 years	27.6 years
Average additional life expectancy for a male member retiring at age 60 in 10 years' time	0.5 years	0.5 years

While the financial assumptions used for other schemes are 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	<p>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.</p> <p>The discount rate model has been refined to include bonds callable within one year of maturity to enhance the robustness of the bond universe. This refinement primarily reflects the changing composition of the corporate bond market over recent years. The impact of the change at 31 March 2026 leads to an increase of c.10bps in the discount rate (c. £0.3bn decrease in liability).</p> <p>The increase in the discount rate over the year also reflects changes in the market yield of corporate bonds.</p>
RPI and CPI inflation	<p>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% p.a. before 2030 and 0.4% p.a. thereafter (FY25: 0.2% and 0.4% respectively).</p> <p>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 0.9% lower than RPI inflation (FY25: 1.1%). RPI will be aligned with CPIH from 2030, and we assume a 0.1% (FY25: 0.1%) gap between CPI and CPIH inflation.</p> <p>The change in the expected difference between RPI and CPI for FY26 has increased the BTPS liabilities by £0.1bn.</p>
Pension increases	<p>Under the BTPS rules, benefits increase prior to retirement primarily with reference 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.</p>
Longevity	<p>The longevity assumption takes into account:</p> <ul style="list-style-type: none"> – the actual mortality experience of the BTPS pensioners, based on a formal review carried out for the 2023 triennial funding valuation; and – future improvements in longevity based on the CMI's 2024 Mortality Projections model published by the UK actuarial profession. <p>There continues to be significant uncertainty for future life expectancy assumptions following the Covid-19 pandemic. In setting our assumptions for future life expectancy, we have fully allowed for population mortality data from 2022, 2023 and 2024 but not data from 2020 and 2021 to exclude the impact of the pandemic. Allowing for the published 2024 CMI model has increased the BTPS liabilities by £0.3bn.</p> <p>We continue to assume mortality will improve in the long term by 1.0% per year.</p>

Notes to the consolidated financial statements (continued)

20. Retirement benefit plans (continued)

20.6 Funding and Financial Support arrangements for the BTPS

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.

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.

BT will pay £600m in each financial year until 31 March 2030, a final payment of £490m before 30 April 2030, and the £180m p.a. payments due under the ABF arrangement agreed at the 2020 valuation.

No payments are currently payable under the future funding commitment (see page 186).

These payments are summarised in the table below.

Year to 31 March (£m)	2027	2028	2029	2030	2031	2032	2033	2034
Payments from BT plc ^a	600 ^b	600 ^b	600 ^b	600 ^b	490	—	—	—
Future funding commitment payments	—	—	—	—	—	—	—	—
Payments from ABF	180	180	180	180	180	180	180	180
Total	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.

20. Retirement benefit plans (continued)

ABF

Under the ABF, £180m p.a. 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 £1.1bn at 31 March 2026 (FY25: £1.2bn). The fair value of the ABF is £1.1bn at 31 March 2026 (FY25: £1.1bn). This value 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 and redemption income received on bonds held by the BTPS, 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 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.

Over the period, £0.6bn of contributions were paid into the co-investment vehicle which, along with asset returns, increased the value to £1.4bn at 31 March 2026 (£0.7bn at 31 March 2025).

Our accounting assessment concluded that the co-investment vehicle is not controlled by BT Group (as defined by IFRS 10), and therefore should not be consolidated. The main factors that support this judgement are:

- Payments made by BT Group into the co-investment vehicle are invested as if part of the overall BTPS investment strategy (as set by the BTPS Trustee after consultation with BT Group), with BTPS contractually able to impose onerous penalties on BT Group if they are not, including losing the ability to benefit from the co-investment vehicle;
- Future returns of surplus to BT Group from the co-investment vehicle are dependent on the overall returns of the BTPS determined by the investment strategy set by the BTPS Trustee with the majority of assets sat outside the co-investment vehicle; and
- The Trustee can, acting prudently but reasonably, decide to defer or reduce payments to BT Group from the co-investment vehicle.

There is significant judgement involved in the assessment of determining the relevant activities that significantly affect BT Group's returns, and whether BT Group has power over these activities.

The interest in the co-investment vehicle held by the BTPS can only be used to fund employee benefits, and the assets in the vehicle are protected from BT Group's other creditors in the event of insolvency. We therefore conclude that the BTPS's interest in the co-investment vehicle meets the definition of a plan asset.

If we had concluded that BT Group did control the co-investment vehicle, then instead of being included as a plan asset with movements through other comprehensive income, the assets of the vehicle would be consolidated on BT Group's balance sheet with movements through the income statement.

Notes to the consolidated financial statements (continued)

20. 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	<p>BT Group will provide additional contributions, of between £150m p.a. and £300m p.a., 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.</p> <p>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.</p> <p>At the 31 December 2025 assessment date, additional contributions were not triggered. The next test will be carried out as at 30 June 2026.</p>
Shareholder distributions	<p>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 30 September 2023 results.</p> <p>BT Group has agreed to implement a similar protection at each subsequent valuation, with the terms to be negotiated at the time.</p> <p>BT Group will consult with the Trustee if:</p> <ul style="list-style-type: none"> – it considers share buybacks for any purpose other than relating to employee share awards; – 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 – it considers making a special dividend.
Material corporate events	<p>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 p.a. to 30 June 2026.</p> <p>The amount payable is one third of the total net cash proceeds.</p> <p>BT Group will consult with the Trustee if:</p> <ul style="list-style-type: none"> – it considers making acquisitions with a total cost of more than £1.0bn in any 12-month period; – it considers making any disposal of more than £1.0bn; – it considers making a significant transaction which will have a material impact on the BTPS (acquisition or disposal); – it is likely to be subject to a takeover offer; or – 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). <p>This obligation is ongoing until otherwise terminated.</p>
Negative pledge	<p>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.</p>

No additional contributions were triggered during FY26.

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 BTPS 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	<p>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:</p> <ul style="list-style-type: none"> – 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 – 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. <p>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.</p>
Pension Protection Fund (PPF)	<p>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.</p>

20. Retirement benefit plans (continued)

20.7 Key risks to BT Group arising from the BTPS

Background

The BTPS Trustee has a detailed framework to manage the risks of running a large DB pension scheme. The key risks the group is exposed to as a result of sponsoring the BTPS include:

- **Funding and balance sheet risk** – a large increase in our pension scheme obligations or under-performance of assets could lead to an increased balance sheet and / or funding liability / deficit, resulting in additional contributions and/or potentially impacting our business plans.
- **Liquidity risk** – where our schemes request us to provide funding earlier than planned to avoid being a forced seller of scheme assets at depressed prices to fund member benefits. For example, 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.
- **Legislative risk** – changes in legislation or regulation could impact the value of the liabilities or assets.

Quantifying funding and balance sheet risk

Drivers which could worsen the balance sheet position or result in increased contributions to our pension schemes are:

- **Bond yields** – a decrease in government bond yields (and therefore future expected interest rates) will increase BTPS liabilities, although this will be predominantly offset by an increase in the value of bond-like assets and interest rate derivatives held by the BTPS.
- **Credit spreads** – a fall in credit spreads will increase the IAS 19 liabilities (as the discount rate is linked to the yield on corporate bonds) and a corresponding but smaller increase in both asset values and funding liabilities.
- **Inflation expectations** – an increase in average inflation expectations over the lifetime of the plan will increase BTPS liabilities (as a significant proportion of the benefits paid to members are linked to inflation). This will typically be offset by an increase in the value of inflation-linked bond-like assets (e.g. index-linked gilts) and inflation derivatives held by the BTPS, except where inflation is above the cap that applies to benefit increases or in deflationary environments.
- **Growth assets** – a significant proportion of the BTPS assets are invested in growth assets, such as equities and property (27% as at 31 March 2026). The deficit could increase if these assets underperform the discount rate used to calculate the liabilities. The BTPS has temporary hedges in place to partly offset the impact of a fall in equity markets, and adopts a diverse portfolio. A significant proportion of the BTPS assets are invested in illiquid assets, such as property and infrastructure. Insufficient liquidity could result in the forced selling of assets (at potentially depressed values) to meet benefit payments and/or collateral requirements.
- **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 and funding liabilities, although this will be partially offset by longevity insurance contracts the BTPS has in place.
- **Hedging mismatches** – the BTPS uses highly correlated assets to hedge certain risks which cannot be hedged directly, for example: hedging CPI-linked benefit increases using RPI-linked assets, as there is no deep market for CPI-linked assets. Mismatches between the movement in the assets and the risks they are intended to hedge could increase the deficit. A 0.25% p.a. decrease in CPI inflation expectations before 2030 (with no corresponding change in RPI inflation expectations) would reduce the IAS 19 deficit by c. £0.1bn as at 31 March 2026.
- **Member options** – members have certain options before and at retirement to reshape their benefits. We make assumptions on the take-up of these options based on historical scheme experience. Future experience differing from historical experience could lead to an increase or decrease in the IAS 19 and funding liabilities.

The potential negative impact of these drivers is illustrated by the following scenarios. These have been assessed by BT Group's independent actuary as scenarios that might occur over the next year with a probability of 5%. The scenarios have been updated to reflect market experience over the last year.

Scenario	5% probability scenario	
	2026	2025
1. Fall in bond yields ^a	1.2%	1.2%
2. Increase in credit spreads ^b	0.7%	0.7%
3. Increase to average inflation expectations over the lifetime of the plan ^c	0.9%	1.1%
4. Fall in growth assets ^d	20.0%	20.0%
5. Increase to life expectancy	1.1 years	1.1 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.

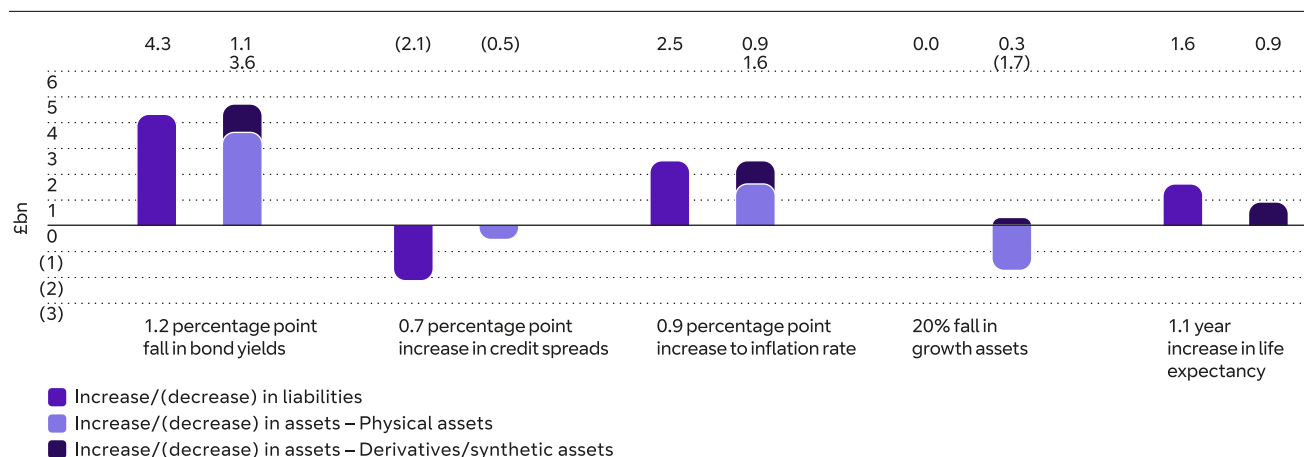
^d Impact includes the dampening effect of temporary equity hedges held by the BTPS. Scenario considers combinations of changes to the key inputs used to value the growth assets, leading to a 20% (FY25: 20%) fall in the aggregate value of the growth assets prior to temporary hedges held by the BTPS.

Notes to the consolidated financial statements (continued)

20. Retirement benefit plans (continued)

Impact of illustrative scenarios which might occur over the next year with a probability of 5%

Scenario analysis – IAS 19 position at 31 March 2026



The sensitivities have been prepared using the same approach as FY25 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 FY25 is due to a combination of: change in scenarios, changes in asset and liability values over the year, and changes in the BTPS's investment strategy in line with the agreed de-risking plan.

Considerations when using sensitivities

The impact shown under each scenario looks at each simplistic event in isolation and reflects the liabilities, assets and investment strategy at 31 March 2026. In practice more complex events could arise throughout the year and further consideration should be given when using the sensitivities for areas such as:

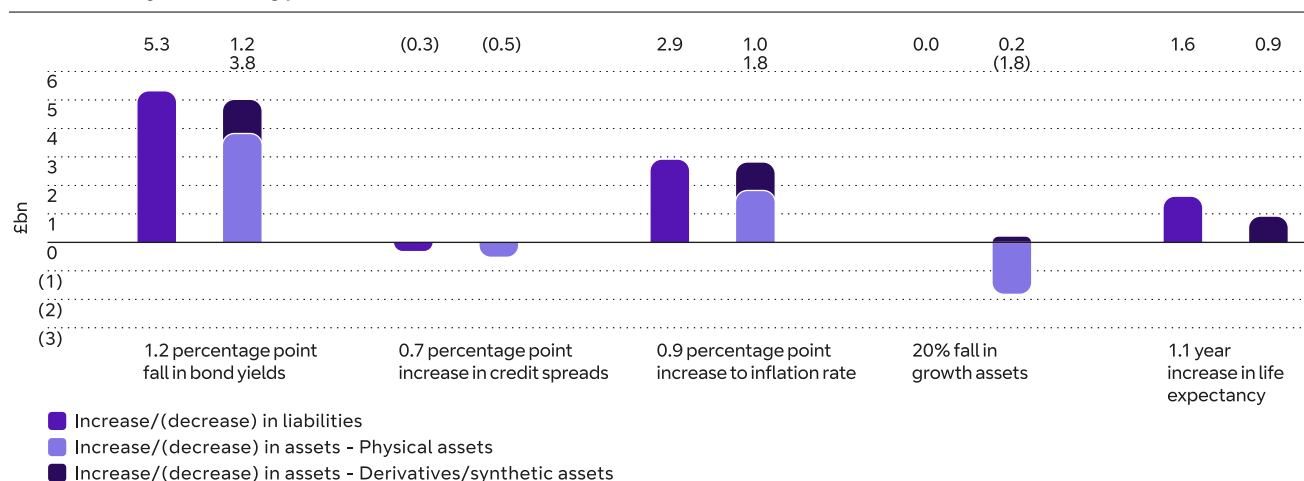
- Changes in the asset portfolio or hedges: the BTPS typically aims to hedge 90%- 100% of interest rate and inflation risk (on a funding measure) and the actual hedge ratio could vary over the year within this range.
- Credit mismatch: the IAS 19 liabilities are calculated using a discount rate set with reference to the yield on AA rated corporate bonds. The corporate bonds held by the BTPS may have a different credit rating or duration to that of the discount rate.
- Use of market indices: movements in market indices may not provide an accurate representation of the performance of the BTPS assets (given their bespoke nature) or changes in the liabilities (as these are calculated using scheme specific assumptions).
- Long term expectations moving differently to short term expectations: although the sensitivities illustrate a uniform change for both short and long term expectations, in practice the change may not be uniform.
- Combination of different events: the effects are neither additive nor linear (e.g. doubling the change in bond yields assumed will not double the impact).

We note that these limitations are also applicable to the funding position scenario analysis below.

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 out above on the 30 June 2025 funding position. Note the same limitations as outlined above apply to these sensitivities.

Scenario analysis – Funding position at 30 June 2025



The figures shown in the graph apply to the BTPS assets and funding liabilities as at 30 June 2025; an increase in the assets or funding liabilities will increase the impact of the scenarios shown.

20. Retirement benefit plans (continued)

20.8 Funding and Financial Support arrangements for the EEPS

The most recent triennial valuation of the defined benefit section was performed as at 31 December 2024 and agreed in March 2026. This showed a funding surplus of £73m (funding level of 111%). As a result of the scheme being in surplus, no future deficit contributions are required. Over FY26 £8.3m (FY25: £20.0m) of deficit contributions were paid by the group to the EEPS.

At the triennial valuation date, the EEPS had a diversified investment strategy; a liability-driven portfolio (52%), property and illiquid alternatives (23%), an absolute return portfolio (15%) and cash/net current assets (10%).

21. Own shares

Material accounting policies that apply to own shares

Own shares are recorded at cost and deducted from equity. When shares held for the beneficial ownership of employees vest unconditionally or are cancelled they are transferred from the own shares reserve to retained earnings at their weighted average cost.

	Treasury shares ^a		Employee share ownership trust ^a		Total	
	millions	£m	millions	£m	millions	£m
At 1 April 2024	16	(42)	172	(269)	188	(311)
Own shares purchased ^b	—	—	87	(131)	87	(131)
Share options exercised ^b	(5)	14	(2)	3	(7)	17
Yourshare vestings	—	—	(3)	4	(3)	4
Share awards vested	—	—	(27)	43	(27)	43
At 31 March 2025	11	(28)	227	(350)	238	(378)
Own shares purchased ^b	—	—	25	(48)	25	(48)
Transfers	(10)	26	10	(26)	—	—
Share options exercised ^b	(1)	1	(116)	188	(117)	189
Share awards vested	—	—	(32)	49	(32)	49
At 31 March 2026	—	(1)	114	(187)	114	(188)

^a At 31 March 2026, 487,815 shares (FY25: 11,290,418) with an aggregate nominal value of £0.02m (FY25: £0.56m) were held at cost as treasury shares and 114,018,616 shares (FY25: 226,848,933) with an aggregate nominal value of £6m (FY25: £11m) were held in the Trust.

^b See group cash flow statement. The cash paid for the repurchase of ordinary shares was £126m (FY25: £79m). 50m shares (FY25: 50m) were purchased via forward contracts. At 31 March 2026, the group had no outstanding forward contracts to purchase own shares (FY25: 50m shares). The cash received from proceeds from exercise of employee share options was £96m (FY25: £6m).

The treasury shares reserve represents BT Group plc shares purchased directly by the group. The BT Group Employee Share Ownership Trust (the Trust) also purchases BT Group plc shares.

The treasury shares and the shares in the Trust are being used to satisfy our obligations under employee share plans, further details of which are provided in note 22.

22. Share-based payments

Material accounting policies that apply to share-based payments

We operate 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) of the group. 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.

Notes to the consolidated financial statements (continued)

22. Share-based payments (continued)

Year ended 31 March	2026 £m	2025 £m
Employee saveshare plans	2	7
Yourshare	—	2
Executive share plans:		
Deferred Bonus Plan (DBP)	4	8
Restricted Share Plan (RSP)	43	45
	49	62

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 has not operated since FY21.

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 minimum period of three years, after which they are available to employees.

Deferred Bonus Plan (DBP)

Awards are granted annually to selected senior employees where a percentage of their bonus is deferred and awarded in shares in the group. The shares are transferred to participants at the end of a specified period provided they continue to be employed by the group. Dividends are reinvested in shares that are added to the relevant share awards.

Restricted Share Plan (RSP)

Awards are granted to selected employees. Shares in the group are transferred to participants at the end of a specified period provided they continue to be employed by the group. Dividends are reinvested in shares that are added to the relevant share awards.

Employee Saveshare Plans

Movements in Employee Saveshare options are shown below.

Year ended 31 March	Number of share options		Weighted average exercise price	
	2026 millions	2025 millions	2026 pence	2025 pence
Outstanding at 1 April	118	156	82	96
Granted	—	—	—	—
Forfeited	—	(5)	82	107
Exercised	(117)	(7)	82	82
Expired	(1)	(26)	90	161
Outstanding at 31 March	—	118	—	82
Exercisable at 31 March	—	—	—	—

The weighted average share price for all options exercised during FY26 was 193p (FY25: 141p). The normal dates of vesting for all saveshare plans expired in FY26.

Executive share plans

Movements in executive share plan awards are shown below:

	Number of shares (millions)		
	DBP	RSP	Total
At 1 April 2024	20	93	113
Awards granted	4	42	46
Awards vested	(7)	(20)	(27)
Awards lapsed	—	(10)	(10)
Dividend shares reinvested	1	6	7
At 31 March 2025	18	111	129
Awards granted	2	27	29
Awards vested	(7)	(25)	(32)
Awards lapsed	(1)	(13)	(14)
Dividend shares reinvested	1	4	5
At 31 March 2026	13	104	117

22. Share-based payments (continued)

Fair values

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 FY26 was 188p (FY25: 140p) and for RSP awards granted in FY26 was 190p (FY25: 140p).

23. 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. A 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'.

Significant judgements in assessment of assets held for sale

During FY25, the group announced its intention to fully focus on UK connectivity and initiated an active programme to explore options to optimise its non-core or global business. At 31 March 2025, management was committed to a plan to sell five separate businesses within our non-core or global business. The sale of these businesses was considered to be highly probable and they were expected to complete within a year. Accordingly, the associated assets and liabilities had been presented as held for sale at 31 March 2025.

During FY26, the Group completed the disposal of all disposal groups classified as held for sale at 31 March 2025. These included:

- our datacentre business in Ireland, sold to Equinix;
- BT Communications Ireland Ltd, our Irish wholesale and enterprise business, sold to Speed Fibre Group;
- our domestic operations in Italy (which includes fibre networks and datacentres), sold to Retelit S.p.A;
- BT Federal Inc., our specialised unit serving US federal institution, sold to 22nd Century Technologies, Inc.; and
- our BT Radianz business, sold to Transaction Network Services.

There are no disposal groups classified as held for sale as at 31 March 2026.

Impairment on remeasurement of disposal groups held for sale

On classification of the disposal groups as held for sale, we remeasured the disposal groups to the lower of their carrying amount and fair value less costs of disposal. This measurement is reassessed at each reporting date while the disposal groups remain classified as held for sale, with further impairment recognised where applicable. During the year, a remeasurement of certain disposal groups resulted in the recognition of an impairment loss of £27m (FY25: £116m) and has been presented as a specific item in the income statement, see note 9. The impairment loss has been applied to reduce the carrying amount of intangible assets, property, plant and equipment and right-of-use assets within the impacted disposal groups.

Notes to the consolidated financial statements (continued)

23. Assets & liabilities classified as held for sale (continued)

Divestments

During the year, we completed the sale of all five disposal groups that had been classified as held for sale at 31 March 2025. We recorded a combined net profit of £30m on disposal. The most significant transactions were the disposal of BT Radianz to Transaction Network Services in February 2026 and the disposal of our domestic operations in Italy to Retelit S.p.A in October 2025.

Financial information in relation to the net profit arising from the disposal of these five disposal groups is set out below:

	2026 £m
Goodwill and other intangible assets	93
Property, plant and equipment	16
Right-of-use assets	34
Trade and other receivables	78
Cash and cash equivalents ^a	153
Trade and other payables	(94)
Lease liabilities	(71)
Net assets of operations disposed	209
less: recycling of foreign exchange from translation reserve	(17)
Net impact on the consolidated balance sheet	192
Profit on disposal	30
Net consideration	222
Satisfied by	
Proceeds received in the year per the cash flow statement ^b	242
Costs of disposal	(20)
Net consideration	222

^a Includes £152m cash disposed as part of the sale of the domestic operations in Italy.

^b Includes £178m of consideration received as part of the disposal of BT Radianz.

Assets and liabilities held for sale

There were no assets and liabilities classified as held for sale at the end of FY26.

In FY25, the disposal groups held for sale at the balance sheet date comprised the following assets and liabilities:

At 31 March	2026 £m	2025 £m
Assets		
Goodwill and other intangible assets ^a	—	94
Property, plant and equipment ^b	—	40
Right-of-use assets ^b	—	33
Trade and other receivables	—	78
Assets held for sale	—	245
Liabilities		
Trade and other payables	—	100
Lease liabilities	—	81
Current tax liability	—	4
Provisions	—	3
Liabilities held for sale	—	188

^a In FY25, goodwill of £99m and other intangible assets of £7m of the disposal groups are presented as assets held for sale above of which £8m and £4m, respectively, have been impaired.

^b In FY25, property, plant and equipment of £100m and right-of-use assets of £77m of the disposal groups are presented as assets held for sale above of which £60m and £44m, respectively, have been impaired.

24. 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.

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 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	2026 £m	2025 £m
Non-current assets		
Fair value through other comprehensive income	20	17
Total non-current asset investments	20	17
Current assets		
Investments held at amortised cost	1,482	2,631
Current asset investments	1,482	2,631

Investments held at amortised cost are denominated in sterling of £1,462m (FY25: £2,615m), in euros of £1m (FY25: £3m) and in US dollars of £19m (FY25: £13m). Within these amounts are investments in liquidity funds of £1,460m (FY25: £2,600m), collateral paid on swaps of £17m (FY25: £20m) and accrued interest on investments of £5m (FY25: £11m).

Fair value estimation

Fair value hierarchy At 31 March 2026	Level 1 £m	Level 2 £m	Level 3 £m	Total held at fair value £m
Non-current and current investments				
Fair value through other comprehensive income	—	—	20	20
Total	—	—	20	20
At 31 March 2025				
Non-current and current investments				
Fair value through other comprehensive income	—	—	17	17
Total	—	—	17	17

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 £20m (FY25: £17m) 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. Additionally, this category also includes investments in preference shares in Sports JV and power purchase agreements, for further details see notes 25 and 29.

During the year there were no significant changes in the measurement and valuation techniques, or transfers between the levels of fair value hierarchy.

Notes to the consolidated financial statements (continued)

25. Joint ventures and associates

At 31 March	2026 £m	2025 £m
Interest in joint ventures	2	240
Interest in associates	2	12
Total	4	252

Share of post-tax loss of associates and joint ventures included in the income statement of £210m (FY25: £8m loss) includes £223m loss (FY25: £11m loss) relating to our sports joint venture (Sports JV) with Warner Bros. Discovery (WBD) and £13m profit (FY25: £3m profit) relating to our other joint ventures and associates. Share of post-tax other comprehensive income in associates and joint ventures amounted to £11m (FY25: £5m loss), solely related to the Sports JV, resulting in a net £199m share of total comprehensive loss for the year (FY25: £13m loss). At the balance sheet date, the carrying amount of our equity-accounted interest in the Sports JV was nil (FY25: £238m), following recognition of our share of an impairment loss recorded within the JV, see below for further details. We hold no other material equity-accounted joint ventures or associates.

Sports JV

In FY23, the group formed a sports joint venture with WBD, known externally as TNT Sports, which combined 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.

WBD have the option to acquire BT plc's 50% interest in the Sports JV at specified period during FY27 (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.

Key developments in the Sports JV during the year included the loss of UEFA broadcasting rights for the 2027-2031 cycle and the commencement of broadcasting under new FA Cup football rights.

The group holds both ordinary equity shares and preference shares in the Sports JV entity.

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.

Key factors relevant to our assessment:

- Equal voting rights over the activities that most significantly impact the returns of the Sports JV, namely strategic direction following the loss of the UEFA rights, reassessment of future and existing sports rights and distribution arrangements.
- Unequal cash distribution during the first four years of the JV due to the earn-out mechanism.
- The likelihood of WBD's call option to acquire BT's 50% interest in the Sports JV being exercised before key decisions over material activities of the Sports JV are made.

The assessment whether joint control remains in place is reviewed at each reporting period.

Measurement of BT's equity interest in the Sports JV

On initial recognition, the group valued its interest in the Sports JV based on the estimated fair value at exit. The investment is subsequently accounted for using the equity method, where the consolidated financial statements include the group's share of the profit or loss and other comprehensive income of the Sports JV. It is subject to impairment testing at each reporting period, with any impairment losses recognised through specific items.

Measurement of investment in A preference shares

BT will receive an earn-out from the Sports JV (subject to liquidity and usual UK company law requirements). 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 fair value 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.

25. Joint ventures and associates (continued)

Measurement of the minimum revenue guarantee in BT's distribution agreement with the Sports JV

BT plc entered into a distribution agreement with the Sports JV at formation to procure the sport content that is supplied to our broadband, TV and mobile customers. The agreement extends beyond 2030 and the first four years includes a minimum revenue guarantee of approximately £500m per annum, which runs to the end of July 2026. After this point it will change to a fully variable arrangement.

BT's obligation under the minimum revenue guarantee represents both a trading arrangement on market terms, and a financing arrangement for the off-market element of the revenue guarantee, which has been recognised as a financial liability initially recorded at fair value. The liability is subsequently measured at amortised cost and held within trade and other payables on the balance sheet (see note 18). The carrying amount at 31 March 2026 was £101m (FY25: £288m) after payments made to the Sports JV.

Accounting policies adopted by the Sports JV

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 for the year ended 31 March 2026 after making certain adjustments to comply with IFRS and align with accounting policy choices made by BT.

The following were judgements made in the preparation of 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.
- 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 31) with fair value movements on the derivatives recognised in other comprehensive income and held in the cash flow hedge reserve until these are recycled 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

The fair value recorded is supported by forecasted cash flows of the Sports JV and an internal valuation model with the following key assumptions:

- Approximately 60% of revenues and 96% of costs during the remaining earn out period are contractually committed.
- Total premium sports subscriber base does not materially grow or decline over the remaining earn-out period.

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 24 for further details on the fair value hierarchy. Changes in key assumptions and inputs could result in changes in fair value.

Valuation of BT's equity interest in the Sports JV

At the balance sheet date, the valuation of the Group's equity interest in the Sports JV is no longer considered a key accounting estimate. Prior to the loss of the UEFA rights (see below), this valuation involved a high degree of judgement in estimating fair value and was therefore considered a key accounting estimate, as changes in assumptions could have resulted in different impairment outcomes in prior periods.

Notes to the consolidated financial statements (continued)

25. Joint ventures and associates (continued)

Ordinary equity shares

The following summarises the balances and movements of the ordinary equity interests in the Sports JV:-

	2026 £m	2025 £m
Carrying amount at 1 April	238	300
Share of total comprehensive loss for the year	(212)	(16)
Dividends during the year	(3)	(2)
Impairment loss for the year	(23)	(44)
Carrying amount at 31 March	—	238

An impairment loss was recognised in September 2025 in respect of the Group's equity interest in the Sports JV. The impairment arose following an impairment assessment which indicated that the recoverable amount of the investment was lower than its carrying amount. The impairment reflected revised expectations of the joint venture's future performance and market conditions.

Separately, in November 2025 the Sports JV lost the UEFA broadcasting rights for the 2027–2031 cycle. This constituted a trigger event requiring a re-assessment of the recoverability of the assets held by the Sports JV, as the loss of the rights would have a significant adverse effect on the future subscription revenue generated by the JV. This reassessment indicated a significant reduction in the recoverable amount of certain assets, resulting in impairment losses of £578m that were reflected in the JV's results. Immediately prior to this impairment, the carrying amount of our ordinary equity interest was £218m. As a result, and in line with the requirements under IAS 28, the Group only recognised £218m share of JV losses related to the impairment, reducing the carrying amount of our ordinary equity interest to nil.

We ceased recognising our share of losses once our net investment reached zero as no current obligation to fund the Sports JV exists. This will be monitored on an ongoing basis and should an obligation arise in a future period, additional losses would be recognised. We are tracking the unrecognised portion of share of total comprehensive JV losses off-balance sheet, these amount to £23m as at the balance sheet date.

The carrying amount of our preference shares and the revolving credit facility are not considered part of our net investment in the Sports JV, and these instruments continue to be measured at fair value. Movements on these instruments during the period are covered below.

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.

	2026 £m	2025 £m
Summarised statement of total comprehensive income for year ended 31 March		
Revenue	1,003	958
Loss for the year ^a	(496)	(22)
Other comprehensive income	26	(11)
Total comprehensive loss	(470)	(33)

	2026 £m	2025 £m
Summarised balance sheet at 31 March		
Current assets ^b	957	800
Non-current assets ^c	—	858
Current liabilities ^d	(529)	(435)
Non-current liabilities ^e	—	(308)
Net assets	428	915
Attributable to fair value of BT's A preference shares	(107)	(242)
BT's share of residual net assets (50%)	161	337
Cumulative proceeds from investment in preference shares in joint venture	(175)	(63)
Other fair value adjustments	14	8
Impairment loss for the year	(23)	(44)
Share of Sports JV losses not recognised	23	—
Carrying amount of interest in Sports JV	—	238

^a Includes amortisation of £38m (FY25: £52m) on acquired intangibles; impairment losses of £578m (FY25: £nil) on acquired intangibles and goodwill; net finance income of £6m (FY25: £7m); and tax credit of £36m (FY25: £25m) driven by current tax charge of £53m (FY25: £37m) offset by deferred tax credit of £89m (FY25: £62m).

^b Includes cash and cash equivalents of £10m (FY25: £10m).

^c Includes goodwill and acquired intangibles of £nil (FY25: £616m).

^d Includes current financial liabilities (excluding trade and other payables and provisions) of £198m (FY25: £222m) of which £91m (FY25: £46m) relates to the outstanding liability on the RCF provided by BT (see note 31).

^e Includes non-current financial liabilities (excluding trade and other payables and provisions) of £nil (FY25: £92m).

The Sports JV had a loss after tax for the year of £496m, after adjustments made to align with the group's accounting policies, and reflects the impairment of assets held by the JV during the period (see above). Underlying trading before these adjustments was profitable. In addition, the Sports JV had other comprehensive income of £26m relating to fair value movements on its foreign exchange hedging arrangement with the group (see note 31) that have been designated as cash flow hedges. As noted above, we have capped the recognition of BT's share of total comprehensive loss as our net investment reached zero and no current obligation to fund the Sports JV exists.

25. Joint ventures and associates (continued)

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	2026 £m	2025 £m
Investment in A preference shares	107	242
Investment in C preference shares	175	153
Total	282	395

A net £113m movement has been recorded in the group's preference share investments driven by a £112m earn-out payment received from the Sports JV and recorded as a repayment of our investment in A preference shares; and a net £1m fair value loss. Value from these preference shares is expected to be recovered in the first half of FY27, as the entitlements expire at the end of August 2026.

26. 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 27).

At 31 March	2026 £m	2025 £m
Cash at bank and in hand	172	141
Cash equivalents		
Bank deposits	187	75
Total cash equivalents	187	75
Total cash and cash equivalents per the balance sheet	359	216
Bank overdrafts (note 27)	(3)	(2)
Cash and cash equivalents per the cash flow statement	356	214

The 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 £123m (FY25: £33m), of which £11m (FY25: £17m) was held in countries where local capital or exchange controls currently prevent us from accessing cash balances. The remaining balance of £112m (FY25: £16m) was held in escrow accounts, or in commercial arrangements akin to escrow.

Notes to the consolidated financial statements (continued)

27. 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. On de-designation of the hedge, the resulting amortisation of fair value movements is recognised in the income statement.

What's our capital management policy?

Our capital management policy targets an overall level of debt consistent with our credit rating target of BBB+/Baa1 and minimum rating of BBB/Baa2 while investing in the business, supporting the pension scheme and meeting our distribution policy. To meet this objective, we may issue or repay debt, issue or repurchase shares or adjust dividends paid to shareholders. We manage the capital structure and make adjustments to it to reflect changes in economic conditions and the risk characteristics of the group. The Board regularly reviews the capital structure and capital management policy and no changes were made in FY26. For details of share issues and repurchases in the year see note 21.

Our capital structure consists of net debt and shareholders' equity. The analysis below summarises the components which we manage as capital.

At 31 March	2026 £m	2025 £m
Net debt	19,966	19,816
Total parent shareholders' equity ^a	12,559	12,900
Capital structure	32,525	32,716

^a Excludes non-controlling interests of £5m (FY25: £8m).

Net debt and net financial debt

Net debt consists of loans and other borrowings, lease liabilities (both current and non-current) less current asset investments and cash and cash equivalents, including such items which have been classified as held for sale on the balance sheet. Amounts due to joint ventures, loans and borrowings recognised in relation to monies received from the sale of cash flows of contract assets and as prepayment for the forward sale of redundant copper are excluded. Currency-denominated balances within net debt are translated to sterling at swap rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed. We explain the rationale for using net debt as a key performance indicator in Additional Information on page 224.

Net financial debt is defined as net debt excluding lease liabilities.

Net debt and net financial debt are considered to be alternative performance measures as they are not defined in IFRS. The most directly comparable IFRS measure is the aggregate of loans and other borrowings, lease liabilities (both current and non-current), current asset investments and cash and cash equivalents. A reconciliation from these IFRS measures to net debt and net financial debt is given below.

At 31 March	Notes	2026 £m	2025 £m
Loans and other borrowings ^a		18,536	18,762
Lease liabilities	16	4,184	4,571
Lease liabilities classified as held for sale	23	—	81
<i>Less:</i>			
Cash and cash equivalents	26	(359)	(216)
Current asset investments	24	(1,482)	(2,631)
		20,879	20,567
<i>Adjustments:</i>			
To retranslate debt balances at swap rates where hedged by currency swaps ^b		(444)	(288)
To remove fair value adjustments and accrued interest applied to reflect the effective interest method		(240)	(273)
Loans with joint ventures	31	(10)	(10)
Loans related to the forward sale of redundant copper		(177)	(93)
Loans related to sale of contract assets		(42)	(87)
Net debt		19,966	19,816
Lease liabilities	16	(4,184)	(4,571)
Lease liabilities classified as held for sale	23	—	(81)
Net financial debt		15,782	15,164

^a Includes overdrafts of £3m at 31 March 2026 (FY25: £2m).

^b The translation difference between spot rate and hedged rate of loans and borrowings denominated in foreign currency.

27. Loans and other borrowings (continued)

The table below shows the key components of net debt and the increase of £150m this year.

	At 31 March 2025 £m	Cash flows £m	Net lease additions ^a £m	Foreign exchange £m	Transfer to within one year £m	Other movements ^b £m	At 31 March 2026 £m
Loans and other borrowings due within one year ^c	2,092	(1,739)	—	(36)	43	60	420
Loans and other borrowings due after one year	16,670	434	—	184	(43)	871	18,116
Total loans and other borrowings	18,762	(1,305)	—	148	—	931	18,536
Lease liabilities due within one year	705	(864)	—	—	938	—	779
Lease liabilities due after one year	3,866	—	480	(3)	(938)	—	3,405
Lease liabilities classified as held for sale	81	—	—	1	—	(82)	—
Total lease liabilities	4,652	(864)	480	(2)	—	(82)	4,184
Gross debt	23,414	(2,169)	480	146	—	849	22,720
Less:							
Impact of cross-currency swaps ^d	(288)	—	—	(156)	—	—	(444)
Removal of fair value adjustments and accrued interest on listed bonds	(286)	—	—	—	—	41	(245)
Removal of loans with joint ventures	(10)	3	—	—	—	(3)	(10)
Removal of loans related to the forward sale of redundant copper	(93)	(99)	—	—	—	15	(177)
Removal of loans related to sale of cash flows related to contract assets	(87)	51	—	—	—	(6)	(42)
Cash and cash equivalents	(216)	(153)	—	10	—	—	(359)
Current asset investments	(2,631)	1,146	—	(2)	—	5	(1,482)
Removal of accrued interest on current asset investments	13	—	—	—	—	(8)	5
Net debt	19,816	(1,221)	480	(2)	—	893	19,966

	At 31 March 2024 £m	Cash flows £m	Net lease additions ^a £m	Foreign exchange £m	Transfer to within one year £m	Other movements ^b £m	At 31 March 2025 £m
Loans and other borrowings due within one year ^c	1,395	(2,190)	—	15	2,744	128	2,092
Loans and other borrowings due after one year	17,131	1,758	—	(234)	(2,744)	759	16,670
Total loans and other borrowings	18,526	(432)	—	(219)	—	887	18,762
Lease liabilities due within one year	766	(874)	—	—	813	—	705
Lease liabilities due after one year	4,189	—	496	(6)	(813)	—	3,866
Lease liabilities classified as held for sale	—	—	—	—	—	81	81
Total lease liabilities	4,955	(874)	496	(6)	—	81	4,652
Gross debt	23,481	(1,306)	496	(225)	—	968	23,414
Less:							
Impact of cross-currency swaps ^d	(512)	—	—	224	—	—	(288)
Removal of fair value adjustments and accrued interest on listed bonds	(286)	—	—	—	—	—	(286)
Removal of loans with joint ventures	(11)	(1)	—	—	—	2	(10)
Removal of loans related to the forward sale of redundant copper	(106)	—	—	—	—	13	(93)
Removal of loans related to sale of cash flows related to contract assets	(318)	251	—	—	—	(20)	(87)
Cash and cash equivalents	(414)	189	—	9	—	—	(216)
Current asset investments	(2,366)	(266)	—	—	—	1	(2,631)
Removal of accrued interest on current asset investments	11	—	—	—	—	2	13
Net debt	19,479	(1,133)	496	8	—	966	19,816

^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 Other movements in gross debt include movements relating to accrued interest, amortisation of transaction costs, fair value adjustments and held for sale assets and liabilities (see note 23).

^c Includes accrued interest and bank overdrafts.

^d Translation of debt balances at swap rates where hedged by cross-currency swaps.

Notes to the consolidated financial statements (continued)

27. Loans and other borrowings (continued)

The table below shows how cash flows from gross debt of £(2,169)m (FY25: £(1,306)m) in the table above reconciles to the line items presented in the group cash flow statement on page 138:

At 31 March	2026 £m	2025 £m
Repayment of borrowings	(2,347)	(2,095)
Proceeds from bank loans and bonds	1,843	2,552
Interest paid on loans and other borrowings due within one year ^a	(52)	(99)
Interest paid on loans and other borrowings due after one year ^a	(843)	(722)
Cash flows from collateral received (paid)	(3)	(11)
(Decrease) increase in amounts owned to joint ventures	(3)	(1)
Change in bank overdraft ^b	1	(56)
Total loans and other borrowings cash flows – financing activities	(1,404)	(432)
Prepayment for the forward sale of copper ^c	99	—
Total loans and other borrowings cash flows – investing activities	99	—
Total loans and other borrowings cash flows	(1,305)	(432)
Payment of lease liabilities	(731)	(739)
Interest paid on lease liabilities ^a	(133)	(135)
Total lease liability cash flows – financing activities	(864)	(874)
Total gross debt cash flows	(2,169)	(1,306)

^a Presented within interest paid in the group cash flow statement. The interest paid on loans and other borrowings due within one year and after one year is allocated based on the closing balances of loans and other borrowings at the relevant balance sheet date.

^b Presented within cash and cash equivalents in the group cash flow statement.

^c During FY26 we received an upfront prepayment of £99m (FY25: £nil) from entering into a forward agreement to sell copper granules created from surplus copper cables. 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 in the group cash flow statement, see page 138. The related liability is recognised on balance sheet within loans and other borrowings.

27. Loans and other borrowings (continued)

The table below gives details of the listed bonds and other debt.

At 31 March	2026 £m	2025 £m
0.5% €419m bond due September 2025	—	351
1.75% €1,076m bond due March 2026	—	901
1.5% €1,150m bond due June 2027 ^a	1,015	971
2.75% €700m bond due August 2027 ^b	—	590
2.125% €500m bond due September 2028 ^a	441	422
5.125% \$700m bond due December 2028 ^a	538	550
5.75% £600m bond due December 2028	638	649
1.125% €750m bond due September 2029 ^a	656	627
3.25% \$1,000m bond due November 2029 ^a	765	780
9.625% \$2,670m bond due December 2030 ^a (minimum 8.625% ^c)	2,078	2,122
3.75% €800m bond due May 2031 ^a	720	690
3.125% £500m bond due November 2031	504	504
3.125% €850m bond due February 2032 ^a	740	708
3.375% €500m bond due August 2032 ^a	443	424
3.375% €850m bond due November 2032 ^a	747	—
4.25% €850m bond due January 2033 ^a	743	710
4.713% NOK1,000m bond due March 2033 ^a	78	—
3.64% £330m bond due June 2033	339	339
1.613% £330m index linked bond due June 2033	417	403
3.875% €895m bond due January 2034 ^a	784	750
3.75% €700m bond due January 2035 ^{a,d}	589	—
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	417	404
5.75% £450m bond due February 2041 ^{a,d}	435	446
5.625% £350m bond due December 2041 ^{a,d}	342	351
3.924% £340m bond due June 2042	350	350
1.774% £340m index linked bond due June 2042	430	416
2.08% ¥10,000m bond due February 2043 ^a	48	52
3.625% £250m bond due November 2047	251	251
4.25% \$500m bond due November 2049 ^a	383	388
5.125% €750m hybrid bond due October 2054 ^{a,e}	667	638
6.375% £400m hybrid bond due December 2055 ^e	405	—
1.874% €500m hybrid bond due August 2080 ^f	—	423
4.250% \$500m hybrid bond due November 2081 ^{a,e}	380	391
4.875% \$500m hybrid bond due November 2081 ^{a,e}	384	393
8.375% £700m hybrid bond due December 2083 ^e	713	711
Total listed bonds	18,303	18,568
Loans related to cash flows related to the sale of contract assets ^g	42	87
Loans related to the forward sale of redundant copper	177	93
Other loans	1	2
Amounts owed to joint ventures	10	10
Bank overdrafts (note 26)	3	2
Total other loans and borrowings	233	194
Total loans and other borrowings	18,536	18,762

^a Designated in a cash flow hedge relationship.

^b Redeemed under call option in March 2026.

^c 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.

^d Designated in a fair value hedge relationship.

^e Includes call options between 0.7 years and 5.5 years.

^f Redeemed under call option in May 2025.

^g 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 and the related cash flows from the customers remain classified as operating cash flows. £42m (FY25: £87m) of the liability relates to sales of cash flows related to contract assets and so is removed from our net debt measure.

Unless previously or currently 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 and other loans and borrowings is £17,778m (FY25: £18,132m) and £237m (FY25: £197m) respectively.

Notes to the consolidated financial statements (continued)

27. Loans and other borrowings (continued)

The fair value of our listed bonds is estimated on the basis of quoted market prices (Level 1), while the fair value of other loans and borrowings is determined using observable market inputs (Level 2) or the carrying amount where this equates to fair value due to the short maturity of these items.

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.

Loans and other borrowings are analysed as follows:

At 31 March	2026 £m	2025 £m
Current liabilities		
Listed bonds	315	1,975
Amounts owed to joint ventures	10	10
Other loans and borrowings ^a	95	107
Total current liabilities	420	2,092
Non-current liabilities		
Listed bonds	17,988	16,593
Other loans and borrowings	128	77
Total non-current liabilities	18,116	16,670
Total loans and other borrowings	18,536	18,762

a Includes collateral received on swaps of £1m (FY25: £2m) and bank overdrafts.

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 2026 were unsecured. The principal repayments of loans and other borrowings at hedged rates amounted to £17,847m (FY25: £18,189m) and repayments fall due as follows:

At 31 March	2026			2025		
	Carrying amount ^a £m	Effect of hedging and interest £m	Principal repayments at hedged rates £m	Carrying amount ^a £m	Effect of hedging and interest £m	Principal repayments at hedged rates £m
Within one year, or on demand	799	(323)	476	2,092	(345)	1,747
Between one and two years	1,053	9	1,062	430	(17)	413
Between two and three years	2,307	22	2,329	1,583	63	1,646
Between three and four years	2,109	24	2,133	2,261	28	2,289
Between four and five years	2,425	(425)	2,000	2,030	63	2,093
After five years	9,939	(92)	9,847	10,412	(411)	10,001
Total due for repayment after more than one year	17,833	(462)	17,371	16,716	(274)	16,442
Total repayments	18,632	(785)	17,847	18,808	(619)	18,189
Non cash adjustments ^b	(96)			(46)		
Total loans and other borrowings	18,536			18,762		

a Hybrid bonds are presented by their first call date rather than their final contractual maturity.

b Fair value adjustments of £14m net debit (FY25: £39m net credit) and unamortised bond fees.

28. Finance expense and income

Year ended 31 March	2026 £m	2025 £m
Finance expense		
Interest on:		
Financial liabilities at amortised cost and associated derivatives	830	902
Lease liabilities	133	135
Derivatives	—	(2)
Fair value movements:		
Bonds designated as hedged items in fair value hedges	(42)	1
Derivatives designated as hedging instruments in fair value hedges	42	(1)
Derivatives not in a designated hedge relationship	(2)	(1)
Reclassification of cash flow hedge from other comprehensive income	171	51
Interest on tax balances	48	—
Unwinding of discount on provisions and other payables	26	19
Total finance expense before specific items	1,206	1,104
Specific items (note 9)	191	197
Total finance expense	1,397	1,301

28. Finance expense and income (continued)

Year ended 31 March	2026 £m	2025 (re-presented) ^a £m
Finance income		
Interest on financial assets at amortised cost	91	134
Interest on tax balances ^a	52	15
Other finance income ^a	3	2
Total finance income	146	151

^a FY25 comparatives have been re-presented to disclose interest on tax balances separately.

Year ended 31 March	2026 £m	2025 £m
Net finance expense before specific items	1,060	953
Specific items (note 9)	191	197
Net finance expense	1,251	1,150

29. Financial instruments and risk management

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 interest rate, currency and commodity 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, foreign exchange risk and energy price risk), liquidity risk and credit 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 Board. Group treasury activities are subject to a set of controls appropriate for the magnitude of borrowing, investments and group-wide exposures. The 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.

There has been no change in the nature of our risk profile between 31 March 2026 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 Board, is to ensure that at least 70% of ongoing net financial debt (as defined in Additional Information on page 224) 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 Director of Corporate Finance or the Group Treasury Director who each have been delegated such authority from the 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 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 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 Director of Corporate Finance or the Group Treasury Director.

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.

Notes to the consolidated financial statements (continued)

29. Financial instruments and risk management (continued)

We enter into forward currency contracts to hedge foreign currency capital purchases, purchase and sale commitments, interest expense, labour cost 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 other borrowings after the impact of hedging.

At 31 March	2026			2025		
	Fixed rate interest £m	Floating rate interest £m	Total £m	Fixed rate interest £m	Floating rate interest £m	Total £m
Sterling	15,999	1,846	17,845	16,967	1,220	18,187
Other	—	2	2	—	2	2
Total	15,999	1,848	17,847	16,967	1,222	18,189
Ratio of fixed to floating	90%	10%	100%	93%	7%	100%
Weighted average effective fixed interest rate – sterling	5.2%			5.1%		

The floating rate loans and other borrowings bear interest rates with reference to CPI and Alternative Reference Rates 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	2026 £m Increase (reduce)	2025 £m Increase (reduce)
Sterling interest rates	446	509
US dollar interest rates	(211)	(258)
Euro interest rates	(367)	(350)
Sterling strengthening	(149)	(137)
Energy prices	24	26

A 1% decrease in interest rates, 10% weakening of sterling against other currencies and 10% decrease in energy prices 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, 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 FY26 and FY25.

Credit ratings

We continue 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 our 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 £2.0bn at 31 March 2026, our finance expense would increase/decrease by approximately £10m a year if the group's credit rating were to be downgraded/upgraded, respectively, by one credit rating category by both agencies.

Our credit ratings were as detailed below:

At 31 March	2026		2025	
	Rating	Outlook	Rating	Outlook
Rating agency				
Fitch	BBB	Stable	BBB	Stable
Moody's	Baa2	Stable	Baa2	Stable
Standard & Poor's	BBB	Stable	BBB	Stable

29. Financial instruments and risk management (continued)

How do we manage energy price risk?

Management policy

Globally energy prices remain volatile, with the recent conflict in the Middle East adding further pressure to an energy market still recovering from the ongoing war in Ukraine. Although Europe has largely replaced its dependency on Russian pipeline gas with Liquefied Natural Gas (LNG), it is now competing for LNG cargoes in the global market. In addition, several key LNG production assets in the Middle East have been targeted in 2026, driving gas and subsequently electricity prices to their highest levels since 2023.

Despite this ongoing volatility, BT's electricity hedging policy has continued to protect the group from these market conditions. Our strategy to be at least 80% hedged one quarter before the start of the next financial year, and 50% hedged for the following financial year has limited our exposure considerably. Over the longer term, our power purchase agreements (PPAs) and derivative virtual PPAs (vPPAs) provide further protection into the 2030s.

Hedging strategy

In each financial year, our electricity hedging strategy is underpinned by our existing PPA and vPPA portfolio. This is further complemented by forward electricity purchases in the wholesale markets when conditions are favourable, including selective use of near-term spot markets. In the forthcoming financial year ending 31 March 2027 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 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 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 2026 is disclosed in note 27. We have term debt maturities of £0.4bn in FY27, contingent on the exercise of hybrid call options.

Our treasury operation reviews and manages our short-term requirements within the parameters of the policies set by the Board. We hold cash, cash equivalents and current investments in order to manage short-term liquidity requirements. During the year we exercised the extension option on our £2.1bn (FY25: £2.1bn) undrawn committed borrowing facilities, extending the maturity by one year to no earlier than January 2031, with an option to extend for one further year.

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 At 31 March 2026	Loans and other borrowings ^a £m	Interest on loans and other borrowings £m	Trade and other payables £m	Lease liabilities £m	Total £m
Due within one year	484	822	5,038	779	7,123
Between one and two years	1,053	806	—	783	2,642
Between two and three years	2,307	791	—	736	3,834
Between three and four years	2,109	661	—	711	3,481
Between four and five years	2,425	597	—	680	3,702
After five years	9,939	2,074	—	1,023	13,036
	18,317	5,751	5,038	4,712	33,818
Interest payments not yet accrued	—	(5,436)	—	—	(5,436)
Fair value adjustments, unamortised bond fees	(96)	—	—	—	(96)
Impact of discounting	—	—	—	(528)	(528)
Carrying value on the balance sheet^{b,c}	18,221	315	5,038	4,184	27,758

At 31 March 2025

Due within one year	1,786	784	5,007	705	8,282
Between one and two years	430	759	88	772	2,049
Between two and three years	1,583	742	—	729	3,054
Between three and four years	2,261	712	—	691	3,664
Between four and five years	2,030	582	—	669	3,281
After five years	10,412	2,436	—	1,613	14,461
	18,502	6,015	5,095	5,179	34,791
Interest payments not yet accrued	—	(5,709)	—	—	(5,709)
Fair value adjustments, unamortised bond fees	(46)	—	—	—	(46)
Impact of discounting	—	—	(6)	(608)	(614)
Carrying value on the balance sheet^{b,c}	18,456	306	5,089	4,571	28,422

^a Hybrid bonds are presented by their first call date rather than their final contractual maturity.

^b 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.

^c The carrying amount of trade and other payables excludes £177m (FY25: £189m) of non-current trade and other payables which relates to non-financial liabilities, and £857m (FY25: £953m) of other taxation and social security, deferred income and other payables.

Notes to the consolidated financial statements (continued)

29. Financial instruments and risk management (continued)

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.

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 At 31 March 2026	Net settled £m	Gross settled outflows £m	Gross settled inflows £m	Total £m
Due within one year	22	845	(768)	99
Between one and two years	22	312	(245)	89
Between two and three years	22	755	(687)	90
Between three and four years	17	922	(872)	67
Between four and five years	16	128	(93)	51
After five years	(11)	2,426	(2,312)	103
Total^{a,b}	88	5,388	(4,977)	499

At 31 March 2025

Due within one year	14	1,994	(1,829)	179
Between one and two years	14	578	(463)	129
Between two and three years	14	1,996	(1,860)	150
Between three and four years	15	718	(626)	107
Between four and five years	4	1,487	(1,373)	118
After five years	16	2,537	(2,343)	210
Total^{a,b}	77	9,310	(8,494)	893

^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 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 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 monitors 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 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 monitoring credit ratings of counterparties to minimise the impact of adverse market conditions on trading-related financial assets.

Exposures

The maximum credit risk exposure of the group's financial assets at the balance sheet date is as follows:

At 31 March	Notes	2026 £m	2025 £m
Derivative financial assets		898	1,034
Investments	24	1,502	2,648
Trade and other receivables ^a	17	1,958	1,709
Contract assets	5	1,391	1,500
Cash and cash equivalents	26	359	216
Total		6,108	7,107

^a The carrying amount excludes £551m (FY25: £655m) of non-current trade and other receivables which relate to non-financial assets, and £1,288m (FY25: £1,400m) 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.

29. Financial instruments and risk management (continued)

Moody's/S&P credit rating of counterparty At 31 March	2026 £m	2025 £m
Aa2/AA and above	1,464	2,610
Aa3/AA-	105	95
A1/A+	849	750
A2/A	132	245
A3/A-	—	—
Baa1/BBB+	—	—
Baa2/BBB and below ^a	17	40
Total^b	2,567	3,740

^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 £1m (FY25: £2m) in respect of derivative financial assets with certain counterparties.

The concentration of credit risk for our trading balances is provided in note 17, 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 and weekly basis, the fair value position on notional £1,047m (FY25: £1,047m) 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.

Financial assets and liabilities At 31 March 2026	Amounts presented in the balance sheet £m	Related amounts not set off in the balance sheet			Net amount £m
		Right of set off with derivative counterparties £m	Cash collateral £m		
Derivative financial assets	898	(256)	(1)		641
Derivative financial liabilities	(398)	256	17		(125)
Total	500	—	16		516
At 31 March 2025					
Derivative financial assets	1,034	(346)	(2)		686
Derivative financial liabilities	(497)	346	20		(131)
Total	537	—	18		555

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.

Notes to the consolidated financial statements (continued)

29. 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 or fair value hedge

The group designates certain derivatives in a cash flow or fair value 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'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's risk management strategy or if it no longer qualifies for hedge accounting.

The group 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.

Cash flow hedge

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.

Fair value hedge

When a derivative financial instrument is designated as a hedge of the exposure in fair value of a recognised asset or liability, or an unrecognised firm commitment, the hedging instrument is measured at fair value with changes in fair value recognised in the income statement. The changes in fair value of the hedging instruments are recorded in the same line in the income statement, together with any changes in fair value of the hedged asset or liability that is attributable to the hedged risk which are remeasured to fair value. In a fair value hedge, any ineffectiveness is automatically recognised in the income statement because changes in the measurement of both the hedging instrument and the hedged item are reported through the income statement.

Other derivatives

Our 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.

	Current asset £m	Non-current asset £m	Current liability £m	Non-current liability £m
At 31 March 2026				
Designated in a cash flow hedge	51	792	68	258
Designated in a fair value hedge	1	4	2	20
Other	16	34	15	35
Total derivatives	68	830	85	313
At 31 March 2025				
Designated in a cash flow hedge	104	843	82	338
Designated in a fair value hedge	—	1	—	—
Other	26	60	24	53
Total derivatives	130	904	106	391

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 24. These contracts are fair valued based on a discounted cash flow method using a mix of assumptions some of which are not observable in the market. The key inputs used in the internal valuation model are the developer's P90 generation volume forecast (where the output is forecasted to be exceeded 90% of the time over the contract's lifetime), publicly available electricity price data, inflation rates, and the group's weighted average cost of capital. A 10% increase or decrease in the significant non-observable inputs would increase or decrease the fair value of the contracts by approximately £3m. During the year no new energy contracts were signed or terminated, fair value movement was driven by monthly settlements and market movements.

29. Financial instruments and risk management (continued)

Instruments designated in a cash flow hedge include interest rate swaps and cross-currency swaps hedging sterling, euro, US dollar, Japanese yen and Norwegian krone 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 27).

Fair value hedges consist of interest rate swaps that are used to protect against changes in the fair value of certain fixed rate bonds due to movements in market interest rates. Gains and losses arising on fair value hedges are disclosed in note 28.

We hedge forecast foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints twelve months forward with certain specific transactions hedged further forward. The related cash flows are recognised in the income statement over this period.

PPAs and vPPAs are taken out to hedge our exposure to energy prices and provide long-term cost certainty. The hedged cash flows affect the income statement over the hedged period.

Floating to fixed commodity swaps were used in connection with our forward agreements to sell copper granules, enabling the receipt of upfront cash flows prior to the scheduled delivery dates.

All hedge relationships were fully effective in the period.

The amounts related to items designated as hedging instruments were as follows:

Hedged items At 31 March 2026	Notional principal £m	Asset (re-presented) ^g £m	Liability (re-presented) ^g £m	Balance in cash flow hedge related reserves (gain)/loss (re-presented) ^g £m	Fair value (gain)/ loss recognised in OCI (re-presented) ^g £m	Amount recycled from cash flow hedge related reserves to income statement (re-presented) ^g £m
Sterling, euro, US dollar, Japanese yen and Norwegian krone denominated borrowings ^a	12,869	820	(159)	(345)	54	50
Step up interest on the 2030 US dollar bond ^b	74	2	—	(12)	3	4
Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints ^c	1,413	14	(55)	51	54	(13)
Energy contracts ^d		7	(35)	28	(15)	(17)
Forecast sale of redundant copper ^e		—	(77)	77	68	(5)
Other, individually insignificant hedged items		—	—	—	(3)	3
Total cash flow hedges	14,356	843	(326)	(201)	161	22
Sterling and euro denominated borrowings ^f	1,387	5	(22)			
Total fair value hedges	1,387	5	(22)			
Deferred tax		—	—	41		
Derivatives not in a designated hedge relationship		50	(50)	—		
Carrying value on the balance sheet		898	(398)	(160)		
At 31 March 2025						
Sterling, euro, US dollar and Japanese yen denominated borrowings ^a	14,278	933	(329)	(449)	86	(322)
Step up interest on the 2030 US dollar bond ^b	99	—	(1)	(19)	2	4
Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints ^c	1,274	10	(15)	10	22	—
Energy contracts ^{d,g}		4	(61)	60	(16)	(11)
Forecast sale of redundant copper ^{e,g}		—	(14)	14	11	—
Other, individually insignificant hedged items ^g		—	—	—	—	—
Total cash flow hedges	15,651	947	(420)	(384)	105	(329)
Sterling and euro denominated borrowings ^f	800	1	—			
Total fair value hedges	800	1	—			
Deferred tax		—	—	86		
Derivatives not in a designated hedge relationship		86	(77)	—		
Carrying value on the balance sheet		1,034	(497)	(298)		

^a Sterling, euro, US dollar, Japanese yen and Norwegian krone denominated borrowings are hedged using fixed to fixed cross-currency and interest rate swaps. Amounts recycled to income statement are presented within operating costs and finance expense. Range of hedged rates: sterling interest: 5.9% - 6.0% (FY25: 5.9% - 6.0%), euro: 1.12 - 1.20 (FY25: 1.12 - 1.29), US dollar: 1.28 - 1.80 (FY25: 1.28 - 1.80), Japanese yen: 156.92 - 156.92 (FY25: 156.92), Norwegian krone: 13.72 - 13.72.

^b Step up interest on US dollar denominated borrowings are hedged using forward currency contracts. Amounts recycled to income statement are presented within finance expense. Range of hedged rates: 1.34 - 1.35 (FY25: 1.27 - 1.30).

^c Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints are hedged using forward currency contracts. Amounts recycled to income statement are presented within cost of sales or operating costs, in line with the underlying hedged item. Range of hedged rates: US dollar: 1.29 - 1.38 (FY25: 1.23 - 1.34), euro: 1.12 - 1.17 (FY25: 1.15 - 1.19), Indian rupees: 110.29 - 131.27 (FY25: 107.88 - 121.60), Hungarian forint: 451.72 - 464.33 (FY25: 472.12 - 492.24).

^d Energy contracts are hedged using contracts for difference including virtual power purchase agreements. Amounts recycled to income statement are presented within operating costs. Range of hedged rates: £60 - £119/MWh (FY25: £60 - £119/MWh).

^e Forecast sale of redundant copper is hedged using commodity swaps. Amounts recycled to income statement are presented within other operating income. Range of hedged rates: £6,219 - £6,671/Mt (FY25: £6,219 - £6,287/Mt).

^f Sterling and euro denominated borrowings are hedged using fixed to floating cross-currency and interest rate swaps. Fair value movements on bonds and swaps in fair value hedges are presented within finance expense. Range of hedged rates: sterling interest: SONIA+123.5 bps - 164.3 bps (FY25: SONIA+123.5 bps - 136.7 bps), euro: 1.19.

^g FY25 comparatives have been re-presented to disclose the amounts relating to energy contracts and forecast sale of redundant copper separately, which were previously included within Other.

Notes to the consolidated financial statements (continued)

30. Other reserves

	Other comprehensive income					Total £m
	Capital redemption reserve £m	Cash flow reserve ^a £m	Fair value reserve ^b £m	Cost of hedging reserve ^c £m	Translation reserve ^d £m	
At 1 April 2024	27	144	8	(11)	548	716
Exchange differences ^e	—	—	—	—	(50)	(50)
Net fair value gain (loss) on cash flow hedges	—	(105)	—	—	—	(105)
Movements on cash flow hedges recycled to income statement ^f	—	324	—	5	—	329
Fair value movement on assets at fair value through other comprehensive income	—	—	(6)	—	—	(6)
Tax recognised in other comprehensive income	—	(59)	—	—	3	(56)
At 31 March 2025	27	304	2	(6)	501	828
Exchange differences ^e	—	—	—	—	(39)	(39)
Net fair value gain (loss) on cash flow hedges	—	(166)	—	5	—	(161)
Movements on cash flow hedges recycled to income statement ^f	—	(28)	—	6	—	(22)
Fair value movement on assets at fair value through other comprehensive income	—	—	3	—	—	3
Tax recognised in other comprehensive income	—	45	—	—	(4)	41
At 31 March 2026	27	155	5	5	458	650

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 Excludes an insignificant amount of exchange differences in relation to retained earnings attributed to non-controlling interests. Includes £17m in FY26 (FY25: £nil) of cumulative exchange gain reclassified to the income statement upon disposal of a foreign operations.

f Movements on cash flow hedge-related reserves recognised in the income statement include a net debit of £22m (FY25: net credit of £329m), comprising a net debit to other comprehensive income of £193m (FY25: net credit of £278m) which have been reclassified to operating costs, and a net credit of £171m (FY25: net credit of £51m) which have been reclassified to finance expense (see note 28).

31. Related party transactions

BT Group related parties include joint ventures, associates, investments and key management personnel.

Key management personnel comprise Executive and Non-Executive Directors and members of the *Executive Committee*. Compensation of key management personnel is disclosed in note 6.

Amounts paid into the group's retirement benefit plans are set out in note 20.

Associates and joint ventures related parties include the Sports JV with Warner Bros Discovery (see note 23). Sales of services to the Sports JV during FY26 were £3m (FY25: £9m), and purchases from the Sports JV were £331m (FY25: £305m) excluding £191m (FY25: £187m) additional payments made to settle the minimum guarantee liability (see note 18). The amount receivable from the Sports JV as at 31 March 2026 was £nil (FY25: £nil) and the amount payable to the Sports JV was £94m (FY25: £97m).

As part of the FY23 BT Sport transaction, the group has committed to providing the Sports JV with a sterling Revolving Credit Facility (RCF), up to a maximum for £200m (FY25: £200m), 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 £91m (FY25: £46m) is treated as a loan receivable and held at amortised cost, see note 17. There is also a loan payable to the Sports JV of £10m (FY25: £10m), see note 27.

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 £9m (FY25: £36m) derivative liability in respect of forward contracts provided to the Sports JV.

On 15 September 2025, Bharti Enterprises together with its subsidiaries became a related party of BT Group. Bharti Enterprises acquired approximately 24.5% of BT's share capital in 2024 and, pursuant to a relationship agreement, has nominated two non-executive directors to the Board from September 2025. During the period from 15 September 2025 to 31 March 2026, aside from ordinary dividends paid to Bharti Enterprises, there were no significant transactions between BT Group and Bharti Enterprises or its subsidiaries. There were net purchases during the period to 31 March 2026 from Bharti Enterprises of £6m and net payables of £1m.

31. Related party transactions (continued)

Transactions from commercial trading arrangements with associates and joint ventures, including the Sports JV, are shown below:

At 31 March	2026 £m	2025 £m
Sales of services to associates and joint ventures	21	12
Purchases from associates and joint ventures	358	348
Amounts receivable from associates and joint ventures	9	2
Amounts payable to associates and joint ventures	107	99

Other related party transactions include a dividend received from a joint venture of £12m (FY25: £nil).

32. Financial commitments

Financial commitments as at 31 March 2026 include capital commitments of £1,025m (FY25: £985m) and device purchase commitments of £213m (FY25: £198m).

The group's programme rights commitments for our BT Sport operations were transferred to the Sports JV formed with Warner Bros. Discovery (WBD) during FY23 (see note 25). Both the group and WBD have provided parent company guarantees for the Sports JV's obligations under certain programme rights commitments; the fair value of these guarantees is not material.

Other than as disclosed in note 19, there were no contingent liabilities or guarantees at 31 March 2026 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 19 for contingent liabilities associated with legal and regulatory proceedings.

33. Post balance sheet events

No material post balance sheet events have been identified that require an adjustment or disclosure within the financial statements.

Notes to the consolidated financial statements (continued)

34. Adjustments to prior period published financial information: Formation of International CFU and segmental re-presentations

Certain FY25 comparative information has been re-presented to reflect changes in the Group's internal reporting structure and the information reviewed by the Executive Committee, which represents the Group's Chief Operating Decision Maker (CODM). These changes comprise:

- the creation of a new International CFU following its separation from Business;
- updates to segmental revenue reporting to reflect revised trading relationships between CFUs; and
- revisions to the presentation of disaggregated revenue to align with the CODM reporting structure.

Creation of a new International CFU

With effect from 1 July 2025, the International CFU was separated from Business and established as a new CFU.

Updates to segmental revenue reporting

In addition, two changes have been made to segmental revenue reporting to ensure consistency with the updated internal reporting provided to the CODM.

– Reclassification of Openreach pass-through services

Openreach pass-through services previously reported as external revenue in Business have been reclassified to Openreach to reflect the customer relationship. As a result of this change the prior year comparatives have been re-presented to show revenue on a consistent basis resulting in a £89m reduction in Business segment revenue for the year to 31 March 2025, with no impact on Openreach segmental revenue due to the intra-group nature of the transaction.

– Update to EE and BT Wholesale trading relationship

Following an update to the commercial terms governing a trading relationship between EE and BT Wholesale, BT Wholesale will now recognise services provided to EE as part of this trading relationship as intersegmental revenue. Previously, these services were internally reported as cost recovery. This change results in the recognition of revenue within the Business segment. As a result of this change the prior year comparatives have been re-presented to present revenue and cost for the segment on a consistent basis. The effect of this change is to increase Business revenue by £87m, with a corresponding increase in cost.

Revisions to the presentation of disaggregated revenue

The presentation of disaggregated revenue has been revised to reflect the updated CODM reporting structure. Revenue previously reported within a combined "Equipment and Other Services" category has been split into two separate categories, "Equipment" and "Other Services", to provide greater clarity on the nature of the revenue streams. In addition, lease revenue is now disclosed separately to reflect its distinct contractual characteristics.

Disaggregation of revenue now includes internal revenue to better reflect the performance of each segment, consistent with the information reviewed by the CODM for decision-making purposes. Finally, as part of our ongoing improvement of finance systems we now have access to more granular information with which to better align revenue categories. Accordingly, we have re-presented the disaggregated revenue in note 5 to reflect this enhanced reporting.

Accounting treatment and comparative information

As explained in note 1 to the consolidated financial statements, the FY25 comparatives have been re-presented to reflect these changes in line with IFRS accounting requirements.

The tables below present a bridge between the previously published financial information for the year to 31 March 2025 (published on 22 May 2025) and the re-presented FY25 comparatives.

Other impacted disclosures and APMs

The note 17 'Trade and other receivables: trade receivables not past due and accrued income by CFU' disclosures are also impacted by the formation of the International CFU (re-presentations have been incorporated into the note).

The impact of these re-presentations on the Adjusted UK service revenue and Normalised free cash flow additional performance measures are included in the 'Additional Information' section on page 224.

34. Re-presentation of prior year comparatives (continued)

Note 4 Segment information: Segment revenue and profit

Year ended 31 March 2025: published

	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Total £m
Segment revenue	9,695	7,842	—	6,156	12	23,705
Internal revenue	(42)	(106)	—	(3,187)	—	(3,335)
Adjusted revenue from external customers	9,653	7,736	—	2,969	12	20,370
Adjusted EBITDA	2,644	1,536	—	4,029	—	8,209
Depreciation and amortisation	(1,832)	(961)	—	(2,032)	(108)	(4,933)
Adjusted operating profit (loss)	812	575	—	1,997	(108)	3,276

Year ended 31 March 2025: adjustments for re-presentation

Segment revenue	—	(2,494)	2,499	—	—	5
Internal revenue	—	(94)	—	89	—	(5)
Adjusted revenue from external customers	—	(2,588)	2,499	89	—	—
Adjusted EBITDA	—	(205)	205	—	—	—
Depreciation and amortisation	—	240	(240)	—	—	—
Adjusted operating profit (loss)	—	35	(35)	—	—	—

Year ended 31 March 2025: re-presented

Segment revenue	9,695	5,348	2,499	6,156	12	23,710
Internal revenue	(42)	(200)	—	(3,098)	—	(3,340)
Adjusted revenue from external customers	9,653	5,148	2,499	3,058	12	20,370
Adjusted EBITDA	2,644	1,331	205	4,029	—	8,209
Depreciation and amortisation	(1,832)	(721)	(240)	(2,032)	(108)	(4,933)
Adjusted operating profit (loss)	812	610	(35)	1,997	(108)	3,276

Note 4 Segment information: Internal revenue and costs

Year ended 31 March 2025: published

Internal revenue recorded by	Internal cost recorded by					Total £m
	Consumer £m	Business £m	International £m	Openreach £m	Other £m	
Consumer	—	41	—	1	—	42
Business	26	—	—	39	41	106
International	—	—	—	—	—	—
Openreach	2,089	1,098	—	—	—	3,187
Total	2,115	1,139	—	40	41	3,335

Year ended 31 March 2025: adjustments for re-presentation

Internal revenue recorded by	Internal cost recorded by					Total £m
	Consumer £m	Business £m	International £m	Openreach £m	Other £m	
Consumer	—	(1)	1	—	—	—
Business	87	—	7	—	—	94
International	—	—	—	—	—	—
Openreach	—	(90)	1	—	—	(89)
Total	87	(91)	9	—	—	5

Year ended 31 March 2025: re-presented

Internal revenue recorded by	Internal cost recorded by					Total £m
	Consumer £m	Business £m	International £m	Openreach £m	Other £m	
Consumer	—	40	1	1	—	42
Business	113	—	7	39	41	200
International	—	—	—	—	—	—
Openreach	2,089	1,008	1	—	—	3,098
Total	2,202	1,048	9	40	41	3,340

Financial statements of BT Group plc

BT Group plc company balance sheet at 31 March 2026

Registered number 4190816

At 31 March	Notes	2026 £m	2025 £m
Non-current assets			
Investment in subsidiary undertaking	2	11,447	11,401
		11,447	11,401
Current assets			
Cash and cash equivalents		7	7
		7	7
Current liabilities			
Trade and other payables ^a		15	91
		15	91
Total assets less current liabilities		11,439	11,317
Non-current liabilities			
Loans and other borrowings ^b		568	519
		568	519
Equity			
Ordinary shares		499	499
Share premium		1,051	1,051
Capital redemption reserve		27	27
Own shares		(188)	(378)
Profit and loss account ^c		9,482	9,599
Total equity		10,871	10,798
		11,439	11,317

^a Current trade and other payables consists of other payables of £15m (FY25: £91m). FY25 Other payables mostly comprise forward contracts to purchase own shares (FY26: £nil).

^b Loans and other borrowings consist of a loan from group undertakings of £568m (FY25: £519m). The loan attracts interest of Risk-Free Rate (SONIA) plus baseline CAS plus applicable lending margin (95 basis points) and is not due within the 12 months after the balance sheet date.

^c As permitted by Section 408(3) of the Companies Act 2006, no profit and loss account of the company is presented. The profit for the financial year, dealt with in the profit and loss account of the company was £783m (FY25: £756m).

The financial statements of the company on pages 215 to 218 were approved by the Board of Directors on 20 May 2026 and were signed on its behalf by:

Adam Crozier
Chairman

Allison Kirkby
Chief Executive

Simon Lowth
Chief Financial Officer

BT Group plc company statement of changes in equity at 31 March 2026

	Called up share capital ^{a,b} £m	Share premium account ^c £m	Capital redemption reserve £m	Own shares ^d £m	Profit and loss account ^e £m	Total £m
At 1 April 2024	499	1,051	27	(311)	9,633	10,899
Profit for the year	—	—	—	—	756	756
Dividends paid	—	—	—	—	(791)	(791)
Share-based payments	—	—	—	—	4	4
Capital contribution in respect of share-based payments	—	—	—	—	55	55
Net buyback of own shares	—	—	—	(67)	(58)	(125)
At 31 March 2025	499	1,051	27	(378)	9,599	10,798
Profit for the year	—	—	—	—	783	783
Dividends paid	—	—	—	—	(807)	(807)
Share-based payments	—	—	—	—	3	3
Capital contribution in respect of share-based payments	—	—	—	—	46	46
Net buyback of own shares	—	—	—	190	(142)	48
31 March 2026	499	1,051	27	(188)	9,482	10,871

a The allotted, called up and fully paid ordinary share capital of the company at 31 March 2026 was £499m (31 March 2025: £499m), representing 9,968,127,681 (31 March 2025: 9,968,127,681) ordinary shares of 5p each.

b The holders of ordinary shares are entitled to receive dividends as declared and entitled to one vote for each share which they hold at meetings.

c The share premium account, comprising the premium on allotment of shares, is not available for distribution.

d In FY26, 148,232,920 shares (FY25: 37,315,238) were issued from Own shares to satisfy obligations under employee share schemes and executive share awards at a cost of £239m (FY25: £63m). At 31 March 2026, 487,815 shares (FY25: 11,290,418) with an aggregate nominal value of £0.02m (FY25: £0.56m) were held at cost as treasury shares and 114,018,616 shares (FY25: 226,848,933) with an aggregate nominal value of £6m (FY25: £11m) were held in the Trust.

e As permitted by Section 408(3) of the Companies Act 2006, no profit and loss account of the company is presented. The profit for the financial year, dealt with in the profit and loss account of the company, was £783m (FY25: £756m).

Notes to the company financial statements

1. BT Group plc accounting policies

Principal activity

The principal activity of the company is to act as the ultimate holding company of the BT Group.

Accounting basis

As used in these financial statements and associated notes, the term 'company' refers to BT Group plc (a public company limited by shares). These separate financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Financial statements

The financial statements are prepared on a going concern basis and under the historical cost convention. Refer to page 139 for further details of this assessment.

As permitted by Section 408(3) of the Companies Act 2006, the company's profit and loss account has not been presented.

New and amended accounting standard effective during the year

The following amendments, which were effective during the year, did not have a material impact on the financial statements of the company:

- Lack of Exchangeability (Amendments to IAS 21)

Exemptions

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, non-current assets held for sale, financial instruments, capital management, and presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. The company intends to continue to take advantage of these exemptions in future years. Further detail is provided below.

Where required, equivalent disclosures have been given in the consolidated financial statements of BT Group plc.

The BT Group plc consolidated financial statements for the year ended 31 March 2026 contain a consolidated cash flow statement. Consequently, as permitted by IAS 7 'Statement of Cash flows', the company has not presented its own cash flow statement.

The BT Group plc consolidated financial statements for the year ended 31 March 2026 contain related party disclosures. Consequently, the company has taken advantage of the exemption in IAS 24 'Related Party Disclosures' not to disclose transactions with other members of the BT Group.

The BT Group plc consolidated financial statements for the year ended 31 March 2026 contain financial instruments disclosures which comply with IFRS 7 'Financial Instruments: Disclosures'. Consequently, the company is exempt from the disclosure requirements of IFRS 7 in respect of its financial instruments.

Investment in subsidiary undertaking

The investment in the company's subsidiary undertaking is stated at cost and reviewed for impairment at each reporting date and if there are indicators that the carrying value may not be recoverable. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the investment or by continuing to hold the investment and benefiting from the net present value of its future cash flows.

Estimating recoverable amount and key assumptions used (projected Adjusted EBITDA, discount rate and growth rate) in performing the impairment assessment are in line with how we assess the group's goodwill in note 13 to the consolidated group financial statements. There is significant headroom between the carrying value of the investment and the calculated recoverable value. See Note 2 for further details.

Taxation

Full provision is made for deferred taxation on all temporary differences which have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be sufficient taxable profits from which the underlying timing differences can be deducted. The deferred tax balances are not discounted.

Dividends

For final dividends, dividend distributions are recognised as a liability in the year in which they are approved by the company's shareholders. Interim dividends are recognised when they are paid. Dividend income is recognised on receipt.

Share capital

Ordinary shares are classified as equity. Repurchased shares of the company are recorded in the balance sheet as part of Own shares and presented as a deduction from shareholders' equity at cost.

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.

Share-based payments

The issuance by the company of share options and awards to employees of its subsidiaries represents additional capital contributions to its subsidiaries. An addition to the company's investment in subsidiaries is recorded with a corresponding increase in equity shareholders' funds. The additional capital contribution is determined based on the fair value of options and awards at the date of grant.

Notes to the company financial statements (continued)

2. Investment in subsidiary undertaking

Cost	Total £m
At 1 April 2024	11,346
Additions	55
At 31 March 2025	11,401
Additions	46
At 31 March 2026	11,447

The company held a 100% investment in BT Group Investments Limited, a company registered in England and Wales, throughout FY26 and FY25. Additions of £46m (FY25: £55m) comprise capital contributions in respect of share-based payments.

Investment impairment is assessed at each reporting date to evaluate if there are indicators that the carrying value may not be recoverable. The impairment review was performed in line with the group goodwill impairment review as detailed in note 13 of the consolidated accounts.

Our FY26 assessment concluded that there remains significant headroom between the carrying value of the investment and the calculated recoverable value. We have exercised a number of assumptions in determining the future operating cash flows, discount rate and long-term growth rate to arrive at this conclusion.

Fair value less costs of disposal ('FVLCD') is estimated by discounting future cash flows. Future cash flows are calculated on a nominal basis and based on projections derived from the latest Board-approved five-year financial plans, representing managements best estimate of future growth. This includes the direct and indirect impacts of inflation and associated mitigations. Plans reflect management's expectations of revenue, EBITDA growth, capital expenditure, working capital, net savings from uncommitted restructuring (i.e., group-wide transformation programme announced in May 2024) and other operating cash flows, based on past experience and future expectations of business performance, and form the basis of outlook issued by the group.

The pre-tax discount rate used in performing the FVLCD calculation was 9.32%. 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.

In FY26 we have used perpetuity growth rates averaging 1% as determined based on the long-term growth prospects of each 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 consider there to be no reasonably possible scenario in which an impairment could occur within the next 12 months from the reporting date.

3. Other information

Dividends

An interim dividend of 2.45p per share amounting to £241m was paid on 11 February 2026 (FY25: interim dividend of 2.40p per share amounting to £235m paid). A final dividend of 5.87p per share amounting to approximately £581m is proposed in respect of the year ended 31 March 2026 (FY25: final dividend of 5.76p per share amounting to £566m paid in respect of the year ended 31 March 2025).

Employees and directors

The Chairman and the Executive and Non-Executive Directors of BT Group plc were the only employees and directors of the company during FY26 and FY25. The Directors' services were incidental to their service to the group as a whole and any allocation to the company would be de minimis.

The costs relating to qualifying services provided to the company's principal subsidiary, British Telecommunications plc, are recharged to that company.

Related undertakings

Company name	Group interest in allotted capital ^a	Share class
Held directly		
United Kingdom		
1 Braham Street, London, E1 8EE, United Kingdom		
BT Group Investments Limited	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
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, Aflyaddin 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 des Guillemins 129, 4000 Liege, Belgium		
IP Trade SA	100%	ordinary

Company name	Group interest in allotted capital ^a	Share class
Bermuda		
Century House, 16 Par-la-Ville Road, Hamilton, HM08, Bermuda		
Communications Global Network Services Limited	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 Društvo sa organičenom odgovernoscu 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, A parte, 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		
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		
Building 16, 6th Floor, Room 602-B, No. 269 Wuyi Road, Hi-tech Park, Dalian, 116023, China		
BT Technology (Dalian) Company Limited	100%	registered
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%	-

Company name	Group interest in allotted capital ^a	Share class
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		
Provincia 01 San Jose, Canton 02 Escazu, San Rafael, Centro, Edificio A, Cuarto Piso, Oficinas Deloitte. 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		
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		
Rafael Augusto Sanchez No. 86, Torre Roble Corporate Center, Piso 7, 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

Related undertakings (continued)

Company name	Group interest in allotted capital ^a	Share class	Company name	Group interest in allotted capital ^a	Share class	Company name	Group interest in allotted capital ^a	Share class		
Finland			Orange Services India Private Limited			Korea				
Mannerheimvägen 12 B 6, 00100 Helsinki, Finland			100%	ordinary	Level 19, Hana Securities Building, 82, Uisadang-daero,, Yeongdeungpogu, Seoul, 07321, Korea, Republic of Korea					
BT Nordics Finland Oy	100%	ordinary	Indonesia			BT Global Services Korea Limited			100%	common
France			Menara Astra, 37F. Jl. Jendral Sudirman Kav 5-6, Jakarta Pusat, Jakarta, 10220, Indonesia			BT Latvia				
Tour Ariane, 5 place de la Pyramide, La Defense Cedex, 92088, Paris, France			PT BT Indonesia	100%	ordinary	Muitas iela 1A, Riga, LV-1010, Latvia				
BT France S.A.S.	100%	ordinary	PT BT Communications Indonesia			BT Latvia Limited, Sabiedriba ar ierobezotu atbildību			100%	ordinary
Germany			Isle of Man			Lebanon				
Marcel-Breuer-Straße 6, 80807 Munich, Germany			Third Floor, St Georges Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man			Abou Hamad, Merheb, Nohra & Chedid Law Firm, Chbaro Street, 22nd Achrafieh Warde Building, 1st Floor, Beirut, P.O.BOX 165126, Lebanon				
BT (Germany) GmbH & Co. oHG	100%	ordinary	Belmullet Limited			BT Lebanon S.A.L.			100%	ordinary
BT Deutschland GmbH	100%	ordinary	Communicator Insurance Company Limited			Lithuania				
BT Garrick GmbH	100%	ordinary	Priestgate Limited			Aludariu str 2-33, LT-01113 Vilnius, Lithuania				
Hansepark, Hansestraße 61, 51149, Köln, Germany			Israel			Luxembourg				
Global Security Europe Limited – Germany Branch ^p	100%	–	Beit Oz, 14 Abba Hillel Silver Rd, Ramat Gan, 52506, Israel			12 rue Eugene Ruppert, L 2453, Luxembourg				
Ghana			B.T. Communication Israel Ltd			BT Global Services Luxembourg SARL			100%	ordinary
5th Floor, Vivo Place, Cantonments City, Rangoon Lane, P.O. Box MB 595, Accra, Ghana			100%			BT Broadband Luxembourg Sàrl			100%	ordinary
BT Ghana Ltd	100%	ordinary	Italy			Malawi				
Guatemala			Viale Abruzzi n. 94 , 20131 Milan, Italy			KEZA Office Park Blocks 3, First Floor, Near Chichiri, Shopping Mall, Blantyre, Malawi				
5ta avenida 5-55 zona 14, Edificio Europlaza World Business Center, Torre IV, nivel 7, oficina 702, Guatemala City, Guatemala			Global Security Europe Limited ^p			BT Malawi Limited			100%	ordinary
BT Guatemala S.A.	100%	unique	100%			Malaysia				
Honduras			Via Filippo Sasseti 32, Milano, Italy			Suite 47A, Level 21, Menara 1 Sentrum, 201, Jalan Tun Sambanthan, Brickfields, Kuala Lumpur, 50470 W.P. Kuala Lumpur, Malaysia				
Boulevard San Juan Bosco, Plaza Ficohsa 3ern nivel, Frente a Ruby Tuesday Lomas del Gujarro Sur Tegucigalpa Honduras			BT Italia S.p.A.			BT Global Technology (M) Sdn. Bhd.			100%	ordinary
BT Sociedad De Responsabilidad Limitada	100%	–	99%			BT Systems (Malaysia) Sdn Bhd			100%	ordinary
Hong Kong			Jamaica			Mauritius				
Unit 31-105, 31/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong			Suite #6, 9A Garelli Avenue, Half way tree, St. Andrew, Kingston 10, Jamaica			c/o Deloitte, 7th Floor Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebene, 72201, Mauritius				
BT Hong Kong Limited	100%	ordinary	BT Jamaica Limited			BT Global Communications (Mauritius) Limited			100%	ordinary
Infonet China Limited	100%	ordinary	100%			Mexico				
Hungary			Japan			Boulevard Manuel Avila Camacho No. 32, 6th Floor, Lomas de Chapultepec III Section, Miguel Hidalgo, Mexico City CP11000				
1112 Budapest, Boldizsár utca 4., Hungary			ARK Mori Building, 12-32 Akasaka, 1-Chome, Minato-Ku, Tokyo, 107 – 6018, Japan			BT LatAm México, S.A. de C.V.			100%	common
BT Global Europe B.V. Magyarorszagi Fioktelepe ^p	100%	–	BT Japan Corporation			Montenegro				
BT Limited Magyarorszagi Fioktelepe ^p	100%	–	100%			Bulevar Svetog, Petra , Cetinjskog 149 , Podgorica, Montenegro				
BT ROC Kft	100%	business	Jersey			BT Montenegro DOO			100%	–
India			IFC5, St Helier, JE1 1ST, Jersey			Morocco				
11th Floor, Eros Corporate Tower, Opp. International Trade Tower, Nehru Place, New Delhi, 110019, India			BT Jersey Limited			Bd. Abdelmoumen, Immeuble Atrium, n 374, Lot. Manazyl Al Maymoune, 5eme etage, Casablanca, 20390, Morocco				
BT (India) Private Limited	100%	ordinary	100%			BT Solutions Limited – Morocco Branch ^p			100%	–
BT e-Serv (India) Private Limited	100%	equity	Jordan							
BT Global Communications India Private Limited	100%	ordinary	Wadi AlSer – Dahiet Prince Rashid – King Abdullah Street, Building No. 391 – 3rd Floor, Jordan							
BT Telecom India Private Limited	100%	ordinary	BT (International) Holdings Limited (Jordan)							
A-47, Hauz Khas, New Delhi, Delhi-DL, 110016, India			100%							
Indonesia			Kazakhstan							
Orange Services India Private Limited			n.p.38b, Building 5, Kaiym Mukhamedkhanov Street, Nura District, Astana, Index 010000, Kazakhstan							
100%			ordinary							
Italy			Kenya							
Viale Abruzzi n. 94 , 20131 Milan, Italy			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							
Global Security Europe Limited ^p			BT Kenya Limited							
100%			70%							
ordinary			ordinary							

Company name	Group interest in allotted capital ^a	Share class
Mozambique		
Rua Jose Mateus, No. 55, Ground Floor, City of Maputo, 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 Nederland N.V.	100%	ordinary
Wegastraat 58, The Hague, 2516 AP, Netherlands		
Global Security Europe Limited ^b	100%	-
New Zealand		
c/o Deloitte, Level 20, 1 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		
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

Company name	Group interest in allotted capital ^a	Share class
Paraguay		
Av. Brasilia N° 767 casi Siria, Asunción, Paraguay		
BT Paraguay S.R.L.	100%	quotas
Peru		
AV. Santa Cruz 830, Oficina 301, 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 Incorporated	100%	ordinary
c/o Sun Microsystems Phil Inc., 8767 Paseo de Roxas, Makati City, Philippines		
PSPI-Subic, Inc	51%	ordinary
Poland		
126/134 Marszałkowska St., Room 209, 00-008, Warsaw, Poland		
BT Poland Spółka Z Ograniczoną Odpowiedzialnością	100%	ordinary
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		
5th Floor, 2 Grand Canal Plaza, Upper Grand Canal Street, Dublin 4, Ireland		
The Faraday Procurement Company Limited	100%	ordinary
2 Grand Canal Plaza, Upper Grand Canal Street, Dublin 4, Republic of Ireland		
BT Business Telecoms Ireland Limited	100%	ordinary
BT Communications Ireland Group Limited	100%	ordinary
BT Communications Ireland Holdings Limited	100%	ordinary
Whitestream Industries Limited	100%	ordinary

Company name	Group interest in allotted capital ^a	Share class
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		
7 Straits View, #05-01, Marina One East Tower, 018936, Singapore		
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, mestská časť Staré Mesto, Slovakia		
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		
74 Waterfall Drive, Building 5, Waterfall Corporate Campus, Midrand 2066, South Africa		
BT Communications Services South Africa (Pty) Limited	70%	ordinary
BT Building, Woodmead North Office Park, 54 Maxwell Drive, Woodmead, Johannesburg, 2191, South Africa		
BT Limited ^b	100%	-
Spain		
C/ María Tubau, 3, 28050 de Madrid, Spain		
BT Global ICT Business Spain SLU	100%	ordinary
Sri Lanka		
100, Braybrooke Place, Colombo 02, Sri Lanka		
BT Communications Lanka (Private) Limited	100%	ordinary
Sudan		
Alskheikh Mustafa Building, Parlman Street, Khartoum, Sudan		
Newgate Communication (Sudan) Co. Ltd	100%	ordinary

Related undertakings (continued)

Company name	Group interest in allotted capital ^a	Share class	Company name	Group interest in allotted capital ^a	Share class	Company name	Group interest in allotted capital ^a	Share class
Sweden			United Arab Emirates			BT SLE Euro Limited 100% ordinary		
c/o BDO Sweden (Skatteavdelning), Box 6343, 102 35, Stockholm, Sweden			Office no 315-318, DIC Building No. 10, Dubai Internet City, PO Box 25205, Dubai, United Arab Emirates			BT SLE USD Limited 100% ordinary		
BT Nordics Sweden AB	100%	ordinary	BT MEA FZ-LLC 100% ordinary			BT Solutions Limited 100% ordinary		
Switzerland			Office no.206 BLOCK B, Diamond Business Center 1, Al Barsha South Third, Dubai, P.O. BOX 25205, United Arab Emirates			BT UAE Limited 100% ordinary		
Richtstrasse 5, 8304 Wallisellen, Switzerland			BT UAE Limited – Dubai Branch (1) ^b 100% –			BT Quartz Euston Limited 100% ordinary		
BT Switzerland AG	100%	ordinary	BT UAE Limited – Dubai Branch (2) ^b 100% –			BT Quartz Holdings UK Limited 100% ordinary		
Taiwan			United Kingdom			Communications Global Network Services Limited – UK Branch ^b 100% –		
18F., No. 460, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City, Taiwan (R.O.C.), 110501, Taiwan (Province of China)			1 Braham Street, London, E1 8EE, United Kingdom			Communications Networking Services (UK) 100% ordinary		
BT Limited Taiwan Branch ^b	100%	–	Autumnwindow Limited 100% ordinary			EE (Group) Limited 100% ordinary		
Tanzania			Autumnwindow No.2 Limited 100% ordinary			EE Group Investments Limited 100% ordinary		
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			Autumnwindow No.3 Limited 100% ordinary			EE Limited 100% ordinary		
BT Solutions Limited – Tanzania Branch ^b	100%	–	Belmullet (IoM) Limited ^b 100% –			EE Pension Trustee Limited 100% ordinary		
Thailand			BPSLP Limited 100% ordinary			ESAT Telecommunications (UK) Limited 100% ordinary		
No.63 Athenee Tower, 23rd Floor (CEO Suite, Room No.38), Wireless Road, Kwaeng Lumpini, Khet Pathumwan, Bangkok, 10330, Thailand			British Telecommunications plc 100% ordinary			Extrack Limited 100% ordinary		
BT Siam Communications Co., Ltd	49%	class B	Bruning Limited 100% ordinary			Global Security Europe Limited 100% ordinary		
No.63 Athenee Tower, 23rd Floor (CEO Suite, Suite 11), Wireless Road, Kwaeng Lumpini, Pathumwan, Bangkok, Thailand, 10330, Thailand			BT (International) Holdings Limited 100% ordinary			Mainline Communications Group Limited 100% ordinary		
BT Siam Limited	69%	ordinary	BT (RRS LP) Limited 100% ordinary			Mainline Digital Communications Limited 100% ordinary		
	69%	preference	BT Communications Ireland Group Limited – UK Branch ^b 100% –			Newgate Street Secretaries Limited 100% ordinary		
Trinidad and Tobago			BT Corporate Trustee Limited 100% limited by guarantee			Numberrapid Limited 100% ordinary		
2nd Floor CIC Building, 122-124 Frederick Street, Port of Spain, Trinidad and Tobago			BT European Investments Limited 100% ordinary			Orange Furbs Trustees Limited 100% ordinary		
BT Solutions Limited ^b	100%	–	BT Euston Holdings UK Limited 100% ordinary			Orange Home UK Limited 100% ordinary		
Tunisia			BT Fifty-One 100% ordinary			Orange Personal Communications Services Limited 100% ordinary		
Rue de l', Euro Immeuble Slim, Block A-2nd floor-Les berges du Lac, Tunis, 1053, Tunisia			BT Fifty-Three Limited 100% ordinary			Radianz Limited 100% ordinary		
BT Tunisia S.A.R.L.	100%	ordinary	BT Finance plc 100% ordinary			Southgate Developments Limited 100% ordinary		
Turkey			BT Global Security Services Limited 100% ordinary			Tudor Minstrel 100% ordinary		
Acıbadem Mahallesi Çeçen Sk. Akasya A, Kule Kent Etabı Apt. No: 25 A/28-, Üsküdar, Istanbul, Turkey			BT Global Services Limited 100% ordinary			Alexander Bain House, 15 York Street, Glasgow, Lanarkshire, G2 8LA, Scotland		
BT Bilisim Hizmetleri Anonim Şirketi	100%	ordinary	BT Group Nominees Limited 100% –			BT Corporate Limited 99% ordinary		
BT Telekom Hizmetleri Anonim Şirketi	100%	common	BT Holdings Limited 100% ordinary			BT Falcon 1 LP 51 % –		
Uganda			BT IoT Networks Limited 100% ordinary			Holland House (Northern) Limited 100% ordinary		
1st Floor, Ericsson House, 24B Akii Bua Road, Nakasero, Uganda			BT Limited 100% ordinary			6 Gracechurch Street, London, EC3V 0AT, United Kingdom		
BT Solutions Limited ^b	100%	–	BT Ninety-Seven Limited 100% ordinary			Openreach Limited 100% ordinary		
Ukraine			BT Nominees Limited 100% ordinary			Endeavour, Sheffield Digital Campus, 1a Concourse Way, Sheffield, S1 2BJ, United Kingdom		
Office 702, 34 Lesi Ukrainky Boulevard, Kyiv 01042, Ukraine			BT Paddington Holdings UK Limited 100% ordinary			Plusnet plc 100% ordinary		
BT Ukraine Limited Liability Company	100%	stakes	BT Property Holdings (Aberdeen) Limited 100% ordinary					
			BT Property Limited 100% ordinary					
			BT Sixty-Four Limited 100% ordinary					

Company name	Group interest in allotted capital ^a	Share class
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 Procure L.L.C.	100%	units
BT United States L.L.C.	100%	units
BT Quartz Euston LLC	100%	units
BT Quartz Paddington LLC	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 (note 25)

Company name	Group interest in allotted capital ^a	Share class
Held via other group companies		
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, SE19SG, United Kingdom		
Digital Mobile Spectrum Limited	33%	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
2nd Floor, Aldgate Tower, 2 Leman Street, London, E1 8FA, United Kingdom		
Youview TV Limited	20%	voting
2nd Floor, Churchill House, 26-30 Upper Marlborough Road, St Albans, AL13RD, United Kingdom		
AA Realisations Limited	23%	preference

Joint ventures (note 25)

Company name	Group interest in allotted capital ^a	Share class
Held via other group companies		
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%	-
80 Fenchurch Street, London, EC3M 4AE, United Kingdom		
Rugby Radio Station (General Partner) Limited	50%	ordinary
Rugby Radio Station (Nominee) Limited	50%	ordinary
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 for both shareholders (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 In addition to the 50% ordinary A shares we also hold A preference shares and C preference shares, see note 24 for more details.

Additional information

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^a
- Adjusted operating costs^a
- Adjusted operating profit^a
- Adjusted finance expense^a
- Adjusted profit before tax^a
- Adjusted earnings per share^a
- Net debt and net financial debt
- Adjusted UK service revenue
- Adjusted EBITDA
- Return on capital employed; and
- Normalised free cash flow

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. 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, disposals of businesses and investments, charges or credits relating to retrospective regulatory matters, significant out of period contract settlements, litigation matters, impairment on remeasurement of the disposal groups to be held for sale, asset impairment charges, impairment charges in our Portfolio Businesses, 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 WBD, such as fair value gains or losses on the A and C preference shares or impairment charges on the equity-accounted investment are also classified as specific. Refer to note 25 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 134.

Net debt and net financial debt

Net debt consists of loans and other borrowings, lease liabilities (both current and non-current) less current asset investments and cash and cash equivalents, including such items which have been classified as held for sale on the balance sheet.

Amounts due to joint ventures, loans and borrowings recognised in relation to monies received from the sale of cash flows of contract assets and as prepayment for the forward sale of redundant copper are excluded, in line with ROCE definition and consistently with the treatment of related cash flows in normalised free cash flow. These liabilities do not reflect the group's indebtedness, as amounts due to joint ventures are more than offset by the asset balances due from the JVs, while the remaining liabilities will either be extinguished upon the transfer of ringfenced operational cash flows from end customers which management are confident will be received, or settled by the physical delivery of copper rather than cash or any other financial asset.

Currency-denominated balances within net debt are translated to sterling at swap rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed.

Net debt is a measure of the group's net indebtedness that provides an indicator of overall balance sheet strength. It is a key indicator used by management to assess both the group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net financial debt is net debt excluding lease liabilities. It allows for the comparison to net debt measures reported before the introduction of IFRS 16 on 1 April 2019, and reflects a view that lease liabilities are operational debt in substance, rather than financing transactions.

Net debt and net financial debt are considered to be alternative performance measures as they are not defined in IFRS. The most directly comparable IFRS measure is the aggregate of loans and other borrowings, lease liabilities (both current and non-current), current asset investments and cash and cash equivalents. A reconciliation from these to net debt and net financial debt is set out in note 27.

^a These adjusted financial metrics exclude specific items. The rationale for using these metrics is covered under 'specific items' in this section and reconciled in the Group Income Statement on page 134.

Return on Capital Employed

We use a return on capital employed (ROCE) measure that serves as an indicator of how efficiently we generate returns from the capital invested in the business. It is a group KPI that is directly related to the outcome of investment decisions.

ROCE represents the group's returns as percentage of capital employed.

Returns are defined as adjusted earnings before interest and tax. We use an adjusted measure (before specific items) for the reasons explained in the 'specific items' section above.

Capital employed represents equity, debt and debt-like liabilities. We net the derivative financial instruments and cash and cash equivalent balances that we use to manage financial risk against gross debt, and exclude current and deferred tax balances as the measure is determined on a pre-tax basis.

We exclude amounts due to joint ventures, loans and borrowings recognised in relation to monies received from the sale of cash flows of contract assets and as prepayment for the forward sale of redundant copper, in line with the net debt definition on page 224.

While our long-term capital investment programmes such as our full fibre rollout deliver value-creating long-term returns, they suppress ROCE in the short- to medium-term.

The following table sets out the calculation of our ROCE measure. In doing so it reconciles returns to operating profit, the most directly comparable IFRS measure, and presents the components of capital employed.

Year ended 31 March	2026 £m	2025 £m
Reported operating profit for the period	2,897	2,492
Share of post-tax profits (losses) of associates and joint ventures	(210)	(8)
Specific items (non-finance and tax)	676	784
Return for the period	3,363	3,268
Equity, debt and debt-like liabilities		
Loans and other borrowings	18,536	18,762
Lease liabilities	4,184	4,571
Retirement benefit obligations	4,379	4,230
BDUK grant funding deferral	65	142
Total equity	12,564	12,908
Adjust for balances used to hedge financial risk		
Cash and cash equivalents	(359)	(216)
Investments	(1,502)	(2,648)
Net derivative financial instruments	(500)	(537)
Adjust for tax balances		
Net deferred tax liabilities	845	758
Net current tax receivable	(367)	(273)
Adjust in line with net debt definition		
Net loans with joint ventures	(10)	(10)
Loans related to sale of contract assets	(42)	(87)
Loans related to the forward sale of redundant copper	(177)	(93)
Capital employed	37,616	37,507
Return on capital employed	8.9%	8.7%

Adjusted UK service revenue

Adjusted UK service revenue is one of the group's key performance indicators by which our financial performance is measured.

Adjusted UK service revenue comprises all UK revenue less UK equipment revenue. Some revenue from equipment is included within adjusted UK service revenue where that equipment is sold as part of a managed services contract, or where that equipment cannot be practicably separated from the underlying service.

We consider adjusted UK service revenue to be an important indicator of the successful delivery of our refreshed corporate strategy because it measures the predictable and recurring revenue from our core UK business.

A reconciliation of reported revenue, the most directly comparable IFRS measure, to adjusted UK service revenue, is set out below.

Year ended 31 March	2026 £m	2025 (re-presented ^a) £m
Reported revenue	19,654	20,358
Specific revenue	(8)	12
Adjusted revenue	19,646	20,370
Of which International revenue	(2,114)	(2,499)
Adjusted UK revenue	17,532	17,871
Equipment revenue ^b (excluding International)	(2,087)	(2,303)
Adjusted UK service revenue	15,445	15,568

^a Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU and re-presentation of segmental revenue to reflect the nature of services and trading relationships between units. For more information see note 1 and for a bridge to prior period published financial information see page 227.

^b UK equipment revenue includes £nil (FY25: £10m) of equipment revenue recognised as lease revenue in Note 5.

Below we reconcile Adjusted UK service revenue by unit:

Year ended 31 March	2026 £m	2025 (re-presented ^a) £m
Consumer	7,853	7,888
Business	4,803	4,847
International	—	—
Openreach	6,190	6,156
Other	12	12
Intra-group items	(3,413)	(3,335)
Total	15,445	15,568

^a Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU and re-presentation of segmental revenue to reflect the nature of services and trading relationships between units. For more information see note 1 and for a bridge to prior period published financial information see page 227.

Additional information (continued)

Normalised free cash flow

Normalised free cash flow is one of the group's key performance indicators by which our financial performance is measured. It is primarily a liquidity measure. However, we also believe it is an important indicator of our overall operational performance as it reflects the cash we generate from operations after capital expenditure and financing costs, both of which are significant ongoing cash outflows associated with investing in our infrastructure and financing our operations.

Normalised free cash flow is defined as free cash flow (net cash inflow from operating activities after net capital expenditure) after net interest paid, payment of lease liabilities, net cash flows from the sale of cash flows related to contract assets, monies received as prepayment for the sale of redundant copper, dividends received from non-current asset investments, associates and joint ventures, and net purchase or disposal of non-current asset investments, before pension deficit payments (including their cash tax benefit), payments relating to spectrum, and specific items. It excludes cash flows that are determined at a corporate level independently of ongoing trading operations such as dividends paid, share buybacks, acquisitions and disposals, repayment and raising of debt, cash flows relating to short-term funding arrangements with joint ventures, and cash flows relating to the Building Digital UK demand deposit account which have already been accounted for within normalised free cash flow. For non-tax related items, other than for pension deficit payments, adjustments represent pre-tax cash flows and no allocation of tax refunded / (paid) relating to these adjustments has been included in or excluded from normalised free cash flow.

We have set out the impact of working capital programmes on NCF and their relative impact.

Normalised free cash flow is not a measure of the funds that are available for distribution to shareholders.

A reconciliation from cash inflow from operating activities, the most directly comparable IFRS measure, to free cash flow and normalised free cash flow, is set out below.

Year ended 31 March	2026 £m	2025 £m
Cash generated from operations	7,088	6,954
Tax (paid) refunded	(58)	35
Net cash inflow from operating activities	7,030	6,989
Net purchase of property, plant and equipment and intangible assets	(5,129)	(4,901)
Free cash flow	1,901	2,088
Interest received	96	132
Interest paid	(1,028)	(956)
Payment of lease liabilities	(731)	(739)
Dividends received from joint ventures, associates and investments	15	4
Add back pension deficit payments	790	803
Remove cash tax benefit of pension deficit payments	(11)	—
Add back net cash flow from specific items	415	498
Net cash flows from sale of contract assets related to handsets	(51)	(251)
Cash flows relating to the BDUK demand deposit account	—	19
Prepayment for forward sale of copper	99	—
Add back payment in respect of Spectrum license auction	13	—
Normalised free cash flow	1,508	1,598

Below we reconcile normalised free cash flow by unit:

Year ended 31 March	2026 £m	2025 (re-presented ^a) £m
Consumer	1,273	1,025
Business	530	540
International	(117)	(34)
Openreach	792	839
Other	(970)	(772)
Normalised free cash flow	1,508	1,598

^a Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU and re-presentation of segmental revenue to reflect the nature of services and trading relationships between units. For more information see note 1 and for a bridge to prior period published financial information see page 227.

The net impact of working capital programmes on normalised free cash flow is set out below.

Year ended 31 March	2026 £m	2025 £m	Movement £m
Bills of exchange ^a	269	(101)	370
Supply chain programmes^b	269	(101)	370
Net cash flows from sale of contract	(51)	(251)	200
Sale of receivables ^d	159	420	(261)
Handset programmes	108	169	(61)
Copper forward sales ^e	99	—	99
Net working capital programmes	476	68	408

- ^a This supply chain financing programme is used with a limited number of suppliers with short payment terms to extend them to a more typical payment term. See note 18 Trade and other payables.
- ^b There is an additional separate supply chain financing programme, this allows suppliers opportunity to receive funding earlier than the invoice due date to assist the supplier with their cash flows. See note 18 Trade and other payables. This has no impact on Normalised Free Cash Flow.
- ^c Accelerates cash collection from handset sales on bundled contracts. Used to better align the timing of cash receipts with the payments to equipment manufacturers. See note 27 Loans and other borrowings.
- ^d Accelerates cash collection from handset sales on split contracts. Used to better align the timing of cash receipts with the payments to equipment manufacturers. See note 17 Trade and other receivables.
- ^e Forward sale of redundant copper to hedge copper sales and use the legacy copper asset to intensify our full fibre rollout. See note 27 Loans and other borrowings.

Working capital programmes are used to manage the timing of cash flows and support investment. Bills of exchange are used to normalise supplier payment terms and improve working capital efficiency. Handset-related programmes reflect the structural shift from 24-month to 36-month customer contracts, aligning cash receipts with revenue recognition. Copper forward sales support the accelerated fibre build by funding new network investment from legacy assets.

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	2026 £m	2025 £m
Reported profit for the period	1,077	1,054
Tax	359	280
Reported profit before tax	1,436	1,334
Net finance expense	1,251	1,150
Depreciation and amortisation, including impairment charges	4,913	4,978
Specific revenue	(8)	12
Specific operating costs before depreciation and amortisation	428	727
Share of post-tax losses (profits) of associates and joint ventures	210	8
Adjusted EBITDA	8,230	8,209

Adjustments to prior period published financial information: Formation of International CFU and segmental re-presentations

As explained in note 34, certain FY25 comparatives have been re-presented to reflect changes to the Group's internal reporting structure and to align segmental and revenue disclosures with the information now used internally for management reporting. These include the formation of the International CFU, updates to segmental revenue classifications, and refinements to the disaggregation of revenue following changes in system granularity. The related re-presentations have also been reflected in the Normalised free cash flow and Adjusted UK service revenue additional performance measures to ensure consistency with the revised basis of reporting.

Normalised free cash flow

Year ended 31 March 2025	Published £m	Re-representation adjustment £m	Re-presented £m
Consumer	1,025	—	1,025
Business	506	34	540
International	—	(34)	(34)
Openreach	839	—	839
Other	(772)	—	(772)
Total	1,598	—	1,598

Adjusted UK service revenue

Year ended 31 March 2025	Published £m	Re-representation adjustment £m	Re-presented £m
Consumer	7,888	—	7,888
Business	4,861	(14)	4,847
International	—	—	—
Openreach	6,156	—	6,156
Other	12	—	12
Intra-group items	(3,335)	—	(3,335)
Total	15,582	(14)	15,568

Cautionary statement regarding forward-looking statements

Certain information included in this Annual Report and Accounts is forward-looking in nature and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

Forward-looking statements relate to 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. These 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.