Financial statements

Look out for these throughout the report

Significant accounting policies

Critical and key accounting estimates and significant judgements

Contents

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 2025, 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 2025 (FY25) 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 cashflow statement
- Notes 1 to 32 to the Group financial statements, including the accounting policies in the respective notes.

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 UK Business cash generating unit remains a focus area 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 FY24	Item
Accuracy of revenue due to complex billing systems in BT Business (Group)	↔	4.1
Impairment of Goodwill attributable to Business CGU (Group)	↔	4.2
Valuation of defined benefit obligation of the BT Pension Scheme	↔	4.3
Valuation of unquoted investments 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 pages 92 to 95 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 2025 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 7 financial years ended 31 March 2025.

The Group engagement partner is required to rotate every 5 years. As these are the second 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 5 years, with the shortest being 5 and the longest being 5.

Total audit fee	£23.1m
Audit related fees (including interim review)	£2.1m
Other services	£0.0m
Non-audit fee as a % of total audit and audit related fee %	9.1%
Date first appointed	11 July 2018
Uninterrupted audit tenure	7 years
Next financial period which requires a tender	2029
Tenure of Group engagement partner	2 years
Average tenure of component engagement partners	5 years

Materiality (Item 6 below)

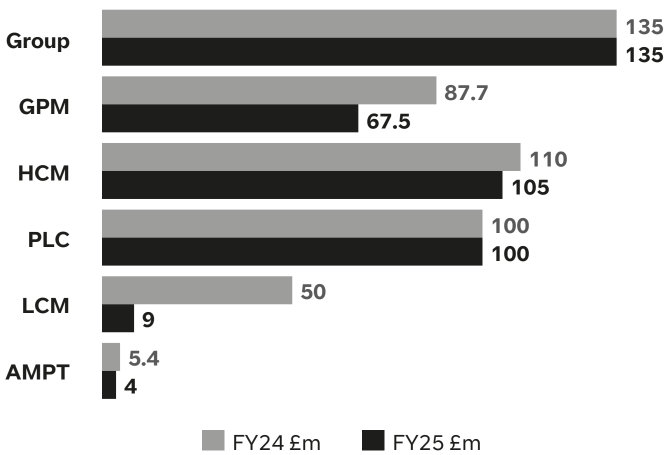
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £135m (FY24: £135m) and for the Parent Company financial statements as a whole at £100m (FY24: £100m).

Consistent with FY24, we determined that Total Revenue remains the appropriate 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 0.66% (FY24: 0.65%).

Materiality for the Parent Company financial statements as a whole 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 0.88% (FY24: 0.89%) of total assets.

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 FY25 is six.

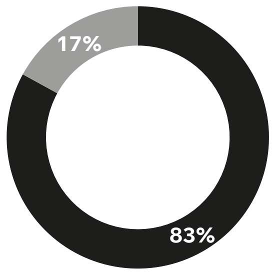
In addition, for the remaining components for which we performed no audit procedures, we performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

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

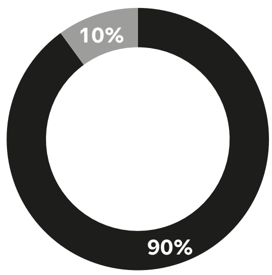
Our audit procedures covered 83% of Group revenue:

Group Revenue

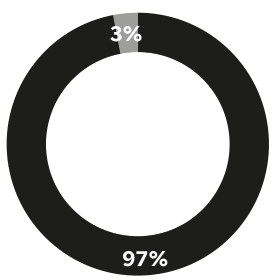


We performed audit procedures in relation to components that accounted for the following percentages:

Group profit before tax



Group Total assets



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

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 2030 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 its 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 or 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.

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.

Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or 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, and we found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 123 is materially consistent with the financial statements and our audit knowledge.

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 Viability statement on page 72 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 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.

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 BT Business (Group)

Financial Statement Elements

	FY25	FY24
Business revenue	**£7.7bn**	£8.0bn
Refund liability	**£51m**	£51m

Our assessment of risk vs FY24

←→	Our assessment of the risk is similar to FY24.

Our results

FY25: Acceptable	FY24: Acceptable

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 and could be subject to manipulation, which is the reason why we have considered it as a key matter of our audit. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality. The financial statements (note 5) disclose the key sensitivities of the refund liabilities to changes in key assumptions.

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 (all 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 samples testing and using our Revenue Data Analytics routine to test the key assumptions of contract tenure 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.

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 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 (FY24: 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 (FY24: 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 Committee considered the accuracy of revenue due to complex billing systems in BT Business as an area of significant attention, page 154 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 unit

Financial Statement Elements

	FY25	FY24 Business CGU
Carrying amount of goodwill in the UK Business CGU	**£2.97bn**	£3.56bn
Impairment charge in Business CGU	**£nil**	£0.49bn

Our assessment of risk vs FY24

←→	Our assessment of the risk is similar to FY24. In FY25 the risk has been focussed on the judgements taken in respect to forecast revenue growth and cost savings.

Our results

FY25: Acceptable	FY24: Acceptable

Description of the Key Audit Matter

Forecast-based impairment assessment

We consider the carrying value of goodwill allocated to the UK Business cash generating unit ("CGU") to be a significant audit risk. This reflects the inherent uncertainty involved in forecasting cash flows, which are the basis of the assessment of recoverability.

In the current period the estimated recoverable amount was measured using a fair value less costs of disposal (FVLCD) methodology, which represented a change from the Value in Use methodology applied previously. For the UK Business CGU, there is uncertainty in relation to the CGU's ability to achieve revenue targets, given its recent 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, thus renders precise forecasting of the underlying cash flows challenging.

In addition, the impairment charge recognised in the prior period and carrying value of assets results in limited headroom for this CGU. 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 UK Business CGU has a high degree of estimation uncertainty, with a potential range of reasonable impairment outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

The financial statements (note 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 valuations, 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 forecast cost 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 FY24 and FY25, 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 UK Business CGU 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 UK Business CGU.

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 FY25, and our conclusions on appropriateness of assumptions in the impairment model.
- Our view on the disclosures included in the financial statements and the sensitivity of the UK Business 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 UK Business 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 CGU.

Our results
We found the Group's conclusion that there is no impairment of the UK Business CGU to be acceptable (FY24: carrying amount and related impairment charge to be acceptable)

We found the Group's disclosures of the related sensitivities to be acceptable (FY24: 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 167 for the accounting policy on impairment of goodwill (note 13) for the financial disclosures.

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

Financial Statement Elements

	FY25	FY24
BTPS Obligation	**£35.69bn**	£40.0bn

Our assessment of risk vs FY24

←→	Our assessment of the risk is similar to FY24.

Our results

FY25: Acceptable	FY24: 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 19) 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.

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 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 (FY24: 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 185 for the accounting policy on the Retirement Benefit Plan (note 19) for the financial disclosures.

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

Financial Statement Elements

	FY25	FY24
Longevity Insurance Contracts for the BTPS: included within the unquoted BTPS plan assets	**£0.9bn**	£0.9bn

Our assessment of risk vs FY24

←→	Our assessment of the risk is similar to FY24.

Our results

FY25: Acceptable	FY24: 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.

In FY25, a key valuation judgement is 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 is that, as part of our risk assessment, 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, competencies and objectivity of the Group's external experts who assisted in determining the key unobservable inputs and the valuation of a longevity insurance contract.

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

Assessing transparency: Considering the adequacy of the Group's disclosures in respect of the sensitivity of 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.

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 mortality).

Our results
We found the valuation of the longevity insurance contracts and related disclosures to be acceptable (FY24: 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 185 for the accounting policy on Retirement benefit plans (note 19) for the financial disclosures.

4.5 Recoverability of Parent Company investment in subsidiaries

Financial Statement Elements

	FY25	FY24
Investment in subsidiary	**£11.40bn**	£11.34bn

Our assessment of risk vs FY24

←→	Our assessment of the risk is similar to FY24.

Our results

FY25: Acceptable	FY24: Acceptable

Description of the Key Audit Matter

Low risk, high value
The carrying amount of the Parent company investment in subsidiary represents 100% (FY24: 100%), of the Parent Company's total assets.

The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their 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 it's 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 (FY24: acceptable).

Further information in the Annual Report and Accounts: Refer to page 222 for the accounting policy on Investments in Subsidiaries Undertakings.

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.

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

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 BT 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 BT 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 evaluation and test of operating effectiveness 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 those posted by senior finance management, those posted and approved by the same user and those posted to unusual or seldom used accounts;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- Evaluating the business purpose for significant unusual transactions.

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 discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

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

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

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

Most significant indirect law/ regulation areas

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, regulations affecting telecommunication providers, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities (including compliance with Ofcom regulation) and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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.

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 (FY24: £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 (FY24: £135m). This was determined with reference to a benchmark of Total Revenue (of which it represents 0.66% (FY24: 0.65%)).

Consistent with FY24, 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 £20.35 billion (£20.7 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 0.66% (FY24: 0.65%) to the benchmark.

This percentage is close to the bottom end of the guideline percentage range. This reflects the importance of Group total assets and Group PBTCO, of which it represents 0.26% and 9.60% respectively, to the users of the financial statements.

Materiality for the Parent Company financial statements as a whole was set at £100m (FY24: £100m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.88% (FY24: 0.89%).

£67.5m (FY24: £87.7m)
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 50% (FY24: 65%) of materiality for BT Group Plc's Group financial statements as a whole to be appropriate.

The Parent Company performance materiality was set at £50m (FY24: £65m), which equates to 50% (FY24: 65%) of materiality for the Parent Company financial statements as a whole.

We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

£4.0m (FY24: £5.4m)
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 Committee.

Basis for determining the audit misstatement posting threshold and judgements applied

We set our audit misstatement posting threshold at 3% (FY24: 4%) 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 (FY24: £135m) compares as follows to the main financial statement caption amounts:

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

Total Group Revenue

	FY25	FY24
Total Group Revenue	**£20,358m**	£20,797m
Group Materiality as % of Total Group Revenue	**0.66%**	0.65%

Group profit before tax

	FY25	FY24
Group profit before tax	**£1,334m**	£1,186m
Group Materiality as % of Group profit before tax	**10.12%**	11.38%

Total Group Assets

	FY25	FY24
Total Group Assets	**£50,892m**	£51,739m
Group Materiality as % of Total Group Assets	**0.26%**	0.26%

7. The scope of our audit

Group scope

What we mean

How the Group auditor determined the procedures to be performed across the Group.

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement ("RMMs"). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

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 215 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 4 additional components 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	4	£9m – £50m
Total	**6**	

We involved component auditors in performing the audit work on 2 components. 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 83% of Group revenue.

We performed audit procedures in relation to components that accounted for 90% 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.

Impact of controls on our group audit.
As noted by the Audit and Risk Committee on page 94, the 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 these 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 2025.

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 Listing Rules for our review.

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

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 123, 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
22 May 2025

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)
Of which net impairment losses on trade receivables and contract assets		*(171)*	—	*(171)*
Operating profit (loss)	4	**3,276**	**(784)**	**2,492**
Finance expense	27	(1,104)	(197)	(1,301)
Finance income	27	151	—	151
Net finance expense		**(953)**	**(197)**	**(1,150)**
Share of post tax profit (loss) of associates and joint ventures	24	(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

Group income statement
Year ended 31 March 2024

	Notes	Before specific items ('Adjusted') £m	Specific items[a] £m	Total (Reported) £m
Revenue	4, 5	20,835	(38)	20,797
Operating costs	6	(17,634)	(949)	(18,583)
Of which net impairment losses on trade receivables and contract assets		(165)	—	(165)
Of which goodwill impairment	13	—	(488)	(488)
Operating profit (loss)	4	**3,201**	**(987)**	**2,214**
Finance expense	27	(1,067)	(121)	(1,188)
Finance income		181	—	181
Net finance expense		**(886)**	**(121)**	**(1,007)**
Share of post tax profit (loss) of associates and joint ventures	24	(21)	—	(21)
Profit (loss) before taxation		**2,294**	**(1,108)**	**1,186**
Taxation	10	(476)	145	(331)
Profit (loss) for the year		**1,818**	**(963)**	**855**
Earnings per share	11			
Basic		18.5p	(9.8)p	8.7p
Diluted		18.2p	(9.6)p	8.6p

a Specific items are defined and analysed in note 9.

Group statement of comprehensive income
Year ended 31 March 2025

	Notes	**2025 £m**	2024 £m
Profit for the year		**1,054**	855
Other comprehensive income (loss)			
Items that will not be reclassified to the income statement			
Remeasurements of the net pension obligation	19	88	(2,444)
Tax on pension remeasurements	10	(22)	600
Items that have been or may be reclassified to the income statement			
Exchange differences on translation of foreign operations	29	(50)	(66)
Fair value movements on assets at fair value through other comprehensive income	29	(6)	—
Movements in relation to cash flow hedges:			
– net fair value losses	29	(105)	(642)
– recognised in income and expense	29	329	356
Tax on components of other comprehensive income that have been or may be reclassified	10, 29	(56)	78
Share of post tax other comprehensive loss in associates and joint ventures	24	(5)	(11)
Other comprehensive income (loss) for the year, net of tax		**173**	(2,129)
Total comprehensive income (loss) for the year		**1,227**	(1,274)

Group balance sheet
At 31 March 2025

	Notes	2025 £m	2024 £m
Non-current assets			
Intangible assets	13	12,433	12,920
Property, plant and equipment	14	23,380	22,562
Right-of-use assets	15	3,328	3,642
Derivative financial instruments	28	904	1,020
Investments	23	17	29
Joint ventures and associates	24	252	307
Trade and other receivables	16	655	641
Preference shares in joint ventures	24	234	451
Contract assets	5	306	330
Retirement benefit surplus	19	142	70
Deferred tax assets	10	959	1,048
		42,610	**43,020**
Current assets			
Inventories		331	409
Trade and other receivables	16	3,109	3,565
Preference shares in joint ventures	24	161	82
Contract assets	5	1,194	1,410
Assets classified as held for sale	22	245	—
Current tax receivable		355	423
Derivative financial instruments	28	130	50
Investments	23	2,631	2,366
Cash and cash equivalents	25	216	414
		8,372	**8,719**
Current liabilities			
Loans and other borrowings	26	2,092	1,395
Derivative financial instruments	28	106	94
Trade and other payables	17	5,955	6,327
Contract liabilities	5	899	906
Lease liabilities	15	705	766
Liabilities classified as held for sale	22	188	—
Current tax liabilities		82	92
Provisions	18	258	238
		10,285	**9,818**
Total assets less current liabilities		**40,697**	**41,921**
Non-current liabilities			
Loans and other borrowings	26	16,670	17,131
Derivative financial instruments	28	391	445
Contract liabilities	5	257	175
Lease liabilities	15	3,866	4,189
Retirement benefit obligations	19	4,230	4,882
Other payables	17	276	637
Deferred tax liabilities	10	1,717	1,533
Provisions	18	382	411
		27,789	**29,403**
Equity			
Share capital		499	499
Share premium		1,051	1,051
Own shares	20	(378)	(311)
Merger reserve		998	998
Other reserves	29	828	716
Retained earnings		9,910	9,565
Total equity		**12,908**	**12,518**
		40,697	**41,921**

The consolidated financial statements on pages 143 to 218 were approved by the Board of Directors on 22 May 2025 and were signed on its behalf by:

Adam Crozier
Chairman

Allison Kirkby
Chief Executive

Simon Lowth
Chief Financial Officer

Group statement of changes in equity
Year ended 31 March 2025

	Notes	Share capital[ab] £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 2023		**499**	**1,051**	**(422)**	**998**	**957**	**11,431**	**14,514**
Profit for the year		—	—	—	—	—	855	855
Other comprehensive income (loss) – before tax		—	—	—	—	(708)	(2,455)	(3,163)
Tax on other comprehensive income (loss)	10	—	—	—	—	78	600	678
Transferred to the income statement		—	—	—	—	356	—	356
Total comprehensive income (loss) for the year		—	—	—	—	(274)	(1,000)	(1,274)
Dividends to shareholders	12	—	—	—	—	—	(757)	(757)
Share-based payments	21	—	—	—	—	—	71	71
Tax on share-based payments	10	—	—	—	—	—	(12)	(12)
Net buyback of own shares	20	—	—	111	—	—	(137)	(26)
Transfer to realised profit[g]		—	—	—	—	33	(33)	—
Other movements		—	—	—	—	—	2	2
At 31 March 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	21	—	—	—	—	—	62	62
Tax on share-based payments	10	—	—	—	—	—	18	18
Net buyback of own shares	20	—	—	(67)	—	—	(58)	(125)
Transfer to realised profit		—	—	—	—	—	—	—
Other movements		—	—	—	—	—	(1)	(1)
At 31 March 2025		**499**	**1,051**	**(378)**	**998**	**828**	**9,910**	**12,908**

a The allotted, called up, and fully paid ordinary share capital of BT Group plc at 31 March 2025 was £499m comprising 9,968,127,681 ordinary shares of 5p each (31 March 2024: £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 20.
e The merger reserve balance at 1 April 2023 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 29.
g Includes amounts relating to disposal of investments, for further analysis see note 29.

Group cash flow statement
Year ended 31 March 2025

	Notes	2025 £m	2024 £m
Cash flow from operating activities			
Profit before taxation		1,334	1,186
Share of post tax loss (profit) of associates and joint ventures		8	21
Net finance expense		1,150	1,007
Operating profit		**2,492**	**2,214**
Other non-cash charges[a]		130	76
Impairment loss on remeasurement of disposal groups		116	—
Loss (profit) on disposal of businesses[b]		—	(15)
(Profit) loss on disposal of property, plant and equipment and intangible assets		(32)	3
Depreciation and amortisation, including impairment charges[c]	6	4,978	5,398
Decrease (increase) in inventories		78	(60)
Decrease (increase) in trade and other receivables		235	(843)
Decrease (increase) in contract assets		219	157
(Decrease) increase in trade and other payables		(386)	(89)
Increase (decrease) in contract liabilities		99	39
(Decrease) increase in other liabilities[d]		(924)	(850)
(Decrease) increase in provisions		(51)	(18)
Cash generated from operations		**6,954**	**6,012**
Income taxes refunded (paid)		35	(59)
Net cash inflow from operating activities		**6,989**	**5,953**
Cash flow from investing activities			
Interest received		132	140
Dividends received from joint ventures, associates and investments		4	20
Proceeds on disposal of businesses		25	81
Proceeds on disposal of current financial assets[e]		13,891	12,389
Purchases of current financial assets[e]		(14,158)	(11,216)
Proceeds from investment in preference shares in joint venture	24	63	—
Proceeds on disposal of property, plant and equipment and intangible assets		36	2
Purchases of property, plant and equipment and intangible assets[f]		(4,937)	(4,969)
Prepayment for forward sale of copper[g]		—	105
Decrease (increase) in amounts owed by joint ventures		120	117
Settlement of minimum guarantee liability with sports joint venture	17	(187)	(211)
Net cash outflow from investing activities		**(5,011)**	**(3,542)**
Cash flow from financing activities			
Equity dividends paid		(788)	(759)
Interest paid		(956)	(865)
Repayment of borrowings[h]		(2,095)	(1,676)
Proceeds from bank loans and bonds		2,552	2,242
Payment of lease liabilities		(739)	(748)
Cash flows from collateral received (paid)[i]		(11)	(532)
Changes in ownership interests in subsidiaries		—	(13)
Proceeds from exercise of employee share options		6	57
Repurchase of ordinary share capital		(79)	(133)
(Decrease) increase in amounts owed to joint ventures	26	(1)	(1)
Net cash outflow from financing activities		**(2,111)**	**(2,428)**
Net decrease in cash and cash equivalents		**(133)**	**(17)**
Opening cash and cash equivalents		356	381
Net decrease in cash and cash equivalents		(133)	(17)
Effect of exchange rate changes		(9)	(8)
Closing cash and cash equivalents[j]	25	**214**	**356**

a FY25 non cash items include £75m of fair value loss (FY24: £22m) on A and C preference shares held in the sports JV and an impairment loss of £44m in respect of Group's equity interest in the Sports JV.
b FY24 net profit comprises £25m profit on divestments completing in the year less £10m net transaction costs in relation to BT Sport disposal in FY23.
c FY24 depreciation and amortisation includes goodwill impairment charges of £488m.
d Includes pension deficit payments of £803m (FY24: £823m) see note 19 for further details.
e Primarily consists of investment in and redemption of amounts held in liquidity funds.
f Property, plant and equipment, engineering stores and software additions of £4,857m (FY24: £4,880m) (see note 4) and capital accruals movements of £80m (FY24: £89m). Purchases of property, plant and equipment is presented net of cash inflows from government grants of £98m (FY24: £159m).
g During FY25 we received an upfront prepayment of £nil (FY24: £105m) from entering into a forward agreement to sell copper granules created from surplus copper cables which are currently recognised within property, plant and equipment (note 14). 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 26 for further details.
h Repayment of borrowings includes the impact of hedging.
i Cash flows relating to cash collateral held in respect of derivative financial assets with certain counterparties, see note 28 for further details.
j Net of bank overdrafts of £2m (FY24: £58m).

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, including our £2.1bn undrawn committed borrowing facility which matures no earlier than January 2030 with the option to extend for two further years, and the potential impact of 'Our principal risks and uncertainties' (pages 56 to 61); and which estimates 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 2026, 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 62 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 14).

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 2024 to 31 March 2025 ('FY25'), with comparative figures for the financial year from 1 April 2023 to 31 March 2024 ('FY24').

New and amended accounting standards effective during the year

The following amended standards were effective and adopted by us during the year.

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

These amendments clarify the characteristics of supplier finance arrangements and require additional disclosures of such arrangements. The disclosure requirements in the amendments are intended to assist in assessing their effects on liabilities, cash flows and exposure to liquidity risk.

As a result of implementing the amendments, we have provided additional disclosures about our supplier finance arrangements, see note 17.

Other

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

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

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 FY25 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 within the income statement, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the income statement into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, 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, narrow-scope 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 the amendments 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:

- Lack of Exchangeability (Amendments to IAS 21)
- 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.

Restatement of operating costs

During FY25, following the roll-out of a new payroll system, we have identified employee pension contributions were incorrectly included in employer pension costs and should have been recorded as gross wages and salaries. Additionally, sales

1. Basis of preparation continued

commissions were omitted from wages and salaries, being recognised in 'sales commissions'.

In FY25, following completion of a finance system transformation, we have more granular information with which to better align cost allocations with our accounting policies. As a result, we have identified certain reclassifications across our operating cost categories to the costs reported in FY24. Comparatives have been restated. See note 6 for details.

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, acquisitions and disposals of businesses and investments, impairment on remeasurement of the disposal groups to held for sale, impairment of goodwill, impairment charges in our portfolio businesses, charges or credits relating to retrospective regulatory matters, property rationalisation programmes, out-of-period balance sheet adjustments, historical property-related provisions, significant out-of-period contract settlements, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items. Any releases to provisions originally booked as a specific item are also classified as specific. Conversely, when a reversal occurs in relation to a prior year item not classified as specific, the reversal is not classified as specific in the current year.

Movements relating to the sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), such as fair value gains or losses on the A and C preference shares or impairment charges on the equity-accounted investment are classified as specific. Refer to note 24 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	✓		
15. Reasonable certainty and determination of lease terms			✓
18. Identifying contingent liabilities			✓
18. Provisions		✓	✓
19. Valuation of pension assets and liabilities	✓		✓
19. Control assessment over co-investment vehicles			✓
22. Held for sale classification			✓
24. Valuation of BT's equity interest in the Sports joint venture		✓	
24. Valuation of investment in A preference shares in Sports joint venture		✓	

Notes to the consolidated financial statements continued

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.

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 14.

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.

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.

During the year to 31 March 2025 the group had three CFUs: Consumer, Business and Openreach. The CFUs are supported by technology units (TUs) comprising Digital and Networks; and corporate units (CUs) including procurement and property management. TUs and CUs are not reportable segments as they did not meet the quantitative thresholds as set out in IFRS 8 ‘Operating Segments’ for any of the years presented.

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

Allocation of certain items to segments

Provisions for the settlement of significant legal, commercial and regulatory disputes, which are negotiated at a group level, are initially recorded in the ‘Other’ segment. On resolution of the dispute, the full impact is recognised in the results of the relevant CFU and offset in the group results through the utilisation of the provision previously charged to the ‘Other’ segment. Settlements which are particularly significant or cover more than one financial year may fall within the definition of specific items as detailed in note 9, in which case they are not 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 CUs are recharged to the CFUs to reflect the services provided to them. Depreciation and amortisation incurred by TUs in relation to the networks and systems they manage and operate on behalf of the CFUs is allocated to the CFUs based on their respective utilisation. Depreciation and amortisation incurred by CUs 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. We also increasingly track adjusted operating profit which reflects the growing depreciation expense arising from our elevated network investment.

Revenue recognition

Our revenue recognition policy is set out in note 5.

Internal revenue and costs

Most of our internal trading relates to Openreach and arises on rentals, and any associated connection or migration charges, of the UK access lines and other network products to the other CFUs, including the use of BT Ireland’s network, 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 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, goodwill is allocated based on our goodwill model CGUs as detailed in note 13.

Notes to the consolidated financial statements continued

4. Segment information continued

Segment revenue and profit

Year ended 31 March 2025	Consumer £m	Business £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[a] revenue from external customers	**9,653**	**7,736**	**2,969**	**12**	**20,370**
Adjusted EBITDA[b]	**2,644**	**1,536**	**4,029**	**—**	**8,209**
Depreciation and amortisation[a]	(1,832)	(961)	(2,032)	(108)	(4,933)
Adjusted[a] operating profit (loss)	**812**	**575**	**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**

Year ended 31 March 2024	Consumer £m	Business £m	Openreach £m	Other £m	Total £m
Segment revenue	9,833	8,128	6,077	16	24,054
Internal revenue	(47)	(71)	(3,101)	—	(3,219)
Adjusted[a] revenue from external customers	**9,786**	**8,057**	**2,976**	**16**	**20,835**
Adjusted EBITDA[b]	**2,672**	**1,630**	**3,827**	**(29)**	**8,100**
Depreciation and amortisation[a]	(1,738)	(984)	(2,052)	(125)	(4,899)
Adjusted[a] operating profit (loss)	**934**	**646**	**1,775**	**(154)**	**3,201**
Specific items (note 9)					(987)
Operating profit					**2,214**
Net finance expense[c]					(1,007)
Share of post tax (loss) profit of associates and joint ventures					(21)
Profit before tax					**1,186**

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 £197m (FY24: £121m). See note 9.

Internal revenue and costs

	Internal cost recorded by				
Year ended 31 March 2025	**Consumer £m**	**Business £m**	**Openreach £m**	**Other £m**	**Total £m**
Internal revenue recorded by					
Consumer	—	41	1	—	42
Business	26	—	39	41	106
Openreach	2,089	1,098	—	—	3,187
Total	**2,115**	**1,139**	**40**	**41**	**3,335**

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

4. Segment information continued

Capital expenditure

Year ended 31 March 2025	Consumer £m	Business £m	Openreach £m	Other £m	Total £m
Intangible assets[a]	462	390	146	—	998
Property, plant and equipment[b]	745	332	2,692	90	3,859
Capital expenditure	**1,207**	**722**	**2,838**	**90**	**4,857**

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

a Additions to intangible assets as presented in note 13.
b Additions to property, plant and equipment as presented in note 14, inclusive of movement on engineering stores.

Geographic segmentation

Revenue from external customers

Year ended 31 March	2025 £m	2024 £m
UK	18,171	18,450
Europe, Middle East and Africa, excluding the UK	1,194	1,303
Americas	562	617
Asia Pacific	443	465
Adjusted[a] revenue[b]	**20,370**	**20,835**

a Before specific items.
b We present a reconciliation of our adjusted UK service revenue Alternative Performance Measure, of £15,582m (FY24: £15,727m), to revenue in the Additional Information section to this report.

Non-current assets

At 31 March	2025 £m	2024 £m
UK	39,369	39,370
Europe, Middle East and Africa, excluding the UK	557	634
Americas	260	251
Asia Pacific	168	147
Non-current assets[ab]	**40,354**	**40,402**

a Comprising the following balances presented in the group balance sheet: intangible assets, property, plant and equipment, right-of-use assets, joint ventures and associates, trade and other receivables and contract assets.
b Goodwill relating to the international CGU as detailed in note 13 is reported across the: Europe, Middle East and Africa, excluding the UK, Americas and Asia Pacific geographies.

Notes to the consolidated financial statements continued

5. Revenue

Material accounting policies that apply to revenue

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

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

The table below summarises the performance obligations we have identified for our major service lines and provides information on the timing of when they are satisfied and the related revenue recognition policy. Also detailed in this note is revenue expected to be recognised in future periods for contracts in place at 31 March 2025 that contain unsatisfied performance obligations.

Service line	*Performance obligations*	*Revenue recognition policy*
Information and communications technology (ICT) and managed networks	Provision of networked IT services, managed network services, and arrangements to design and build software solutions. Performance obligations are identified for each distinct service or deliverable for which the customer has contracted, and are considered to be satisfied over the time period that we deliver these services or deliverables. Commitments to provide hardware to customers that are distinct from the other promises are considered to be satisfied at the point in time that control passes to the customer.	Revenue for services is recognised over time using a measure of progress that appropriately reflects the pattern by which the performance obligation is satisfied. For time and materials contracts, revenue is recognised as the service is received by the customer. Where performance obligations exist for the provision of hardware, revenue is recognised at the point in time that the customer obtains control of the promised asset. For long-term fixed price contracts revenue recognition will typically be based on the satisfaction of performance obligations in respect of the achievement of contract milestones and customer acceptance, which is the best measure of progress towards the completion of the performance obligation.
Fixed access subscriptions	Provision of broadband, TV and fixed telephony services including national and international calls, connections, line rental and calling features. Performance obligations exist for each ongoing service provided to the customer and are satisfied over the period that the services are provided. Installation services are recognised as 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.
Equipment and other services	Provision of equipment and other services, including mobile phone handsets and hardware such as set-top boxes and broadband routers provided as part of customer contracts. Performance obligations are satisfied at the point in time that control passes to the customer. For other services, performance obligations are identified based on the distinct goods and services we have committed to provide.	Revenue from equipment sales is recognised at the point in time that control passes to the customer. Where payment is not received in full at the time of the sale, such as with equipment provided as part of mobile and fixed access subscriptions, contract assets are recognised for the amount due from the customer that will be recovered over the contract period. Revenue to be recognised is calculated by reference to the relative standalone selling price of the equipment. For other services, revenue is recognised when the related performance obligations are satisfied, which could be over time, in line with contract milestones, or at a point in time depending on the nature of the service.

5. **Revenue** continued

We recognise revenue based on the relative standalone selling price of each performance obligation. Determining the standalone selling price often requires judgement and may be derived from regulated prices, list prices, a cost-plus derived price or the price of similar products when sold on a standalone basis by BT or a competitor. In some cases it may be appropriate to use the contract price when this represents a bespoke price that would be the same for a similar customer in a similar circumstance.

The fixed access and mobile subscription arrangements sold by our Consumer business are typically payable in advance, with any variable or one-off charges billed in arrears. Contracts are largely inflation-linked with price increases recognised when effective. Payment is received immediately for direct sales of equipment to customers. Where equipment is provided to customers under mobile and fixed access subscription arrangements, payment for the equipment is received over the course of the contract term. Payments received in advance are recognised as contract liabilities; amounts billed in arrears are recognised as contract assets.

We adopt variable consideration to allocate the transaction price to take account of the likelihood of the customer upgrading to a new handset during the contract term. Consideration is constrained to a period shorter than the contract term and is allocated to the handset and airtime based on relative standalone selling price. Certain Business long-term contracts offer rebates to our customers. Where this is the case we make an estimate of variable consideration at the outset of the contract based on assumed volumes. These rebates are normally settled monthly against service revenues.

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

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

Where we act as an agent in a transaction, such as 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

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

At inception of a contract, we determine whether the contract is, or contains, a lease following the accounting policy set out in note 15. Arrangements meeting the definition of a lease in which we act as lessor are classified as operating or finance leases at lease inception based on an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case then the lease is a finance lease; if not, it is an operating lease. For sub-leases, we make this assessment by reference to the characteristics of the right-of-use asset associated with the head lease rather than the underlying leased asset.

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

We recognise operating lease payments as income on a straight-line basis over the lease term. Any upfront payments received, such as connection fees, are deferred over the lease term. Determining the lease term is subject to the significant judgements set out in note 15.

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).

Notes to the consolidated financial statements continued

5. Revenue continued

Disaggregation of external revenue

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

Year ended 31 March 2025	Consumer £m	Business £m	Openreach £m	Other £m	Total £m
ICT and managed networks	—	3,078	—	—	3,078
Fixed access subscriptions	4,338	2,130	2,897	—	9,365
Mobile subscriptions	3,509	1,202	—	—	4,711
Equipment[a] and other services	1,806	1,326	72	12	3,216
Revenue before specific items	**9,653**	**7,736**	**2,969**	**12**	**20,370**
Specific items[b] (note 9)					(12)
Revenue[cd]					**20,358**

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

a Includes UK equipment revenue of £2,310m (FY24: £2,391m).
b Relates to regulatory matters classified as specific. See note 9.
c The Group's revenue at 31 March 2025 relating to contracts with customers, as defined by IFRS 15, amounts to £17,358m (FY24: £17,766m).
d We have further disaggregated the revenue presented here to derive the UK adjusted service revenue of £15,582m (FY24: £15,727m). 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.

Revenue expected to be recognised in future periods for performance obligations that are not complete (or are partially complete) as at 31 March 2025 is £13,249m (FY24: £12,133m). Of this, £6,477m (FY24: £6,052m) relates to ICT and managed services contracts and equipment and other services which will substantially be recognised as revenue within three years. Fixed access and mobile subscription services typically have shorter contract periods and so £6,772m (FY24: £6,081m) will substantially be recognised as revenue within two years.

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. This is associated with a small number of products across a limited number of billing systems. We have previously recognised a combined £51m and based on the results of testing there has been no change to the expected value of the liability. As a result, there is no additional recognition or revenue deduction made in the current financial year. The value of this estimate is based on a range of potential adjustments, none of which materially deviate from the amount currently recorded.

This is presented within note 17 and represents our best estimate required to cover ongoing billing adjustments to products relating to both current and prior periods. If the final quantum of adjustments is less than expected, the adjustment will be released back to the income statement.

Lease income

Presented within revenue is £3,000m (FY24: £3,031m) income from arrangements classified as operating leases under IFRS 16 and which represent core business activities for the group. Income relates predominantly to Openreach's leases of fixed-line telecommunications infrastructure to external communications providers, classified as fixed access subscription revenue in the table above, and leases of devices to Consumer customers as part of fixed access subscription offerings, classified as equipment and other services.

During the year we also recognised:

- £19m (FY24: £26m) 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.
- £12m (FY24: £40m) 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.

£33m (FY24: £38m) of this income relates to the sub-leasing of right-of-use assets. These are primarily operating sub-leases of unutilised properties, and finance sub-leases of telecommunications infrastructure.

5. Revenue continued

Contract assets and liabilities

Material accounting policies that apply to contract assets and liabilities

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

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

Where the initial set-up, transition or transformation phase of a long-term contract is considered to be a distinct performance obligation we recognise a contract asset for any work performed but not billed. Conversely a contract liability is recognised where these activities are not distinct performance obligations and we receive upfront consideration. In this case eligible costs associated with delivering these services are capitalised as fulfilment costs, see note 16.

We provide for expected lifetime losses on contract assets following the policy set out in note 16.

Contract assets and liabilities are as follows:

At 31 March	**2025 £m**	2024 £m
Contract assets		
Current	1,194	1,410
Non-current	306	330
	1,500	**1,740**
Contract liabilities		
Current	899	906
Non-current	257	175
	1,156	**1,081**

£704m (FY24: £876m) of the contract liability at 31 March 2024 was recognised as revenue during the year. Impairment losses of £47m (FY24: £35m) 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 2025 was 3% (FY24: 3%).

Notes to the consolidated financial statements continued

6. Operating costs

Year ended 31 March	Notes	2025 £m	2024 (Restated)[a] £m
Operating costs by nature			
Staff costs:			
Wages and salaries[b]		3,969	4,197
Social security costs		432	425
Other pension costs	19	333	358
Share-based payment expense	21	62	71
Total staff costs		**4,796**	5,051
Capitalised direct labour		(1,412)	(1,432)
Net staff costs		**3,384**	3,619
Indirect labour costs[c]		1,271	1,228
Capitalised indirect labour		(806)	(772)
Net indirect labour costs		**465**	456
Net labour costs		**3,849**	4,075
Product costs		3,330	3,449
External sales commissions		440	506
Payments to telecommunications operators		1,074	1,227
Property and energy costs		1,296	1,338
Network operating and IT costs		1,077	1,145
Provision and installation		379	378
Marketing and sales		330	367
Net impairment losses on trade receivables and contract assets[d]		171	165
Other operating costs		492	323
Other operating income		(277)	(238)
Depreciation and amortisation, including impairment charges		4,933	4,899
Total operating costs before specific items		**17,094**	17,634
Specific items	9	772	949
Of which goodwill impairment		—	*488*
Total operating costs		**17,866**	18,583
Operating costs before specific items include the following:			
Leaver costs[b]		9	9
Research and development expenditure[e]		790	726
Foreign currency (gains)/losses		(3)	(2)
Inventories recognised as an expense		2,180	2,170

a Comparatives for the year to 31 March 2024 have been restated for employee pension costs, reclassification of sales commissions to wages and salaries, and other reclassifications between cost categories.
b Leaver costs are included within wages and salaries, except for leaver costs of £278m (FY24: £242m) associated with restructuring costs, which have been recorded as specific items.
c Indirect labour costs related to subcontracted labour costs.
d Consists of net impairment losses on trade receivables and contract assets in Consumer of £117m (FY24: £98m), in Business of £46m (FY24: £45m), in Openreach of £7m (FY24: £20m) and in Other of £2m (FY24: £2m).
e Research and development expenditure includes amortisation of £752m (FY24: £679m) in respect of capitalised development costs and operating expenses of £38m (FY24: £47m). In addition, the group capitalised software development costs of £438m (FY24: £429m).

6. Operating costs continued

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

Year ended 31 March	Notes	**2025 £m**	2024 £m
Depreciation and amortisation before impairment charges			
Intangible assets	13	1,300	1,248
Property, plant and equipment	14	2,939	2,892
Right-of-use assets	15	644	652
Impairment charges			
Intangible assets	13	5	—
Property, plant and equipment[a]	14	43	108
Right-of-use assets[b]	15	2	(1)
Total depreciation and amortisation before specific items		**4,933**	4,899
Impairment charges classified as specific items	9		
Intangible assets[c]		2	488
Property, plant and equipment[a]		29	—
Right-of-use assets		14	11
Total depreciation and amortisation		**4,978**	5,398

a Impairment of network infrastructure, other assets and AUC in FY25, and network infrastructure and engineering stores in FY24, see note 14. Impairment classified as a specific item relates to our Portfolio Businesses, details in note 9.
b FY24 impairment charge reflects a net reversal of impairment on properties reoccupied subsequent to initial impairment.
c FY24 impairment charge represents impairment of goodwill allocated to our Business cash generating unit, further details in note 13.

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	**2025 £m**	2024 £m
Short-term employee benefits	15.9	16.6
Post employment benefits[a]	0.6	0.7
Share-based payments	8.3	8.1
Termination benefits	0.2	—
	25.0	**25.4**

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

Key management personnel are compensated solely in the form of cash and share-based payments. During FY25, no key management personnel (FY24: 1) exercised saveshare options, see note 21.

Restatement of operating costs

Employee pension contributions

During the year to 31 March 2025, we have rolled out a new payroll system. As part of the implementation of the new system, we identified that employee pension contributions that should have been included as part of gross wages and salaries were deducted from that category and mapped to employer pension costs.

In the year to 31 March 2024 an amount of £224m representing employee pension contributions for the period, which are not a cost of the Group, was incorrectly deducted from wages and salaries in the income statement and added to the amount disclosed as the Group's other pension cost. There was no effect on total staff costs. Comparatives have been restated.

Reclassification of sales commissions to wages and salaries

As part of an exercise to review cost categories for internal and external reporting we have revisited our classifications for sales commissions. Commissions paid to employees are now included within wages and salaries. Sales commissions paid to employees were previously mapped to the 'sales commissions' category but should have been included within staff costs. We have renamed the 'sales commissions' category in the operating cost note to 'external sales commissions' to clarify the content of this line.

Wages and salaries of £130m for the year to 31 March 2024 were included in 'sales commissions'. We have adjusted the comparative amounts for the year ended 31 March 2024 to show this amount in wages and salaries.

Other reclassifications between cost categories

During the year to 31 March 2025, following completion of finance system transformation, we have more granular information with which to better align cost allocations with our accounting policies. As a result of this, we have identified certain reclassifications across our operating cost categories to the costs reported in the year to 31 March 2024.

In particular:

- Equipment costs of £137m have been reclassified from provision and installation costs to product costs to reflect our policy of reporting customer equipment costs within product costs.
- Network solution costs of £215m to support our products have been reclassified from product costs to network operating costs to reflect the nature of the costs being incurred, being costs to develop network solutions to support our products.

Notes to the consolidated financial statements continued

6. Operating costs continued

The impact of the above restatement on the prior year operating costs note is presented in the table below:

	Year ended 31 March		
	2024 (Reported) £m	Restatement	2024 (Restated) £m
Operating costs by nature			
Staff costs:			
Wages and salaries	3,843	354	4,197
Social security costs	425	—	425
Other pension costs	582	(224)	358
Share-based payment expense	71	—	71
Total staff costs	**4,921**	**130**	**5,051**
Capitalised direct labour	(1,432)	—	(1,432)
Net staff costs	**3,489**	**130**	**3,619**
Indirect labour costs	1,228	—	1,228
Capitalised indirect labour	(772)	—	(772)
Net indirect labour costs	**456**	**—**	**456**
Net labour costs	**3,945**	**130**	**4,075**
Product costs	3,527	(78)	3,449
External sales commissions	636	(130)	506
Payments to telecommunications operators	1,227	—	1,227
Property and energy costs	1,338	—	1,338
Network operating and IT costs	930	215	1,145
Provision and installation	515	(137)	378
Marketing and sales	367	—	367
Net impairment losses on trade receivables and contract assets	165	—	165
Other operating costs	323	—	323
Other operating income	(238)	—	(238)
Depreciation and amortisation, including impairment charges	4,899	—	4,899
Total operating costs before specific items	**17,634**	**—**	**17,634**
Specific items (note 9)	*949*	—	*949*
Total operating costs	**18,583**	**—**	**18,583**

7. Employees

	2025			2024		
Number of employees in the group	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	70.8	68.3	64.5	77.3	74.9	71.4
Non-UK	20.7	20.7	20.8	20.1	20.0	20.3
Total employees	**91.5**	**89.0**	**85.3**	**97.4**	**94.9**	**91.7**
Consumer	17.8	15.7	16.2	18.1	16.3	15.8
Business	22.2	22.0	21.0	23.6	23.3	22.6
Openreach	30.6	30.5	27.8	35.1	34.9	32.8
Other	20.9	20.8	20.3	20.6	20.4	20.5
Total employees	**91.5**	**89.0**	**85.3**	**97.4**	**94.9**	**91.7**

a Average reflecting monthly average headcount.
b Average reflecting the full-time equivalent of full- and part-time employees, excluding subcontract labour. There were 31.0k FTE agency and subcontract labour at the FY25 year-end (FY24: 28.4k).

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	2025 £000	2024 £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	16,397	14,473
The audit of the company's subsidiaries	5,981	6,294
	22,378	**20,767**
Audit related assurance services[b]	**2,185**	**2,487**
Other non-audit services	**3**	**33**
Total services	**24,566**	**23,287**

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

Fees payable to auditors other than KPMG for audits of certain overseas subsidiaries were £174,000 (FY24: £164,000).

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 FY25 KPMG LLP received total fees from the BT Pension Scheme of £2.3m (FY24: £1.9m) in respect of the following services:

Year ended 31 March	2025 £000	2024 £000
Audit of financial statements of associates	2,093	1,767
Audit-related assurance services	128	26
Other non-audit services	32	74
Total services	**2,253**	**1,867**

9. Specific items

Material accounting policies that apply to specific items

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

This presentation is consistent with the way that financial performance is measured by management and reported to the 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, impairment on remeasurement of the disposal groups to held for sale, impairment of goodwill, impairment charges in our portfolio businesses, charges or credits relating to retrospective regulatory matters, property rationalisation programmes, out of period balance sheet adjustments, historical property-related provisions, significant out of period contract settlements, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items. Any releases to provisions originally booked as a specific item are also classified as specific. Conversely, when a reversal occurs in relation to a prior year item not classified as specific, the reversal is not classified as specific in the current year.

Movements relating to the sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), such as fair value gains or losses on the A and C preference shares or impairment charges on the equity-accounted investment are classified as specific. Refer to note 24 for further detail.

Notes to the consolidated financial statements continued

9. Specific items continued

Year ended 31 March	2025 £m	2024 £m
Revenue		
Retrospective regulatory matters	12	38
Specific revenue	**12**	**38**
Operating costs		
Restructuring charges	448	388
Sports JV – related items	119	32
Other divestment-related items	19	(22)
Retrospective regulatory matters	(7)	18
Historical property-related provisions	—	34
Out of period adjustments	32	—
Impairment loss on remeasurement of disposal groups	116	—
Specific operating costs before depreciation and amortisation	**727**	**450**
Impairment charges in our Portfolio Businesses	45	—
Impairment charges due to property rationalisation	—	11
Impairment of goodwill	—	488
Specific operating costs	**772**	**949**
Specific operating loss	**784**	**987**
Net finance expense		
Interest expense on retirement benefit obligation	197	121
Specific net finance expense	**197**	**121**
Net specific items charge before tax	**981**	**1,108**
Taxation		
Tax credit on specific items above	(200)	(145)
	(200)	**(145)**
Net specific items charge after tax	**781**	**963**

Retrospective regulatory matters
We recognised net £5m impact in relation to historical regulatory matters, with £12m charges recognised in revenue offset by credits of £7m within operating costs (FY24: net charge of £56m). These items represent movements in provisions relating to various matters.

Restructuring charges
We have incurred charges of £448m (FY24: £388m) relating to projects associated with our group-wide cost transformation and modernisation programme. Costs primarily relate to leaver costs, consultancy costs, and staff costs associated with colleagues working exclusively on programme activity. The net cash cost of restructuring activity during the year was £423m (FY24: £348m).

FY25 was the final year of the five-year transformation programme which was announced in May 2020 and ran until the end of March 2025. A new programme of a further targeted £3bn gross annualised cost savings, with a total cost to achieve of £1bn, was announced in May 2024 which will run until the end of FY29. The benefits and costs of the final FY25 year of the previous May 2020 programme have been absorbed into the new programme. In FY25 we achieved an estimated £0.9bn of gross annualised cost savings at a cost to achieve of £0.4bn. The total expected cash costs to achieve is £1bn, of this we have incurred £0.4bn to date.

We do not consider the estimated restructuring costs to achieve of £1bn referenced here to constitute a sufficiently-detailed formal announcement of a restructuring programme such that would trigger a provision under IAS 37. Costs are provided for when the IAS 37 recognition criteria are met.

Sport JV-related items
We have recorded a net fair value loss of £75m (FY24: £22m) on the A and C preference shares held in the Sports JV (see note 24) and an impairment loss of £44m in respect of Group's equity interest in the Sports JV. In FY24 £10m of additional net costs related to the transaction.

Other divestment-related items
We recognised a £19m charge (FY24: £22m credit) relating to costs associated with ongoing divestment activities as we progress towards becoming fully UK focused.

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

Out of period adjustments
We have recognised £32m 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 has been recognised as specific due to the nature and incidence of this adjustment. The correction of aged balances, which do not relate to the current or prior year, would skew the results of the Business CFU.

Impairment loss on remeasurement of disposal groups
In our Business CFU, during FY25, we recognised an impairment charge of £116m for the remeasurement of the 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 22).

Impairment charges in our Portfolio Businesses
We have recognised an impairment of £45m of non-current assets following a review of businesses within our Portfolio channel which sits within the Business CFU.

9. Specific items continued

Impairment charges due to property rationalisation
During FY24, we recognised an impairment charge as specific of £11m, in relation to property rationalisation programmes. No impairment was recognised in FY25.

Impairment of goodwill
During FY24, we recognised an impairment charge of £488m in respect of goodwill allocated to our Business cash generating unit. See note 13 for more details.

Interest expense on retirement benefit obligation
During the year we incurred £197m (FY24: £121m) of interest costs in relation to our defined benefit pension obligations.

Tax on specific items
A tax credit of £200m was recognised in relation to specific items (FY24: £145m).

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 provide for the predicted outcome where an outflow is probable, but the agreed amount can differ materially from our estimates. Approximately 68% 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. £96m (FY24: £112m) is included in current tax liabilities or offset against current tax assets where netting is appropriate.

We are subject to regular tax authority review, and, under a downside case an additional amount of £135m could be required to be paid. This amount is not provided as we don't consider this outcome to be probable.

Deciding whether to recognise deferred tax assets is judgemental. We only recognise them when we consider it is probable that they can be recovered. In making this assessment we consider evidence such as historical financial performance, future financial plans and trends and whether our intra-group pricing model has been agreed by the relevant tax authority.

The value of the group's income tax assets and liabilities is disclosed on the group balance sheet. The value of the group's deferred tax assets and liabilities is disclosed below.

Notes to the consolidated financial statements continued

10. **Taxation** continued

Analysis of our taxation expense for the year

Year ended 31 March	2025 £m	2024 £m
United Kingdom		
Corporation tax at 25% (FY24: 25%)	(17)	(10)
Adjustments in respect of earlier years	10	—
Non-UK taxation		
Current tax[a]	(71)	(77)
Adjustments in respect of earlier years	(6)	(10)
Total current taxation (expense)	**(84)**	**(97)**
Deferred taxation		
Origination and reversal of temporary differences	(238)	(280)
Adjustments in respect of earlier years	42	46
Total deferred taxation credit (expense)	**(196)**	**(234)**
Total taxation (expense)	**(280)**	**(331)**

a Includes a current tax expense related to Pillar Two top-up tax of £3m (FY24: N/A).

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	2025 £m	2024 £m
Profit before taxation	**1,334**	**1,186**
Expected taxation expense at UK rate of 25% (FY24: 25%)	(334)	(297)
Effects of:		
(Higher)/lower taxes on non-UK profits	18	25
Net permanent differences between tax and accounting[a]	(26)	(114)
Adjustments in respect of earlier years[b]	46	40
Prior year non-UK losses used against current year profits	9	10
Non-UK losses not recognised[c]	7	5
Total taxation credit (expense)	**(280)**	**(331)**
Exclude specific items (note 9)	(200)	(145)
Total taxation expense before specific items	**(480)**	**(476)**

a Includes income that is not taxable or UK income taxable at a different rate including the UK patent box incentive of £55m (FY24: £60m), and expenses for which no tax relief is received including a loss on goodwill impairment of £nil in FY25 (FY24: £122m).
b Reflects the differences between initial accounting estimates and tax returns submitted to tax authorities, including the release and establishment of provisions for uncertain tax positions.
c Reflects losses made in countries where it has not been considered appropriate to recognise a deferred tax asset, as future taxable profits are not probable.

Tax components of other comprehensive income

Year ended 31 March	2025 Tax credit (expense) £m	2024 Tax credit (expense) £m
Taxation on items that will not be reclassified to the income statement		
Pension remeasurements	(22)	600
Tax on items that have been or may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations	3	9
Fair value movements on cash flow hedges		
– net fair value gains or (losses)	(59)	69
– recognised in income and expense	—	—
Total tax recognised in other comprehensive income	**(78)**	**678**
Current tax credit[a]	10	—
Deferred tax (expense) credit	(88)	678
Total tax recognised in other comprehensive income	**(78)**	**678**

a Includes £6m (FY24: nil) relating to cash contributions made to reduce retirement benefit obligations.

Tax credit (expense) recognised directly in equity

Year ended 31 March	2025 £m	2024 £m
Tax credit (expense) relating to share-based payments	**18**	**(12)**

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 2023	**3,799**	**(626)**	**(40)**	**(2,194)**	**(28)**	**—**	**911**
Expense (credit) recognised in the income statement	782	(17)	2	(454)	(79)	—	234
Expense (credit) recognised in other comprehensive income	—	(325)	—	(266)	(87)	—	(678)
Expense (credit) recognised in equity	—	—	12	—	—	—	12
Exchange differences	—	—	—	3	3	—	6
At 31 March 2024	**4,581**	**(968)**	**(26)**	**(2,911)**	**(191)**	**—**	**485**
Non-current							
Deferred tax asset	—	(968)	(26)	(2,911)	(191)	3,048	(1,048)
Deferred tax liability	4,581	—	—	—	—	(3,048)	1,533
At 31 March 2024	**4,581**	**(968)**	**(26)**	**(2,911)**	**(191)**	**—**	**485**
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**

a Includes a deferred tax asset of £nil (FY24: £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. These deductions drive a projected UK tax loss and no UK tax payments for FY25. 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 and FY25, and pension deficit contribution deductions, result in c. £11.3bn of tax losses expected to be carried forward from FY25, to be utilised against future UK taxable profits. These are represented by a net c.£2.8bn deferred tax asset which is disclosed within the £2,888m deferred tax asset relating to tax losses in the table above.

The group is within the scope of the OECD Pillar Two model rules. The UK has enacted Pillar Two legislation which is applicable from 1 April 2024. Under the legislation, the group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. As the UK rate of corporation tax is 25%, and the group's business is primarily in the UK, the impact of these rules on the group is not expected to be material.

What are our unrecognised tax losses and other temporary differences?

At 31 March 2025 we had operating losses and other temporary differences carried forward in respect of which no deferred tax assets were recognised amounting to £3.5bn (FY24: £3.7bn). Our other temporary differences have no expiry date restrictions. The expiry date of operating losses carried forward is dependent upon the tax law of the various territories in which the losses arose. A summary of expiry dates for losses in respect of which restrictions apply is set out below:

At 31 March 2025	£m	Expiry
Restricted losses		
Europe	1	2026 - 2039
Americas	325	2026 - 2039
Other	2	2026 - 2034
Total restricted losses	**328**	
Unrestricted operating losses	3,007	No expiry
Other temporary differences	201	No expiry
Total	**3,536**	

At 31 March 2025 we had UK capital losses carried forward in respect of which no deferred tax assets were recognised amounting to £16.8bn (FY24: £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 2025 the undistributed earnings of non-UK subsidiaries were £2.5bn (FY24: £2.6bn). No deferred tax liabilities have been recognised in respect of these unremitted earnings because the group is in a position to control the timing of any dividends from subsidiaries and hence any tax consequences that may arise. Under current tax rules, tax of £44m (FY24: £44m) would arise if these earnings were to be repatriated to the UK.

Notes to the consolidated financial statements continued

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	**2025**	2024
Basic weighted average number of shares (millions)	9,779	9,823
Dilutive shares from share options (millions)	49	39
Dilutive shares from share awards (millions)	132	136
Diluted weighted average number of shares (millions)	**9,960**	**9,998**
Basic earnings per share	10.8p	8.7p
Diluted earnings per share	10.6p	8.6p

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 £1,054m (FY24: £855m). 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?

We have a progressive dividend policy to maintain or grow the dividend each year whilst taking into consideration a number of factors including underlying medium-term earnings expectations and levels of business reinvestment.

What dividends have been paid?

A final dividend of 5.76p per share amounting to approximately £566m is proposed in respect of the year ended 31 March 2025 (FY24: final dividend of 5.69p per share amounting to £556m paid in respect of the year ended 31 March 2024). An interim dividend of 2.40p per share amounting to £235m was paid on 5 February 2025 (FY24: interim dividend of 2.31p per share amounting to £227m 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.

	2025		2024	
Year ended 31 March	**pence per share**	**£m**	pence per share	£m
Final dividend in respect of the prior year	5.69	556	5.39	530
Interim dividend in respect of the current year	2.40	235	2.31	227
	8.09	**791**	**7.70**	**757**

13. Intangible assets

Material accounting policies that apply to intangible assets

We recognise identifiable intangible assets where we control the asset, it is probable that future economic benefits attributable to the asset will flow to the group, and we can reliably measure the cost of the asset. We amortise all intangible assets, other than goodwill, over their useful economic life. The method of amortisation reflects the pattern in which the assets are expected to be consumed. If the pattern cannot be determined reliably, the straight-line method is used.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the identifiable net assets (including intangible assets) of the acquired business. Our goodwill impairment policy is set out later in this note.

Acquired intangible assets – customer relationships and brands

Intangible assets such as customer relationships or brands acquired through business combinations are recorded at fair value at the date of acquisition and subsequently carried at amortised cost. Assumptions are used in estimating the fair values of these relationships or brands and include management's estimates of revenue and profits to be generated by them.

Telecommunications licences

Licence fees paid to governments, which permit telecommunications activities to be operated for defined periods, are initially recorded at cost and amortised from the time the network is available for use to the end of the licence period or where our usage can extend beyond the initial licence period, over the period we expect to benefit from the use of the licences, which is typically 20 years. Licences acquired through business combinations are recorded at fair value at the date of acquisition and subsequently carried at amortised cost. The fair value is based on management's assumption of future cash flows using market expectations at acquisition date.

Computer software

Computer software comprises computer software licences purchased from third parties, and also the cost of internally developed software. Computer software licences purchased from third parties are initially recorded at cost. We capitalise costs directly associated with the production of internally developed software, including direct and indirect labour costs of development, only where it is probable that the software will generate future economic benefits, the cost of the asset can be reliably measured and technical feasibility can be demonstrated, in which case it is capitalised as an intangible asset on the balance sheet. Costs which do not meet these criteria and research costs are expensed as incurred.

Our development costs which give rise to internally developed software include upgrading the network architecture or functionality and developing service platforms aimed at offering new services to our customers.

Other

Other intangible assets include website development costs and other licences. Items are capitalised at cost and amortised on a straight-line basis over their useful economic life or the term of the contract.

Estimated useful economic lives

The estimated useful economic lives assigned to the principal categories of intangible assets are as follows:

– Computer software	2 to 10 years
– Telecommunications licences	2 to 20 years
– Customer relationships and brands	1 to 15 years

Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant cash generating unit and the fair value less costs to dispose.

Goodwill is reviewed for impairment at least annually as described below. Impairment losses are recognised in the income statement, as a specific item. If a cash generating unit is impaired, impairment losses are allocated firstly against goodwill, and secondly on a pro-rata basis against intangible and other assets.

Notes to the consolidated financial statements continued

13. Intangible assets continued

	Goodwill £m	Customer relationships and brands[a] £m	Telecoms licences and other[b] £m	Internally developed software[c] £m	Purchased software[c] £m	Total £m
Cost						
At 1 April 2023	**7,955**	**3,383**	**3,491**	**5,727**	**1,294**	**21,850**
Additions	—	—	—	732	206	938
Disposals and adjustments[d]	(4)	(1)	(12)	(671)	298	(390)
Transfers	—	—	—	217	(95)	122
Exchange differences	(29)	—	(1)	(1)	(5)	(36)
At 31 March 2024	**7,922**	**3,382**	**3,478**	**6,004**	**1,698**	**22,484**
Additions	—	—	—	775	223	998
Disposals and adjustments[d]	—	—	6	(753)	(121)	(868)
Transfers[f]	—	—	—	124	(197)	(73)
Transfer to assets held for sale[e]	(99)	—	(43)	—	(83)	(225)
Exchange differences	(25)	—	(1)	—	(4)	(30)
At 31 March 2025	**7,798**	**3,382**	**3,440**	**6,150**	**1,516**	**22,286**
Accumulated amortisation						
At 1 April 2023	**—**	**2,700**	**1,095**	**3,747**	**621**	**8,163**
Amortisation charge for the year	—	231	185	762	70	1,248
Impairment	488	—	—	—	—	488
Disposals and adjustments[d]	—	—	(13)	(462)	96	(379)
Transfers	—	—	—	(41)	90	49
Exchange differences	—	—	(1)	—	(4)	(5)
At 31 March 2024	**488**	**2,931**	**1,266**	**4,006**	**873**	**9,564**
Amortisation charge for the year	—	227	186	790	97	1,300
Impairment	—	—	—	6	1	7
Disposals and adjustments[d]	—	—	8	(749)	(125)	(866)
Transfers[f]	—	—	—	3	(32)	(29)
Transfer to assets held for sale[e]	—	—	(42)	—	(77)	(119)
Exchange differences	—	—	(1)	—	(3)	(4)
At 31 March 2025	**488**	**3,158**	**1,417**	**4,056**	**734**	**9,853**
Carrying amount						
At 31 March 2024	**7,434**	**451**	**2,212**	**1,998**	**825**	**12,920**
At 31 March 2025	**7,310**	**224**	**2,023**	**2,094**	**782**	**12,433**

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 £543m (FY24: £593m), 1800 MHz with book value of £498m (FY24: £544m), 700Mhz with book value of £251m (FY24: £266m), 3400 MHz with book value of £210m (FY24: £226m) and 2600 MHz with book value of £164m (FY24: £185m). Spectrum licences are being amortised over a period between 14 and 20 years.
c Includes a carrying amount of £506m (FY24: £623m) 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 FY25 (FY24: £0.3bn) through operation of the group's annual asset verification exercise).
e For a breakdown of assets held for sale see note 22.
f During FY25, assets with cost of £73m and accumulated depreciation of £29m were transferred from intangible assets to property, plant and equipment following review of asset registers. During FY24, assets with a cost of £122m and accumulated depreciation of £49m were transferred from property, plant and equipment to intangible assets.

13. Intangible assets continued

Impairment of goodwill

Material accounting policies that apply to impairment of goodwill

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.

The recoverable amounts of the CGUs to which goodwill is allocated is determined based on fair value less costs of disposal (FVLCD), which is higher than its value in use (VIU).

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

There were two CGUs to which goodwill was allocated during the prior year – Consumer and Business CGUs, aligning with the corresponding CFUs and reportable segments.

Focusing our strategy on the UK market, we are exploring options to optimise our international operations, resulting in the identification of two CGUs within the Business segment. They consist of the UK-focused operation ("UK Business CGU") and certain international operations (collectively "International Business 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.

Estimating recoverable amount

The outcome of the impairment test of goodwill of UK Business CGU is subject to significant estimation uncertainty, as the calculation of the recoverable amount and resultant headroom is sensitive to the underlying 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 give rise to significant estimation uncertainty that would result in a material change to the outcome of the impairment test of UK Business 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.

Notes to the consolidated financial statements continued

13. **Intangible assets** continued

Cash-generating units

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

		Business			
	Consumer £m	Legacy Business £m	UK Business £m	International Business £m	Total £m
1 April 2023	**3,874**	**4,081**	**—**	**—**	**7,955**
Acquisitions and disposals	—	(4)	—	—	(4)
Exchange differences	—	(29)	—	—	(29)
Impairment	—	(488)	—	—	(488)
31 March 2024	**3,874**	**3,560**	**—**	**—**	**7,434**
Transfer to assets held for sale	—	(99)	—	—	(99)
Exchange differences	—	(25)	—	—	(25)
Reallocation of goodwill	—	(3,436)	2,966	470	—
31 March 2025	**3,874**	**—**	**2,966**	**470**	**7,310**

As noted, in addition to Consumer CGU, we have identified two CGUs to which goodwill is allocated within the Business segment at the end of the year. They consist of the UK-focused operation ("UK Business CGU") and certain international operations (collectively "International Business 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 UK Business and International Business CGUs on a relative fair value basis, as this was deemed to best reflect the goodwill associated to the reorganised units.

The impairment test

The Group's impairment test compares the carrying value of each CGU with its recoverable amount. For FY25, this has been deemed equal to FVLCD.

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 for 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 in its entirety under the fair value hierarchy.

In FY24, our recoverable amounts of Consumer CGU and Business CGU were based on VIU, which exclude the net savings from uncommitted restructuring.

As at 31 March 2025, the estimated recoverable amount of each CGU exceeded its respective carrying value (FY24: £488m impairment recognised).

Key assumptions

Key assumptions used in determining the discounted cash flow forecasts for Consumer, UK Business and International Business 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 in FY25; however were excluded in calculating the VIU in FY24 in line with IAS 36 requirements.
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.

13. Intangible assets continued

The discount rates and long-term growth rates used in the impairment test for Consumer, UK Business and International Business CGUs are disclosed in accordance with IAS 36 as follows.

	2025			2024	
	Consumer	UK Business	International Business	Consumer	Legacy Business
Pre-tax discount rate	9.35 %	9.35 %	10.98 %	9.25 %	9.27 %
Long-term growth rate	1.0 %	1.0 %	0.0 %	1.0 %	0.7 %

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 International Business CGUs, no reasonably possible change in key assumptions indicated an impairment would arise.

In light of the level of headroom (c.£0.9bn) and significance of estimation uncertainty for the UK Business CGU, we considered the following reasonably possible scenarios. For changes in key assumptions in isolation, the impact on headroom is shown below. No impairment arises from these sensitivities:

	Impact on headroom on UK Business	
In £m	Low scenario	High scenario
Projected Adjusted EBITDA CAGR[a] -/+1.0%	(727)	754
Pre-tax discount rate +/-0.5%	(419)	473
Long-term growth rate -/+1.0%	(604)	769

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 to trigger an impairment loss being recognised:

	Change required for carrying value to equal recoverable amount
Increase/(decrease) by	UK Business
Projected adjusted EBITDA CAGR	(1.2)%
Pre-tax discount rate	1.1 %
Long-term growth rate	(1.5)%

We also considered a reasonably possible combined sensitivity, reducing the projected adjusted EBITDA CAGR by 1.0% and long-term growth rate by 1.0%. This would result in a material impairment of £405m.

Notes to the consolidated financial statements continued

14. 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.

Building Digital UK (BDUK) government grants
We receive government grants in relation to BDUK and other rural superfast broadband contracts including Reaching 100% (R100). 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 17.

14. Property, plant and equipment continued

		Network infrastructure				
	Land and buildings £m	Held by Openreach £m	Held by other units £m	Other[a] £m	Assets under construction[f] £m	Total £m
Cost						
At 1 April 2023	**1,165**	**33,775**	**25,289**	**1,622**	**1,594**	**63,445**
Additions[b]	6	1	73	12	3,850	3,942
Transfers	85	2,562	906	279	(3,954)	(122)
Disposals and adjustments[c]	(95)	(208)	(2,198)	(162)	137	(2,526)
Transfer to assets held for sale[d]	—	—	—	—	—	—
Exchange differences	(11)	—	(66)	(5)	(1)	(83)
At 31 March 2024	**1,150**	**36,130**	**24,004**	**1,746**	**1,626**	**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**
Accumulated depreciation						
At 1 April 2023	**716**	**18,998**	**20,854**	**1,210**	**—**	**41,778**
Depreciation charge for the year	55	1,489	1,085	263	—	2,892
Impairment	—	78	—	—	30	108
Transfers	—	—	(49)	—	—	(49)
Disposals and adjustments[c]	(30)	(134)	(2,222)	(174)	—	(2,560)
Transfer to assets held for sale[d]	—	—	—	—	—	—
Exchange differences	(9)	—	(61)	(5)	—	(75)
At 31 March 2024	**732**	**20,431**	**19,607**	**1,294**	**30**	**42,094**
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**
Carrying amount						
At 31 March 2024	**418**	**15,699**	**4,397**	**452**	**1,596**	**22,562**
At 31 March 2025	**411**	**17,158**	**4,367**	**477**	**967**	**23,380**

a 'Other' comprises plant and equipment, motor vehicles, computers, and fixtures and fittings.
b Net of government grants of £103m (FY24: £91m).
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 £1.5bn in FY25 (FY24: £2.2bn) 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 22.
e During FY25, assets with cost of £73m and accumulated depreciation of £29m were transferred from intangible assets to property, plant and equipment following review of asset registers. During FY24, assets with a cost of £122m and accumulated depreciation of £49m were transferred from property, plant and equipment to intangible assets.
f Assets under construction (AUC) cost includes a carrying amount of £73m (Gross cost of £108m and accumulated depreciation of £35m) at 31 March 2025 and £91m (Gross costs £121m and accumulated depreciation of £30m) at 31 March 2024 which relates to engineering stores. In the FY24 Annual Report, part of the cost was previously presented separately from the cost of AUC in the above table. During the year, this has been included in the cost of Assets under construction by including the Gross cost of £92m as at 1 April 2023.

Notes to the consolidated financial statements continued

14. 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:

- £17,158m (FY24: £15,699m) 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 £238m (FY24: £160m) that are made available to retail customers under arrangements that contain operating leases. These are not presented separately in the table above as they are not material relative to the group's overall asset base.

The carrying amount of land and buildings, including leasehold improvements, comprised:

At 31 March	**2025 £m**	2024 £m
Freehold	67	71
Leasehold	344	347
Total land and buildings	**411**	**418**

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 £791m (FY24: £759m) 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 £2.9m as at 31 March 2025 (FY24: £4m). 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 62, we're working hard and investing to convert the majority of our fleet to electric or zero emission vehicles by the end of FY31. This plan does not trigger a significant impairment of fleet assets as substantially all non-electric vehicles held by the group at 31 March 2025 will be fully depreciated ahead of FY31.

15. 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 14 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.

Notes to the consolidated financial statements continued

15. 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 ‘other revenue’.

Significant judgements made in accounting for leases

The lease term is a key determinant of the size of the lease liability and right-of-use asset recognised where the group acts as lessee; and the deferral period for any upfront connection charges where the group acts as lessor. Determining the lease term requires judgement to evaluate whether we are reasonably certain the lessee will exercise extension options or will not exercise termination options. Key facts and circumstances that create an incentive to exercise those options are considered; these include:

- Our anticipated operational, retail and office property requirements in the mid and long term.
- The availability of suitable alternative sites.
- Costs or penalties associated with exiting lease arrangements relative to the benefits to be gained, including costs of removing leasehold improvements or relocating, and indirect costs such as disruption to business.
- Significant investments in leased sites, in particular those with useful lives beyond the lease term.
- Costs associated with extending lease arrangements including rent increases during secondary lease periods.

Our definition of ‘reasonable certainty’, and therefore the lease term, will often align with the judgements made in our medium-term plan, in particular for leases of non-specialised property and equipment on rolling (or ‘evergreen’) arrangements that continue until terminated and which can be exited without significant penalty.

Following initial determination of the lease term, we exercise judgement in evaluating whether events or changes in circumstances are sufficiently significant to change the initial assessment of whether we are reasonably certain the lessee will exercise extension options or will not exercise termination options; and in the subsequent reassessment of the lease term.

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.

15. 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 2025:

- 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.

Notes to the consolidated financial statements continued

15. 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 2023	**3,496**	**95**	**385**	**5**	**3,981**
Additions[a]	271	40	179	1	491
Depreciation charge for the year	(493)	(33)	(121)	(5)	(652)
Impairment[b]	(10)	—	—	—	(10)
Other movements[c]	(108)	(4)	(56)	—	(168)
At 31 March 2024	**3,156**	**98**	**387**	**1**	**3,642**
Additions[a]	362	25	121	2	510
Depreciation charge for the year	(490)	(30)	(122)	(2)	(644)
Impairment[b]	(2)	(14)	—	—	(16)
Transfer to assets held for sale	(32)	(44)	(1)	—	(77)
Other movements[c]	(78)	(2)	(6)	(1)	(87)
At 31 March 2025	**2,916**	**33**	**379**	**—**	**3,328**

a Additions comprise increases to right-of-use assets as a result of entering into new leases, and upwards remeasurement of existing leases arising from lease extensions or reassessments and increases to lease payments.
b Impairment charges relate primarily to a review of businesses within our Portfolio channel, see note 9.
c Other movements primarily relate to terminated leases and downwards remeasurements of right-of-use assets arising from reductions or reassessments of lease terms and decreases in lease payments.

Lease liabilities

Lease liabilities recognised are as follows:

Year ended 31 March	2025 £m	2024 £m
Current	705	766
Non-current	3,866	4,189
	4,571	**4,955**

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

- Interest expense of £135m (FY24: £134m) on lease liabilities.
- Variable lease payments of £38m (FY24: £39m) 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 £874m (FY24: £882m). Our cash flow statement and normalised free cash flow reconciliation present £739m (FY24: £748m) of the cash outflow as relating to the principal element of lease liability payments, with the remaining balance of £135m (FY24: £134m) presented within interest paid.

Note 28 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.

15. Leases continued

Other information relating to leases

At 31 March 2025 the group was committed to future minimum lease payments of £229m (FY24: £55m) 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 2025	To be recognised as revenue (note 5)[a] £m	To be recognised as other operating income (note 6) £m	Total £m
Less than one year	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**
At 31 March 2024			
Less than one year	431	17	448
One to two years	117	11	128
Two to three years	41	11	52
Three to four years	10	9	19
Four to five years	9	3	12
More than five years	—	5	5
Total undiscounted lease payments	**608**	**56**	**664**

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.

16. 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 which we expect to recoup, have not been recognised in the financial statements as these are only recognised within trade and other receivables when their receipt is virtually certain.

Notes to the consolidated financial statements continued

16. **Trade and other receivables** continued

At 31 March	**2025 £m**	2024 £m
Current		
Trade receivables	1,490	1,899
Prepayments	613	586
Accrued income	173	162
Deferred contract costs	415	383
Finance lease receivables	29	31
Amounts due from joint ventures	46	163
Other assets[a]	343	341
	3,109	**3,565**
Non-current		
Deferred contract costs	291	229
Prepayments	120	106
Finance lease receivables	91	107
Other assets[a]	153	199
	655	**641**

a Other assets comprise Flex Pay receivables and £35m (FY24: £57m) 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 30. 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 FY25, we received net cash flows of £420m (FY24: £76m) through this facility. The cashflows are included within the 'Decrease (increase) 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 Groups Alternative Performance Measures.

Trade receivables are stated after deducting allowances for doubtful debts, as follows:

	2025 £m	2024 £m
At 1 April	169	168
Expense	124	129
Utilised	(122)	(127)
Exchange differences	—	(1)
At 31 March	**171**	**169**

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

			Past due and not specifically impaired				
At 31 March	**Not past due £m**	**Trade receivables specifically impaired net of provision £m**	**Between 0 and 3 months £m**	**Between 3 and 6 months £m**	**Between 6 and 12 months £m**	**Over 12 months £m**	**Total £m**
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
2024							
Expected loss rate %	1%	50%	8%	28%	47%	65%	8%
Gross carrying amount	1,448	4	357	81	64	114	2,068
Loss allowance	(11)	(2)	(29)	(23)	(30)	(74)	(169)
Net carrying amount	1,437	2	328	58	34	40	1,899

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

	Trade receivables not past due		**Accrued income**	
At 31 March	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Consumer	276	375	76	81
Business	629	900	2	4
Openreach	5	161	89	75
Other	2	1	6	2
Total	**912**	**1,437**	**173**	**162**

16. Trade and other receivables continued

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 2023	**22**	**131**	**330**	**97**	**580**
Additions	10	134	315	57	516
Amortisation	(11)	(118)	(292)	(56)	(477)
Impairment	—	(2)	(7)	—	(9)
Other	(8)	2	3	5	2
At 31 March 2024	**13**	**147**	**349**	**103**	**612**
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**

Notes to the consolidated financial statements continued

17. 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 2025 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	2025 £m	2024 £m
Current		
Trade payables	3,727	4,119
Other taxation and social security	484	544
Minimum guarantee with sports joint venture[a]	201	194
Accrued expenses	519	543
Deferred income[b]	418	355
Other payables[c]	606	572
	5,955	**6,327**
Non-current		
Minimum guarantee with sports joint venture[a]	87	271
Deferred income[b]	164	342
Other payables	25	24
	276	**637**

a Liability recognised on the minimum revenue guarantee in BT's distribution agreement with the sports joint venture (see note 24). Movement in the liability driven by £187m payments made during the year less £10m finance cost recorded from unwinding the impact of discounting.
b Deferred income includes £98m (FY24: £106m) current and £44m (FY24: £122m) non-current liabilities relating to Building Digital UK, for which grants received by the group may be subject to re-investment or repayment depending on the level of take-up.
c Includes £51m (FY24: £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:

1. 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.
2. 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.

	Bills of Exchange		Other programme	
	31 March 2025 £m	1 April 2024 £m	31 March 2025 £m	1 April 2024 £m
Carrying amount of liabilities that are part of supplier financing arrangements				
Presented within trade and other payables[d]	—	101	990	785
– Of which suppliers have received payment from finance providers	—	101	223	224
Range of payment due dates				
Liabilities which have received payment from finance providers	up to 121 days after invoice date	up to 114 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.

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

18. 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.

Key accounting estimates and significant judgements made in accounting for provisions

We exercise judgement in determining the quantum of all provisions to be recognised. Our assessment includes consideration of whether we have a present obligation, whether payment is probable and if so whether the amount can be estimated reliably.

When measuring provisions we reflect the impact of inflation as appropriate, particularly in relation to our property, asset retirement obligation and third party claims provisions. Although this involves a degree of estimation, it does not represent a significant source of estimation uncertainty having regard to the quantum of the balances in question and the anticipated timing of outflows.

Property provisions relate to obligations arising in relation to our property portfolio, in particular costs to restore leased properties on vacation where this is required under the lease agreement. In measuring property provisions, we have made estimates of the costs associated with the restoration of properties by reference to any relevant guidance such as rate cards. Cash outflows occur as and when properties are vacated and the obligations are settled.

Asset retirement obligations (AROs) relate to obligations to dismantle equipment and restore network sites on vacation of the site. The provision represents the group's best estimate of the costs to dismantle equipment and restore the sites. Obligations are settled as and when sites are vacated and the timing is largely influenced by the group's network strategy.

Our regulatory provision represents our best estimate of the cost to settle our present obligation in relation to historical regulatory matters. The charge/credit for the year represents the outcome of management's re-assessment of the estimates and regulatory risks across a range of issues, including price and service issues. The prices at which certain services are charged are regulated and may be subject to retrospective adjustment by regulators. When estimating the likely value of regulatory risk we make key judgements, including in regard to interpreting Ofcom regulations and past and current claims. The precise outcome of each matter depends on whether it becomes an active issue, and the extent to which negotiation or regulatory and compliance decisions will result in financial settlement. The ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement.

Litigation provisions represent the best estimate to settle present obligations recognised in respect of claims brought against the group. The estimate reflects the specific facts and circumstances of each individual matter and any relevant external advice received. Provisions recognised are inherently judgemental and could change over time as matters progress.

Third party claims provisions (previously described as insurance provisions) represent our exposure to claims from third parties, with latent disease claims from former colleagues and motor vehicle claims making up the majority of the balance. We engage an independent actuary to provide an estimate of the most likely outcomes in respect of latent disease and third party motor vehicle accident claims, and our in-house insurance teams review our exposure to other risks.

Other provisions do not include any individually material provisions.

For all risks, the ultimate liability may vary materially from the amounts provided and will be dependent upon the eventual outcome of any settlement.The range of estimation uncertainty for each class of provision is not material.

Notes to the consolidated financial statements continued

18. **Provisions & contingent liabilities** continued

	Property £m	Network ARO £m	Regulatory £m	Litigation £m	Third party claims £m	Other £m	Total £m
At 1 April 2023	**142**	**93**	**68**	**44**	**187**	**64**	**598**
Additions	42	42	72	—	73	9	238
Unwind of discount	1	4	—	—	1	—	6
Utilised	(15)	(6)	(37)	(1)	(75)	(3)	(137)
Released	(17)	—	(17)	—	(32)	(3)	(69)
Transfers[a]	4	—	—	—	—	10	14
Exchange differences	(1)	—	—	—	—	—	(1)
At 31 March 2024	**156**	**133**	**86**	**43**	**154**	**77**	**649**
Additions	10	37	37	11	65	39	199
Unwind of discount	1	8	—	—	1	—	10
Utilised	(38)	(2)	(45)	(8)	(43)	(2)	(138)
Released	(7)	—	(34)	(3)	(31)	(4)	(79)
Transfers	—	—	—	—	—	—	—
Exchange differences	(1)	—	—	—	—	—	(1)
At 31 March 2025	**121**	**176**	**44**	**43**	**146**	**110**	**640**

a Transfers in FY24 relate to the reclassification of balances previously presented in other payables (note 17) following reassessment of the level of certainty over the timing and amount of any outflow of resources.

At 31 March	**2025 £m**	2024 £m
Analysed as:		
Current	258	238
Non-current	382	411
	640	**649**

Contingent liabilities and legal proceedings

In the ordinary course of business, we are periodically notified of actual or threatened litigation, and regulatory and compliance matters and investigations. We have disclosed below a number of such matters including any matters where we believe a material adverse impact on the operations or financial condition of the group is possible and the likelihood of a material outflow of resources is more than remote.

Where the outflow of resources is considered probable, and a reasonable estimate can be made of the amount of that obligation, a provision is recognised for these amounts and reflected in the table above. Where an outflow is not probable but is possible, or a reasonable estimate of the obligation cannot be made, a contingent liability exists.

In respect of each of the claims below, the nature and progression of such proceedings and investigations can make it difficult to predict the impact they will have on the group. There are many reasons why we cannot make these assessments with certainty, including, among others, that they are in early stages, no damages or remedies have been specified, and/or the often slow pace of litigation.

Class action claim – landline only services

In January 2021, Justin Le Patourel, represented by law firm Mishcon de Reya applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages they estimated at £608m (inclusive of compound interest) or £589m (inclusive of simple interest) alleging anti-competitive behaviour through excessive pricing by BT to customers with certain residential landline services, so-called "stand-alone fixed voice services". Following certification of the claim to proceed to trial as an opt-out claim, Justin Le Patourel amended his claim seeking £1,307m (inclusive of compound interest) or £1,278m (inclusive of simple interest). A hearing took place between January and March 2024. In December 2024, the Competition Appeal Tribunal dismissed the claim, finding that there was no abuse of a dominance position because BT's prices were not unfair. In January 2025, Justin Le Patourel applied to the Competition Appeal Tribunal for permission to appeal the judgment. In February 2025 the Competition Appeal Tribunal refused permission to appeal. In March 2025 Justin Le Patourel applied to the Court of Appeal for permission to appeal the judgment. We await the decision of the Court of Appeal as to whether to grant permission to appeal. At the reporting date we are not aware of any evidence to indicate that a present obligation exists such that any amount should be provided for.

Class action claim – combined mobile and handset services

In November 2023, Justin Gutmann, represented by law firm Charles Lyndon applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages estimated at £1.1bn (inclusive of simple interest) on behalf of customers who purchased combined handset and airtime contracts who are outside their minimum contract terms but who continue to pay the same price as during their minimum contract terms. The claim alleges this approach was an anti-competitive abuse of a dominant position. Similar claims have also been brought against Vodafone, Three and O2 with the total damages claimed £3.285bn (inclusive of simple interest). Class actions must be certified by the Competition Appeal Tribunal at a Collective Proceedings Order (CPO) hearing before proceeding to a substantive trial. A certification hearing took place in early April 2025 at which BT and the other proposed defendants contested certifications and applied to limit the time period of the claim. If the class action is certified the substantive trial will not conclude during FY26. BT 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.

18. Provisions & contingent liabilities continued

Italian business

Milan Public Prosecutor prosecutions: In FY20 proceedings were initiated against BT Italia for certain potential offences, namely the charge of having adopted, from 2011 to 2016, an inadequate management and control organisation model for the purposes of Articles 5 and 25 of Legislative Decree 231/2001. BT Italia disputed this and maintained in a defence brief filed in April 2019 that: (a) BT Italia did not gain any interest or benefit from the conduct in question; and (b) in any event, it had a sufficient organisational, management and audit model that was circumvented/overridden by individuals acting in their own self-interest. The trial commenced on 26 January 2021. On 23 April 2021, the Court allowed some parties to be joined to the criminal proceedings as civil parties ('parte civile') – a procedural feature of the Italian criminal law system. These claims were directed at certain individual defendants (which include former BT/ BT Italia employees). Those parties successfully joined BT Italia as a respondent to their civil claims ('responsabile civile') on the basis that it is vicariously responsible for the individuals' wrongdoing.

The first instance phase of the trial has now concluded with the Court handing down its decision on 25 January 2024. The Court convicted certain individuals (including certain former BT Italia employees) for manipulation of BT Italia's financial statements for the financial year ending 31 March 2016 and for fraud against an Italian company, Sed Multitel S.r.l. The Court dismissed all charges that had been brought against BT Italia but ordered that BT Italia indemnify certain individual minority shareholders in the company and Sed Multitel for their losses. The Court has not quantified the indemnification amount, such that the indemnified parties must now seek to recover these amounts from BT Italia by agreement or separate civil proceedings. The quantum of those claims, if they are pursued successfully, is not anticipated to be material.

Accounting misstatement claims: a law firm acting on behalf of a group of investors has 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 (which have been the subject of previous disclosures). No value is stated and the matter is in the early stages. As mentioned in our earlier reports, the accounting issues in Italy have previously been the subject of class actions in the US that were dismissed by the US courts.

Phones 4U

Since 2015 the administrators of Phones 4U Limited have made allegations that EE and other mobile network operators colluded to procure Phones 4U's insolvency. Legal proceedings for an unquantified amount were issued in December 2018 by the administrators. The trial on the question of liability/breach ran from May to July 2022. In November 2023 the High Court dismissed Phones 4U's claim in its entirety. Phones 4U has subsequently appealed that judgment to the Court of Appeal and a hearing is scheduled for late May 2025 with a judgment expected some months later. We continue to dispute these allegations vigorously.

UK Competition and Markets Authority (CMA) investigation

On 12 July 2022 the CMA opened a competition law investigation into BT and other companies involved in the purchase of freelance services for the production and broadcasting of sports content in the UK. The investigation is focused on BT Sport. In March 2025, the CMA issued its final decision finding that BT and other sports broadcasters broke competition law through exchange of competitive sensitive information. It imposed a fine on BT of £1,738,453. BT agreed to settle the investigation with the CMA and accept liability for the infringement.

19. Retirement benefit plans

19.1 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 and a Defined Contribution section which was closed to future accrual in July 2023. The Defined Benefit section constitutes 2% of BT Group's IAS 19 liability.
- The BT Retirement Saving Scheme (BTRSS) is a Defined Contribution, contract-based, plan operated by Standard Life which new UK employees join. There are around 61,000 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).

Notes to the consolidated financial statements continued

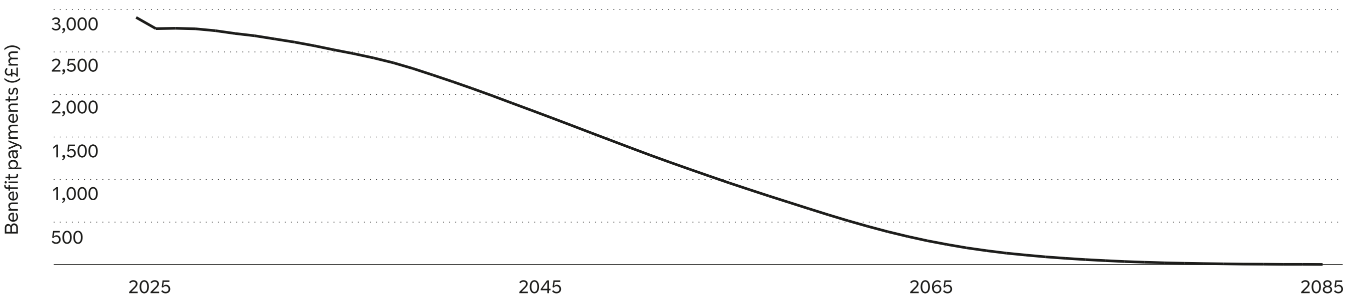
19. Retirement benefit plans continued

19.2 Background to BTPS

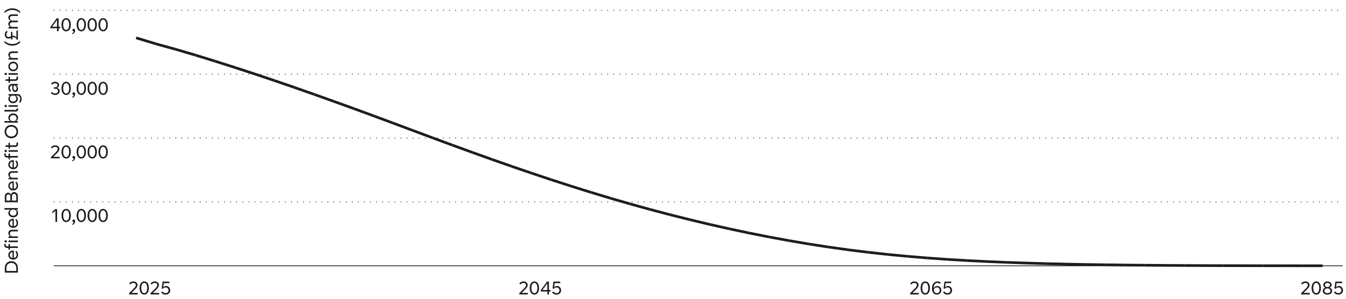
BTPS has 48,000 deferred members and 212,000 pensioners. All BTPS members receive pension benefits at retirement based on salary and years of service; some members also receive a lump sum payment at retirement. Increases for the majority of benefits are linked to either the Retail Price Index (RPI) or the Consumer Price Index (CPI).

Members currently receiving pension benefits make up 77% of the liabilities and 82% 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 2025 (unaudited)



Forecast BTPS IAS 19 Defined Benefit Obligation at 31 March 2025 (unaudited)



The estimated duration of the BTPS liabilities, which is an indicator of the weighted average term of the discounted future payments, is 10 years (FY24: 11 years) using the IAS 19 assumptions. The duration is sensitive to the assumptions and has reduced mainly due to the increase in discount rate over the year.

How is the BTPS governed and managed?

BT Pension Scheme Trustees Limited (the Trustee) has been appointed by BT Group as an independent trustee to administer and manage the BTPS on behalf of the members in accordance with the terms of the BTPS Trust Deed and Rules and relevant legislation (principally the Pensions Acts of 1993, 1995, 2004 and 2021). The Trustee's key powers include setting the investment strategy of 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.

Chair of the Trustee directors

Appointed by BT after consultation with, and with the agreement of, the relevant trade unions.

Member nominated Trustee directors

Appointed by BT based on nominations by trade unions.

Employer nominated Trustee directors

Appointed by BT. Two normally hold senior positions within the group and two normally hold (or have held) senior positions in commerce or industry.

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.

19. Retirement benefit plans continued

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 196 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 2025 (and 31 March 2024), the BTPS held more liquidity than the minimum levels required by the Bank of England and the Pensions Regulator.

19.3 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	2025 £m	2024 (Restated)[b] £m
Recognised in the income statement before specific items (note 6)		
Current service cost:		
– DB plans[a]	12	12
– DC plans	305	317
DB administration expenses and PPF levy	16	29
Subtotal	**333**	**358**
Recognised in the income statement as specific items (note 9)		
Interest on pensions deficit	197	121
Subtotal	**197**	**121**
Total recognised in the income statement	**530**	**479**

a FY25 allows for an estimated £3m impact of the NTL Pension Scheme vs Virgin Media Ltd court ruling on pensions in 2024. We have identified that the trustees of our UK DB plans have available the relevant certification for historic scheme amendments in respect of 99.99% of our IAS 19 liability. Investigation in respect of the remaining liabilities is expected to conclude in FY26 H1.

b Comparatives for the year to 31 March 2024 have been restated for employee pensions costs reclassification to wages and salaries (see Note 6 for further details).

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.

	2025			2024		
At 31 March	Assets £m	Liabilities £m	Surplus/ (Deficit)[a] £m	Assets £m	Liabilities £m	Surplus/ (Deficit)[a] £m
Recognised in non-current liabilities						
BTPS	31,683	(35,690)	(4,007)	35,391	(40,038)	(4,647)
Unfunded plans	—	(82)	(82)	—	(88)	(88)
Other funded plans	18	(159)	(141)	33	(180)	(147)
Sub-total	**31,701**	**(35,931)**	**(4,230)**	**35,424**	**(40,306)**	**(4,882)**
Recognised in non-current assets						
EEPS	732	(601)	131	769	(710)	59
Other funded plans[a]	400	(389)	11	361	(350)	11
Sub-total	**1,132**	**(990)**	**142**	**1,130**	**(1,060)**	**70**
Total	**32,833**	**(36,921)**	**(4,088)**	**36,554**	**(41,366)**	**(4,812)**

a Figures shown net of a £3m (FY24: £4m) 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. For example, a refund of surplus is available following the gradual settlement of the liabilities over time when there are no members remaining in the BTPS or EEPS.

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

At 31 March	2025 £m	2024 £m
Balance sheet position (net of tax)		
Surplus/(deficit)	(4,088)	(4,812)
Deferred tax asset (note 10)	882	968
Total (net of tax)	**(3,206)**	**(3,844)**

Notes to the consolidated financial statements continued

19. 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 2023	**39,808**	**(42,895)**	**(3,087)**
Service cost (including administration expenses and PPF levy)	(29)	(12)	(41)
Interest on net pension deficit	1,886	(2,007)	(121)
Included in the group income statement			**(162)**
Return on plan assets below the amount included in the group income statement	(3,140)	—	(3,140)
Actuarial gain arising from changes in financial assumptions	—	563	563
Actuarial gain arising from changes in demographic assumptions	—	652	652
Actuarial (loss) arising from experience adjustments[a]	—	(519)	(519)
Included in the group statement of comprehensive income			**(2,444)**
Regular contributions by employer	55	—	55
Deficit contributions by employer	823	—	823
Included in the group cash flow statement			**878**
Contributions by employees	—	—	—
Benefits paid	(2,840)	2,840	—
Other (e.g. foreign exchange)	(9)	12	3
Other movements			**3**
At 31 March 2024	**36,554**	**(41,366)**	**(4,812)**
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)**

a Primarily reflects the impact on the liabilities of actual inflation being higher than assumed at the prior reporting date, which has been broadly offset by increases to inflation-linked assets from higher inflation.

19. Retirement benefit plans continued

19.4 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.

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, including those issued by BT Group, that are not regularly traded are valued by an independent valuer using pricing models making assumptions for credit risk, market risk and market yield curves.
- Holdings in investment funds are typically valued at the Net Asset Value provided by the fund administrator or investment manager. The significant assumption used in the valuation is the Net Asset Value.
- Infrastructure investments are valued by an independent valuer using a model-based valuation such as a discounted cash flow approach, or at the price of recent market transactions if they represent fair value. Where a discounted cash flow model is used, the significant assumptions used in the valuation are the discount rate and the expected cash flows.
- Over the counter derivatives are valued by an independent valuer using cash flows discounted at market rates. The significant assumptions used in the valuation are the yield curves and cost of carry.
- The BTPS increased its longevity hedging through two transactions entered into over the financial year. Through the four longevity swaps held, 54% of the scheme's liabilities are hedged against longevity risk. 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.

£6.3bn 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: £0.6bn investment grade credit and bond-like assets; £0.9bn mature infrastructure; £2.6bn private equity and credit; £2.0bn secure income assets; and £0.2bn property. These valuations have been adjusted for cash movements between the previous valuation date and 31 March 2025. 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 2025.

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 2025 (FY24: £1.2bn) 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

19. **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).

		2025		2024 (re-presented)	
At 31 March		**Total assets[a] £bn**	**of which quoted £bn**	Total assets[a] £bn	of which quoted £bn
Growth					
Equities	Global Developed	2.5	1.1	2.4	1.1
Private equity and credit		3.0	—	3.1	—
Property	UK	2.1	—	2.3	—
	Overseas	0.4	—	0.6	—
Other growth assets	Absolute Return[b]	0.6	—	1.2	—
	Mature Infrastructure	0.9	—	1.0	—
Liability matching					
Government bonds[c]	UK	13.0	13.0	14.6	14.5
Investment grade credit	Global	10.1	8.3	10.3	7.7
Secure income assets[d]		5.2	0.6	5.1	0.4
Bond like[e]		1.6	—	1.3	—
Cash, derivatives and other					
Cash balances		0.7		0.8	
Financial derivative contracts[f]		(5.3)		(4.9)	
Longevity insurance contract[g]		(0.9)		(0.9)	
Other[h]		(2.2)		(1.5)	
Total[i]		**31.7**	**23.0**	**35.4**	**23.7**

a At 31 March 2025, the BTPS held nil (FY24: nil) equity issued by the group and £1.5bn (FY24: £1.7bn) of bonds issued by the group. The FY25 asset categories have been updated to better reflect underlying portfolio characteristics as the BTPS matures. FY24 assets have been re-presented to be consistent with the current presentation. £4.2bn of 'Non-Core Credit' assets disclosed in FY24 are now split across 'Private equity and credit' (£1.8bn), 'Secure income assets' (£1.1bn) and 'Bond-like' (£1.3bn). Equities have been combined into 'Global Developed' for FY25.
b This allocation seeks to generate a positive return in all market conditions.
c Around 85% (FY24: 77%) 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 below.
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: £0.7bn (FY24: £0.1bn).

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

19. Retirement benefit plans continued

19.5 Liability valuations for IAS 19

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

The measurement of the liabilities involves judgement about uncertain events including the life expectancy of members, price inflation and the discount rate used to calculate the net present value of the future pension payments. We use estimates for all of these uncertain events. Our assumptions reflect historical experience, market expectations (where relevant), actuarial advice and our judgement regarding future expectations at the balance sheet date. While assumptions are made for these events, actual benefit payments in a given year may be higher or lower than the assumption, for example if 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	**2025**	2024
Discount rate	5.75%	4.90%
Inflation – RPI	3.10%	3.25%
Inflation – CPI	2.60%	2.80%
Life expectancy – male aged 60 in lower pension bracket	25.0 years	24.9 years
Life expectancy – male aged 60 in higher pension bracket	26.7 years	26.7 years
Life expectancy – female aged 60	27.6 years	27.4 years
Average additional life expectancy for a male member retiring at age 60 in 10 years' time	0.5 years	0.4 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	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. The increase in the discount rate over the year reflects changes in the market yield of corporate bonds.
RPI and CPI inflation	RPI inflation expectations are calculated by applying the projected BTPS benefit cash flows to an inflation curve derived from market yields on UK government bonds, and making a deduction for an inflation risk premium (to reflect the extra premium paid by investors for inflation linked assets) of 0.2% p.a. before 2030 and 0.4% p.a. thereafter (FY24: 0.2% and 0.3% respectively). CPI inflation expectations are set with reference to the RPI inflation assumption taking into account market data and independent estimates of the expected difference. Before 2030, CPI inflation is assumed to be 1.1% lower than RPI inflation (FY24: 1.0%). RPI will be aligned with CPIH from 2030, and we assume a 0.1% (FY24: nil) gap between CPI and CPIH inflation. The change in inflation risk premium and expected difference between RPI and CPI for FY25 has reduced the BTPS liabilities by £0.3bn.
Pension increases	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.
Longevity	The longevity assumption takes into account: – 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 2023 Mortality Projections model published by the UK actuarial profession. 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 and 2023, but not data from 2020 and 2021 to exclude the impact of the pandemic. Allowing for the published 2023 CMI model has increased the BTPS liabilities by £0.1bn. We continue to assume mortality will improve in the long term by 1.0% per year.

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

19.6 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 194).

These payments are summarised in the table below.

Year to 31 March (£m)	2026	2027	2028	2029	2030	2031	2032	2033	2034
Payments from BT plc[a]	600[b]	600[b]	600[b]	600[b]	600[b]	490	—	—	—
Future funding commitment payments	—	—	—	—	—	—	—	—	—
Payments from ABF	180	180	180	180	180	180	180	180	180
Total	**780**	**780**	**780**	**780**	**780**	**670**	**180**	**180**	**180**

a Payments are due by 30 April each year.
b £10m is directly payable to the BTPS, and BT Group currently intends to pay the balance into the co-investment vehicle.

ABF

Under the ABF, £180m 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 £1.2bn at 31 March 2025 (FY24: £1.3bn). The fair value of the ABF is £1.1bn at 31 March 2025 (FY24: £1.2bn). This value allows for the probability of the BTPS becoming fully funded, and the payments to the BTPS ending early.

19. Retirement benefit plans continued

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, increasing its value to £0.7bn at 31 March 2025 (£0.1bn at 31 March 2024).

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

19. Retirement benefit plans continued

Protections for BTPS (going concern)

BT Group has agreed to provide the Trustee with certain protections to 2035.

Feature	Detail
Future funding commitment	BT Group will provide additional contributions, of between £150m 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. 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. At the 31 December 2024 assessment date, additional contributions were not triggered. The next test will be carried out as at 30 June 2025.
Shareholder distributions	BT Group will provide additional payments to the BTPS by the amount that shareholder distributions exceed a threshold. For the three years following the 2023 valuation, the threshold allows for 10% per year dividend per share growth based on dividends of 7.7p per share in FY23, adjusted to reflect the interim dividend declared at our 30 September 2023 results. BT Group has agreed to implement a similar protection at each subsequent valuation, with the terms to be negotiated at the time. BT Group will consult with the Trustee if: – 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	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. The amount payable is one third of the total net cash proceeds. BT Group will consult with the Trustee if: – 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 Class 1 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). This obligation is ongoing until otherwise terminated.
Negative pledge	A negative pledge that future creditors will not be granted superior security to the BTPS in excess of £0.5bn, to cover any member of the BT Group. Business as usual financing arrangements are not included within the £0.5bn.

No additional contributions were triggered during FY25.

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	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: – 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. The Crown Guarantee is not taken into account for the purposes of the actuarial valuation of the BTPS and is an entirely separate matter, only being relevant in the highly unlikely event that BT plc becomes insolvent.
Pension Protection Fund (PPF)	Further protection is also provided by the PPF which is the fund responsible for paying compensation in respect of schemes where the employer becomes insolvent.

19. Retirement benefit plans continued

19.7 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

The key drivers which could worsen the balance sheet position or increase 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 (30% as at 31 March 2025). 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. increase in CPI inflation expectations before 2030 (with no corresponding change in RPI inflation expectations) would increase the IAS 19 deficit by c. £0.2bn as at 31 March 2025.
- **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 historic scheme experience. Future experience differing from historic 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.

	5% probability scenario	
Scenario	**2025**	2024
1. Fall in bond yields[a]	1.2%	1.2%
2. Increase in credit spreads[b]	0.7%	0.9%
3. Increase to average inflation expectations over the lifetime of the plan[c]	1.1%	1.1%
4. Fall in growth assets[d]	20.0%	15.0%
5. Increase to life expectancy	1.1 years	1.2 years

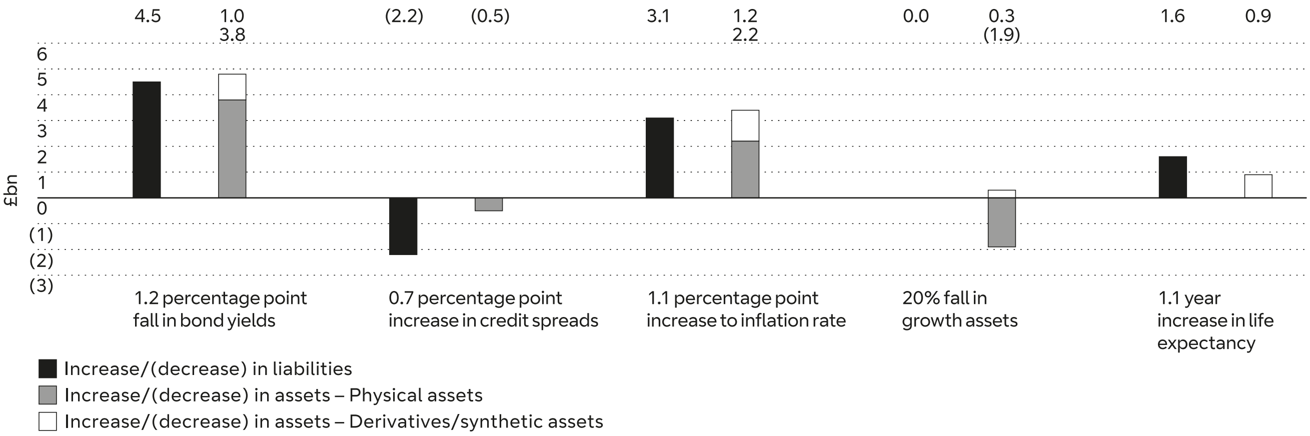
a Scenario assumes a fall in the yields on both government and corporate bonds.
b Scenario assumes an increase in the yield on corporate bonds, with no change to yield on government bonds.
c Scenario assumes average RPI and CPI inflation expectations over the lifetime of the plan increase by the same 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% (FY24: 15%) fall in the aggregate value of the growth assets prior to temporary hedges held by the BTPS.

Notes to the consolidated financial statements continued

19. 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 2025



The sensitivities have been prepared using the same approach as FY24 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 FY24 is due to a combination of: changes in the 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 2025. In practice more complex events could arise throughout the year and further consideration should be given when using the sensitivities for areas such as:

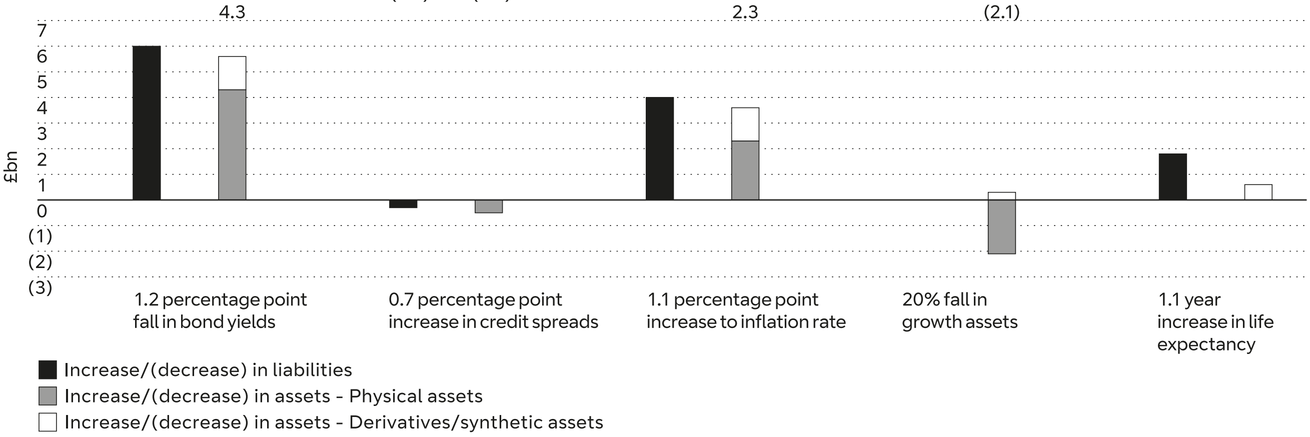
- Changes in the asset portfolio or hedges: the BTPS typically aims to hedge 90%-100% of interest rate and inflation risk (on a funding measure) and the actual hedge ratio could vary over the year within this range.
- Credit mismatch: the IAS 19 liabilities are calculated using a discount rate set with 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 2024 funding position. Note that the funding sensitivities exclude the impact of the two longevity hedges put in place after 30 June 2024, and the same limitations as outlined above apply to these sensitivities.

Scenario analysis – Funding position at 30 June 2024



The figures shown in the graph apply to the BTPS assets and funding liabilities as at 30 June 2024; an increase in the assets or funding liabilities will increase the impact of the scenarios shown.

19. Retirement benefit plans continued

19.8 Funding and Financial Support arrangements for the EEPS

A triennial valuation of the defined benefit section as at 31 December 2024 is currently underway. The previous triennial valuation was performed as at 31 December 2021 and agreed in March 2023. This showed a funding deficit of £218m. The group is scheduled to contribute £1.7m each month until 31 July 2025 and a final payment of up to £80m by 31 March 2026. £20.0m (FY24: £31.7m) of deficit contributions were paid by the group to the EEPS during the year.

At the triennial valuation date, the EEPS had a diversified investment strategy, investing scheme assets in global equities (25%), property and illiquid alternatives (20%), an absolute return portfolio (24%), and a liability-driven investment portfolio (31%).

20. 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 2023	**36**	**(94)**	**194**	**(328)**	**230**	**(422)**
Own shares purchased[b]	—	—	64	(83)	64	(83)
Share options exercised[b]	(20)	52	(44)	72	(64)	124
Yourshare vestings	—	—	(5)	8	(5)	8
Share awards vested	—	—	(37)	62	(37)	62
At 31 March 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)**

a At 31 March 2025, 11,290,418 shares (FY24: 16,299,007) with an aggregate nominal value of £1m (FY24: £1m) were held at cost as treasury shares and 226,848,933 shares (FY24: 172,157,686) with an aggregate nominal value of £11m (FY24: £9m) were held in the Trust.

b See group cash flow statement. The cash paid for the repurchase of ordinary shares was £79m (FY24: £133m). 50m shares (FY24: 35m) were purchased via forward contracts. The cash received from proceeds on the issue of treasury shares was £6m (FY24: £57m). At 31 March 2025 the group had forward contracts to purchase 50m shares (FY24: 15m shares).

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 21.

21. 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

21. **Share-based payments** continued

Year ended 31 March	**2025 £m**	2024 £m
Employee saveshare plans	7	13
Yourshare	2	13
Executive share plans:		
Deferred Bonus Plan (DBP)	8	9
Restricted Share Plan (RSP)	45	36
	62	**71**

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 2020.

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.

	Number of share options		Weighted average exercise price	
Year ended 31 March	**2025 millions**	2024 millions	**2025 pence**	2024 pence
Outstanding at 1 April	**156**	**269**	**96**	**102**
Granted	—	—	—	—
Forfeited	(5)	(23)	107	118
Exercised	(7)	(64)	82	89
Expired	(26)	(26)	161	151
Outstanding at 31 March	**118**	**156**	**82**	**96**
Exercisable at 31 March	**—**	**—**	**—**	**—**

The weighted average share price for all options exercised during FY25 was 141p (FY24: 118p).

The following table summarises information relating to options outstanding and exercisable under Employee Saveshare plans at 31 March 2025.

Normal dates of vesting and exercise (based on calendar years)	Exercise price per share	Weighted average exercise price	Number of outstanding options millions	Weighted average remaining contractual life (months)
2025	82p	82p	118	10
Total		**82p**	**118**	**10**

21. Share-based payments continued

Executive share plans

Movements in executive share plan awards are shown below:

	Number of shares (millions)		
	DBP	RSP	Total
At 1 April 2023	**24**	**80**	**104**
Awards granted	6	42	48
Awards vested	(10)	(27)	(37)
Awards lapsed	(1)	(8)	(9)
Dividend shares reinvested	1	6	7
At 31 March 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**

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 FY25 was 140p (FY24: 135p) and for RSP awards granted in FY25 was 140p (FY24: 112p).

22. Assets & liabilities classified as held for sale

Material accounting policies that apply to assets & liabilities classified as held for sale

We classify non-current assets or a group of assets and associated liabilities, together forming a disposal group, as 'held for sale' when their carrying amount will be recovered principally through disposal rather than continuing use and the sale is highly probable. Sale is considered to be highly probable when management are committed to a plan to sell the asset or disposal group and the sale should be expected to qualify for recognition as a completed divestment within one year from the date of classification. We measure non-current assets or disposal groups classified as held for sale at the lower of their carrying amount or 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 has initiated an active programme to explore options to optimise its non-core or global business. At 31 March 2025, management is committed to a plan to sell five separate businesses within our non-core or global business. The sale of these businesses is considered to be highly probable and they are expected to complete within a year. Accordingly, the associated assets and liabilities have been presented as held for sale at 31 March 2025. A description of these businesses is as follows:

– We entered into agreement with Equinix to sell our datacentre business in Ireland for consideration of €59m (£49m). This disposal is expected to complete in FY26, subject to competition and regulatory clearance.
– We entered into an agreement with Speed Fibre Group for the sale of BT Communications Ireland Ltd, our Irish wholesale and enterprise business, for consideration of €22m (£18m). The disposal is expected to be completed in FY26, subject to certain completion conditions including competition and regulatory approvals.
– The proposed sale of our domestic operations in Italy, which includes fibre networks and datacentres, have commenced during FY25 and we considered the sale to be highly probable and expected to complete within a year at 31 March 2025 and as a result have presented the associated assets and liabilities as held for sale at 31 March 2025. Post year end, on 18 April 2025, BT have reached an agreement to sell this business to Retelit S.p.A. and the disposal is expected to complete in the second half of FY26, subject to competition and regulatory approvals, see note 32.
– For the remaining two businesses, the sales are considered to be highly probable and expected to complete within a year. Accordingly, the assets and liabilities associated to these businesses have been presented as held for sale at 31 March 2025.

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 or fair value less costs of disposal. An impairment loss of £116m associated with the remeasurement of these disposal groups has been recognised, this is presented as a specific item, 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

22. Assets & liabilities classified as held for sale continued

The disposal groups held for sale comprised the following assets and liabilities:

At 31 March	2025 £m
Assets	
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 <1yr	81
Current tax liability	4
Provisions	3
Liabilities held for sale	**188**

a Intangible assets of the disposal groups of £106m are presented as assets held for sale of which £12m has been impaired.
b 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.

There were no assets or liabilities held for sale in FY24.

23. Investments

Material accounting policies that apply to investments

Investments classified as amortised cost
These investments are measured at amortised cost. The carrying amount of these balances approximates to fair value. Any gain or loss on derecognition is recognised in the income statement.

Investments classified as fair value through profit and loss
These investments are initially recognised at fair value. They are remeasured at subsequent reporting dates to fair value and changes are recognised directly in the income statement.

Equity instruments classified as fair value through other comprehensive income
We have made an irrevocable election to present changes in the fair value of equity investments that are not held for trading in other comprehensive income. All gains or losses, aside from dividends, are recognised in other comprehensive income and are not reclassified to the income statement when the investments are disposed of, instead any balance remaining in other comprehensive income is transferred to retained earnings. Dividends 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	2025 £m	2024 £m
Non-current assets		
Fair value through other comprehensive income	17	23
Fair value through profit or loss	—	6
Total non-current asset investments	**17**	**29**
Current assets		
Investments held at amortised cost	2,631	2,366
Current asset investments	**2,631**	**2,366**

Investments held at amortised cost relate to money market investments denominated in sterling of £2,615m (FY24: £2,355m), in euros of £3m (FY24: £5m) and US dollars of £13m (FY24: £6m). Within these amounts are investments in liquidity funds of £2,600m (FY24: £1,815m), collateral paid on swaps of £20m (FY24: £40m), accrued interest on investments of £11m (FY24: £11m) and gilt repurchase agreements £nil (FY24: £500m).

23. Investments continued

Fair value estimation

Fair value hierarchy At 31 March 2025	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	—	—	17	17
Fair value through profit or loss	—	—	—	—
Total	**—**	**—**	**17**	**17**
At 31 March 2024				
Non-current and current investments				
Fair value through other comprehensive income	—	—	23	23
Fair value through profit or loss	6	—	—	6
Total	**6**	**—**	**23**	**29**

The three levels of valuation methodology used are:

Level 1 – uses quoted prices in active markets for identical assets or liabilities.

Level 2 – uses inputs for the asset or liability other than quoted prices that are observable either directly or indirectly.

Level 3 – uses inputs for the asset or liability that are not based on observable market data, such as internal models or other valuation methods.

Level 3 balances consist of investments classified as fair value through other comprehensive income of £17m (FY24: £23m) which represent investments in a number of private companies. If specific market data is not available, these investments are held at cost, adjusted as necessary for impairments, which approximates to fair value. Additionally, this category also includes investments in preference shares in Sport JV and power purchase agreements (PPAs and vPPAs), for further details see notes 24 and 28.

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

24. Joint ventures and associates

At 31 March	2025 £m	2024 £m
Interest in joint ventures	240	302
Interest in associates	12	5
Total	**252**	**307**

Share of post tax loss of associates and joint ventures included in the income statement of £8m (FY24: £21m loss) includes £11m loss (FY24: £41m loss) relating to our sports joint venture (Sports JV) with Warner Bros. Discovery (WBD) and £3m profit (FY24: £20m profit) relating to our other joint ventures and associates. The Sports JV is the only material equity-accounted investment held by the group, see below for further details.

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 points during the first four years of the Sports JV (Call Option) from FY23. 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:

- Closure of the Eurosport brand, channels and streaming tier on discovery+ in the UK and Republic of Ireland in February 2025, with content being rationalised into TNT Sports service, which serves as a single premium sports proposition.
- A material customer contract was renewed, providing further revenue certainty in the medium term.

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

Notes to the consolidated financial statements continued

24. Joint ventures and associates continued

Material accounting policies that apply to the Sports JV

Assessment of whether BT has joint control over the Sports JV

The Sports JV is classified as a joint venture based on an assessment under IFRS 10 and 11 of the ownership, voting power and joint control established through the joint venture agreement between BT and WBD.

Key factors relevant to our assessment:

- Equal voting rights over the activities that most significantly impact the returns of the Sports JV, namely decisions around new or existing sports rights and distribution arrangements.
- Unequal cash distribution during the first four years of the JV due to the earn-out mechanism.
- WBD's call option to acquire BT's 50% interest in the Sports JV is not exercisable before key decisions over material activities of the Sports JV are made such that joint control still applies.

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

A key factor in our assessment of control during the year was WBD's call option to acquire BT's 50% interest in the Sports JV, which was active at a point during the year, but not at the period end. Determining whether the call option provided WBD a substantive right to unilaterally control the key decisions required judgement and consideration of a variety of factors, including whether there were any barriers to exercise. On balance of all factors considered, we assessed that BT's joint control over the Sports JV still applied throughout the year. The alternative treatment of discontinuing equity accounting on the basis that joint control had been lost would not have had a material impact.

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 will be subject to impairment testing at each reporting period, with any impairment losses recognised through specific items. See below for assumptions made in estimating the fair value used in our impairment test.

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.

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 17). The carrying amount at 31 March 2025 was £288m (FY24: £465m) 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 2025 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 30) with fair value movements on the derivatives recognised in other comprehensive income and held in the cash flow hedge reserve until recycle on settlement of the forward contracts.
- Programme rights should be recognised on the balance sheet from the point at which the licence period begins and are consumed by the Sports JV on a straight-line basis over the programming period which is generally 12 months. This is consistent with accounting policy applied in our previous BT Sport operations that have been transferred to the Sports JV.

Accounting policies in other areas are consistent with those applied by the group.

24. Joint ventures and associates continued

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 95% 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 23 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

For impairment test purposes, the group has estimated the fair value of equity interest in the Sports JV using the following key assumptions:

– BT expect to realise its equity interest in the Sports JV through sale rather than ongoing value in use.

– An earnings multiple has been applied to the expected EBITDA at exit which is identified from comparable peers and transactions in the premium sports subscription and broadcasting market.

Changes in key assumptions could result in impairment losses.

Ordinary equity shares

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

	2025 £m	2024 £m
Carrying amount at 1 April	300	352
Share of total comprehensive loss for the year	(16)	(52)
Dividends during the year	(2)	—
Impairment loss for the year	(44)	—
Carrying amount at 31 March	**238**	**300**

An impairment loss was recognised as at 31 March 2025 in respect of the Group's equity interest in the Sports JV. The impairment arose following a fair value assessment which indicated that the recoverable amount of the investment was lower than its carrying amount. The impairment reflects revised expectations of the joint venture's future performance and market conditions. Changes in key assumptions, including EBITDA forecasts and market multiples, could result in further impairment losses or reversals in future periods.

The following is summarised and unaudited financial information for the Sports JV prepared in accordance with IFRS and including adjustments required to align with the group's accounting policies and fair value adjustments.

Summarised statement of total comprehensive income for year ended 31 March	2025 £m	2024 £m
Revenue	958	918
Loss for the year[a]	(22)	(82)
Other comprehensive loss	(11)	(22)
Total comprehensive loss[b]	**(33)**	**(104)**

Summarised balance sheet at 31 March	2025 £m	2024 £m
Current assets[c]	800	863
Non-current assets[d]	858	1,085
Current liabilities[e]	(435)	(413)
Non-current liabilities[f]	(308)	(575)
Net assets	**915**	**960**
Attributable to fair value of BT's A preference shares	(242)	(387)
BT's share of residual net assets (50%)	**337**	**287**
Proceeds from investment in preference shares in joint venture	(63)	—
Other fair value adjustments	8	13
Impairment loss for the year	(44)	—
Carrying amount of interest in Sports JV	**238**	**300**

a Includes amortisation of £52m (FY24: £27m) on acquired intangibles; net finance income of £7m (FY24: £5m); and tax income of £25m (FY24: £57m) driven by current tax charge of £37m (FY24: £10m) offset by deferred tax credit of £62m (FY24: £67m).
b FY24 total comprehensive loss for the year includes a £25m credit as a result of finalising fair value adjustments that were provisional at the time of the formation of the JV.
c Includes cash and cash and cash equivalents of £10m (FY24: £11m).
d Includes goodwill and acquired intangibles of £616m (FY24: £668m).
e Includes current financial liabilities (excluding trade and other payables and provisions) of £(222)m (FY24: £(244)m) of which £(46)m (FY24: £(163)m) relates to the outstanding liability on the RCF provided by BT (see note 30).
f Includes non-current financial liabilities (excluding trade and other payables and provisions) of £(92)m (FY24: £(305)m).

Notes to the consolidated financial statements continued

24. Joint ventures and associates continued

The Sports JV had a loss after tax for the year of £22m, after adjustments made to align with the group's accounting policies, and reflects amortisation of acquired intangibles from the BT Sport and Eurosport UK business transfers and adjustments for the off-market minimum guarantee with BT. Underlying trading before these adjustments was profitable. In addition, the Sports JV had other comprehensive losses of £11m relating to fair value movements on its foreign exchange hedging arrangement with the group (see note 30) that have been designated as cash flow hedges.

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	**2025 £m**	2024 £m
Investment in A preference shares	242	387
Investment in C preference shares	153	146
Total	**395**	**533**

A £138m movement has been recorded in the group's preference share investments driven by: (1) £63m earn-out payment received from the Sports JV and recorded as a repayment of our investment in A preference shares; and (2) net £75m fair value loss, see below for further details.

- A preference shares – a £82m fair value loss has been recognised through specific items (see note 9), largely driven by a reduction in revenue after a material customer contract was renewed at a lower than expected value, leading to lower cash available for distribution under BT's earn-out entitlement.
- C preference shares – BT's return on the shares is driven by changes in the Sports JV's sports rights portfolio which in turn is dependent on changes in the wider sports rights market and the Sports JV's financial performance and are therefore held as a financial asset at FVTPL under IFRS 9. A £7m fair value gain has been recognised through specific items (see note 9) largely driven by the effect of discounting.

25. 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 26).

At 31 March	**2025 £m**	2024 £m
Cash at bank and in hand	**141**	**332**
Cash equivalents		
Bank deposits	75	82
Total cash equivalents	**75**	**82**
Total cash and cash equivalents	**216**	**414**
Bank overdrafts (note 26)	(2)	(58)
Cash and cash equivalents per the cash flow statement	**214**	**356**

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 £33m (FY24: £71m), of which £17m (FY24: £14m) was held in countries where local capital or exchange controls currently prevent us from accessing cash balances. The remaining balance of £16m (FY24: £57m) was held in escrow accounts, or in commercial arrangements akin to escrow.

26. Loans and other borrowings

Material accounting policies that apply to loans and other borrowings

We initially recognise loans and other borrowings at the fair value of amounts received net of transaction costs. They are subsequently measured at amortised cost using the effective interest method and, if included in a fair value hedge relationship, are re-valued to reflect the fair value movements on the associated hedged risk. The resulting amortisation of fair value movements, on de-designation of the hedge, is recognised in the income statement.

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 accordingly 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 FY25. For details of share issues and repurchases in the year see note 20.

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

At 31 March	**2025 £m**	2024 £m
Net debt	19,816	19,479
Total parent shareholders' equity[a]	12,900	12,513
Capital structure	**32,716**	**31,992**

a Excludes non-controlling interests of £8m (FY24: £5m).

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 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 228.

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 and lease liabilities (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	**2025 £m**	2024 £m
Loans and other borrowings[a]		18,762	18,526
Lease liabilities	15	4,571	4,955
Lease liabilities classified as held for sale	22	81	—
Less:			
Cash and cash equivalents	25	(216)	(414)
Current asset investments	23	(2,631)	(2,366)
		20,567	**20,701**
Adjustments:			
To retranslate debt balances at swap rates where hedged by currency swaps[b]		(288)	(512)
To remove fair value adjustments and accrued interest applied to reflect the effective interest method		(273)	(275)
Loans with joint ventures	30	(10)	(11)
Loans related to the forward sale of redundant copper		(93)	(106)
Loans related to sale of contract assets		(87)	(318)
Net debt		**19,816**	**19,479**
Lease liabilities	15	(4,571)	(4,955)
Lease liabilities classified as held for sale	22	(81)	—
Net financial debt		**15,164**	**14,524**

a Includes overdrafts of £2m at 31 March 2025 (FY24: £58m).
b The translation difference between spot rate and hedged rate of loans and borrowings denominated in foreign currency.

Notes to the consolidated financial statements continued

26. Loans and other borrowings continued

The table below shows the key components of net debt and the increase of £337m this year.

	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,e]	1,395	(2,190)	—	15	2,744	128	2,092
Loans and other borrowings due after one year[e]	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 loans and other borrowings	(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**

	At 31 March 2023 £m	Cash flows (re-presented)[e] £m	Net lease additions[a] £m	Foreign exchange £m	Transfer to within one year £m	Other movements (re-presented)[b,e] £m	At 31 March 2024 £m
Loans and other borrowings due within one year[c,e]	1,772	(1,685)	—	(12)	1,227	93	1,395
Loans and other borrowings due after one year[e]	16,749	1,139	—	(287)	(1,227)	757	17,131
Total loans and other borrowings	**18,521**	**(546)**	**—**	**(299)**	**—**	**850**	**18,526**
Lease liabilities due within one year	800	(882)	—	(1)	849	—	766
Lease liabilities due after one year	4,559	—	487	(8)	(849)	—	4,189
Lease liabilities classified as held for sale	3	—	—	—	—	(3)	—
Total lease liabilities	**5,362**	**(882)**	**487**	**(9)**	**—**	**(3)**	**4,955**
Gross debt	**23,883**	**(1,428)**	**487**	**(308)**	**—**	**847**	**23,481**
Less:							
Impact of cross-currency swaps[d]	(819)	—	—	307	—	—	(512)
Removal of fair value adjustments and accrued interest on loans and other borrowings	(264)	—	—	—	—	(22)	(286)
Removal of loans with joint ventures	(11)	(1)	—	—	—	1	(11)
Removal of loans related to the forward sale of redundant copper	—	(105)	—	—	—	(1)	(106)
Removal of loans related to sale of cash flows related to contract assets	—	(305)	—	—	—	(13)	(318)
Cash and cash equivalents	(392)	(30)	—	8	—	—	(414)
Current asset investments	(3,548)	1,173	—	10	—	(1)	(2,366)
Removal of accrued interest on current asset investments	10	—	—	—	—	1	11
Net debt	**18,859**	**(696)**	**487**	**17**	**—**	**812**	**19,479**

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 22).
c Includes accrued interest and bank overdrafts.
d Translation of debt balances at swap rates where hedged by cross-currency swaps.
e FY24 comparatives have been re-presented to include the cash flows of £(731)m interest paid and corresponding movements in accrued interest relating to loans and other borrowings to agree with the group cash flow statement.

26. Loans and other borrowings continued

The table below shows how cash flows from gross debt of £(1,306)m (FY24: £(1,428)m) in the table above reconciles to the line items presented in the group cash flow statement on page 147:

At 31 March	2025 £m	2024 (re-presented)[d] £m
Repayment of borrowings	(2,095)	(1,676)
Proceeds from bank loans and bonds	2,552	2,242
Interest paid on loans and other borrowings due within one year[a,d]	(99)	(70)
Interest paid on loans and other borrowings due after one year[a,d]	(722)	(661)
Cash flows from collateral received (paid)	(11)	(532)
(Decrease) increase in amounts owned to joint ventures	(1)	(1)
Change in bank overdraft[b]	(56)	47
Total loans and other borrowings cash flows – financing activities	**(432)**	**(651)**
Prepayment for the forward sale of copper[c]	—	105
Total loans and other borrowings cash flows – investing activities	**—**	**105**
Total loans and other borrowings cash flows	**(432)**	**(546)**
Payment of lease liabilities	(739)	(748)
Interest paid on lease liabilities[a]	(135)	(134)
Total lease liability cash flows – financing activities	**(874)**	**(882)**
Total gross debt cash flows	**(1,306)**	**(1,428)**

a Presented within interest paid in the group cash flow statement. The interest paid on loans and other borrowings between 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 FY25 we received an upfront prepayment of £nil (FY24: £105m) 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 147. The related liability is recognised on balance sheet within loans and other borrowings.
d FY24 comparatives have been re-presented to include the cash flows of £(731)m interest paid relating to loans and other borrowings to agree with the group cash flow statement.

Notes to the consolidated financial statements continued

26. Loans and other borrowings continued

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

At 31 March	2025 £m	2024 £m
1% €825m bond due November 2024[a]	—	708
3.50% £250m index linked bond due April 2025[b]	—	575
0.5% €419m bond due September 2025[a,c]	351	557
1.75% €1,076m bond due March 2026[a,c]	901	1,112
1.5% €1,150m bond due June 2027[a]	971	991
2.75% €700m bond due August 2027[a]	590	601
2.125% €500m bond due September 2028[a]	422	431
5.125% $700m bond due December 2028[a]	550	561
5.75% £600m bond due December 2028	649	658
1.125% €750m bond due September 2029[a]	627	640
3.25% $1,000m bond due November 2029[a]	780	796
9.625% $2,670m bond due December 2030[a] (minimum 8.625%[d])	2,122	2,166
3.75% €800m bond due May 2031[a]	690	704
3.125% £500m bond due November 2031	504	503
3.125% €850m bond due February 2032[a]	708	—
3.375% €500m bond due August 2032[a]	424	433
4.25% €850m bond due January 2033[a]	710	725
3.64% £330m bond due June 2033	339	339
1.613% £330m index linked bond due June 2033	403	394
3.875% €895m bond due January 2034[a]	750	—
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	404	394
5.75% £450m bond due February 2041[a,e]	446	445
5.625% £350m bond due December 2041[a,e]	351	—
3.924% £340m bond due June 2042	350	350
1.774% £340m index linked bond due June 2042	416	406
2.08% JPY10,000m bond due February 2043[a]	52	52
3.625% £250m bond due November 2047	251	251
4.25% $500m bond due November 2049[a]	388	400
5.125% €750m hybrid bond due October 2054[a,f]	638	—
1.874% €500m hybrid bond due August 2080[a,f]	423	432
4.250% $500m hybrid bond due November 2081[a,f]	391	396
4.875% $500m hybrid bond due November 2081[a,f]	393	401
8.375% £700m hybrid bond due December 2083[f]	711	710
Total listed bonds	**18,568**	**17,994**
Loans related to cash flows related to the sale of contract assets[g]	87	341
Loans related to the forward sale of redundant copper	93	106
Other loans	12	27
Bank overdrafts (note 25)	2	58
Total other loans and borrowings	**194**	**532**
Total loans and other borrowings	**18,762**	**18,526**

a Designated in a cash flow hedge relationship.
b Redeemed early in March 2025.
c Bond partially redeemed in June 2024.
d 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.
e Designated in a fair value hedge relationship.
f Includes call options between 0.5 years and 6.5 years.
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. £87m (FY24: £318m) of the liability relates to sales of cash flows related to contract assets and so is removed from our net debt measure, the remaining £nil (FY24: £23m) relates to sales in prior year.

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 is £18,132m (FY24: £17,820m).

The fair value of our listed bonds is estimated on the basis of quoted market prices (Level 1).

The carrying amount of other loans and bank overdrafts equates to fair value due to the short maturity of these items (Level 3).

The interest rates payable on loans and borrowings disclosed above reflect the coupons on the underlying issued loans and borrowings and not the interest rates achieved through applying associated cross-currency and interest rate swaps in hedge arrangements.

26. Loans and other borrowings continued

Loans and other borrowings are analysed as follows:

At 31 March	2025 £m	2024 £m
Current liabilities		
Listed bonds	1,975	996
Amounts owed to joint ventures	10	11
Other loans and bank overdrafts[a]	107	388
Total current liabilities	**2,092**	**1,395**
Non-current liabilities		
Listed bonds	16,593	16,998
Other loans	77	133
Total non-current liabilities	**16,670**	**17,131**
Total loans and other borrowings	**18,762**	**18,526**

a Includes collateral received on swaps of £2m (FY24: £15m).

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 2025 were unsecured.

The principal repayments of loans and borrowings at hedged rates amounted to £18,189m (FY24: £17,728m) and repayments fall due as follows:

	2025			2024		
At 31 March	Carrying amount £m	Effect of hedging and interest £m	Principal repayments at hedged rates £m	Carrying amount £m	Effect of hedging and interest £m	Principal repayments at hedged rates £m
Within one year, or on demand	**2,092**	**(345)**	**1,747**	**1,395**	**(258)**	**1,137**
Between one and two years	430	(17)	413	2,727	(85)	2,642
Between two and three years	1,583	63	1,646	431	(24)	407
Between three and four years	2,261	28	2,289	1,614	29	1,643
Between four and five years	2,030	63	2,093	2,282	6	2,288
After five years	10,412	(411)	10,001	10,107	(496)	9,611
Total due for repayment after more than one year	**16,716**	**(274)**	**16,442**	**17,161**	**(570)**	**16,591**
Total repayments	**18,808**	**(619)**	**18,189**	**18,556**	**(828)**	**17,728**
Non cash adjustments[a]	(46)			(30)		
Total loans and other borrowings	**18,762**			**18,526**		

a Fair value adjustments of £39m (FY24: £49m) and unamortised bond fees.

Notes to the consolidated financial statements continued

27. Finance expense and income

Year ended 31 March	2025 £m	2024 £m
Finance expense		
Interest on:		
Financial liabilities at amortised cost and associated derivatives	902	872
Lease liabilities	135	134
Derivatives	(2)	4
Fair value movements:		
Bonds designated as hedged items in fair value hedges	1	—
Derivatives designated as hedging instruments in fair value hedges	(1)	—
Derivatives not in a designated hedge relationship	(1)	(1)
Reclassification of cash flow hedge from other comprehensive income	51	38
Unwinding of discount on provisions and other payables	19	20
Total finance expense before specific items	**1,104**	**1,067**
Specific items (note 9)	197	121
Total finance expense	**1,301**	**1,188**

Year ended 31 March	2025 £m	2024 £m
Finance income		
Interest on financial assets at amortised cost	134	168
Other finance income	17	13
Total finance income	**151**	**181**

Year ended 31 March	2025 £m	2024 £m
Net finance expense before specific items	953	886
Specific items (note 9)	197	121
Net finance expense	**1,150**	**1,007**

28. 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 currency and interest rate risks. In addition, various financial instruments, for example trade receivables and payables arise directly from operations.

How do we manage financial risk?

Our activities expose us to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), 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 2025 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 debt (as defined in Additional Information on page 228) is at fixed rates. Short-term interest rate management is delegated to the treasury operation while long-term interest rate management decisions require further approval by the Chief Financial Officer, the Corporate Finance Director or the Group Treasury Director who each have been delegated such authority from the Board.

28. Financial instruments and risk management continued

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 Corporate Finance Director 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.

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 borrowings after the impact of hedging.

	2025			2024		
At 31 March	**Fixed rate interest £m**	**Floating rate interest £m**	**Total £m**	Fixed rate interest £m	Floating rate interest £m	Total £m
Sterling	16,967	1,220	18,187	15,899	1,780	17,679
Other	—	2	2	—	49	49
Total	**16,967**	**1,222**	**18,189**	**15,899**	**1,829**	**17,728**
Ratio of fixed to floating	93%	7%	100%	90%	10%	100%
Weighted average effective fixed interest rate – sterling	5.1%			4.6%		

The floating rate loans and borrowings and committed facilities bear interest rates fixed in advance for periods up to one year, primarily by reference to RPI, CPI and ARRs where applicable.

Sensitivity analysis

The income statement and shareholders' equity are exposed to volatility arising from changes in interest rates, foreign exchange rates and energy prices. To demonstrate this volatility, management has concluded that the following are reasonable benchmarks for performing sensitivity analysis:

- For interest, a 1% increase in interest rates and parallel shift in yield curves across sterling, US dollar and euro currencies.
- For foreign exchange, a 10% strengthening of sterling against other currencies.
- For energy, a 10% increase in energy prices.

The impact on equity, before tax and excluding any impact related to retirement benefit plans, of a 1% increase in interest rates, a 10% strengthening of sterling against other currencies, and a 10% increase in energy prices is as detailed below:

At 31 March	**2025 £m Increase (reduce)**	2024 £m Increase (reduce)
Sterling interest rates	509	602
US dollar interest rates	(258)	(300)
Euro interest rates	(350)	(316)
Sterling strengthening	(137)	(142)
Energy prices	26	27

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 FY25 and FY24.

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.

Notes to the consolidated financial statements continued

28. **Financial instruments and risk management** continued

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 £2.1bn at 31 March 2025, 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:

	2025		2024	
At 31 March	Rating	Outlook	Rating	Outlook
Rating agency				
Fitch	BBB	Stable	BBB	Stable
Moody's	Baa2	Stable	Baa2	Stable
Standard & Poor's	BBB	Stable	BBB	Stable

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 2025 is disclosed in note 26. We have term debt maturities of £1.7bn in FY26.

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 extended the maturity of our £2.1bn (FY24: £2.1bn) undrawn committed borrowing facilities by three years to mature no earlier than January 2030 with the option to extend for two further years.

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 2025	**Loans and other borrowings £m**	**Interest on loans and other borrowings £m**	**Trade and other payables £m**	**Lease liabilities £m**	**Total £m**
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[a,b]	**18,456**	**306**	**5,089**	**4,571**	**28,422**
At 31 March 2024					
Due within one year	1,103	738	5,438	765	8,044
Between one and two years	2,727	737	189	730	4,383
Between two and three years	431	697	88	696	1,912
Between three and four years	1,614	680	—	663	2,957
Between four and five years	2,282	649	—	634	3,565
After five years	10,107	2,569	—	2,103	14,779
	18,264	**6,070**	**5,715**	**5,591**	**35,640**
Interest payments not yet accrued	—	(5,778)	—	—	(5,778)
Fair value adjustments, unamortised bond fees	(30)	—	—	—	(30)
Impact of discounting	—	—	(16)	(636)	(652)
Carrying value on the balance sheet[a,b]	**18,234**	**292**	**5,699**	**4,955**	**29,180**

a Foreign currency-related cash flows were translated at closing foreign exchange rates as at the relevant reporting date. Future variable interest cash flows were calculated using the most recent interest or indexation rates at the relevant balance sheet date.

b The carrying amount of trade and other payables excludes £189m (FY24: £366m) of non-current trade and other payables which relates to non-financial liabilities, and £953m (FY24: £899m) of other taxation, social security, deferred income and other payables.

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.

28. Financial instruments and risk management continued

The following table provides an analysis of the contractually agreed cash flows in respect of the group's derivative financial instruments. Cash flows are presented on a net or gross basis in accordance with settlement arrangements of the instruments.

Derivative financial liabilities At 31 March 2025	Net settled £m	Gross settled outflows £m	Gross settled inflows £m	Total £m
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**
At 31 March 2024				
Due within one year	17	2,274	(2,135)	156
Between one and two years	16	1,152	(1,028)	140
Between two and three years	16	519	(430)	105
Between three and four years	17	1,935	(1,857)	95
Between four and five years	17	597	(528)	86
After five years	12	3,071	(2,866)	217
Total[a,b]	**95**	**9,548**	**(8,844)**	**799**

a Analysed by earliest payment date, certain derivative financial instruments contain break clauses whereby either the group or bank counterparty have the right to terminate the swap on certain dates. If the break clause was exercised, the mark to market position would be settled in cash.
b Foreign currency-related cash flows were translated at closing foreign exchange rates as at the relevant reporting date. Future variable interest rate cash flows were calculated using the most recent rate applied at the relevant balance sheet date.

How do we manage energy price risk?

Management policy

UK (excluding Northern Ireland) and European energy prices continue to be exposed to volatility driven by fears of reduced gas supply as Europe continues the shift from Russian gas to LNG and renewables (which themselves are subject to short-term fluctuations given their intermittent nature). In order to manage our exposure to fluctuating energy prices, we have a target for UK (excluding Northern Ireland) energy demand to be at least 80% hedged one quarter before the start of the next financial year, and 50% hedged for the following financial year. We achieve this through forward over the counter hedges and a mixture of new and existing power purchase agreements (PPAs) and derivative virtual PPAs (vPPAs).

Hedging strategy

In each financial year our strategy is to build on our existing PPA and vPPA portfolio, exploring opportunities with 5-10 year contracts delivering favourable net present values. We complement this by monitoring the markets and forward purchasing electricity (power) when the market is favourable. In the forthcoming financial year the aim is to be 95% hedged, which allows for headroom for increased outputs from the renewable sources should weather conditions prevail.

How do we manage credit risk?

Management policy

Our exposure to credit risk arises from financial assets transacted by the treasury operation (primarily derivatives, investments, cash and cash equivalents) and from trading-related receivables.

For treasury-related balances, the Board's defined policy restricts exposure to any one counterparty by setting credit limits based on the credit quality as defined by Moody's and Standard & Poor's. The minimum credit ratings permitted with counterparties in respect of new transactions are A3/A– for long-term and P1/A1 for short-term investments. If counterparties in respect of existing transactions fall below the permitted criteria we will take action where appropriate.

The treasury operation continuously reviews the limits applied to counterparties and will adjust the limit according to the nature and credit standing of the counterparty, and in response to market conditions, up to the maximum allowable limit set by the Board.

Notes to the consolidated financial statements continued

28. Financial instruments and risk management continued

Operational management policy

Our credit policy for trading-related financial assets is applied and managed by each of the customer-facing units (CFUs) to ensure compliance. The policy requires that the creditworthiness and financial strength of customers are assessed at inception and on an ongoing basis. Payment terms are set in accordance with industry standards. Where appropriate, we may minimise risks by requesting securities such as deposits, guarantees and letters of credit. We take proactive steps including constantly reviewing credit ratings of counterparties to minimise the impact of adverse market conditions on trading-related financial assets.

Exposures

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

At 31 March	Notes	**2025 £m**	2024 £m
Derivative financial assets		1,034	1,070
Investments	23	2,648	2,395
Trade and other receivables[a]	16	1,709	2,224
Contract assets	5	1,500	1,740
Cash and cash equivalents	25	216	414
Total		**7,107**	**7,843**

a The carrying amount excludes £655m (FY24: £641m) of non-current trade and other receivables which relate to non-financial assets, and £1,400m (FY24: £1,341m) of prepayments, deferred contract costs, finance lease receivables and other assets.

The credit quality and credit concentration of cash equivalents, current asset investments and derivative financial assets are detailed in the tables below. Where the opinion of Moody's and Standard & Poor's (S&P) differ, the lower rating is used.

Moody's/S&P credit rating of counterparty At 31 March	**2025 £m**	2024 £m
Aa2/AA and above	2,610	1,823
Aa3/AA–	95	585
A1/A+	750	819
A2/A	245	261
A3/A–	—	—
Baa1/BBB+	—	—
Baa2/BBB and below[a]	40	30
Total[b]	**3,740**	**3,518**

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 £2m (FY24: £15m) in respect of derivative financial assets with certain counterparties, this has reduced during the year as a result of derivative portfolio management.

The concentration of credit risk for our trading balances is provided in note 16, which analyses outstanding balances by CFU. Where multiple transactions are undertaken with a single financial counterparty or group of related counterparties, we enter into netting arrangements to reduce our exposure to credit risk by making use of standard International Swaps and Derivatives Association (ISDA) documentation. We have also entered into credit support agreements with certain swap counterparties whereby, on a daily, weekly and monthly basis, the fair value position on notional £1,047m (FY24: £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.

		Related amounts not set off in the balance sheet		
Financial assets and liabilities At 31 March 2025	**Amounts presented in the balance sheet £m**	**Right of set off with derivative counterparties £m**	**Cash collateral £m**	**Net amount £m**
Derivative financial assets	1,034	(346)	(2)	686
Derivative financial liabilities	(497)	346	20	(131)
Total	**537**	**—**	**18**	**555**
At 31 March 2024				
Derivative financial assets	1,070	(356)	(15)	699
Derivative financial liabilities	(539)	356	40	(143)
Total	**531**	**—**	**25**	**556**

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.

28. 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, an 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 that.

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.

At 31 March 2025	Current asset £m	Non-current asset £m	Current liability £m	Non-current liability £m
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**
At 31 March 2024				
Designated in a cash flow hedge	34	947	80	383
Designated in a fair value hedge	—	—	—	—
Other	16	73	14	62
Total derivatives	**50**	**1,020**	**94**	**445**

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 23. 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 developers 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. During the year no new energy contracts were signed or terminated, fair value movement was driven by monthly settlements and market fluctuation.

Instruments designated in a cash flow hedge include interest rate swaps and cross-currency swaps hedging sterling, euro, US dollar and Japanese yen denominated borrowings. Forward currency contracts are taken out to hedge step up interest on currency denominated borrowings relating to the group's 2030 US dollar bond. The hedged cash flows will affect the group's income statement as interest and principal amounts are repaid over the remaining term of the borrowings (see note 26).

Notes to the consolidated financial statements continued

28. Financial instruments and risk management continued

We hedge forecast foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints 12 months forward with certain specific transactions hedged further forward. The related cash flows are recognised in the income statement over this period.

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.

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 27.

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 2025	Notional principal £m	Asset £m	Liability £m	Balance in cash flow hedge related reserves (gain)/loss £m	Fair value (gain)/loss recognised in OCI £m	Amount recycled from cash flow hedge related reserves to P&L £m
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	—
Other, including energy contracts[d]		4	(75)	74	(5)	(11)
Total cash flow hedges	**15,651**	**947**	**(420)**	**(384)**	**105**	**(329)**
Fixed rate borrowings[e]	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)**		
At 31 March 2024						
Sterling, euro, US dollar and Japanese yen denominated borrowings[a]	13,583	960	(355)	(213)	464	(361)
Step up interest on the 2030 US dollar bond[b]	112	—	(2)	(25)	2	4
Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints[c]	1,308	18	(11)	(12)	15	8
Other, including energy contracts[d]		3	(95)	90	161	(7)
Total cash flow hedges	**15,003**	**981**	**(463)**	**(160)**	**642**	**(356)**
Fixed rate borrowings[e]	—	—	—			
Total fair value hedges	**—**	**—**	**—**			
Deferred tax		—	—	27		
Derivatives not in a designated hedge relationship		89	(76)	—		
Carrying value on the balance sheet		**1,070**	**(539)**	**(133)**		

a Sterling, euro, US dollar and Japanese yen denominated borrowings are hedged using cross-currency swaps and interest rate swaps. Amounts recycled to profit and loss are presented within finance expense. Range of hedged rates: sterling interest: 5.9% - 6.0% (FY24: 5.9% - 6.0%), euro FX: 1.12 - 1.29 (FY24: 1.12 - 1.29), US dollar FX: 1.28 - 1.80 (FY24: 1.28 - 1.80), Japanese yen FX: 156.92 (FY24: 156.92).

b Step up interest on US dollar denominated borrowings are hedged using forward currency contracts. Amounts recycled to profit and loss are presented within finance expense. Range of hedged FX rates: 1.27 - 1.30 (FY24: 1.21 - 1.28).

c Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints are hedged using forward currency contracts. Amounts recycled to profit and loss are presented within cost of sales or operating costs, in line with the underlying hedged item. Range of hedged FX rates: US dollar: 1.23 - 1.34 (FY24: 1.21 - 1.30), euro: 1.15 - 1.19 (FY24: 1.12 - 1.17), Indian rupees: 107.88 - 121.60 (FY24: 106.05 - 120.97), Hungarian forint: 472.12 - 492.24 (FY24: 458.35 - 467.81).

d Includes £(57)m liability (FY24: £(87)m liability) relating to energy contracts, these are hedged using contracts for difference including virtual power purchase agreements in order to provide long-term power cost certainty. Amounts recycled to profit and loss are presented within operating costs. Range of strike price: 60 - 119 £/MWh (FY24: 60-122 £/MWh).

e Fixed rate borrowings are hedged using fixed to floating interest rate swaps. Fair value movements on bonds and swaps in fair value hedges in profit and loss are presented within finance expense. Range of hedged rates: SONIA+123.5 bps - SONIA+136.7 bps.

29. Other reserves

		Other comprehensive income				
	Capital redemption reserve £m	Cash flow reserve[a] £m	Fair value reserve[b] £m	Cost of hedging reserve[c] £m	Translation reserve[d] £m	Total £m
At 1 April 2023	**27**	**377**	**(4)**	**(37)**	**594**	**957**
Exchange differences[e]	—	—	—	—	(66)	(66)
Net fair value gain (loss) on cash flow hedges	—	(661)	—	19	—	(642)
Movements in relation to cash flow hedges recognised in income and expense[f]	—	349	—	7	—	356
Tax recognised in other comprehensive income	—	69	—	—	9	78
Transfer to realised profit	—	10	12	—	11	33
At 31 March 2024	**27**	**144**	**8**	**(11)**	**548**	**716**
Exchange differences[e]	—	—	—	—	(50)	(50)
Net fair value gain (loss) on cash flow hedges	—	(105)	—	—	—	(105)
Movements in relation to cash flow hedges recognised in income and expense[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**

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.
f Movements in cash flow hedge-related reserves recognised in income and expense of £329m (FY24: £356m) include a net credit to other comprehensive income of £278m (FY24: credit of £318m) which have been reclassified to operating costs, and a net credit of £51m (FY24: net credit of £38m) which have been reclassified to finance expense (see note 27).

30. 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 to the group's retirement benefit plans are set out in note 19.

Associates and joint ventures related parties include the Sports JV with Warner Bros. formed during FY23 (see note 22). Sales of services to the Sports JV during FY25 were £9m (FY24: £33m), and purchases from the Sports JV were £305m (FY24: £299m) excluding £187m (FY24: £211m) additional payments made to settle the minimum guarantee liability (see note 17). The amount receivable from the Sports JV as at 31 March 2025 was £nil (FY24: £3m) and the amount payable to the Sports JV was £97m (FY24: £94m).

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 (FY24: £300m), for short-term liquidity required by the Sports JV to fund its working capital and commitments to sports rights holders. Amounts drawn down by the Sports JV under the RCF accrue interest at a market reference rate, consistent with the group's external short-term borrowings. The outstanding balance under the RCF of £46m (FY24: £163m) is treated as a loan receivable and held at amortised cost, see note 16. There is also a loan payable to the Sports JV of £10m (FY24: £11m), see note 26.

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 £36m (FY24: £29m) derivative liability in respect of forward contracts provided to the Sports JV.

Notes to the consolidated financial statements continued

30. Related party transactions continued

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

At 31 March	**2025** **£m**	2024 £m
Sales of services to associates and joint ventures	12	37
Purchases from associates and joint ventures	348	338
Amounts receivable from associates and joint ventures	2	5
Amounts payable to associates and joint ventures	99	95

Other related party transactions include a dividend received from a joint venture of £12m in FY24.

31. Financial commitments

Financial commitments as at 31 March 2025 include capital commitments of £985m (FY24: £1,049m) and device purchase commitments of £198m (FY24: £171m).

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 24). 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 18, there were no contingent liabilities or guarantees at 31 March 2025 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 18 for contingent liabilities associated with legal and regulatory proceedings.

32. Post balance sheet events

Domestic Operations In Italy

As disclosed in note 22, on 18 April 2025, BT reached an agreement to sell its domestic operations in Italy to Retelit S.p.A. BT's domestic operation in Italy includes fibre networks and datacentres in Italy. The transaction is expected to be completed in the second half of FY26, subject to competition and regulatory approvals. Under the terms of the agreement, Retelit S.p.A. will acquire BT Italia's domestic operations in exchange for a contribution from BT based on an enterprise value range of €163m (£136m) to €188m (£157m), subject to the pace of completion. This contribution does not affect the amounts recognised in the financial statements for the year ended 31 March 2025.

Financial statements of BT Group plc
BT Group plc company balance sheet at 31 March 2025

Registered number 4190816

At 31 March	Notes	2025 £m	2024 £m
Non-current assets			
Investment in subsidiary undertaking	2	11,401	11,346
		11,401	**11,346**
Current assets			
Cash and cash equivalents		7	6
		7	**6**
Current liabilities			
Trade and other payables[a]		91	53
		91	**53**
Total assets less current liabilities		**11,317**	**11,299**
Non-current liabilities			
Loans and other borrowings[b]		519	400
		519	**400**
Equity			
Ordinary shares		499	499
Share premium		1,051	1,051
Capital redemption reserve		27	27
Own shares		(378)	(311)
Profit and loss account[c]		9,599	9,633
Total equity		**10,798**	**10,899**
		11,317	**11,299**

a Current trade and other payables consists of loans from group undertakings of £nil (FY24: £13m) and other payables of £91m (FY24: £40m). Other payables mostly comprise the obligation to purchase own shares into trust via a forward contract.
b Loans and other borrowings consist of a loan from group undertakings of £519m (FY24: £400m). 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 £756m (FY24: £734m).

The financial statements of the company on pages 219 to 222 were approved by the Board of Directors on 22 May 2025 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 2025

	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 2023	**499**	**1,051**	**27**	**(422)**	**9,722**	**10,877**
Profit for the year	—	—	—	—	734	734
Dividends paid	—	—	—	—	(757)	(757)
Share-based payments	—	—	—	—	3	3
Capital contribution in respect of share-based payments	—	—	—	—	68	68
Net buyback of own shares	—	—	—	111	(137)	(26)
At 31 March 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)
31 March 2025	**499**	**1,051**	**27**	**(378)**	**9,599**	**10,798**

a The allotted, called up and fully paid ordinary share capital of the company at 31 March 2025 was £499m (31 March 2024: £499m), representing 9,968,127,681 (31 March 2024: 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 FY25, 6,938,786 shares (FY24: 57,073,057) were issued from Own shares to satisfy obligations under employee share schemes and executive share awards at a cost of £16m (FY24: £113m). At 31March 2025, 11,290,418 shares (FY24: 16,299,007) with an aggregate nominal value of £1m (FY24: £1m) were held at cost as treasury shares and 226,848,933 shares (FY24: 172,157.686) with an aggregate nominal value of £11m (FY24: £9m) 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 £756m (FY24: £734m).

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 148 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 amended standard was effective during the year and did not have a material impact on the financial statements of the company.

– Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)

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 2025 contain a consolidated cash flow statement. Consequently, as permitted by IAS 7 'Statement of Cash flow', the company has not presented its own cash flow statement.

The BT Group plc consolidated financial statements for the year ended 31 March 2025 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 2025 contain financial instrument 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

Investment in subsidiary undertaking is stated at cost and reviewed for impairment 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 asset or by continuing to hold the asset and benefiting from the net present value of the future cash flows of the investment.

Investment impairment is assessed at each reporting date. Estimating recoverable value 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

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the company's shareholders for final dividends. 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 and is recognised over the vesting period.

2. Investment in subsidiary undertaking

Cost	Total £m
At 1 April 2023	**11,278**
Additions	68
At 31 March 2024	**11,346**
Additions	55
At 31 March 2025	**11,401**

The company held a 100% investment in BT Group Investments Limited, a company registered in England and Wales, throughout FY25 and FY24. Additions of £55m (FY24: £68m) 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 FY25 assessment concluded that there remains a 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 9.35%. 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 FY25 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 2.40p per share amounting to £235m was paid on 5 February 2025 (FY24: interim dividend of 2.31p per share amounting to £227m paid). A final dividend of 5.76p per share amounting to approximately £566m is proposed in respect of the year ended 31 March 2025 (FY24: final dividend of 5.69p per share amounting to £556m paid in respect of the year ended 31 March 2024).

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 FY25 and FY24. 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
BT Group Nominees 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, Afiyaddin Jalilov 26, apt.177, Azerbaijan		
BT Azerbaijan Limited, Limited Liability Company	100%	ordinary
Bahrain		
Suite #2216, Building No. 2504, Road 2832, Al Seef, P.O. BOX 18259, Bahrain		
BT Solutions Limited (Bahrain Branch)[b]	100%	–
Bangladesh		
UTC Building, 19th Floor, Kawran Bazar, Dhaka, 1215, Bangladesh		
BT Communications Bangladesh Limited	100%	ordinary
Barbados		
3rd Floor, The Goddard Building, Haggatt Hall, St. Michael, BB11059, Barbados		
BT (Barbados) Limited	100%	ordinary
Belarus		
58 Voronyanskogo St, Office 89, Minsk 220007, Belarus		
BT BELRUS Foreign Limited Liability Company	100%	ordinary
Belgium		
Telecomlaan 9, 1831 Diegem, Belgium		
BT Global Services Belgium BV	100%	ordinary
Global Security Europe Limited – Belgian Branch[b]	100%	–
Rue des Guillemins 129, 4000 Liege, Belgium		
IP Trade SA	100%	ordinary
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 Drustvo sa organicenom odgovornoscu za posredovanje i zastupanje d.o.o. Sarajevo	100%	–
Botswana		
Plot 2482b, Tshekedi Crescent, Extension 9, Gaborone, 211008, Bontleng, Botswana		
BT Global Services Botswana (Proprietary) Limited	100%	ordinary
Brazil		
Avenida Dr. Ruth Cardoso, 4777 – 14 andar, 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%	–
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, Sector Piantini, Santo Domingo, Dominican Republic		
BT Dominican Republic, S. A.	100%	ordinary
Ecuador		
Av. Amazonas N21-252 y Carrión, Edificio Londres, 4° Piso, Quito, Ecuador		
BT Solutions Limited (Sucursal Ecuador)[b]	100%	–
Egypt		
Unit no. 306 Administrative Second Floor, Al Saraya Mall, Al Mehwar Al- Markazy, Giza, Egypt		
BT Telecom Egypt LLC	100%	stakes
El Salvador		
Edificio Avante Penthouse Oficina, 10-01 Y 10-03 Urbanizacion, Madre Selva, Antiguo Cuscatlan, La Libertad, El Salvador		
BT El Salvador, Limitada de Capital Variable	100%	ordinary

Related undertakings continued

Company name	Group interest in allotted capital[a]	Share class
Finland		
Mannerheimvägen 12 B 6, 00100 Helsinki, Finland		
BT Nordics Finland Oy	100%	ordinary
France		
Tour Ariane, 5 place de la Pyramide, La Defense Cedex, 92088, Paris, France		
BT France S.A.S.	100%	ordinary
Germany		
Marcel-Breuer-Straße 6, 80807 Munich, Germany		
BT (Germany) GmbH & Co. oHG	100%	ordinary
BT Deutschland GmbH	100%	ordinary
BT Garrick GmbH	100%	ordinary
Hansepark, Hansestraße 61, 51149, Köln, Germany		
Global Security Europe Limited – Germany Branch[b]	100%	–
Ghana		
5th Floor, Vivo Place, Cantonments City, Rangoon Lane, P.O. Box MB 595, Accra, Ghana		
BT Ghana Ltd	100%	ordinary
Guatemala		
5ta avenida 5-55 zona 14, Edificio Europlaza World Business Center, Torre IV, nivel 7, oficina 702, Guatemala City, Guatemala		
BT Guatemala S.A.	100%	unique
Honduras		
Colonia Florencia Norte, Edificio Plaza America, 5to Piso, Tegucigalpa, Honduras		
BT Sociedad De Responsabilidad Limitada	100%	–
Hong Kong		
Unit 31-105, 31/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong		
BT Hong Kong Limited	100%	ordinary
Infonet China Limited	100%	ordinary
Hungary		
1112 Budapest, Boldizsár utca 4., Hungary		
BT Global Europe B.V. Magyarorszagi Fioktelepe[b]	100%	–
BT Limited Magyarorszagi Fioktelepe[b]	100%	–
BT ROC Kft	100%	business
India		
11th Floor, Eros Corporate Tower, Opp. International Trade Tower, Nehru Place, New Delhi, 110019, India		
BT (India) Private Limited	100%	ordinary
BT e-Serv (India) Private Limited	100%	equity
BT Global Communications India Private Limited	100%	ordinary
BT Telecom India Private Limited	100%	ordinary

Company name	Group interest in allotted capital[a]	Share class
A-47, Hauz Khas, New Delhi, Delhi-DL, 110016, India		
Orange Services India Private Limited	100%	ordinary
Indonesia		
Menara Astra, 37F. Jl. Jendral Sudirman Kav 5-6, Jakarta Pusat, Jakarta, 10220, Indonesia		
PT BT Indonesia	100%	ordinary
PT BT Communications Indonesia	95%	ordinary
Isle of Man		
Third Floor, St Georges Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man		
Belmullet Limited	100%	ordinary
Communicator Insurance Company Limited	100%	ordinary
Priestgate Limited	100%	ordinary
Israel		
Beit Oz, 14 Abba Hillel Silver Rd, Ramat Gan, 52506, Israel		
B.T. Communication Israel Ltd	100%	ordinary
Italy		
Viale Abruzzi n. 94 , 20131 Milan, Italy		
Global Security Europe Limited[b]	100%	–
Via Tucidide 14, 20134, Milano, Italy		
Atlanet SpA	99%	ordinary
Basictel SpA	99%	ordinary
BT Italia S.p.A.	99%	ordinary
Jamaica		
Suite #6, 9A Garelli Avenue, Half way tree, St. Andrew, Kingston 10, Jamaica		
BT Jamaica Limited	100%	ordinary
Japan		
ARK Mori Building, 12-32 Akasaka, 1-Chome, Minato-Ku, Tokyo, 107 – 6018, Japan		
BT Japan Corporation	100%	ordinary
Jersey		
26 New Street, St Helier, JE2 3RA, Jersey		
Ilford Trustees (Jersey) Limited	100%	ordinary
PO Box 264, Forum 4, Grenville Street, St Helier, JE4 8TQ, Jersey		
BT Jersey Limited	100%	ordinary
Jordan		
Wadi AlSer – Dahiet Prince Rashid – King Abdullah Street, Building No. 391 – 3rd Floor, Jordan		
BT (International) Holdings Limited (Jordan)	100%	ordinary
Kazakhstan		
n.p.38b, Building 5, Kaiym Mukhamedkhanov Street, Nura District, Astana, Index 010000, Kazakhstan		
BT Kazakhstan LLP	100%	–

Company name	Group interest in allotted capital[a]	Share class
Kenya		
L R No, 1870/ 1/176, Aln House, Eldama Ravine close, off Eldama Ravine Road, Westlands, P O Box 764, Sarit Centre, Nairobi, 00606, Kenya		
BT Communications Kenya Limited	70%	ordinary
Korea		
Level 19, Hana Securities Building, 81, Uisadang-daero, Yeongdeungpogu, Seoul, 07321, Republic of Korea		
BT Global Services Korea Limited	100%	common
Latvia		
Muitas iela 1A, Riga, LV-1010, Latvia		
BT Latvia Limited, Sabiedriba ar ierobezotu atbildibu	100%	ordinary
Lebanon		
Abou Hamad, Merheb, Nohra & Chedid Law Firm, Chbaro Street, 22nd Achrafieh Warde Building, 1st Floor, Beirut, P.O.BOX 165126, Lebanon		
BT Lebanon S.A.L.	100%	ordinary
Lithuania		
Aludariu str 2-33, LT-01113 Vilnius, Lithuania		
UAB BTH Vilnius	100%	ordinary
Luxembourg		
12 rue Eugene Ruppert, L 2453, Luxembourg		
BT Global Services Luxembourg SARL	100%	ordinary
BT Broadband Luxembourg Sàrl	100%	ordinary
Malawi		
KEZA Office Park Blocks 3, First Floor, Near Chichiri, Shopping Mall, Blantyre, Malawi		
BT Malawi Limited	100%	ordinary
Malaysia		
Level 5, Tower 3, Avenue 7, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia		
BT Global Technology (M) Sdn. Bhd.	100%	ordinary
BT Systems (Malaysia) Sdn Bhd	100%	ordinary
Malta		
Level 1, LM Complex, Brewery Street, Zone 3, Central Business District, Birkirkara CBD, 3040, Malta		
BT Solutions Limited[b]	100%	–
Mauritius		
c/o Deloitte, 7th Floor Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebène, 72201, Mauritius		
BT Global Communications (Mauritius) Limited	100%	ordinary
Mexico		
Boulevard Manuel Avila Camacho No. 32, 6th Floor, Lomas de Chapultepec III Section, Miguel Hidalgo, Mexico City CP11000		
BT LatAm México, S.A. de C.V.	100%	common

Company name	Group interest in allotted capital[a]	Share class
Montenegro		
Vasa Raickovica 4b, Podgorica, Podgorica, Montenegro		
BT Montenegro DOO	100%	–
Morocco		
Bd. Abdelmoumen, Immeuble Atrium, n 374, Lot. Manazyl Al Maymoune, 5eme etage, Casablanca, 20390, Morocco		
BT Solutions Limited – Morocco Branch[b]	100%	–
Mozambique		
Avenida Kenneth Kaunda, number 660, Sommershield, Maputo City, Mozambique		
BT Mozambique, Limitada	100%	quotas
Namibia		
Unit 3, 2nd floor, Ausspann Plaza, Dr Agostinho Neto Road, Ausspannplatz, Private Bag, Windhoek, 12012, Namibia		
BT Solutions Limited[b]	100%	–
Netherlands		
Herikerbergweg 2, 1101 CM, Amsterdam, Netherlands		
BT Global Europe B.V.	100%	ordinary
BT (Netherlands) Holdings B.V.	100%	ordinary
BT Nederland N.V.	100%	ordinary
BT Professional Services Nederland B.V.	100%	ordinary
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
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 Philippines Incorporated	100%	ordinary
c/o Sun Microsystems Phil Inc., 8767 Paseo de Roxas, Makati City, Philippines		
PSPI-Subic, Inc	51%	ordinary
Poland		
126/134 Marszalkowska St., Room 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 – Telecomunicaçöes, 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 %	redeemable
BT Communications Ireland Limited	100%	ordinary
BT Communications Ireland Group Limited	100%	ordinary
BT Communications Ireland Holdings Limited	100 %	ordinary
BT Datacentres Ireland Limited	100 %	ordinary
Whitestream Industries Limited	100 %	ordinary
Romania		
Cladirea A1, Biroul Nr. 52, Nr 35-37, Str. Oltenitei, Sector 4, Bucharest, Romania		
BT Global Services Limited Londra Sucursala Bucuresti[b]	100%	–
Russia		
Room 62, prem xx, Floor 2, Pravdy, 26, 127137, Moscow, Russian Federation		
BT Solutions Limited Liability Company	100%	–
Serbia		
Dimitrija Georgijevica Starike 20, Belgrade, 11070, Serbia		
BT Belgrade d.o.o	100%	ordinary
Sierra Leone		
84 Dundas Street, Freetown, Sierra Leone		
BT (SL) Limited	100%	ordinary
Singapore		
Level 3, #03-01/02 & #03-04, Block B, Alexandra Technopark, 438B Alexandra Road, Singapore, 119968		
BT (India) Private Limited Singapore Branch[b]	100%	–
BT Global Solutions Pte. Ltd.	100%	ordinary
BT Singapore Pte. Ltd.	100%	ordinary
Slovakia		
Pribinova 10, 811 09, Bratislava, mestskó èast’ Staré Mesto, Slovakia		
BT Global Europe B.V., o.z.[b]	100%	–
BT Slovakia s.r.o.	100%	ordinary
Slovenia		
Cesta v Mestni Log 1, Ljubljana, 1000, Slovenia		
BT GLOBALNE STORITVE, telekomunikacijske storitve, obdelava podatkov, podatkovnih baz; d.o.o.	100%	ordinary
South Africa		
74 Waterfall Drive, Buidling 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%	–

Related undertakings continued

Company name	Group interest in allotted capital[a]	Share class
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
Sweden		
c/o 7A, Vasagatan 28, 111 20, Stockholm, Sweden		
BT Nordics Sweden AB	100%	ordinary
Switzerland		
Richtistrasse 5, 8304 Wallisellen, Switzerland		
BT Switzerland AG	100%	ordinary
Taiwan		
11F, No. 1 Songzhi Rd, Xinyi Dist., Taipei City, 110411, Taiwan (Province of China)		
BT Limited Taiwan Branch[b]	100%	–
Tanzania		
Region Dar Es Salaam, District Kinondoni, Ward Msasani, Street Msasani Peninsula, Road 1 Bains Singh Avenue, Plot number 1403/1, Ground Floor, 14111, United Republic of Tanzania		
BT Solutions Limited – Tanzania Branch[b]	100%	–
Thailand		
No.63 Athenee Tower, 23rd Floor (CEO Suite, Room No.38), Wireless Road, Kwaeng Lumpini, Khet Pathumwan, Bangkok, 10330, Thailand		
BT Siam Communications Co., Ltd	49%	class B
BT Siam Limited	69%	ordinary
	69%	preference
Trinidad and Tobago		
2nd Floor CIC Building, 122-124 Frederick Street, Port of Spain, Trinidad and Tobago		
BT Solutions Limited[b]	100%	–
Tunisia		
Rue de l', Euro Immeuble Slim, Block A-2nd floor-Les berges du Lac, Tunis, 1053, Tunisia		
BT Tunisia S.A.R.L	100%	ordinary
Turkey		
Acıbadem Mahallesi Çeçen Sk. Akasya A, Kule Kent Etabı Apt. No: 25 A/28-, Üsküdar, Istanbul, Turkey		
BT Bilisim Hizmetleri Anonim Şirketi	100%	ordinary
BT Telekom Hizmetleri Anonim Şirketi	100%	common

Company name	Group interest in allotted capital[a]	Share class
Uganda		
Engoru, Mutebi Advocates, Ground Floor, Rwenzori House, 1 Lumumba Avenue, Kampala, 22510, Uganda		
BT Solutions Limited[b]	100%	–
Ukraine		
Office 702, 34 Lesi Ukrainky Boulevard, Kyiv 01042, Ukraine		
BT Ukraine Limited Liability Company	100%	stakes
United Arab Emirates		
Office no 315-318, DIC Building No. 10, Dubai Internet City, PO Box 25205, Dubai , United Arab Emirates		
BT MEA FZ-LLC	100%	ordinary
Office no.206 BLOCK B, Diamond Business Center 1, Al Barsha South Third, Dubai, P.O. BOX 25205, United Arab Emirates		
BT UAE Limited – Dubai Branch (1)[b]	100%	–
BT UAE Limited – Dubai Branch (2)[b]	100%	–
United Kingdom		
1 Braham Street, London, E1 8EE, United Kingdom		
Autumnwindow Limited	100%	ordinary
Autumnwindow No.2 Limited	100%	ordinary
Autumnwindow No.3 Limited	100%	ordinary
Belmullet (IoM) Limited[b]	100%	–
BPSLP Limited	100%	ordinary
British Telecommunications plc	100%	ordinary
Bruning Limited	100%	ordinary
BT (International) Holdings Limited	100%	ordinary
BT (RRS LP) Limited	100%	ordinary
BT Communications Ireland Group Limited – UK Branch[b]	100%	–
BT Corporate Trustee Limited	100%	limited by guarantee
BT European Investments Limited	100%	ordinary
BT Euston Holdings UK Limited	100%	ordinary
BT Fifty-One	100%	ordinary
BT Fifty-Three Limited	100%	ordinary
BT Global Security Services Limited	100%	ordinary
BT Global Services Limited	100%	ordinary
BT Holdings Limited	100%	ordinary
BT IoT Networks Limited	100%	ordinary
BT Limited	100%	ordinary
BT Ninety-Seven Limited	100%	ordinary
BT Nominees Limited	100%	ordinary
BT Paddington Holdings UK Limited	100%	ordinary

Company name	Group interest in allotted capital[a]	Share class
BT Property Holdings (Aberdeen) Limited	100%	ordinary
BT Property Limited	100%	ordinary
BT Sixty-Four Limited	100%	ordinary
BT SLE Euro Limited	100%	ordinary
BT SLE USD Limited	100%	ordinary
BT Solutions Limited	100%	ordinary
BT UAE Limited	100%	ordinary
BT Quartz Euston Limited	100%	ordinary
BT Quartz Holdings UK Limited	100%	ordinary
BT Quartz Paddington Limited	100%	ordinary
Communications Global Network Services Limited – UK Branch[b]	100%	–
Communications Networking Services (UK)	100%	ordinary
EE (Group) Limited	100%	ordinary
EE Group Investments Limited	100%	ordinary
EE Limited	100%	ordinary
EE Pension Trustee Limited	100%	ordinary
ESAT Telecommunications (UK) Limited	100%	ordinary
Extraclick Limited	100%	ordinary
Global Security Europe Limited	100%	ordinary
Mainline Communications Group Limited	100%	ordinary
Mainline Digital Communications Limited	100%	ordinary
Newgate Street Secretaries Limited	100%	ordinary
Numberrapid Limited	100%	ordinary
Orange Furbs Trustees Limited	100%	ordinary
Orange Home UK Limited	100%	ordinary
Orange Personal Communications Services Limited	100%	ordinary
Radianz Limited	100%	ordinary
Redcare Limited	100%	ordinary
Southgate Developments Limited	100%	ordinary
Tudor Minstrel	100%	ordinary
Alexander Bain House, 15 York Street, Glasgow, Lanarkshire, G2 8LA, Scotland		
BT Corporate Limited	99%	ordinary
BT Falcon 1 LP	51 %	–
Holland House (Northern) Limited	100%	ordinary
6 Gracechurch Street, London, EC3V 0AT, United Kingdom		
Openreach Limited	100%	ordinary

Company name	Group interest in allotted capital[a]	Share class
BDO LLP, 55 Baker Street, London, W1U 7EU, United Kingdom		
BT OnePhone Limited	100%	ordinary
Endeavour, Sheffield Digital Campus,1a Concourse Way, Sheffield, S1 2BJ, United Kingdom		
Plusnet plc	100%	ordinary
United States		
c/o Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States		
BT Americas Holdings Inc.	100%	common
BT Americas Inc.	100%	common
BT Communications Sales LLC	100%	units
BT Federal Inc.	100%	common
BT Procure L.L.C.	100%	units
BT United States L.L.C.	100%	units
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 24)

Company name	Group interest in allotted capital[a]	Share class
Held via other group companies		
Mauritius		
IFS Court, Bank Street, TwentyEight Cybercity, Ebene, 72201, Mauritius		
Mahindra – BT Investment Company (Mauritius) Limited	43%	ordinary
Philippines		
32F Philam Life Tower, 8767 Paseo de Roxas, Makati City, Philippines		
ePLDTSunphilcox JV, Inc	20%	ordinary
SunPhilcox JV, Inc	20%	ordinary
United Kingdom		
24/25 The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom		
Digital Mobile Spectrum Limited	25%	ordinary
10 Stadium Business Court, Millennium Way, Pride Park, Derby, DE24 8HP, United Kingdom		
Midland Communications Distribution Limited	35%	ordinary
Phoneline (M.C.D) Limited	35%	ordinary
2nd Floor, Aldgate Tower, 2 Leman Street, London, E1 8FA, United Kingdom		
Youview TV Limited	14%	voting
The Blade, Abbey Square, Reading, RG1 3BE, United Kingdom		
Altitude Angel Ltd	23%	preference

Joint ventures (note 24)

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 and a 3G network on behalf of Hutchison 3G UK Ltd, (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.