

British Telecommunications plc
Annual Report and Financial Statements
Year ended 31 March 2025
Company number 1800000

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Corporate Information

Directors

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Edward Heaton
Simon Lowth
Daniel Rider
Roger Eyre (resigned 14 April 2025)
Helen Charnley (appointed 14 April 2025)

Secretary

Antony Gara

Independent Auditor

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Strategic report

Non-financial information statement

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

The overall strategy of British Telecommunications plc ("BT plc" or the "Company") is part of that of BT Group plc which is outlined in BT Group plc's Annual Report 2025, which does not form part of this report.

How we're organised

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

BT Group consists of customer-facing (CFUs), technology (TUs), and corporate (CUs) units. We share resources across our networks, technologies, colleagues and brands to deliver the best results for customers, stakeholders and shareholders. To stay in line with UK regulations and our commitments, Openreach operates independently.

Customer-facing units

Our three customer-facing units (CFUs) focus on different segments – each with unique needs. They aim to provide outstanding customer experiences through tailored solutions which generate revenue and build long-term trust.

Consumer serves individuals and households across the entire UK market with connectivity products and other targeted services. We provide 8.2 million broadband and 15.6 million mobile connections to customers. We reach 13.4 million UK households, that is nearly half of all UK households.

Business serves businesses of all sizes, other communications providers (CPs) and public sector organisations with connectivity and other solutions like security. We also support more than 1 million private and public sector organisations and over 1,400 wholesale customers in the UK.

Openreach independently manages BT Group's fixed access network, connecting millions of UK homes, businesses, public sites and mobile towers. We lead in building the UK's next-generation full fibre network, with more than 18 million homes and businesses passed by the end of March 2025.

Technology units

Our technology units (TUs) build, maintain, and run our networks, platforms and digital assets, except fixed infrastructure assets which Openreach operates and commercialises. They're also modernising our business through continuous innovation, research and development (R&D), keeping us secure and at the cutting edge of the right technologies. They help us to be more agile and efficient and deliver better outcomes for customers. Our two TUs are:

Digital delivers our IT and digital platforms making sure our products and services are running on efficient, future-proof technology.

Networks designs, builds, runs and secures the mobile, core and global networks, so we can become the UK's most trusted connector of people, business and society.

Corporate units

Our corporate units (CUs) operate at Group level, setting direction and governance frameworks and aligning our activities. They make us more efficient through centralised platforms, capabilities and shared services.

Our five CUs are:

- Finance and Business Services.
- Strategy and Change.
- Human Resources.
- Legal, Regulatory Affairs, Compliance and Company Secretarial.
- Corporate Affairs and Brand.

Strategic report continued

Key performance indicators

We use nine KPIs – five operational and four financial. We continue to monitor and evolve our KPIs to ensure those reported are the best measures against our strategy. During FY25 we've worked on refreshing our strategy; as part of this we have updated our KPIs from FY26 onwards to more accurately reflect our strategic priorities. As part of the strategy refresh we have included adjusted UK Service Revenue as a new KPI from FY25. Adjusted^a EBITDA margin has been discontinued as a KPI, although revenue and adjusted^a EBITDA remain KPIs. We reconcile adjusted financial measures to the closest IFRS measure on page [137](#). Items presented as adjusted are stated before specific items. See page [137](#) for more information.

Operational

BT Group Net Promoter Score (NPS)

This tracks changes in our customers' perceptions of BT Group since we launched the measure in April 2016. It's a combined measure of 'promoters' minus 'detractors' across our business units. BT Group NPS measures the net promoter score in our retail business^b and net satisfaction in our wholesale business. We continue to focus on creating standout customer experiences with performance up 4.7 points in FY25 (FY24: up 1.0 point).

Total Openreach FTTP connections

This tracks how many premises are connected to Openreach's full fibre (FTTP) network. 6.5m premises were connected to Openreach's FTTP network at 31 March 2025 (FY24: 4.7m). Openreach's full fibre footprint reaches more than 18m homes and businesses and we're heading towards 25m premises by the end of 2026.

Total 5G connections

This measures the number of BT retail connections to the 5G network. There were 13.2m connections to our 5G network at 31 March 2025 (FY24: 11.1m). We continue to expand our 5G network which now covers 85% of the UK population.

Percentage reduction in operational carbon emissions

This measures performance against our ambition to cut carbon emissions by 90% by the end of March 2031 compared to FY17 levels^c. It's based on an absolute reduction in tonnes of CO₂e (carbon dioxide equivalent) in operational emissions (Scopes 1 and 2 greenhouse gas emissions). This replaces our previous carbon intensity goal, reflecting stronger ambition and alignment to a 1.5°C pathway. This year, we achieved a 52% reduction from our baseline year (FY17) (FY24: 50%).

Units on legacy

This tracks customer migrations from legacy to strategic network platforms, which enables our legacy platforms to be decommissioned. A 'unit' is a circuit within, or a connection to our network. We have reduced the number of legacy connections by 35%, to 4.2 units (FY24: 6.5), by migrating customers to Digital Voice, 4/5G and Fibre broadband.

Financial

Reported revenue

This is our revenue as reported in our income statement. Reported revenue was £20,358m (FY24: £20,797m). The decrease was driven by continued challenging non-UK trading conditions in our Global and portfolio channels and weaker handset trading in Consumer, offset by the impact of FTTP growth in Openreach and price increases.

Adjusted^a UK Service Revenue

Adjusted UK Service revenue comprises all UK revenue less UK equipment revenue. Some revenue from equipment is included within adjusted UK service revenue where this is sold as part of a managed services contract or where that equipment cannot be practicably separated from the underlying service. Adjusted UK service revenue excludes revenues from our Global channel and international elements of our Portfolio channel within our Business segment, as they are international in nature. Adjusted^a UK Service Revenue for the year was £15,582m (FY24: £15,727m). This is down 1% as growth in Openreach was more than offset by a decline in Business, as a result of lower legacy revenues.

Adjusted^a EBITDA

This measures our earnings before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures. Adjusted^a EBITDA was £8,203m (FY24: £8,102m), driven by strong cost transformation, which more than offset lower revenue.

Reported capital expenditure

This measures additions to property, plant and equipment and intangible assets during the year. Reported capital expenditure was £4,857m (FY24: £4,880m). This was broadly in line with prior year, with higher FTTP build and provision volumes in Openreach, some preparation for an acceleration in our build, and higher customer premises equipment in Consumer, being offset by lower build and provision unit costs.

^a Items presented as adjusted are stated before specific items. See page [137](#) for more information.

^b Includes our Consumer brands as well as Business unit excluding Wholesale.

^c Restated from percentages presented in the FY24 Annual Report due to a change in the KPI definition. Our previous KPI, an 87% reduction in carbon emissions intensity by FY31, has been replaced with this operational carbon emissions reduction KPI.

Strategic report continued

Group performance

Summarised income statement (reported measures)

Year ended 31 March	2025 £m	2024 £m
Revenue	20,358	20,797
Operating costs	(12,894)	(13,183)
Depreciation and amortisation	(4,978)	(5,398)
Operating profit	2,486	2,216
Net finance expense	(417)	(298)
Share of post tax profit (loss) of associates and joint ventures	(8)	(21)
Profit before tax	2,061	1,897
Tax	(280)	(331)
Profit for the year	1,781	1,566

Alternative performance measures

We assess the performance of the group using various alternative performance measures. As these are not defined under IFRS they are termed 'non-GAAP' or 'alternative performance' measures. We reconcile these to the most directly comparable financial measure or measures calculated and presented under IFRS on page 137. The alternative performance measures we use may not be directly comparable with similarly titled measures used by other companies.

Revenue

Reported revenue was £20,358m, down 2% mainly due to continued challenging trading conditions in our Global and non-UK Portfolio channels and weaker handset trading in Consumer. These factors offset the impact of FTTB growth in Openreach and price increases in each CFU. You can find details of revenue by CFU in Note 4 of the consolidated financial statements. Note 5 to the consolidated financial statements shows a full breakdown of reported revenue by all our major product and service categories.

Operating costs

Reported operating costs (including depreciation and amortisation) were £17,872m, down 4% year on year due to cost transformation and the prior year goodwill impairment, which were partly offset by cost inflation and specific costs including impairment of disposal groups, restructuring charges and adjustments to balances related to our Sports JV. Note 6 to the consolidated financial statements shows a detailed breakdown of our operating costs.

Adjusted^a EBITDA

Adjusted^a EBITDA of £8,203m was up 1%, driven by strong cost transformation, which more than offset lower revenue.

Profit before tax

Reported profit before tax of £2,061m was up 9%, primarily due to goodwill impairment in the prior year, offset by higher restructuring charges, adjustments to balances related to our Sports JV and net finance expense in FY25.

Specific items

As we explain on page 137, we separately identify and disclose those items that in management's judgement need to be disclosed by virtue of their size, nature or incidence. We call these specific items. Specific items are used to derive the adjusted^a results as presented in the consolidated income statement. Adjusted^a results are consistent with the way that financial performance is measured by management and assists in providing an additional analysis of the reported trading results of the group.

Specific items resulted in a net charge after tax of £781m (FY24: £963m). The main components were restructuring charges of £448m (FY24: £388m), and interest expense on retirement benefit obligation of £197m (FY24: £121m); Sports JV-related items £119m and impairment loss on remeasurement of the disposal groups of £116m; partly offset by a tax credit on specific items of £200m (FY24: £145m). Specific operating costs were £772m (FY24: £949m).

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

Taxation

The effective tax rate on reported profit was 13.6% (FY24: 17.4%) which is lower than the UK corporation tax rate of 25% primarily due to the UK patent box regime and group relief received for nil payment. The rate was higher in the prior period due to a non-deductible goodwill impairment. The effective tax rate on adjusted^a profit was 15.8% (FY24: 20.7%) for the same reasons. A net corporation tax refund of £35m (FY24: £59m payment) comprised overseas tax payments of £60m offset by a UK tax refund of £95m following the closure of prior period tax returns.

Our tax expense recognised in the income statement before specific items was £480m (FY24: £476m). The charge for the period comprises deferred tax in the UK and current and deferred tax overseas. Note 10 to the consolidated financial statements shows further details of our tax expense, along with our key tax risks.

Dividends

In FY25 dividend of £780m was paid to the parent company, BT Group Investments Limited (FY24: £850m).

^a Items presented as adjusted are stated before specific items. See page 137 for more information.

Strategic report continued

Capital expenditure

Capital expenditure was £4,857m (FY24: £4,880m), this was broadly in line with prior year, with higher FTTP build and provision volumes in Openreach, some preparation for an acceleration in our build, and higher customer premises equipment in Consumer, being offset by lower build and provision unit costs. Capital expenditure contracted but not yet spent was £985m at 31 March 2025 (FY24: £1,049m).

Cash flow

Net cash inflow from operating activities was £6,989m, up 17% (FY24: £5,953m).

Summarised balance sheet

At 31 March	2025 £m	2024 £m
Intangible assets	12,433	12,928
Property, plant & equipment	23,380	22,562
Right-of-use assets	3,328	3,642
Derivative financial instruments	1,034	1,070
Cash and cash equivalents	209	409
Investments	15,086	14,028
Trade and other receivables	3,774	4,230
Preference shares in joint ventures	395	533
Contract assets	1,500	1,740
Deferred tax assets	959	1,048
Assets classified as held for sale	245	—
Other current and non-current assets	1,080	1,209
Total assets	63,423	63,399
Loans and other borrowings	18,762	18,526
Derivative financial instruments	497	539
Trade and other payables	6,149	6,960
Contract liabilities	1,156	1,081
Lease liabilities	4,571	4,955
Provisions	640	649
Retirement benefit obligations	4,230	4,882
Deferred tax liabilities	1,717	1,533
Liabilities classified as held for sale	188	—
Other current and non-current liabilities	82	92
Total liabilities	37,992	39,217
Total equity	25,431	24,182

Pensions

The IAS 19 gross deficit has decreased to £4.1bn at 31 March 2025, net of tax £3.2bn, primarily due to scheduled contributions over the period. The 2023 BT Pension Scheme (BTPS) funding valuation included a future funding commitment for BT to provide additional deficit contributions should the funding deficit be more than £1bn behind plan at two consecutive semi-annual assessment dates. At the 31 December 2024 assessment date, the position was within this limit.

Assets and liabilities classified as held for sale

During the year we announced our intention to explore options to optimise our global business. At 31 March 2025 we have five disposal groups held for sale. These include our datacentre business in Ireland, our Irish wholesale and enterprise business, and our domestic operations in Italy. The disposals are all expected to be completed in FY26 subject to competition and regulatory approvals.

Strategic report continued

Our stakeholders

Customers, colleagues, the country we do business in (including its communities, government and regulators), our owners, suppliers and partners are all key stakeholders. We engage with them at every level of our business, from our frontline teams to senior leadership, the BT Group Executive Committee and the BT Group plc Board. We do it with them in lots of different ways – from meetings and conferences to reviews, forums and webcasts.

To keep track of how well we're connecting with different groups, the BT Group plc Board and its Committees get regular updates from various parts of the business and directly from the stakeholders themselves. These insights help them make better decisions, provide valuable feedback and challenge activities, programmes, initiatives to make sure we're on the right track.

Customers

Our large, broad customer base spans individuals, households, multinational corporations and government entities. We want to help customers live and work better. That starts with them having outstanding experiences with us. To do that we must understand their unique needs. Personally engaging with customers is essential to understanding what they need today and tomorrow. By transforming and creating outstanding customer experiences, we aim to build trust and loyalty.

How we engage with customers

Colleagues in service, sales and contact centres talk to customers regularly to keep up to date with what they need and help them stay connected.

Using research techniques and internal and external data, our insights team aims to get a deep understanding of customers' needs.

Our CFUs, the BT Group plc Executive Committee and the BT Group plc Board regularly review metrics like NPS to monitor customers' experiences and loyalty to our brands.

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

Our Customer Fairness Panel, Customer Inclusion Panel, Security Advisory Board and Customer Advisory Board have direct conversations with customers to help us better understand their experiences.

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

Highlights this year

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

We visited every UK region to raise awareness and to make sure all customers understand the simple steps needed to switch to Digital Voice.

In Consumer we've continued to use EE to offer converged propositions to support customers at home, at work and on the go. We gave guidance on children's digital wellbeing, discouraging parents from giving primary school-aged children their own smartphones.

For our business customers we ran market leading security events. One event – 'Secure Tomorrow' – hosted more than 800 business customers and partners, discussing topics like emerging tech, workforce, regulation, and transformation.

Colleagues

To build a culture where colleagues can thrive and contribute to our purpose, ambition and success, they need to be engaged. That means providing supportive work environments, flexible and agile working options and top-quality training and career development. And it means rewarding performance with fair, competitive pay and benefits.

How we engage with colleagues

The BT Group plc Board gets regular updates from the Chief Executive and Chief People & Culture Officer. Topics range from people strategy initiatives to culture and overall sentiment in the organisation. We've run four quarterly 'Your Say' employee engagement surveys this year. They give around 10,000 people managers actionable insights on what their teams are experiencing, thinking and feeling over time. Survey participation has stayed high at 76% (March 2025).

Highlights this year

Despite the big levels of change and transformation, colleague engagement has stayed strong at 76% – above the 70% UK benchmark. Our commitment to customer satisfaction remains strong as our 'Delivering for the Customer' metric kept its strong score of 82% (over the year). Colleagues feel equally positive about being "encouraged to develop new ways to serve customers" and "empowered to make decisions to best serve customers" at 82%. This sentiment matches the global high-performing benchmark – and 8% above the 74% UK benchmark.

Inclusion and wellbeing

Our Manifesto laid out our aspirations for our workforce to better reflect the customers and communities we serve. We list our 2025 manifesto goals for gender, ethnic minority and disability balance at various levels of the organisation in the BT Group plc Annual Report.

Our overall UK declaration rates are up from 81% to 82%. More colleagues now feel comfortable declaring their personal information, giving us better demographic data to tackle areas of opportunity.

While we've made progress on some goals notably on all colleagues ethnicity, and disability representation among senior leaders, we need to work harder to make BT Group inclusive for everyone. To achieve this we are focusing on key areas that matter most:

Strategic report continued

- We're encouraging more inclusive workplaces through understanding barriers and acting to make sure all our people feel included and can fulfil their potential.
- We're making the way we design jobs and run our workplace more inclusive.
- We're underpinning that with an unwavering focus on inclusive leadership.
- We're committed to having a wider range of digital skills to make us more productive and innovative. Which will help us and the whole UK grow.
- And we're still making sure our early careers talent represents the communities we serve – through partnerships with organisations such as the Black Apprentice Network.

Our Chief Executive Allison Kirkby opened the Black Apprentice event in December 2024. Our apprentice representation figures keep improving. They're higher than BT Group and 2025 ambition figures in all demographics.

We work with our active and award-winning People Networks. These colleague-led groups inform our priorities and raise awareness and advocate for change inside and outside BT Group.

Occupational health and wellbeing

This year we launched a new 24/7 global wellbeing portal for colleagues. It provides validated content on health, relationships, money and work. It also gives access to services like online GP, menopause support, cancer checks, mental health, physiotherapy and wellbeing programmes.

Occupational health and wellbeing absences (for UK colleagues) from sickness have dropped to an average of 3.52% calendar days lost per colleague – down from 3.66% last year. When colleagues need extra help getting back to work, our fully funded rehabilitation programme for musculoskeletal and mental health services returns 97% of them to full duties.

Country

We make a big economic contribution to UK society by connecting it. Trust is essential. Without it, we wouldn't be able to grow and fulfil our purpose of connecting for good. Different groups have different expectations but we all share the same goal – to make a positive impact on society.

Communities

The communities we serve want us to:

- keep them protected through reliable and secure connections
- help them to understand and navigate the increasingly digital world
- keep providing direct and indirect employment
- do business ethically, responsibly and sustainably.

How we engage with communities

We support them through our stores, contact centres, digital channels and home visits for installation and maintenance. We offer digital skills training to millions of UK people, to help everyone – whatever age or background – build the skills they need for a more connected world. We run roadshows across the UK to help customers understand the switch from legacy copper-based services to Digital Voice.

We use customer surveys and reputation tracking to understand how we're doing and inform future focus areas and goals.

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

Highlights this year

Our full fibre network now reaches 4.9 million homes and businesses in harder-to-reach areas, against our aim to reach 6.2 million by December 2026. Over 18 million homes and businesses have been passed with full-fibre so far.

We're expanding 4G coverage in rural areas through the Shared Rural Network initiative, while also growing our 5G network to 90% of the UK by 2027.

We support over 900,000 low income and vulnerable customers with social tariffs and discounted products.

We spend £9.6bn each year with UK suppliers. Our combined activities support 212,000 jobs directly or indirectly. We contribute £1 in every £100 of UK Gross Value-Added and support 1 in every 100 workers in the UK¹.

We're one of the UK's biggest private sector apprenticeship employers – we've hired more than 3,000 apprentices and graduates over the past five years.

We support communities to develop digital skills to help them thrive in a digital world. This year, we helped 280,000 more people, bringing the total to 23.3 million since FY15.

Our people volunteered nearly 150,000 hours of their time to help our charity partners and communities – sharing skills and expertise through mentoring and digital skills training programmes.

Colleagues donated over £1.2 million to more than 1,000 charities through payroll giving. We received the Payroll Giving Platinum Award quality mark from the Government. Our people's fundraising and donations raised over £173,000 for our charity partner HomeStart UK, helping families facing social exclusion.

We fund UNICEF's 'Digital Learning Passport' tech platform, which enables access to quality educational resources for young people.

¹ The Economic Impact of BT Group plc in the UK – 2025 edition (bt.com/economic-impact)

Strategic report continued

Government

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

Based on a report commissioned last year, we added more than £22.8bn to the UK economy, supporting critical services and working with more than 1,400 public sector customers.

Our public policy work with Government covers everything from infrastructure investment to national security, from promoting digital skills and inclusion to wider economic and industrial policy.

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

The Government wants us to:

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

How we engage with the Government – and highlights this year

Our policy and public affairs team manages our relationships with Government and other politicians.

Under the Communications Act 2003, the Government can ask us (and others) to run or restore services during disasters. The

Civil Contingencies Act 2004 also says that they can impose obligations on us (and others) in emergencies, or in connection with civil contingency planning.

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

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

In 2024 we engaged with senior representatives and politicians from all major political parties in the run up to the General Election. And since the election we've sought to build a constructive partnership with the new Government.

This year, we contributed to Government initiatives on industrial strategy, technology development and adoption, mobile markets, planning, business rates, smart data, AI opportunities, cybersecurity, international trade, economic security, fraud and copyright.

We also worked with officials and regulators to agree new protocols for moving customers off our old networks.

We gave insights to Government to help it formulate its Statement of Strategic Priorities for Ofcom. We also gave input and evidence to parliamentarians on legislation like the Data (Use and Access) Bill and the Employment Rights Bill.

Regulators

Regulation is essential for protecting consumers and promoting fair competition. Our main relationship is with Ofcom, the regulator of UK communications and TV services. We also work with other bodies like the Financial Conduct Authority, Competition and Markets Authority, and the Information Commissioner's Office.

Our regulators want us to:

- invest and innovate in UK digital infrastructure
- keep the UK's digital infrastructure and critical services secure and reliable – be fair and transparent with customers – compete fairly in our markets.

How we engage with regulators

We have open and constructive dialogue via the BT Group plc Board, BT Group plc Chief Executive, BT Group plc Executive Committee and senior leaders. These discussions focus on how regulation can support investment in top-notch digital infrastructure while making sure the market works for consumers. As part of our day-to-day operations, we regularly interact with Ofcom and other regulators through industry consultations and information requests to make sure they understand the impact of proposed changes.

Suppliers and Partners

Strong relationships with suppliers and partners are crucial to our success. They enable us to provide solutions and offers to deliver exceptional customer experiences.

Our suppliers and partners want us to:

- pay them according to our agreed terms
- work with them to optimise their supply chains and support cash flow management
- operate ethically and transparently.

How we engage with suppliers and partners

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

Strategic report continued

We pick suppliers who agree to endorse our policies and standards – making sure we collectively act ethically and responsibly.

We do due diligence before signing contracts on risks like financial health, anti-bribery and corruption, business continuity, human rights, environmental impacts, cyber security, data privacy and health and safety.

We make sure we have strong contracts with suppliers to keep standards high, deliver on time to our customers, and follow our responsible and ethical supply chain standards.

We regularly audit our high-risk suppliers – focusing on governance, human rights and environmental impacts – and work with them to address findings.

Based in Dublin and established in early 2021, BT Sourced is our procurement arm. It focuses on creating more digital and sustainable procurement through cutting-edge technologies like AI and robotics.

BT Sourced boosts our efficiency and productivity. It also fosters better collaboration with suppliers and partners – which delivers better value for us, our customers and the wider community.

BT Sourced highlights this year

We grew our partnership with start-up Nnamu – using its game theory AI-based agent to recommend negotiation strategies and negotiate autonomously. This is saving us time and money.

Our in-house negotiation analytics team explored AI techniques and added new tools. Our Supplier 360 dashboard now uses machine learning and AI to analyse data and model our supply base, providing insights into supplier relationships, saving money and identifying potential supply chain risks.

We improved support for small and micro-sized suppliers by launching a tailored Collaborative Cash Flow Optimisation (C2FO) solution, with competitive funding rates. To make it more accessible for international suppliers, we've begun offering payments in US\$. More than 1,300 suppliers have signed up. And in 2024 we facilitated more than £1.2bn early payments.

BT Group won awards for Best Use of Technology for a working capital project in the Working Capital Forum and Best Working Capital Programme from the Supply Chain Finance Community.

We supported Scope 3 and circular economy targets through sourcing strategies for things like network kit, property, consumer devices and fleet. Our new Supplier Environmental Standard sets clear expectations for suppliers on waste and chemicals, climate change, circular economy, energy consumption and mineral sourcing.

We launched the Procurement Academy to improve our people's supply chain optimisation and procurement skills – driving innovation and improving supplier relationships and decision making.

Strategic report continued

The BT Group Manifesto

Launched in 2021, our BT Group Manifesto has supported growth through responsible, inclusive and sustainable technology. We report here on the progress made on our Manifesto ambitions over the last 12 months.

Moving forward, we'll be stepping up our focus on digital inclusion and sustainability, replacing the Manifesto and fully integrating these priorities into the refreshed Group strategy – helping us to achieve our ambition: to become the UK's most trusted connector of people, business and society.

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

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

Our responsible tech principles are:

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

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

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

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

Developing new tech

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

- completed a human rights impact assessment of drone technology to help us identify, understand and assess its risks.
- developed a playbook for our people to embed responsible tech principles into their designs – to build trust, drive growth and enable responsible innovation.

Buying tech

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

- continued due diligence on our direct Tier 1 manufacturing supply chain. Find out more at bt.com/modernslavery
- expanded our 'worker's voice' survey to four new supplier factories to better understand the experience of those working in our supply chain. We'll use the feedback to fix problems and make improvements.

Using tech

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

- developed AI guidance for our people to help them manage AI risks and stay in line with regulation.
- refreshed our Consumer Data Principles to make sure we manage consumer data in line with our responsible tech principles.
- ran a workshop on content controls to find potential risks and impacts to users, creating guidance for our people to adopt when designing products.

Selling tech

We sell to customers around the world. This year we continued sales due diligence in Business. This helps us assess any potential human rights risks through the life of a customer's contract. The 2024 Global Child Forum Benchmark Report looked at our policies, approach and commitment to children's rights. It rated us as a top-performing company in Europe, and in the global telecoms sector.

Partnerships

Collaboration was key to this year's progress – creating a responsible tech ecosystem to drive trust and growth. This year we:

- joined the UN B-Tech project and continued our role in the BSR Human Rights Working Group – to help us implement the UN Guiding Principles on Business and Human Rights.
- participated in the UN Global Compact Climate and Human Rights Working Group – to help us tackle climate change effects on human rights and promote due diligence for a low carbon transition – attended the BSR Tech Against Trafficking Summit to understand how to use tech to fight human trafficking – focusing on supply chain data, using AI and stopping tech-facilitated trafficking.

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

Embracing inclusion and wellbeing is core to our people strategy and our growth. We want to champion digital inclusion too. We're connecting the UK through our digital infrastructure, maximising everyone's chances to be online and benefit from the digital world.

We continue to support low-income families and vulnerable groups who face ongoing cost of living challenges. We're still market leader for low-cost social tariffs – giving over 900,000 customers affordable fibre broadband and calls.

Our digital skills training helps more people benefit from being online – particularly more vulnerable groups like children and the over 65s.

Help with digital skills

This year we helped a further 280,000 UK people and businesses improve their digital skills. Since FY15, we've helped a total of 23.3 million people, as part of our ambition to reach 25m by the end of FY26.

Employability and digital skills for young people

We want to help young people prepare for their future and inspire them to work in tech, digital and data.

This year, more than 1,000 young people have benefited from our Work Ready days at our UK workplaces, or schools. These days improve their understanding, self-confidence and digital skills. 92 of our colleagues gave over 800 volunteering hours to help deliver these events.

Strategic report continued

We're developing Work Ready content for teachers, including free, curriculum linked lesson plans. This will help students improve their work-ready digital skills through practical, project-based modules, and boost teachers' industry knowledge when giving careers advice.

We continue to support the National Cyber Security Centre's CyberFirst programme. It aims to inspire more young people (especially girls) to have a career in cyber and tech.

We give support through sponsorship, summer placement bursary funding, through around 150 volunteers who were available to help with events and activities.

Online safety for children and families

We're helping to promote safe and responsible tech use among young people and protect them online. This year we:

- launched age-appropriate guidance on smartphone use for kids and teens, to protect children and help families navigate online risks and harms
- became the first UK telco to recommend that under 11s use limited capability devices
- made it simpler to set parental controls on the MyEE app by combining broadband and mobile account controls
- enhanced PhoneSmart, our online learning platform – adding safety guidelines for parents on issues, like AI and recognising deepfakes. PhoneSmart has now reached over 10,400 learners, with around 3,800 licences issued to those who've completed all modules
- delivered more than 3,300 training hours in schools on online safety through 'We Are Futures' and the National Schools Partnership
- launched child-friendly devices – the IMO Dash+ phone and Xplora X6 Play smartwatch.

Senior skills

Around 4.7m people aged 65+ don't have the basic skills needed to use the internet successfully¹. Last year, with partner AbilityNet, we supported over 3,000 older people to develop their digital skills, improve their confidence and help them to stay safe online.

We're now building on that success, by expanding our programme and reach to a further 7,000 people – increasing our scope to also include adults with disabilities. This year, we've supported over 5,000 learners through one-to-one learning, repeated small group sessions and webinars.

We've also recruited some celebrity help to shine a light on the issue of online safety:

- Sir Geoff Hurst joined a walking football group at Bristol City FC for an online safety session we held with AbilityNet.
- broadcaster Moira Stuart joined senior learners on a coach trip to Blenheim Palace, where they had bitesize digital skills sessions on scam awareness and how to use wi-fi and QR codes (run by AbilityNet and supported by BT Group volunteers).
- and actress Linda Robson attended a small group training session and AbilityNet webinar to encourage others to get involved.

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

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

This year we published our first Climate Transition Plan (bt.com/climatetransitionplan). It sets out in detail the objectives, strategy and governance needed to help us decarbonise our business, manage climate-related risks and support economy-wide transformation to net zero. We also continue to publish our Carbon Reduction Plan each year.

We're aiming to be net zero in our operations by the end of March 2031 – and for our full value chain by the end of March 2041. This year our Scope 1 and 2 target was updated from intensity based to absolute in line with the Science Based Target initiative (SBTi)'s net zero standard. All our near term and net zero goals were approved by SBTi this year.

Research and development (R&D) and innovation

We're still investing in future areas that play to our strengths. We've worked to bring new technologies to market first, giving customers smarter and better outcomes:

- We were first to deploy 5G Standalone network slicing for business use, helping them avoid network congestion and boost connectivity speeds in their busiest periods when they need it most.
- We were awarded the contract to support the CoSTAR national lab with our Private 5G, which supports virtual production R&D technologies in film, TV and live events.
- Our Narrowband IoT network covers 97% of the UK population. It connects low-data assets like streetlights and water sensors, paving the way for sustainable smart city development.
- We evolved our world-first Quantum Key Distribution (QKD) metro network in London.
- We won a bid for Innovate UK funding to lead a quantum assurance programme. It will build concrete assurance processes for QKD solutions – with the aim of ultimate use in the network.
- This year we incurred £790m on R&D. We also filed 81 patent applications – bringing our portfolio to 5,519.

¹ Offline and Overlooked: Digital exclusion and its impact on older people (ageuk.org.uk).

Strategic report continued

Reducing carbon emissions in our operations

We've cut our operational carbon emissions by 52% since FY17. This is against our updated aim, to deliver a 90% cut by the end of March 2031 (compared to FY17 levels) – reflecting stronger ambition and aligning to a 1.5°C pathway.

We've cut our global energy consumption by around 100 GWh this year – a 4% drop on FY24. This was mainly due to continuing to rationalise and modernise our buildings and networks, and lower fuel use in our fleet.

Buying renewable energy

This year we changed our approach to renewable energy procurement and reporting. This was because of concerns on transparency, lack of environmental benefits and pricing volatility around Renewable Energy Certificates (RECs). We highlight these in a report we commissioned with Cornwall Insight¹.

We support renewable power supply through our energy procurement. That includes long-term power purchase agreements (PPAs), which met 31% of our UK electricity demand this year. But due to the evidence highlighted in our report, we're scaling back on buying RECs to those only sourced directly from our PPAs or renewable supply contracts.

And to more accurately reflect the real-world emissions from our electricity consumption, we're using the location-based methodology² as the basis for our updated operational carbon reduction target. This reflects the average emissions intensity of grids from where energy is consumed and doesn't account for RECs.

This means we're moving away from our previous approach of reporting the percentage of electricity that came from renewable sources. It'll help us be more transparent and focus on the activities that most effectively support our own decarbonisation. That's things like electrifying our vehicle fleet, decarbonising our estate and building more energy-efficient networks.

Switching our fleet to electric

We have over 30,000 vehicles operating across our business. After emissions from consumed electricity, our fleet is our second biggest source of operational emissions (Scopes 1 and 2).

We're working hard and investing to convert the majority of this fleet to electric or zero-emission vehicles by the end of FY31 – where that's the best technical or economic solution. And where zero-emission vehicles aren't viable, we're pursuing other ultra-low emission options.

This year, we continued to roll out electric vehicles (EVs), increasing the total to over 5,500, which now represents 18% of our total fleet.

We also ordered 3,500 new EVs, the largest ever UK commercial EV fleet order. By 2026, when they're all delivered, we'll have nearly 8,000 – one of the UK's largest EV fleets.

Decarbonising our buildings

Our Better Workplace Programme is consolidating hundreds of BT Group buildings to around 30. Our new-build central office hubs are being constructed with the aim of meeting the BREEAM-Excellent rating, which requires strong environmental credentials. This year, we opened Sheffield Endeavour, Dundee Greenmarket and Manchester New Bailey offices, which are all gas-free.

Across our wider UK buildings estate, we're closing some sites, and we're also replacing gas-fuelled heating systems with electric heating, and exploring the use of solar and air-source heat pumps.

The combination of all these actions has helped cut our gas consumption by 13 GWh, equal to over 2,400 tonnes of CO₂e.

Building energy-efficient networks

Improving our networks' energy efficiency – which account for over 85% of our total energy consumption – is one of our biggest priorities.

We're building more energy-efficient fixed and mobile networks, while switching off our old ones. As well as saving energy, full fibre networks can better absorb the effects of physical climate change risks, like flooding and higher temperatures. That means fewer faults and engineering visits.

In rural Shropshire we've switched on our first self-powered mobile site, driven by solar and wind. All its power comes from renewable energy sources, giving reliable and sustainable 4G and 5G to EE customers living and working in the area.

We also rolled out energy-saving cell-sleep technology across EE mobile sites nationally. This should save up to 4.5 GWh per year – alongside us switching off our old energy-intensive 3G network, which saved over 60 GWh last year.

Cutting carbon emissions across our value chain

Our Scope 3 carbon emissions account for 81% of our total emissions. They come mainly from purchased goods in our supply chain and from customers using our products and services.

Since FY17, we've cut our Scope 3 net emissions by 30%, to 2.9 ktonnes of CO₂e this year, a drop of around 9% on FY24.

1. Reviewing the future of REGOs for Corporates' Insight report, based on independent research carried out by Cornwall Insight, commissioned by BT Group

2. As defined by the GHG Protocol Scope 2 Guidance and Corporate Standard – see Our Methodology at bt.com/esgaddendum

Strategic report continued

Helping suppliers cut carbon

We've cut supply chain emissions by 25% since FY17. We're aiming for a 42% cut by the end of March 2031.

We'll keep working with suppliers on cutting carbon, including encouraging more of them to report to CDP to improve emissions visibility and action. Today, suppliers representing more than 65% of our supply chain emissions are reporting to CDP.

We continue to collaborate with major Openreach partners through a supplier engagement programme, supporting them via workshops and webinars to promote carbon emissions reporting and ways to reduce their own emissions.

Cutting customers' carbon

There's huge potential for the use of our networks, products and services to enable customers to cut their emissions – for example, through improving our products' energy efficiency and through customers' use of technologies, like full fibre broadband, mobile solutions and cloud computing.

We've switched from our previous time-bound target. Instead we'll now report on our products' cumulative enablement impact, as we continue to help customers and society reach net zero. Overall we've helped customers avoid more than 5.5m tonnes of carbon since FY22.

This year, we've expanded our Carbon Network Dashboard to give business customers a better view of electricity consumption and carbon emissions. We've also added extra business-to-business solutions to our carbon enablement methodology.

Circularity

Developing a circular economy is vital for achieving a net zero world. Around 70% of global greenhouse gas emissions come from material use and handling¹. We want to be a circular business by 2030 and build toward a circular tech ecosystem by 2040.

Operational waste – our networks and estate

We want to put zero waste into landfill by 2030. That means increasing the number of things we reuse and recycle, while minimising waste where possible.

We generated over 164 ktonnes of operational waste globally this year – significantly more than last year, due to more site clearances and civil spoils from our fibre build programme. Our UK and global recycling, reuse and recovery rates are at 97%.

We continued recovering old or end-of-life network kit to reuse or recycle. This year, we recovered 1,750 tonnes and reused 1,548 items back into our network.

As more customers switch to full fibre, we're extracting more old copper cable. This year we recycled over 5,600 tonnes of the metal – vital for the green transition – back into the global supply chain.

Our products and services

This year, we collected over 3.1 million devices from consumers and businesses through our returns and take back processes.

Mobile devices: Through our consumer and business trade-in services, we collected nearly 140,000 mobile devices. 95% of them went for reuse and a second life. The rest we recycled responsibly. Our mobile devices take-back rate is 4.8%. We want to increase this to at least 20% by 2030.

We've launched the sale of refurbished Apple and Samsung smartphones. And to extend the lives of our customers' devices, our EE repair service (approved by Apple, Samsung and Google) fixed 57,000 devices this year.

Customer Premises Equipment (CPE):

Our 2024 return rate was 66%, with over 2.9m hubs and set-top boxes returned. We refurbished and reused 50% of them and recycled the rest. We've also redesigned our Smart Hub 2 and Wi-Fi disc packaging, cutting total material usage by 43% and saving 117 tonnes of CO2e.

BT Business launched Device Lifecycle Management. The fully managed mobile solution monitors each stage of a device's lifecycle – which helps extend their lifespan through repair and reuse and encourages trading-in and recycling.

Climate action advocacy

We believe every business should commit to science-based climate policies that aim to limit global warming to 1.5°C, in line with the Paris Agreement. We play our part, through direct engagement on key policies, and through third party association memberships.

This year, we've worked with Climate Group on pressing for renewable energy reforms and Government support on the EV transition. We supported a public letter, urging the UK Government to reassert its climate leadership. They subsequently announced a new UK climate target to cut emissions by 81% by 2035.

We've also worked with industry peers through the Joint Alliance for CSR, and we were made chair of the International Chamber of Commerce UK sustainability committee.

¹ Taken from the Circle Economy – The Circularity Gap Report 2022 <https://www.circularity-gap.world/2022>.

Strategic report continued

Risk Management

We want to be smart with risk, making informed decisions to stay resilient, progressive and trusted. Our risk management framework helps us do that.

An ever-changing risk landscape

We face a lot of external risks. They include competition, changing market dynamics, political and economic uncertainty, geopolitical escalations and increasing cyber security threats.

We also need to positively engage with the UK Government and Ofcom to make sure regulations allow investors a healthy and fair return on their investments.

Navigating these uncertainties – while simultaneously undergoing a major modernisation programme – is fundamental if we want to achieve our strategic priorities.

That's where our risk management framework comes in.

Supporting quality decision - making

Our risk management framework gives us the processes and structure we need to manage and oversee risk consistently and effectively. The output supports quality decision-making against our expressed risk appetite. It monitors our exposures and gives vital early warning signs if something's about to go wrong.

How we manage risks

We divide our risk landscape into Group Risk Categories (GRCs). Each one has an Executive Committee sponsor accountable for applying the framework to that category.

Within each GRC we distinguish between enduring and dynamic risks. Enduring risks need consistent, long-term structures to manage them – a clear risk appetite position, controls and assurance.

These structures then free us up to think about dynamic risks that need focused and timely responses: How big are they? Who do they impact? What do we need to do about them?

Dynamic risks are either:

1. Point: Risks potentially materially significant to us at a particular point in time that we can't manage within our existing control framework and which need focused attention.
2. Emerging: New and/or often longer-term risks with the potential to be materially significant that we can't fully define today.

Our risk mindset

A risk management framework is only as good as how people embody it.

We expect our leaders to have good risk mindset characteristics – curiosity, accountability – to provide psychological safety, and to use our risk management framework when they make decisions. We underpin this with regular risk discussions in leadership teams and at key decision points.

We also train everyone involved in making our framework a success, so they have a deep understanding of the expectations and benefits risk management brings.

Our risk governance

The BT Group plc Board is responsible for risk management. The BT Group plc Audit and Risk Committee oversees and monitors our risk management and internal control system effectiveness on the BT Group plc Board's behalf.

Twice a year, the BT Group plc Board gets a summary of how we're managing key risks across all GRCs and units. The BT Group plc Audit and Risk Committee also holds discussions with BT Group Executive Committee members to dive deeper into specific GRCs through the year. There are oversight bodies at unit and group level – where key risk information is reported regularly.

Enhancing our risk management framework

As our business evolves and the risk landscape changes, we keep adapting and strengthening our risk management approach.

This year we focused on 'being smart with risk' – making it an integral part of strategic considerations, decision making, managing change and day-to-day operational activities. That included embedding a consistent approach to thinking about risk in investment decisions and business performance reviews.

We also continued enhancing our key control framework. That includes establishing 'Material Key Controls' aligned to the forthcoming UK Corporate Governance Code changes – to help leaders and oversight bodies focus on the controls that underpin the biggest risks.

These Material Key Controls will be the main focus of an integrated assurance plan. This will involve second line assurance teams and Internal Audit assessing the design and operational effectiveness of our defined control activities – underpinned with self assessment.

Strategic report continued

Our Principal risks and uncertainties

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

Strategic

Strategy, technology and competition

Sponsor: Chief Strategy and Change Officer

Enduring risks this category covers

To deliver value to our stakeholders and achieve our strategy, we must carefully manage risks around economic uncertainty, intensifying competition and rapidly changing customer and technology trends. Equally, to stay competitive and create long-term sustainable value, we must manage risks around designing and effectively implementing the right strategy – and incorporating it into our business plans.

Our risk appetite

Our risk appetite sets our tolerance for managing the internal risks associated with this category. We measure and track it through metrics on strategy execution. We also qualitatively assess whether our strategy is clear, whether our analysis is robust and whether our business and financial plans align with our strategy. Doing this helps us make strong strategic choices and implement them well.

Examples of dynamic risks

Point risks:

- Slower-than-planned progress on delivering top priorities could limit our ability to cut costs, offer value to customers and compete effectively.
- Macroeconomic environmental factors like high inflation, progressively higher business taxes, high interest rates and lower customer confidence might lower demand for premium connectivity, increase customers' price sensitivity and drive up costs.
- Continued pricing pressure, and failing to find growth opportunities with innovative, customer centric new products and services might affect our market share.
- Increasing competitive intensity in our core markets may reduce our market share.

Emerging risk:

- Failure to harness potential from artificial intelligence and quantum technologies to generate greater commercial opportunities and efficiencies.

Examples of what we do to manage these risks

- We research, analyse and monitor economic, customer, competitor and technology trends to inform our strategy.
- The BT Group plc Executive Committee and the BT Group plc Board regularly review performance against our strategic priorities and goals – and discuss key strategic topics through the year.
- The BT Group plc Executive Committee and the BT Group plc review and approve our budgets to make sure they're in line with strategic priorities.
- BT Investment Sub-Committee considers our investments to make sure they are aligned to our strategy.

Transformation delivery

Sponsor: Chief Strategy and Change Officer

Enduring risks this category covers

We're speeding up our transformation to make us simpler, more efficient and dynamic. This includes building brilliant sales and service journeys to connect customers to future products on modern IT and then retiring old infrastructure. This will improve customer and colleague experience and save money. To succeed, we have to manage risks around transformation delivery and whether we'll realise the associated benefits. Not managing these risks could make us less efficient, damaging our financial performance, and customer experience.

Our risk appetite

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

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

Examples of dynamic risks

Point risks:

- Moving customers off old networks too slowly could impact infrastructure closure timelines and increase cost.
- The scale and complexity of our transformational activities across different parts of the group could dilute our efforts and limit efficiency gains.
- Day-to-day operations and business pressures might hinder our ability to deliver sustainable transformation.

Emerging risks:

- Failing to hire and keep the talent we need to drive transformation might affect our ability to execute our strategy.

Examples of what we do to manage these risks

- We regularly review transformation performance at BT Group plc Executive Committee meetings – managing dependencies, making informed decisions and removing blocks.
- We have strong governance, with senior leaders owning specific operational and financial outcomes.
- Through programme assurance, we continually improve processes to make sure we plan and execute our transformation properly, in line with our wider strategy and financial planning.
- We invest in our people so we have the right skills and culture needed to deliver transformation.

Strategic report continued

Financial

Financing

Sponsor: Chief Financial Officer, BT Group

Enduring risks this category covers

We carefully manage risks which might result in us not being able to meet our payment commitments. They could come from not generating enough cash, being unable to refinance existing debt or paying increased pension scheme contributions.

We also manage risks around defining and executing the right insurance strategy.

Our risk appetite

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

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

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

Examples of dynamic risks

Point risk:

- An uncertain macroeconomic or geopolitical environment could raise the cost (or lower the availability) of new long-term debt – or trigger extra deficit contributions to the BT Pension Scheme before the 2026 valuation.

Examples of what we do to manage these risks

- We review our forecasted and actual business performance regularly.
- We have formal treasury risk management processes, BT Group plc Board oversight, delegated approvals and lender relationship management.
- We review our pension schemes' funding positions and investment performance and agree funding valuations.
- We have insurance cover to mitigate exposure to potential risks.

Financial control

Sponsor: Chief Financial Officer, BT Group

Enduring risks this category covers

This category covers financial controls, fraud and Environmental, Social, and Governance (ESG) reporting. Our financial controls help us prevent fraud and report accurately. If these failed we could lose money or materially misrepresent our financial position. We might fail to apply the correct accounting principles and treatment, or pay our taxes. That could lead to financial misstatement, fines, legal disputes and reputational damage.

Our risk appetite

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

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

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

Examples of dynamic risks

Point risks:

- Not delivering our transformation programmes could affect our control performance, efficiency and effectiveness.
- Complex, old sales systems might consistently fail to deliver the outcomes we expect.

Emerging risks:

- ESG reporting requirements are growing fast. If we don't adapt quickly, we might fail to deliver our reporting obligations.
- Malicious actors might exploit AI and machine learning technologies to commit fraud.

Examples of what we do to manage these risks

- We have financial and operational controls for planning and budgetary discipline, efficient and accurate reporting and to prevent fraud.
- We continually enhance processes, systems and our operating model to improve and automate accounting, financial reporting and fraud controls.
- We proactively identify, manage, investigate and report on potentially fraudulent activities.
- We periodically provide fraud training to colleagues that need it.
- Our tax risk management framework helps us manage tax-related risks.
- Independent professional services organisations review and test our preparedness for new and changing legislation.

Strategic report continued

Compliance

Communications regulation

Sponsor: General Counsel, Company Secretary & Director Regulatory Affairs

Sponsor: CEO, Consumer (Financial Services only)

Enduring risks this category covers

We focus on communications regulation, competition law, anti-bribery and corruption measures, international trade controls, financial services compliance and corporate governance responsibilities. Other relevant laws and regulations are covered in other GRCs.

Our risk appetite

We're committed to a strong compliance culture. We also want to take advantage of commercial opportunities while making informed, evidence-based, justifiable decisions on complying with applicable laws and regulations. Regulatory obligations guide our decisions. They include protecting our customers and network, while taking into account the needs of our business and key stakeholders. We prioritise sustaining long-term predictable and stable regulation that supports investment and returns.

Examples of dynamic risks

Point risks:

- We might fail to deliver the switch to digital voice in line with regulatory obligations or expectations.
- We could face complexities following regulations on customer communications and One Touch Switching.

Emerging risk:

- Outcomes from Ofcom's next Telecoms Access Review may cause uncertainty on fibre regulation.
- There could be new laws and regulations, changes to existing ones, or trade sanctions responding to geopolitical dynamics or concerns in a particular area of law.

Examples of what we do to manage these risks

- We understand customers' experiences – like when they're vulnerable or when we're switching their network.
- We have processes in place to make sure customers get the right outcomes.
- We proactively engage with regulators and give them accurate information on time.
- Our policies and processes help colleagues comply with our obligations under the UK Listing Rules and other corporate governance and reporting requirements.
- Our code fosters a culture of high standards and encourages everyone to speak up about issues.
- We assess risks and provide legal and compliance advice for strategic projects, new business, or operations.
- We check our financial services products and promotions are compliant before we launch them, and every year afterwards.
- We continue to invest in and improve organisational maturity to meet the Financial Conduct Authority's (FCA) Consumer Duty regulation.
- Our compliance programme offers guidance and training, and tests our regulatory controls.

Data and AI

Sponsor: Chief Security and Networks Officer

Enduring risks this category covers

We must follow today's global data and AI regulations while anticipating and preparing for tomorrow's. That means actively managing risks like privacy, data architecture, processing and retention.

Our data and AI strategy aims to deliver value and efficiency – while giving us a framework to manage risks on complying with data and AI governance and regulation.

Not following data protection laws or regulations – or approaching AI irresponsibly – could damage our reputation and stakeholder trust, harm colleagues, customers or suppliers and/or lead to litigation, fines and penalties.

Our risk appetite

We want to use data and AI ethically to grow our business, while following global regulations and contractual clauses.

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

We can only achieve these aims with the right data ethics, governance, security, protection, responsible technology and compliance systems, and processes. To achieve our data goals we must interpret global data protection laws, regulations and standards correctly.

Examples of dynamic risks

Point risks:

- Using AI inappropriately could mean we breach AI and data regulations, potentially compromise sensitive information or violate banned uses.
- New EU cyber security legislation for the telecommunications industry may be hard to implement.

Emerging risks:

- The UK's new data use and access regulations may affect our operations but also offer opportunities.

Examples of what we do to manage these risks

- We continuously run and improve our data governance programme to tackle existing and future regulatory risks.
- We review how we use personal data across the business to make sure we follow our own data protection standards.
- We run data and AI impact assessments on all relevant changes.
- We horizon-scan for evolving regulations, sector developments and new technologies that could affect our data risks, controls and processes.
- We provide data protection and handling training and tools to help colleagues make more risk aware day-to-day decisions.
- We have a defined, responsible approach when buying, selling and developing AI.

Strategic report continued

Operational

Operational resilience

Sponsor: Chief Security and Networks Officer

Enduring risks this category covers

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

Service disruptions could be caused by external events, like bad weather, as well as poorly maintained assets.

Some might depend on suppliers' and partners' reliability – making it important to carefully manage the risks.

Our risk appetite

We aim to deliver market-leading services to our customers, underpinned by best-in-class network performance across fixed, mobile and IT.

We make decisions on deploying resources based on maximising service and customer experience, while aligning with our strategy.

Examples of dynamic risks

Point risks:

- Increasingly severe and frequent bad weather could damage our infrastructure.
- If we don't protect our buildings intruders might break in, interrupting our services.
- Damage to our subsea cables could disrupt our services.
- A third-party service failing might cause incidents – and frustrate customers.

Emerging risk:

- Continued geopolitical tensions could disrupt our services.

Examples of what we do to manage these risks

- We construct our infrastructure with built-in resilience.
- Our standardised processes keep our assets resilient across their lifecycle.
- We respond quickly to incidents. We lessen their impact through geographically dispersed response teams and by giving customers regular updates.
- We complete regular business impact assessments that feed into tested, up-to-date business continuity and restoration plans.
- We make sure our operational estate has enough physical security to keep services running.
- We proactively monitor and track external events that could affect service or performance – so we can respond effectively.

Cyber security

Sponsor: Chief Security and Networks Officer

Enduring risks this category covers

A cyber-attack (external or internal) could disrupt customers and the country – and compromise data. We manage security risks that might lead to our assets or services losing their confidentiality, integrity or availability. These include applicable regulatory or contractual obligations.

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

Our risk appetite

We want to protect BT Group, colleagues and customers from harm and financial loss around our technical infrastructure or how we use technology.

Cyber risk is inherent to our business. We could suffer significant reputational damage from a major cyber security event. But we know we can't eradicate all cyber risks.

Cyber security events could be deliberate or accidental and come from inside or out. So we adapt our security position and controls accordingly to detect and respond to evolving threats.

We prioritise protecting our critical systems and network and the data and information in them.

Examples of dynamic risks

Point risks:

- State-sponsored cyber-attacks could target critical national infrastructure and lead to service disruption, data loss, regulatory action and reputational damage.
- Being exposed to suppliers with security vulnerabilities might lead to data loss, interrupted services or reputational damage.
- Malicious actors could use malware to penetrate our existing security controls, including legacy assets, – disrupting customers' services.

Emerging risks:

- AI and machine learning advances might create opportunities to harm us and our customers.

Examples of what we do to manage these risks

- Our security standards, tools and processes to protect our applications, systems and networks.
- We monitor external threats and gather intelligence on evolving cyber techniques, tactics and capabilities.
- We engage with the National Cyber Security Centre and industry partners to better understand our threat landscape.
- We run communications, engagement and training for our colleagues.
- We keep investing in cyber defences and security tools, shifting to automation where appropriate.

Strategic report continued

People

Sponsor: Chief People & Culture Officer

Enduring risks this category covers

Our colleagues are key to delivering our ambition. Our people strategy is to create a culture where everyone can perform and be their best.

That means us managing risks around our talent management lifecycle, skills and capabilities, engagement, culture, wellbeing and inclusion.

Our risk appetite

Our highest priority is making sure colleagues can work and perform at their best and we're open to taking risks to do the right thing culturally and commercially.

We'll actively avoid risks that compromise our people's health, safety and wellbeing.

We're also committed to taking risks that drive innovation and growth – while following employment legislation and maintaining our reputation as a leading employer.

Examples of dynamic risks

Point risks:

- A resource gap caused by big supply-and-demand shifts in strategic skills might affect business results.
- Failing to drive an inclusive culture could stop us achieving our business performance objectives.
- Inconsistent behaviours could limit high-performance culture or slow the pace of change, affecting business results and productivity.

Emerging risk:

- Changes in working patterns, or extra financial uncertainty, could negatively affect colleagues' mental health and performance.

Examples of what we do to manage these risks

- Our consistent performance management and talent review processes include goals shared through clear organisational structures, roles and job descriptions.
- We continually assess skills and capabilities and invest in group-wide workforce and succession planning.
- We provide training and development for specific roles, as well as for the future skills we need.
- Our inclusion strategy involves family and carer's leave, flexible working, improving inclusive leadership and providing accessible workplaces and systems for our people (more on page 7).
- We monitor and try to improve employee engagement and maintain close relationships with formal representative groups and unions.
- We clearly document and communicate the behaviours we expect from our people through our code, values and leadership expectations.

Health, safety and environment

Sponsor: Chief Security and Networks Officer

Enduring risks this category covers

We have diverse operations and working environments in various locations. Some of them pose risks to health, safety and the environment (HSE).

We must make sure colleagues and partners are safe and healthy and can perform at their best while managing risk effectively.

We're committed to maintaining and continually improving the right HSE management systems. They make sure our business is safe and compliant, while protecting the environment and those who we might affect.

Our risk appetite

We want to keep colleagues, contractors, suppliers, customers, visitors and members of the public healthy, safe and well.

We're also committed to environment and energy management – especially cutting pollution and carbon emissions.

We apply proactive risk management to identify and control big HSE risks across the business and mitigate them to the lowest possible level.

Our legal, regulatory and other requirements are our minimum obligations. But we want to go beyond that – aiming for zero avoidable harm, optimum physical and mental health and zero pollution.

Examples of dynamic risks

Point risks:

- Failing to effectively manage and control asbestos could lead to serious harm to health, legal non-compliance and reputational damage.
- Heightened risks from the extra civil and construction work supporting the full fibre rollout may lead to harm to colleagues, increased regulatory scrutiny, legal claims and reputational damage.
- Maintaining an ageing buildings estate – especially during our fibre and digital upgrade – could pose increased health and safety risks.

Examples of what we do to manage these risks

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

Strategic report continued

Major customer contracts

Sponsor: Chief Executive, BT Group*

Enduring risks this category covers

In a dynamic, highly competitive environment, we want to win and keep major private and public sector contracts.

We do that while navigating customer relationships and risk in complex agreements – delivering highly sensitive, critical or essential services globally.

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

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

Our risk appetite

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

As markets change, we need to proactively adjust our portfolio of services, countries and customers. This helps us avoid concentration risk, unattractive or uncompetitive products and services, stagnation and legacy dependency.

We know that involves taking on higher risk in some areas – for example, complex customer agreements with obligations not fully covered by our standard portfolio, customised terms and conditions and/or delivery processes. We must manage this in bids and contract lifecycles to minimise the overall impact.

Examples of dynamic risks

Point risks:

- Failing to deliver on bespoke customer data requirements could lead to potential breaches, fines and reputational harm.
- Delays deploying key products might create risks around fulfilling existing contractual commitments – and might hamper our ability to deliver our business strategy.

Emerging risks:

- AI's increasing prominence may affect our ability to deliver on our customer promises.

Examples of what we do to manage these risks

- Our clear governance framework helps us assess new business opportunities, manage bids and monitor in-life contract risks.
- We make sure we manage external partners properly when they deliver services to our customers.
- We regularly monitor the performance of customer contracts.
- We support frontline contract managers with contract and obligation management tools.

Supply management

Sponsor: Chief Financial Officer, BT Group

Enduring risks this category covers

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

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

Our risk appetite

Our appetite guides buying decisions. We recognise the inherent risks of sole or dual sourcing. But we often need to do it for products or services which we depend on to meet our business goals (and where alternatives aren't economically viable).

To get the best commercial rates and operational resilience we continuously engage with and challenge suppliers on price, without introducing service and/or delivery risk.

Governance is a prerequisite for effective supplier management. So, we have a low appetite for dealing with suppliers outside of our defined policy or processes.

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

Examples of dynamic risks

Point risks:

- Geopolitical instability and conflicts pose various risks to our supply chain – including the potential for increased tariff and trade restrictions that could raise prices and reduce availability.

Emerging risks:

- A more demanding regulatory landscape on things like ESG reporting, supplier use of AI and payment terms could create compliance challenges.

Examples of what we do to manage these risks

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

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

The strategic report was approved by the Board of Directors on 16 June 2025 and signed on its behalf by:

Simon Lowth
Director

Section 172 statement

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

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

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

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

The views and the impact of the Company's activities on the Company's stakeholders (including its workforce, customers and suppliers) are an important consideration for it when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both the stakeholders and the BT Group means that generally stakeholder engagement best takes place at an operational or group level. The Company finds that as well as being a more efficient and effective approach, this also helps it achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on the some of the engagement that has taken place with the Company's stakeholders so as to help the directors to understand the issues to which they must have regard, and the impact of that feedback on decisions, please see the stakeholders section in the strategic report of BT Group plc's 2025 Annual Report.

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

One example of how the Company has had regard to the matters set out in section 172(1)(a)-(f) when discharging its section 172 duties and the effect of that on decisions taken by it, is the payment of an interim dividend of £780m.

In making this decision the Board considered a range of factors. These included the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in our business and workforce, and the pricing expectations of our customers and suppliers, as well as the expectations of our members and pensioners.

Report of the Directors

The directors present their report and the audited financial statements of the Company, British Telecommunications plc, and the group, which includes its subsidiary undertakings, for the year ended 31 March 2025. The audited consolidated financial statements are presented on pages [35](#) to [105](#) and the audited entity only financial statements are presented on pages [106](#) to [136](#).

A statement by the directors of their responsibilities for preparing the financial statements is included in the Statement of directors' responsibilities on page [27](#).

Principal activity

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

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

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

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

Directors

Neil Harris, Edward Heaton, Roger Eyre, Simon Lowth and Daniel Rider served as directors throughout the year. Roger Eyre resigned on 14 April 2025, when Helen Charnley was appointed.

Material accounting estimates, key judgements and significant accounting policies

Our critical accounting estimates and key judgements, and significant accounting policies conform with UK-adopted international accounting standards, IFRSs issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act 2006, and are set out on page [41](#) of the consolidated financial statements and page [108](#) of the entity only financial statements. The directors have reviewed these policies and applicable estimation techniques, and have confirmed they are appropriate for the preparation of the FY25 consolidated financial statements.

Disclosure of information to the auditor

As far as each of the directors is aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) that has not been disclosed to the auditor. Each of the directors confirms that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the auditor has been made aware of that information.

Dividend

A dividend of £780m was paid to the parent company, BT Group Investments Ltd (FY24: £850m). The directors recommend payment of a final dividend in respect of FY25 of £1,500m (FY24: £780m).

Going concern

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

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

Our **principal risks and uncertainties** are set out on pages [16](#) to [21](#) including details of each risk and how we manage and mitigate them. The directors carried out a robust assessment of the emerging and principal risks affecting the group, including any that could threaten our business model, future performance, insolvency or liquidity.

Having assessed the principal and emerging risks, the directors considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements. This assessment covers the period to June 2026, which is consistent with the FRC guidance. When reaching this conclusion, the directors took into account the group's overall financial position (including trading results and ability to repay term debt as it matures without recourse to refinancing) and the exposure to emerging and principal risks.

At 31 March 2025, the group had cash and cash equivalents of £0.2bn and current asset investments of £2.6bn. The group also had access to committed borrowing facility of £2.1bn. These facilities were undrawn at the period-end and are not subject to renewal until no earlier than January 2030 with the option to extend for two further years.

Directors' and officers' liability insurance and indemnity

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

As at 16 June 2025, and throughout FY25, British Telecommunications plc has provided an indemnity for a group of people similar to the group covered by the above insurance. Neither the insurance nor the indemnity provides cover where the individual is proven to have acted fraudulently or dishonestly.

Report of the Directors continued

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

Systems of risk management and internal control

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

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

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

The framework was designed in accordance with the FRC guidance on risk management, internal control and related financial and business reporting and has been in operation throughout the year and up to the date on which this document was approved. The framework was reviewed in FY25 and was deemed effective. Continuous improvements were made in FY25 including enhancing our key control framework. That included establishing 'Material Key Controls' aligned to the forthcoming Corporate Governance Code changes – to help leaders and oversight bodies focus on the controls that underpin the biggest risks. These material key controls will be the main focus of an integrated assurance plan which will involve second line assurance teams and Internal Audit assessing the design and operational effectiveness of our defined control activities. More information on our group risk management framework can be found on pages [16](#) to [21](#).

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

Furthermore, the BT Group plc Audit & Risk Committee, on behalf of the Board, reviews the effectiveness of the systems of risk management and internal control across the group.

Capital management and funding

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

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

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

Financial instruments

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

Credit risk management policy

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

Off-balance sheet arrangements

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

Post balance sheet events

Any material post balance sheet events have been disclosed in note 31 of the consolidated financial statements and note 23 of the entity only financial statements.

Legal proceedings

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

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

Report of the Directors continued

Colleague engagement

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

Engaging with our colleagues takes many forms, including through:

- the Board receiving updates from the Chief Executive and Chief People & Culture Officer on colleagues, key people strategy initiatives, culture and overall sentiment in the organisation
- visits by a number of Non-Executive Directors to locations throughout the year, including Adastral Park, our Tyneside contact centre, Openreach field visits and EE stores
- our Designated Non-Executive Director for Workforce Engagement, Maggie Chan Jones, engaging with colleagues through a series of in-person and virtual meetings, during which colleagues were encouraged to share personal views and experiences, which provided Maggie with a varied range of opinions and insights from across the group
- informal breakfast sessions with certain members of the Board and groups of colleagues held before some Board meetings
- our quarterly Your Say colleague engagement surveys
- regular colleague communications.

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

Despite the big levels of change and transformation, colleague engagement has stayed strong at 76%, +6% vs UK external benchmarks maintaining September 2024 levels.

We encourage all our colleagues to become shareholders in the business through the operation of all-employee share plans. We annually consider which all-employee plans to offer, both in the UK and globally.

Employees with disabilities

We're an inclusive employer and actively encourage the recruitment, development, promotion and retention of disabled people. We know that workplace adjustments are crucial to allow disabled and neurodiverse colleagues to perform to their best and we are committed to making workplace adjustments for colleagues who need them. In 2023 we launched our new workplace adjustments process and our disability and neurodiversity hub to make it simple for our colleagues and people managers to understand adjustments and implement them quickly. In FY25, 1,559 colleagues engaged with the workplace adjustment process to ensure they had the necessary adjustments to enable them to succeed at BT Group. In FY25 we continued our partnership with the Business Disability Forum, and we will be working to make sure that we are able to meet and exceed the commitments we made to obtain our Disability Confident leader status and our membership of Valuable 500.

Political donations

Our policy is that no company in the group will make contributions in cash or in kind to any political party, whether by gift or loan. However, the definition of political donations used in the 2006 Act is significantly broader than the sense in which these words are ordinarily used.

The 2006 Act's remit could cover making members of Parliament and others in the political world aware of key industry issues and matters affecting the company, and enhancing their understanding of BT.

During FY25, British Telecommunications plc, paid the costs of attending events at (i) the Labour Party Conference and (ii) the Liberal Democrats Party Conference and Business Day. These costs totalled £8,674 (FY24: £9,343). No company in the BT Group made any loans to any political party.

Branches

Details of our branches outside the UK are set out on pages [131 to 135](#).

Governance Statement

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

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

The principles which underpin our corporate governance code and how these principles have been applied during the financial year ended 31 March 2025 are shown below:

Principle One: Leadership

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

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

Report of the Directors continued

Principle Two: Board composition

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

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

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

Principle Three: Directors’ responsibilities

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

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

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

Principle Four: Stakeholder relationship and engagement

“The Board should build and maintain effective relationships with stakeholders.”

The Board seeks to understand the views of its key stakeholders, and the impact of its behaviour and business on employees, customers, suppliers and society more broadly. Whilst for reasons of efficiency and effectiveness, much of this engagement takes place at a BT Group level, the Board receives updates on its key stakeholders and the mechanisms and initiatives for engagement. For more information on group level engagement with key stakeholders, see the BT Group plc 2025 Annual Report and the Section 172 statement.

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

Cross reference to the Strategic report

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

- An indication of likely future developments in the business of the Company and its group (pages [3 to 21](#))
- An indication of our research and development activities (page [12](#))
- Information on how the group (and BT Group plc) engages with colleagues, and how regard has been had to the interests of colleagues and the need to foster business relationships with suppliers, customers and others, and the effect of that regard during the year (pages [7 to 10](#))
- Anti-bribery and corruption (page [10](#))
- Social and community (page [8](#))
- Human rights (page [10 to 11](#))

By order of the Board

Simon Lowth
Director
16 June 2025

Statement of directors' responsibilities

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company, and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

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

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

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

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

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

We confirm that, to the best of our knowledge:

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

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

This responsibility statement was approved by the Board on 16 June 2025 and was signed on its behalf by

Simon Lowth
Director
1 Braham Street, London, United Kingdom E1 8EE
16 June 2025

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

1. Our opinion is unmodified

We have audited the financial statements of British Telecommunications plc ("the Company") for the year ended 31 March 2025 which comprise the Group income statement, Group statement of comprehensive income, Group balance sheet, Group statement of changes in equity, Group cash flow statement, Company balance sheet, Company statement of changes in equity, and the related notes, including the accounting policies in note 3.

In our opinion:

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

Basis for opinion

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

We were first appointed as auditor by the Directors for the year ended 31 March 2019. The period of total uninterrupted engagement is for the 7 financial years ended 31 March 2025. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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

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

2.1 Accuracy of Revenue due to complex billing systems in BT Business

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

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

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.

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 results 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).

2.2 Carrying amount of goodwill attributable to UK Business cash generating unit (Group)

Financial Statement Elements

	FY25	FY24
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 Business CGU has a high degree of estimation uncertainty, with a potential range of reasonable impairment outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

The financial statements (note 12) disclose the 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 CAGR 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 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.

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 carrying amount of 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).

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

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

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
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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 18) 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.

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).

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

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
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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 18) 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.

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

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).

In FY25, "Impairment of Goodwill Attributable to the Business CGU (Parent company)" is not identified as a Key Audit Matter as Goodwill was fully impaired in FY24 and, therefore, it is not separately identified in our report this year.

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

Our application of materiality

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 relevant 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 £20.3 billion (£20.7 billion).

Materiality for the Parent Company financial statements as a whole was set at £105m (FY24: £110m), determined with reference to a benchmark of Parent Company net assets, of which it represents 0.58% (FY24: 0.83%), and chosen to be lower than materiality for the Group financial statements as a whole.

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

Performance materiality was set at 50% (FY24: 65%) of materiality for the financial statements as a whole, which equates to £67.5m (FY24: £88m) for the Group and £52.5m (FY24: £72m) for the Parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Board any corrected or uncorrected identified misstatements exceeding 3% (FY24: 4%) of our materiality, which equates to £4m (FY24: £5m) for Group and £3m (FY24: £4m) for the Parent Company, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Overview of the scope of our audit

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.

Accordingly, we performed audit procedures on 6 components, of which we involved component auditors in performing the audit work on 2 components. This includes the audit of the parent Company.

We set the component materialities, ranging from £9m to £105m, having regard to the mix of size and risk profile of the Group across the components.

Our audit procedures covered 83% of Group revenue.

We performed audit procedures in relation to components that accounted for 87% of the total profits and losses that made up group profit before tax and 98% 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.

The scope of the audit work performed was predominately substantive as we did not place any reliance upon the Group's internal control over financial reporting.

Group auditor oversight

As part of establishing the overall Group audit strategy and plan, 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; and
- 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.
- 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.

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

4 Going concern

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

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

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

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

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

Our procedures also included an assessment of whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

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

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

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- enquiring of directors, the Board, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board, Remuneration Committee and 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.

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.

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.

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 2.1 of this report.

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.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and 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.

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

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

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.

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's 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 17 we assessed disclosures against our understanding from legal correspondence.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 27, 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.

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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
E145GL
16 June 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	(17,100)	(772)	(17,872)
<i>Of which net impairment losses on trade receivables and contract assets</i>		(171)	—	(171)
Operating profit (loss)	4	3,270	(784)	2,486
Finance expense	25	(1,118)	(197)	(1,315)
Finance income	25	898	—	898
Net finance expense		(220)	(197)	(417)
Share of post tax profit (loss) of associates and joint ventures	22	(8)	—	(8)
Profit (loss) before taxation		3,042	(981)	2,061
Taxation	10	(480)	200	(280)
Profit (loss) for the year		2,562	(781)	1,781

Group income statement

Year ended 31 March 2024

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

^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		1,781	1,566
Other comprehensive income (loss)			
<i>Items that will not be reclassified to the income statement</i>			
Remeasurements of the net pension obligation	18	88	(2,444)
Tax on pension remeasurements	10	(22)	600
<i>Items that have been or may be reclassified to the income statement</i>			
Exchange differences on translation of foreign operations	27	(50)	(66)
Fair value movements on assets at fair value through other comprehensive income	27	(6)	—
Movements in relation to cash flow hedges:			
– net fair value losses	27	(105)	(642)
– recognised in income and expense	27	329	356
Tax on components of other comprehensive income that have been or may be reclassified	10, 27	(56)	78
Share of post tax other comprehensive loss in associates and joint ventures	22	(5)	(11)
Other comprehensive income (loss) for the year, net of tax		173	(2,129)
Total comprehensive income (loss) for the year		1,954	(563)

Group balance sheet

At 31 March 2025

	Notes	2025 £m	2024 £m
Non-current assets			
Intangible assets	12	12,433	12,928
Property, plant and equipment	13	23,380	22,562
Right-of-use assets	14	3,328	3,642
Derivative financial instruments	26	904	1,020
Investments	21	12,455	11,662
Joint ventures and associates	22	252	307
Trade and other receivables	15	655	641
Preference shares in joint ventures	22	234	451
Contract assets	5	306	330
Retirement benefit surplus	18	142	70
Deferred tax assets	10	959	1,048
		55,048	54,661
Current assets			
Inventories		331	409
Trade and other receivables	15	3,119	3,589
Preference shares in joint ventures	22	161	82
Contract assets	5	1,194	1,410
Assets classified as held for sale	20	245	—
Current tax receivable		355	423
Derivative financial instruments	26	130	50
Investments	21	2,631	2,366
Cash and cash equivalents	23	209	409
		8,375	8,738
Current liabilities			
Loans and other borrowings	24	2,092	1,395
Derivative financial instruments	26	106	94
Trade and other payables	16	5,873	6,323
Contract liabilities	5	899	906
Lease liabilities	14	705	766
Liabilities classified as held for sale	20	188	—
Current tax liabilities		82	92
Provisions	17	258	238
		10,203	9,814
Total assets less current liabilities		53,220	53,585
Non-current liabilities			
Loans and other borrowings	24	16,670	17,131
Derivative financial instruments	26	391	445
Contract liabilities	5	257	175
Lease liabilities	14	3,866	4,189
Retirement benefit obligations	18	4,230	4,882
Other payables	16	276	637
Deferred tax liabilities	10	1,717	1,533
Provisions	17	382	411
		27,789	29,403
Equity			
Share capital		2,172	2,172
Share premium		8,000	8,000
Other reserves	27	1,535	1,423
Retained earnings		13,724	12,587
Total equity		25,431	24,182
		53,220	53,585

The consolidated financial statements on pages 35 to 105 were approved by the Board of Directors on 16 June 2025 and were signed on its behalf by:

Simon Lowth
Director

Group statement of changes in equity

Year ended 31 March 2025

	Notes	Share capital ^a £m	Share premium ^b £m	Other reserves ^c £m	Retained earnings (loss) £m	Total equity (deficit) £m
At 1 April 2023		2,172	8,000	1,664	13,703	25,539
Profit for the year		—	—	—	1,566	1,566
Other comprehensive income (loss) – before tax		—	—	(708)	(2,455)	(3,163)
Tax on other comprehensive income (loss)	10	—	—	78	600	678
Transferred to the income statement		—	—	356	—	356
Total comprehensive income (loss) for the year		—	—	(274)	(289)	(563)
Dividends to shareholders	11	—	—	—	(850)	(850)
Share-based payments	19	—	—	—	68	68
Tax on share-based payments	10	—	—	—	(12)	(12)
Transfer to realised profit ^d		—	—	33	(33)	—
At 1 April 2024		2,172	8,000	1,423	12,587	24,182
Profit for the year		—	—	—	1,781	1,781
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	1,842	1,954
Dividends to shareholders	11	—	—	—	(780)	(780)
Share-based payments	19	—	—	—	59	59
Tax on share-based payments	10	—	—	—	18	18
Other movements		—	—	—	(2)	(2)
At 31 March 2025		2,172	8,000	1,535	13,724	25,431

a The allotted, called up, and fully paid ordinary share capital of the company at 31 March 2025 was £2,172m comprising 8,689,755,905 ordinary shares of 25p each (31 March 2024: £2,172m comprising 8,689,755,905 ordinary shares of 25p each). 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.

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

c For further analysis of other reserves, see note 27.

d Includes amounts relating to disposal of investments, for further analysis see note 27.

Group cash flow statement

Year ended 31 March 2025

	Notes	2025 £m	2024 £m
Cash flow from operating activities			
Profit before taxation		2,061	1,897
Share of post tax loss (profit) of associates and joint ventures		8	21
Net finance expense		417	298
Operating profit		2,486	2,216
Other non-cash charges ^a		135	73
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		237	(843)
Decrease (increase) in contract assets		219	157
(Decrease) increase in trade and other payables		(387)	(88)
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
Outflow on non-current amounts owed by ultimate parent company		(863)	(833)
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	22	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	16	(187)	(211)
Net cash outflow from investing activities		(5,874)	(4,375)
Cash flow from financing activities			
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)
(Decrease) increase in amounts owed to joint ventures	24	(1)	(1)
Net cash outflow from financing activities		(1,250)	(1,593)
Net decrease in cash and cash equivalents		(135)	(15)
Opening cash and cash equivalents		351	373
Net decrease in cash and cash equivalents		(135)	(15)
Effect of exchange rate changes		(9)	(7)
Closing cash and cash equivalents^j	23	207	351

^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.

^c FY24 depreciation and amortisation includes goodwill impairment charges of £488m.

^d Includes pension deficit payments of £803m (FY24: £823m) see note 18 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 13). As this is expected to be the only cash flow that occurs as part of this transaction the cash receipt has been included as a separate line within cash flows from investing activities. See note 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 26 for further details.

^j Net of bank overdrafts of £2m (FY24: £58m).

Notes to the consolidated financial statements continued

1. Basis of preparation

Preparation of the financial statements

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

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

Having assessed the principal and emerging risks, the directors considered it appropriate to adopt the going concern basis of accounting when preparing the group and parent company financial statements. This assessment covers the period to June 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.

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

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

These financial statements cover the financial year from 1 April 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 16.

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

In FY24, 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.

Notes to the consolidated financial statements continued

1. Basis of preparation continued

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

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include significant business restructuring programmes such as the current group-wide cost transformation and modernisation programme, acquisitions and disposals of businesses and investments, impairment 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 22 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 BT Group plc *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			✓
12. CGU identification for goodwill impairment			✓
12. Valuation of recoverable amount for goodwill impairment	✓		
14. Reasonable certainty and determination of lease terms			✓
17. Identifying contingent liabilities			✓
17. Provisions	✓	✓	✓
18. Valuation of pension assets and liabilities	✓		✓
18. Control assessment over co-investment vehicles			✓
20. Held for sale classification			✓
22. Valuation of BT's equity interest in the Sports joint venture			✓
22. Valuation of investment in A preference shares in Sports joint venture		✓	

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

The material accounting policies applied in the preparation of our consolidated financial statements are set out below. Other material accounting policies applicable to a particular area are disclosed in the most relevant note. They can be identified 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 British Telecommunications plc and its subsidiaries, and include its share of the results of associates and joint ventures using the equity method of accounting. The group recognises its direct rights to (and its share of) jointly held assets, liabilities, revenues and expenses of joint operations under the appropriate headings in the consolidated financial statements.

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

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

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

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

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate

Notes to the consolidated financial statements continued

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

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 13.

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

Foreign currencies

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

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

On consolidation, assets and liabilities of foreign undertakings are translated into the group's presentation currency at year end exchange rates. The results of foreign undertakings are translated into sterling at the rates prevailing on the transaction dates.

Foreign exchange differences arising on the retranslation of foreign undertakings are recognised directly in a separate component of equity, the translation reserve. There is no material exposure to companies operating in hyperinflationary economies.

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

Research and development

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

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

Termination benefits

Termination benefits (leaver costs) are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

Notes to the consolidated financial statements continued

4. Segment information

Material accounting policies that apply to segment information

Operating and reportable segments

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

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

During the year to 31 March 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 BT Group plc Executive Committee.

The costs incurred by TUs and CUs are recharged to the CFUs to reflect the services provided to them. Depreciation and amortisation incurred by TUs in relation to the networks and systems they manage and operate on behalf of the CFUs is allocated to the CFUs based on their respective utilisation. 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 BT Group plc Executive Committee. Finance expense and income are not allocated to the reportable segments, as the central treasury function manages this activity, together with the overall net debt position of the group.

Measuring segment performance

Performance of each reportable segment is measured based on adjusted EBITDA. Adjusted EBITDA is defined as 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 12.

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	(6)	8,203
Depreciation and amortisation ^a	(1,832)	(961)	(2,032)	(108)	(4,933)
Adjusted^a operating profit (loss)	812	575	1,997	(114)	3,270
Specific items (note 9)					(784)
Operating profit					2,486
Net finance expense ^c					(417)
Share of post tax (loss) profit of associates and joint ventures					(8)
Profit before tax					2,061

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

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

Year ended 31 March 2025	Internal cost recorded by				Total £m
	Consumer £m	Business £m	Openreach £m	Other £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

Year ended 31 March 2024	Internal cost recorded by				Total £m
	Consumer £m	Business £m	Openreach £m	Other £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

Notes to the consolidated financial statements continued

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 12.

^b Additions to property, plant and equipment as presented in note 13, 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	39,378
Europe, Middle East and Africa, excluding the UK	557	634
Americas	260	251
Asia Pacific	168	147
Non-current assets^{ab}	40,354	40,410

^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 12 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
<i>Information and communications technology (ICT) and managed networks</i>	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.
<i>Fixed access subscriptions</i>	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.
<i>Mobile subscriptions</i>	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.
<i>Equipment and other services</i>	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.

Notes to the consolidated financial statements continued

5. Revenue continued

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

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

We adopt variable consideration to allocate the transaction price to take account of the likelihood of the customer upgrading to a new handset during the contract term. Consideration is constrained to a period shorter than the contract term and is allocated to the handset and airtime based on relative standalone selling price. Certain Business 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 14. Arrangements meeting the definition of a lease in which we act as lessor are classified as operating or finance leases at lease inception based on an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case then the lease is a finance lease; if not, it is an operating lease. For sub-leases, we make this assessment by reference to the characteristics of the right-of-use asset associated with the head lease rather than the underlying leased asset.

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

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

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

Where an arrangement is assessed as a finance lease we derecognise the underlying asset and recognise a receivable equivalent to the net investment in the lease. Finance lease receivables are presented in note 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 16 and represents our best estimate required to cover ongoing billing adjustments to products relating to both current and prior periods. If the final quantum of adjustments is less than expected, the adjustment will be released back to the income statement.

Lease income

Presented within revenue is £3,000m (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 14 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.

Notes to the consolidated financial statements continued

5. Revenue continued

Contract assets and liabilities

Material accounting policies that apply to contract assets and liabilities

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

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

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

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

Contract assets and liabilities are as follows:

At 31 March	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		3,963	4,192
Social security costs		431	425
Other pension costs	18	333	358
Share-based payment expense	19	59	68
Total staff costs		4,786	5,043
Capitalised direct labour		(1,412)	(1,432)
Net staff costs		3,374	3,611
Indirect labour costs ^c		1,271	1,228
Capitalised indirect labour		(806)	(772)
Net indirect labour costs		465	456
Net labour costs		3,839	4,067
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		508	329
Other operating income		(277)	(238)
Depreciation and amortisation, including impairment charges		4,933	4,899
Total operating costs before specific items		17,100	17,632
Specific items	9	772	949
Of which goodwill impairment		—	488
Total operating costs		17,872	18,581

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).

Notes to the consolidated financial statements continued

6. Operating costs continued

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

Year ended 31 March	Notes	2025 £m	2024 £m
Depreciation and amortisation before impairment charges			
Intangible assets	12	1,300	1,248
Property, plant and equipment	13	2,939	2,892
Right-of-use assets	14	644	652
Impairment charges			
Intangible assets	12	5	—
Property, plant and equipment ^a	13	43	108
Right-of-use assets ^b	14	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 13. 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 12.

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

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

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

Year ended 31 March	2025 £m	2024 £m
Short-term employee benefits	17.9	18.0
Post employment benefits ^a	0.7	0.8
Share-based payments	8.7	8.7
Termination benefits	0.2	—
	27.5	27.5

^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: 2) exercised saveshare options, see note 19.

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	3,838	354	4,192
Social security costs	425	—	425
Other pension costs	582	(224)	358
Share-based payment expense	68	—	68
Total staff costs	4,913	130	5,043
Capitalised direct labour	(1,432)	—	(1,432)
Net staff costs	3,481	130	3,611
Indirect labour costs	1,228	—	1,228
Capitalised indirect labour	(772)	—	(772)
Net indirect labour costs	456	—	456
Net labour costs	3,937	130	4,067
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	329	—	329
Other operating income	(238)	—	(238)
Depreciation and amortisation, including impairment charges	4,899	—	4,899
Total operating costs before specific items	17,632	—	17,632
Specific items (note 9)	949	—	949
Total operating costs	18,581	—	18,581

7. Employees

Number of employees in the group	2025			2024		
	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).

Notes to the consolidated financial statements continued

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	16,332	14,409
The audit of the company's subsidiaries	5,962	6,276
	22,294	20,685
Audit related assurance services^b	2,185	2,487
Other non-audit services	3	33
Total services	24,482	23,205

^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. These fees are exclusive of the audit fees relating to the ultimate parent and immediate parent.

^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 BT Group plc Board and the BT Group plc Executive Committee and assists in providing an additional analysis of our reporting trading results. Specific items may not be comparable to similarly titled measures used by other companies.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include significant business restructuring programmes such as the current group-wide cost transformation and modernisation programme, 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 22 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)
 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 22) and an impairment loss of £44m in respect of Group's equity interest in the Sports JV. In FY24 £10m of additional net costs relating 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 20).

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.

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.

Notes to the consolidated financial statements continued

9. Specific items continued

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 12 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.

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).

Notes to the consolidated financial statements continued

10. Taxation continued

Factors affecting our taxation expense for the year

The taxation expense on the profit for the year differs from the amount computed by applying the UK corporation tax rate to the profit before taxation as a result of the following factors:

Year ended 31 March	2025 £m	2024 £m
Profit before taxation	2,061	1,897
Expected taxation expense at UK rate of 25% (FY24: 25%)	(515)	(474)
Effects of:		
(Higher)/lower taxes on non-UK profits	18	25
Net permanent differences between tax and accounting ^a	155	63
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 group relief received for nil payment of £183m (FY24: £177m), and expenses for which no tax relief is received including a loss on goodwill impairment of £nil (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)

Notes to the consolidated financial statements continued

10. Taxation continued

Deferred taxation

	Fixed asset temporary differences £m	Retirement benefit obligations ^a £m	Share-based payments £m	Tax losses £m	Other £m	Jurisdictional offset £m	Total £m
At 1 April 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. Dividends

What dividends have been paid?

A dividend of £780m was paid to the parent company, BT Group Investments Ltd (FY24: £850m). The directors recommend payment of a final dividend in respect of FY25 of £1,500m (FY24: £780m).

12. Intangible assets

Material accounting policies that apply to intangible assets

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

Goodwill

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

Acquired intangible assets – customer relationships and brands

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

Telecommunications licences

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

Computer software

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

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

Other

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

Estimated useful economic lives

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

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

Impairment of intangible assets

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

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

Notes to the consolidated financial statements continued

12. Intangible assets continued

	Goodwill £m	Customer relationships and brands ^a £m	Telecoms licences and other ^b £m	Internally developed software ^c £m	Purchased software ^c £m	Total £m
Cost						
At 1 April 2023	7,963	3,383	3,491	5,727	1,294	21,858
Additions	—	—	—	732	206	938
Disposals and adjustments ^d	(4)	(1)	(12)	(671)	298	(390)
Transfers	—	—	—	217	(95)	122
Exchange differences	(29)	—	(1)	(1)	(5)	(36)
At 31 March 2024	7,930	3,382	3,478	6,004	1,698	22,492
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	(33)	—	(1)	—	(4)	(38)
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	7,442	451	2,212	1,998	825	12,928
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 20.

^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.

Notes to the consolidated financial statements continued

12. 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

12. Intangible assets continued

Cash-generating units

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

	Consumer £m	Business			Total £m
		Legacy Business £m	UK Business £m	International Business £m	
1 April 2023	3,874	4,089	—	—	7,963
Acquisitions and disposals	—	(4)	—	—	(4)
Exchange differences	—	(29)	—	—	(29)
Impairment	—	(488)	—	—	(488)
31 March 2024	3,874	3,568	—	—	7,442
Transfer to assets held for sale	—	(99)	—	—	(99)
Exchange differences	—	(33)	—	—	(33)
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 BT Group plc 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 BT Group plc Board. 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.

Notes to the consolidated financial statements continued

12. 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:

In £m	Impact on headroom on UK Business	
	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 trigger an impairment loss being recognised:

Increase/(decrease) by	Change required for carrying value to equal recoverable amount	
	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

13. Property, plant and equipment continued

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 12.

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 16.

Notes to the consolidated financial statements continued

13. 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 20.

^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

13. 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:

	2025 £m	2024 £m
At 31 March		
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.

14 Leases

Material accounting policies that apply to leases

Identifying whether a lease exists

At inception of a contract, we determine whether the contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset, for a period of time, in exchange for consideration. In making this assessment, we consider whether:

- The contract involves the use of an identified asset, either explicitly or implicitly. The asset must be physically distinct or represent substantially all the capacity of a physically distinct asset. Assets that a supplier has a substantive right to substitute are not considered distinct.
- The lessee (either the group, or the group's customers) has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The lessee has the right to direct the use of the asset, in other words, has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Where practicable, and by class of underlying asset, we have elected to account for leases containing a lease component and one or more non-lease components as a single lease component. Where this election has been taken, it has been applied to the entire asset.

Notes to the consolidated financial statements continued

14. Leases continued

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 13 and are adjusted for any remeasurement of lease liabilities.

We have elected not to recognise lease liabilities and right-of-use assets for short-term leases that have a lease term of 12 months or less, and leases of low-value assets with a purchase price under £5,000. We recognise payments for these items as an expense on a straight-line basis over the lease term.

Any variable lease payments that do not depend on an index or rate, such as usage-based payments, are recognised as an expense in the period to which the variability relates.

Lessor accounting

At inception or on modification of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When we act as a lessor, we determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, we make an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, we consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

When we are an intermediate lessor, we account for our interests in the headlease and the sublease separately. We assess the lease classification of a sublease with reference to the right-of-use asset arising from the headlease, not with reference to the underlying asset. If a headlease is a short-term lease to which we apply the exemption described above, then we classify the sublease as an operating lease.

If an arrangement contains lease and non-lease components, then we apply IFRS 15 to allocate the consideration in the contract.

We apply the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. We further regularly review estimated unguaranteed residual values used in calculating the gross investment in the lease.

We recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Notes to the consolidated financial statements continued

14. Leases continued

Q Significant judgements made in accounting for leases

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

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

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

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

Significant judgements exercised in setting the lease term

The quantum of the lease liability and right-of-use asset currently recognised on our balance sheet is most significantly affected by the judgement exercised in setting the lease term for the arrangement under which the bulk of our operational UK property estate is held. Setting the lease term for our leased cell sites has also involved the use of judgement, albeit to a lesser degree.

Notes to the consolidated financial statements continued

14. Leases continued

UK operational property portfolio

Substantially all of our leased property estate is held under an arrangement which can be terminated in 2031, at which point we may either vacate some or all properties or purchase the entire estate. If neither option is taken the lease continues to the next unilaterally available break point in 2041. The lease liability recognised for the arrangement reflects a lease end date of 2031.

On initial recognition we concluded that, although the majority of these properties are expected to be needed on a long-term basis, we couldn't be reasonably certain that we wouldn't exercise the termination option or that we would exercise the purchase option. In coming to this conclusion, we had due regard to material sub-lease arrangements relating to the estate.

As time progresses our assessment may change; if this happens, we will remeasure the lease liability and right-of-use asset to reflect either the rentals due for any properties we will continue to occupy, or the cost of purchasing the estate, using an updated discount rate. There would be no overall impact on net assets.

If the assessment were to change at the balance sheet date of 31 March 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

14. Leases continued

Right-of-use assets

Most of our right-of-use assets are associated with our leased property portfolio, specifically our office, retail and exchange estate. We also lease a significant proportion of our network infrastructure, including mobile cell and switch sites.

	Land and buildings £m	Network infrastructure £m	Motor vehicles £m	Other £m	Total £m
At 1 April 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 26 presents a maturity analysis of the payments due over the remaining lease term for lease liabilities currently recognised on the balance sheet. This analysis only includes payments to be made over the reasonably certain lease term. Cash outflows are likely to exceed these amounts as payments will be made on optional periods that we do not currently consider to be reasonably certain, and in respect of leases entered into in future periods.

Notes to the consolidated financial statements continued

14. 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	To be recognised as other operating income (note 6)	Total
	£m	£m	£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	To be recognised as revenue (note 5) ^a	To be recognised as other operating income (note 6)	Total
	£m	£m	£m
Less than one year	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.

15. Trade and other receivables

Material accounting policies that apply to trade and other receivables

Trade receivables are recognised where the right to receive payment from customers is conditional only on the passage of time. We initially recognise trade and other receivables at fair value, which is usually the original invoiced amount. They are subsequently carried at amortised cost using the effective interest method. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

We provide services to consumer and business customers, mainly on credit terms. We know that certain debts due to us will not be paid through the default of a small number of our customers. Because of this, we recognise an allowance for doubtful debts on initial recognition of receivables, which is deducted from the gross carrying amount of the receivable. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. In estimating a loss allowance we consider historical experience and informed credit assessment alongside other factors such as the current state of the economy and particular industry issues. We consider reasonable and supportable information that is relevant and available without undue cost or effort.

Once recognised, trade receivables are continuously monitored and updated. Allowances are based on our historical loss experiences for the relevant aged category as well as forward-looking information and general economic conditions. Allowances are calculated by individual CFUs in order to reflect the specific nature of the customers relevant to that CFU.

The group utilises factoring arrangements for selected trade receivables. Trade receivables that are subject to debt factoring arrangements are derecognised if they meet the conditions for derecognition detailed in IFRS 9 'Financial instruments' and the related cash flows received are presented as cash flows from operating activities. 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

15. Trade and other receivables continued

At 31 March	2025 £m	2024 £m
Current		
Trade receivables	1,490	1,899
Amounts owed by ultimate parent company	10	25
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	340
	3,119	3,589
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 disposal of BT Sport.

Amounts due from joint ventures relates to a sterling Revolving Credit Facility (RCF) provided to the Sports JV, see note 29. The expected loss provision is immaterial.

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:

At 31 March	Not past due £m	Trade receivables specifically impaired net of provision £m	Past due and not specifically impaired					Total £m
			Between 0 and 3 months £m	Between 3 and 6 months £m	Between 6 and 12 months £m	Over 12 months £m		
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.

At 31 March	Trade receivables not past due		Accrued income	
	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

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.

Notes to the consolidated financial statements continued

15. Trade and other receivables continued

Deferred contract costs

Material accounting policies that apply to deferred contract costs

We capitalise certain costs associated with the acquisition and fulfilment of contracts with customers and amortise them over the period that we transfer the associated services.

Connection costs are deferred as contract fulfilment costs because they allow satisfaction of the associated connection performance obligation and are considered recoverable. Sales commissions and other third party contract acquisition costs are capitalised as costs to acquire a contract unless the associated contract term is less than 12 months, in which case they are expensed as incurred. Capitalised costs are amortised over the minimum contract term. A portfolio approach is used to determine contract term.

Where the initial set-up, transition and transformation phases of long-term contractual arrangements represent distinct performance obligations, costs in delivering these services are expensed as incurred. Where these services are not distinct performance obligations, we capitalise eligible costs as a cost of fulfilling the related service. Capitalised costs are amortised on a straight-line basis over the remaining contract term, unless the pattern of service delivery indicates a more appropriate profile. To be eligible for capitalisation, costs must be directly attributable to specific contracts, relate to future activity, and generate future economic benefits. Capitalised costs are regularly assessed for recoverability.

The following table shows the movement on deferred costs:

	Deferred connection costs £m	Deferred contract acquisition costs – commissions £m	Deferred contract acquisition costs – dealer incentives £m	Transition and transformation £m	Total £m
At 1 April 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

16. Trade and other payables

Material accounting policies that apply to trade and other payables

We initially recognise trade and other payables at fair value, which is usually the original invoiced amount. We subsequently carry them at amortised cost using the effective interest method.

We use a supply chain financing 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
Amounts owed to ultimate parent company	12	36
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	512	532
	5,873	6,323
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 22). 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: £41m) 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

Carrying amount of liabilities that are part of supplier financing arrangements

Presented within trade and other payables^d

– Of which suppliers have received payment from finance providers

Range of payment due dates

Liabilities which have received payment from finance providers

Comparable trade payables

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.

Notes to the consolidated financial statements continued

17. 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

17. Provisions & contingent liabilities continued

	Property £m	Network ARO £m	Regulatory £m	Litigation £m	Third party claims £m	Other £m	Total £m
At 1 April 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 16) 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.

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

Notes to the consolidated financial statements continued

17. Provisions & contingent liabilities continued

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.

18. Retirement benefit plans

18.1 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

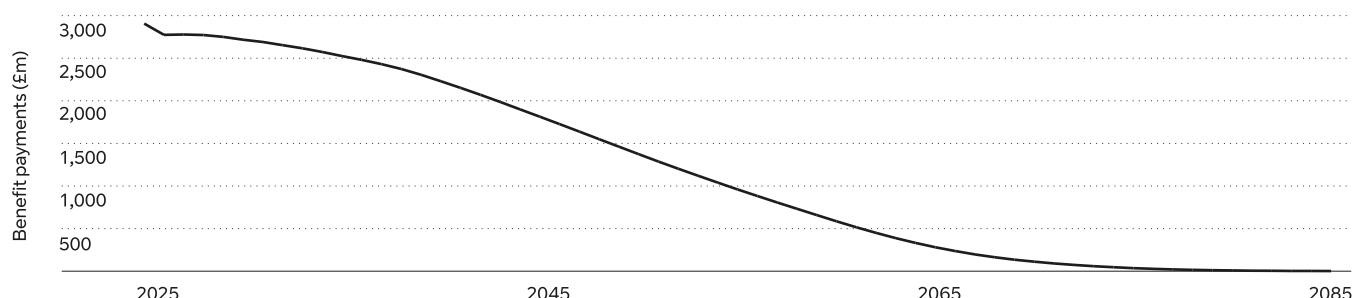
18. Retirement benefit plans continued

18.2 Background to BTPS

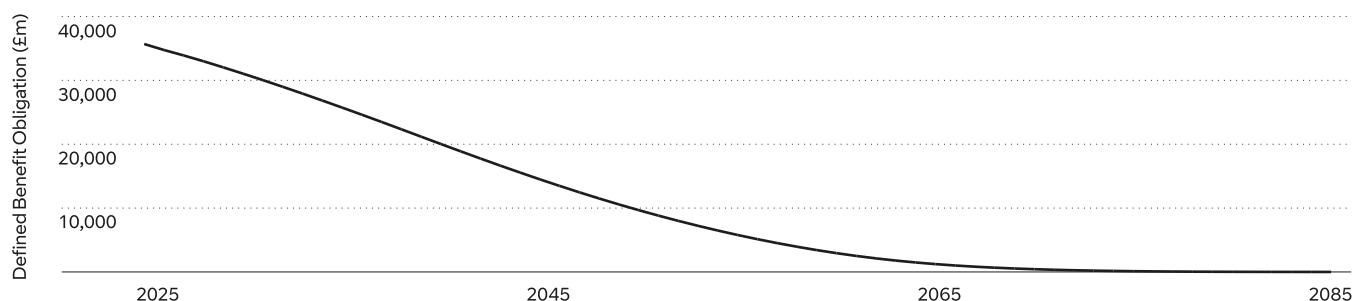
BTPS has 48,000 deferred members and 212,000 pensioners. All BTPS members receive pension benefits at retirement based on salary and years of service; some members also receive a lump sum payment at retirement. Increases for the majority of benefits are linked to either the Retail Price Index (RPI) or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

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

Notes to the consolidated financial statements continued

18. Retirement benefit plans continued

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 86 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.

18.3 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.

At 31 March	2025			2024		
	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

18. Retirement benefit plans continued

Movements in defined benefit plan assets and liabilities

The table below shows the movements in the defined benefit plan assets and liabilities and shows where they are reflected in the financial statements.

	Assets £m	Liabilities £m	Deficit £m
At 31 March 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.

Notes to the consolidated financial statements continued

18. Retirement benefit plans continued

18.4 Asset valuations for IAS 19

BTPS IAS 19 assets

Q 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.

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.

Notes to the consolidated financial statements continued

18. Retirement benefit plans continued

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).

At 31 March		2025		2024 (re-presented)	
		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)	
Totalⁱ		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.

18.5 Liability valuations for IAS 19

Q 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

Notes to the consolidated financial statements continued

18. Retirement benefit plans continued

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: <ul style="list-style-type: none">– the actual mortality experience of the BTPS pensioners, based on a formal review carried out for the 2023 triennial funding valuation; and– future improvements in longevity based on the CMI's 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.

18.6 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.

Notes to the consolidated financial statements continued

18. Retirement benefit plans continued

	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 84).

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	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.

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.

Notes to the consolidated financial statements continued

18. Retirement benefit plans continued

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.

Protections for BTPS (going concern)

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

Feature	Detail
Future funding commitment	<p>BT Group will provide additional contributions, of between £150m p.a. and £300m p.a., should the funding deficit fall behind plan by more than an agreed threshold at any two consecutive reviews. The reviews will be carried out every June and December and until the 2026 valuation the threshold is £1bn.</p> <p>Payments are due within 12 months of the payments being switched on. Payments will stop once the semi-annual assessment shows the funding deficit is back on plan, i.e. outstanding deficit contributions are sufficient to address the funding deficit.</p> <p>At the 31 December 2024 assessment date, additional contributions were not triggered. The next test will be carried out as at 30 June 2025.</p>
Shareholder distributions	<p>BT Group will provide additional payments to the BTPS by the amount that shareholder distributions exceed a threshold. For the three years following the 2023 valuation, the threshold allows for 10% per year dividend per share growth based on dividends of 7.7p per share in FY23, adjusted to reflect the interim dividend declared at our 30 September 2023 results.</p> <p>BT Group has agreed to implement a similar protection at each subsequent valuation, with the terms to be negotiated at the time.</p> <p>BT Group will consult with the Trustee if:</p> <ul style="list-style-type: none"> – it considers share buybacks for any purpose other than relating to employee share awards; – it considers making any shareholder distributions in any of the next three years if annual normalised free cash flow of the group is below £1bn in the year and distributions within the year would be in excess of 120% of the above threshold; or – it considers making a special dividend.
Material corporate events	<p>In the event that BT Group generates net cash proceeds greater than a threshold from disposals (net of acquisitions) in any financial year, BT Group will make additional contributions to the BTPS. The threshold is £750m p.a. to 30 June 2026.</p> <p>The amount payable is one third of the total net cash proceeds.</p> <p>BT Group will consult with the Trustee if:</p> <ul style="list-style-type: none"> – it considers making acquisitions with a total cost of more than £1.0bn in any 12-month period; – it considers making any disposal of more than £1.0bn; – it considers making a 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). <p>This obligation is ongoing until otherwise terminated.</p>
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	<p>The Crown Guarantee was granted by the Government when BT was privatised in 1984; it would only come into effect upon the insolvency of BT plc. In July 2014, the courts established that:</p> <ul style="list-style-type: none"> – the Crown Guarantee covers BT plc's funding obligation in relation to the benefits of members of the BTPS who joined post-privatisation as well as those who joined pre-privatisation (subject to certain exceptions); and – the funding obligation to which the Crown Guarantee relates is measured with reference to BT plc's obligation to pay deficit contributions under the rules of the BTPS. <p>The Crown Guarantee is not taken into account for the purposes of the actuarial valuation of the BTPS and is an entirely separate matter, only being relevant in the highly unlikely event that BT plc becomes insolvent.</p>
Pension Protection Fund (PPF)	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.

Notes to the consolidated financial statements continued

18. Retirement benefit plans continued

18.7 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.

Scenario	5% probability 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.

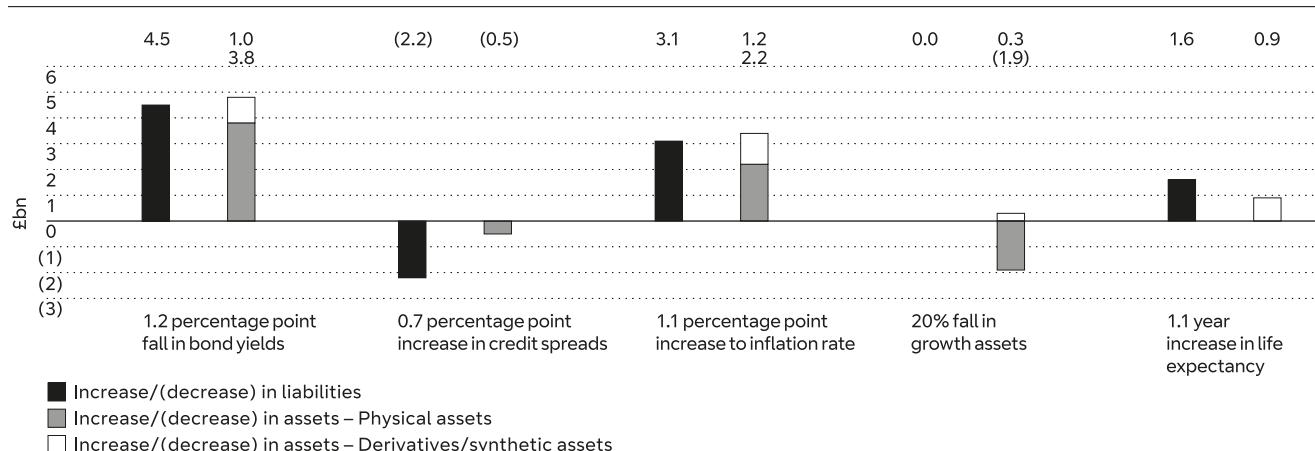
^d Impact includes the dampening effect of temporary equity hedges held by the BTPS. Scenario considers combinations of changes to the key inputs used to value the growth assets, leading to a 20% (FY24: 15%) fall in the aggregate value of the growth assets prior to temporary hedges held by the BTPS.

Notes to the consolidated financial statements continued

18. 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:

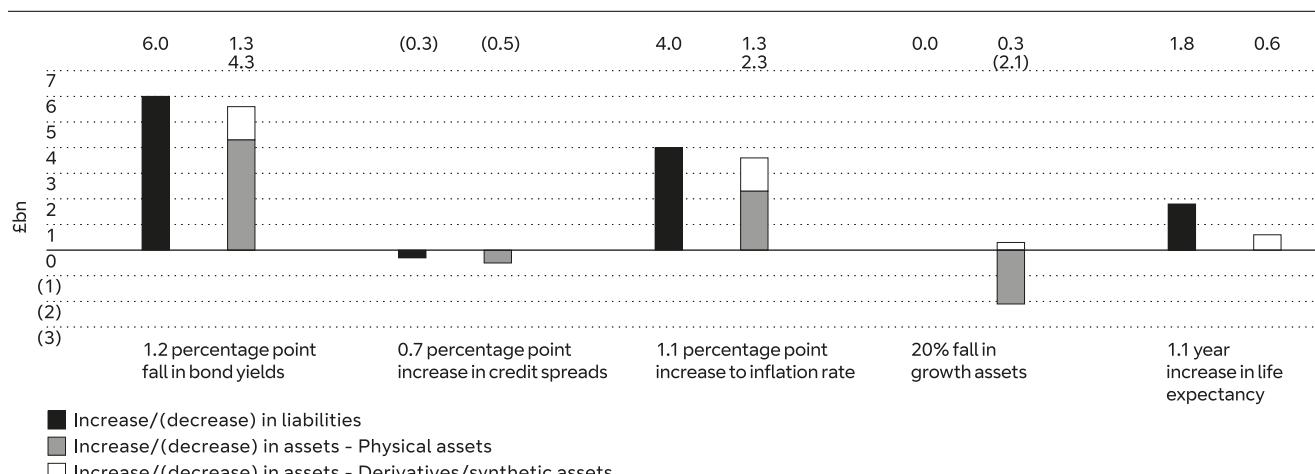
- Changes in the asset portfolio or hedges: the BTPS typically aims to hedge 90%–100% of interest rate and inflation risk (on a funding measure) and the actual hedge ratio could vary over the year within this range.
- Credit mismatch: the IAS 19 liabilities are calculated using a discount rate set with 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.

18.8 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

Notes to the consolidated financial statements continued

18. Retirement benefit plans continued

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%).

19. Share-based payments

Material accounting policies that apply to share-based payments

BT Group plc operates a number of equity-settled share-based payment arrangements, under which the group receives services from employees in consideration for equity instruments (share options and shares) in BT Group plc. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is recognised as an expense on a straight-line basis over the vesting period, based on the group's estimate of the options or shares that will eventually vest. Fair value of share option schemes is measured using a Binomial options pricing model.

Service conditions are vesting conditions. Any other conditions are non-vesting conditions which are taken into account to determine the fair value of equity instruments granted. When an award or option does not vest as a result of a failure to meet a non-vesting condition that is within the control of either counterparty, it is accounted for as a cancellation. Cancellations are treated as accelerated vesting and all remaining future charges are immediately recognised in the income statement. As the requirement to save under an employee saveshare arrangement is a non-vesting condition, employee cancellations, other than through a termination of service, are treated as an accelerated vesting.

No adjustment is made to total equity for awards that lapse or are forfeited after the vesting date.

Year ended 31 March	2025 £m	2024 £m
Employee saveshare plans	7	13
Yourshare	2	13
Executive share plans:		
Deferred Bonus Plan (DBP)	8	8
Restricted Share Plan (RSP)	42	34
	59	68

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.

Notes to the consolidated financial statements continued

19. Share-based payments continued

Employee Saveshare Plans

Movements in Employee Saveshare options are shown below.

Year ended 31 March	Number of share options		Weighted average exercise price	
	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

Executive share plans

Movements in executive share plan awards are shown below:

	Number of shares (millions)		
	DBP	RSP	Total
At 1 April 2023	20	73	93
Awards granted	5	41	46
Awards vested	(8)	(26)	(34)
Awards lapsed	(1)	(8)	(9)
Dividend shares reinvested	1	6	7
At 31 March 2024	17	86	103
Awards granted	4	39	43
Awards vested	(5)	(18)	(23)
Awards lapsed	—	(10)	(10)
Dividend shares reinvested	1	6	7
At 31 March 2025	17	103	120

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).

20. 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'.

Notes to the consolidated financial statements continued

20. Assets & liabilities classified as held for sale continued

🔍 Significant judgements in assessment of assets held for sale

During FY25, the BT Group plc 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 31.
- 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.

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

	2025
	£m
<hr/>	
At 31 March	
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.

21. Investments

✍ Material accounting policies that apply to investments

Investments classified as amortised cost

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

Investments classified as fair value through profit and loss

These investments are initially recognised at fair value. 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.

Notes to the consolidated financial statements continued

21. Investments continued

At 31 March	2025 £m	2024 £m
Non-current assets		
Fair value through other comprehensive income	17	23
Amounts owed by ultimate parent and parent company	12,438	11,633
Fair value through profit or loss	—	6
Total non-current asset investments	12,455	11,662
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).

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 22 and 26.

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

22. 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.

Notes to the consolidated financial statements continued

22. Joint ventures and associates continued

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

Material accounting policies that apply to the Sports JV

Assessment of whether BT has joint control over the Sports JV

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

Key factors relevant to our assessment:

- Equal voting rights over the activities that most significantly impact the returns of the Sports JV, namely 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 16). 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 29) with fair value movements on the derivatives recognised in other comprehensive income and held in the cash flow hedge reserve until recycle on settlement of the forward contracts.
- Programme rights should be recognised on the balance sheet from the point at which the licence period begins and are consumed by the Sports JV on a straight-line basis over the programming period which is generally 12 months. This is consistent with accounting policy applied in our previous BT Sport operations that have been transferred to the Sports JV.

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

Notes to the consolidated financial statements continued

22. 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 21 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.

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

	2025 £m	2024 £m
Summarised balance sheet at 31 March		
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 29).

^f Includes non-current financial liabilities (excluding trade and other payables and provisions) of £(92)m (FY24: £(305)m).

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

Notes to the consolidated financial statements continued

22. Joint ventures and associates continued

losses of £11m relating to fair value movements on its foreign exchange hedging arrangement with the group (see note 26) 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.

	2025 £m	2024 £m
At 31 March		
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.

23. Cash and cash equivalents

☒ Material accounting policies that apply to cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to cash, are subject to insignificant risk of changes in value and have an original maturity of three months or less. All are held at amortised cost on the balance sheet, equating to fair value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents are as defined above net of outstanding bank overdrafts. Bank overdrafts are included within the current element of loans and other borrowings (note 24).

	2025 £m	2024 £m
At 31 March		
Cash at bank and in hand	134	327
Cash equivalents		
Bank deposits	75	82
Total cash equivalents	75	82
Total cash and cash equivalents	209	409
Bank overdrafts (note 24)	(2)	(58)
Cash and cash equivalents per the cash flow statement	207	351

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.

24. Loans and other borrowings

☒ Material accounting policies that apply to loans and other borrowings

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

Capital management policy

The capital structure is managed by BT Group plc, the ultimate parent of the group. Its capital management policy is set out in the **Report of the Directors** on page [24](#).

Notes to the consolidated financial statements continued

24. Loans and other borrowings continued

The table below shows the key components of gross debt and of the increase of £67m 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,d}	1,395	(2,190)	—	15	2,744	128	2,092
Loans and other borrowings due after one year ^d	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

	At 31 March 2023 £m	Cash flows (re-presented) ^d £m	Net lease additions ^a £m	Foreign exchange £m	Transfer to within one year £m	Other movements ^{b,d} (re-presented) £m	At 31 March 2024 £m
Loans and other borrowings due within one year ^{c,d}	1,772	(1,685)	—	(12)	1,227	93	1,395
Loans and other borrowings due after one year ^d	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

^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 include movements relating to accrued interest, amortisation of transaction costs, fair value adjustments and held for sale assets and liabilities (see note 20).

^c Includes accrued interest and bank overdrafts.

^d 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.

Notes to the consolidated financial statements continued

24. 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 23)	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.

Notes to the consolidated financial statements continued

24. 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:

At 31 March	2025			2024		
	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.

25. Finance expense and income

Year ended 31 March	2025 £m	2024 £m
Finance expense		
Interest on:		
Financial liabilities at amortised cost and associated derivatives	916	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	1,118	1,067
Specific items (note 9)	197	121
Total finance expense	1,315	1,188

Notes to the consolidated financial statements continued

25. Finance expense and income continued

Year ended 31 March	2025 £m	2024 £m
Finance income		
Interest on financial assets at amortised cost	134	168
Other finance income	17	13
Interest income on loans to immediate and ultimate parent company	747	709
Total finance income	898	890
Year ended 31 March	2025 £m	2024 £m
Net finance expense before specific items	220	177
Specific items (note 9)	197	121
Net finance expense	417	298

26. Financial instruments and risk management

Risk management is performed by BT Group plc, the ultimate parent company of the group.

We issue or hold financial instruments mainly to finance our operations; to finance corporate transactions such as share buybacks and acquisitions; for the temporary investment of short-term funds; and to manage currency and interest rate risks. In addition, various financial instruments, for example trade receivables and payables arise directly from operations.

How do we manage financial risk?

Our activities expose us to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), 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 BT Group plc Board. Group treasury activities are subject to a set of controls appropriate for the magnitude of borrowing, investments and group-wide exposures. The BT Group plc Board has delegated authority to operate these policies to a series of panels responsible for the management of key treasury risks and operations. Appointment to and removal from the key panels requires approval from two of the following: the Chairman, the Chief Executive or the Chief Financial Officer of BT Group plc.

There has been no change in the nature of our risk profile between 31 March 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 BT Group plc Board, is to ensure that at least 70% of ongoing net debt (as defined in Additional Information section in BT Group plc's Annual Report) is at fixed rates. Short-term interest rate management is delegated to the treasury operation while long-term interest rate management decisions require further approval by the Chief Financial Officer, the Corporate Finance Director or the Group Treasury Director of BT Group plc who each have been delegated such authority from the BT Group plc Board.

Hedging strategy

In order to manage our interest rate profile, we enter into cross-currency and interest rate swap agreements to vary the amounts and periods for which interest rates on borrowings are fixed. The duration of the swap agreements matches the duration of the debt instruments. The majority of the group's long-term borrowings are subject to fixed sterling interest rates after applying the impact of these hedging instruments.

How do we manage foreign exchange risk?

Management policy

Foreign currency hedging activities protect the group from the risk that changes in exchange rates will adversely affect future net cash flows.

The BT Group plc Board's policy for foreign exchange risk management defines the types of transactions typically covered, including significant operational, funding and currency interest exposures, and the period over which cover should extend for each type of transaction.

The BT Group plc Board has delegated short-term foreign exchange management to the treasury operation and long-term foreign exchange management decisions require further approval from the Chief Financial Officer, the Corporate Finance Director or the Group Treasury Director of BT Group plc.

Hedging strategy

A significant proportion of our external revenue and costs arise within the UK and are denominated in sterling. Our non-UK operations generally trade and are funded in their functional currency which limits their exposure to foreign exchange volatility. We do not have a material exposure to hyperinflationary economies.

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.

Notes to the consolidated financial statements continued

26. Financial instruments and risk management continued

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		
	Fixed rate interest £m	Floating rate interest £m	Total £m	Fixed rate interest £m	Floating rate interest £m	Total £m
At 31 March						
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:

	2025		2024	
	£m	Increase (reduce)	£m	Increase (reduce)
At 31 March				
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 would have been a decrease of £127m (FY24: £103m). The impact of 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

BT Group plc continues to target a BBB+/Baa1 credit rating over the cycle, with a BBB/Baa2 floor. We regularly review the liquidity of the group and BT Group's funding strategy takes account of medium-term requirements. These include the pension deficit and shareholder distributions.

Our December 2030 bond contains terms that require us to pay higher rates of interest when BT Group plc's credit ratings are below A3 in the case of Moody's or A- in the case of Standard & Poor's (S&P). Additional interest of 0.25% per year accrues for each ratings category downgrade by each agency below those levels effective from the next coupon date following a downgrade. Based on the total notional value of debt outstanding of £2.1bn at 31 March 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.

BT Group plc's credit ratings were as detailed below:

	2025		2024	
	Rating	Outlook	Rating	Outlook
At 31 March				
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 BT Group plc Board reviews and approves the long-term funding requirements of the group and on an ongoing basis considers any related matters. We manage refinancing risk by limiting the amount of borrowing that matures within any specified period and having appropriate strategies in place to manage refinancing needs as they arise. The maturity profile of our loans and borrowings at 31 March 2025 is disclosed in note 24. 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 BT Group plc Board. We hold cash, cash equivalents and current investments in order to manage short-term liquidity requirements. During the year we

Notes to the consolidated financial statements continued

26. Financial instruments and risk management continued

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	4,925	705	8,200
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	5,013	5,179	34,709
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	5,007	4,571	28,340
At 31 March 2024					
Due within one year	1,103	738	5,434	765	8,040
Between one and two years	2,727	737	189	730	4,383
Between two and three years	431	697	88	696	1,912
Between three and four years	1,614	680	—	663	2,957
Between four and five years	2,282	649	—	634	3,565
After five years	10,107	2,569	—	2,103	14,779
	18,264	6,070	5,711	5,591	35,636
Interest payments not yet accrued	—	(5,778)	—	—	(5,778)
Fair value adjustments, unamortised bond fees	(30)	—	—	—	(30)
Impact of discounting	—	—	(16)	(636)	(652)
Carrying value on the balance sheet^{a,b}	18,234	292	5,695	4,955	29,176

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.

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.

Notes to the consolidated financial statements continued

26. Financial instruments and risk management continued

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

How do we manage credit risk?

Management policy

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

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

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

Notes to the consolidated financial statements continued

26. Financial instruments and risk management continued

Operational management policy

BT Group's 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	21	15,086	14,028
Trade and other receivables ^a	15	1,719	2,249
Contract assets	5	1,500	1,740
Cash and cash equivalents	23	209	409
Total		19,548	19,496

^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: £1,340m) 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 15, which analyses outstanding balances by CFU. Where multiple transactions are undertaken with a single financial counterparty or group of related counterparties, we enter into netting arrangements to reduce our exposure to credit risk by making use of standard International Swaps and Derivatives Association (ISDA) documentation. We have also entered into credit support agreements with certain swap counterparties whereby, on a daily, weekly and monthly basis, the fair value position on notional £1,047m (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.

Financial assets and liabilities At 31 March 2025	Amounts presented in the balance sheet £m	Related amounts not set off in the balance sheet		
		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.

Notes to the consolidated financial statements continued

26. Financial instruments and risk management continued

Material accounting policies that apply to derivatives and hedge accounting

All of our derivative financial instruments are held at fair value on the balance sheet.

Derivatives designated in a cash flow 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 Group plc's risk management strategy and there must be an economic relationship based on the currency, amount and timing of the respective cash flows of the hedging instrument and hedged item. This is assessed at inception and in subsequent periods in which the hedge remains in operation. Hedge accounting is discontinued when it is no longer in line with BT Group plc's risk management strategy or if it no longer qualifies for hedge accounting.

BT Group plc targets a one-to-one hedge ratio. The economic relationship between the hedged item and the hedging instrument is assessed on an ongoing basis. Ineffectiveness can arise from subsequent change in the forecast transactions as a result of altered timing, cash flows or value.

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

BT Group's policy is not to use derivatives for trading purposes. However, due to the complex nature of hedge accounting, some derivatives may not qualify for hedge accounting, or may be specifically not designated as a hedge because natural offset is more appropriate. We effectively operate a process to identify any embedded derivatives within revenue, supply, leasing and financing contracts, including those relating to inflationary features. These derivatives are classified as fair value through profit and loss and are recognised at fair value. Any direct transaction costs are recognised immediately in the income statement. Gains and losses on re-measurement are recognised in the income statement in the line that most appropriately reflects the nature of the item or transaction to which they relate.

Where the fair value of a derivative contract at initial recognition is not supported by observable market data and differs from the transaction price, a day one gain or loss will arise which is not recognised in the income statement. Such gains and losses are deferred and amortised to the income statement based on the remaining contractual term and as observable market data becomes available.

The fair values of outstanding swaps and foreign exchange contracts are estimated using discounted cash flow models and market rates of interest and foreign exchange at the balance sheet date.

	Current asset £m	Non-current asset £m	Current liability £m	Non-current liability £m
At 31 March 2025				
Designated in a cash flow hedge	104	843	82	338
Designated in a fair value hedge	—	1	—	—
Other	26	60	24	53
Total derivatives	130	904	106	391
 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 21. 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 24).

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

Notes to the consolidated financial statements continued

26. Financial instruments and risk management continued

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 25.

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)			
<hr/>						
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.

Notes to the consolidated financial statements continued

27. Other reserves

	Other comprehensive income					
	Cash flow reserve ^a £m	Fair value ^b reserve £m	Cost of hedging reserve ^c £m	Translation reserve ^d £m	Merger and other reserves £m	Total £m
At 1 April 2023	377	(4)	(37)	470	858	1,664
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	144	8	(11)	424	858	1,423
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	304	2	(6)	377	858	1,535

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 25).

28. Directors' emoluments and pensions

Neil Harris, Edward Heaton, Daniel Rider, Roger Eyre and Simon Lowth served as directors throughout the year. Roger Eyre resigned on 14 April 2025, when Helen Charnley was appointed. The Directors' services were incidental to their service to the group as a whole and any allocation to the company would be de minimis.

For the year ended 31 March 2025 the aggregate emoluments of the directors excluding deferred bonuses of £625,000 (FY24: £652,000) was £2,811,000 (FY24: £2,648,000). Deferred bonuses are payable in 5p ordinary shares of BT Group plc in three years' time subject to continuous employment.

No retirement benefits were accruing to directors (FY24: none) under a money purchase scheme.

During the year no directors exercised options (FY24: two) under BT Group share option plans. Five directors who held office for the whole or part of the year (FY24: six) received or are entitled to receive 5p ordinary shares of BT Group plc under BT long-term incentive plans.

The aggregate value of BT Group plc shares which vested to directors during the year under BT long-term incentive plans was £2,161,000 (FY24: £1,988,000).

The emoluments of the highest paid director including his deferred bonus of £443,000 (FY24: £522,000) were £1,796,000 (FY24: £1,920,000). He is entitled to receive 5,840,162 BT Group plc 5p ordinary shares under BT long-term incentive plans subject to continuous employment and in some cases to certain performance conditions being met.

Included in the above aggregate emoluments are those of Simon Lowth who is also a director of the ultimate holding company, BT Group plc.

The emoluments of the directors are calculated in accordance with the statutory provisions applicable to the company.

29. Related party transactions

British Telecommunications plc related parties include joint ventures, associates, investments and key management personnel.

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

Amounts paid to the group's retirement benefit plans are set out in note 18.

Associates and joint ventures related parties include the Sports JV with Warner Bros. formed during FY23 (see note 22). Sales of services to the Sports JV during 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. 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 BT Sport transaction, the group has committed to providing the Sports JV with a sterling Revolving Credit Facility (RCF), up to a maximum of £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 15. There is also a loan payable to the Sports JV of £10m (FY24: £11m), see note 24.

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

Notes to the consolidated financial statements continued

29. Related party transactions

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.

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 £nil (FY24: £12m).

British Telecommunications plc and certain of its subsidiaries act as a funder and deposit taker for cash related transactions for both its parent and ultimate parent company. The loan arrangements described below with these companies reflect this. Cash transactions usually arise where the parent and ultimate parent company are required to meet their external payment obligations or receive amounts from third parties. These principally relate to the payment of dividends, the buyback of shares, the exercise of share options and the issuance of ordinary shares. Transactions between the ultimate parent company, parent company and the group are settled on both a cash and non-cash basis through these loan accounts depending on the nature of the transaction.

During FY25, a dividend of £780m (FY24: £850m) was settled with the parent company in respect of the year ended 31 March 2024. The directors recommend payment of a final dividend in respect of FY25 of £1,500m. See note 11 and the group statement of changes in equity.

As of 31 March 2025 there was only one balance between BT plc and the ultimate parent, which accrued interest at SONIA plus a margin of 95bps, plus baseline credit adjustment spread (CAS) 45.4bps.

The loan facility between the parent company and British Telecommunications plc accrues interest at a rate of SONIA plus 140.4 bps with an overall limit of £35bn. The parent company currently finances its obligations on this loan as they fall due through dividends paid by the company.

A summary of the balances with the parent and ultimate parent companies and the finance income or expense arising in respect of these balances is set out below:

	Notes	2025		2024	
		Asset (liability) at 31 March £m	Finance income (expense) £m	Asset (liability) at 31 March £m	Finance income (expense) £m
Amounts owed by (to) parent company					
Non-current assets investments	21, 25	11,917	724	11,208	692
Amounts owed by (to) ultimate parent company					
Non-current assets investments	21, 25	521	23	425	17
Non-current liabilities loans	24, 25	—	—	—	—
Trade and other receivables	15	10	n/a	25	n/a
Trade and other payables	16	(12)	n/a	(36)	n/a

30. 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 22). 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 17, 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 17 for contingent liabilities associated with legal and regulatory proceedings.

31. Post balance sheet events

As disclosed in note 20, 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.

On 3 June 2025, BT issued a EUR 700m senior bond due on 3 January 2035 with a coupon of 3.75% and a GBP 400m hybrid bond due on 3 December 2055 with a coupon of 6.375% until the first reset date of 30 December 2030 under our European Medium Term Note programme.

British Telecommunications plc company balance sheet

Registered number 01800000

At 31 March	Notes	2025 £m	2024 £m
Non-current assets			
Intangible assets	4	2,018	1,962
Property, plant and equipment	5	21,347	20,247
Right-of-use assets	6	2,383	2,628
Derivative financial instruments	21	1,026	1,141
Investments in subsidiary undertakings, associates and joint ventures	7	14,819	16,132
Other investments	8	12,973	12,152
Trade and other receivables	9	335	302
Preference shares in joint venture	7	234	451
Contract assets		7	27
Retirement benefit surplus	18	11	11
Deferred tax assets		907	969
		56,060	56,022
Current assets			
Inventories		144	212
Trade and other receivables	9	2,235	2,185
Preference shares in joint venture	7	161	82
Contract assets		194	161
Assets classified as held for sale	22	13	—
Current tax receivables		756	839
Derivative financial instruments	21	130	51
Other investments	8	3,402	3,682
Cash and cash equivalents ^a		33	190
		7,068	7,402
Current liabilities			
Loans and other borrowings	10	13,588	17,457
Derivative financial instruments	21	106	94
Trade and other payables	11	4,561	4,517
Contract liabilities		493	535
Liabilities classified as held for sale	22	6	—
Lease liabilities	6	484	506
Current tax liabilities		—	—
Provisions	13	187	167
		19,425	23,276
Total assets less current liabilities		43,703	40,148
Non-current liabilities			
Loans and other borrowings	10	16,665	17,085
Derivative financial instruments	21	391	445
Contract liabilities		171	100
Lease liabilities	6	3,078	3,366
Retirement benefit obligations	18	2,940	3,479
Other payables	12	1,124	1,418
Deferred taxation	14	994	705
Provisions	13	182	226
		25,545	26,824
Equity			
Ordinary shares		2,172	2,172
Share premium		8,000	8,000
Other reserves	15	1,055	891
Retained earnings ^b		6,931	2,261
Equity shareholder's funds		18,158	13,324
		43,703	40,148

a Includes cash of £33m (FY24: £190m) and cash equivalents of £nil (FY24: £nil).

b As permitted by Section 408(3) of the Companies Act 2006, no income statement of the company is presented. The company's profit for the financial year including dividends received from subsidiary undertakings was £5,008m (FY24: £761m) before dividends paid of £780m (FY24: £850m).

The accompanying notes form an integral part of these financial statements.

The financial statements of the company on pages [106](#) to [130](#) were approved by the Board of Directors on 16 June 2025 and were signed on its behalf by:

Simon Lowth

Director

British Telecommunications plc company statement of changes in equity

	Notes	Share capital ^a £m	Share premium account ^b £m	Other reserves ^c £m	Retained earnings (loss) £m	Total equity £m
At 1 April 2023		2,172	8,000	1,099	4,114	15,385
Profit for the year ^d		—	—	—	761	761
Actuarial loss	18	—	—	—	(2,401)	(2,401)
Tax on actuarial loss		—	—	—	599	599
Share-based payments		—	—	—	51	51
Tax on share-based payments		—	—	—	(12)	(12)
Tax on items taken directly to equity	15	—	—	69	—	69
Net fair value loss on cash flow hedges	15	—	—	(641)	—	(641)
Dividends ^e		—	—	—	(850)	(850)
Transferred to the income statement	15	—	—	358	—	358
Transfer to realised profit		—	—	6	(6)	—
Other movements		—	—	—	5	5
At 31 March 2024		2,172	8,000	891	2,261	13,324
Profit for the year ^d		—	—	—	5,008	5,008
Actuarial gain	18	—	—	—	59	59
Tax on actuarial gain		—	—	—	(10)	(10)
Share-based payments		—	—	—	40	40
Tax on share-based payments		—	—	—	18	18
Tax on items taken directly to equity	15	—	—	(59)	—	(59)
Net fair value loss on cash flow hedges	15	—	—	(101)	—	(101)
Dividends ^d		—	—	—	(780)	(780)
Transferred to the income statement	15	—	—	330	—	330
Fair value movement on assets at fair value through other comprehensive income	15	—	—	(6)	—	(6)
Transfer to realised profit		—	—	—	—	—
Other movements ^e		—	—	—	335	335
At 31 March 2025		2,172	8,000	1,055	6,931	18,158

a The allotted, called up and fully paid ordinary share capital of the company at 31 March 2025 and 31 March 2024 was £2,172m representing 8,689,755,905 ordinary shares of 25p each. 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.

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

c A breakdown of other reserves is provided in note 15.

d As permitted by Section 408(3) of the Companies Act 2006, no income statement of the company is presented. The company's profit for the financial year including dividends received from subsidiary undertakings was £5,008m (FY24: £761m) before dividends paid of £780m (FY24: £850m).

e Other movements primarily includes a £335m dividend in specie for subsidiary shareholding transfers.

The accompanying notes form an integral part of these financial statements.

Notes to the company financial statements

British Telecommunications plc company accounting policies

1. Basis of preparation

Preparation of the financial statements

The term 'company' refers to British Telecommunications plc (BT plc). The consolidated group financial statements of BT plc have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 101. Accordingly, these company financial statements have been prepared in accordance with FRS 101 "Reduced disclosure framework". FRS 101 involves the application of International Financial Reporting Standards (IFRS) with a reduced level of disclosure.

The financial statements are prepared on a going concern basis and on the historical cost basis, except for certain financial and equity instruments that have been measured at fair value. Refer to note 1 of the notes to the consolidated accounts for further information. The financial statements are presented in sterling, the functional currency of the company.

New and amended accounting standards effective during the year

The following amended standards were effective 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 in the published consolidated financial statements of BT Plc.

Other

The following amendments have not had a significant impact on our 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 company.

Exemptions

As permitted by Section 408(3) of the Companies Act 2006, the company's income statement has not been presented.

The company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payments' in relation to group-settled share-based payments.
- The requirements of IFRS 7 'Financial Instruments: Disclosures'.
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement'.
- The requirements of the second sentence of paragraph 110 and from paragraphs 113a, 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'.
- The second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1 'Presentation of Financial Statements'; (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment'; and (iii) paragraph 118(e) of IAS 38 'Intangible Assets'.
- The following paragraphs of IAS 1 'Presentation of Financial Statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134 to 136 (capital management disclosures).
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures'.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and errors.
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets'.

The company intends to continue to take advantage of these exemptions in future years.

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

The financial statements have been prepared on a consistent basis with the prior year.

2. Critical & key accounting estimates and significant judgements

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

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

Significant judgements are those made by management in applying our 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.

Notes to the parent company financial statements continued

2. Critical & key accounting estimates and significant judgements continued

Note	Critical estimate	Key estimate	Significant judgement	
6. Reasonable certainty and determination of lease terms			✓	
7. Valuation of investment in A preference shares in Sports joint venture		✓		
7. Valuation of BT's equity interest in Sports joint venture		✓		
8. Other investments			✓	
11. Estimate of customer refund liability		✓		
13. Identifying contingent liabilities			✓	
13. Provisions		✓	✓	
14. Current and deferred income tax		✓		
18. Valuation of pension assets and liabilities	✓		✓	
22. Held for sale classification			✓	

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

The material accounting policies applied in preparation of our financial statements are set out below. Other material accounting policies applicable to a particular area are disclosed in the relevant note. We have applied all policies consistently to all the years presented, unless otherwise stated.

Inventories

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

Government grants

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

Grants for the purchase or production of property, plant and equipment are recognised as deferred income and amortised over the life of the related asset. Grants for the reimbursement of operating expenditure are deducted from the related category of costs in the income statement. Estimates and judgements applied in accounting for government grants received in respect of BDUK and other rural superfast broadband contracts, including Reaching 100% (R100) are described in note 5. Once a government grant is recognised, any related deferred income is treated in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

Foreign currencies

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

Research and development

Research expenditure is recognised in the income statement in the period in which it is incurred. Development expenditure, including the cost of internally developed software, is recognised in the income statement in the period in which it is incurred unless it is probable that economic benefits will flow to the company from the asset being developed, the cost of the asset can be reliably measured and technical feasibility can be demonstrated, in which case it is capitalised as an intangible asset on the balance sheet. Capitalisation ceases when the asset being developed is ready for use. Research and development costs include direct and indirect labour, materials and directly attributable overheads.

Share-based payments

The ultimate parent of BT plc, BT Group plc, operates a number of equity settled share-based arrangements, as detailed in note 19 to the BT plc consolidated financial statements, under which the company receives services from employees as consideration for equity instruments (share options and shares) of BT Group plc. In the company's separate financial statements these are also accounted for as equity settled.

Equity settled share-based payments are measured at fair value at the date of grant. Market-based performance criteria and non-vesting conditions (for example, the requirement for employees to make contributions to the share purchase programme) are reflected in this measurement of fair value. The fair value determined at the grant date is recognised as an expense on a straight line basis over the vesting period, based on the company's estimate of the options or shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using the Binomial options pricing model. Service and performance conditions are vesting conditions. Any other conditions are non-vesting conditions which are taken into account to determine the fair value of equity instruments granted. In the case that an award or option does not vest as a result of a failure to meet a non-vesting condition that is within the control of either counterparty, this is accounted for as a cancellation. Cancellations are treated as accelerated vesting and all remaining future charges are immediately recognised in the income statement. As the requirement to save under an employee saveshare arrangement is a non-vesting condition, employee cancellations, other than through a termination of service, are treated as an accelerated vesting. No adjustment is made to total equity for awards that lapse or are forfeited after the vesting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less. Bank overdrafts are included within loans and other borrowings, in current liabilities on the balance sheet.

Dividends

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Board. Interim dividends are therefore recognised when they are paid; final dividends when authorised by the Board.

Notes to the parent company financial statements continued

4. Intangible assets

☒ Material accounting policies that apply to intangible assets

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

Goodwill

Goodwill in the company's separate financial statements relates to the excess of cost over the value of the company's share of the identifiable net assets acquired where the company has purchased a business. The full cost balance of goodwill recognised at 31 March 2025, £624m, is attributable to the Business CGU. This balance was fully impaired in FY24 and is held at £nil in the company's separate financial statements.

Computer software

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

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

Other

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

Estimated useful economic lives

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

– Computer software	2 to 10 years
– 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.

	Software ^a £m	Goodwill £m	Other £m	Total £m
Cost				
At 1 April 2024	6,046	624	15	6,685
Additions	798	—	—	798
Disposals and adjustments ^b	(804)	—	8	(796)
Transfers ^c	(75)	—	—	(75)
Transfer to assets held for sale ^d	(15)	—	—	(15)
At 31 March 2025	5,950	624	23	6,597
Accumulated amortisation				
At 1 April 2024	4,094	624	5	4,723
Charge for the year	676	—	—	676
Impairment	7	—	—	7
Disposals and adjustments ^b	(794)	—	8	(786)
Transfers ^c	(29)	—	—	(29)
Transfer to assets held for sale ^d	(12)	—	—	(12)
At 31 March 2025	3,942	624	13	4,579
Carrying amount				
At 31 March 2024	1,952	—	10	1,962
At 31 March 2025	2,008	—	10	2,018

^a Includes a carrying amount of £278m (FY24: £283m) in respect of assets in the course of construction, which are not yet amortised.

^b Disposals and adjustments include the removal of assets from the company's fixed asset registers following disposals and the identification of fully depreciated assets (including £0.7bn in FY25 through operation of the group's annual asset verification exercise).

^c During FY25, assets with cost of £75m and accumulated depreciation of £29m were reclassified from intangible assets to property, plant and equipment following review of asset registers.

^d For a breakdown of assets held for sale, see note 22.

Notes to the parent company financial statements continued

5. Property, plant and equipment

Material accounting policies that apply to property, plant and equipment

Our property, plant and equipment is included at historical cost, net of accumulated depreciation and any impairment charges. Property, plant and equipment acquired through business combinations is initially recorded at fair value and subsequently accounted for on the same basis as our existing assets. We derecognise items of property, plant and equipment on disposal or when no future economic benefits are expected to arise from the continued use of the asset. The difference between the sale proceeds and the net book value at the date of disposal is recognised in operating costs in the income statement.

Included within the cost of network infrastructure and equipment are direct and indirect labour costs, materials and directly attributable overheads.

We depreciate property, plant and equipment on a straight-line basis from the time the asset is available for use, to write off the asset's cost over the estimated useful life taking into account any expected residual value. Freehold land is not depreciated.

Estimated useful economic lives

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

Land and buildings

– Freehold buildings	14 to 50 years
– Short-term leasehold improvements	Shorter of 10 years or lease term
– Leasehold land and buildings	Shorter of unexpired portion of lease or 40 years

Network infrastructure

Transmission equipment	
– Duct	40 years
– Cable	3 to 25 years
– Fibre	5 to 20 years
Exchange equipment	2 to 13 years
Other network equipment	2 to 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.

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.

Notes to the parent company financial statements continued

5. Property, plant and equipment

	Network infrastructure					Total £m
	Land and buildings £m	Held by Openreach £m	Held by other units £m	Other ^a £m	Assets under construction ^d £m	
Cost						
At 1 April 2024	717	36,130	16,285	1,459	1,248	55,839
Additions	(1)	1	90	—	3,326	3,416
Transfers ^b	121	3,021	401	291	(3,759)	75
Disposals and adjustments ^c	(51)	(191)	(601)	(17)	(35)	(895)
Transfer to assets held for sale ^e	—	—	(8)	—	(2)	(10)
At 31 March 2025	786	38,961	16,167	1,733	778	58,425
Depreciation						
At 1 April 2024	402	20,431	13,673	1,056	30	35,592
Charge for the year	55	1,554	458	241	—	2,308
Impairments	—	—	27	11	12	50
Transfers ^b	—	—	29	—	—	29
Disposals and adjustments ^c	(22)	(182)	(673)	(15)	(4)	(896)
Transfer to assets held for sale ^e	—	—	(5)	—	—	(5)
At 31 March 2025	435	21,803	13,509	1,293	38	37,078
Carrying amount						
At 31 March 2024	315	15,699	2,612	403	1,218	20,247
At 31 March 2025	351	17,158	2,658	440	740	21,347

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

^b During FY25, assets with cost of £75m and accumulated depreciation of £29m were reclassified from intangible assets to property, plant and equipment following review of asset registers.

^c Disposals and adjustments include the removal of assets from the company's fixed asset registers following disposals and the identification of fully depreciated assets (including £0.6bn in FY25 through operation of the group's annual asset verification exercise).

^d 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 £89m (Gross costs £119m and accumulated depreciation of £30m) at 31 March 2024 which relates to engineering stores. In the FY24, this was previously presented separately from AUC in the above table.

^e Transfers to assets held for sale are detailed in note 22.

Included within the above disclosure are assets which are used in arrangements which meet the definition of operating leases under IFRS 16:

- £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, include 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 net book value of land and buildings comprised:

	2025 £m	2024 £m
At 31 March		
Freehold	37	38
Leasehold	314	277
Total net book value of land and buildings	351	315

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 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.

Notes to the parent company financial statements continued

6. Leases

Material accounting policies that apply to leases

Identifying whether a lease exists

At inception of a contract, we determine whether the contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset, for a period of time, in exchange for consideration. In making this assessment, we consider whether:

- The contract involves the use of an identified asset, either explicitly or implicitly. The asset must be physically distinct or represent substantially all the capacity of a physically distinct asset. Assets that a supplier has a substantive right to substitute are not considered distinct;
- The lessee (either the company, or the company's customers) has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The lessee has the right to direct the use of the asset, in other words, has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Where practicable, and by class of underlying asset, we have elected to account for leases containing a lease component and one or more non-lease components as a single lease component. Where this election has been taken, it has been applied to the entire asset.

Lessee accounting

We recognise a lease liability and right-of-use asset at the commencement of the lease. Lease liabilities are initially measured at the present value of lease payments that are due over the lease term, discounted using the group's incremental borrowing rate.

The lease term is the non-cancellable period of the lease adjusted for the impact of any extension options that we are reasonably certain that the lessee will exercise, or termination options that we are reasonably certain that the lessee will not exercise.

The incremental borrowing rate is the rate that we would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value.

Lease payments include:

- fixed payments
- variable lease payments that depend on an index or rate
- amounts expected to be paid under residual value guarantees
- the exercise price of any purchase options that we are reasonably certain to exercise
- payments due over optional renewal periods where we are reasonably certain to renew
- penalties for early termination of the lease where we are reasonably certain to terminate early

Lease liabilities are subsequently measured at amortised cost using the effective interest method. They are remeasured if there is a change in future lease payments, including changes in the index or rate used to determine those payments, or the amount we expect to be payable under a residual value guarantee.

We also remeasure lease liabilities where the lease term changes. This occurs when the non-cancellable period of the lease changes, or on occurrence of a significant event or change in circumstances within the control of the lessee and which changes our initial assessment in regard to whether the lessee is reasonably certain to exercise extension options or not to exercise termination options. Where the lease term changes we remeasure the lease liability using the group's incremental borrowing rate at the date of reassessment. Where a significant event or change in circumstances does not occur, the lease term remains unchanged and the carrying amounts of the lease liability and associated right-of-use asset will decline over time.

Right-of-use assets are initially measured at the initial amount of the corresponding lease liabilities, adjusted for any prepaid lease payments, plus any initial direct costs incurred and an estimate of any decommissioning costs that have been recognised as provisions, less any lease incentives received. They are subsequently depreciated using the straight-line method to the earlier of the end of the useful life of the asset or the end of the lease term. Right-of-use assets are tested for impairment following the policy set out in note 5 and are adjusted for any remeasurement of lease liabilities.

We have elected not to recognise lease liabilities and right-of-use assets for short-term leases that have a lease term of 12 months or less, and leases of low-value assets with a purchase price under £5,000. We recognise payments for these items as an expense on a straight-line basis over the lease term.

Any variable lease payments that do not depend on an index or rate, such as usage-based payments, are recognised as an expense in the period to which the variability relates.

Lessor accounting

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

We recognise operating lease payments as income on a straight-line basis over the lease term. Any up front payments received, such as connection fees, are deferred over the lease term. Where the contract contains both lease and non-lease components, the transaction price is allocated between the components on the basis of relative standalone selling price.

Where an arrangement is assessed as a finance lease we derecognise the underlying asset and recognise a receivable equivalent to the net investment in the lease. The receivable is measured based on future payments to be received discounted using the interest rate implicit in the lease, adjustment for any direct costs.

Notes to the parent company financial statements continued

6. Leases

Q Significant judgements made in accounting for leases

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

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

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

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

Key judgements exercised in setting the lease term

The quantum of the lease liability and right-of-use asset currently recognised on our balance sheet is most significantly affected by the judgement exercised in setting the lease term for the arrangement under which the bulk of our operational UK property estate is held.

UK operational property portfolio

Substantially all of our leased property estate is held under an arrangement which can be terminated in 2031, at which point we may either vacate some or all properties; or purchase the entire estate. If neither option is taken the lease continues to the next unilaterally available break point in 2041. The lease liability recognised for the arrangement reflects a lease end date of 2031. On initial recognition we concluded that, although the majority of these properties are expected to be needed on a long-term basis, we couldn't be reasonably certain that we wouldn't exercise the termination option or that we would exercise the purchase option. In coming to this conclusion, we had due regard to material sub-lease arrangements relating to the estate.

As time progresses our assessment may change; if this happens, we will remeasure the lease liability and right-of-use asset to reflect either the rentals due for any properties we will continue to occupy, or the cost of purchasing the estate, 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 company will be able to exit prior to or in 2031.

Estimates are based on discounted cash outflows and do not reflect the likely and significant impact of cash inflows generated from the disposal, repurposing or subleasing of properties retained post-2031.

We are permitted to hand a limited number of properties back to the lessor prior to 2031. On initial adoption of IFRS 16 we were not reasonably certain which properties would be handed back and as such the lease term did not reflect the exercise of these options. Subsequently we exercise judgement in identifying significant events that trigger reassessment of our initial conclusion. We exercise similar judgement in identifying events triggering reassessment of whether we are reasonably certain we will not exercise termination options associated with other leased properties.

In doing so we consider decisions associated with our ongoing workplace rationalisation programme, in particular decisions to exit a particular location or lease an alternative property. Generally we remain reasonably certain that we will not exercise a termination option until implementation of the associated business plan has progressed to a stage that we are committed to exiting the property. At that point we reassess the lease term by reference to the time we expect to remain in occupation of the property and any notice period associated with exercise of the option.

Notes to the parent company financial statements continued

6. Leases

Company as lessee

Right-of-use assets

Most of our right-of-use assets are associated with our leased property portfolio, specifically our office and exchange estate.

	Land and buildings £m	Network infrastructure £m	Motor vehicles £m	Other £m	Total £m
At 1 April 2023	2,398	23	372	1	2,794
Additions ^a	135	29	169	—	333
Depreciation charge for the year	(279)	(19)	(113)	(1)	(412)
Impairment ^b	(10)	—	—	—	(10)
Other movements ^c	(23)	1	(55)	—	(77)
At 1 April 2024	2,221	34	373	—	2,628
Additions ^a	80	17	105	—	202
Depreciation charge for the year	(275)	(17)	(113)	—	(405)
Impairment ^b	—	(14)	—	—	(14)
Transfer to assets held for sale	(2)	—	—	—	(2)
Other movements ^c	(23)	1	(4)	—	(26)
At 31 March 2025	2,001	21	361	—	2,383

a Additions comprise increases to right-of-use assets as a result of entering into new leases, and upwards remeasurement of existing leases arising from lease extensions or reassessments and increases to lease payments.

b Impairment charge relate primarily to the early exit of leases as a result of ongoing property rationalisation activity.

c Other movements primarily relate to terminated leases and downwards remeasurements of right-of-use assets arising from reductions or reassessments of lease terms and decreases in lease payments.

Lease liabilities

Lease liabilities recognised are as follows:

Year ended 31 March	2025 £m	2024 £m
Current	484	506
Non-current	3,078	3,366
Total	3,562	3,872

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

- Interest expense of £103m (FY24: £102m) 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.

The total cash outflow for leases in the year was £487m (FY24: £400m).

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.

At 31 March 2025 the company was committed to future minimum lease payments of £218m in respect of leases which have not yet commenced and for which no lease liability has been recognised (31 March 2024: £47m).

Note 10 presents a maturity analysis of the payments due over the remaining lease term for these liabilities.

Company as lessor

The company acts as lessor in a number of arrangements which have been classified as operating leases. These relate primarily to Openreach's leases of fixed-line telecommunications infrastructure to external communications providers and leases of devices to Consumer customers as part of fixed access subscription offerings. The following table analyses payments to be received across the remaining term of operating lease arrangements where the company is lessor:

	2025 £m	2024 £m
At 31 March		
Less than one year	426	419
One to two years	99	115
Two to three years	31	39
Three to four years	4	11
Four to five years	4	11
More than five years	5	5
Total undiscounted lease payments	569	600

Lessor arrangements classified as finance leases are not material to the company.

Notes to the parent company financial statements continued

7. Investments in subsidiary undertakings, associates and joint ventures

Material accounting policies that apply to investments in subsidiary undertakings, associates and joint ventures

Investments in subsidiary undertakings, associates and joint ventures are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable. Investments in subsidiary undertakings, associates and joint ventures are derecognised when the company no longer owns the shares of the subsidiary, associate or joint venture or such is dissolved.

The company applies predecessor value method of accounting when it enters into a business transfer agreement with its subsidiary. This is considered as business combinations under common control which is outside the scope of IFRS 3 Business Combinations. The predecessor value method involves accounting for assets and liabilities of the acquired business at its carrying values. The carrying values of the assets and liabilities of the acquired business is based on those reported in the BT plc consolidated financial statements.

	Subsidiary undertakings £m	Joint ventures £m	Associates £m	Total £m
Cost				
At 31 March 2024	33,529	454	—	33,983
Additions ^a	336	—	6	342
At 31 March 2025	33,865	454	6	34,325
Provisions and amounts written off				
At 31 March 2024	17,812	39	—	17,851
Provided in the year	1,479	176	—	1,655
At 31 March 2025	19,291	215	—	19,506
Net book value at 31 March 2024	15,717	415	—	16,132
Net book value at 31 March 2025	14,574	239	6	14,819

^a Additions in subsidiary undertakings principally arise due to transactions undertaken to simplify our legal entity hierarchy.

Subsidiary undertakings

Details of the company's subsidiary undertakings are set out on pages [131](#) to 145.

During the year, the Company received dividend payments from its subsidiaries, where four of the dividend receipts resulted in an impairment indicator, as the carrying amount of the related investments in the Company's financial statements exceeded the net asset value (NAV) of the respective subsidiary and its subgroup subsidiaries financial statements. In response, the Company conducted a detailed impairment assessment. This review determined that the carrying amounts of the investments were higher than their recoverable amounts. As a result, an impairment loss of £1,479m was recognised.

Apart from the circumstances described above, the carrying amounts of the remaining investment in subsidiaries were deemed to be recoverable.

Joint ventures - Sports JV

In FY23 we formed a sports joint venture with Warner Bros. Discovery (WBD), known externally as TNT Sports, which combined BT Sport and WBD's Eurosport UK business.

Further details on the transaction are provided in note 22 to the consolidated financial statement.

For key developments in the Sports JV during the year see note 22 to the consolidated financial statement.

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

Notes to the parent company financial statements continued

7. Investments in subsidiary undertakings, associates and joint ventures

Key accounting estimates made in accounting for the Sports JV

Valuation of investment in A preference shares

We expect the company's A preference shares to be redeemed by the Sports JV for the distribution of cash to BT under our earn-out entitlement. BT's return on the shares is driven by the underlying cash profit generation of the Sports JV and therefore have been classified as a fair value through profit or loss (FVTPL) financial asset under IFRS 9 and is remeasured to fair value at each reporting date.

The fair value recorded is supported by 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.

Changes in key assumptions could result in changes in fair value gains or losses.

Valuation of BT's equity interest in the Sports JV

For impairment test purpose, the group valued its equity interest in the Sports JV based on the estimated fair value at exit using the following key assumptions:

- BT expect to realise its interest in the Sports JV through exit rather than ongoing value in use.
- An earnings multiple has been applied to the expected EBITDA at exit - the multiple is at the lower end of a possible range identified from comparable peers and transactions in the premium sports subscription and broadcasting market.

Changes in key assumptions could result in impairment losses.

Ordinary equity shares

The company records an investment on its ordinary equity interest held in the Sports JV at a deemed cost being the initial fair value of £414m.

This investment is subsequently held at this deemed cost and reviewed for impairment. Our analysis at 31 March 2025 indicates the fair value less costs to sell is lower than the carrying amount of the investment, and therefore we have impaired the investment by £176m (FY24: no impairment). The company now records an investment on its ordinary equity interest in the Sports JV at £238m.

Preference shares

In addition to the company's ordinary equity shareholding, the company holds the following investments in preference shares in the Sports JV.

	2025	2024
At 31 March	£m	£m
Investment in A preference shares	242	387
Investment in C preference shares	153	146
Total	395	533

- **A preference shares** – We expect these shares to be redeemed by the Sports JV for the distribution of cash to the company under our earn-out entitlement. The company's return on the shares is driven by the underlying cash profit generation of the Sports JV and therefore have been classified as a fair value through profit or loss (FVTPL) financial asset under IFRS 9.
- **C preference shares** – The company's return on the shares is driven by changes in the Sports JV's sports rights portfolio which in turn is dependent on changes in the wider sports rights market and the Sports JV's financial performance and are therefore held as a financial asset at FVTPL under IFRS 9.

A £138m movement has been recorded across the preference share 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.

8. Other investments

Material accounting policies that apply to other investments

Equity instruments

Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

Investments classified as amortised cost

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

Notes to the parent company financial statements continued

8. Other investments

Q Significant accounting judgements made in accounting for other investments

We extend loans to our subsidiaries in order to fund their activities. We regularly consider whether there is an indication of impairment. This involves judgement in reviewing year-end financial position, current year performance, known indicators of future performance and cash-flows, one-off events and contingent liabilities and assets. Based on this if there is an indication that the loan receivable may be impaired we perform an assessment of the recoverable amount and make a provision for the portion that we consider irrecoverable. We exercise judgement in determining whether the loan is fully or partially recoverable, which includes making assumptions regarding the future performance of the subsidiary. These assumptions are normally based on financial plans or through extrapolating current performance taking into account past experience and known future events. A provision of £138m is held against these loans.

At 31 March	2025 £m	2024 £m
Non-current assets		
Fair value through other comprehensive income	17	22
Fair value through profit or loss	—	5
Loans to group undertakings	518	510
Loans to parent undertakings	12,438	11,615
Total non-current asset investments	12,973	12,152
Current assets		
Investments held at amortised cost	2,631	2,366
Loans to group undertakings	771	1,316
Total current asset investments	3,402	3,682

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 in US dollars of £13m (FY24: £6m). Within these amounts are investments in liquidity funds of £2,600m (FY24: £1,815m), £20m collateral paid on swaps (FY24: £40m), accrued interest on investments of £11m (FY24: £11m) and gilt repurchase agreements £nil (FY24: £500m).

Loans to group and parent undertakings total £13,727m (FY24: £13,441m). These consist of amounts denominated in sterling of £12,545m (FY24: £12,258m), euros of £788m (FY24: £781m), US dollars of £7m (FY24: £8m) and other currencies of £387m (FY24: £394m).

Notes to the parent company financial statements continued

9. Trade and other receivables

Material accounting policies that apply to trade and other receivables

Recognition of trade and other receivables

Trade receivables are recognised where the right to receive payment from customers is conditional only on the passage of time. We initially recognise trade and other receivables at fair value, which is usually the original invoiced amount. They are subsequently carried at amortised cost using the effective interest method. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

Contingent assets such as any insurance recoveries, or prepaid programme rights which we expect to recoup, have not been recognised in the financial statements as these are only recognised within trade and other receivables when their receipt is virtually certain.

The 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 cashflows, they are recorded at fair value through other comprehensive income.

Allowance for doubtful debts

We provide services to consumer and business customers, mainly on credit terms. We know that certain debts due to us will not be paid through the default of a small number of our customers. Because of this, we recognise an allowance for doubtful debts on initial recognition of receivables, which is deducted from the gross carrying amount of the receivable. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. In estimating a loss allowance we consider historical experience and informed credit assessment alongside other factors such as the current state of the economy and particular industry issues. We consider reasonable and supportable information that is relevant and available without undue cost or effort.

Once recognised, trade receivables are continuously monitored and updated. Allowances are based on our historical loss experiences for the relevant aged category as well as forward-looking information and general economic conditions. Allowances are calculated by individual customer-facing units in order to reflect the specific nature of the customers relevant to that customer-facing unit.

Contract losses

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

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

Deferred contract costs

We capitalise certain costs associated with the acquisition and fulfilment of contracts with customers and amortise them over the period that we transfer the associated services.

Connection costs are deferred as contract fulfilment costs because they allow satisfaction of the associated connection performance obligation and are considered recoverable. Sales commissions and other third party contract acquisition costs are capitalised as costs to acquire a contract unless the associated contract term is less than 12 months, in which case they are expensed as incurred. Capitalised costs are amortised over the minimum contract term. A portfolio approach is used to determine contract term.

Where the initial set-up, transition, and transformation phases of long-term contractual arrangements represent distinct performance obligations, costs in delivering these services are expensed as incurred. Where these services are not distinct performance obligations, we capitalise eligible costs as a cost of fulfilling the related service. Capitalised costs are amortised on a straight line basis over the remaining contract term, unless the pattern of service delivery indicates a more appropriate profile. To be eligible for capitalisation, costs must be directly attributable to specific contracts, relate to future activity, and generate future economic benefits. Capitalised costs are regularly assessed for recoverability.

Notes to the parent company financial statements continued

9. Trade and other receivables

At 31 March	2025 £m	2024 £m
Current receivables		
Trade receivables	859	1,166
Amount owed by group undertakings	593	181
Amount owed by ultimate parent company	10	25
Prepayments	287	309
Accrued income	96	72
Deferred contract costs	179	146
Finance lease receivables	12	10
Amounts due from joint ventures	46	163
Other assets ^a	153	113
Total current receivables	2,235	2,185
Non-current receivables		
Deferred contract costs	212	157
Finance lease receivables	55	60
Other assets ^a	68	85
Total non current receivables	335	302

a Other assets include £35m (FY24: £57m) of deferred cash consideration mainly relating to the disposal of BT Sport.

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

10. Loans and other borrowings

Material accounting policies that apply to loans and other borrowings

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

Notes to the parent company financial statements continued

10. Loans and other borrowings

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 from group undertakings ^g	11,578	16,357
Loans related to the forward sale of redundant copper	93	106
Other loans	12	27
Bank overdrafts	2	58
Total other loans and borrowings	11,685	16,548
Total loans and borrowings	30,253	34,542

^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 Loans from group undertakings are £11,578m (FY24: £16,357m). These consist of £7,329m (FY24: £12,080m) denominated in sterling, £1,544m (FY24: £1,449m) denominated in euros, £1,952m (FY24: £2,045m) denominated in US dollars, and £753m (FY24: £783m) denominated in other currencies.

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 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.

Notes to the parent company financial statements continued

10. Loans and other borrowings

Loans and other borrowings are analysed as follows:

		2025	2024
		£m	£m
At 31 March			
Current liabilities			
Listed bonds		1,975	996
Amount owed to joint ventures		10	11
Loans from group undertakings		11,578	16,357
Other loans and bank overdrafts		25	93
Total current liabilities		13,588	17,457
Non-current liabilities			
Listed bonds		16,593	16,998
Other loans		72	87
Total non-current liabilities		16,665	17,085
Total		30,253	34,542

	2025			2024		
	Lease liabilities	Loans and other borrowings	Total	Lease liabilities	Loans and other borrowings	Total
At 31 March	£m	£m	£m	£m	£m	£m
Repayments falling due as follows:						
Within one year, or on demand	484	13,588	14,072	506	17,457	17,963
Between one and two years	558	425	983	536	2,681	3,217
Between two and three years	543	1,583	2,126	530	431	961
Between three and four years	530	2,261	2,791	518	1,614	2,132
Between four and five years	519	2,030	2,549	511	2,282	2,793
After five years	1,417	10,412	11,829	1,792	10,107	11,899
Total due for repayment after more than one year	3,567	16,711	20,278	3,887	17,115	21,002
Total repayments	4,051	30,299	34,350	4,393	34,572	38,965
Non cash adjustments ^a	—	(46)	(46)	—	(30)	(30)
Impact of discounting	(489)	—	(489)	(521)	—	(521)
Total loans and other borrowings	3,562	30,253	33,815	3,872	34,542	38,414

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

11. Current trade and other payables

☒ Material accounting policies relating to trade and other payables

We initially recognise trade and other payables at fair value, which is usually the original invoiced amount. We subsequently carry them at amortised cost using the effective interest method.

We use a 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.

❑ Key accounting estimates made in accounting for other payables

Estimate of customer refunds

There remains an accounting estimate in place to reflect a risk of revenue 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. This is presented within current other payables and represents our best estimate required to cover ongoing billing adjustments to products relating to both current and prior periods. If the final quantum of adjustments is less than expected, the adjustments will be released.

		2025	2024
		£m	£m
At 31 March			
Trade payables		2,475	2,534
Amounts owed to group undertakings		621	414
Amounts owed to ultimate parent company		12	36
Other taxation and social security		115	189
Minimum guarantee with sports joint venture ^a		201	194
Accrued expenses		251	287
Deferred income ^b		423	402
Other payables ^c		463	461
Total		4,561	4,517

a Liability recognised on the minimum revenue guarantee in BT's distribution agreement with the sports joint venture, see note 22 of the consolidated financial statements.

Notes to the parent company financial statements continued

11. Current trade and other payables

^b Deferred income includes £98m (FY24: £106m) relating to the Building Digital UK programme, for which grants received by the company may be subject to re-investment or repayment depending on the level of take-up.
^c Includes £51m (FY24: £41m) relating to an estimate of customer refunds, see key accounting estimate disclosure above.

Current trade and other payables at 31 March 2025 include £212m (31 March 2024: £209m) of trade payables in a supply chain financing programme that allows suppliers the opportunity to receive funding earlier than the invoice due date. Financial institutions are used to support this programme but we continue to recognise the underlying payables as we continue to cash settle the supplier invoices in accordance with their terms.

12. Other non-current payables

At 31 March	2025 £m	2024 £m
Minimum guarantee with sports joint venture ^a	87	271
Deferred income ^b	1,032	1,143
Other payables	5	4
Total	1,124	1,418

^a Liability recognised on the minimum revenue guarantee in BT's distribution agreement with the sports joint venture, see note 22 of the consolidated financial statements.
^b Deferred income includes £44m (FY24: £122m) relating to the Building Digital UK programme, for which grants received by the company may be subject to re-investment or repayment depending on the level of take-up.

13. Provisions & contingent liabilities

Our provisions principally relate to obligations arising from property rationalisation programmes, third party claims, litigation and regulatory risks. Contingent liabilities primarily arise from litigation and regulatory matters that are not sufficiently certain to meet the criteria for recognition as provisions.

Material accounting policies that apply to provisions & contingent liabilities

We recognise provisions when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where these criteria are not met we disclose a contingent liability if the company has a possible obligation, or has a present obligation with an outflow that is not probable or which cannot be reliably estimated.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Cash flows are adjusted for the effect of inflation where appropriate.

Significant judgements made in identifying contingent liabilities

Contingent liabilities are not recognised as liabilities on our balance sheet. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. We assess the likelihood that a potential claim or liability will arise and also quantify the possible range of financial outcomes where this can be reasonably determined.

In identifying contingent liabilities we make key judgements in relation to applicable law and any historical and pending court rulings, and the likelihood, timing and cost of resolution.

Establishing contingent liabilities associated with litigation brought against the group may involve the use of significant judgements and assumptions, in particular around the ability to form a reliable estimate of any probable outflow. We provide further information in relation to specific matters in the 'contingent liabilities' section below.

Notes to the parent company financial statements continued

13. Provisions & contingent liabilities

Q Key accounting estimates and significant judgements made in accounting for provisions

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

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

Property provisions relate to obligations arising in relation to our property portfolio, in particular costs to restore leased properties on vacation where this is required under the lease agreement. In measuring property provisions, we have made estimates of the costs 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.

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

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

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

Other provisions do not include any individually material provisions.

For all risks, the ultimate liability may vary materially from the amounts provided and will be dependent upon the eventual outcome of any settlement.

	Property £m	Regulatory £m	Litigation £m	Third party claims £m	Other £m	Total £m
At 1 April 2023	82	68	28	144	34	356
Additions	39	72	—	42	2	155
Unwind of discount	—	—	—	—	—	—
Utilised	(9)	(37)	—	(52)		(98)
Released	(8)	(17)	—	(8)	(1)	(34)
Transfers ^a	—	—	(3)	—	17	14
At 31 March 2024	104	86	25	126	52	393
Additions	4	37	9	29	38	117
Unwind of discount	—	—	—	1	—	1
Utilised	(28)	(45)	—	(32)	—	(105)
Released	(2)	(34)	—	(1)	—	(37)
Transfers	—	—	—	—	—	—
At 31 March 2025	78	44	34	123	90	369

^a Transfers relate to the reclassification of balances previously presented in other payables (note 12) following reassessment of the level of certainty over the timing and amount of any outflow of resources.

	2025 £m	2024 £m
At 31 March		
Analysed as:		
Current	187	167
Non-current	182	226
	369	393

Contingent liabilities and legal proceedings

In the ordinary course of business, we are periodically notified of actual or threatened litigation, and regulatory and compliance matters and investigations. There are no matters brought against the company where we believe a material adverse impact on the operations or financial condition of the company is possible and the likelihood of a material outflow of resources is more than remote.

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

Further details on the contingent liabilities are provided in note 17 to the consolidated financial statements.

Notes to the parent company financial statements continued

14. Taxation

The value of the company's income tax asset is disclosed on the company balance sheet on page [106](#). The values of the company's deferred tax assets and liabilities are disclosed in note 18 and below. Deferred tax liabilities are provided for in full on certain temporary differences.

☒ Material accounting policies that apply to taxation

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and the company establishes provisions where appropriate on the basis of the amounts expected to be paid to tax authorities.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the company's assets and liabilities and their tax base. Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where there is an intention to settle the balances on a net basis. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, in the foreseeable future against which the deductible temporary difference can be utilised.

☒ Key accounting estimates 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 80% 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. £75m (FY24: £86m) 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.

	£m
At 1 April 2023	810
Credit recognised in the income statement	194
Transfer to deferred tax asset	—
Transfer to current tax	—
Credit recognised in reserves	(299)
At 1 April 2024	705
Charge recognised in the income statement	302
Transfer to deferred tax asset	—
Transfer to current tax	—
Credit recognised in reserves	(13)
At 31 March 2025	994
	2025
At 31 March	£m
Tax effect of temporary differences due to:	
Excess capital allowances	3,952
Losses	(2,824)
Share-based payments	(51)
Other	(83)
Total provision for deferred taxation	994
	2024
	£m
	2024
	£m

The deferred taxation asset relating to the retirement benefit position is disclosed in note 18.

What factors affect our future tax charges?

We expect a large proportion of our capital spend 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.

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.

Notes to the parent company financial statements continued

15. Reconciliation of movement in other reserves

	Cash flow reserve ^a £m	Fair value reserve £m	Cost of hedging reserve ^b £m	Capital redemption reserve ^c £m	Total other reserves £m
At 1 April 2023	378	6	(37)	752	1,099
Transferred to the income statement	351	—	7	—	358
Tax on items taken directly to equity	69	—	—	—	69
Net fair value gain on cash flow hedges	(660)	—	19	—	(641)
Transfer to realised profit	6	—	—	—	6
Fair value movements on assets at fair value through other comprehensive income	—	—	—	—	—
At 31 March 2024	144	6	(11)	752	891
Transferred to the income statement	324	—	6	—	330
Tax on items taken directly to equity	(59)	—	—	—	(59)
Net fair value loss on cash flow hedges	(101)	—	—	—	(101)
Transfer to realised profit	—	—	—	—	—
Fair value movements on assets at fair value through other comprehensive income	—	(6)	—	—	(6)
At 31 March 2025	308	—	(5)	752	1,055

a The cash flow reserve is used to record the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

b The cost of hedging reserve reflects the gain or loss on the portion excluded from the designated hedging instrument that relates to the currency basis element of our cross-currency swaps and forward points on certain foreign exchange contracts. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses in the cash flow reserve.

c The capital redemption reserve is not available for distribution.

16. Related party transactions

The company is a wholly-owned subsidiary of BT Group Investments Limited, which is the immediate parent company. BT Group Investments Limited is a wholly-owned subsidiary of the ultimate holding company and controlling entity, BT Group plc.

Amounts paid to the company's retirement benefit plans are set out in note 18.

Copies of the ultimate holding company's financial statements may be obtained from The Secretary, BT Group plc, 1 Braham Street, London E1 8EE.

The results of the company are included in the consolidated financial statements of BT Group plc. As permitted by FRS 101, paragraph 8(k) and the Companies Act 2006, the company is exempt from the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member.

The company's related parties include joint ventures, associates, investments and key management personnel.

Associates and joint ventures related parties include the Sports JV with Warner Bros formed during FY23. 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 BT Sport transaction, the company has committed to providing the Sports JV with a sterling Revolving Credit Facility (RCF), up to a maximum for £200m, for short-term liquidity required by the Sports JV to fund its working capital and commitments to sports rights holders. Amounts drawn down by the Sports JV under the RCF accrue interest at a market reference rate, consistent with the company'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. There is also a loan payable to the Sports JV of £10m (FY24: £11m).

The Sports JV has a foreign exchange hedging arrangement with the company to secure Euros required to meet its commitments to certain sports rights holders; the company has external forward contracts in place to purchase the Euros at an agreed sterling rate in order to mitigate its exposure to exchange risk. The company holds a £36m (FY24: £29m) derivative liability in respect of forward contracts provided to the Sports JV.

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

	2025 £m	2024 £m
At 31 March		
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 £2m (FY24: £nil).

17. Financial commitments

Financial commitments as at 31 March 2025 include capital commitments of £767m (FY24: £794m) and other commitments of £2m (FY24: £1m).

TV programme rights commitments were transferred to the Sports JV formed with Warner Bros. Discovery (WBD) during FY23 (see note 7); the company has guaranteed the Sports JV's obligations under certain programme rights commitments; the fair value of these parent company guarantees is not material.

Other than as disclosed in note 13 in respect of legal and regulatory proceedings, there were no contingent liabilities or guarantees at 31 March 2025 other than those arising in the ordinary course of the company's business and on these no material losses are anticipated. We

Notes to the parent company financial statements continued

17. Financial commitments continued

have insurance cover to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of our operations. Otherwise, the company generally carries its own risks.

18. Retirement benefit plans

Background to BT's pension plans

The company has both Defined Benefit (DB) and Defined Contribution (DC) retirement benefit plans. The company's plans are in the UK and the largest by membership is the BT Pension Scheme (BTPS). The BTPS is a DB plan that was closed to future benefit accrual in 2018 for over 99% of the active membership at the time. The BT Hybrid Scheme (BTHS), which combines elements of both DB and DC plans, was set up for non-management employees impacted by the closure of the BTPS, and was closed to new entrants in 2019.

New entrants to BT in the UK are eligible to join a DC plan, currently the BT Retirement Saving Scheme (BTRSS), a contract-based arrangement operated by Standard Life.

☒ Types of retirement benefit plans

Defined Benefit (DB) plans

DB plan benefits are determined by the plan rules, typically dependent on factors such as years of service and pensionable pay, but not on the value of actual contributions made by the company or members. The company is exposed to investment and other experience risks and may need to make additional contributions where it is estimated that the benefits will not be met from assets held, regular contributions, and expected investment income.

The net defined benefit liability, or deficit, is the present value of all expected future benefit cash flows to be paid by each plan, calculated using the projected unit credit method by professionally qualified actuaries (also known as the Defined Benefit Obligation, DBO or liabilities) less the fair value of the plan assets. A net defined benefit asset, or surplus, occurs when the fair value of assets exceeds the liabilities.

Defined Contribution (DC) plans

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

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

The measurement of the 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.

☒ Critical accounting estimates and significant judgements made when valuing the BTPS assets

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. Under IFRS, the ABF is recognised as a plan asset in the company's balance sheet, but not recognised at group level.

Refer to note 18 of the BT plc consolidated financial statements for further details on all other critical accounting estimates and significant judgements.

The net defined benefit liability in respect of defined benefit plans reported in the balance sheet is set out below.

At 31 March	2025			2024		
	Assets	Liabilities	Surplus / (Deficit)	Assets	Liabilities	Surplus / (Deficit)
	£m	£m	£m	£m	£m	£m
BTPS ^a	32,793	(35,690)	(2,897)	36,601	(40,038)	(3,437)
Other plans ^b	125	(157)	(32)	104	(135)	(31)
Total (gross of tax)	32,918	(35,847)	(2,929)	36,705	(40,173)	(3,468)
Deferred tax asset			907			969
Total (net of tax)			(2,022)			(2,499)

a Included in the plan assets is £1.1bn (FY24: £1.2bn) related to the asset-backed funding arrangement.

b The balance sheet position comprises plans in surplus of £11m (FY24: £11m) and plans in deficit of £43m (FY24: £42m). Included in the liabilities is £40m (FY24: £39m) related to unfunded plans.

Notes to the parent company financial statements continued

18. Retirement benefit plans continued

Movements in defined benefit plan assets and liabilities are shown below.

	Assets	Liabilities	Surplus / (Deficit)
	£m	£m	£m
At 31 March 2023	40,075	(41,699)	(1,624)
Service cost (including administration expenses and PPF levy)	(30)	(8)	(38)
Interest on pension deficit	1,898	(1,959)	(61)
Return on plan assets below pensions interest on assets	(3,083)	—	(3,083)
Actuarial gain arising from changes in financial assumptions	—	539	539
Actuarial gain arising from changes in demographic assumptions	—	643	643
Actuarial (loss) arising from experience adjustments	—	(500)	(500)
Regular contributions by employer	44	—	44
Deficit contributions by employer	612	—	612
Benefits paid	(2,811)	2,811	—
At 31 March 2024	36,705	(40,173)	(3,468)
Service cost (including administration expenses and PPF levy)	(15)	(10)	(25)
Interest on pension deficit	1,757	(1,899)	(142)
Return on plan assets below pensions interest on assets	(3,321)	—	(3,321)
Actuarial gain arising from changes in financial assumptions	—	3,606	3,606
Actuarial (loss) arising from changes in demographic assumptions	—	(87)	(87)
Actuarial (loss) arising from experience adjustments	—	(139)	(139)
Regular contributions by employer	44	—	44
Deficit contributions by employer	603	—	603
Benefits paid	(2,855)	2,855	—
At 31 March 2025	32,918	(35,847)	(2,929)

Asset-Backed Funding arrangement (ABF)

Under the ABF, £180m pa is paid into the BTPS until June 2033, with the payments secured on EE Limited. If the BTPS reaches full funding as calculated by the Scheme Actuary at any 30 June, the ABF payments to the BTPS will cease.

Assuming they are all paid, the future payments from the ABF have a present value of £1.2bn as 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.

The fair value of the ABF is included in the assets of the BTPS when assessing the funding deficit and the IAS 19 deficit in the company accounts. Payments from the ABF to BTPS are treated in the same way as coupon payments from bonds, and do not affect the deficit when they are paid. The ABF would be categorised as an unquoted secure income asset within the asset allocation table in note 18 of the BT plc consolidated financial statements.

The fair value of the ABF is not included in the assets of the BTPS when assessing the IAS 19 deficit in the group consolidated accounts, as it is a non-transferable asset issued by the group. Payments from the ABF to BTPS are treated as deficit contributions by the group, and reduce the IAS 19 deficit, when they are paid.

Further information covering details of the BTPS, including the valuation methodology of plan assets and liabilities, funding valuation and future funding obligations is disclosed in note 18 of the BT plc consolidated financial statements.

19. Employees and directors

The average number of persons employed by the company (including directors) during the year was:

	2025	2024
Year ended 31 March	000	000
Average monthly number of employees ^a	23.1	24.7
Year ended 31 March	2025	2024 (restated)
Wages and salaries	£m	£m
Share-based payments	1,428	1,523
Social security	35	55
Other pension costs	188	187
	148	160
	1,799	1,925

^a Includes an average of 6 non-UK employees (FY24: 10 non-UK employees).

Restatement of employee costs

During the year ending 31 March 2025, a new payroll system was implemented. This identified that employee pension contributions, which should have been included in gross wages and salaries, were incorrectly deducted from that category and mapped to employer pension costs. For the year ending 31 March 2024, £113 million of employee pension contributions were wrongly deducted from wages and salaries and added to the Group's other pension costs. This misclassification did not affect total staff costs, and the comparative figures have been restated.

Additionally, sales commissions paid to employees have been reclassified to be included within wages and salaries. Previously, these commissions were categorised under 'sales commissions'. For the year ending 31 March 2024, £74 million was reclassified from 'sales

Notes to the parent company financial statements continued

19. Employees and directors continued

commissions' to wages and salaries. The 'sales commissions' category has been renamed to 'external sales commissions' to clarify its content.

20. Directors' remuneration

Information covering directors' remuneration, interests in shares and share options of BT Group plc (the ultimate parent), and pension benefits is included in note 28 to the consolidated financial statements of BT plc.

21. Derivatives

We use derivative financial instruments mainly to reduce exposure to foreign exchange and interest rate risks. Derivatives may qualify as hedges for accounting purposes if they meet the criteria for designation as cash flow hedges or fair value hedges in accordance with IFRS 9.

Material accounting policies that apply to derivatives

All of the company's derivative financial instruments are held at fair value on the company's balance sheet.

Derivatives designated in a cash flow or fair value hedge

The company 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 Group plc's risk management strategy and there must be an economic relationship based on the currency, amount and timing of the respective cash flows of the hedging instrument and hedged item. This is assessed at inception and in subsequent periods in which the hedge remains in operation. Hedge accounting is discontinued when it is no longer in line with BT Group plc's risk management strategy or if it no longer qualifies for hedge accounting.

In line with BT Group plc's policy the company targets a one-to-one hedge ratio. The economic relationship between the hedged item and the hedging instrument is assessed on an ongoing basis. Ineffectiveness can arise from subsequent change in the forecast transactions as a result of altered timing, cash flows or value.

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

In line with BT Group, company's policy is not to use derivatives for trading purposes. However, due to the complex nature of hedge accounting, some derivatives may not qualify for hedge accounting or may be specifically not designated as a hedge because natural offset is more appropriate. We effectively operate a process to identify any embedded derivatives within revenue, supply, leasing and financing contracts, including those relating to inflationary features. These derivatives are classified as fair value through profit and loss and are recognised at fair value. Any direct transaction costs are recognised immediately in the income statement. Gains and losses on re-measurement are recognised in the income statement in the line that most appropriately reflects the nature of the item or transaction to which they relate.

Where the fair value of a derivative contract at initial recognition is not supported by observable market data and differs from the transaction price, a day one gain or loss will arise which is not recognised in the income statement. Such gains and losses are deferred and amortised to the income statement based on the remaining contractual term and as observable market data becomes available.

The fair values of outstanding swaps and foreign exchange contracts are estimated using discounted cash flow models and market rates of interest and foreign exchange at the balance sheet date.

At 31 March 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	182	24	53
Total derivatives	130	1,026	106	391

At 31 March 2024	Current asset £m	Non current asset £m	Current liability £m	Non current liability £m
Designated in a cash flow hedge	34	947	80	383
Designated in a fair value hedge	—	—	—	—
Other	17	194	14	62
Total derivatives	51	1,141	94	445

Notes to the parent company financial statements continued

21. Derivatives continued

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 company's 2030 US dollar bond. The hedged cash flows will affect the company's income statement as interest and principal amounts are repaid over the remaining term of the borrowings (see note 10).

We hedge forecast foreign currency purchases, principally denominated in US 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 recognised in the income statement.

All hedge relationships were fully effective in the period. See note 15 for details of the movements in the cash flow hedge reserve.

Other derivatives include £122m (FY24: £121m) in relation to BT plc's interest in the ABF funding arrangement for the BTPS. Further information is disclosed in note 18 of the BT plc consolidated financial statements.

22. Assets & liabilities classified as held for sale

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

We classify non-current assets or a group of assets and associated liabilities, together forming a disposal group, as 'held for sale' when their carrying amount will be recovered principally through disposal rather than continuing use and the sale is highly probable. Sale is considered to be highly probable when management are committed to a plan to sell the asset or disposal group and the sale should be expected to qualify for recognition as a completed divestment within one year from the date of classification. We measure non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs of disposal. Intangible assets, property, plant and equipment and right-of-use assets classified as held for sale are not depreciated or amortised.

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.

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, BT Group Plc announced its intention to fully focus on UK connectivity and has initiated an active program to explore options to optimise its non-core or global business. At 31 March 2025, management is committed to a plan to sell a separate business within our non-core business providing connectivity solutions to multiple customers in the UK. The sale of this business is considered to be highly probable and is expected to complete within a year. Accordingly, the associated assets and liabilities have been presented as held for sale at 31 March 2025.

Assets and liabilities held for sale

The disposal group held for sale comprised the following assets and liabilities.

	2025
	£m
At 31 March	
Assets	
Intangible assets ^a	3
Property, plant and equipment ^b	5
Right-of-use assets ^b	2
Trade and other receivables	3
Assets held for sale	13

Liabilities

Trade and other payables	3
Lease Liabilities <1yr	2
Current tax liability	1
Liabilities held for sale	6

^a Intangible assets of the disposal groups are presented as assets held for sale. See Note 4.

^b Property, plant and equipment and right-of-use assets of the disposal groups are presented as assets held for sale. See Note 5 and Note 6 respectively.

There were no assets and liabilities classified as held for sale in FY24.

23. Post balance sheet events

On 3 June 2025, the company issued a EUR 700m senior bond due on 3 January 2035 with a coupon of 3.75% and a GBP 400m hybrid bond due on 3 December 2055 with a coupon of 6.375% until the first reset date of 30 December 2030 under our European Medium Term Note programme.

Related undertakings

Company name	Group interest in allotted capital ^a	Share class	BT Paddington Holdings UK Limited	100%	ordinary	BT Solutions Limited (Bahrain Branch) ^b	100%	–
Held directly			BT Property Holdings (Aberdeen) Limited	100%	ordinary	Bangladesh		
Bermuda			BT Property Limited	100%	ordinary	UTC Building, 19th Floor, Kawran Bazar, Dhaka, 1215, Bangladesh		
Century House, 16 Par-la-Ville Road, Hamilton, HM08, Bermuda			BT Quartz Euston Limited	100%	ordinary	BT Communications Bangladesh Limited	100%	ordinary
Communications Global Network Services Limited	100%	ordinary	BT Quartz Holdings UK Limited	100%	ordinary	Barbados		
China			BT Quartz Paddington Limited	100%	ordinary	3rd Floor, The Goddard Building, Haggatt Hall, St. Michael, BB11059, Barbados		
Building 16, 6th Floor, Room 602-B, No. 269 Wuyi Road, Hi-tech Park, Dalian, 116023, China			BT SLE Euro Limited	100%	ordinary	BT (Barbados) Limited	100%	ordinary
BT Technology (Dalian) Company Limited	100%	registered	BT SLE USD Limited	100%	ordinary	Belarus		
Italy			BT Solutions Limited	100%	ordinary	58 Voronyanskogo St, Office 89, Minsk 220007, Belarus		
Via Tucidide 14, 20134, Milano, Italy			EE Group Investments Limited	100%	ordinary	BT BELRUS Foreign Limited Liability Company	100%	ordinary
BT Italia S.p.A.	99%	ordinary	Newgate Street Secretaries Limited	100%	ordinary	Belgium		
Isle of Man			Radianz Limited	100%	ordinary	Telecomlaan 9, 1831 Diegem, Belgium		
Third Floor, St Georges Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man			Redcare Limited	100%	ordinary	BT Global Services Belgium BV	100%	ordinary
Communicator Insurance Company Limited	100%	ordinary	Southgate Developments Limited	100%	ordinary	Global Security Europe Limited – Belgian Branch ^b	100%	–
Jersey			Alexander Bain House, 15 York Street, Glasgow, Lanarkshire, G2 8LA, Scotland			Rue des Guillemins 129, 4000 Liege, Belgium		
26 New Street, St Helier, JE2 3RA, Jersey			BT Corporate Limited	99%	ordinary	IP Trade SA	100%	ordinary
Ilford Trustees (Jersey) Limited	100%	ordinary	BT Falcon 1 LP	50 %	–	Bolivia		
Luxembourg			Holland House (Northern) Limited	100%	ordinary	Avda. 6 de Agosto N° 2700, Torre Empresarial CADECO, Piso 4, La Paz, Bolivia		
12 rue Eugene Ruppert, L 2453, Luxembourg			6 Gracechurch Street, London, EC3V 0AT, United Kingdom			BT Solutions Limited		
BT Global Services Luxembourg SARL	100%	ordinary	Openreach Limited	100%	ordinary	Sucursal Bolivia ^b	100%	–
Netherlands			BDO LLP, 55 Baker Street, London, W1U 7EU, United Kingdom			Bosnia and Herzegovina		
Herikerbergweg 2, 1101 CM, Amsterdam, Netherlands			BT OnePhone Limited	100%	ordinary	Trg Heroja 10/1, Sarajevo, 71000, Bosnia and Herzegovina		
BT Nederland N.V.	100%	ordinary	Endeavour, Sheffield Digital Campus,1a Concourse Way, Sheffield, S1 2BJ, United Kingdom			BTIH Teleconsult		
Republic of Ireland			Plusnet plc	100%	ordinary	Drustvo sa organicenom odgovornoscu za posredovanje i zastupanje d.o.o.		
5th Floor, 2 Grand Canal Plaza, Upper Grand Canal Street, Dublin 4, Ireland						Sarajevo	100%	–
The Faraday Procurement Company Limited	100%	ordinary	Held via other group companies			Botswana		
United Kingdom			Algeria			Plot 2482b, Tshekedi Crescent, Extension 9, Gaborone, 211008, Bontleng, Botswana		
1 Braham Street, London, E1 8EE, United Kingdom			20 Micro zone d'Activités Dar El Madina, Bloc B, Loc N01 Hydra, Alger, 16000, Algeria			BT Global Services Botswana (Proprietary) Limited	100%	ordinary
Autumnwindow Limited	100%	ordinary	BT Algeria Communications SARL	100%	ordinary	Brazil		
Autumnwindow No.2 Limited	100%	ordinary	Argentina			Avenida Dr. Ruth Cardoso, 4777 – 14 andar, A parte, Pinheiros, São Paulo, SP, 05477-000, Brazil		
Autumnwindow No.3 Limited	100%	ordinary	Maipu No 1210, piso 8 (C1006), Buenos Aires, Argentina			BT Communications do Brasil Limitada	100%	quotas
BPSLP Limited	100%	ordinary	BT Argentina S.R.L.	100%	ordinary	BT Global Communications do Brasil Limitada	100%	quotas
Bruning Limited	100%	ordinary	Australia			Bulgaria		
BT (RRS LP) Limited	100%	ordinary	Level 20, 420 George Street, Sydney, NSW 2000, Australia			51B Bulgaria Blvd, fl. 4, Sofia, 1404, Bulgaria		
BT Corporate Trustee Limited	100%	limited by guarantee	BT Australasia Pty Limited	100%	ordinary	BT Bulgaria EOOD	100%	ordinary
BT European Investments Limited	100%	ordinary	Austria			BT Global Europe B.V. – Bulgaria branch ^b	100 %	–
BT Euston Holdings UK Limited	100%	ordinary	Louis-Häfliger-Gasse 10, 1210, Wien, Austria			Canada		
BT Holdings Limited	100%	ordinary	BT Austria GmbH	100%	ordinary	100 King Street West, Suite 6200, 1 Canadian Place, Toronto ON M5X 1B8, Canada		
BT IoT Networks Limited	100%	ordinary	Azerbaijan			BT Canada Inc.	100%	common
BT Ninety-Seven Limited	100%	ordinary	AZ 1025 The Azure Business Center, 20th Floor, c/o BDO Azerbaijan LLC, Z1025, Khatai district, Afiyaddin Jalilov 26, apt.177, Azerbaijan			Chile		
BT Nominees Limited	100%	ordinary	BT Azerbaijan Limited, Limited Liability Company	100%	ordinary	Rosario Norte 407, Piso 6, Las Condes, Santiago, Chile		

Related undertakings continued

China					
No. 3 Dong San Huan Bei Lu, Chao Yang District, Beijing, 100027, China					
BT Limited, Beijing Office ^b	100%	-			
Room 2101-2103, 21/F, International Capital Plaza, No. 1318 North Sichuan Road, Hong Kou District, Shanghai, 200080, China					
BT China Limited - Shanghai Branch Office ^b	100%	-			
1502-1503, AVIC Center, No. 1008, Huafu Road, Futian District, Shenzhen, 518000, China					
BT China Limited - Shenzhen Branch ^b	100%	-			
Room 3, 4, F7, Tower W3, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, 100738, China					
BT China Limited	100%	registered			
Unit 1537B, Floor 15th, No. 55, Xili Road, Shanghai Free Trade Zone, Shanghai, China					
BT China Communications Limited	50%	ordinary			
Colombia					
Calle 113, 7-21, Torre A Oficina 1015 Teleport Business, Bogota, Colombia					
BT Colombia Limitada	100%	quotas			
Costa Rica					
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, 4º Piso, Quito, Ecuador					
BT Solutions Limited (Sucursal Ecuador) ^b	100%	-			
Egypt					
Unit no. 306 Administrative Second Floor, Al Saraya Mall, Al Mehwar Al- Markazy, Giza, Egypt					
BT Telecom Egypt LLC	100%	stakes			
El Salvador					
Edificio Avante Penthouse Oficina, 10-01 Y 10-03 Urbanizacion, Madre Selva, Antiguo Cuscatlan, La Libertad, El Salvador					
BT El Salvador, Limitada de Capital Variable	100%	ordinary			
Finland					
Mannerheimvägen 12 B 6, 00100 Helsinki, Finland					
BT Nordics Finland Oy	100%	ordinary			
France					
Tour Ariane, 5 place de la Pyramide, La Defense Cedex, 92088, Paris, France					
BT France S.A.S.	100%	ordinary			
Germany					
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 Fióktelepe ^b	100%	-			
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			
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			
Israel					
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			
Priestgate Limited	100%	ordinary			
Italy					
Beit Oz, 14 Abba Hillel Silver Rd, Ramat Gan, 52506, Israel					
B.T. Communication Israel Ltd	100%	ordinary			
Japan					
ARK Mori Building, 12-32 Akasaka, 1-Chome, Minato-Ku, Tokyo, 107-6018, Japan					
BT Japan Corporation	100%	ordinary			
Jersey					
PO Box 264, Forum 4, Grenville Street, St Helier, JE4 8TQ, Jersey					
BT Jersey Limited	100%	ordinary			
Jordan					
Wadi AlSer – Dahiet Prince Rashid – King Abdullah Street, Building No. 391 – 3rd Floor, Jordan					
BT (International) Holdings Limited (Jordan)	100%	ordinary			
Kazakhstan					
n.p.38b, Building 5, Kaiym Mukhamedkhanov Street, Nura District, Astana, Index 010000, Kazakhstan					
BT Kazakhstan LLP	100%	-			
Kenya					
LR 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-daoero, 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 ierobeztu 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					

Related undertakings continued

Aludariu str 2-33, LT-01113 Vilnius, Lithuania					
UAB BTB Vilnius	100%	ordinary			
Luxembourg					
12 rue Eugene Ruppert, L 2453, Luxembourg					
BT Broadband Luxembourg Sàrl	100%	ordinary			
Malawi					
KEZA Office Park Blocks 3, First Floor, Near Chichiri, Shopping Mall, Blantyre, Malawi					
BT Malawi Limited	100%	ordinary			
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 CP1000					
BT LatAm México, S.A. de C.V.	100%	common			
Montenegro					
Vasa Raickovica 4b, Podgorica, Podgorica, Montenegro					
BT Montenegro DOO	100%	-			
Morocco					
Bd. Abdelmoumen, Immeuble Atrium, n 374, Lot. Manazyl Al Maymouna, 5eme etage, Casablanca, 20390, Morocco					
BT Solutions Limited – Morocco Branch ^b	100%	-			
Mozambique					
Avenida Kenneth Kaunda, number 660, Sommershield, Maputo City, Mozambique					
BT Mozambique, Limitada	100%	quotas			
Namibia					
Unit 3, 2nd floor, Ausspann Plaza, Dr Agostinho Neto Road, Ausspannplatz, Private Bag, Windhoek, 12012, Namibia					
BT Solutions Limited ^b	100%	-			
Netherlands					
Herikerbergweg 2, 1101 CM, Amsterdam, Netherlands					
BT Global Europe B.V.	100%	ordinary			
BT (Netherlands) Holdings B.V.	100%	ordinary			
BT Professional Services Nederland B.V.	100%	ordinary			
Global Security Europe Limited ^b	100%	-			
New Zealand					
c/o Deloitte, Level 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 Gruiev 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 Marszałkowska St., Room 209, 00-008, Warsaw, Poland					
BT Poland Spółka Z Ograniczoną Odpowiedzialnością	100%	ordinary			
Portugal					
Rua D. Francisco Manuel de Melo 21-1, 1070-085 Lisboa, Portugal					
BT Portugal – Telecomunicações, Unipessoal Lda	100%	ordinary			
Puerto Rico					
Corporation Service Company Puerto Rico Inc., c/o RVM Professional Services LLC, A4 Reparto Mendoza, Humacao, 00791, Puerto Rico					
BT Communications Sales, LLC Puerto Rico branch ^b	100%	-			
Qatar					
1413, 14th Floor, Al Fardan Office Tower, Doha, 31316, Qatar					
BT Global Services (North Gulf) LLC	49%	ordinary			
Republic of Ireland					
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 east' 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, Building 5, Waterfall Corporate Campus, Midrand 2066, South Africa					

Related undertakings continued

BT Communications Services South Africa (Pty) Limited	70%	ordinary
BT Building, Woodmead North Office Park, 54 Maxwell Drive, Woodmead, Johannesburg, 2191, South Africa		
BT Limited ^b	100%	-
Spain		
C/ Maria 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, İstanbul, Turkey		
BT Bilisim Hizmetleri Anonim Şirketi	100%	ordinary
BT Telekom Hizmetleri Anonim Şirketi	100%	common
Uganda		

Engoru, Mutabi Advocates, Ground Floor, Rwenzori House, 1 Lumumba Avenue, Kampala, 22510, Uganda			
BT Solutions Limited ^b Ukraine	100%		-
Office 702, 34 Lesi Ukrainsky Boulevard, Kyiv 01042, Ukraine			
BT Ukraine Limited Liability Company	100%	stake	
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			
Belmullet (IoM) Limited ^b	100%		-
BT (International) Holdings Limited	100%	ordinary	
BT Communications Ireland Group Limited – UK Branch ^b	100%		-
BT Fifty-One	100%	ordinary	
BT Fifty-Three Limited	100%	ordinary	
BT Global Security Services Limited	100%	ordinary	
BT Global Services Limited	100%	ordinary	
BT Limited	100%	ordinary	
BT Sixty-Four Limited	100%	ordinary	
BT UAE Limited Communications Global Network Services Limited – UK Branch ^b	100%		-
Communications Networking Services (UK)	100%	ordinary	
EE (Group) Limited	100%	ordinary	
EE Limited	100%	ordinary	
EE Pension Trustee Limited	100%	ordinary	
ESAT Telecommunications (UK) Limited	100%	ordinary	
Extraclick Limited	100%	ordinary	
Global Security Europe Limited	100%	ordinary	
Mainline Communications Group Limited	100%	ordinary	
Mainline Digital Communications Limited	100%	ordinary	
Numberrapid Limited	100%	ordinary	
Orange Furbs Trustees Limited	100%	ordinary	
Orange Home UK Limited	100%	ordinary	
Orange Personal Communications Services Limited	100%	ordinary	
Tudor Minstrel	100%	ordinary	
United States			

c/o Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States		
BT Americas Holdings Inc.	100%	common
BT Americas Inc.	100%	common
BT Communications Sales LLC	100%	units
BT Federal Inc.	100%	common
BT Procure L.L.C.	100%	units
BT United States L.L.C.	100%	units
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		
Company name	Group interest in allotted capital^a	Share class
Held directly		
United Kingdom		
The Blade, Abbey Square, Reading, RG1 3BE, United Kingdom		
Altitude Angel Ltd	23%	preference
2nd Floor, Aldgate Tower, 2 Leman Street, London, E1 8FA, United Kingdom		
Youview TV Limited	14%	voting
Held via other group companies		
Mauritius		
IFS Court, Bank Street, TwentyEight Cybercity, Ebene, 72201, Mauritius		
Mahindra – BT Investment Company (Mauritius) Limited	43%	ordinary
Philippines		
32F Philam Life Tower, 8767 Paseo de Roxas, Makati City, Philippines		
ePLDTSunphilco JV, Inc	20%	ordinary
Sur-Philippines JV, Inc	20%	ordinary

Related undertakings continued

United Kingdom

24/25 The Shard, 32 London Bridge Street,
London, SE1 9SG, United Kingdom

Digital Mobile
Spectrum Limited 25% ordinary

10 Stadium Business Court, Millennium Way,
Pride Park, Derby, DE24 8HP, United Kingdom

Midland
Communications
Distribution Limited 35% ordinary

Phoneline (M.C.D)
Limited 35% ordinary

Joint ventures

Company name Group
interest in
allotted
capital^a Share
class

Held directly

United Kingdom

Chiswick Park Building 2, 566 Chiswick High
Road, London, W4 5YB, United Kingdom

TNT Sports
Broadcasting Limited^c 50% ordinary

6th Floor, One London Wall, London, EC2Y 5EB,
United Kingdom

Internet Matters
Limited 25% -

Held via other group companies

United Kingdom

80 Fenchurch Street, London, EC3M 4AE, United
Kingdom

Rugby Radio Station
(General Partner)
Limited 50% ordinary

Rugby Radio Station
(Nominee) Limited 50% ordinary

Rugby Radio Station
LP 50% -

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.

Subsidiaries exempt from audit

The following subsidiary undertakings have taken the exemption from the requirements of audit of individual accounts by parent guarantee under section 479A-479C of the Companies Act 2006:

Subsidiary	Registered number	Subsidiary	Registered number	Subsidiary	Registered number
Autumnwindow Limited	4109614	BT Holdings Limited	2216773	ExtraClick Limited ^a	4552808
Autumnwindow No.2 Ltd	4312827	BT IoT Networks Limited	2329342	Global Security Europe Limited	12290726
BPSLP Limited	11251566	BT Limited	2216369	Holland House (Northern) Limited	SC390251
Bruning Limited	4958289	BT Ninety-Seven Limited	14017603	Mainline Communications Group Limited	2862068
BT (International) Holdings Limited	2216586	BT Property Holdings (Aberdeen)	10255933	Mainline Digital Communications Limited	2973418
BT (RRS LP) Limited	4109640	BT Sixty-Four Limited	4007415	Numberrapid Limited	4825279
BT European Investments Limited	4276882	BT Sle Euro Limited	7573610	Openreach Limited	10690039
BT Fifty-One	3621755	BT Sle USD Limited	7573644	Radianz Limited	3918478
BT Fifty-Three Limited	3621745	BT Solutions Limited	4573373	Tudor Minstrel	3747023
BT Global Security Services Limited	11786115	BT UAE Limited	4726666		
BT Global Services Limited	2410810	Communications Networking Services (UK)	2840475		

^a ExtraClick Limited has a 30 September 2024 year-end

Additional Information

Alternative performance measures

Introduction

We assess the performance of the group using a variety of alternative performance measures that are not defined under IFRS and are therefore termed non-GAAP measures. The non-GAAP measures we use are: adjusted revenue, adjusted UK service revenue, adjusted operating costs, adjusted finance expense, adjusted EBITDA, adjusted operating profit and adjusted profit before tax. The rationale for using these measures, along with a reconciliation from the nearest measures prepared in accordance with IFRS, is presented below.

The alternative performance measures we use may not be directly comparable with similarly titled measures used by other companies.

Specific items

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

This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the BT Group plc Executive Committee and assists in providing an additional analysis of our reporting trading results.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include significant business restructuring programmes such as the current group-wide cost transformation and modernisation programme, acquisitions and disposals of businesses and investments, impairment of goodwill, impairment on remeasurement of the disposal groups to be held for sale, 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 as specific. Refer to note 22 for further detail.

Details of items meeting the definition of specific items in the current and prior year are set out in note 9.

Reported revenue, reported operating costs, reported operating profit, reported net finance expense, reported profit before tax and reported earnings per share are the equivalent IFRS measures. A reconciliation from these can be seen in the group income statement on page 35.

Adjusted EBITDA

In addition to measuring financial performance of the group and customer-facing units based on adjusted operating profit, we also measure performance based on adjusted EBITDA. Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures.

We consider adjusted EBITDA to be a useful measure of our operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. Adjusted EBITDA is not a direct measure of our liquidity, which is shown by our cash flow statement, and needs to be considered in the context of our financial commitments.

A reconciliation of reported profit for the period, the most directly comparable IFRS measure, to adjusted EBITDA, is set out below.

Year ended 31 March	2025 £m	2024 £m
Reported profit for the period	1,781	1,566
Tax	280	331
Reported profit before tax	2,061	1,897
Net finance expense	417	298
Depreciation and amortisation, including impairment charges	4,978	5,398
Specific revenue	12	38
Specific operating costs before depreciation and amortisation	727	450
Share of post tax losses (profits) of associates and joint ventures	8	21
Adjusted EBITDA	8,203	8,102

Adjusted UK service revenue

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

Adjusted UK service revenue excludes revenues from our Global channel and international elements of our Portfolio channel within our Business segment, as they are international in nature.

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

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

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

Year ended 31 March	2025 £m	2024 £m
Reported revenue	20,358	20,797
Specific revenue	12	38
Adjusted revenue	20,370	20,835
Of which non-UK ^a revenue	(2,478)	(2,717)
Adjusted UK revenue	17,892	18,118
UK equipment ^b revenue	(2,310)	(2,391)
Adjusted UK service revenue	15,582	15,727

^a UK revenue excludes revenue generated from international channels within our Business segment. This is different to the non-UK revenue in Note 4 as it is disaggregated based on revenue from external customers on the basis of customer location.

^b This includes Consumer equipment of £1,806m (FY24: £1,918m) and Business equipment of £504m (FY24: £473m), which is different to Note 5 where it is disaggregated based on product and segment.

Below we reconcile Adjusted UK service revenue by unit:

Year ended 31 March	2025 £m	2024 £m
Consumer	7,888	7,916
Business	4,861	4,937
Openreach	6,156	6,077
Other	12	11
Intra-group items	(3,335)	(3,214)
Total	15,582	15,727

Cautionary statement regarding forward-looking statements

Certain information included in this Annual Report and Accounts is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this Annual Report and Accounts are not guarantees of future performance. All forward looking statements in this Annual Report and Accounts are based upon information known to

the Company on the date of this Annual Report and Accounts. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward looking statements, which speak only at their respective dates. Additionally, forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. Nothing in this Annual Report and Accounts shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.